

HB 2037 STAFF MEASURE SUMMARY

House Committee On Economic Recovery and Prosperity

Prepared By: Wenzel Cummings, LPRO Analyst

Meeting Dates: 2/9, 3/9

WHAT THE MEASURE DOES:

Increases maximum amount that may be loaned to an applicant for a business development project by the Oregon Business Development Commission from \$1 million to \$2 million. Applies increased maximum loan amount to applications submitted on or after effective date. Requires Oregon Business Development Department to increase maximum loan amount, starting in calendar year 2023, by percentage change in monthly averaged Consumer Price Index for preceding 12 consecutive months as compared with calendar year 2021. Prohibits adjustment in maximum loan amount from being reduced below \$2 million.

ISSUES DISCUSSED:

- Default rate on loans made through the fund
- Escalating costs on businesses

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The Oregon Business Development Department (OBDD), more commonly known as “Business Oregon,” is the state’s economic development agency. Its mission is to invest in Oregon businesses, communities, and people to promote a globally competitive, diverse, and inclusive economy. The overall work of the Department is guided by the nine-member Business Oregon Commission with additional input and expertise provided by several other advisory bodies and boards associated with specific programs, including business finance programs that are backed by lottery dollars for direct loan and loan guarantees.

The Oregon Business Development Fund (OBDF) is a revolving loan fund that provides term, fixed-rate financing for land, buildings, equipment, machinery and permanent working capital. Participants must create or retain jobs and must typically be a traded-sector business in manufacturing, processing or distribution. The program gives preference to projects located in rural and distressed areas and to small businesses with fewer than 100 employees. Applicants for the program must demonstrate the ability to create or retain jobs as a result of the loan. Expansion projects can be financed to a maximum up to 40 percent of eligible project cost and requires participation from a lending or financing partner. The program has a fixed interest rate of U.S. Treasury securities plus one percent (four percent minimum), a \$200 application fee, a 1.5 percent loan origination fee, and no prepayment penalty.

Under current law, the maximum amount of a loan may not exceed \$1 million. House Bill 2037 increases the maximum loan amount to \$2 million, and requires OBDD to adjust the maximum amount by the percentage change in the Consumer Price Index starting with calendar year 2023. The measure prohibits any adjustment from reducing the maximum loan amount below \$2 million.