

HB 2266 -1, -2, -3 STAFF MEASURE SUMMARY

House Committee On Economic Recovery and Prosperity

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Meeting Dates: 3/18, 4/6

WHAT THE MEASURE DOES:

Requires the Oregon Business Development Department to study the use of economic development methods for purposes of assisting businesses and to report its findings by September 15, 2022. Sunsets on January 2, 2023.

ISSUES DISCUSSED:

- Impact of Covid-19 pandemic on businesses
- Strategic plan of Business Oregon
- Access to capital by businesses in the state
- Gaps in collateral by businesses seeking loans
- Targeted businesses with loan funds at Business Oregon

EFFECT OF AMENDMENT:

-1 Replaces original measure. Requires the Oregon Business Development Department (OBDD) to make awards to lenders for purposes of funding the lenders' loan loss reserve accounts. Specifies that the award process must be through a competitive request for proposal process and that no more than 10 percent of available funds may be awarded to any single lender. Specifies the criteria by which OBDD is to evaluate proposals, including the extent to which the lender provides technical assistance to underserved borrowers, how the lender's application process and underwriting criteria are designed to reduce historic barriers to borrowers' access to loan capital, and how the lender plans to ensure loans are made to borrowers in regionally diverse and rural areas of the state. Requires OBDD to enter into written agreements with each lender and specifies the terms of the agreements. Requires lenders who are awarded moneys under the program to make an annual report to OBDD by July 31 during each year of the term of the written agreement and prescribes the contents of the annual report. Requires OBDD to submit a report to the Legislative Assembly by September 15 of each even-numbered year, and prescribes the contents of the report. Appropriates \$5 million to OBDD out of the General Fund for purposes of the program. Allocates \$250,000 from the Administrative Services Economic Development Fund to the Oregon Department of Administrative Services for distribution to the Oregon Entrepreneurs Network and specifies the purposes for which the Network may use the moneys, including one-on-one interviews with entrepreneur ecosystem participants and to fund technological infrastructure for the creation of a statewide entrepreneurial ecosystem community. Allocates \$3 million from the Administrative Services Economic Development Fund to OBDD for deposit in the Oregon Growth Fund to be continuously appropriated to OBDD for the use of the Oregon Growth Board and specifies the purposes for which the moneys may be used, including helping fill capital gaps encountered by Oregon businesses, especially in underserved communities, rural areas, and under-supported industry sectors. Requires OBDD to establish a program to make loans to eligible businesses, which include disadvantaged business enterprises, minority-owned businesses, woman-owned businesses, businesses owned by a service-disabled veteran, or emerging small businesses. Specifies the amount of loans under the program and the qualifications of a recipient. Establishes the Disadvantaged and Emerging Small Business Loan Fund as separate and distinct from the General Fund to be continuously appropriated to OBDD and specifies the purposes for which the moneys may be used. Requires OBDD to submit a report to the Legislative Assembly by September 15 of each year and specifies the contents of the report. Appropriates \$10 million from the General Fund for deposit in the Disadvantaged and Emergency Business Loan Fund. Declares emergency, effective on passage.

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-2 Replaces original measure. Requires the Oregon Business Development Department (OBDD) to make awards to lenders to fund the lenders' loan loss reserve accounts and specifies the process for the award to be through competitive request for proposals. Limits the amount of an award to any single lender to no more than ten percent of available funds. Specifies the criteria by which OBDD must evaluate proposals. Requires OBDD to enter into a written agreement with each lender that accepts an award, and specifies the contents of the agreement. Requires each lender who accepts an award to provide a report to OBDD annually by July 31 during the term of the written agreement and specifies the contents of the report to include number and amount of loans made, demographic data of borrowers, and outreach conducted to rural and underserved populations. Permits the lender to be released from any obligation under the written agreement after ten years with a four-to-one ratio of total principal amount of loans made to amount awarded to the lender. Specifies reasons for lender to repay the balance of money awarded to lender, including if the lender has not made a qualified loan for 24 consecutive months. Requires OBDD to submit a report to the Legislative Assembly by September 15 of every even-numbered year and specifies the contents of the report. Appropriations \$10 million of General Fund to OBDD for purposes of implementing the award program. Requires the interim committees of the Legislative Assembly related to economic development to evaluate the effectiveness of the program and develop recommendations for legislation. Defines key terms, including "eligible business," to mean a business certified by the Certification Office for Business Inclusion and Diversity. Requires OBDD to establish a program to make loans to eligible businesses and specifies the amounts of loans based on length of time the business has been operating. Establishes the Disadvantaged and Emerging Small Business Loan Fund to be separate and distinct from the General Fund and to be continuously appropriated to OBDD for purposes of the loan program, and appropriates \$10 million General Fund to the established fund. Declares emergency, effective on passage.

-3 Replaces original measure. Requires the Oregon Business Development Department (OBDD) to make awards to lenders to fund the lenders' loan loss reserve accounts and specifies the process for the award to be through competitive request for proposals. Limits the amount of an award to any single lender to no more than ten percent of available funds. Specifies the criteria by which OBDD must evaluate proposals. Requires OBDD to enter into a written agreement with each lender that accepts an award, and specifies the contents of the agreement, including the lender's obligations in circumstances related to a borrower who defaults on a loan. Requires each lender who accepts an award to provide a report to OBDD annually by July 31 during the term of the written agreement and specifies the contents of the report to include number and amount of loans made, demographic data of borrowers, and outreach conducted to rural and underserved populations. Permits the lender to be released from any obligation under the written agreement after ten years with a four-to-one ratio of total principal amount of loans made to amount awarded to the lender. Specifies reasons for lender to repay the balance of money awarded to lender, including if the lender has not made a qualified loan for 24 consecutive months. Requires OBDD to submit a report to the Legislative Assembly by September 15 of every even-numbered year and specifies the contents of the report. Appropriations \$10 million of General Fund to OBDD for purposes of implementing the award program. Requires the interim committees of the Legislative Assembly related to economic development to evaluate the effectiveness of the program and develop recommendations for legislation. Defines key terms, including "eligible business," to mean a business certified by the Certification Office for Business Inclusion and Diversity. Requires OBDD to establish a program to make loans to eligible businesses and specifies the amounts of loans based on length of time the business has been operating. Establishes the Disadvantaged and Emerging Small Business Loan Fund to be separate and distinct from the General Fund and to be continuously appropriated to OBDD for purposes of the loan program, and appropriates \$10 million General Fund to the established fund. Declares emergency, effective on passage.

BACKGROUND:

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The Oregon Business Development Department, 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. Business Oregon operates infrastructure financing programs that are available to local municipalities for water systems, wastewater systems, port development, roads, and other infrastructure needs related to business growth and community development.

House Bill 2266 requires Business Oregon to study the use of economic development methods for purposes of assisting businesses and to report its findings by September 15, 2022.