

**HB 4015 STAFF MEASURE SUMMARY****Carrier:** Sen. Hansell**Senate Committee On Labor and Business****Action Date:** 02/17/22**Action:** Do pass.**Vote:** 4-0-1-0**Yeas:** 4 - Hansell, Jama, Lieber, Taylor**Exc:** 1 - Knopp**Fiscal:** No fiscal impact**Revenue:** No revenue impact**Prepared By:** Wenzel Cummings, LPRO Analyst**Meeting Dates:** 2/17**WHAT THE MEASURE DOES:**

Makes changes to the Entrepreneurial Development Loan Fund program administered by the Oregon Business Development Department (Business Oregon). Increases maximum loan amount to individual businesses from \$100,000 to \$1 million. Increases maximum annual revenue limit for loan eligibility from \$500,000 to \$1.5 million. Directs Business Oregon, starting in 2023, to adjust maximum loan amount and maximum revenue limit in accordance with changes in the Consumer Price Index, so long as maximum loan amount is not less than \$1 million and annual revenue limit is not less than \$1.5 million. Adds, among alternative qualifiers for business eligibility, businesses with fewer than 25 employees. Amends the required amount of equity funds that a business must provide for loan eligibility from at least 20 percent of the loan amount to either 15 percent of proceeds that will be used for working capital and equipment or ten percent of the amount that will be used to acquire real property. Declares emergency, effective upon passage.

**ISSUES DISCUSSED:**

- Objective of the program
- Fiduciary duties of the agency to the public and to the borrower
- Greater flexibility through Economic Development Administration funds
- Loans currently outstanding and in process
- Costs to businesses increasing and business needs far exceed the old limits
- Intent to better meet needs of businesses until they can qualify for private lending
- How the loan term and percentage are determined
- Default rate and loss rate under program

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

Business Oregon is Oregon's economic development agency and administers a variety of programs aimed at helping Oregon businesses grow. Many of these programs are designed to help small businesses, businesses investing resources in economically distressed areas, or businesses in sectors with the potential for growth.

One of these programs is the Entrepreneurial Development Loan Fund (EDLF) program which provides loans to small business start-ups and those with difficulty accessing capital through traditional sources. The EDLF provides direct loans to help start-ups, micro-enterprises, and small businesses expand or become established in Oregon. Loans are limited in amount to any one borrower. During the 2020 2nd Special Session, the Legislative Assembly increased the maximum loan amount from \$100,000 to \$250,000. This increase was to sunset on December 31, 2021, but House Bill 2038 (2021) extended the sunset to December 31, 2024, and also required Business Oregon

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to adjust annually the maximum loan amount in accordance with changes to the Consumer Price Index starting in 2023.

To be eligible for a loan, businesses must meet three required criteria as well as at least one more specified alternative criterium. Included among the alternative criteria is a cap on a qualifying business's annual revenue. During the 2020 2nd Special Session, the Legislative Assembly increased the cap on annual revenue from \$500,000 to \$1.5 million. This increase was to sunset on December 31, 2021, but House Bill 2038 (2021) extended the sunset to December 31, 2024, and also required Business Oregon to adjust annually the revenue cap in accordance with changes to the Consumer Price Index starting in 2023.

House Bill 4015 permanently increases the maximum loan amount to \$1 million and the cap on annual revenue to \$1.5 million, and requires Business Oregon to adjust both amounts in accordance with changes to the Consumer Price Index starting in 2023. The measure also adds a new alternative criterium for a business to be eligible for a loan: businesses with fewer than 25 employees. Finally, the measure amends the required amount of equity funds that a business must provide for loan eligibility.