

ANALYSIS

Item 26: Oregon Business Development Department

State Small Business Credit Initiative

Analyst: Michelle Deister

Request: Increase Federal Funds expenditure limitation for the Oregon Business Development Department by \$3,281,050 for expenditures related to the State Small Business Credit Initiative program.

Analysis: The Oregon Business Development Department (OBDD) has received two tranches of funding, totaling \$53.6 million, from the U.S. Department of the Treasury through the State Small Business Credit Initiative (SSBCI). OBDD uses this grant funding to support small businesses by providing venture capital funding for Oregon startups, business loans, loan guarantees, loan purchases to increase the lending capacity of local Community Development Financial Institutions, Economic Development Districts, tribal governments, and not-for-profits, and technical assistance grants to organizations supporting small businesses with access to capital. Finally, a portion of the funding is also used for administrative costs necessary to manage the programs.

In addition, any program income, which can include fees for services performed that were supported with SSBCI funds, interest on loans made with SSBCI funds, and interest income earned on balances drawn from U.S. Treasury but not yet disbursed, may be used to provide additional capital to businesses and for allowable agency costs incurred in administering the grant funding.

OBDD reports \$3.3 million in interest and program income and is requesting additional expenditure limitation that will be used for new program awards and additional administrative expenses, such as paying fees to venture capital fund managers, investing in Oregon startups, and legal fees directly related to the program.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$3,281,050 in Federal Funds expenditure limitation for the Oregon Business Development Department in a budget reconciliation bill during the 2026 legislative session for expenditures related to the State Small Business Credit Initiative program.

Request: Increase Federal Funds expenditure limitation by \$3,281,050 to utilize the interest and program income earned on the federal State Small Business Credit Initiative (SSBCI) Award.

Recommendation: Approve the requests during the 2026 Legislative Session.

Discussion: Business Oregon requests a Federal Funds expenditure limitation increase of \$3.3 million so the agency can utilize the interest earned on the SSBCI award from the U.S. Department of the Treasury (U.S. Treasury). The SSBCI program within the U.S. Treasury is a nearly \$10 billion federal program designed to support small businesses and entrepreneurs by providing capital and technical assistance to promote stability, growth, and success. The program funds states, territories, and Tribal governments to create tailored programs such as loan guarantees, venture capital investments, and credit support, with the goal of leveraging private investment and expanding access to capital, especially in underserved communities.

Business Oregon applied for Federal Funds to bolster existing small business financing programs, as well as create new programs to provide and support access to capital for new and growing Oregon businesses. The U.S. Treasury announced awards in August 2022. The U.S. Treasury allocated \$83.5 million to Oregon for small business support, which Business Oregon provided funding through multiple programs. This request does not involve new federal appropriations but seeks authority to use interest generated from existing funds.

Since the first SSBCI tranche of \$24.4 million in October 2022 and the second tranche of \$29.2 million in September 2025, Business Oregon has obligated or expended approximately \$24.5 million to support Oregon businesses. During this period, the SSBCI programs earned \$2.7 million in interest income and \$0.6 million in program income, totaling \$3.3 million. Federal guidelines allow these funds to cover program-related administrative costs, including management fees for venture fund managers, and to provide additional capital to Oregon businesses.

This request will enable Business Oregon to utilize the income earned for administrative expenses and reinvest excess funds into loans and investments for Oregon businesses. Approval ensures compliance with federal SSBCI guidelines and maximizes the impact of existing resources to strengthen small business growth and economic resilience statewide.

Legal Reference: Increase the Other Funds expenditure limitation established by chapter 616, section 12(2), Oregon Laws 2025, for Oregon Business Development Department, Business, Innovation and Trade, by \$3,281,050 for the 2025-27 biennium.

December 8, 2025



Senator Kate Lieber, Co-Chair
Representative Tawna Sanchez, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairs:

Nature of the Request

Business Oregon (the Department) is requesting \$3,281,050 in Federal Funds expenditure limitation necessary to utilize the interest income and program income earned on the federal State Small Business Credit Initiative (SSBCI) award from the U.S. Department of the Treasury (U.S. Treasury). The Department obtained approval from U.S. Treasury to deploy \$83.5 million of funding through the Department's Credit Enhancement Fund (\$32.5 million), Venture Fund Program (\$15 million), Venture Direct Program (\$15 million), Oregon Royalty Fund (\$12 million), and Relender Program (\$9 million).

Agency Action

The Department received the first tranche (\$24.4 million) from U.S. Treasury in October 2022, followed by the second tranche (\$29.2 million) in September 2025. The Department previously received authority to draw down these funds and has since expended or obligated approximately \$24.5 million, which has been used to support Oregon small businesses through investments and loans. Since receiving the first tranche, the SSBCI programs have also earned \$2,694,807 in interest income on the available cash balance, as well as \$586,243 in program income, totaling \$3,281,050. U.S. Treasury's SSBCI program policy guidelines permit interest and program income to be utilized by a participating jurisdiction to pay for program-related administrative costs, which may include management fees paid to venture program fund managers. Additionally, any excess interest and program income may be used to provide capital to Oregon businesses in the form of loans and investments above and beyond the initial award from U.S. Treasury. Without the authority to draw down these funds, Business Oregon may be limited in its ability to pay for administrative expenses, many of which are contractually obligated. Further, the Department would be unable to support Oregon businesses with any remaining interest and program income.

Action Requested

The Department is requesting Federal Funds expenditure limitation of \$3,281,050 necessary to access interest and program income earned on the SSBCI award. No additional positions are required.

Legislation Affected

Increase in Chapter 616, section 12(2), Oregon Laws 2025 by \$3,281,050 Federal Funds.

Thank you for your consideration of this important request.

Respectfully,

Sophorn Cheang
Director