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CONTACT: Rick Osborn (503) 986-1074
Rick.osborn@state.or.us

Senate Democrats boost access to capital for small businesses

SB 1589 will help businesses expand, create jobs across Oregon

SALEM – Oregon Senate Democrats are giving small businesses – particularly those in rural parts of the state – greater opportunity to grow and thrive with passage of Senate Bill 1589.

The law expands eligibility criteria for small businesses to qualify for loans or grants from Business Oregon's Credit Enhancement Fund. Eligibility expansion will have a positive impact on Oregon businesses across the state by allowing more businesses to access those funds for expansion and retaining and hiring employees.

"We remain committed to improving the economy and expanding the opportunities for Oregon's small businesses in both rural and urban areas," said Sen. Diane Rosenbaum, chief sponsor of SB 1589. "Providing greater access to capital supports our small businesses by enabling them to grow, retain existing employees and hire new workers."

The CEF program offers insurance to regulated lenders (banks and credit unions) on term loans and operating lines of credit offered to small businesses. Lenders that most commonly use this program are community banks with operations in rural communities across Oregon. Around 90 percent of businesses that access the funds are outside the Portland metropolitan area.

"This bill gives rural Oregon the economic boost it needs by promoting the growth of small businesses across the state by giving them access to the capital they need," Sen. Arnie Roblan (D-Coos Bay) said. "Small businesses from Florence on the coast to Heppner in Eastern Oregon and numerous communities in between will see job growth caused by access to these funds."

SB 1589 simplifies eligibility criteria, allowing any new or existing business in Oregon to be eligible as long as their operations produce a substantial benefit to the state such as higher sales, job creation or expansion. Prior to the bill's passage, lenders had to determine if the applicant businesses were traded sector companies and if they are located in distressed areas. These determinations complicated the program for lenders and created confusion when projects not eligible due to location or industry, but had acceptable economic impacts, were not awarded funds.

The rebounding economy added another complicating factor because areas that had been classified as distressed at the height of the recession began to lose that status. This biennium, to date, more than 10 projects seeking approximately $7 million had been unable to proceed, as the firms seeking funding didn't qualify. The program has the ability to insure an additional $30 million in business grants and loans, and these changes will help create more opportunities for Oregon's small businesses to obtain the capital they need to support their operations and growth.

Businesses that now will qualify for funding under the less restrictive requirements include a seafood retailer in Florence, a private school in Hood River, a wholesale and retail firm in The Dalles and a dental practice in Heppner.

Most businesses are seeking working capital to support growth and expansion opportunities, usually creating or retaining full-time permanent employee positions. The funding creates opportunities for construction and contracting firms that rely on business growth and expansion to maintain their employment base. At this time, the CEF program has approximately 200 enrolled loans with a maximum exposure of approximately $50 million.

"This bill removes huge stumbling blocks, making this funding more readily available for small businesses around the state," Sen. Laurie Monnes Anderson (D-Gresham) said. "This investment will provide a shot in the arm for the rural Oregon economy by helping small businesses, which are a primary engine of our state's economy."

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