



STATE OF OREGON  
Office of the Governor  
**KATE BROWN**

**HB 2161 – Racial Justice Council: Access to Capital**  
**2021 Legislative Proposal**  
*February 2021*

**Overview**

The Governor’s Racial Justice Council’s economic opportunity committee worked to identify needs to support the long-term economic success of populations who experience systemic economic disadvantages in business creation and access to traditional capital and wealth creation. The committee also evaluated current economic development incentives, grants, tax breaks, technical assistance, and other supports in terms of racial justice, and provided recommendations for modifications if appropriate.

For small businesses owned by members of Oregon’s Black, Indigenous, Latino, Latina, Latinx, Asian, Pacific Islander, Native American, Tribal, and linguistically-diverse communities, access to capital has been a persistent struggle. In addition to capital, accessing technical assistance is extremely valuable and has been a challenge.

The Racial Justice Council has prioritized promoting economic development and empowerment through grounding racial justice and providing access to capital specifically for businesses owned by people of color and underserved entrepreneurs. Doing so will help to build equitable access to capital and reduce barriers posed by collateral requirements, and enhance efforts to enable mobility and opportunity towards a safe, secure, and resilient quality of life in Oregon.

**Summary**

HB 2161 will begin to bridge the gap of the economic inequities in historically-underserved and marginalized communities through establishing new programs within Business Oregon. Oregon’s small businesses are the backbone of our economy, including many owned by Native American, Black, Indigenous, tribal, and people of color throughout the state. The bill is a step towards dismantling historic systemic barriers and investing in our economy and future generations as it relates to accessible capital for all communities of color and underserved businesses.

HB 2161 has two components: access to capital through a loan loss reserve fund and a revolving loan fund for Office for Business Inclusion and Diversity (COBID)-certified firms.

The loan loss reserve fund is a form of credit enhancement, or type of insurance, that helps lenders prepare for the risk that loans will not be repaid. If a borrower defaults on the loan, the lender may access funds in their loan loss reserve account to mitigate losses. This allows lenders to offer better rates and more attractive terms to borrowers and/or make financing available to borrowers with a wide range of credit scores.

The COBID revolving loan fund would be available for COBID-certified firms, as well as to assist firms in obtaining certification, and to help reach underserved and underrepresented businesses by adding value to existing state certification beyond public procurement goals/targets. This fund would allow for more firms to be certified and provide better access to ensure success in public procurement.

### **Fiscal Impact**

- \$10M Loan Loss Reserve, Lottery Funds, reflected in the Governor's 2021-23 Recommended Budget
- \$10M COBID Revolving Loan Fund, Lottery Funds, reflected in the Governor's 2021-23 Recommended Budget

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