MODIFICATIONS TO WAGE/COMPENSATION CRITERIA – HOUSE BILL 2053 (2019)

Program Area	Current Law Requirement on Business for Employee Pay	Proposed New Law for Technical Simplification *	Effect on Stringency of Criteria
General Business Oregon Terms	Nothing. Even minor distinctions could differ by program.	Specify: *average wage* as lesser of final, annual QCEW figure for county or for state, and *compen-sation* as only/all taxable income paid to applicable employees.	Not applicable
Business Retention and Expansion Program (BEP) – cash award relative to estimated incremental personal income tax (PIT) revenue from new hiring	• FTE wages in MSA ≥ 150% of county or state average wage • Non-MSA wages ≥ 130% of state or county average wage …, whichever is less, naturally.	Housekeeping clarifications on several matters, including use of private-sector wage data as allowed in rule and *average* compensation across FTEs.	None, except that FTEs in a non-MSA county would count twice toward 50-job target for new statewide hiring, making program more rural friendly
Regionally Significant Industrial Site (RSIS) – PIT revenues shared with local governments for their site-readying efforts	Minimum number of FTEs' average wage ≥ 150% of state or county average wage, whichever is lower. FTE minimum per applicable employer is 25 FTEs at rural sites, and 50 otherwise.	Like BEP, allow private-sector wages to be used; clarify hiring and rural definitions, and provide for minimums to be met: • site-wide, not per employer, and • with rural-site compensation ≥ 130% of state/county wage.	Reimbursement funding for rural site readiness would become modestly more feasible, especially for rural areas.
Extension from Three to Five Years of Standard Enterprise Zone Exemption † – local property tax abatement for eligible business firms' new qualified property through local zone sponsor agreement	Except in Portland–Salem urban zones,‡ new full-time zone jobs': • Average wage in 4th and 5th year ≥ current county wage,§? and • Average wages & benefits in all five years ≥ 150% of county wage § at time of local authorization (updated if exemption has not begun after two years), or … ≥ 130%, if zone is in a *qualified rural county—i.e.*, outside an MSA and with general tax rate ≥ 1.3% (rounded to 0.1%-pt.) ¶—at the time of local agreement.	Average compensation of new full-time zone jobs ≥ 110% of current state or county, based on where exempt property is located, in all years. Alternatively, in any urban zone, a zone sponsor policy ‡ may set conditions effectively at least as stringent as baseline—*minimum* compensation ≥ 135% or more of applicable minimum wage in all years for at least 85% of new jobs. (Statewide method based on minimum wage also studied)	Moving parts defeat easy general-ization, but for firms to receive extra years, stringency would: • Increase in Portland/Salem urban zones that have light or no additional conditions • Increase somewhat for rural zones with 130% criterion – especially because rather than being pre-set, county wage would adjust over years • Decrease to an extent for smaller-metro urban zones and other rural zones (many at particular disadvantage now).

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Program Area	Current Law Requirement on Business for Employee Pay	Proposed New Law for Technical Simplification*	Effect on Stringency of Criteria
Long-term Rural Enterprise Zone Facility** – property tax abatement for all new facility property of 7 to 15 years by agreement between zone sponsor and locally certified business firm	1. By 5th year after facility operations begin, average wages & benefits of all facility jobs needs to be ≥ 150% of county average wage where facility is located; county wage is then set for compliance in remaining years of abatement. 2. Abatements begun since 2018: –150% criterion reduced to 130% for facility inside a qualified rural county (QRC) at the time of the local agreement, and –In each remaining year, once wage & benefit criterion is met, average wage of facility employees must also equal or exceed current county wage.	Average compensation of all facility FTEs— • ≥ 110% (regular cases of 10+ miles from I-5, which already affects other criteria) ..., or • ≥ 115% (near I-5 & special cases) ... of current average wage of state or county containing facility, no later than 5th year after facility operations begin and in each subsequent year. Statutory language tightened up in places for further clarity and brevity.	Stringency would be about the same or greater in currently 21 of 39 rural enterprise zones subject at the moment to 130% criterion, as well as 10 zones along I-5, depending on share of benefits, as well as inflation of county average annual wages. Business firms might qualify somewhat more readily in seven non-QRC zones in counties "with chronically low income or chronic unemployment," along the Southern Oregon Coast and in Deschutes & Klamath counties.
Oregon Investment Advantage (OIA)†† – income tax abatement on taxable income from new facility operations of certified business firm	Five newly created full-time, year-round jobs must receive: • Average wages ≥ current county average wage, and • Minimum wages & benefits— ≥ 100% ..., if employee health insurance is equivalent to local municipal worker benefits),‡‡ ≥ 130% ..., if outside MSA, or ≥ 150% ... of county per capita income as set at time of preliminary certification application.	Minimum compensation of at least five full-time, year-round hires at the facility ≥ 110% of the current average wage of the state or county containing facility. Housekeeping clarifications, too. In addition, cap would be imposed on annual corporate income subject to exemption at $10 million per taxpayer.	Difference between minimums and average, as well as county average wage *vs.* per capita income,§§ complicate effects on business use which is fairly light with this program. For two counties in MSAs, stringency should decrease somewhat, but business qualification would be more difficult for most other situations, especially compared to using criterion with health insurance.‡‡

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Benefits (enterprise zones and OIA)—employer expenses for insurance, retirement, *etc.*—by rule, benefits have not included legally mandated items like social security, unemployment insurance and workers' compensation, but that could be changed without legislation.

FTE—full-time equivalent employment by rule, total hours worked by employees divided by 1820.

MSA—metropolitan statistical area, federal designation pursuant to decennial census; 8 MSAs encompass 13 of Oregon's 36 counties.

QCEW—Quarterly Census of Employment and Wages, based on payroll tax reports and withholdings through Workforce and Economic Research Division of State Employment Department. Final figures for previous year are available in October.

Rural *vs.* Urban definitions vary among these and other programs in terms of MSA county and/or urban growth boundary (UGB) of certain cities. SEE TABLE BELOW.

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* Changes would apply to future businesses/investments based on certain operational dates (§19), with special consideration for retroactivity relative to Ch. 610, OrLaws 2017 (HB 2066).

† Extended abatement period is effected at the time of local authorization by a written agreement between business and zone sponsor, which may also set additional requirements. This is also applicable to Rural Renewable Energy Development Zones

‡ Accounting for 11 of 17 urban enterprise zones because MSA population ≥ 400,000. Some of these 11 zones have established a local policy requiring (most) employees to receive a certain average or minimum amount of pay, typically relative to (statewide?) minimum wage, even for a three-year exemption in some cases. This is done under special provisions allowing other conditions by any urban zone sponsor, which is then supposed to report quadrennially to the Legislature.

§ If the enterprise zone is itself in two or more counties, of which there are several, then the average wage that is highest among the counties containing any part of the zone is used. Potentially unclear legally is if this holds for 100% wage-to-wage requirement in 4th & 5th years?

¶ General tax rate equals total taxes imposed divided by total assessed value (former excludes urban renewal taxes, while latter includes associated excess value). That this is based on the latest certified county assessment roll has proven administratively challenging and subject to error, pending release of Department of Revenue statistics several months later. Among 23 non-MSA counties, 16 currently have a high enough general tax rate, affecting 21 rural enterprise zones—including the case of a certain two-county zone, such that because part of it is inside a qualified rural county, the 130% criterion applies to the other parts even within an MSA county (which has the higher wage – see §).

** 39 of 56 rural enterprise zones can offer long-term rural enterprise zone facility incentives if located, when business and zone sponsor enter into agreement, in a county that a QRC or that meets at least one economic test based on statistics over many years. Facility must also satisfy minima for investment size and new full-time hires, which are higher within 10 miles of I–5. Program's county-based eligibility or other facility criteria are not affected by these proposals.

†† Business firm must apply for preliminary certification from Business Oregon, which requires: (i) specific location, including in any of 15 counties with the worse per capita incomes and unemployment rates in Oregon; (ii) hiring commitment, and (iii) no objection by city, port or county. Starting 24 or more months after facility is operational, business may apply for certification in each of 10 successive tax years to claim income subtraction on state tax return, provided: (i) operations did commence without undue delay after preliminary certification, and (ii) employment and wage/compensation requirements are maintained.

‡‡ Though rarely relied on, this test has proven rather difficult to operationalize given the complexity of health insurance matters.

§§ Estimated incomes (for all county residents) increasingly exceed the county average wage calculations by place of work, but differences vary greatly by county due to commuting patterns, workforce attributes, and other income sources (farming, retirees, *etc.*). For counties eligible for OIA, the average wage tends to be less but only by $144 on average.

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"Rural" Locations under Oregon Economic Development Statutes

— Based on urban growth boundary (UGB) —

	Business Oregon public/private financing programs, generally, ORS 285A.010, and RSIS by rule[1]	RSIS (partially), ORS 285B.626, and enterprise zone designations, ORS 285C.050 [2]	Strategic Investment Program (SIP) eligible projects, ORS 285C.600[3]
RURAL	Entirely outside any UGB below	RSIS – outside any MSA county Enterprise zone exclusively outside any UGB below (including in Springfield and McMinnville)	Fully outside any UGB below (including in Grants Pass and McMinnville)
URBAN	Portland metropolitan region Salem–Keizer area City of Eugene City of Bend City of Medford City of Springfield City of Corvallis City of Albany City of Grants Pass City of McMinnville	Portland metropolitan region Salem–Keizer area City of Eugene City of Bend City of Medford City of Corvallis City of Albany City of Grants Pass City of Redmond	Portland metropolitan region Salem–Keizer area City of Eugene City of Bend City of Medford City of Springfield City of Corvallis City of Albany

[1] "[Rural means] *… an area located entirely outside of the acknowledged Portland Metropolitan Area Regional Urban Growth Boundary and the acknowledged urban growth boundaries of cities with populations of 30,000 or more.*" Same for where a rural renewable energy development (RRED) zone is allowed, ORS 285C.350. RSIS–regionally significant industrial site.

[2] A RSIS outside those UGBs but inside a metropolitan statistical area (MSA) county is effectively neither rural nor urban respective to hiring minimums for employers used to estimate incremental income tax revenue that local governments receive. For enterprise zones: "[Rural means a] *… zone located in an area of this state in which an urban enterprise zone could not be located ….*" "*'Urban enterprise zone' means an enterprise zone in a metropolitan statistical area, as defined by the most recent federal decennial census that is located inside a regional or metropolitan urban growth boundary.*" In effect, rural zone designations must be completely outside the UGB surrounding the principal or core city or cities of an Oregon MSA; the opposite, if urban.

McMinnville does not have an enterprise zone. Springfield's UGB contains most of a rural zone. Albany and Grants Pass anchor MSAs delineated since the 2010 decennial census (see OMB BULLETINS NO. 13-01, 15-01 & 17-01). So in 2018, when two former rural enterprise zones with area in those cities' UGBs terminated by operation of law, the zone sponsors re-/designated separate urban and rural zones to replace them. Redmond is also now a principal city of its MSA along with Bend, and the Greater Redmond Area Enterprise Zone is currently a rural enterprise zone with area both inside and outside that UGB, but by mid-2020 assuming no change in MSA delineations or titles, its current zone areas can be maintained only as two or more zones.

[3] "[Rural means] *… located entirely outside of the urban growth boundary of a city with a population of 40,000 or more ….*"

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