SUMMARY OF CHANGES PROPOSED IN HOUSE BILL 2053

HB 2053 contains comprehensive housekeeping and technical tweaks that may appear consequential but are mostly for clarification, codification, consistency or the like. This summary focuses on HB 2053's more substantive and key technical change to requirements on businesses for employee pay with the Business Expansion Program (BEP), Regionally Significant Industrial Sites (RSIS), Oregon Investment Advantage (OIA), and two enterprise zone programs. See program list below for further information.

Substantive changes

❖ Better align two agency programs, BEP and RSIS, which rely on estimated incremental personal income taxes from new jobs and need to be exceptionally well paying in order to directly produce sufficient income tax revenue within a couple of years:

- **Urban—**No change, 50+ jobs averaging at least 150% of county/state wage are still required.
- **Rural under HB 2053**
  - – Reduce BEP's hiring target from 50 to 25 (in line with RSIS), so that BEP might have a chance to work in a non-MSA county, where none of its 8 awards have occurred.
  - – Reduce RSIS's average pay requirement from 150% to 130% of county/state wage (in line with BEP) to improve the feasibility of using RSIS in readying rural sites.

❖ Limit OIA's future revenue impacts by placing a $10-million cap per corporation on the amount of income that can be subtracted or deducted from each year's total taxable income. (No such limitation exists now)

Key technical change

HB 2053 would collapse the following layers and differences in current law into a single criterion, in order to make program administration and customer service much more straightforward with OIA and with enterprise zone exemptions on new property longer than three years. **Currently**, a business firm must satisfy two types of requirements:

1. Average employee wages need to be at least 100% of the current county wage in all cases, and
2. With respect to annual compensation that also includes non-mandatory employee benefits (*e.g.*, medical coverage, retirement):
   - – Applicable enterprise-zone employees must receive on average 130% of the average wage in one of 16 qualified rural counties; it is 150% for rural zones in other counties, as well as the six urban zones outside the Portland and Salem metropolitan areas.
   - – For OIA, each of five hires must be paid at least 100%, 130% or 150% of *per capita* income.
   - – The county wage/income, to which these percentages are compared, is set early in the process, so that compensation is based on a figure that is 4 TO 17 YEARS IN THE PAST.

This single criterion would use the same definitions as BEP and RSIS, and it would be:

- Based only on wages (including paid leave) without benefits. Applicable benefits are difficult to define and explain, and misunderstandings arise with data collection and calculations. We would assume decent to excellent employee benefits at the firms receiving these incentives.
- Compared in all cases to simply the latest county/state average annual wage. As that number increases year-to-year, the wages of the business firm's employees would need to stay higher, which in some cases could increase stringency.

- Applied to all 17 urban enterprise zones in the same way, which could also increase stringency for some extended abatements.

Going to 110-percent wage-to-wage requirement

HB 2053 would require employee wages without benefits to average 110% or more of the county/state wage. For full-time manufacturing workers, according to the Bureau of Labor Statistics, taxable income (wage or salary) is on average about 84% of compensation.

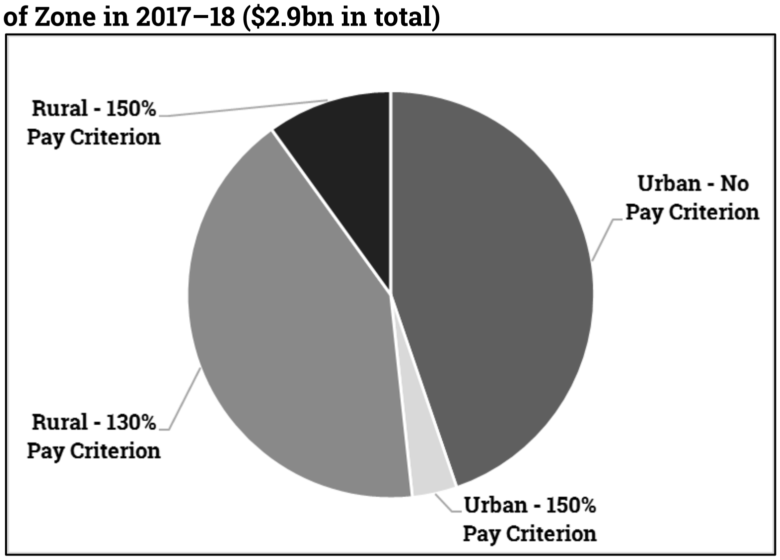
So, to generally maintain the same stringency as current law, 110% without benefits is equated to 130% with benefits because 84% of 130% is nearly 110%. It would be quite uncommon for employees receiving $20 to $30 per hour worked to not have benefits.

Enterprise Zone Extended Abatement

In terms of general activity or frequency of use, HB 2053 would matter most significantly for this program, whereby local zone sponsors extend the normally three-year exemption period on new property by two additional years:

- The current statutory pay requirement is 0% ($0) for a business seeking a two-year extension in an urban enterprise zone in the Portland–Salem area, whereas a business firm would need to pay 150% of the county wage if it locates in Eugene ($63,966), Ashland ($62,129), Coos Bay ($57,048) or Molalla ($77,586). Under HB 2053, a firm in all cases will need to have wages (without benefits) of $43,000 to $63,000 annually through 2023.
- The pie chart below shows the relative amount of abatements by type of enterprise zone. Consistent with the written testimony of February 6, 2019, most property in rural zones at 130% average compensation are Amazon data centers in two counties. Otherwise, the Portland–Salem-area urban zones are 45% of the total, as shown below. HB 2053 would help address these imbalances by placing all zones on a more even footing throughout the state.

Enterprise Zone Extended Abatement Property Value by Type of Zone in 2017–18 ($2.9bn in total)



- Although HB 2053 would be generally somewhat less stringent for enterprise zones currently at 150%, they likely will not experience much of a jump in such abatements. There are other challenges in attracting quality employers. The point in all this is not to compel businesses to pay workers more, but rather to further induce firms with better-paying jobs to do more and hopefully hire more at locations in Oregon.

Program list

BEP–Business Retention and Expansion Program—forgivable loan to traded-sector businesses. Requirements relate to business's employment anywhere in the state. Rural is based on employee location outside an MSA. Only private-sector wages are normally used for compensation test.

Extended Enterprise Zone Abatement*—to go from 3 to 5 years of exemption on new qualified property from local taxes. Average employee pay requirements relate to an eligible, non-retail business firm's full-time jobs that are newly created zone-wide, and they must be met all five years in the case of compensation that includes benefits. Zone is rural if outside regional urban growth boundary (UGB) based on MSA. Currently, 56 of 73 enterprise zones are rural; 17 are urban. Zone designation is subject to economic hardship criteria.

Long-term Rural Enterprise Zone Facility*—7–15-year exemption from property taxes, only in rural zones that are inside qualified rural counties or a county meeting economic tests. All facility employees are subject to average employee pay requirements, beginning no later than the fifth full year of the exemption period.

OIA–Oregon Investment Advantage—10-year state taxable income exemption beginning two years after new facility operations commence. Minimum pay requirements relate only to at least five new full-time hires at facility. OIA is inherently rather rural, as it is allowed only in 15 economically challenged counties, as well as only on industrial sites or within UGB of city of no more than 15,000 in population.

RSIS–Regionally Significant Industrial Site—diverts revenue to reimburse local site readiness costs, which has not actually happened since program creation in 2013. In addition to allowing use of private-sector wages like BEP, HB 2053 would count new jobs across possibly multiple businesses located at a single site, and the bill would replace rural-site definition to be simply outside the UGB of any city with a population greater than 30,000 in line with infrastructure programs, instead of currently confusing use of MSAs and UGBs.

MSA – federally designated metropolitan statistical area (Oregon now has 8 MSAs)
*With approval of local zone sponsor through written agreement with business, which may have additional requirements.