

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2258 - 2

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Date: March 30, 2023

Measure Description:

Establishes the Industrial Site Loan Fund. Appropriates General Fund to the Oregon Business Development Department for the deposit in the Industrial Site Loan Fund to provide financial assistance for development projects and planning projects. Extends the sunset of the Oregon Industrial Site Readiness Program.

Government Unit(s) Affected:

Oregon Business Development Department, Department of Revenue, Department of Administrative Services, Cities, Counties, Special Districts

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Analysis:

House Bill 2258, as amended by the -2 amendments, establishes the Industrial Site Loan Fund (ISLF) and appropriates \$40 million General Fund to the Oregon Business Development Department (OBDD) in the 2023-25 biennium for deposit in the ISLF. ISLF moneys are continuously appropriated to OBDD to provide financial assistance for development projects, including forgivable loans for planning projects, and other forms of financial assistance for development project costs and project planning costs. OBDD may provide financial assistance in the form of loans or purchase of bonds to a project sponsor who owns land or has an agreement with the sponsor to develop industrial lands from ISLF moneys, the amount of which would be determined on a case-by-case basis. OBDD may provide forgivable loans for planning projects from ISLF moneys; however, OBDD may not expend more than 1% of the value of the ISLF in any biennium for planning projects. The measure defines the allowable development project costs and allowable planning project costs. OBDD may also provide other forms of financial assistance, by expending or loaning ISLF moneys or extending credit to project sponsors for an eligible project. The measure directs project sponsors to apply to OBDD for funding, which OBDD will review and approve or reject per its new administrative rules. Interest on ISLF loans begin no later than seven years after the date of project completion or at the time specified by OBDD. If a project sponsor defaults on a loan or fails to comply with an agreement, OBDD may seek appropriate legal remedies to secure any repayment of obligations due from a project sponsor.

The measure extends the sunset date of the Oregon Industrial Site Readiness Program (OISRP) from July 1, 2023, to July 1, 2033. Tax reimbursement arrangements under the OISRP may not exceed \$10 million per year. The measure takes effect on passage.

Oregon Business Development Department

The measure is anticipated to have a fiscal impact on OBDD, as the measure establishes and capitalizes the ISLF Fund in the amount of \$40 million General Fund to OBDD in the 2023-25 biennium. With capitalization, OBDD may begin to accept loan applications from project sponsors for development projects and planning projects of industrial sites. OBDD will work with project sponsors, including local governments and special districts, to get new sites approved to apply for ISLF loans and OISRP income tax reimbursements. While it is presently unknown how many project sponsors will apply for ISLF loans, OBDD estimates that it will provide four to six new loans in the 2023-25 biennium, dedicating most of the ISLF moneys to those loans. By comparison, there were six entities

under contract with OBDD in the Fall of 2022 under the OISRPF with project development costs of \$100.83 million. Because the measure provides a General Fund appropriation for transfer to the ISLF, OBDD would need an increase in Other Funds expenditure limitation in the 2023-25 biennium to provide ISLF loans. OBDD would not require any additional staff or services and supplies to implement and administer ISLF loans and OISRPF tax reimbursement arrangements.

The measure also extends the sunset of the OISRPF. Established in 2013, OISRPF was intended to provide financial assistance to qualified project sponsors through tax reimbursement arrangements and loans, including forgivable loans. However, because the OISRPF Fund has never been capitalized to date, OBDD has never provided loans to qualified project sponsors. Currently, OBDD only provides tax reimbursements to qualified project sponsors (i.e., eligible employers) that have paid income tax for jobs on a development site. Once the amount of incremental income tax paid has been certified by the Department of Administrative Services (DAS), the Department of Revenue (DOR) transfers 50% of the incremental income tax to the OISRPF Fund. Under current law, OBDD may not issue more than \$10 million per year in income tax reimbursements and loans under the OISRPF program; however, because the OISRPF Fund has never been capitalized, OBDD has historically interpreted this \$10 million cap as applying only to income tax reimbursements. The measure applies this cap only to income tax reimbursements arrangements.

The estimated fiscal impact to OBDD is \$80 million total funds, which includes \$40 million General Fund to initially capitalize the ISLF and \$40 million Other Funds for the loans made from the Fund, in the 2023-25 biennium. The fiscal impact to OBDD in the 2025-27 biennium is presently indeterminate.

The measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its impact to the State's General Fund and OBDD's biennial budget.

Other Government Units

The measure is anticipated to have a minimal fiscal impact on DAS and DOR, and a minimal fiscal impact on cities, counties, and special districts that apply for ISLF loans.