FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: HB 3457 - 5**

82nd Oregon Legislative Assembly – 2023 Regular Session
Legislative Fiscal Office
Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:
Indexes minimum total cost of eligible project under strategic investment program to increase, if any, in consumer price index. Prescribes that an agreement entered into by a county and a city, if a proposed eligible project will be located in a city, with a business firm, providing for the payment of a fee by the business firm and refunding or crediting of overpayments, may not take effect if entered into on or after July 1, 2030.

Government Unit(s) Affected:
Counties, Cities, Special Districts, Department of Administrative Services, Department of Revenue, Judicial Department, Oregon Business Development Department

Analysis:
This fiscal impact statement is for the purpose of transmitting the measure from the House Committee on Revenue to the Joint Committee on Tax Expenditures.

House Bill 3457, as amended by the -5 amendments, increases the minimum total project costs that are used to determine whether real and personal property constituting an eligible project receives a tax exemption. Total project costs are increased from $100 million to $150 million and, if the project is located in a rural area, from $25 million to $40 million. The minimum total costs of eligible projects must be indexed each year by the ratio of the increase, if any, in the monthly averaged U.S. City Average Consumer Price Index. The measure requires any business that benefits from an eligible project to enter into a first-source hiring agreement with a publicly funded training provider and hold a job fair after announcing it through WorkSource Oregon.

The measure prohibits a county from entering into an agreement with a city for a strategic investment zone on or after the measure’s effective date; however, any such agreement entered into before the measure’s effective date would remain in effect. A county or city may not request that the Oregon Business Development Commission declare a project to be exempt from property taxation, unless at least one individual negotiating the agreement on behalf of the county or city has completed a training program prescribed by the Oregon Business Development Commission. Any such agreement is effective only if counties, cities, special districts, and local taxing districts have all entered the agreement.

The measure decreases the annual distribution to each county for eligible projects from $16 million to $5 million for any year. The measure increases the taxable portion of assessed real market value of various eligible projects, ranging from $500 million to more than $1 billion. The measure takes effect 91 days after adjournment *sine die* and applies to property tax years beginning on or after July 1, 2024.

Further Analysis Required

The measure prescribes that an agreement entered into by a county and a city, if a proposed eligible project will be located in a city, with a business firm, providing for the payment of a fee by the business firm and refunding or crediting of overpayments, may not take effect if entered into on or after July 1, 2030. However, any such agreement entered into before July 1, 2030, would continue to remain in effect for the full term of the agreement, which may be used to support a request for a determination by the Oregon Business Development Commission that a project be exempt from property taxation.

A more complete fiscal analysis on the measure will be prepared as the measure is considered in the Joint Committee on Tax Expenditures.

Further Analysis Required