

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: SB 4 - A

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:

Directs Oregon Business Development Department to develop grant and loan program to support businesses applying for financial assistance under Creating Helpful Incentives to Produce Semiconductors for America Act of 2022 (P.L. 117-167).

Government Unit(s) Affected:

Bureau of Labor and Industries, Burns Paiute Tribe, Cities, Confederated Tribes of Coos, Lower Umpqua and Siuslaw Indians, Confederated Tribes of Grand Ronde, Confederated Tribes of Siletz, Confederated Tribes of Umatilla Indian Reservation, Confederated Tribes of Warm Springs, Coquille Indian Tribe, Counties, Cow Creek Band of Umpqua Indians, Department of Justice, Department of Land Conservation and Development, Department of Revenue, Higher Education Coordinating Commission, Judicial Department, Klamath Tribes, Office of the Governor, Oregon Business Development Department, Oregon Health Sciences University, Special Districts Association of Oregon

Analysis:

This fiscal impact statement is for the purpose of transmitting the measure from the Joint Committee on Semiconductors to the Joint Committee on Ways and Means.

The measure appropriates at total of \$200 million General Fund in the 2021-23 biennium, and \$10 million General Fund in the 2023-25 biennium.

Grant and loan program

This measure directs the Oregon Business Development Department (OBDD) to develop a program to award grants and make loans of up to \$50 million to businesses applying for federal semiconductor financial assistance. Grants and loans may be used for activities undertaken in connection with the federal semiconductor financial assistance program; development of sites for semiconductor or other advanced manufacturing facilities; research and development with respect to semiconductors and advanced manufacturing; or partnering with institutions of higher education, for workforce development and training, and registered apprenticeship and internship opportunities, with respect to semiconductors and advanced manufacturing. Contractors or subcontractors on construction projects funded by these grants or loans must pay the prevailing rate of wage.

The Governor may approve grants or loans of more than \$50 million with legislative approval, although what constitutes legislative approval is not defined in this measure. Loans are for a term of up to 10 years at zero interest. In addition to grants and loans, businesses awarded grants or loans under this program may also be awarded application assistance grants of up to \$50,000 for the costs to prepare and submit an application for federal semiconductor financial assistance. Funding for grants and loans is to come from moneys in the newly established Oregon CHIPS Fund, and all repayments are to be made to this fund.

Further Analysis Required

OBDD is to prescribe an application process and OBDD and the Governor are to review and make decisions on applications within 90 days of receipt. Decisions are not subject to appeal. For every \$1 million provided as a grant or loan, the recipient business must generate a certain amount of state and local revenue or commit to creation of new jobs in Oregon. The Governor is to convene an advisory panel with at least seven members to assist the Governor and OBDD to establish a statewide strategy to promote and expand Oregon's semiconductor and advanced manufacturing industry, and work on the grant and loan program.

Recipient businesses are to report to OBDD every six months on their application for federal semiconductor financial assistance, and progress on the projects funded by the grant or loan. OBDD is to submit a report by September 15 of each year to the interim committees of the Legislative Assembly related to economic development on information received.

Recipient businesses must pay back the full amount of the grant or loan immediately under certain circumstances, and the amounts slated for repayment are considered liquidated and delinquent and are to be assigned to the Department of Revenue (DOR) for collection. OBDD may add 20 percent of the principal, plus any interest and fees associated with DOR collections, as penalties if a business willfully misrepresents or misreports material facts related to the grant or loan. All repayments, penalties, interest, fees, and other charges are to be transferred to the Oregon CHIPS Fund, created by the measure. Moneys in the fund are continuously appropriated to OBDD and are retained in the fund at the end of the 2021-23 biennium; any moneys remaining in the fund on June 30, 2025, are to be transferred to the Oregon Rainy Day Fund. The Oregon CHIPS Fund sunsets on January 2, 2033.

The portions of the measure discussed above that relate to the grant and loan program sunset January 2, 2033.

Urban growth boundary changes

The measure next states that on or before December 31, 2024, the Governor may, by executive order, bring up to eight sites within an existing urban growth boundary to provide land for industrial uses related to the semiconductor industry or advanced manufacturing as part of the state's covered incentive. The Governor must conduct a public meeting and accept public comments related to this decision, and make a determination that existing lands within an urban growth boundary would not meet the needs of the specific project. This determination is final and not subject to appeal.

The measure confers jurisdiction upon the Supreme Court to determine the legal effect of any order issued by the Governor under this authority. A person adversely affected by the orders to bring land within an urban growth boundary may institute a proceeding for review of the order by filing a petition with the Supreme Court within 60 days following the effective date of the measure or the date of issuance of an executive order that is being challenged, and serving a copy of the petition on the Attorney General and Governor. If the Supreme Court determines the petition contains factual issues, the Supreme Court may appoint a special master to hear evidence and to prepare recommended findings of fact. Proceedings for review are to be given priority over all matters before the Supreme Court.

No later than six months after the executive order, each local government with jurisdiction over the lands may amend its comprehensive plan or enact or amend any land use regulation to allow the use of the land for industrial uses. These lands will be removed from the urban growth boundary if development of the land will not be receiving federal semiconductor assistance. The portions of the measure related to the urban growth boundary expansions sunset January 2, 2029.

Further Analysis Required

Industrial lands financing

The measure permits OBDD to provide financial assistance in the form of a repayable or forgivable loan or the purchase of bonds issued by a project sponsor, to a project sponsor (a public entity or private owner of industrial land that is investing in the preparation of the land for a development project) from moneys in the Industrial Lands Loan Fund. OBDD may also provide moneys in this fund for certain other expenses incurred by a project sponsor. The measure lays out requirements for applications for financial assistance, and repayment provisions.

The measure also establishes the Industrial Lands Loan Fund which is continuously appropriated to OBDD for financial assistance to project sponsors under this portion of the measure, and administrative costs. OBDD may establish other accounts within the fund for the payment of project costs, reserves, debt service payments, credit enhancement, administrative costs and operation expenses or any other purpose relevant to this portion of the measure. Moneys in the fund may be invested as provided by ORS 293.701 to 293.857, and the earnings from the investments are to be credited to the account in the fund designated by the department. The measure also permits OBDD to commit moneys in the fund, or reserve future income of the fund, for expenditure in future years as long as the agency allows for contingencies and determines that there will be sufficient unobligated net moneys in the fund to make the future payments.

Appropriations

A total of \$210 million General Fund is appropriated to OBDD by the measure. \$190 million is for deposit in the Oregon CHIPS Fund established by the measure to carry out the grant and loan program, including administrative costs. \$10 million General Fund is for deposit in the Industrial Lands Loan Fund which is also created by this measure. Both appropriations are available upon passage of the measure. The final \$10 million General Fund is for deposit in the University Innovation Research Fund in the 2023-25 biennium, which may be used for any purpose related to economic development for which moneys in the University Innovation Research Fund may be used. Moneys in the University Innovation Research Fund are continuously appropriated to OBDD to make grants to public universities, or to the Oregon Health and Science University for the purpose of matching competitive federal research grant awards.

The measure provides OBDD with a combined \$200 million in Other Funds expenditure limitation from the CHIPS Fund and the Industrial Lands Loan Fund in the 2021-23 biennium, and an additional \$10 million Other Funds expenditure limitation from the University Innovative Research Fund in the 2023-25 biennium.

This measure declares an emergency and takes effect on passage.

A more complete fiscal analysis on the measure will be prepared as the measure is considered in the Joint Committee on Ways and Means.

Further Analysis Required