



Dear Co-Chair Nathanson, Co-Chair Meek, and members of the committee,

My name is Andrew Desmond, director of economic development policy at the Oregon Business Council.

Thanks for the opportunity to testify today. I'd like to voice my strong support for the Enterprise Zone and Gainshare provisions provided for in Senate Bill 1084. I'd also like to voice our on-going support for the R&D tax credit as outlined in Senate Bill 5 -5, provided that employee thresholds on refundability are removed.

With only a limited amount of time to speak today there are a couple key points I want to make. The first is that the Task Force was intentional about emphasizing Enterprise Zones and Strategic Investment Program extensions as part of its agenda.

The Semiconductor Task Force's subcommittee on incentives spent months hearing from companies and experts to evaluate how Oregon's incentives compare to those we are competing against. Most discussion focused on new incentives only because it was taken as a foregone conclusion that we needed to extend and maintain our most important economic development tools: our property tax abatements.

The Strategic Investment Program (SIP) is well known as being far and away the state's most important tool for attracting major capital investments. It's almost certain that Intel's footprint here would be a fraction of its current size without it. Leaving large companies to wonder whether seven years from now they will be able to rely on the SIP at the very moment they are planning their next 20 years of investments (several companies have announced two decade, \$100 billion investments in recent months) risks discouraging the transformational investments the Semiconductor Task Force spent months crafting a strategy to win. Without a SIP, companies will very likely reevaluate their future investment plans in Oregon. We strongly oppose any SIP sunset provision in HB 2009.

The Enterprise Zone program is essential, especially for companies making capital investments on a smaller scale than those covered by the SIP. Analyzing Business Oregon Enterprise Zone data we find that 11 semiconductor companies have *current* enterprise zone agreements (with lots others using it over the years). That's somewhere between 10% and 20% of *all* semiconductor firms in Oregon. A pretty staggering rate.

Oregon's property tax abatements for capital investments are what allow the state to tread water compared to our competitors like Arizona. Any steps that would significantly devalue the programs or add uncertainty to them would run counter to the Task Force's recommendation and would significantly disadvantage Oregon relative to other states that don't tax property the way we do. It's for this reason that we strongly support the Enterprise Zone and Gain Share extensions contained in SB 1084 (the latter of which empowers counties to sign future SIP agreements).

Secondly, I'd like to clarify any lingering confusion about whether Enterprise Zones and the Strategic Investment Program incentives are considered covered incentives under the definitions of the NOFO. In short, they are, and companies will NOT be penalized for applying for CHIPS Act grants with these incentives.

The NOFO tells us that to receive federal CHIPS Act funding companies MUST also receive "covered incentives" from the states and localities they plan to invest in. Page 74 of the NOFO defines "covered



incentives.” It says among other things that: *a covered incentive includes “any concession with respect to real property, funding for research and development with respect to semiconductors, and any other incentive deemed appropriate by the Secretary.”*

The NOFO also says that the “department encourages state and local incentive packages capable of creating spillover benefits that improve regional economic resilience and support an ecosystem beyond assisting a single company.” It says these could be investments in workforce, education, site preparation or infrastructure. We cannot forget that other elements of the Task Force agenda – which again was designed as a roadmap, not a menu -- address these components head-on, namely HB 3254 which requests \$60M to support the build-out of the semiconductor workforce pipeline, and HB 2258 which requests a \$40M down-payment on readying industrial lands.

Completing the full Task Force agenda, including the investments mentioned, and extending Enterprise Zones and Gainshare (along with passage of an R&D tax credit that covers our largest semiconductor firms) should give us an immensely strong package that ticks every one of the NOFO's boxes.

To conclude, SB 1084 contains the versions of the Enterprise Zone and Gainshare extensions that will allow these tools to continue to anchor local economic development toolboxes in the hunt for transformational investments in our communities. We strongly support SB 1084 for these program extensions.

Thank you,

Andrew Desmond