OREGON BUSINESS & INDUSTRY | OBI

Date: May 19, 2023

To: Co-Chairs and Members of the Joint Committee on Tax Expenditures
From: Scott Bruun, OBI
RE: Testimony in opposition to HB 3457A / SIP diminishment

Good morning, Co-Chairs Nathanson and Meek, and Members of the Committee,

I am Scott Bruun, director of tax, fiscal and manufacturing policy for Oregon Business & Industry. OBI is a statewide association representing businesses from a wide variety of industries and from each of Oregon's 36 counties. In addition to being the statewide chamber of commerce, OBI is the state affiliate for the National Association of Manufacturers and the National Retail Federation. Our 1,600 member companies, more than 80% of which are small businesses, employ more than 250,000 Oregonians.

Thank you for the opportunity to testify in opposition to HB 3457A.

Will Not Create More Revenues

In many ways, the same conversation and points that you just heard on HB 2199A also apply to HB 3457A. This bill, HB 3457A, would damage the Strategic Investment Program. This bill would not, as some seem to believe, create more tax revenues for the state. In fact, just the opposite. It would lead to a smaller "pie," as they say, and larger fights over it as public services and agencies compete – even amongst themselves – for stagnating revenues.

Oregon's Tax, Regulation, Cost, and Business Climate Challenges

Incentives matter and Oregon has few of them. They matter because they help mitigate Oregon's overall high tax, high regulation, and high cost environment. We would note that CEO Magazine, in its 2023 report on Best & Worst States for Business, ranked Oregon 46th overall, down a spot from 2022. We believe that we should take very seriously things that tell us that Oregon has one of the worst business climates in the country. And then we should ask ourselves, if we are doing poorly now, what will be the perception of Oregon's business climate after we decide to significantly curtail tools like the SIP and Enterprise Zones?

Multiple Problems

There are multiple problems with HB 3457A:

- It would raise the minimum project qualification level by 50%, meaning many fewer projects would qualify;
- It would create new administrative hurdles and approval requirements, including requiring job fairs;
- It would result in a 69% cut to the value of Gain Share for local communities, greatly reducing the ability and incentive of those communities to negotiate deals;
- And it would establish a sunset for the program, which has never had one before, and signal to the world that maybe Oregon doesn't, in fact, have a long term commitment to traded sector industries and investments

SIP: A Top Level Strategic Tool
Let me take the least harmful of these to make a larger point. The job fair requirements in Section 1. Think about that for a moment. The SIP is a top-level strategic tool. It is meant for those very big, very rare, traded sector opportunities that help guide Oregon's economic strategy. It is a tool, used correctly, for the Governor of Oregon to have in her pocket to negotiate for the most important and coveted national and international investment opportunities, and the resulting world-class jobs. The SIP is a game changer, it's part of a three-dimensional chess game. But now with 3457A, including a job fair requirement, we want to turn it into checkers.

Does Not Align With Semiconductor Efforts
As a final note, we would say that the changes in the SIP called for in HB 3457A are completely antithetical to the work you did with SB 4 and other efforts toward growing Oregon's semiconductor industries and attracting federal CHIPS Act grants, or even Inflation Reduction Act grants, for that matter.

The vaunted Semiconductor Task Force, in its report last August, urged the legislature to maintain existing critical tools like the SIP and enterprise zones, not curtail them.

Co-Chairs, Committee, respectfully, we urge the same. We urge you to reject HB 3457A.

Thank you.

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