

Business Oregon Testimony Follow-up: Day Three

Date: March 18, 2025

To: Joint Committee on Ways & Means Subcommittee on Transportation and Economic Development

From: Mark Gharst, Business Oregon

RE: Follow-up to day three budget presentation questions

Co-Chair Gomberg and Co-Chair Woods:

Please accept the following agency response to committee questions or follow-up clarification to agency testimony, from Business Oregon's budget presentation on March 17, 2025. The question/comments from the committee members below aren't exact quotes but rather are paraphrased from staff notes.

Mark Gharst

1. Sen. Woods: Oregon semiconductor firms doing business with non-U.S. firms

Are the semiconductor and semiconductor-related firms we have here in Oregon doing business with firms outside the U.S., such as in Taiwan?

ANSWER: The semiconductor manufacturing sector and the related industries that supply it are very much global industries whose supply chains span many countries. Taiwan is home to the largest semiconductor foundry in the world in TSMC, that does supply a broad range of high-tech manufacturers. Intel has operations around the globe, and shifts product to different locations at different manufacturing stages. Intel also sources machinery from other global suppliers, a good example being ASML, a company based in the Netherlands with operations here in Oregon, that supplied Intel's new [High-NA EUV \(Extreme Ultraviolet\) lithography system](#), the [TWINSCAN EXE:5000](#), which is designed to enable Intel to produce smaller, faster, and more capable processors.

2. Rep. Nguyen: Oregon's share of semiconductor workforce

Has Oregon's share of national semiconductor workforce declined significantly, and is this a result of recent layoffs? I see the 9% number on slide 74, wasn't it 15% recently?

ANSWER: The 15% figure is also accurate, and is another often used data point as it was cited in the [Semiconductor Task Force Report](#) published August 2022. Oregon represents roughly 15% of the combined national "semiconductor and related device manufacturing" and the "semiconductor machinery manufacturing" sectors which are 6-digit level North American Industry Classification System (NAICS) codes. At Business Oregon, we often use the less-detailed 4-digit NAICS industry codes to talk about the industry (Code 3344 - Semiconductor and electronic component manufacturing). We do this for two reasons. 1) We often run into employment data confidentiality issues working at the 6-digit levels, preventing public release

of industry data. 2) Those two more detailed industry codes don't include other related semiconductor businesses, such as printed circuit assemblies and bare printed circuit boards. As a result, we often use the following broader industry definition: "semiconductor and electronic component manufacturing." Below you can see Oregon's share of the national total. In the end the difference between the 9% or 15% is not economic, but an industry definition difference.

| Year | Oregon employment share of NAICS 3344 |
|-------------|--|
| 2016 | 8.1% |
| 2017 | 7.9% |
| 2018 | 8.1% |
| 2019 | 8.1% |
| 2020 | 8.2% |
| 2021 | 8.3% |
| 2022 | 8.7% |
| 2023 | 8.5% |
| 2024 | 8.4% |

3. Sen. Starr: Oregon CHIPS and impact of possible Federal CHIPS cuts

If there are cuts to the federal CHIPS program, will that mean there will be unspent Oregon CHIPS funds?

ANSWER: The Oregon CHIPS program requires recipients to apply for Federal CHIPS funds, and requires they carry through on their projects as described in their contracts with the state. Not receiving federal funding does not on its own exclude the company from receiving Oregon CHIPS funds. If the scope of the project was dependent on federal funding to carry out the project as described, that would impact the Oregon funding, as the recipient may not be able to secure an alternate source of financing to carry out the project as obligated by contract. We want to specifically clarify testimony from Deputy Director Cummings on this point, that while lack of federal funds could impact the Oregon funding via impacting project feasibility or scope, it does not on its own cause a default for companies with Oregon CHIPS agreements.

4. Rep. Nguyen: Intel R&D in Oregon

On slide 76, it shows Intel's global R&D investment, do we have that number just for Oregon?

ANSWER: Business Oregon does not have disaggregated R&D data from Intel that breaks out R&D investment by state. There are some Oregon-specific economic impact numbers [available here](#) from Intel, which includes data on capital investment and employment specific to Oregon. Preliminary information on utilization of the R&D tax credit is [available here](#).

5. Sen. Starr: Definitions of "small business"

Does Business Oregon have a definition of "small business" and what is it?

ANSWER: The broad definition for a small business is set in statute as "...a business having 100 or fewer employees." [ORS 285A.010 (15)]. As noted in testimony, the federal government through the SBA has a definition that is generally 500 or fewer employees, though can shift based on both industry sector and revenue levels (typically shifting up, to either 1,000 or 1,500 employees).

Some Business Oregon programs have different limits on business employment for applicants, that fall in line with the intent of the respective program. In these cases, it can be less than the statutory definition of 100 for a small business. For example, the Emerging Small Business certification in COBID accepts firms that employ less than 19 or 29 employees, depending on annual business revenue. Business Oregon's [Entrepreneurial Development Loan fund](#), a direct loan program targeted to small businesses and entrepreneurs, must have 25 or fewer employees, and less than \$1,500,000 in revenue for the preceding year. Business Oregon's [Oregon Business Development Fund](#) gives preference to small business with fewer than 100 employees.

6. [Sen. Woods: Direct loan programs and minority participation](#)

How many minority-owned businesses did Business Oregon provide loans to with its direct loan programs?

ANSWER: Since the 2021-23 biennium to current, 18% of direct loan recipients have been small business owners that identified as non-white or Hispanic. In 2024-25 (so far) 21% of direct loan recipients have been small business owners that identified as non-white or Hispanic. This compares to 16% of business owners statewide identifying as non-white or Hispanic per U.S. Census data. Business Oregon's direct loan programs include the Entrepreneurial Development Loan Fund, the Oregon Business Development Fund, and the Oregon Royalty Fund.

7. [Sen. Woods: Oregon Cybersecurity Center of Excellence at PSU](#)

Why is the Oregon Cybersecurity Center of Excellence at Portland State University not included on slide 84?

ANSWER: The Oregon Cybersecurity Center of Excellence at Portland State University was created in House Bill 2049 (2023) and is funded through the Higher Education Coordinating Commission. The PSU Center is not part of Business Oregon's Centers of Innovation Excellence program.

8. [Rep. Watanabe: COBID certification participation](#)

Slide 94 shows 2,989 certified firms, but how many firms could potentially qualify for certification across Oregon?

ANSWER: This one is a bit more complicated to address in this memorandum. With six separate certification programs, the potential pool of applicants differs per program.

With all but one certification program open to firms based outside of Oregon but doing business in the state, it further complicates the ability to count what firms would be eligible for certification.

Looking at one of the certification programs, and the only program that requires the firm to be based in Oregon, the Emerging Small Business certification, there are employment and revenue conditions consisting of the following, that differ for construction and non-construction firms. In addition to these financial and employee limits, ESB certification also includes a 12-year maximum participation period, ensuring that businesses benefiting from the program continue to meet the definition of an emerging small business and eventually transition into broader contracting opportunities.

| | | |
|------------------|--------|---|
| NON-CONSTRUCTION | Tier 1 | <ul style="list-style-type: none"> • 19 or fewer employees • Gross proceeds < \$999,643.61 |
| | Tier 2 | <ul style="list-style-type: none"> • 29 or fewer employees • Gross proceeds < \$1,666,073.09 |
| CONSTRUCTION | Tier 1 | <ul style="list-style-type: none"> • 19 or fewer employees • Gross proceeds < \$2,499,109.91 |
| | Tier 2 | <ul style="list-style-type: none"> • 29 or fewer employees • Gross proceeds < \$4,998,220.95 |

For context there are 139,690 firms in Oregon with 20 or fewer employees, but not all provide goods or services that relate to public contracting, nor meet the revenue requirements.

Additionally, the [recent disparity study produced by DAS](#) does include a chapter where the research firm analyzed the “availability of person of color (POC)-owned businesses, woman-owned businesses, and service-disabled veteran (SDV)-owned businesses ready, willing, and able to perform work on the construction; professional services; non-professional services, goods, and supplies contracts and procurements State of Oregon (state) executive branch agencies award” via a survey of firms and other analysis.