



## SB 1586: Development Tax Incentives

Senate Revenue Committee – Jim Scherzinger – February 16, 2026

We live in a competitive world. This bill has a laudable goal. People need good paying jobs. Oregon is competing with other states and countries for those jobs. So good arguments can be made for public support of economic development. Supporting research and development, in particular, is a promising way to support economic development.

But this bill is a massive overreach. It's throwing hundreds of millions at many activities that do little to create sustainable, living wage jobs and, worse, impose external costs on Oregon residents and businesses that far outweigh the economic benefits.

The most obvious example is data centers. Oregon data centers already get \$457 million a year in property tax exemptions and the cost is rising rapidly. They provide few permanent jobs. Their power demand has driven electric rates up 50% in last 5 years at the same time Oregonians are being asked to conserve power and even voluntarily donate to cleaner power sources. Although the Legislature has wisely taken steps to separate data center rates from other consumers, the implementation is going slowly and, in the end, all consumers are at risk if the current frantic development results in overbuilding. Data centers also require large amounts of water and use up industrial land that the state and local governments struggle to provide. Other states have figured out that the demand for data centers is so great that they will get built with much smaller incentives or no incentives at all.

At a minimum, data centers should be removed from this entire bill, not just from the zoning provisions. Beyond that, the exemption of equipment is simply throwing money at a problem, with no standards or expectations of public benefits. Giving authority to a local school district to decline a fee makes no sense when the impact of that decision reduces the revenue of all districts in the state through the operation of the State School Fund.

In the long run, the state needs to get far more sophisticated in using its resources to encourage economic development. We give massive subsidies through a bewildering array of programs that reward large companies that excel at meeting minimum standards and maximizing their benefit. We use metrics that ignore the external impacts of development.

We need a system that considers all the impacts of development and rewards investments that maximizes public benefits and minimizes external costs. We are competing with other states for sustainable, healthy economic growth. We won't succeed if we don't marshal our resources more wisely.

Finally, this is not a rant against free markets. Free markets often work. But they won't work if the government incentivizes activities that don't benefit the public. They won't work if government creates incentives that make a few people and communities rich and the rest of us bear the costs. And they won't work if a full-time worker cannot afford to feed or house themselves or get medical care when they need it.

Thank you for your time and attention. You are doing important work.