



ECONOMIC DEVELOPMENT FOR CENTRAL OREGON

February 7, 2012

House Revenue Committee

Rep. Vicki Berger, Co-Chair

Rep. Phil Barnhart, Co-Chair

RE: HB 4067

Dear Co-Chair Berger, Co-Chair Barnhart and Committee members:

On behalf of Economic Development for Central Oregon (EDCO), I am writing to encourage passage of **HB 4067** which will clarify taxation issues for data centers. I'm sure you are well aware of the situation with Facebook's multi-hundred million investment in Crook County and the risk to that company's operations plan for a campus in Prineville that current statutes have created.

What may be new information is that many other high technology companies are currently evaluating Oregon for new data centers. Some pending projects in Hillsboro, Boardman and Prineville have been reported in the media, but many others are waiting to see how HB 4067 fairs in the 2012 Session. These projects represent approximately \$1.5 billion in new, private sector capital investment for Oregon, thousands of construction jobs over the next one to three years and hundreds of well-paying permanent jobs. Despite recent progress on the issue administratively by the Oregon Department of Revenue (DOR), failure to pass HB 4067 will most likely result in most if not all of these projects not coming to Oregon. The threat of being regarded by DOR as a communications utility rather than a warehouse for data, transactions or computing power simply creates too much uncertainty with regards to how the value of intangibles – essentially “blue sky” – will be calculated.

It is important to note that 18 communities in Oregon are now actively pursuing data centers as an economic and business development strategy to grow jobs and diversify the employment base. HB 4067 would provide a path for these communities to work toward determining their economic future.

But why this industry, given its frequent (mis)characterization as creating few jobs and low economic impact?

Regions like Central Oregon have done the research to understand the true benefits of the industry, rather than listen to the rhetoric. For example, the data center industry is expected to grow steadily through the next decade – driven by the marketplace, portable devices and macro trends for efficient computing. Think about it – every BlackBerry, iPhone, compute pad and Kendal requires data center computing to make them work. Unlike many industries, data centers jobs are not being outsourced overseas. These jobs pay very well and there are more of them than most people, for some reason, want to acknowledge. The economic impact of hundreds of millions of dollars being injected into a community is

profound – especially in smaller communities like Prineville. Rather than constraining key utilities like water, sanitary sewer, power and telecommunications, these projects actually provide the impetus for expanding infrastructure to the benefit of all industries.

Jason Carr's letter and written testimony outline the results of a recent study completed by ECONorthwest on Facebook's impact thus far in Prineville. In the central Washington community of Qunicy, the data center industry has added more than 500 new technology jobs and cut in half the County's unemployment rate, which six years ago was among the highest in the state.

HB 4067 is at the top of our organization's priority list for the 2012 session. Current unemployment rates in the tri-county area vary from 12% to 15.3%, which are down from a peak of nearly 20% in Crook County. That equates to more than 15,000 Central Oregonians who are looking for jobs and can't find them. HB 4067 is an opportunity to help remedy this unacceptable situation with legislation that costs the state very little. Revenue from the taxation of intangibles for data centers is new to Oregon, so local jurisdictions will not be harmed. Moreover, HB 4067 necessitates that newly constructed data centers have the approval of local jurisdictions via the enterprise zone program, which have longstanding statutes regarding minimum investment, employment and wage level requirements.

Please join EDCO in supporting this bill, which may be one of the few pieces of legislation in the short 2012 session that can have an immediate impact on job creation, inject more than a billion dollars into the statewide economy and noticeably reduce our high unemployment rates.

Should you have any questions about our support or this testimony, please don't hesitate to contact me.

Sincerely,



Roger J. Lee
Executive Director

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Sen. Ted Ferrioli
Sen. Doug Whitsett
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