



## ECONOMIC DEVELOPMENT FOR CENTRAL OREGON

February 22, 2012

**To: Legislative Members of the House Revenue Committee**

Rep. Phil Barnhart, Co-Chair  
Rep. Vicki Berger, Co-Chair  
Rep. Jules Bailey, Co-Vice Chair  
Rep. Katie Eyre Brewer, Co-Vice Chair  
Rep. Cliff Bentz  
Rep. Sara Gelser  
Rep. Tobias Read  
Rep. Matt Wand

**Re: Support of SB 1558 – modifies scope of cost for certain economic development projects that Oregon Business Development Department may finance with proceeds of certain revenue bonds**

Dear Representatives:

On behalf of Economic Development for Central Oregon (EDCO), I am writing to encourage your **support of SB 1558** which would allow Oregon companies to use the proceeds from the sale of private activity bonds via conduit issue of Industrial Development Revenue Bonds (IDRB's), to be used for operating expenses associated with a capital asset, and research and development. Unfortunately, I'm out of state today, so am unable to present my testimony in person.

The primary goal of IDRB's is to create employment by providing bonds for non-profit organizations, exempting facilities, and offering lower cost tax exempt capital, typically for value added manufacturing projects. Currently, bond proceeds can only be used for purchase of land, construction of new facilities and purchase of related equipment for the manufacturing process for an eligible company. SB1558 will update this decades-old statute and provide greater flexibility in the use of proceeds to more closely match the financial needs of high technology companies that are developing the next generation of products in electronics, bioscience, renewable energy, software and other growing industries that are traditionally heavily dependent on innovation and which hold a great deal of their assets as intellectual property.

From an economic development perspective, SB 1558 is about keeping Oregon competitive for projects that have a specific strategy to use conduit bond issue as a financing strategy. New Jersey, Arizona and Washington are just a few examples of states that currently market their ability to use bonds for R & D and working capital. **This is the primary reason that the Oregon Economic Development Association (OEDA) has made SB 1558 a part of its agenda for the short 2012 legislative session.**

For the past six months, EDCO has been working with a private company who is interested in a Central Oregon location to establish their operations. The company has an experienced investor in place that is willing to purchase up to \$80 million in taxable private activity bonds issued by the company. But Oregon's statutes will not allow a conduit issue through the State to be used for working capital and R & D, which is a "deal killer" for its further consideration of Oregon, including our region, as a place to invest, grow and pay taxes.

You may have questions about why the company would not simply issue the bonds themselves, since there is a tax advantage provided by the conduit issue. The reason stems from the ease of being able to season the bonds in the secondary market. As part of the conduit issue, the State - via the Business Oregon Development Department and contracted bond counsel - will perform some level of due diligence on the issue. This "second set of eyes" on the issue makes the bonds more saleable on the secondary market. While precipitated by this particular project, passage of SB 1558 will enable other companies, both new and existing, to better utilize IRDBs as a financing tool for growth and job creation.

SB 1558 is at the top of our organization's wish 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%. That equates to more than 15,000 people that are looking for jobs and can't find them. When provided the opportunity to help remedy this unacceptable situation with legislation that costs the state nothing and places Oregon at no legal or financial risk, we must act.

Given the very short time left in the 2012 Session, please quickly pass this bill. It was passed unanimously by the Senate and may be one of the few pieces of legislation that can have an immediate impact on job creation and noticeable reduction of our high unemployment rates.

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

Sincerely,



Roger J. Lee  
Executive Director

cC: Sen. Chris Telfer  
Sen. Ted Ferrioli  
Sen. Doug Whitsett  
Rep. Mike McLane  
Rep. Jason Conger  
Rep. John Huffman  
Rep. Gene Whisnant

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