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# MEMORANDUM

Legislative Fiscal Office  
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**To:** *Transportation and Economic Development Subcommittee*

**From:** *Krista McDowell, Legislative Fiscal Office*  
*(503) 986-1838*

**Date:** May 30, 2013

**Subject:** *HB 2225 - A*  
*Work Session Recommendations*

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HB 2225 – A Relating to the Oregon Business Retention and Expansion Program

The measure, original staff measure summary, preliminary Joint Committee on Ways and Means staff measure summary, and fiscal impact statement are available on the Oregon Legislative Information System (OLIS).

The measure previously had a work session in the House Transportation and Economic Development Committee on March 13, 2013 and was referred to the Joint Committee on Ways and Means by subsequent referral with a “do pass” recommendation. The measure previously had a public hearing in the Transportation and Economic Development Subcommittee on April 25, 2013.

The measure repeals the sunset on the Oregon Business Retention and Expansion Program. Oregon Business Development Department will also be authorized to transfer any monies approved for the Strategic Reserve Fund to the Program. The amount of monie to be transferred is indeterminate.

**Recommendation:**

The Legislative Fiscal Office recommends that HB 2225 – A be moved to the full Joint Committee on Ways and Means with a do pass recommendation.

**Motion #1: Move HB 2225 – A to the full committee with a “do pass” recommendation.**

**Assignment of Carriers:**

Full: \_\_\_\_\_

2<sup>nd</sup> Chamber: \_\_\_\_\_

**FISCAL IMPACT OF PROPOSED LEGISLATION****Measure: HB 2225**Seventy-Seventh Oregon Legislative Assembly – 2013 Regular Session  
Legislative Fiscal Office***Only Impacts on Original or Engrossed  
Versions are Considered Official***

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Prepared by: Krista McDowell  
Reviewed by: Steve Bender  
Date: 4/25/2013

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**Measure Description:**

Removes sunset from Oregon Business Retention and Expansion Program.

**Government Unit(s) Affected:**

Business Development Department (Business Oregon)

**Summary of Expenditure Impact:**

See Analysis

**Local Government Mandate:**

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

**Analysis:**

This fiscal impact statement of the bill is indeterminate. HB 2225 repeals the sunset of the Oregon Business Retention and Expansion Program, and authorizes the Oregon Business Development Department (OBDD) to utilize funds credited to the Strategic Reserve Fund for this program.

The Oregon Business Retention and Expansion Program, established in the 2011 session, authorizes OBDD to provide forgivable loans to eligible businesses. To qualify, a business must operate in a traded sector industry, must have at least 150 employees, must intend to hire at least 50 or more new full-time employees in the state with mean compensation of at least 150% of the state or county average compensation level, and must verify that they would not hire these new employees if the forgivable loan was not available. The loan amount that OBDD can provide is any amount up to the estimated amount of Oregon personal income taxes that the business's newly-hired employees will pay over a two-year period.

The Oregon Business Retention and Expansion Program is scheduled to sunset in 2022. HB 2225 repeals that sunset. The bill also authorizes OBDD to transfer any monies approved for the Strategic Reserve Fund to the Program. The amount of monies that OBDD would transfer to the Oregon Business Retention and Expansion Program is unknown. During the 2011-13 biennium, OBDD transferred \$3.6 million of Lottery Funds to the Oregon Business Retention and Expansion Program. The amount of funds that would be available for new Strategic Reserve Fund awards in OBDD's 2013-15 biennium current service level budget includes \$15.3 million of Lottery Funds.

Joint Committee on Ways and Means

Carrier – House: Rep.  
Carrier – Senate: Sen.

Revenue: No Revenue Impact

Fiscal: Fiscal Impact Statement Issued

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**Action:**

**Vote:**

House

Yeas:

Nays:

Exc:

Senate

Yeas:

Nays:

Exc:

**Prepared By:** Krista McDowell, Legislative Fiscal Office

**Meeting Date:** 4/25/2013, 5/30/2013

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**WHAT THE MEASURE DOES:** Removes sunset from Oregon Business Retention and Expansion Program. Allows Oregon Business Development Department to transfer moneys from Strategic Reserve Fund to the Oregon Business Retention and Expansion Program Fund for purpose of making loans.

**ISSUES DISCUSSED:**

- Incentives for business to relocate and or grow in the State of Oregon
- Opportunities to develop jobs in rural Oregon
- Creation of new jobs means additional tax revenues for public programs
- Under what circumstances loans issued from the program must be paid back

**EFFECT OF COMMITTEE AMENDMENT:** No amendment

**BACKGROUND:** The Oregon Business Retention and Expansion Program, established with enactment of Senate Bill 219 (2011 Legislative Session), authorizes the Oregon Business Development Department (OBDD) to provide forgivable loans to eligible businesses. To qualify, a business must operate in a traded sector industry, must have at least 150 employees, must intend to hire at least 50 or more new full-time employees in the state with mean compensation of at least 150% of the state or county average compensation level, and must verify that they would not hire these new employees if the forgivable loan was not available. The loan amount that OBDD can provide is any amount up to the estimated amount of Oregon personal income taxes that the business's newly-hired employees will pay over a two-year period.

The Oregon Business Retention and Expansion Program is scheduled to sunset in 2022. This bill repeals that sunset. The bill also authorizes OBDD to transfer any monies approved for the Strategic Reserve Fund to the Program. The amount of monies that OBDD would transfer to the Oregon Business Retention and Expansion Program is unknown.

Unless approved by the Joint Committee on Ways and Means or, if the Legislative Assembly is not in session, the Emergency Board, administrative expenses of the Oregon Business Development Department incurred in connection with the implementation and administration may not be paid from funds transferred from Oregon Business Retention and Expansion Program Fund.