

**SB 246**

**Oregon Industrial Site Readiness Program**

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Senate Bill 246 establishes the Oregon Industrial Site Readiness Program, which provides two types of support to public entities that prepare sites for industrial development. Under this program, the Oregon Business Development Department (OBDD) may enter into tax reimbursement arrangements, or into loan agreements, with project sponsors for development of certified regionally significant industrial sites.

Under the tax reimbursement arrangements, project sponsors can receive up to the full amount of their eligible site preparation costs, plus interest. Under the loan agreements, OBDD may forgive up to 50 percent of eligible site preparation costs. Payment to the project sponsor, or the amount of the loan forgiven, is equal in a particular year to 50 percent of the estimated incremental income tax revenues associated in that year with the eligible employer's on-site employees.

The bill will reduce General Fund revenue by directing certain personal income tax collections into the Oregon Industrial Site Readiness Program Fund, instead of into the General Fund. The amounts so deposited equal 50 percent of the estimated incremental income tax revenues associated with all eligible employers' on-site employees that year. Monies in the Fund are then used to finance tax reimbursement arrangement payments to project sponsors, and to reimburse OBDD for loan amounts that have been forgiven under the program's loan forgiveness provisions.

The Transportation and Economic Development Subcommittee recommends Senate Bill 246 be amended and reported out do pass, as amended.

**77<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2013 Session  
BUDGET REPORT AND MEASURE SUMMARY**

**JOINT COMMITTEE ON WAYS AND MEANS**

**MEASURE: SB 246-B**

**Carrier – House: Rep. Read**

**Carrier – Senate: Sen. Beyer**

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**Action:** Do Pass the A-Engrossed Measure as Amended and be Printed B-Engrossed

**Vote:**

House

Yeas:

Nays:

Exc:

Senate

Yeas:

Nays:

Exc:

**Prepared By:** Tamara Brickman, Department of Administrative Services

**Reviewed By:** Steve Bender, Legislative Fiscal Office

**Meeting Date:** June 28, 2013

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Agency

Oregon Business Development Department

Biennium

2013-15

**Budget Summary\***

	2011-13 Legislatively Approved Budget <sup>(1)</sup>	2013-15 Current Service Level	2013-15 Committee Recommendation	Committee Change from 2011-13 Leg. Approved	
				\$ Change	% Change
Lottery Funds	\$ 0	\$ 0	\$ 179,254	\$ 179,254	100.0%
Total	\$ 0	\$ 0	\$ 179,254	\$ 179,254	100.0%

**Position Summary**

Authorized Positions	0	0	1	1
Full-time Equivalent (FTE) positions	0.00	0.00	0.88	0.88

<sup>(1)</sup> Includes adjustments through December 2012

\* Excludes Capital Construction expenditures

**Summary of Revenue Changes**

The bill requires the Department of Revenue to deposit personal income tax collections into the Oregon Industrial Site Readiness Program Fund, instead of into the General Fund, under certain conditions. Monies in the Fund are then used to fund tax reimbursement arrangement payments to project sponsors, and to reimburse the Oregon Business Development Department (OBDD) for loan amounts that have been forgiven under the program’s loan forgiveness provisions. The bill does not provide funds to OBDD for program loans. Until funding for those loans is provided in another bill, the Department will be unable to enter into loan arrangements, but will be able to enter into tax reimbursement arrangements.

Implementation and administration costs will be funded through Lottery Funds.

**Summary of Transportation and Economic Development Subcommittee Action**

SB 246-B establishes the Oregon Industrial Site Readiness Program and Fund (of the same name), continuously appropriates moneys in the Fund to the Oregon Business Development Department (OBDD), and directs the Department to establish and administer the Oregon Industrial Site Readiness Program. The Program establishes two types of support to public entities (project sponsors) that prepare sites for industrial development. The Program authorizes OBDD to enter into: (1) tax reimbursement arrangements with, and (2) to make loans to, qualified project sponsors for development of certified regionally significant industrial sites.

The bill allows OBDD to forgive up to 50 percent of the loans when a project sponsor contracts with an eligible employer who sites employees on the site. The program limits the amount of loan forgiveness to 50 percent of eligible site preparation costs, or to an amount equal to 50 percent of the estimated incremental income tax revenues associated with the eligible employer’s on-site employees, whichever is less. Under the

program's tax reimbursement arrangements, project sponsors may receive up to the full amount of their eligible site preparation costs, plus interest. Payment to the project sponsor, in a particular year, is equal to 50 percent of the estimated incremental income tax revenues associated in that year with the eligible employer's on-site employees.

The bill requires the Department of Revenue to deposit personal income tax collections into the Oregon Industrial Site Readiness Program Fund, instead of into the General Fund, under certain conditions. The amounts so deposited equal 50 percent of the estimated incremental income tax revenues associated with all eligible employers' on-site employees that year. Monies in the Fund are then used to fund tax reimbursement arrangement payments to project sponsors, and to reimburse OBDD for loan amounts that have been forgiven under the program's loan forgiveness provisions.

The Subcommittee adopted amendments that (1) limit the amount of tax reimbursement arrangements and loan amounts, authorized under the program, to no more than \$10 million per year; (2) prohibit the Department from entering into tax reimbursement arrangements or loan agreements on or after July 1, 2023; (3) prohibit funds received from the program from being used for environmental remediation of sites listed or proposed to be listed as a national priority pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA); (4) prohibit a site from being eligible for both a tax reimbursement arrangement and a loan agreement under the program; and (5) prohibit projects located on industrial sites with a tax reimbursement arrangement or loan agreement from also being included for purposes of payments from the Shared Services Fund (a.k.a, "Gain Share Program").

The Subcommittee allocated \$179,254 Lottery Funds to OBDD, increased the agency's Lottery Funds expenditure limitation for Business, Innovation and Trade by the same amount, and added one full-time Program Analyst four position (0.88 FTE) to the Department budget, for administration of the program. The bill does not provide funds to OBDD for program loans. Until funding for those loans is provided in another bill, the Department will be unable to enter into loan arrangements, but will be able to enter into tax reimbursement arrangements.

**DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION**

**SB 246-B**

**Oregon Business Development Department  
Tamara Brickman - 503-378-4709**

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
<u>SUBCOMMITTEE RECOMMENDATION</u>									
<u>Oregon Business Development Department</u>									
SCR 210 - Business, Innovation, Trade									
Personal Services	\$ 0	\$ 155,874	\$ 0	\$ 0	\$ 0	\$ 0	\$ 155,874	1	0.88
Services and Supplies	\$ 0	\$ 23,380	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,380		
<b>SUBCOMMITTEE RECOMMENDATION</b>	<b>\$ 0</b>	<b>\$ 179,254</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 179,254</b>	<b>1</b>	<b>0.88</b>

**PROPOSED AMENDMENTS TO  
A-ENGROSSED SENATE BILL 246**

1 On page 1 of the printed A-engrossed bill, line 2, after the first semicolon  
2 insert “creating new provisions; amending ORS 285C.635 and 316.502;” and  
3 after “money;” insert “limiting expenditures;”.

4 In line 21, delete “in ORS 314.610” and insert “pursuant to rules adopted  
5 by the Oregon Business Development Department”.

6 On page 2, line 2, delete “one or more”.

7 In line 3, after “least” delete the rest of the line and line 4 and insert  
8 “150 percent of the county or state average wage, whichever is less.”.

9 Delete lines 36 through 45 and delete page 3.

10 On page 4, delete lines 1 through 5 and insert:

11 “(8) ‘Wage’ has the meaning given that term pursuant to rules adopted  
12 by the Oregon Business Development Department.

13 **“SECTION 3. (1) In consultation with the Department of Revenue,  
14 the Oregon Business Development Department shall establish and ad-  
15 minister the Oregon Industrial Site Readiness Program. The purpose  
16 of the program is to:**

17 **“(a) Enter into tax reimbursement arrangements with qualified  
18 project sponsors pursuant to subsection (5) of this section; or**

19 **“(b) Provide loans, including forgivable loans, to qualified project  
20 sponsors pursuant to subsection (5) of this section.**

21 **“(2)(a) Subject to standards and procedures that the Oregon Busi-  
22 ness Development Department shall establish by rule, the department**

1 shall certify regionally significant industrial sites for inclusion in the  
2 program.

3 “(b) A regionally significant industrial site certified under this sec-  
4 tion must be an industrial site that is planned and zoned for industrial  
5 use.

6 “(3) A project sponsor may apply to participate in the program by  
7 submitting an application and development plan in writing in a form  
8 prescribed by the department by rule.

9 “(4) The department shall establish by rule criteria and standards  
10 for the qualification of project sponsors to participate in the program.

11 “(5) Upon qualification of a project sponsor under this section, and  
12 before July 1, 2023, the department may:

13 “(a) Enter into a tax reimbursement arrangement with the project  
14 sponsor pursuant to which the project sponsor shall receive an amount  
15 equal to 50 percent of the estimated incremental income tax revenues  
16 generated by an eligible employer per tax year, beginning with the tax  
17 year following the fifth tax year in which a project sponsor is qualified  
18 under this section, until the total investment of the qualified project  
19 sponsor in the eligible site preparation costs, including interest, es-  
20 tablished under subsection (7) of this section has been recovered, at  
21 which time the tax reimbursement arrangement shall end; or

22 “(b) Enter into a loan agreement with the project sponsor under  
23 terms and conditions specified and required by the department. In  
24 making a determination to enter into a loan agreement with the  
25 project sponsor, the department shall consider the reasonableness of  
26 the project sponsor’s estimated costs to prepare the site for industrial  
27 use, including but not limited to eligible site preparation costs estab-  
28 lished by the department pursuant to subsection (7) of this section.  
29 The agreement may specify that a portion of the loan may be forgiven  
30 if the project sponsor enters into a contract with an eligible employer

1 to conduct a business in the traded sector industry on a regionally  
2 significant industrial site within seven years after the project sponsor  
3 was qualified under this section.

4 “(6)(a) The total amount of the loan that may be forgiven under  
5 subsection (5) of this section is the lesser of:

6 “(A) Fifty percent of the total cost of eligible site preparation costs;  
7 or

8 “(B) Fifty percent of the amount of the estimated incremental in-  
9 come tax revenues for the eligible employer for the term of the loan.

10 “(b) Loan forgiveness may not be allowed under subsection (5) of  
11 this section if any portion of the loan that would not be forgiven would  
12 be repaid by the project sponsor with state funds received from any  
13 source.

14 “(7) The department shall establish, by rule, eligible site prepara-  
15 tion costs including, but not limited to, some or all of the following:

16 “(a) Acquisition and assembly costs associated with creating large  
17 development parcels.

18 “(b) Transportation improvements such as access roads, inter-  
19 sections, turning lanes, signals, sidewalks, curbs, transit stops and  
20 storm drains.

21 “(c) Water and sewer infrastructure.

22 “(d) Natural resource mitigation.

23 “(e) Site grading activities.

24 “(f) Environmental remediation and mitigation activities to address  
25 brownfields issues in accordance with state and federally approved re-  
26 mediation plans.

27 “(g) Planning, engineering and administrative costs associated with  
28 applying for necessary local, state and federal permits.

29 “(h) Interest-carrying costs incurred by a project sponsor for  
30 amounts borrowed to develop a regionally significant industrial site,

1 not to exceed 20 percent of the total amount forgiven, if any, under  
2 subsection (5) of this section.

3 “(8) The total amount of tax reimbursement arrangements and loan  
4 amounts authorized under this section may not exceed \$10 million per  
5 year.

6 “(9) Funds received pursuant to a tax reimbursement arrangement  
7 or a loan agreement under subsection (5) of this section may not be  
8 used for the payment of:

9 “(a) A penalty or fine; or

10 “(b) Environmental remediation activities conducted at a regionally  
11 significant industrial site that is listed or proposed to be listed as a  
12 national priority pursuant to the Comprehensive Environmental Re-  
13 sponse, Compensation, and Liability Act of 1980 (42 U.S.C. 9605) for  
14 which the project sponsor, eligible employer or any party to the tax  
15 reimbursement arrangement or loan agreement is liable under 42  
16 U.S.C. 9607 at that regionally significant industrial site.

17 “(10) The department shall adopt rules to administer and implement  
18 the provisions of this section including, but not limited to, the devel-  
19 opment of performance measures for eligible employers regarding job  
20 creation and compensation under section 2 (2)(b) of this 2013 Act.

21 **“SECTION 4. (1) Beginning with the tax year following the fifth tax**  
22 **year in which a project sponsor was qualified under section 3 of this**  
23 **2013 Act, on or before April 1 following each tax year in which em-**  
24 **ployees of an eligible employer will be required to pay personal income**  
25 **taxes under ORS chapter 316, the eligible employer and the project**  
26 **sponsor with which the eligible employer has entered into a contract**  
27 **under sections 1 to 5 of this 2013 Act shall submit a report to the**  
28 **Oregon Business Development Department, in addition to any other**  
29 **reporting or filing requirement, that contains the annual amount of**  
30 **taxable income and total compensation paid to employees of the eligi-**

1 ble employer and any other information that may be required by the  
2 Oregon Business Development Department and the Oregon Depart-  
3 ment of Administrative Services under this section.

4 “(2) Upon receipt of information compiled under subsection (1) of  
5 this section, the Oregon Department of Administrative Services shall  
6 determine the annual amount of estimated incremental income tax  
7 revenues generated by an eligible employer per tax year, beginning  
8 with the tax year following the fifth tax year in which a project  
9 sponsor was qualified under section 3 of this 2013 Act.

10 “(3) In determining the amount of estimated incremental income  
11 tax revenues generated by an eligible employer under this section, the  
12 Oregon Department of Administrative Services may rely on reasonable  
13 techniques of estimation, if appropriate.

14 “(4) Not later than May 15 of each fiscal year, the Oregon Depart-  
15 ment of Administrative Services shall certify the amounts determined  
16 under subsection (2) of this section to the Department of Revenue, the  
17 Legislative Revenue Officer and the Legislative Fiscal Officer.

18 “(5) Not later than June 15 of each fiscal year, after receiving the  
19 certification under subsection (4) of this section, the Department of  
20 Revenue shall transfer to the Oregon Industrial Site Readiness Pro-  
21 gram Fund established in section 5 of this 2013 Act an amount equal  
22 to 50 percent of the amount of estimated incremental income tax rev-  
23 enues certified under subsection (4) of this section.

24 “(6) The Department of Revenue shall retain unreceipted revenue  
25 from the tax imposed under ORS chapter 316 in an amount necessary  
26 to make the transfers required under subsection (5) of this section.  
27 The department shall make the transfers out of the unreceipted reve-  
28 nue in lieu of paying the revenue over to the State Treasurer for de-  
29 posit in the General Fund.

30 “(7) The Oregon Business Development Department and the Oregon

1 **Department of Administrative Services shall adopt rules necessary to**  
2 **administer this section. The Department of Revenue may adopt rules**  
3 **necessary to administer this section.”.**

4 In line 9, before the period insert “, including but not limited to moneys  
5 transferred by the Department of Revenue to the fund under section 4 of this  
6 2013 Act”.

7 After line 13, insert:

8 **“SECTION 6.** ORS 285C.635 is amended to read:

9 “285C.635. (1) Upon receipt of information compiled under ORS 285C.615,  
10 the Oregon Department of Administrative Services shall determine the an-  
11 nual amount of personal income tax revenue attributable to each eligible  
12 project for which an eligible business firm received a property tax exemption  
13 under ORS 307.123.**The amount of personal income tax revenue attrib-**  
14 **utable to each eligible project under this subsection may not include**  
15 **personal income tax revenue attributable to the estimated incremental**  
16 **income tax revenues generated by an eligible employer in connection**  
17 **with a tax reimbursement arrangement or loan agreement that has**  
18 **been entered into under the Oregon Industrial Site Readiness Program**  
19 **established by section 3 of this 2013 Act.**

20 “(2) In determining the amount of personal income tax revenue attribut-  
21 able to each eligible project, the department may rely on reasonable tech-  
22 niques of estimation, if appropriate.

23 “(3) In each fiscal year, the department shall transfer 50 percent of the  
24 cumulative amount for all eligible projects determined under subsection (1)  
25 of this section to the Shared Services Fund established in ORS 285C.639.

26 “(4) The department shall adopt rules necessary to administer this section.

27 **“SECTION 7.** ORS 316.502 is amended to read:

28 “316.502. (1) The net revenue from the tax imposed by this chapter, after  
29 deducting refunds **and amounts described in section 4 of this 2013 Act,**  
30 shall be paid over to the State Treasurer and held in the General Fund as

1 miscellaneous receipts available generally to meet any expense or obligation  
2 of the State of Oregon lawfully incurred.

3 “(2) A working balance of unreceipted revenue from the tax imposed by  
4 this chapter may be retained for the payment of refunds, but such working  
5 balance shall not at the close of any fiscal year exceed the sum of \$1 million.

6 “(3) Moneys are continuously appropriated to the Department of Revenue  
7 to make:

8 “(a) The refunds authorized under subsection (2) of this section; and

9 “(b) The refund payments in excess of tax liability authorized under ORS  
10 315.262 and 315.266 and section 17, chapter 906, Oregon Laws 2007.

11 **“SECTION 8. Notwithstanding any other law limiting expenditures,**  
12 **the limitation on expenditures established by section 3 (1), chapter**  
13 **\_\_\_\_\_, Oregon Laws 2013 (Enrolled House Bill 5028), for the biennium**  
14 **beginning July 1, 2013, as the maximum limit for payment of expenses**  
15 **from lottery moneys allocated from the Administrative Services Eco-**  
16 **nomic Development Fund to the Oregon Business Development De-**  
17 **partment, is increased by \$179,254 for the Oregon Industrial Site**  
18 **Readiness Program.”.**

19 In line 14, delete “6” and insert “9”.

20 In line 18, delete “7” and insert “10”.

21 \_\_\_\_\_