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Testimony - Senate Committee on Environment and Natural Resources

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*What is the public policy purpose of this credit? Is there an expected timeline for achieving this goal?*

The purpose of this credit is to create jobs. This credit is a major inducement for solar and other renewable energy component manufacturing companies to locate and expand facilities in Oregon. The jobs created are good-paying family-wage jobs. The credit has allowed us to compete successfully with other states, which are also actively recruiting these companies and offer their own incentives. Because of this tax credit Oregon now has over 1,400 employees in solar manufacturing. The total investment is nearly \$1 billion. This is the largest solar manufacturing cluster of any state in the country.

The tax credit has a current sunset of January 1, 2014. This sunset was added in 2010 to allow the evaluation of the program periodically. Senate Bill 321 would extend the sunset six years through the end of 2019. We believe this is a reasonable extension. It provides businesses with certainty about the availability of the credit during this time while providing the opportunity for periodic review by the Legislature of the continued need and effectiveness of the program.

We continue to receive inquiries from other solar and wind manufacturers. We have also received inquiries from other clean energy technology manufacturers. These include makers of LEDs, batteries and other energy storage devices, Smart Grid equipment and other clean energy technologies. This tax credit is critical for us to compete with other states for these companies.

*Who (groups of individuals, types of organizations or businesses) directly benefits from this credit? Does this credit target a specific group? If so, is it effectively reaching this group?*

This tax credit is limited to manufacturers of renewable energy components. The tax credit is narrowly focused. We believe it is effectively reaching the intended group of businesses, to enable us to build a renewable energy manufacturing cluster.

*What is expected to happen if this credit fully sunsets? Could adequate results be achieved with a scaled down version of the credit? What would be the effect of reducing the credit by 50%?*

If the credit fully sunsets, Oregon's efforts to successfully recruit renewable energy manufacturers will be seriously impacted. The companies that we have successfully recruited and helped to expand, including Solopower, Sanyo, SolarWorld, MEMC (Solaicx) and Advanced Energy have consistently told us that the tax credit was critical in their decision to locate and expand in Oregon. If the credit is reduced, it will reduce the effectiveness of our incentive compared to what other states offer. The credit

is taken over five years; by doing so the revenue impact is reduced each year compared to what the impact would be if the credit were taken in one year.

*What background information on the effectiveness of this type of credit is available from other states?*

We believe that this tax credit is unique in scope and amount compared to credits from other states. Other states have different types of incentives, including direct grants, loans and other incentives. This tax credit allows Oregon to compete successfully with those states which offer different types of incentives.

*Is use of a tax credit an effective and efficient way to achieve this policy goal? What are the administrative and compliance costs associated with this credit? Would a direct appropriation achieve the goal of this credit more efficiently?*

The tax credit is an effective tool. While other approaches, including a direct appropriation might work, the tax credit has proven successful. All administrative costs are paid by the applicant companies. The tax credit is received over five year; besides reducing the revenue impact of the tax credit in any single year, the five year period assures that the company will not receive the full value of the tax credit unless it operates successfully for at least five years. The amount of the tax credit and the job requirements and other measures are directly negotiated with each company, and clawback provisions for recovering the tax credit are imposed for failure to meet those requirements. The tax credit has proven to be a flexible tool for these negotiations, which other forms of incentives might not provide. The tax credit also allows us to move more quickly than a direct appropriation would allow.

*What other incentives (including state or local subsidies, federal tax expenditures or subsidies) are available that attempt to achieve a similar policy goal?*

The state has other incentives, such as low-interest loans and job training grants, but these incentives are much smaller than the tax credit. These other incentives are also intended for all businesses in Oregon, not just those in renewable energy manufacturing. Because funding limits for these other incentives are much smaller than the tax credit, funds from these other incentives allocated to renewable manufacturing facilities to replace the tax credit would reduce the amount of funding available for existing businesses not in this cluster.