HB 4005 A New Manny, or a Restart of the Old?

Testimony for House Revenue – Jody Wiser – 2.6.2014

It is our understanding that Business Oregon does not hope to move the original version of HB 4005 this session. Instead, they want an 18 month "extension to the current law." Neither is acceptable. The bill as you have it is half-baked and there is no current law to extend.

The bill before you is deeply flawed. A few examples:

- It opens up this capital investment based subsidy to all kinds of manufacturing --without defining "manufacturing." Does it include roasting coffee beans? Under some laws it would. That has surprised some legislators.
- It considers a year of all payroll costs and up to $5000 in training costs a "capital expense." This is certainly a new definition of capital expense.
- The state can put up 50% of the money for these "capital expenses" but receive no equity interest. What investor would do that?
- Job standards are weakened in two ways: thirty-five hours a week becomes a full-time job, and the compensation package is about 10% less than in prior manufacturing tax credit bills.

But neither should you consider approving "an extension." The BETC Manufacturing Tax Credit has expired. You would not be extending it. You would be starting it up again, with the same provisions that have never been thoroughly evaluated. When this measure was due for a sunset in 2011, it was curtailed and extended, but not with real review.

You've not seen an evaluation of the cost per job, the percentage of businesses that have exceeded expectations or underperformed. You may not even be unaware of what companies received the $114 million in tax credits that were delivered under the BETC Manufacturing Tax Credit.

How does the number and quality of direct jobs in these businesses compare to the number and quality of direct jobs receiving incentives under the new Business Expansion Program (BEP)? Does the group of businesses subsidized based on capital investment produce more and better direct and indirect jobs than those businesses whose subsidy is based on job number and quality? Our guess is the BEP is a far more efficient tool, but we could be wrong. The director has testified that the BEP is the best tool he has.

You have been given no data-driven analysis to facilitate good decision-making. In the absence of that, it is imprudent to re-start this program, which gives private businesses up to $10 million each.