

HRC Testimony on HB 2940, March 4, 2015

Steve Robinson, Decision Metrics

Mr. Chairman and members of the Committee, I am Steve Robinson, principal of Decision Metrics. When I'm not talking with you, I am an angel investor and mentor to emerging businesses in the Southern Willamette Valley, and a member of the Eugene Chamber's Economic Development Council.

You may remember that I spoke to you on February 12 about several bills that are intended to improve how Oregon manages economic development tax incentive programs. As I interpret the bills discussed at that time, HB 2218 was about establishing a clear purpose for any incentive programs. HB 2155 asks Business Oregon to pay attention to how those programs are working and make recommendations if changes should be made to improve how they are balanced, in terms of urban vs. rural, large vs. small, and sector vs. sector. And HB 2154 would require auditing of specific programs to see if they are meeting the goals either established or implied for them.

Today's bills, HB 2077 and 2940, are complementary with those efforts. They fill a critical gap in the information policy makers can get about the effectiveness of the money we spend.

The Tax Expenditure Report has a listing of Tax Expenditures by Program/Function, and on pages 20-22 it lists 74 TEs under the category of "Economic and Community Development." The total cost of these 74 TEs is **over \$3 billion a biennium**.

I know this is the Revenue Committee, not Ways & Means, but in recent years you have wisely begun to look at tax expenditures in a way more closely aligned with budgetary decisions, and later, when you convene as JTAX, you will be focusing very specifically on Oregon tax credits. To me, the most important question you need to consider is: do these tax expenditure programs work efficiently to create the desired outcomes? This is the same question you ask about a \$3 billion agency budget request. When you aren't satisfied with the information provided by the agency director, you keep drilling in with requests for more information until you are satisfied.

HB 2077 and HB 2940 are analogous to that information-gathering process. They require taxpayers, many of whom receive some of those \$3 billion in tax incentives to provide data you absolutely need, in order to properly evaluate the cost-effectiveness of the incentive programs involved. Without it, you've been flying blind for far too long.

I am certainly not opposed to the state's involvement in economic development activity; in fact, I think it's an essential factor in creating the proverbial rising tide we all need to float on. But I am concerned about the possibility of wasting money on programs that merely provide a windfall subsidy to people or businesses who are just doing what they always do. As I said back in February, we can't afford to just "send a message that Oregon is friendly to business." The public trust demands that we keep improving our systems of gathering and analyzing data, to make sure we are spending tax dollars wisely. The bills before you today are a positive next step in that chain of improvement.

Finally, I would like to suggest that it would be helpful to form a work group to sift through the large number of bills on this topic already introduced, in order to formulate a strategically-coherent package of reforms that provide the information we need without burdening businesses with unnecessary and overlapping regulations.