

ANALYSIS

Item 44: Business Development Department Regionally Significant Industrial Sites

Analyst: Matt Stayner

Request: Increase Other Funds expenditure limitation for the Oregon Business Development Department by \$10 million for the payment of state income tax reimbursements to local governments under the Oregon Industrial Site Readiness Program.

Analysis: The Oregon Industrial Site Readiness Program provides a mechanism for a local government to recover the costs associated with the preparation of a regionally significant industrial site for industrial use through the receipt of up to 50% of the state income tax paid by employees working at that site whose average wage is at least 150% of the county or state average wage, whichever is less. Statute provides a timeline and process for the Oregon Business Development Department (OBDD) to obtain the employment and wage information for employers on regionally significant industrial sites, estimate the subject incremental income tax revenues generated by that employment, and have those amounts certified by the Department of Administrative Services (DAS) to the Department of Revenue, Legislative Revenue Officer and Legislative Fiscal Officer. By June 15th of any given year, the Department of Revenue transfers an amount equal to 50% of the income tax revenue that has been certified by the DAS, to OBDD for distribution to the local government sponsor. The program is limited to providing \$10 million per year in total payments to local governments. The sum of all payments to local governments cannot exceed their total cost of site development.

Six entities are currently under contract with OBDD with projected development costs of \$100.8 million. Another four entities have been approved but are pending contracts, and two other entities have either applied or are in the process of applying for the program. The requested expenditure authority that is the subject of this item is for a single entity, the Port of Portland. OBDD estimated, and DAS certified, eligible state personal income tax revenues for tax year 2020 of approximately \$9.1 million, providing approximately \$4.5 million in eligible reimbursements for the project, which has been transferred to OBDD for distribution to the Port of Portland. Although the current reimbursement totals just over \$4.5 million, OBDD has requested \$10 million in Other Funds expenditure limitation in anticipation of a second payment to the Port of Portland before the end of the current biennium for the 2021 tax year.

Recommendation: The Legislative Fiscal Office recommends that the Emergency Board increase the Other Funds expenditure limitation for the Oregon Business Development Department by \$10,000,000 for the payment of state income tax reimbursements to local governments under the Oregon Industrial Site Readiness Program with the understanding that \$5,456,611 of that amount will be unscheduled by the Department of Administrative Services, pending certification of the following year's transfer amount.

Request: Increase Other Funds expenditure limitation by \$10.0 million to provide payment to the Port of Portland for the Regionally Significant Industrial Sites (RSIS) program.

Recommendation: Approve the request, with the following modification – Increase Other Funds expenditure limitation by \$10.0 million and request the Department of Administrative Services un-schedule \$5,456,611 until the Department can demonstrate a second disbursement under this program, for this employer, is eligible to be made in the next year.

Discussion: The Regionally Significant Industrial Sites (RSIS) program, created by Senate Bill 246 in 2013, is a profit-sharing economic development tool that offers state income tax reimbursements for approved industrial site readiness activities. Beginning the year after a project's employment thresholds are reached, tax reimbursements are annually distributed to the approved local government. The program is taking applications until July 1, 2023 and is approved to reimburse up to 100 percent (up to \$10 million) of total site preparation costs.

Examples of eligible site readiness activities include:

- Land acquisition and assembly costs,
- Planning and engineering,
- Environmental remediation and mitigation,
- Transportation improvements,
- Infrastructure improvements, and
- Site grading.

The required employment thresholds are:

- Rural sites: Eligible employers must hire a minimum of 25 full-time employees whose wages average at least 150 percent of the county or state average wage, whichever is less.
- Urban sites: Eligible employers must hire a minimum of 50 full-time employees whose wages average at least 150 percent of the county or state average wage, whichever is less.

The reimbursement being requested is for a project titled Troutdale Reynolds Industrial Park (TRIP)-II at the Port of Portland's project #RSIS001 for reporting year 2020. The project involved significant work at a large parcel of industrial land in which an employer would locate. In accordance with ORS 285B.626(1)(b)(B), based on self-reported payroll data, the employer at the site hired at least 50 full-time employees with wages averaging at least 150 percent of the county or statewide average wages for tax year 2020. For 2020, the required wage threshold was \$89,891 based on the statewide annual average of \$59,927. The statewide threshold was used as it was lesser than Multnomah County's average wage of \$68,091. According to the data submitted, the 50 highest paid employees at the site earned over \$89,891 in tax year 2020.

In compliance with ORS 285B.630, the employment and wage information obtained allowed OBDD to estimate \$9,086,778 in state personal income taxes for 2020 were generated from the wages at this employer's site. The Oregon Department of Administrative Services certified the amounts provided by OBDD and the Department of Revenue transferred the amount of \$4,543,389 (50 percent of the personal income tax rate) to the Oregon Industrial Site Readiness Program Fund. This is the amount to be provided to the employer in accordance with the law.

OBDD has asked for \$10 million in increased expenditure limitation because they anticipate the TRIP-II project will qualify for a second reimbursement next year, within the 2021-23 biennium.

Legal Reference: Increase Other Funds expenditure limitation established by chapter 560, section 2(2), Oregon Laws 2021, for the Oregon Business Development Department, Infrastructure, by \$10,000,000 for the 2021-23 biennium.



August 17, 2022

Senator Peter Courtney, Co-Chair
Representative Dan Rayfield, Co-Chair
Joint Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairs:

Nature of the Request

The Oregon Business Development Department (Department) respectfully requests an increase in Other Fund limitation in the amount of \$10M to allow the Department to expend pass through funds received from the Oregon Department of Revenue for the Oregon Industrial Site Readiness Program.

Agency Action

Background

The Regionally Significant Industrial Sites (RSIS) program provides state income tax reimbursements to local governments that make industrial sites ready for development. This program is accepting applications until July 1, 2023 and has been approved to reimburse up to 100% of total site preparation costs. The Department is authorized to reimburse \$10 million a year. Currently, the program is only a tax reimbursement program and is not providing loans or grants.

RSIS reimbursement analysis – TRIP 2 – Port of Portland

Project #RSIS001
Reporting year 2020

Per ORS 285B.626(1)(b)(B), the employer at this site has hired at least 50 full-time employees whose wages average at least 150 percent of the county or statewide average wage, whichever is less, in tax year 2020 based on self-reported payroll data from the employer.

The 2020 wage threshold to meet was \$89,891, which was 150 percent of the 2020 statewide average annual wage of \$59,927. The statewide average wage was used because it was lower than Multnomah County's average wage of \$68,091. The 50 highest paid employees at this employer's site earned over \$89,891 in tax year 2020.

Per ORS 285B.630, employment and wage information were obtained, and Oregon Business Development Department has estimated the incremental income tax revenues generated. It was determined the employer generated an estimated \$9,086,778 in state personal income tax in tax year 2020 from wages paid at this employer's site.

The Oregon Department of Administrative Services has certified the amounts and the Department of Revenue has transferred the funds to the Departments Oregon Industrial Site Readiness Program Fund.

Result of analysis for reimbursement

1. RSIS001 Employment x state personal income tax rate = \$9,086,778
2. \$9,086,778 (state personal income tax) x 50% (max reimbursement rate per year) = \$4,543,389 (eligible tax reimbursement)
3. Reimbursement Amount certified for TRIP II = \$4,543,389
4. The Department is requesting total limitation of \$10M because it is anticipated that the TRIP II Regionally Significant Industrial Site will qualify for a second reimbursement next year, prior to the end of 21-23 biennium.

Legislation Affected

Increase the Other Funds expenditure limitation established by chapter 560, Section 2(2), Oregon Laws 2021 for the Oregon Business Development Department for Infrastructure by \$10M.

Sincerely,



Chris Cummings
Deputy Director