Testimony on House Bill 3244
Joint Committee on Tax Expenditures
June 4, 2021

Thank you chairs Burdick and Nathanson and members of the Committee. My name is Kyle Thomas and I am the Director of Legislative and Policy Affairs for the Higher Education Coordinating Commission. Thank you for the opportunity to testify on HB 3244.

I want to start by saying I do not want my comments to be construed as opposing this bill in any way, and I am not here today to argue that this tax credit and the program it funds are not valuable economic development tools.

I am here today because the Oregon Opportunity Grant, the state's largest financial aid program, serving over 30,000 low income Oregon students who attend state colleges and universities, also issues tax credits to fund a portion of its financial aid awards, and in doing so, we are friendly competitors with Oregon Film in a market that, in recent history, has purchased all of the available credits.

We entered the tax credit market with the passage of SB 1528 in 2018, and since then have sold our entire allotment of $14m worth of annual credits. With the change in the federal tax treatment of these credits, we've seen the value of bids decline from selling at over face value, to an average of about $40 less than face value. So, even though we sell $14m in credits we capture closer to $12 million in revenue. In addition, instead of hosting one auction period to sell our full allotment of credits, in 2019, we needed two auctions to do so, due to weaker demand.

Though these credits were initially, at least according to the proponents of the original measure, designed to be additive to the state CSL budget for the Opportunity Grant Program, the budget for the current biennium utilized these dollars in order to maintain the Opportunity Grant at a level near CSL. The consequence is that, at least in the current budget cycle, these are dollars we consider core to the operation of the program at historical levels.

By increasing the credits Oregon Film may sell, and because both Oregon Film and HECC sell credits into the same market, there is increased risk that any softening in market demand for these credits could impact the funding available for student grants in the state. Looking at the most recent tax year, this would not have been an issue. If Oregon Film sold $20m in credits, as provided by this bill, and HECC sold $14m, there was still an additional $4.5m demand for credits. But, 2020 was a very good year for markets, possibly leading to increased demand for credits to offset capital gains. This may not always be the case.

If financial aid in Oregon were well-funded, I likely would not be here asking you to consider the interactions between our two programs as you debate this bill, but financial aid in Oregon is severely underfunded. From 2009-2019, 2 million OOG applications were filed, and the state provided OOG awards to only 16.5 percent of those students. Two of our border states, Washington and California, each provide about three times as much financial aid as we do in Oregon on a per student basis, and the Opportunity Grant does not even serve every student qualified as Pell grant eligible by the federal government.

In this decade, where 97% of new above-average wage jobs will require a post-secondary credential, this is both and economic development and an equity issue. And so the Commission's request today is that as you consider this bill, so do so while being cognizant of the relationship it has to state financial aid, and do what you are able to support mitigating a potential revenue loss for student grants, and to support adequate and increased funding for the Opportunity Grant.

Thank you for your time today.