

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: SB 4 - A17**

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:

Directs Oregon Business Development Department to develop grant and loan program to support businesses applying for financial assistance under Creating Helpful Incentives to Produce Semiconductors for America Act of 2022 (P.L. 117-167).

Government Unit(s) Affected:

Legislative Assembly, Bureau of Labor and Industries, Burns Paiute Tribe, Cities, Confederated Tribes of Coos, Lower Umpqua and Siuslaw Indians, Confederated Tribes of Grand Ronde, Confederated Tribes of Siletz, Confederated Tribes of Umatilla Indian Reservation, Confederated Tribes of Warm Springs, Coquille Indian Tribe, Counties, Cow Creek Band of Umpqua Indians, Department of Justice, Department of Land Conservation and Development, Department of Revenue, Higher Education Coordinating Commission, Judicial Department, Klamath Tribes, Office of the Governor, Oregon Business Development Department, Oregon Health and Science University, Special Districts Association of Oregon

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Summary of Expenditure Impact:

	2021-23 Biennium	2023-25 Biennium	2025-27 Biennium
Oregon Business Development Department			
General Fund			
Personal Services			\$749,125
Services and Supplies			\$162,260
Special Payments	\$200,000,000	\$10,000,000	
Total General Fund	\$200,000,000	\$10,000,000	\$911,385
Other Funds*			
Personal Services	\$29,472	\$749,125	
Services and Supplies	\$9,250	\$152,320	
Special Payments		\$209,059,833	
Total Other Funds	\$38,722	\$209,961,278	\$0
Total Fiscal Impact	\$200,038,722	\$219,961,278	\$911,385
<i>Total Positions</i>	1	3	3
<i>Total FTE</i>	0.08	2.50	2.50

**Represents General Fund expended as Other Funds*

Analysis:

SB 4 - A17 appropriates a total of \$200 million General Fund in the 2021-23 biennium, and \$10 million General Fund in the 2023-25 biennium.

Grant and loan program

This measure directs the Oregon Business Development Department (OBDD) to develop a program to award grants and make loans of up to \$50 million to businesses applying for federal semiconductor financial assistance. Grants and loans may be used for activities undertaken in connection with the federal semiconductor financial assistance program; development of sites for semiconductor or other advanced manufacturing facilities; research and development with respect to semiconductors and advanced manufacturing; or partnering with institutions of higher education, for workforce development and training, and registered apprenticeship and internship opportunities, with respect to semiconductors and advanced manufacturing. Contractors or subcontractors on construction projects funded by these grants or loans must pay the prevailing rate of wage.

The Governor may approve grants or loans of more than \$50 million after giving notice to the Legislative Assembly. Loans are for a term of up to 10 years at zero interest. In addition to grants and loans, businesses awarded grants or loans under this program may also be awarded application assistance grants of up to \$50,000 for the costs of preparing and submitting an application for federal semiconductor financial assistance. Funding for grants and loans is to come from moneys in the newly established Oregon CHIPS Fund, and all repayments are to be made to this fund.

OBDD is to prescribe an application process and OBDD and the Governor are to review and make decisions within 90 days of receipt of completed applications. Decisions are not subject to appeal. For every \$1 million provided as a grant or loan, the recipient business must generate a certain amount of state and local revenue or commit to creation of new jobs in Oregon. The Governor is to convene an advisory panel with at least seven members to assist the Governor and OBDD in establishing a statewide strategy to promote and expand Oregon's semiconductor and advanced manufacturing industry, and work on the grant and loan program.

Recipient businesses are to report to OBDD every six months on their application for federal semiconductor financial assistance, and progress on the projects funded by the grant or loan. OBDD is to submit a report by September 15 of each year to the interim committees of the Legislative Assembly related to economic development on information received.

Recipient businesses must pay back the full amount of the grant or loan immediately under certain circumstances, and the amounts slated for repayment are considered liquidated and delinquent and are to be assigned to the Department of Revenue (DOR) for collection. OBDD may add 20 percent of the principal, plus any interest and fees associated with DOR collections, as penalties if a business willfully misrepresents or misreports material facts related to the grant or loan. All repayments, penalties, interest, fees, and other charges are to be transferred to the Oregon CHIPS Fund, created by the measure. Moneys in the fund are continuously appropriated to OBDD and are retained in the fund at the end of the 2021-23 biennium; any moneys remaining in the fund on June 30, 2025, are to be transferred to the General Fund. The Oregon CHIPS Fund sunsets on January 2, 2033.

The portions of the measure discussed above that relate to the grant and loan program sunset January 2, 2033.

Urban growth boundary changes

The measure states that on or before December 31, 2024, the Governor may, by executive order, bring up to eight sites within an existing urban growth boundary to provide land for industrial uses related to the semiconductor industry or advanced manufacturing as part of the state's covered incentive. The Governor must conduct a public meeting and accept public comments related to this decision, and make a determination that existing lands within an urban growth boundary would not meet the needs of the specific project. This determination is final and not subject to appeal.

The measure confers jurisdiction upon the Supreme Court to determine the legal effect of any order issued by the Governor under this authority. A person adversely affected by the orders to bring land within an urban growth boundary may institute a proceeding for review of the order by filing a petition with the Supreme Court

within 60 days following the effective date of the measure or the date of issuance of an executive order that is being challenged, and serving a copy of the petition on the Attorney General and Governor. If the Supreme Court determines the petition contains factual issues, the Supreme Court may appoint a special master to hear evidence and to prepare recommended findings of fact. Proceedings for review are to be given priority over all matters before the Supreme Court.

These lands will be removed from the urban growth boundary if development of the land will not be receiving federal semiconductor assistance. The portions of the measure related to the urban growth boundary expansions sunset January 2, 2029.

Industrial lands financing

The measure permits OBDD to provide financial assistance in the form of a repayable or forgivable loan, or through the purchase of bonds issued by a project sponsor, to a project sponsor (a public entity or private owner of industrial land that is investing in the preparation of the land for a development project) from moneys in the Industrial Lands Loan Fund. OBDD may also provide moneys in this fund for planning projects and certain other expenses incurred by a project sponsor. The measure lays out requirements for applications for financial assistance, and repayment provisions.

The measure also establishes the Industrial Lands Loan Fund which is continuously appropriated to OBDD for financial assistance to project sponsors under this portion of the measure, as well as administrative costs. OBDD may establish other accounts within the fund for the payment of project costs, reserves, debt service payments, credit enhancement, administrative costs and operation expenses or any other purpose relevant to this portion of the measure. Moneys in the fund may be invested as provided by ORS 293.701 to 293.857, and the earnings from the investments are to be credited to the account in the fund designated by the department. The measure also permits OBDD to commit moneys in the fund, or reserve future income of the fund, for expenditure in future years as long as the agency allows for contingencies and determines there will be sufficient unobligated net moneys in the fund to make the future payments.

Appropriations

A total of \$210 million General Fund is appropriated to OBDD by the measure. \$190 million is for deposit in the Oregon CHIPS Fund established by the measure to carry out the grant and loan program, including administrative costs. \$10 million General Fund is for deposit in the Industrial Lands Loan Fund which is also created by this measure. Both appropriations are available upon passage of the measure. The final \$10 million General Fund is for deposit in the University Innovation Research Fund in the 2023-25 biennium, which may be used for any purpose related to economic development for which moneys in the University Innovation Research Fund may be used. Moneys in the University Innovation Research Fund are continuously appropriated to OBDD to make grants to public universities, or to the Oregon Health and Science University for the purpose of matching competitive federal research grant awards.

The measure provides OBDD with a combined \$200 million in Other Funds expenditure limitation from the CHIPS Fund and the Industrial Lands Loan Fund in the 2021-23 biennium, and an additional \$10 million Other Funds expenditure limitation from the University Innovation Research Fund in the 2023-25 biennium.

This measure declares an emergency and takes effect on passage.

Oregon Business Development Department

The Oregon Business Development Department (OBDD) anticipates that under this measure, there will be 10 to 15 contracts supported with Oregon CHIPS funds, and three to four contracts for funding from the Industrial Land Loan Fund.

The agency will hire three new permanent positions, in addition to miscellaneous other costs related to administering the semiconductor and industrial lands programs:

- One full-time Consultant Advisor 1 (0.08 FTE in 2021-23, 1.00 FTE in 2023-25 and 2025-27), to focus on external communications with companies, application processing, and contract negotiation and monitoring.
- One full-time Operations and Policy Analyst 4 (1.00 FTE in 2023-25 and 2025-27) to manage internal processes and track program policy issues, work with stakeholders, and work on the Industrial Land Loan Fund projects.
- One part-time Public Affairs Specialist 1 (0.50 FTE in 2023-25 and 2025-27) to provide public outreach and program support, including scheduling, creating and posting materials, and supporting the advisory committee.
- An estimated \$100,000 in costs for legal support from the Department of Justice.
- Approximately \$42,260 each full biennium for position-related services and supplies, and \$20,000 each biennium for publicity and publications costs.

In addition to the positions above, OBDD also anticipates using existing staff time that will be charged to this program:

- 0.13 FTE of an existing Procurement and Contract Specialist 3 position for assistance with program contracts.
- 0.25 FTE of an existing Accounting Technician position to establish accounts, process transactions, and provide reporting data.

The cost of the staff time is included in the total personal services amounts shown in the table above, however the position count and FTE count is not included in the table as these are existing positions.

Including the positions and associated costs of program administration, OBDD anticipates expending \$38,722 in the 2021-23 biennium and \$901,445 in the 2023-25 biennium. These costs will be expended as Other Funds from the General Fund monies deposited in the funds established by the measure. Other Funds expenditure limitation is included in the bill for the 2021-23 biennium for this purpose and for distribution of grant and loan funds. While not included in the measure, it is assumed that Other Funds expenditure limitation for anticipated expenditures from the Oregon CHIPS Fund and the Industrial Lands Loan Fund in the 2023-25 biennium will be provided to the agency in subsequent budgetary legislation. Ongoing costs of program administration of \$911,385 in the 2025-27 biennium are assumed to be paid from General Fund as remaining monies in the Oregon CHIPS Fund as of June 30, 2025 are to be transferred to the General Fund.

The \$10 million General Fund for the capitalization of the University Innovation Research Fund and the associated Other Funds expenditure limitation from the fund in the 2023-25 biennium have a minimal fiscal impact to OBDD as the funding supports, and is distributed through, an existing program of the agency.

Bureau of Labor and Industries

The fiscal impact for the Bureau of Labor and Industries (BOLI) is indeterminate. This measure may lead to an increase in prevailing wage projects, but the number of projects and overall impact on BOLI's workload related to coverage determinations and prevailing wage complaints is unknown at this time. The appropriate level of resources for the agency's Wage and Hour Division will be determined more comprehensively based on actual data related to public works projects in Oregon and associated coverage determinations, complaints, and investigations as part of the 2023-25 budget process.

Other Agencies

There is no fiscal impact for the nine federally recognized Tribes in Oregon, cities, counties, Higher Education Coordinating Commission, Oregon Health and Science University, Office of the Governor, Legislative Assembly, and Department of Revenue; and minimal fiscal impact for the Department of Justice, Oregon Judicial Department, and Department of Land Conservation and Development.