

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2258

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:

Extends sunset of Oregon Industrial Site Readiness Program.

Government Unit(s) Affected:

Oregon Business Development Department, Department of Revenue, Department of Administrative Services, Cities, Counties, Special Districts

Summary of Fiscal Impact:

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

Analysis:

House Bill 2258 appropriates \$40 million General Fund to the Oregon Business Development Department (OBDD) in the 2023-25 biennium for deposit in the Oregon Industrial Site Readiness Program Fund. OBDD may use these moneys for any lawful purpose for which OBDD is authorized to use them. The measure extends the sunset date of the Oregon Industrial Site Readiness Program from July 1, 2023, to July 1, 2033. The measure takes effect on passage.

Oregon Business Development Department

The measure is anticipated to have a fiscal impact on OBDD, as the measure would capitalize the Oregon Industrial Site Readiness Program (OISRP) Fund in the amount of \$40 million General Fund. The OISRP, which was established in 2013, was intended to provide financial assistance to qualified project sponsors through tax reimbursement arrangements and loans, including forgivable loans. However, because the OISRP Fund has never been capitalized to date, OBDD has never provided loans to qualified project sponsors. Under current law, OBDD only provides tax reimbursements to qualified project sponsors (i.e., eligible employers) that have paid income tax for jobs on a development site. Once the amount of incremental income tax paid has been certified by the Department of Administrative Services (DAS), the Department of Revenue (DOR) transfers 50% of the incremental income tax to the OISRP Fund. By capitalizing the fund, the measure would authorize OBDD to provide loans to qualified project sponsors for the first time ever.

With capitalization, more sites would be made ready through the OISRP. OBDD anticipates that local governments would work with OBDD to get new sites approved and apply for loans and income tax reimbursements. While it is presently unknown how many local governments would apply for the income tax reimbursement, OBDD estimates that it would provide four new loans in the 2023-25 biennium. It should also be noted that the law currently prohibits OBDD from issuing more than \$10 million per year in income tax reimbursements and loans under the OISRP program; however, because the OISRP Fund has never been capitalized, OBDD has historically interpreted this \$10 million cap as applying only to income tax reimbursements. Nevertheless, it appears from the plain language of the measure that the cap would apply to both income tax reimbursements and loans, once the OISRP Fund is capitalized.

As of Fall 2022, there were six entities under contract with OBDD with projected development costs of \$100.83 million. Another four entities had been approved, but were pending contracts, two other entities had either applied or were in the process of applying for the program. Expenditure authority from the fund for the 2021-23

biennium totaled \$10 million. To date tax reimbursement payments have been for a single entity, the Port of Portland. OBDD estimated, and DAS certified, eligible state personal income tax revenues generated by the project for tax year 2020 of \$9,086,788, providing \$4,543,389 in eligible reimbursements for the project, which has been transferred to OBDD for distribution to the Port of Portland. A second anticipated payment to the Port of Portland for tax year 2021 is likely to be processed before the end of the biennium.

Business Oregon has existing programmatic staff to manage the OISRP that includes a program administrator, loan officer, contracting staff, and fiscal support staff. However, OBDD has indicated that the additional complexities of providing loans from the OISRP Fund would increase the overall workload of the program. To manage the increase in workload, OBDD would need one permanent, full-time Administrative Specialist 2 (0.88 FTE) to coordinate and monitor projects, coordinate loan reimbursements and income tax reimbursements, and maintain procedures and controls relating to the Regionally Significant Industrial Sites program. The estimated cost of this position, including related services and supplies, is \$316,318 total funds in 2023-25 and \$177,708 Other Funds in 2025-27. Because OBDD would transfer the General Fund appropriation to the OISRP Fund to provide tax reimbursements and loans, OBDD would need an increase in Other Funds expenditure limitation in 2023-25 to administer the OISRP program.

The estimated fiscal impact to OBDD is \$80 million total funds, which includes \$40 million General Fund and \$40 million Other Funds, in 2023-25 and \$177,708 Other Funds in 2025-27.

The measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its impact to the State's General Fund and OBDD's biennial budget.

Other Government Units

The measure is anticipated to have a minimal fiscal impact on DAS and DOR, and a minimal impact to cities, counties, and special districts that apply for these loans.