



Date: May 19, 2023

To: Co-Chairs and Members of the Joint Committee on Tax Expenditures
From: Scott Bruun, OBI
RE: Testimony in opposition to HB 2199A / Enterprise Zone diminishment

Good morning, Co-Chairs Nathanson and Meek, and Members of the Committee,

I am Scott Bruun, director of tax, fiscal and manufacturing policy for Oregon Business & Industry. OBI is a statewide association representing businesses from a wide variety of industries and from each of Oregon's 36 counties. In addition to being the statewide chamber of commerce, OBI is the state affiliate for the National Association of Manufacturers and the National Retail Federation. Our 1,600 member companies, more than 80% of which are small businesses, employ more than 250,000 Oregonians.

Thank you for the opportunity to testify in opposition to HB 2199A.

First, I want to say thank you to Co-Chair Nathanson for hearing OBI's input on a different enterprise zone bill, HB 3011. That bill would have done huge damage to the state's enterprise zone programs, and we are happy to see it set aside. Elements of HB 3011 that we didn't love but could live with including "transparency" and notification measures, were adopted into HB 2199.

It's other elements that were adopted into HB 2199, a bill that we initially supported, that we now strongly oppose. Before I get to that I just want to restate the value proposition of our existing programs:

Value of Enterprise Zone Program

Enterprise zones have been demonstrably successful tools for Oregon employers, and the employees, families and communities which benefit. Enterprise zones foster economic growth and community revitalization in areas of the state which have struggled from lack of investment and lack of jobs.

The enterprise zone program has been around since 1989, but it's never been more important. As you know, Oregon's tax burden on business has risen sharply. Oregon has seen a 30% increase in our combined state and local effective business tax burden.

Oregon's Tax and Business Climate Challenge

In just four years, Oregon has gone from a lower business tax burden state, to now significantly above the U.S. average, and above other Western States including Washington, Idaho, Utah, Arizona and even California.

It should be noted that Oregon's enterprise zone program is not exceptional. By that, I mean that just about every other state has an equivalent. Those states also have other incentives that we don't, like R&D and capital expenditure credits. And we should recognize that many of the states we compete against do not have the same land use and regulatory challenges that Oregon's employers must contend with.

The bottom line is that Oregon's enterprise zone program does not put us on some super-competitive footing, it just helps us tread water. But that's okay. Treading water beats drowning.

Co-Chairs and Committee, the carve-out of school district exemptions after 5 years, as now called for in HB 2199A, would effectively halve the value of the program. It's like putting led into the pocket of the person treading water.

HB 2199A would reduce the value and effectiveness of a proven tool and make it more difficult for communities to gain or retain the types of jobs and lifestyles that they may want for themselves.

Will Not Help Schools

So the question is, why? Why would we do that? For schools? It's very hard to see how this helps schools. I can't think of a single school or school district that benefits from community economic blight, or benefits when parents can't find living wage jobs.

Is it state school budgets we are talking about? Well, only the most static, non-realistic view of how incentives work could somehow construe that removing incentives is a money raiser. A healthy, growing and thriving private sector economy is how we raise public monies. Not by chasing away employers, or never encouraging them to come in the first place.

Co-Chairs, Committee, HB 2199A is not going to help communities, it's not going to help employees or employers, and it's most certainly not going to help schools. With respect, we urge you to reject this version of the bill.

Thank you.

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