

## TESTIMONY – OPPOSE HB2199A AND HB3457A, support original bills

### HB2199

Co-Chairs Meek and Nathanson, and committee members, my name is Ed Diehl, State Representative for House District 17, East Salem through the Majestic Santiam Canyon. I am here to oppose the amended version of HB2199, HB2199A, and enthusiastically support the original version of the bill that passed the House Economic Development & Small Business Committee unanimously, with a do-pass recommendation.

Over the last few days, I've had the opportunity to connect with my caucus members who served with me on the Joint Committee on Semiconductors – Representatives Wallan, Helfrich, and Levy – to discuss the status of HB 2199.

After serving on the Joint Committee on Semiconductors and hearing extensive testimony for more than two months, we are all very confused as to how this bill evolved into what we have today.

HB2199A started out as a simple extension of our well written and successful Enterprise Zone statute. Enterprise Zones are an essential element of a comprehensive Semiconductor package, specifically designed to attract the best and brightest semiconductor businesses to our great state.

Our understanding was that our House Revenue Committee and Senate Finance and Revenue Committee would be charged as the initial stewards of the state and local incentives component of this semiconductor package, and that their work would eventually land in this committee to be finalized. We believed that in that process, the Senate, House, and eventually this combined committee, would be aligning state and local incentives in a way that is responsive to the federal CHIPS Act, U.S Department of Commerce requirements, and positions Oregon to compete with other states who are making major strides to capture semiconductor investment and build on the significant investment we already made through SB 4.

Yet what we see here with the amended version of HB2199A, presented to this committee, is the opposite of that. It slashes the incentives and cuts the extension in half – meaning businesses looking to invest in Oregon have more uncertainty and less of a reason to come here – at a time where we must maintain competitiveness with the rest of the country looking to take advantage of Federal CHIPS act funding.

The previous sunset extensions for the Enterprise Zone programs have been for 10 years – which we argue should be the bare minimum time extension for a program that facilitates billions of dollars in private investment and has been proven by the State’s own study to produce a **29:1 return on investment**. I want to emphasize that point. The Enterprise Zone program, as expressed in the original HB2199 bill, is an investment, with a clear and obvious direct financial benefit to Oregon. It’s hard to find any other state-wide investment that provides such a significant, clear-cut return. What’s more, slashing the incentives for private companies by removing 40% of the benefit makes little sense when the program has demonstrated such a huge return on investment in the past.

So, on behalf of myself and my colleagues who spent so much time on Joint Semiconductors, I’m here to communicate our opposition to HB2199A.

On Wednesday we received a very positive updated Revenue Forecast. Given this forecast, which shows we will have \$1.87 Billion more than we did in March, we should be comfortable making this investment in Oregon’s future. I’d argue that SB4 is an empty shell UNLESS we have the original HB2199, and other incentive bills including R&D tax credits and a robust SIP/Gain Share program, in place.

Now is the time to double down on our successful Enterprise Zone program and forge a stronger partnership with cities and counties to grow the semiconductor industry and other critical industry sectors.

Future budget writers in this building will thank you, not to mention all of the future Oregonians who will benefit from opportunity, good paying jobs, and well-funded state services.

We strongly encourage you to adopt the -A2 amendment, returning HB2199A to its original form. Also commit to hearing SB1084. My colleagues Wallen, Levy, and Helfrich and I thank you for your time, and for your dedication to Oregon’s future.

## HB3457

Co-Chairs Meek and Nathanson, and committee members, my name is Ed Diehl, State Representative for House District 17, East Salem through the Majestic Santiam Canyon. I am here to oppose the amended version of HB3457 and support the original version of the bill.

As with the Enterprise Zone bill HB2199 which I just testified on, I am here representing my fellow caucus members who also served on the Joint Committee on Semiconductors – Representatives Wallan, Helfrich, and Levy.

The original version of HB3457 improved on the highly successful Strategic Investment Program (SIP). The SIP program provides limited property tax relief for private firms, in return for heavy investment in the community. The local government in turn receives reduced property taxes, and the state benefits from the income taxes on jobs created or retained by the project. To offset the reduced property taxes, the state pays the county in which the project resides, a portion of the income tax received – this is called SIP Gain Sharing.

The amended version of bill before you today, HB3457A, guts the existing SIP program by reducing Gain Share cap from \$16M to \$5M. This will significantly impact the one county in Oregon, Washington County, that stands to support the bulk of the projects stemming from the CHIPs act. This reduction of the Gain Sharing cap removes the incentive for Washington County to participate in the SIP program. In our opinion, HB3457A, as currently written, is essentially a nail in the coffin of the SIP program for the semiconductor industry, which has shown benefits to Oregon for decades.

Instead of bringing certainty to our local incentives and strengthening our partnership with counties and cities, we seem to be on a path to dismantle the program that has been so instrumental in building the existing semiconductor ecosystem in Oregon. As one expert who testified in our Semiconductor committee told us, the SIP program is “the best program we have” to attract CHIPs act businesses.

Colleagues, we have the opportunity of a lifetime to bring high paying, high tech, jobs and industry to Oregon. That’s what the CHIPs act is all about. We need to remember that we are in a competitive environment – there are many other states vying for this federal funding. We must put a solid, well rounded, comprehensive package on the table. **We need to earn this business.**

Oregon had a comprehensive plan to win this business. This plan had bipartisan support, which I believe includes the support of our Governor. The key elements of this plan are the core bill, SB4, which has already been signed into law; SB5, a beefed up R&D incentive program, which is

scheduled for a hearing in this committee next week; the original HB2199, and the original HB3457. Each of these bills is ESSENTIAL to Oregon winning this business in a highly competitive environment. And this business must be viewed as a long-term investment in Oregon's future, not a short-term cost.

My colleagues Wallen, Levy, Helfrich and I strongly encourage you to amend HB3457A back to its original form to assure every leg of our robust CHIPs act package is strong. Also commit to hearing SB1084. Let's make this happen! Thank you for your time.