

City of Prineville

DEPARTMENT OF PUBLIC WORKS

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May 19, 2023

Senator Meek, Co-Chair
Representative Nathanson, Co-Chair
Joint Committee on Tax Expenditures
900 Court St. NE
Salem, OR 97301

Re: Opposition HB 2199-A and HB 3457-A

Co-Chair Nathanson, Co-Chair Meek, and members of the committee,

My name is Caroline Ervin, Capital Projects Manager with the City of Prineville. On behalf of both the City of Prineville and Crook County, I am providing testimony in opposition to HB 2199-A as amended and HB 3457-A as amended, but support both bills as introduced.

HB 2199-A - Concerns with each of the amendments are as follows:

- **Exclusion of school district taxes:** this decreases the value of the incentive and decreases leverage for local governments. With the state revenue forecast showing an estimated corporate kicker of \$1.8 billion to be dedicated to K-12 education, this is further confirmation that corporate income tax growth provides the highest return for school funding.
- **Transparency:** this poses competitive and market risks for prospective investment. Much of economic development is built on confidentiality.
- **Notifying neighboring jurisdictions:** this could pit local jurisdictions against one another and result in taxing districts challenging projects designed for the benefit of the entire community. The enterprise zone process is already tremendously complicated. Adding another step will also disincentivize applications.
- **5-year sunset extension until 2030:** a 10-year extension, as in the text of the bill as introduced, will provide a greater level of certainty to companies looking to use the program. Economic development is often a long-term process and five years does not provide an adequate level of certainty for companies.

As a former Economic Development Director for Prineville/Crook County and current employee of the City of Prineville, I have had the opportunity to see firsthand the immense positive impact the enterprise zone program has had on our rural community. Of our 49 traded sector companies, 32 have used some form of the program since its local inception. For context, the City of Prineville has a current population of about 11,000. Utilizing both the standard enterprise zone and Long-term rural component over the past 15 years has resulted in:

- Attraction of more than \$8 billion capital investment
- Creation of 800+ permanent jobs

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- Creation of 1000 construction jobs sustained over the past decade
- Significant ancillary jobs
- Increased electric franchise fees (that are now greater than property tax revenue for the City of Prineville)
- Highly significant future property tax revenue when long-term exemptions end, the first of which will be in 2026

The enterprise zone program and long-term rural component have been instrumental in improving Crook County's economy. During the Great Recession, Crook County had some of the highest, if not highest unemployment rates in the state, low wages, and significant outmigration. Now, the unemployment rate is relatively low, wages are some of the highest in the state, and the local population has been growing steadily. We enthusiastically encourage passage of HB 2199 as introduced to extend the enterprise zone sunset date 10 years until 2035 and keep this highly beneficial program intact.

HB3457-A - Concerns with the bill as amended include:

- **Undercut local government leverage:** the ability to offer a larger benefit allows local governments to negotiate deals that meet specific community needs.
- **Impose unnecessary uncertainty:** gives prospective partners less certainty and sends a message to prospective employers that Oregon is unwilling to demonstrate its commitment to new investment and jobs.

Prior investments in our community could have qualified for the Strategic Investment Program (SIP) and we anticipate use of the program in the future. SIP is an important tool in the economic development toolbox, especially for communities like Prineville.

Overall, HB 2199-A and HB 3457-A will weaken our incentives, reduce Oregon's competitiveness, and will harm rural communities like Prineville that have benefited greatly from incentive options. The ability to utilize tax incentives has economically transformed our community through recruiting, retaining, and growing companies locally. The City of Prineville and Crook County oppose HB 2199-A and HB 3457-A as amended but strongly and respectfully urge you to support HB 2199 as it was introduced to extend the enterprise zone sunset date for 10 years.

Sincerely,

A handwritten signature in blue ink that reads "Caroline Ervin".

Caroline Ervin
Capital Projects Manager