



Feb. 14, 2023

**TO:** Members of the Senate Committee on Labor and Business

**FR:** Derek Sangston, Oregon Business & Industry

**RE:** Opposition to SB 159

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Chair Taylor, Vice-Chair Bonham, members of the Senate Committee on Labor and Business. For the record, my name is Derek Sangston, Policy Director and Counsel for Oregon Business & Industry (OBI).

Oregon Business & Industry (OBI) is a statewide association representing businesses from a wide variety of industries and from each of Oregon's 36 counties. Our 1,600 member companies, more than 80% of which are small businesses, employ more than 250,000 Oregonians. Oregon's private sector businesses help drive a healthy, prosperous economy for the benefit of everyone.

Thank you for the opportunity to offer comment on SB 159. While OBI is still working to fully vet this legislation and understand all of the consequences, both intended and unintended, we wanted to offer an overarching concern to the committee at this initial public hearing.

Preferential treatment in public contracting based on an entity's tax status is an intervention that is an unnecessary and misguided use of public resources. This language would allow an entity—solely because of the status granted to it by the IRS under 26 U.S. Code § 501—the ability to charge more than other entities that perform the same work or provide the same goods at the same quality. And that increase would be funded with public resources.

Existing preferential contracting statutes plant a policy flag, such as a desire to support goods made in Oregon to support Oregon jobs and the state's economy, or to support goods made with recycled materials to reduce waste.

The policy flag here is a dangerous one, signaling to thousands of Oregon businesses—small and large—that they are less worthy of the state's business simply because of how they chose to organize and their associated tax status.

Later today OBI will release a survey wherein hundreds of small business owners answered questions about the business environment in Oregon. You will get a copy of this, but I would like to share one result in particular this morning.

We asked small business whether they agree or disagree with this statement: “Lawmakers care about the success of my business.” Only 18% of respondents agreed with this statement; 82% of small businesses who responded to this survey believe lawmakers do not care about their success.

We contend that SB 159 would be one more example of why they feel this way.

To be clear, OBI represents a number of fantastic nonprofit entities that provide everything from health care to financial services. We appreciate what they do to help serve Oregonians and drive the state’s economy by providing valuable services and creating jobs across the state.

This isn’t about siding with one over the other, our position is in fact about just the opposite—recognizing that both can be successful in bidding for a public contract on a fair and level playing field.

We urge you to not move this bill forward.

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