

**WORK SESSION: HB 3087, 2776, 2729**

TAPES 136-137 A-B

## **HOUSE REVENUE COMMITTEE**

**APRIL 29, 2005 1:00 PM STATE CAPITOL BUILDING**

Members Present: Tom Butler, Chair  
Rep. Vicki Berger, Vice-Chair  
Rep. Mark Hass, Vice-Chair  
Rep. Brian Boquist  
Rep. Sal Esquivel  
Rep. Larry Galizio  
Rep. Betty Komp  
Rep. Andy Olson  
Rep. Chuck Riley

Witnesses Present: Doug Goe, legal counsel, Portland  
Rep. Chuck Burley, District 54  
Harrison Conley, deputy legislative counsel

Staff Present: Paul Warner, Legislative Revenue Officer  
Lizbeth Martin-Mahar, Economist  
Mazen Malik, Economist

Mary Ayala, Economist

Barbara Guardino, Committee Assistant

**TAPE 136, SIDE A**

005 Chair Butler Calls meeting to order at 1:15 p.m. Opens work session on HB 3087.

**WORK SESSION, HB 3087**

015 Lizbeth Martin-Mahar Gives overview of HB 3087-1 amendment (distributed on April 1.) Creates a tax credit for the value of the volunteer service of specialty physicians performing medical service in a community-based health center. See Staff Measure Summary (**EXHIBIT 1**). Defines physician and volunteer service, specifies the individuals receiving the health services be health benefit plan patients or not covered by health insurance, and who have been referred to the physician by a community based health center. It restricts eligible physicians to specialists.

035 Martin-Mahar DHS can certify up to three health centers throughout Oregon – northwest, southern and eastern. This is limited to three years. Revenue loss for this pilot project totals \$675,000 (**EXHIBIT 2**).

065 Chair Butler Asks where the services would be performed.

070 Martin-Mahar Responds, a service would not have to be performed in the rural area. Patients could go to the doctor's office.

074 Chair Butler Asks whether a doctor could go to the rural office.

- 076 Martin-Mahar Yes. DHS would monitor the number of hours the specialists claimed. They could not exceed 750 hours per calendar year.
- 081 Chair Butler This is a new concept to Oregon. Understands these services would be gratuitously performed by referral from the three clinics and would take place in the offices of the specialists away from those communities.
- 090 Vice Chair Berger Comments on the three-year sunset. Is there an opportunity to evaluate the program's success before the sunset? In supporting this bill, she would like to hear from these clinics in two years. Would most like to hear if a decision was made based on this kind of an encouragement or if the specialists would have shown up anyway without the incentive.
- 114 Rep. Riley Comments, the biggest problem for him is the lack of direction for specialists to go to the community. Also, people would have to travel for referrals.
- 119 Chair Butler Shares Rep. Riley's concern. Fears that once people realize they have specialists available, people who don't qualify will try to use them.
- 140 Vice Chair Berger **MOTION: MOVES THE ADOPTION OF HB 3087-1 AMENDMENT.**
- 143 Chair Butler Asks if there are any objections.
- ORDER: THERE BEING NO OBJECTIONS THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS, BUTLER**

- 146 Vice Chair Berger **MOTION: MOVES HB 3087 AS AMENDED TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**
- 149 Chair Butler Ask for any discussion.
- 151 Rep. Galizio Will vote no.
- 153 Chair Butler Asks for a roll-call vote.
- 156 Chair Butler **MOTION PASSES 7-2-0. VOTING AYE: BOQUIST, ESQUIVEL, KOMP, OLSON, RILEY, BERGER, BUTLER. VOTING NO: GALIZIO, HASS**
- 172 Chair Butler Closes the work session on HB 3087. Opens a work session on HB 2776. Does not intend to hear HB 2338 or HB 3353 today.

### **WORK SESSION, HB 2776**

- 181 Mary Ayala Eliminates the 2010 sunset provision for the historical property special assessment program, which has a 15-year term per property. There are two amendments – HB 2776-1 (**EXHIBIT 3**) and HB 2776-2 (**EXHIBIT 4**). HB 2776-1 amendment pertains to prior discussion on whether there should be a local option. (Summary and revenue impact statement were distributed April 12.)
- 205 Ayala There are currently 1,100 active historical properties in the program. In 2004 the assessed values were an estimated \$425 million, and exempt values were \$309 million. The estimated tax loss was \$6.2 million. Enabling property owners previously in the special assessment program to reapply will add 529 residential properties to

the rolls. Discussion in the HB 2776-1 amendment pertains to making this a local option and that the second 15-year assessment should not be automatic.

- 228 Ayala Revenue impacts have not changed from less than half a million dollars in 2005-07.
- 234 Chair Butler Asks whether HB 2776-1 amendment is contained in HB 2776-2 amendment.
- 244 Ayala Responds no, but they differ by one thing. Currently, the second year assessment has to be approved by all taxing districts. HB 2776-2 amendment changes the wording to the city or the county in which the property is located.
- 252 Chair Butler Understands the HB 2776-2 amendment came after cities and property owners came to the table. It provides that if properties are sold they can reapply for the program.
- 264 Rep. Riley Asks for clarification whether the sunset date is eliminated.
- 274 Chair Butler It extends the 15-year period so that owners have to reapply. That in effect becomes a de facto sunset.
- 294 Rep. Komp Summarizes, it eliminates the 2010 date.
- 302 Vice Chair Berger **MOTION: MOVES THE ADOPTION OF HB 2776-2 AMENDMENT.**

305 Chair Butler Asks if there is any discussion.

309 Rep. Hass Wants to be clear that the state sunset would be removed, and that it does not affect cities and counties.

316 Chair Butler Asks for any objections.

**ORDER: THERE BEING NO OBJECTION THE CHAIR SO ORDERS. VOTE: 9-0-0. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS, BUTLER**

319 Vice Chair Berger **MOTION: MOVES HB 2776 AS AMENDED TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**

322 Chair Butler Asks for any objections.

**ORDER: THERE BEING NO OBJECTIONS THE CHAIR SO ORDERS. VOTE: 9-0-0. BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS, BUTLER**

331 Chair Butler Closes the work session on HB 2776. Opens a work session on HB 2729.

### **WORK SESSION, HB 2729**

340 Mazen Malik Introduces HB 2729-1 amendment (**EXHIBIT 5**), and a hand engrossed version of HB 2729 (**EXHIBIT 6**). Removes ownership arrangement for the Community Forest Authority and reformulates it into a lending agency for nonprofits. Those nonprofits will borrow

money to buy land. (See Staff Measure Summary distributed April 27.) Is unclear how revenue bonds will be issued against which assets since the authority can no longer own the assets. Page 3, section 7 refers to assets that would be pledged for revenue bonds. This might take a lot of creative work to accomplish.

414 Malik Is unsure of the concept that nonprofits can own commercial land, “which makes it a for-profit-nonprofit.”

448 Doug Goe Clarifies two issues:

First, what would these revenue bonds be secured by? This authority is modeled on hospital authorities, where the sole repayment source is the nonprofit hospital. The authority has no assets. The authority loans the bonds to the nonprofit corporation, which has to convince the bond market from sale of timber revenues that this will be enough to pay revenue bonds. This is pass-through finance just like the hospital authority.

473 Goe Second, nonprofit status. A “nonprofit corporation” is a misleading term because hospitals have to make a profit to stay in business. There is no prohibition against making a profit. Bond markets must show they can repay the principal and interest in the bonds and also have a cushion, or “coverage requirement.”

#### **TAPE 137, SIDE A**

040 Goe Continues, it will be up to the marketplace to determine whether a nonprofit can prove to a letter of credit bank that it can back the bonds so investors will invest in those bonds. This is not mandating anything.

064 Chair Butler Asks if there is any anticipation that the nonprofit would own any other assets before developing the community forest.

- 069 Goe No. The debt service would be structured on a long-term basis and repayment would be structured so the cutting of the forest would match the debt service on the bonds and repayment. In addition, there would be that cushion that is necessary with respect to revenue bonds.
- 073 Chair Butler Gives a hypothetical situation of a willing buyer and seller of a community forest. Suppose the land for development was worth \$1,000 per acre (total \$1 million) and the worth of the land as an operating forest is perhaps \$200 per acre. A buyer steps in and is willing to pay the higher price to develop it. Then the community forest authority is willing to pay the higher price and comes forward with \$1 million in bonds at 2% interest. How is the difference made up in that process?
- 110 Goe In the HB 2729-1 amendment it would not be the forest authority acquiring the land, it would be the nonprofit corporation. A seller has every right to sell to individual landowners. The free market reins if the owner can attract individual buyers.
- 149 Chair Butler Expresses concern that the economics might not be viable.
- 155 Vice Chair Berger Likes the idea, but what is the purpose of this?
- 166 Goe In Oregon there are only a certain number of large blocks of saleable forest land left. This is a financing vehicle that gives the nonprofits an opportunity to acquire this land, so instead of it being subdivided it can remain as a commercial forest.
- 184 Vice Chair Berger Summarizes, this is to preserve large blocks of commercial forest land in Oregon. Who will this benefit? This becomes its own animal. Are



these nonprofits going to reinvest in something else, like the hospital invests in education?

- 197 Rep. Chuck Burley Agrees, this is a very important question. Shares aerial photos of Bull Springs Tree Farm, over 30,000 acres. It is very close to town in Bend. Many of these tracts have been sold off for home sites. This is key winter range for mule deer. Would prefer to see this remain a working forest that generates timber revenue. Public value is ecological as well as economic.
- 239 Vice Chair Berger Asks, can this nonprofit take its profit and turn it back to the municipal authority – assuming there is a profit?
- 243 Goe Responds, the nonprofit corporation will own the forest land, not the authority. Under the terms of the articles of incorporation of the nonprofit, its purpose is to keep the forest land as it is. Also the property taxes will go into the local community.
- 282 Malik Asks, after the bonds are paid and the nonprofit owns the land, does the definition of a nonprofit need to be changed in statutes? What needs to be changed in order to maintain nonprofit status?
- 295 Goe Does not believe anything needs to be changed. The bill was initially drafted so both the authority and the nonprofit could own the forest land. Legislators were concerned about this so they tried to address them in the HB 2729-1 amendment. Now it's like a hospital in that, when it pays off its bonds, it continues as a nonprofit. In this case because there is no remaining ownership by the forest authority, there is no need to do anything. The nonprofit corporation continues to keep large blocks of commercial forest land for habitat.
- 329 Harrison Conley There is nothing that requires a nonprofit corporation to be hand-to-mouth. They certainly can make a profit. The purpose of this entity is

to preserve blocks of forest land. The revenues required for the bonding would go away at some point. Wondered if there is a point that there would be so much profit that there would be more than required to maintain and improve the forest lands. The analogy to a hospital corporation is a very good one. A nonprofit should have money in the bank to support the bonds and its purpose.

- 369 Vice Chair Berger Really likes this idea. Is there anything to prevent the forest authority from selling off the land if it is losing money?
- 379 Rep. Burley This is not for preserving the land so much as maintaining the integrity of the land and keeping it in a working forest condition. Refers to the hand-engrossed amendment, section 14. These have the potential for creating long-term revenue for municipalities. That's what these lands are for.
- 415 Chair Butler If there are changes in the leadership of a municipality, perhaps they could preserve these lands in different methods.
- 420 Rep. Burley Responds, that's why page 1 of the HB 2729 -1 amendment makes it clear that the purpose of this is for the management of commercial forest land use to produce the revenue.
- 437 Chair Butler Concludes, ultimately it would still be used as a working forest. Asks as an example, how much does 240 acres sell for?
- 443 Rep. Burley About \$1.2 million.
- 451 Chair Butler Gives hypothetical situation of 100 acres that would sell for \$125 million. It's not inconceivable someone could buy it for that amount.

Would the local authority be able to borrow that amount rather than someone else coming in and offering 10 times that amount?

**TAPE 136, SIDE B**

- 031 Rep. Burley Responds, there is clearly a higher value on these lands. The question is how close to that can you get with good, sustainable management of the forest land. It varies on the property and its location. The idea is to get as close to that number as possible.
- 037 Chair Butler Thinks this is a great community project, but is concerned that private industry would out-pay nonprofits 3- or 4-to-1.
- 053 Rep. Burley This bill doesn't mandate anyone to do anything. The numbers may never work out, and if they don't, they don't. This is just another option for the toolbox.
- 060 Rep. Esquivel Asks Goe whether the local municipality or county has to OK this, even though it's a separate bonding body.
- 063 Goe Yes, to the extent that these are issued on a tax exempt basis. Since members of the community forest authority are appointed and not elected, the creating municipality would also have to approve the issuance of the bonds.
- 072 Rep. Boquist East of the Cascades, forests can't be carved up into small acres. If someone thought they could spend \$300 million they would have done it. There are hundreds of huge chunks of forest land for sale that are going wanting. Gives an example of a 5,000 acre tract that was sold to three realtors. Because of land-use planning, the economics of it is not as far-fetched as one would think. Sees this bill as another tool, since these things are spinning out of control. Also, timber

companies have gone to public officials instead of using this purchase mechanism. This could eliminate jobs.

118 Rep. Riley Appreciates Rep. Berger's questioning because he was unsure if he liked this bill. Now he likes it, and whether nonprofits are able to buy any land, lawmakers should give them the opportunity to try.

122 Chair Butler **MOTION: ACCEPTS REP. RILEY'S MOTION TO ADOPT THE SB 2729-1 AMENDMENT.**

Asks for discussion or objection.

124 Chair Butler **ORDER: THERE BEING NO OBJECTION THE CHAIR SO ORDERS. VOTE: 9-0-0**

**MEMBERS PRESENT: BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS, BUTLER**

126 Chair Butler **MOTION: ACCEPTS REP. RILEY'S MOTION TO MOVE SB 2729 AS AMENDED TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**

Asks for discussion or objection.

128 Rep. Komp Will vote no.

Chair Butler **ORDER: NOTING ONE "NO" VOTE, THE CHAIR SO ORDERS. VOTE: 8-1-0**

**MEMBERS VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, OLSON, RILEY, BERGER, HASS, BUTLER**

**MEMBERS VOTING NO: KOMP**

145 Chair Butler Closes work session. Adjourns meeting at 2:25 p.m.

Tape Log Submitted by:

Barbara Guardino, Committee Assistant

Exhibit Summary:

1. HB 3087, Staff Measure Summary for HB 3087-1, Martin-Mahar, 4/21/05, 1 pp.
2. HB 3087, Revenue Impact of Proposed Legislation for HB 3087-1, Martin-Mahar, 4/21/05, 1 pp.
3. HB 2776, Amendment HB 2776-1, Legislative Counsel, 4/18/05, 3 pp.
4. HB 2776, Amendment HB 2776-2, Legislative Counsel, 4/21/05, 3 pp.
5. HB 2729, Amendment HB 2729-1, Legislative Counsel, 4/29/05, 2 pp.
6. HB 2729, hand engrossed amendment, Malik, 4/29/05, 6 pp.