

PUBLIC HEARING
HB 3481 A, HB 2070 A
WORK SESSION
SB 23 A

TAPES 188-189 A-B

HOUSE REVENUE COMMITTEE

JUNE 8, 2005 1:15 PM STATE CAPITOL BUILDING

Members Present:

- Rep. 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:

- Rep. Jeff Kropf, District 17
- Matt Blevins, Oregon Environment Council

Martin Jack Desmond, Author and Lane County Citizen

Charles Carlson, Cascade Grain

Sharon Banks, Lane Co. Regional Air Pollution Authority

Mike Graineey, Dept. of Energy

Dave Nelson, Oregon Seed Council & Oregon Dairy Farmers Assn.

Tomas Endicott, SeQuential Biofuels

Brian Doherty, Western States Petroleum Assn.

John Ledger, Associated Oregon Industries (AOI)

Paul Cosgrove, American Forest & Paper Assn.

Bill Linden, Oregon Metals Industries Council (OMI)

Staff Present:

Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist

Mazen Malik, Economist

Steve Meyer, Economist

Kristi Bowman, Committee Assistant

TAPE 188, SIDE A

002 Chair Butler

Calls meeting to order at 1:15 p.m.

OPENS PUBLIC HEARING FOR HOUSE BILL 3481 A

007	Lizbeth Martin-Mahar	Gives overview of HB 3481 A and refers to handout (Exhibit 1). The bill provides for a new property tax exemption and expands existing tax incentives for biofuel production or fuel additive production facilities.
126	Chair Butler	Asks if the Dept. of Revenue (DOR) currently has rules regarding the transfer of tax credits as referred to in Section 13 of the handout.
128	Martin-Mahar	Responds that the Dept. of Energy has some rules regarding the transfer of energy tax credits, but the DOR does not. Continues with the summary of the bill.
181	Chair Butler	Asks if the bill identifies the mechanism the Dept. of Environmental Quality (DEQ) uses to come to the \$2 M credit cap referred to in Section 23 of the handout.
182	Martin-Mahar	Responds that the bill is not specific on that point. Continues with the summary of the bill. Refers to the preliminary revenue impact report (Exhibit 2). The bill has staggering sunset dates.
235	Rep. Hass	Asks about certificates issued by DEQ, and comments about PGE/Enron & wood chippers.
244	Martin-Mahar	Responds that the DEQ has the data on certificates and specifics about particular companies.

254	Rep. Galizio	Asks why wood chippers qualify for the tax credit.
260	Martin-Mahar	Responds that they qualify because they reduce pollution emissions in the process of wood chipping.
275	Chair Butler	Comments about the reduction to the Highway Fund revenue as stated in the revenue impact statement.
276	Martin-Mahar	Responds there is a reduction to the highway fund because of the lower diesel tax revenue. There is no reduction to the General Fund. Discusses revenue impacts of other tax credits in the bill.
330	Chair Butler	General comments about committee business.
339	Rep. Jeff Kropf	<p>Discusses the intent of various items in the bill:</p> <ol style="list-style-type: none"> 1. 1) The producer tax credit is meant for farmers and tree growers who produce the base materials for biofuels 2. 2) Language was somehow introduced in the bill that would prevent farmers from using biofuels in their own farm equipment. That language will need to be clarified on the Senate side. <p>The intent of the bill is that everyone large and small should have an opportunity to produce biofuels; it is not intended only for large producers.</p> <ol style="list-style-type: none"> 1. 3) All types of materials that will produce biofuel and oil is to be

included in the bill.

411 Rep. Komp Expresses appreciation of Rep. Kropf's intent to do something for the small producers such as dairy farmers.

425 Rep. Esquivel Asks about the \$20 per ton credit for hog fuel.

435 Rep. Kropf Discusses the hog fuel credit. Adds that the "intent [of the bill] is to allow some economic incentives for everyone in the food chain." There is emerging technology available to bring fuel production costs down and provide a viable opportunity to offer lower prices at the pump for consumers.

TAPE 189, SIDE A

040 Rep. Kropf Comments that he does not believe there will be a large fiscal impact in the next biennium because the biofuel plants have not been built yet.

053 Rep. Olson Asks about Sections 17-21 of the bill regarding the "Clean Bus Grant Fund." What is the revenue stream to support this Fund?

062 Martin-Mahar Responds that someone will need to apply for the federal funds available and solicit private donations. The bill does not clearly state the funding source.

070 Rep. Kropf

Comments about a business that plans on building the world's largest biofuel production facility in Oregon. They have committed to retrofitting every school bus in the state "free of charge."

OPENS PUBLIC HEARING FOR HOUSE BILL 2070

CLOSES PUBLIC HEARING FOR HOUSE BILL 2070

OPENS WORK SESSION FOR SENATE BILL 23 A

106 Chair Butler Comments that the purpose of the work session is to reconsider the vote on SB 23 A and to adopt the conflict amendment.

108 Chair Butler MOTION: TO SUSPEND THE RULES AND RECONSIDER THE VOTE ON SB 23 A IN ORDER TO ADOPT THE CONFLICT AMENDMENT.

111 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS, BUTLER.

130 Mazen Malik Comments that the vote on the SB 23 A-2 amendment needs to be reconsidered.

137 Chair Butler MOTION: TO SUSPEND THE RULES AND RECONSIDER THE VOTE ON THE SB 23 A-2 AMENDMENT.

139 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS, BUTLER.

151 Malik Discusses the SB 23 A-3 conflict amendment (Exhibit 4). The two bills that are in conflict are HB 2033 A (Exhibit 5) and HB 2395 (Exhibit 6). Refers to the Staff Measure Summary for SB 23 A-3 (Exhibit 8) and discusses the background of the conflict.

CLOSES WORK SESSION FOR SB 23 A

249 Chair Butler Calls meeting in RECESS at 2:05 p.m.

250 Chair Butler Calls meeting to order at 3:34 p.m.

253 Matt Blevins Testifies in support of HB 3481 A and submits written testimony (Exhibit 9). Discusses the benefits of incenting the biofuels industry. Expresses concern about certain elements in the bill: the renewable fuels standard, the Clean Bus Grant Fund, fleet use of biofuels, and the expansion of the pollution tax credit.

- 344 Chair Butler Asks about introducing amendments before the bill goes to a vote in the House.
- 345 Blevins Responds that he prefers that the bill move through the process and will propose an amendment on the Senate side. Will work with the House Committee on this issue.
- 351 Martin Jack Desmond Testifies in support of HB 3481 A and submits written testimony (Exhibit 10). Comments that he would like to see a renewable fuels standard in the final bill.
- 386 Charles Carlson Testifies in support of HB 3481 A and submits a handout (Exhibit 11). States that his company will be building an ethanol plant in Columbia County later in 2005. Discusses components of the bill that he supports.

TAPE 188, SIDE B

- 015 Rep. Berger Asks for a description of an ethanol plant.
- 020 Carlson Discusses the specifics of his proposed ethanol plant. Comments that the equity sponsors want to build two to three more plants.
- 030 Chair Butler Discusses the locations of oil refineries outside of Oregon with Carlson.

053	Sharon Banks	Testifies in support of HB 3481 A and reads from written testimony (Exhibit 12). Submits handouts on the Clean Bus USA program (Exhibit 13).
083	Mike Grainey	Testifies in support of HB 3481 A. Discusses Sections 27, 28, and 29-31. Comments on provisions that he would like to see included in the bill. The bill is a very important component for Oregon's renewable energy efforts.
112	Dave Nelson	Testifies in support of HB 3481 A and discusses sections of the bill that he would like to see modified or corrected.
165	Tomas Endicott	Testifies in support of HB 3481 A and submits written testimony (Exhibit 14). Discusses various components of the bill that were removed from previous bills.
200	Rep. Hass	Asks for an elaboration on the renewable fuels standard and why that provision is important.
201	Endicott	Comments on the current low market demand in Oregon for biofuels and how the fuels standard would affect a large plant.
211	Brian Doherty	Testifies in opposition to the bill's mandates on fuels standards. Discusses why an incentive is "a better way to go" to encourage the

biofuels industry instead of having a mandate. These incentives will allow Oregon farmers and other producers to compete with international companies.

281 John Ledger AOI is a strong proponent of HB 3481 A because it will help diversify Oregon's economic base. This is something that could help rural areas. Discusses the pollution control tax credit. Adds that there are technical issues that will be addressed by DEQ. Comments on the debate over small wood chippers receiving a tax credit.

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003 Rep. Esquivel Discusses wood chipper specifics with Ledger.

023 Rep. Hass Asks about PGE/Enron's use of the pollution tax credit when Trojan was decommissioned. Was that an appropriate use of the credit?

026 Ledger Discussion with Rep. Hass on the overall corporate use of the pollution tax credit. Comments that if Oregon had legislation that said that Oregon could be no stricter than the federal minimums, industries would trade that for the pollution tax credit "in an instant."

078 Paul Cosgrove Comments on portions of the bill that pertain to the paper industry. Comments that the forest products industry has embraced biodiesel fuel and ethanol and adds that mandates are not needed.

110 Bill Linden

Comments that there is growth in the biofuels industry. Biofuel is an important component in the manufacturing sector. The pollution control tax credit helps make companies more efficient and productive. Supports the bill because it is a balanced approach and provides important incentives for companies to expand and grow.

140 Chair Butler General comments about the bill.

158 Chair Butler Adjourns meeting at 4:20 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee
Coordinator

Exhibit Summary:

1. 1. HB 3481, Handout: SB 3481 A Breakdown, Martin-Mahar, 2 pp., 06/08/05
2. 2. HB 3481, Revenue Impact Statement, Martin-Mahar, 2 pp., 06/08/05
3. 3. HB 3481, Staff Measure Summary, Martin-Mahar, 2 pp., 06/08/05
4. 4. SB 23, Amendment SB 23 A-3, Leg. Counsel, 11 pp., 06/07/05
5. 5. SB 23, Staff Measure Summary and HB 2033-A Bill, Malik, 5 pp., 05/11/05
6. 6. SB 23, HB 2395 Bill, Malik, 4 pp., 06/08/05
7. 7. SB 23, Staff Measure Summary HB 2395 A, Adkins, 1 pg., 03/08/05
8. 8. SB 23, Staff Measure Summary, Malik, 1 pg., 06/08/05
9. 9. HB 3481, Testimony, Blevins, 3 pp., 06/08/05
10. 10. HB 3481, Testimony, Desmond, 2 pp., 06/08/05
11. 11. HB 3481, Handout: Biofuel Articles, Carlson, 3 pp., 06/08/05
12. 12. HB 3481, Testimony, Banks, 1 pg., 06/08/05
13. 13. HB 3481, Handouts: Clean School Bus, Banks, 9 pp., 06/08/05

14. 14. HB 3481, Testimony, Endicott, 6 pp., 06/08/05
15. 15. HB 3481, Testimony, Rep. Dingfelder, 1 pg., 06/08/05
16. 16. HB 3481, Testimony, Tucker, 4 pp., 06/08/05
17. 17. HB 3481, Testimony, Fratt, 1 pg., 06/08/05
18. 18. HB 3481, Testimony, Fast, 2 pp., 06/08/05