

HOUSE COMMITTEE ON
TRADE AND ECONOMIC DEVELOPMENT

April 27, 2005 Hearing Room 343

8:30 A.M. Tapes 63 - 64

Corrected 10/14/05

MEMBERS PRESENT: Rep. John Lim, Chair

Rep. Scott Bruun, Vice-Chair

Rep. Jeff Merkley, Vice-Chair

Rep. Peter Buckley

Rep. John Dallum

Rep. Chuck Riley

MEMBERS EXCUSED: Rep. Donna Nelson

STAFF PRESENT: Jim Stembridge, Committee Administrator

Erin Seiler, Committee Assistant

MEASURES/ISSUES HEARD:

HB 3350 – Work Session

HB 3143 – Work Session

HB 3144 – Work Session

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 63, A		
002	Chair Lim	Opens the meeting at 8:40 a.m. Opens the work session on HB 3350.
<u>HB 3350 – WORK SESSION</u>		
012	Jim Stenbridge	Committee Administrator. Explains 3350, which expands areas in which businesses may qualify for business development income tax exemption. Submits and summarizes -1 amendments (EXHIBIT A). Submits and summarizes -2 amendments (EXHIBIT B). Submits and summarizes -3 amendments (EXHIBIT D).
028	Rep. Tom Butler	House District 60. Testifies in support of HB 3350, speaking specifically in support of -1 amendments.
090	Rep. Butler	Addresses concern that HB 3350 would attract new businesses that would bring their own employees.
111	Rep. Butler	Addresses concern that a new, large company would locate in a small community and change the blend of the community.
150	Rep. Buckley	Confirms all the provisions that a new business must meet to participate in Small Community Investment Program (SCIP).
158	Rep. Butler	Addresses concerns regarding unfair competition between businesses.
179	Rep. Butler	Confirms that a new business will not be able “to evade or avoid the minimum wage.”
185	Rep. Butler	Addresses how SCIP will bring new business to the state and will maintain the economic viability of rural Oregon.
221	Rep. Buckley	Commends Rep. Butlers’ positive efforts to bring jobs and economic development to rural Oregon.

226	Chair Lim	Asks when the original SCIP was developed and enrolled in Oregon Revised Statutes.
229	Rep. Butler	States when the original bill was enrolled in 2001.
245	Chair Lim	Inquires as to the acceptability of -3 amendments.
251	Rep. Butler	States that no objection to -2 amendments or -3 amendments.
261	Mike McArthur	Executive Director, Association of Oregon Counties (AOC). Testifies in support of HB 3350 and -1 amendments, noting that the enhanced income tax incentives are necessary for economic recovery in rural Oregon counties.
306	Rep. Buckley	Asks if there is a list of all the Oregon counties who are eligible to participate in SCIP.
312	McArthur	Lists the Oregon counties that are eligible to utilize SCIP.
325	Rep. Dallum	Questions the omission of Grant County as an eligible participant and comments on importance of SCIP and why it is the states' "moral obligation to give this a shot."
347	McArthur	Speaks to the value of expanding enterprise zone program and Rural Energy Development Program.

TAPE 64, A

006	Rep. Dallum	Clarifies why expanding the enterprise zone program is necessary to accommodate the construction of wind generators.
014	Rep. Buckley	Asks if there is a sunset clause attached to Rural Renewable Energy Development Program.
016	McArthur	States that the zones do not have a sunset.
023	Rep. Buckley	Asks if a county can designate the length of commitment to a Rural Renewable Energy Development zone.

025	McArthur	Explains that the designation is for a minimum of three years with an option for only two years.
036	Brad Higbee	Representative, Renewable Northwest Energy Project. Testifies in support of HB 3350 and -2 amendments.
061	Chair Lim	Asks if there are any companies that have shown interest in locating to Oregon because of wind power resources.
064	Higbee	Explains how the current statutory language pertaining to enterprise zone program prevented a company from coming to Oregon, noting that currently there are no companies considering coming to the state.
074	Higbee	Reiterates how participation in Rural Renewable Energy Development Program is conditioned on the approval of the county.
081	Chair Lim	Asks how Oregon compares to California and Washington in the production and utilization of renewable energy and wind power.
083	Higbee	Explains that Oregon is “doing fairly well” when compared to Washington, California, and Montana and is “right there” in its’ ability to compete successfully with surrounding states.
108	Chair Lim	Asks what counties in Oregon are likely going to take advantage of the Rural Renewable Energy Development Program.
112	Higbee	States that those counties most likely to advantage of the program are the rural counties in central and north central Oregon.
125	Rep. Dallum	MOTION: Moves to ADOPT HB 3350-3 amendments dated 04/26/05.
		VOTE: 6-0-1
		EXCUSED: 1 - Nelson
	Chair Lim	Hearing no objection, declares the motion CARRIED.
136	Rep. Dallum	MOTION: Moves HB 3350 to the floor with a DO PASS AS AMENDED recommendation and BE REFERRED to the committee on Revenue by prior reference.

145 Rep. Buckley Comments on the importance of developing renewable energy resources.

156 **VOTE: 6-0-1**

AYE: In a roll call vote, all members present vote Aye.

EXCUSED: 1 - Nelson

Chair Lim The motion CARRIES.

The following written testimony is submitted for the record without public testimony:

Doris Penwell Policy Specialist, Association of Oregon Counties. Submits written testimony in support of HB 3350 with -2 amendments (**EXHIBIT C**).

162 Chair Lim Closes the work session on HB 3350. Opens the work session on HB 3143.

HB 3143 – WORK SESSION

175 Jim Stembridge Committee Administrator. Explains HB 3143, which eliminates economic hardship requirements that areas must meet to be designated enterprise zones. Submits and summarizes -1 amendments (**EXHIBIT E**). Submits and summarizes -2 amendments (**EXHIBIT F**). Submits and summarizes -3 amendments (**EXHIBIT G**). Submits and summarizes -4 amendments (**EXHIBIT H**). Submits and summarizes -5 amendments (**EXHIBIT I**).

200 Jack Isselmann Representative, Lane Metro Partnerships. Testifies in support of HB 3143.

228 Isselmann Speaks to intentions of Lane Metro Partnerships with regards to HB 3143.

238 Chair Lim Confirms that the Lane Metro Partnerships is neutral on how many additional enterprise zones should be created.

251 Hasina Squires Representative, Special Districts Association of Oregon. Clarifies how expanding enterprise zone program without an “opt-out” provision would negatively impact special districts in Oregon.

284	Squires	Explains that Special District Association of Oregon would support -4 amendments because of the special district “opt-out” provision.
301	Rep. Merkley	Verifies that school districts are not subject to statutory language relating to special districts.
307	Rep. Merkley	Asks why school districts are not subject to statutory language relating to “opt-out” provision.
310	Squires	States that school districts have not expressed any interest in being included in “opt-out” language for any property tax abatement legislation.
317	Rep. Buckley	Confirms that a business in an enterprise zone is responsible for property taxes for services provided by special district, even if the special district “opts-out.”
331	Arthur Fish	Business Incentives Coordinator, Oregon Economic and Community Development Department (OECDD). Clarifies how a special district would “opt-out” of an enterprise zone and what would be the impact on the property tax exemptions.
356	Fish	Speaks to the potential negative repercussions for a rural area if a large special district were to “opt-out” of an enterprise zone.
392	Fish	Explains why OECDD “is uneasy” with special district “opt-out” provision.
399	Rep. Merkley	Asks how much property tax revenue is generated from special districts.

TAPE 63, B

001	Fish	Lists the property tax rates for the major taxing districts in Oregon.
007	Squires	States that special districts only generate a small percentage of the property taxes with the bulk coming from counties and cities.
012	Rep. Dallum	Confirms what the caps are on property tax rates are for all taxing districts.

015	Fish	Breaks down the total property taxes levied on businesses.
024	Rep. Dallum	Asks how “opt-out” by a special district from an enterprise zone in a rural area would affect the property taxes of a new business.
029	Fish	Explains what taxes are and are not exempt for new business in an enterprise zone.
049	Rep. Dallum	Asks if all 47 enterprise zones have been designated.
052	Fish	Verifies that OECDD has designated all enterprise zones.
063	Rep. Dallum	Verifies how OECDD “recycles” enterprise zone designation after it expires.
088	Rep. Riley	MOTION: Moves to ADOPT HB 3143-4 amendments dated 04/20/05.
091	Rep. Buckley	Speaks in support of adopting -5 amendments.
104	Rep. Riley	Explains why it is valuable to bring together all vested parties to discuss participating in an enterprise zone and not allow unilateral decision making by a single government.
119	Vice-Chair Bruun	States that -2 amendments are most favorable to the Chair, but that the Chair would support -4 amendments
127	Vice-Chair Bruun	Points out that only the new zones would be subject to special district “opt-out” provision.
132	Rep. Dallum	Confirms that statutory regulations of current enterprise zones would remain the same and the special district “opt-out” would only be applicable to enterprise zones created under HB 3143.
151		VOTE: 5-0-2
		EXCUSED: 2 - Lim, Nelson
	Vice-Chair Bruun	Hearing no objection, declares the motion CARRIED.

167	Rep. Merkley	Questions whether it would be more appropriate to send HB 3143 to House Revenue instead of directly to the floor.
178	Vice-Chair Bruun	Asks if speaker denies permission would you be uncomfortable with going to floor w/out permission
183	Rep. Buckley	Questions the purpose of sending HB 3143 to House Revenue.
187	Rep. Merkley	Explains why referral to House Revenue would be appropriate protocol.
194	Rep. Riley	Supports a motion that would refer HB 3143 to House Revenue.
204	Rep. Merkley	MOTION: Moves HB 3143 to the floor with a DO PASS AS AMENDED recommendation and BE REFERRED to the committee on Revenue.
228	Rep. Dallum	Objects to sending HB 3143 to House Revenue, questioning how there can be a revenue impact on property taxes that have not been levied.
242	Rep. Merkley	Withdraws motion.
260	Rep. Dallum	Withdraws objection to motion after verifying that HB 2199 was also referred to House Revenue.
269	Vice-Chair Bruun	Closes the work session on HB 3143. Opens the work session on HB 3144.

HB 3144 – WORK SESSION

275	Jim Stembridge	Committee Administrator. Explains HB 3144, which permits corporations operating emerging business to defer corporate excise and income taxes. Submits -1 amendments (EXHIBIT J).
283	Rep. Buckley	Raise concerns as to how the deferment of corporate excise and income taxes will affect the long term cash flow of the state.
293	Vice-Chair Bruun	Explains why supporting small business in the early stage of development will lead to long term economic prosperity for Oregon.

328 Rep. Buckley States support of HB 3144 with the attachment of a sunset provision.

348 Vice-Chair Bruun Explains the tax deferments are only for a set period of years.

367 Rep. Buckley **MOTION: Moves to ADOPT HB 3144-1 amendments dated 04/06/05.**

VOTE: 4-0-3

EXCUSED: 3 - Lim, Merkley, Nelson

Vice-Chair Bruun **Hearing no objection, declares the motion CARRIED.**

373 Rep. Buckley **MOTION: Moves HB 3144 to the floor with a DO PASS AS AMENDED recommendation and BE REFERRED to the committee on Revenue by prior reference.**

VOTE: 4-0-3

AYE: In a roll call vote, all members present vote Aye.

EXCUSED: 3 - Lim, Merkley, Nelson

Vice-Chair Bruun **The motion CARRIES.**

TAPE 64, B

019 Vice-Chair Bruun Opens the work session on HB 3143.

HB 3143 – WORK SESSION

028 Chair Lim Asks why -4 amendments were adopted.

034 Rep. Bruun Explains why -4 amendments were adopted.

040 Chair Lim Asks how many special districts would be able to exercise “opt-out” provision.

048 Rep. Bruun Explains that special districts are a “small, if not very small” component of overall property tax revenue.

054	Rep. Riley	Points out experience of utilizing “opt-out” provisions in the vertical housing program.
058	Chair Lim	Asks how “opt-out” provision would complicate the enterprise zone program.
061	Arthur Fish	Business Incentives Manager, Oregon Economic and Community Development Department (OECDD). Explains how “opt-out” would effect the assessment of property taxes in enterprise zones.
112	Chair Lim	Asks if there has been any problems with special district wanting to “opt- out” of enterprise zone and unable too.
119	Fish	Identifies that there has not been a special district that has objected to participating in an enterprise zone.
135	Chair Lim	Asks if “opt-out” provision would apply strictly to the new enterprise zones created by HB 3143.
139	Fish	Verifies that “opt-out” would only apply to those zones designated under the provisions of HB 3143.
157	Chair Lim	Asks if OECDD can work with provisions of -4 amendments.
160	Fish	Addresses that uncertainty of the how successful enterprise zone program will be because of complexity of tax codes if “opt-out” provisions adopted.
180	Fish	States OECDD has “more general support” for -2 amendments.
187	Rep. Riley	Questions the ethics of how OECDD markets the enterprise zone program.
196	Fish	Explains the difficulties of marketing enterprise zones with the special district “opt-out.”
219	Chair Lim	Questions the appropriateness of -4 amendments and that issues raised regarding special districts need further discussion.
228	Fish	

Comments on efforts to work in cooperation with all parties affected by enterprise zones.

236 Chair Lim Closes the work session on HB 3143. Opens the work session on HB 3144

HB 3144 – WORK SESSION

256 Rep. Bruun **MOTION: Requests unanimous consent that the rules be SUSPENDED to allow REP. LIM to BE RECORDED as voting AYE on the " MOTION: Moves HB 3144 to the floor with a DO PASS AS AMENDED recommendation and BE REFERRED to the committee on Revenue by prior reference.**

VOTE: 6-0-1

AYE: In a roll call vote, all members present vote Aye.

EXCUSED: 1 - Nelson

Chair The motion CARRIES.

259 Chair Lim Closes the work session on HB 3144. Adjourns the meeting at 10:22 a.m.

EXHIBIT SUMMARY

- A. HB 3350, -1 amendments, staff, 1 p
- B. HB 3350, -2 amendments, staff, 3 pp

- D. HB 3350, -3 amendments, staff, 3 pp
- E. HB 3143, -1 amendments, staff, 6 pp
- F. HB 3143, -2 amendments, staff, 1 p
- G. HB 3143, -3 amendments, staff, 1 p
- H. HB 3143, -4 amendments, staff, 4 pp
- I. HB 3143, -5 amendments, staff, 4 pp
- J. HB 3144, -1 amendments, staff, 1 p

The following written testimony is submitted without public testimony:

C. HB 3350, written testimony, Doris Penwell, 1 p