

**PUBLIC HEARING & WORK SESSION:
HB 3143-B, HB 2089-A
PUBLIC HEARING: HB 2234-C
TAPES 149, 150 A-B, 151 A**

**SENATE REVENUE COMMITTEE
June 29, 2005 8:00 AM STATE CAPITOL BUILDING**

Members Present: Senator Ryan Deckert, Chair
Senator Gary George
Senator Rick Metsger
Senator Floyd Prozanski
Senator Charles Starr, Vice Chair

Witnesses Present: Jana Tindall, Parks and Recreation Dept.
Jack Isselmann, Lane Metro Partnership
Hasina Squires, Special Districts
Mike Salsgiver, Economic & Community Development Dept.
Larry Glassock, Strategic Economic Development Corp., Salem
Art Fish, Economic & Community Development
Doris Penwell, AOC
Joe Schweinhart, AOI
Bill Fashing, Hood River County
Ken Messerle, Coquille Indian Tribe
Michelle Deister
Rep. John Lim, District 50

Staff Present: Paul Warner, Legislative Revenue Officer
Mary Ayala, Economist
Mazen Malik, Economist
Barbara Guardino, Committee Assistant

TAPE 149, SIDE A

005 Chair Deckert Calls meeting to order at 8:03 a.m.
016 Vice Chair C. Starr Introduces guests.

PUBLIC HEARING, HB 2089-A

030 Mazen Malik Gives overview of HB 2089-A (**EXHIBIT 1**), which allows state or local government to withhold payment of tax collected on camping and recreational vehicle spaces until amount collected by agency reaches or exceeds \$100. No fiscal or revenue impact.
066 Jana Tindall Testifies in support of HB 2089-A. Notes, Parks and Recreation's intent in this bill is efficiency for the agency and local governments. Asks committee for support (**EXHIBIT 2**).

WORK SESSION, HB 2089-A

080 Vice Chair C. Starr **MOTION: MOVES HB 2089-A TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.**
083 Chair Deckert **ORDER: THERE BEING NO OBJECTION THE CHAIR SO ORDERS. VOTE: 4-0-1. VOTING AYE: GEORGE, PROZANSKI, C.**

STARR, DECKERT. EXCUSED: METSGER

PUBLIC HEARING, HB 3143-B

- 105 Mary Ayala Gives overview of HB 3143-B (**EXHIBIT 6**). Authorizes the Department of Economic and Community Development to approve designation of up to 10 urban or non-urban enterprise zones, bringing the number of enterprise zones up to a total of 59. Discussion on this bill has focused on the opt-out provision.
- 123 Ayala Introduces HB 3143-B11 amendment (**EXHIBIT 8**), which removes the opt-out provision. Introduces HB 3143-B12 amendment (**EXHIBIT 11**), a language conflict amendment.
- 129 Sen. Prozanski Is working on another amendment. Believes the bill needs to include a buy-in to require companies taking advantage of this windfall to stay at least three years beyond the length of this benefit. Amendments should be available later today.
- 175 Jack Isselmann Testifies in support of HB 3143-B. This legislation is potentially the most effective action this legislature can take this session. The addition of 10 enterprise zones will meet current demand.
- 236 Isselmann Notes, the most controversial part of the bill is the opt-out provision. New enterprise zones will provide a test case to see if cooperation with special districts will mean the death of an enterprise zone. Believes it will create broader support for enterprise zones. The experiment could provide a positive precedent.
- 263 Sen. George Asks if Isselmann sees Sen. Prozanski's proposed amendment as a positive or negative.
- 271 Isselmann Responds, placing further restrictions on an enterprise zone won't increase its effectiveness. Will have to see Sen. Prozanski's amendment before he can comment on it.
- 312 Sen. Prozanski Notes, Isselmann's statements today are different from what he said in an earlier conversation.
- 327 Isselmann Responds, the dynamic has changed so it's not surprising to see an appeal for greater participation at the local level. We won't know how effective this program is until we test it.
- 366 Sen. Prozanski Follows up, is it good or bad to require companies to stay in the community?
- 376 Isselmann It depends on the case. Does not believe amending the statutes is a good idea.
- 423 Chair Deckert Asks Mike Salsgiver to address the requirement in Sen. Prozanski's proposed amendment.
- 449 Mike Salsgiver OECD believes companies would view this provision as a negative, particularly in the tech sector. Gives an example.

030	Salsgiver	In case of an enterprise zone, when there is tax abatement, a company in the trade sector would chafe at the lack of flexibility. To require them to stay for a period of time is somewhat unrealistic in a global economy. The market shifts quickly.
052	Chair Deckert	Asks if companies other than manufacturing move into states because of enterprise zones.
058	Salsgiver	Responds, most investment is in manufacturing sector, but service jobs are created as a result.
061	Isselmann	Explains, the statute defines the types of investments that can be made under the enterprise zones.
065	Sen. George	Is there anything in current law to prohibit negotiation of how long a firm would stay?
089	Salsgiver	If the abatement expires, the company can go elsewhere. But it's unusual for a firm to leave without a substantial amount of thought. Lack of flexibility in the manufacturing sector is a negative.
102	Larry Glassock	Responds to Sen. George's question.
107	Sen. Prozanski	Continues questioning with Salsgiver about his "black mark" statement. Gives examples of companies that left their communities high and dry. Is concerned this won't happen again.
130	Salsgiver	Responds, in the case of Colorado, tax benefits have to be repaid. Expresses concern with a provision in statute requiring a company to stay if conditions shift.
152	Sen. Prozanski	Responds, this is what his amendment will address. If companies leave they'll have to pay back their benefits.
166	Salsgiver	Proposes allowing this provision to be negotiated within a community rather than in statute.
178	Glassock	Favors expanding the number of enterprise zones but opposes the opt-out for special districts. Also, believes Sen. Prozanski's amendment needs further analysis.
247	Hasina Squires	Testifies in support of HB 3143-B on behalf of Special Districts. See written testimony (EXHIBIT 13). Focuses comments on sections 3-5 of the bill. Special districts would like to be afforded the same opportunity to choose whether to abate taxes. Asks for equity.
332	Squires	Points out page 3, lines 20-21 of bill in response to Glassock's testimony. These provisions do not apply to the 49 renewals. Contends there's nothing wrong with two sets of standards.
417	Ken Messerle	Testifies in favor of HB 3143-B. Submits written testimony from Edward Metcalf, chairman of Coquille Indian Tribe (EXHIBIT 14). The tribe is asking the committee to delete the density requirement in the statute so it can compete with other enterprise zones. This concern was addressed in a House amendment.

425 Bill Fashing Expresses concern over the opt-out provision and support for creating additional zones. Gives an example of how Hood River County works with its special districts without the opt-out option.

TAPE 149, SIDE B

030 Chair Deckert Comments, the language in the bill would help ensure the same type of cooperation experienced in Hood River.

035 Fashing Understands the concerns but there are other ways to these resolve issues.

045 Sen. Prozanski Asks how to put that into statute in order to assure communication.

047 Fashing Does not know.

051 Arthur Fish See written testimony (**EXHIBIT 15**). Testifies against creating an opt-out provision. This is an unprofitable way to go. Exemption in an enterprise zone is only 3-5 years. Reiterates Fashing's concerns of creating two classes of enterprise zones.

127 Fish Notes, the HB 3143-A8 amendment was written to encourage greater communication. Urges the committee to pass the HB 3143-B11 amendment.

135 Sen. Prozanski Asks Fish for his views on the proposed call-back provision.

138 Fish Responds, it depends on how it's done. Would have to look at the amendment and think through its ramifications.

166 Doris Penwell Testifies in favor of HB 3143-B with amendments. AOC introduced the HB 3143-B11 amendment to delete the opt-out provision. Counties would like some interim discussion to assure this law works and all parties agree.

219 Michelle Deister Concurr with Penwell's testimony.

221 Joe Schweinhart AOI supports enterprise zones and opposes the opt-out. The risk of companies leaving the area is low. Oregon is competing with other states with enterprise zones. Districts should be part of the process.

244 Sen. Prozanski Why did this opt-out provision pass in House Revenue? What are we missing?

248 Penwell Responds, this has never been addressed in testimony and is a decision the committee must decide.

257 Schweinhart Contends that AOI misunderstood the bill when testifying before House Revenue.

309 Sen. Prozanski Defends his proposed amendment to make it clear that local communities can negotiate call-backs.

315 Vice Chair C. Starr The committee has heard clear testimony that communities already have the ability to receive back the taxes. Will not support an

extension.

- 331 Chair Deckert Wonders, what is the average initial investment of a company in Oregon? Follow-up questions.
- 337 Fish Responds, the average investment is about \$1.5 million; the median is \$2 million. During the 3-5-year period, if you can't maintain your operation, you do pay back taxes.
- 398 Sen. George Gives examples of options that firms have within an enterprise zone including moving the operation off-shore. Follow-up questions.
- 417 Fish Counters, leaving early is not a huge problem.
- 443 Sen. Prozanski Responds, is hearing we no longer want communities to have local control. Refers to a bill currently being heard in Rules Committee that puts in an incentive plan to maintain jobs in Oregon without outsourcing.
- 498 Fish Responds to Prozanski's concerns. Statutes already have some flexibility.

TAPE 150, SIDE B

- 039 Chair Deckert Recesses the meeting until after morning floor session. Perhaps Sen. Prozanski's amendment will be available by then. Will see if the opt-out amendment has the votes.
- 049 Chair Deckert Calls meeting to order at 10:45 a.m. Resumes discussion on HB 3143-B.
- 050 Sen. Prozanski Spoke with Economic & Community Development Department and Mr. Fish in particular, who assured him communities already have the ability to enter into call-back. The committee does not need to wait for an amendment.
- 072 Fish Agrees, it is possible to do call-back in certain circumstances. The urban zones have the ability to attach additional conditions. The rural zones do not.
- 102 Sen. Prozanski Clarifies, it is only during the extension period, not in the first 3 years.
- 108 Fish Follow-up discussion with Sens. Prozanski and George.
- 129 Rep. John Lim Expresses strong support from the House Trade and Economic Committee and members of the House for this bill. Oregon is running out of enterprise zones and his committee discussed how much to expand. Believes 10 is sufficient for now. The enterprise zone is one of the tools used to attract jobs to our state.
- 183 Rep. Lim Suggests trying the opt-out and if it doesn't work, correcting the problem.
- 198 Chair Deckert After talking to Senators on the floor he sensed they wanted to remove the opt-out provision from the bill. It will return to Trade and Economic Committee.

206 Rep. Lim Agrees. The best approach is to concur.

WORK SESSION, HB 3143-B

235 Sen. Metsger **MOTION: MOVES THE ADOPTION OF THE HB 3143-B11 AMENDMENT.**

238 Vice Chair C. Starr Will vote against adoption of the HB 3143-B11 amendment.

243 Sen. Prozanski Will also vote no. Suggests a sunset clause. Will support the final bill.

269 Chair Deckert **ORDER: THE MOTION HAVING RECEIVED THE REQUIRED MAJORITY IS DECLARED PASSED. THE VOTE: 3-2-0. VOTING AYE: GEORGE, METSGER, DECKERT. VOTING NO: PROZANSKI, C. STARR**

273 Sen. Metsger **MOTION: MOVES THE ADOPTION OF THE HB 3143-B12 AMENDMENT.**

275 Chair Deckert **ORDER: THERE BEING NO OBJECTION THE CHAIR SO ORDERS. THE VOTE: 5-0-0. VOTING AYE: GEORGE, METSGER, PROZANSKI, C. STARR, DECKERT.**

277 Sen. Metsger **MOTION: MOVES HB 3134-B AS AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.**

279 Chair Deckert **ORDER: THE MOTION HAVING RECEIVED THE REQUIRED MAJORITY IS DECLARED PASSED. THE VOTE: 5-0-0. VOTING AYE: GEORGE, METSGER, PROZANSKI, C. STARR, DECKERT.**

PUBLIC HEARING, HB 2234-C

299 Ayala Gives overview of HB 2234-C (**EXHIBIT 19**). Allows for designation of 6 additional e-commerce enterprise zones; changes the sunset provision. Explains, e-commerce zones have to be located within existing enterprise zones.

326 Ayala First provision extends sunset of enterprise zones. There is no revenue impact associated with it (**EXHIBIT 20**). The remainder of the bill deals with clarifying language requested by Dept. of Revenue.

378 Fish Testifies in favor of additional e-commerce enterprise zones. See written testimony (**EXHIBIT 21**). 25% of e-commerce assets can be used to generate tax credits. It is a powerful tool.

423 Fish Refers to results of a poll (**EXHIBIT 22**). Returns to written testimony, pages 2 and 3. This program is limited to rural zones.

TAPE 151, SIDE A

022 Fish Supports DOR's "housekeeping" language changes in sections 4-7 of the bill. Requests additional changes.

037 Penwell AOC supports HB 2234-C. The current number of designations goes from 4 to 10. Implementation has been delayed for one year at the request of Harney County. Encourages the committee to move

forward WITH this bill.

051	Fashing	Testifies in support of HB 2234-C. Encourages committee's support.
056	Sen. Prozanski	Asks what other issues would be resolved by delaying this change until 2006.
058	Penwell	Responds, it reduced the state's revenue impact. Some people thought the bill was going too fast.
067	Sen. Prozanski	Will this go through Budget for review?
069	Ayala	No.
072	Sen. George	Comments on Fish's testimony, exhibit 21, page 2, Utilization & Value: "...this program generates great interest among prospects involving large investments and very well-paying jobs..."
077	Fish	Responds, "We are seeing great things."
095	Chair Deckert	Closes public hearing on HB 2234-C. Adjourns meeting at 11:20 a.m.

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

Exhibit Summary:

1. HB 2089-A, Staff Measure Summary, Malik, 6/29/05, 1 pp.
2. HB 2089-A, testimony of Jana Tindall, 6/29/05, 1 pp.
3. HB 2089-A, Staff Measure Summary, Jordan, 6/9/05, 1 pp.
4. HB 2089-A, Staff Measure Summary, Harris, 6/24/05, 1 pp.
5. HB 2089-A, Staff Measure Summary, Malik, 4/12/05, 1 pp.
6. HB 3143-B, Staff Measure Summary, Ayala, 6/27/05, 1 pp.
7. HB 3143-B, Revenue Impact of Proposed Legislation, Ayala, 6/27/05, 1 pp.
8. HB 3143-B, Amendment HB 3143-B11, Legislative Counsel, 6/16/05, 1 pp.
9. HB 3143-B, Staff Measure Summary, Ayala, 6/29/05, 1 pp.
10. HB 3143-B, Revenue Impact of Proposed Legislation, Ayala, 6/29/05, 1 pp.
11. HB 3143-B, Amendment HB 3143-B12, Legislative Counsel, 6/28/05, 1 pp.
12. HB 3143-B, Staff Measure Summary, Ayala, 6/29/05, 1 pp.
13. HB 3143-B, testimony of Hasina E. Squires, 6/29/05, 3 pp.
14. HB 3143-B, testimony of Edward L. Metcalf, Coquille Indian Tribe, Messerle, 6/27/05, 2 pp.
15. HB 3143-B, testimony of Art Fish, 6/29/05, 1 pp.
16. HB 3143-B, Staff Measure Summary, Ayala, 5/25/05, 1 pp.
17. HB 3143-B, Revenue Impact of Proposed Legislation, Ayala, 5/25/05, 1 pp.
18. HB 3143-B, Staff Measure Summary, Harris, 6/24/05, 1 pp.
19. HB 2234-C, Staff Measure Summary, Ayala, 6/27/05, 2 pp.
20. HB 2234-C, Revenue Impact of Proposed Legislation, Ayala, 6/27/05, 1 pp.

21. HB 2234-C, Oregon Economic and Community Development Department, Fish, 3 pp.
22. HB 2234-C, Demand for Electronic Commerce Status Among Existing Oregon Enterprise Zones, Fish, 2 pp.
23. HB 2234-C, Revenue Impact of Proposed Legislation, 3/02/05, 1 pp.
24. HB 2234-C, Staff Measure Summary for HB 2234-A, Stembridge, 3/9/05, 1 pp.
25. HB 2234-C, Staff Measure Summary for HB 2234-B, Ayala, 4/28/05, 1 pp.
26. HB 2234-C, Staff Measure Summary for HB 2234-C, Ayala, 5/25/05, 2 pp.
27. HB 3143-B, Staff Measure Summary for HB 3143-A, Stembridge, 5/2/05, 1 pp.