

**SENATE REVENUE COMMITTEE**  
**JUNE 3, 2005 10:00 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: Rep. Tom Butler, District 60  
Rick Willis, Public Utility Comm.  
Mike McArthur, Association of Oregon Counties  
Art Fish, OECDD  
Brad Higbee, Renewable Northwest Project  
Dennis Day, Oregon State Assn. of County Assessors  
Norm Miller, Dept. of Revenue  
Kristina McNitt, Oregon Small Woodlands Assn.

Staff Present: Paul Warner, Legislative Revenue Officer  
Mary Ayala, Economist  
Lizbeth Martin-Mahar, Economist  
Steve Meyer, Economist  
Barbara Guardino, Committee Assistant

**TAPE 133, SIDE A**

005 Chair Deckert Calls meeting to order at 10:07 a.m.

**WORK SESSION, HB 2511-A**

010 Rep. Butler Reviews HB 2511-A, which adds four service clubs to the list of fraternal organizations whose properties are exempt from property tax. Introduces HB 2511-A4 amendment (**EXHIBIT 1**).

025 Vice Chair C. Starr **MOTION: MOVES ADOPTION OF HB 2511-A4 AMENDMENT.**

027 Chair Deckert **ORDER: THERE BEING NO OBJECTION THE CHAIR SO ORDERS. VOTE: 3-0-2. VOTING AYE: GEORGE, C. STARR, DECKERT. EXCUSED: METSGER, PROZANSKI**

031 Vice Chair C. Starr **MOTION: MOVES HB 2511-A AS AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.**

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

**WORK SESSION, SB 171-B**

045	Sen. Metsger	Explains, this bill has gone back to its original form. It was a vehicle to talk about the issue of utility taxes. The direction changed to the rate-setting process, and that bill came out of the Senate Business Committee as SB 408. Now, it conforms to the federal definition for cogeneration facilities and adds in the benefit standard adopted by the Public Utility Commission. Suitors must now show a net benefit with no harm to the public.
059	Paul Warner	Notes, SB 171-B11 amendment ( <b>EXHIBIT 3</b> ) contains the language that Sen. Metsger has referred to.
068	Rick Willis	Has not seen the amendment, but based on Sen. Metsger's comments, PUC supports the bill.
081	Sen. Metsger	<b>MOTION: MOVES ADOPTION OF THE SB 171-B11 AMENDMENT.</b>
084	Chair Deckert	<b>ORDER: THERE BEING NO OBJECTION THE CHAIR SO ORDERS. VOTE: 5-0-0. VOTING AYE: GEORGE, METSGER, PROZANSKI, C. STARR, DECKERT</b>
087	Sen. Metsger	<b>MOTION: MOVES SB 171-B AS AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.</b>
090	Chair Deckert	<b>ORDER: THERE BEING NO OBJECTION THE CHAIR SO ORDERS. VOTE: 5-0-0. VOTING AYE: GEORGE, METSGER, PROZANSKI, C. STARR, DECKERT</b>

#### **WORK SESSION, HB 3183**

095	Steve Meyer	Reviews, HB 3183 deals with distribution of income from the Common School Fund to school districts. It makes the current process more direct.
104	Rep. Butler	"Good bill, do pass."
110	Vice Chair C. Starr	<b>MOTION: MOVES HB 3183 TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.</b>
112	Chair Deckert	<b>ORDER: THERE BEING NO OBJECTION THE CHAIR SO ORDERS. VOTE: 5-0-0. VOTING AYE: GEORGE, METSGER, PROZANSKI, C. STARR, DECKERT</b>
115	Chair Deckert	Announces, SB 427 will not be heard until next week.

#### **PUBLIC HEARING, HB 3350-B**

120	Rep. Butler	Reads testimony for this bill ( <b>EXHIBIT 4</b> ), which pertains to the Small City Investment Program (SCIP). It is a state income tax incentive for new-to-Oregon businesses to locate and provide jobs in financially distressed communities.
180	Rep. Butler	Explains the 2005 amendment (Section 5) in HB 3350-B.
223	Rep. Butler	Directs members' attention to LRO list: Cities that are impacted by the small city business development income exemption ( <b>EXHIBIT 5</b> ).
236	Chair Deckert	Thanks Rep. Butler for his hard work to put the SCIP together.

240	Rep. Butler	Responds, he worked with the OECDD to make changes. There are four pending applications in the Port of Morrow industrial park.
255	Mike McArthur	Testifies in support of HB 3350-B on behalf of AOC and as a former Sherman County judge. Tells why being able to offer this program is important for attracting new businesses to rural Oregon. Discusses Sherman County's development of wind farms.
286	Art Fish	Testifies in favor of HB 3350-B. Is available to answer questions about the program. Tells where it is beginning to be used. The five-year period will give counties a chance to get it going and make it a powerful tool in addition to enterprise zones.
325	Sen. George	Comments, people will go to some "remote" places based on positive incentives from the community. Asks, are these types of incentives important in attracting people?
336	Fish	Responds yes, incentives have played a role in attracting people.
367	Sen. Prozanski	Is there any requirement for these companies to stay in Oregon?
375	Fish	To use this exemption they have to assure continued operation for at least 10 years. They don't get a benefit unless they pay income taxes. These taxes would not otherwise be collected in Oregon.
399	Sen. Prozanski	Asks what types of offsets are in play.
426	Rep. Butler	Explains two key issues: <ul style="list-style-type: none"> <li>1) current law requires companies to make an investment in equipment</li> <li>2) companies must hire five or more full-time employees</li> </ul>

#### **TAPE 134, SIDE A**

025	Brad Higbee	Testifies in support of HB 3350-B. Renewable Northwest Project has worked closely with county officials in creating the Rural Renewable Energy Development (RRED) Zone. Concludes, it is an important tool because it is flexible, unlike an enterprise zone. It will increase the supply of clean energy and give some rural communities a big shot in the arm.
057	Acting Chair Metsger	Closes public hearing on HB 3350-B. Opens public hearing on HB 2868-A.

#### **PUBLIC HEARING HB 2868-A**

060	Mary Ayala	Gives overview of HB 2868-A ( <b>EXHIBIT 9</b> ). Simplifies the time requirements for filers and clarifies the administrative process for handling a filer's application for continued qualification of a parcel as a small tract forestland (STF). Creates a \$200 late filing fee. Clarifies how additional taxes will be computed if a parcel is disqualified for a STF special assessment.
116	Dennis Day	Testifies in favor of HB 2868-A ( <b>EXHIBIT 10</b> ). County assessors rather than landowners bear the responsibility of identifying sales or transfers of land in the Small Tract Forestland Option. Under the STF program, if new owners opt out, they can't come back in for five years.

This bill gives them one last opportunity.

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| 165 | Kristina McNitt      | Explains, the STF is the option where non-industrial woodland owners pay their property taxes on a 20/80 program rather than paying 100% ad valorem tax every year. This encourages landowners to keep their land in forestland. |
| 197 | Norm Miller          | Notes, this bill is a cleanup of major legislation implemented last session. It strengthens the programs.  |
| 207 | Sen. Prozanski       | Asks for a walk-through of the process. Follow-up questions.   |
| 222 | Miller               | Responds, the STF option is another way to pay their property taxes. They pay 20% annually and 80% when they harvest timber.   |
| 266 | Acting Chair Metsger | Committee will stand at ease at 10:55 a.m. to await return of Paul Warner. Reopens committee. Opens work session for HB 2868-A.  |

**WORK SESSION, HB 2868-A**

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| 280 | Acting Chair Metsger | <b>MOTION: SEN. DECKERT MOVES HB 2868-A TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.</b>  |
| 284 | Acting Chair Metsger | <b>ORDER: THERE BEING NO OBJECTION THE CHAIR SO ORDERS. VOTE: 4-0-1. VOTING AYE: GEORGE, METSGER, PROZANSKI, DECKERT. EXCUSED: C. STARR</b> |
| 290 | Chair Deckert        | Closes work session on HB 2868. Committee will hold HB 3350-B until next week. Adjourns meeting at 11:00 a.m.                               |

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

**Exhibit Summary:**

1. HB 2511-A, Amendment HB 2511-A4, Legislative Counsel, 6/2/05, 1 pp.
2. HB 2511-A, Staff Measure Summary, Ayala, 6/3/05, 1 pp.
3. SB 171-B, Amendment SB 171-B11, Legislative Counsel, 6/2/05, 1 pp.
4. HB 3350-B, Small City Investment Program – HB 3350B, Butler, 1 pp.
5. HB 3350-B, Cities that are impacted chart, Martin-Mahar, 6/2/05, 4 pp.
6. HB 3350-B, Staff Measure Summary, Martin-Mahar, 6/3/05, 2 pp.
7. HB 3350-B, Revenue Impact of Proposed Legislation, Martin-Mahar, 5/9/05, 1 pp.
8. HB 3350-B, Staff Measure Summary, Martin-Mahar, 5/6/05, 2 pp.
9. HB 2868-A, Staff Measure Summary, Ayala, 6/3/05, 1 pp.
10. HB 2868-A, testimony of Dennis Day, 6/3/05, 1 pp.
11. HB 2868-A, Revenue Impact of Proposed Legislation, Ayala, 6/3/05, 1 pp.
12. HB 2868-A, Staff Measure Summary, Ayala, 5/4/05, 2 pp.