

HOUSE REVENUE COMMITTEE
MARCH 24, 2003 8:30 AM STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair
Representative Wayne Scott, Vice Chair
Representative Joanne Verger, Vice Chair
Representative Vicki Berger
Representative Pat Farr
Representative Mark Hass
Representative Elaine Hopson
Representative Max Williams

Members Excused: Representative Phil Barnhart

Witness Present: Tom Butler, District 60
Art Fish, Oregon Economic and Community Development Dept. (OECDD)
Rep. Bill Garrard, District 56
Robert Trotta, People's Energy Resources, Cobb Energy Facility
Tray Sena, Klamath County Economic Development Association (KCEDA)
Andrew Stadelli, KCEDA

Staff Present: Paul Warner, Legislative Revenue Officer
Mazen Malik, Legislative Revenue Office
Kathy Tooley, Committee Assistant

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004 Chair Shetterly Calls meeting to order at 834 a.m.

OPENED PUBLIC HEARING ON 2298A

010 Mazen Malik Provided description of HB 2298-A, no fiscal impact, revenue impact as yet not completed, (Exhibits 1, 2).

026 Rep. Tom Butler Spoke in support of HB 2298A, described distressed communities designation.

070 Rep. Butler Described challenges to encouraging people to come to rural Oregon and employ 5 or more employees, specifies population, wages, insurance requirements.

083 Rep. Butler Described long-term commitment (10 years or more) requirement for property, plant, and equipment.

094 Rep. Butler No fiscal, there is a fee for the OECDD certification. Did not have revenue cost last session.

130 Chair Shetterly Regarding revenue impact, there is no current revenue being foregone, because it only applies to new business ventures coming into the state?

133 Rep. Butler Answered affirmatively. Must apply with OECDD, discussed parameters, sign offs with city, county and a port district if applicable.

143 Chair Shetterly What is the thinking with the addition of port?

145	Rep. Butler	Described situation in Lakeview and port districts. Did not want new company to come in that was not going to use infrastructure already in existence within the city and urban growth boundaries.
171	Rep. Verger	Does this bill take care of the problem as when American Bridge came in, reducing unemployment, then running into problem of not qualifying with unemployment percentage requirements?
182	Rep. Butler	This is done county by county some with long time unemployment rate. This attempts to give longer period of time for company to come to town as long as per capita income was down for the full year.
218	Chair Shetterly	Reconstruction and modification has been added to activities to qualify, assumes movement into existing facility?
222	Rep. Butler	Reconstruction qualifies, if new to Oregon business.
242	Chair Shetterly	Is this written so tight that no one has qualified to use it?
225	Rep. Butler	Haven't been able to attract people to businesses in distressed, rural Oregon. This gives them more latitude. Questions and discussion regarding small facilities that would come in; not employ many and receive credit.
300	Art Fish	Described background of HB 2298A. Discussed current law, proposed changes. Discussed eligibility criteria, cities, counties, high unemployment and per capita income.
500	Fish	Discussed city and county approval requirements.

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024	Chair Shetterly	Concern that this bill was so complicated, it would be difficult for people to determine if they were going to qualify. Can you help them through if someone comes to you wanting to qualify?
028	Fish	It is complicated to keep up on the data and figure out. Once a location is chosen, just a matter of process, giving cities/counties 60 days to approve or disapprove benefit. Discussed criteria new to state, number of employees, median wage, long term outlook, non-competition with current business. Whole process could take 6-9 months to start up.
071	Chair Shetterly	Where is the "New to Oregon language"?
074	Fish	That's not new to the bill, A Engrossed, Page 3, lines 18 and 19. Significant issue, do have inquiries by current companies. Questions and discussion regarding example of new entities.
091	Rep. Verger	Do you think we are going to work hard on how to get to yes in these processes?
105	Fish	Can say yes, as quickly as some of these requirements are met. The program is not too difficult. It just has some constraints that limit applicability.
115	Rep. Verger	Would you use the community solutions team process in a small area, with

these criteria?

- 111 Fish Yes, if there are other issues complicating, especially where there are benefits available. Some areas are enterprise zones with additional incentives available.
- 121 Rep. Verger Cited difficulties involved with enterprise zones and urban renewal requirements. Need to work with companies to make it easier.
- 150 Chair Shetterly The intention is to try to focus development within particular distressed areas.
- 151 Fish Requirement of 150% of per capita income is a complicating issue. Potential for local objection is another complication.
- 183 Chair Shetterly For the record, received exhibit from Oregon Revenue Coalition (Exhibit 4).
- 188 Chair Shetterly Closed public hearing on HB 2298-A.

OPENED PUBLIC HEARING ON HB 2671-A

- 194 Mazen Provided background and described HB 2671 (Exhibit 5), minimal fiscal (Exhibit 6), and revenue impact, (Exhibit 7).
- 289 Rep. Bill Garrard This will create jobs in Bonanza and Klamath County during and after construction.
- 301 Robert Trotta Spoke in support of the bill, discussed long term rural enterprise zone. Taking project from a concept to actually benefit economic development by bringing investment into a community. How do you make it easier? This bill takes those steps.
- 304 Trotta Discussed development and permitting process taking 2 years. Project makes sense from environmental, permitting. Now working on economic phase.
- 365 Trotta Discussed incentive as not going as far as it needs to go. Described other states enterprise zone incentives as better. Trying to site facility now. Today the land provides \$2000 property taxes, could be \$700 million investment, describes breakout of union labor, length of time to build, permanent employees, \$87 million annual salaries.
- 387 Trotta This bill increases the possibility of this facility moving forward.
- 410 Rep. Garrard Cited electrical market rates currently uncertain, but this company is willing to take the risk; Oregon needs to take risk as well in offering economic incentives.
- 422 Tray Sena Spoke in support of bill. Reiterated testimony of Trotta and Rep. Garrard. Klamath County adopted in its goals and objectives power generation as a key ingredient for economic prosperity. Company chosen based on track record and integrity of company and Trotta

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- 010 Andrew Stadelli Spoke in support of bill and Cobb Energy Facility. Cited company's dedication to minimizing any negative impacts.
- 020 Rep. Hass This feels like the strategic investment program, question regarding language

regarding start up, Section 1?

070	Chair Shetterly	That's a question for Fish.
031	Rep. Verger	In 2 years trying to get this business into Oregon, can you give the Committee an idea of what has been done right, possibly wrong; environmentally sensitive?
052	Trotta	Goal/vision of the state to protect environment and resources and process, protections are in place to do that thoroughly. Needs additional tweaking, for companies that meet criteria and goes through review, should be economic criteria that make it feasible.
114	Sena	This is an incentive plan that is designed to help small economic development areas, with small employment opportunities. Intent is to bring in employment. Some frustration is urban vs. rural. What ifs have taken a long time.
140	Rep. Verger	In rural areas, for businesses that have a track record should not necessarily take 2 years to jump through hoops. There should be a happy medium.
160	Rep. Garrard	Discussed cogeneration plant existing in Klamath, plus additional plant proposed. This bill sets model, clears way for additional projects in Klamath Falls and in Oregon.
172	Rep. Farr	Support bill, this is exactly what is needed to improve the economy of the state. Discussed need to make it easier for companies to come in to this state.
190	Rep. Berger	On scale to 1 to 10, one being easiest, 10 being difficult how would you rate Oregon's permitting process?
204	Trotta	The degree of difficulty is rated at 11.
206	Chair	The sense of the committee is to help you move this bill along for your benefit and for Klamath County.
240	Fish	Discussed Oregon Enterprise Zone (Exhibit 9), long-term rural tax incentives (Exhibit 10), discussed history, Section 1 of the HB 2671-A lists options that allow a company to meet requirements, including size of the county and distance from Interstate 5.
328	Hass	Don't understand what section 1 does, what does the first part of Section 1 apply to and what does it strive to accomplish?
334	Fish	Section 1 of the bill, partially defines the program includes all minimum requirements for a facility to meet; discussed gradations.
370	Fish	Discussed average compensation, as most significant hurdle.
393	Fish	Discussed options available if siting more than 10 miles from Interstate-5.
420	Rep. Hass	Wouldn't they be able to qualify under existing law?
422	Fish	They could if they met the 10 job requirement. Questions and discussion regarding meeting requirements
473	Chair Shetterly	This bill creates a new entry "rural enterprise".

475	Fish	Answered affirmatively.
476	Chair Shetterly	This may be the only facility that qualifies for it, but it is \$200 million and jobs for Klamath County.
480	Fish	There could be other energy facilities, or use of Strategic Investment Program.
484	Chair Shetterly	This would not qualify for the income tax exclusion under HB 2298, Klamath County does not come under that?
487	Fish	That is correct, even with proposed changes.
496	Chair Shetterly	Acknowledged for the record, that Exhibit 4 from the ORC, was intended for HB 2671-A as well as HB 2298.
507	Chair Shetterly	Closed public hearing.

**OPENED WORK SESSION
TAPE 94, SIDE B**

040	Rep. Verger	MOTION: MOVED HB 2671-A TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION
042		ROLL CALL: MOTION PASSED 8-0-1 REPRESENTATIVES VOTING AYE: Berger, Farr, Hass, Hopson, Scott, Verger, Williams, Chair Shetterly. EXCUSED: Barnhart
048		Rep. Garrard will carry the bill.
051	Chair Shetterly	Meeting adjourned at 10:00 a.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant Reviewed by Kim Taylor James

Exhibit Summary:

1. Malik, "Fiscal Impact HB 2298A", 1 page
2. Malik, "Staff Measure Summary HB 2298A", 1 page
3. Fish, "Testimony HB 2298", 5 pages
4. ORC, "Testimony HB 2671 and HB 2298", 3 pages
5. Malik, "Staff Measure Summary HB 2671-A", 1 page
6. Malik, "Fiscal Impact HB 2671-A", 1 page
7. Malik, "Revenue Impact HB 2671-A", 1 page
8. House Committee on Trade and Economic Development, "Staff Measure Summary HB 2671-A", 1 page
9. Fish, "Oregon Enterprise Zones", 1 page
10. Fish, "Long-Term Rural Tax Incentives", 2 pages