

HOUSE REVENUE COMMITTEE
APRIL 28, 2003 8:30 AM STATE CAPITOL BUILDING

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

Members Excused: Representative Pat Farr

Witness Present: Mike Burton, Economic and Community Development Department
Tom Lindhares, Columbia County Assessor,
Oregon State Association of County Assessors
Tony Hyde, Association of Oregon Counties
Columbia County Commissioner
Paul Chalmers, Umatilla County Assessment and Taxation
Representative Betsy Johnson
Casina Squires, Special Districts Association of Oregon
Senator Ted Ferrioli, District 30
Bill Hansell, Umatilla County Commissioner
Pat Shaw, Gilliam County Tax Assessor
Mike McArthur, Sherman County Judge
Inge Deckert, Oregon State Treasury Department
Cynthia Burns, Oregon Attorney General's Office
Representative Jeff Kropf, District 17
Gill Riddell, Association of Oregon Counties
Dexter Johnson, Legislative Counsel
Marcia Kelley
Mark Kendell, Oregon Office of Energy

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

TAPE 144, SIDE A

004 Chair Shetterly Calls meeting to order at 8:35 a.m.

OPENED WORK SESSION ON HB 2299-A

012 Mazen Malik Described -A8, and -A9 amendments. Described difference between -A7 and -A9 amendment deals with the exemption eligibility if requirements not met for the first year. -A7 will give exemption regardless; -A9 gives exemption year per year; -A8s modify the -A6.

100 Mike Burton Spoke in support of HB 2299. Prior testimony given had not seen -6 amendments, but spoke to it thinking it was Mr. Pascone's amendment which it was not. Discussed -7 and -9 amendments reflect Mr. Pascone's issues. -6 and -8 amendments are refinements in language OECDD has negotiated with cities, counties, special districts and others.

082	Chair Shetterly	The Committee has not seen the -7.
087	Burton	-A6 superseded by -A8.
091	Chair Shetterly	Does the Committee have the -A5?
092	Malik	Answered affirmatively and described.
101	Chair Shetterly	-A9 deals with Albany Millersburg issue, our approach was if not qualified this year, do not lose the exemption for all future years, just suspended for the year for which not qualified.
106	Burton	Answered affirmatively. That creates an annual certification for the enterprise zone for firms that would qualify under that mechanism, requiring additional work on behalf of the Assessor.
157	Rep. Berger	Regarding -A9 if not qualified in first year, can qualify in subsequent of 5 years. What if a person qualified the first two years, didn't the third, would that person be qualified in the 4 th ?
125	Burton	Current law already allows for that circumstance, where current law is lacking is in addressing the first year circumstance.
126	Chair Shetterly	There already is an annual certification.
127	Burton	No, described current law.
141	Tom Lindhares	Thought current statutes allow if miss 1 st year, and filing 2 nd and 3 rd year. Assessors look at companies each year through annual statement of compliance. HB 2299 institutes a claim form companies would have to file for each year of exemption, plus year following exemption.
205	Tony Hyde	Concerned about policy piece of section 34c, HB 2299 as it affects a delicate funding scheme in Columbia County and puts at risk development of two power plants.
189	Chair Shetterly	How do you propose to fix it?
190	Commissioner Tony Hyde	Propose elimination of 34c. Estimated affect on Columbia County is \$5 million.
195	Rep. Verger	Do you know how many counties would be affected? Coos County also has an urban renewal district enterprise zone.
198	Commissioner Hyde	Does not know.
200	Chair Shetterly	The specific issue is you have a current agreement that this would affect?
204	Commissioner Hyde	Answered affirmatively.
234	Burton	Discussed origins of 34c, driven by a company building an electrical generating facility under construction in Northeastern Oregon.
238	Burton	Suggested a solution for Columbia County is to have this take affect in two years.
241	Rep. Hass	This issue was troublesome in the previous committee. Why would we provide an incentive to someone who has made the decision to go there?

251	Burton	This is not the Department's issue. Speculation about company's understanding of construction in progress law.
259	Burton	Department's agenda is in regard to enterprise zone businesses not treated the same. The proposal would treat all enterprise zone businesses similarly.
269	Commissioner Hyde	Provided alternative regarding urban renewal area within the enterprise zone may address the issue.
281	Chair Shetterly	The affect of 34c, may not have been comprehended beyond specific project, may be remedied by another amendment.
290	Paul Chalmers	Discussed Cowpine Project in Hermiston issue as project problem, not problem with the planning process.
304	Rep. Johnson	Here supporting Columbia County Commissioner and Assessor.
365	Casina Squires	Discussed -8 amendments a result of concerns with leading sum language.
386	Rep. Verger	Who has to agree and on what?
390	Squires	This deals with a reimbursement fee; it is based on a negotiation that has already taken place. Puts in statute that negotiated fee among city or county and affected taxing districts.
396	Rep. Verger	When you pass a bill into state law affects more than single city.
404	Rep. Hass	Washington County had concern over number of people in the negotiating room, if too many people some agreements might not be reached.
448	Squires	Discussed origination of 75% language on service fee.
444	Burton	Discusses 2 step negotiation.
480	Chair Shetterly	Closed the Work Session on HB 2299.

**OPENED WORK SESSION ON HB 3551
TAPE 145, SIDE A**

030	Malik	Provided description of HB 3551.
041	Rep. Betsy Johnson	Offered support for Commissioner Hyde and Assessor Linhares, in opposition to HB 3351.
048	Commissioner Hyde	Spoke in opposition to amendment, discussed delicate urban renewal plan within enterprise zone for projected power plants which are relying on current strategy. Suggests either 10 years of 50% or 5 years of 100%, double-dipping is not acceptable.
070	Rep. Barnhart	There are some improvements the URD has to pay for, with this proposal, you cannot pay for them?
074	Commissioner Hyde	Answered affirmatively.
083	Tom Linhares	Described suggested amendments, allowing 5 year automatic exemption, second five years up to local jurisdiction.
102	Chair Shetterly	Recess Work Session on HB 3551

OPENED WORK SESSION ON HB 3610

104	Chair Shetterly	Bill on loan from Rules and Public Affairs Committee.
107	Sen Ted Ferriolli	Concerns with HB 3160 on how to tax and incent windpower development. Need to raise income for local communities. Discussed possibility of tax exempt bonds for transmission facilities. HB 3160 exempts wind turbine from property taxation and that puts a hole in pocket of communities that attracted industry. Suggests bill raises question of what the future of taxation should be. Need to hold harmless communities that have already located companies. Discussed pros and cons to proactive and retroactive action on HB 3160.
202	Bill Hansell	Spoke in opposition to HB 3160 as it would take away property taxes from the community. Discussed Umatilla County wind energy facilities. No problems with incentives, companies are coming based on wind production capabilities and are not requiring incentives. Florida Power is opposed to this tax, feels property tax gives them a known figure for their budget.
243	Pat Shaw	Spoke in opposition to HB 3160, if passed taxing districts would suffer. Discussed comparison of projected income received in lieu tax vs. ad valorem tax, (Exhibit 3).
291	Judge Mike McArthur	Spoke in opposition to HB 3160. Discussed biggest obstacle in Sherman County wind power is transmission, cited high connection costs. Need for larger discussion on wind energy and how to incentivize it.
344	Chair Shetterly	Discussed protocol for returning bill to the Rules Committee is a memorandum from Chair representing the sense of the committee. Senses the Committee is concerned regarding the impact of this bill on local government; suggestion this bill not move forward unamended addressing impact on local governments. Asked Committee to forward memoranda and it would be attached to the memorandum.
365	Rep. Barnhart	Another issue is the potential for distortion in the business plan of the companies generating wind power due to change from flat tax to production tax.
382	Chair Shetterly	Cited need for further examination of this tax in the context of other tax incentives and credits at the federal and state level.
385	Rep. Hass	Supported Chair's memorandum, would like to make it clear to the Rules Committee that this did not come over and have a thorough hearing given back with seal of approval from Revenue Committee.
395	Chair Shetterly	That would be the sense of my memorandum expressing these concerns. Will send memo to Committee for comments.
398	Rep. Hass	Why is it in the Rules Committee and not Revenue Committee?
403	Chair Shetterly	Closed Work Session on HB 3610.

OPENED WORK SESSION ON SB 327

425	Malik	Provided description and background of SB 327 alters qualification for non-urban enterprise zones, requirements for unemployment.
-----	-------	---

461 Rep. Verger Oregon Revenue Coalition does not oppose this bill. ORC recognizes enterprise zones are tied to jobs and job creation. Does affect a number of counties and needs to be a policy that stands on its own. Does not change much except for counties that have unemployment problem if have 11.5% unemployment, need to protect the tools counties have. There will be revenue impact because of enterprise zone offering exemptions.

TAPE 144, SIDE B

040 Rep. Hass **MOTION: MOVED SB 327 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION**

ROLL CALL: MOTION PASSED 9-0-0

REPRESENTATIVES VOTING AYE: Barnhart, Berger, Hass, Hopson, Scott, Verger, Williams, Chair Shetterly (EXCUSED: Farr.

Rep. Verger will carry the bill.

053 Chair Shetterly Closed the Work Session on SB 327.

OPENED WORK SESSION ON HJR 18

055 Steve Meyer Provided description of HJR 18 and -2 amendments, (Exhibit 4).

097 Chair Shetterly Discussed coordination of bill and existing constitution.

099 Meyer Discussed implementing legislation requirement, submission to voters in the 2004 primary election.

100 Chair Shetterly What was the vote on this last session?

107 Inge Deckert The vote was 51 ayes, one no last year.

107 Rep. Barnhart Discussed the difference between the -1 and -2 amendments is to consolidate the definition of capital costs for the various purposes that funds could be spent in the local schools. Is that correct?

124 Cynthia Burns Explained capital costs for purposes of bond proceeds can be used to make a grant to school districts and other monies that come into education stability fund. Discussed more restrictive definition under Measures 5 and 50.

142 Rep. Barnhart With only -1 amendment, there could be two definitions of capital costs.

143 Chair Shetterly Without -2?

144 Rep. Barnhart Is that a serious or minor problem, how do you clarify for the purpose of administering funds.

150 Burns If did not have -2, there is no definition of capital costs for education stability fund, discussed tracking issue. Issue in getting representations back from the school districts regarding funds used for allowable purposes. This reduces the amount of tracking required.

175 Rep. Barnhart The affect is that construction could get done, just requires more accounting in the process.

172 Burns Answered affirmatively.

174 Questions and discussion regarding matching fund.

206 Rep. Hass **MOTION: MOVED ADOPTION OF THE -2 AMENDMENT INTO HJR 18.**

204 Rep. Barnhart Discussion of opposition to the -2 for the record, based on requirement for changing the Constitution should be used for big changes.

225 Chair Shetterly **ORDER: THERE BEING NO FURTHER OBJECTION, THE CHAIR SO ORDERS. (REP. FARR, EXCUSED)**

224 Rep. Hass **MOTION: MOVED HJR 18 AS AMENDED BY THE -2 AMENDMENTS TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION, AND THE SUBSEQUENT REFERRAL TO WAYS AND MEANS COMMITTEE BE RESCINDED.**

242 Rep. Verger For the record, voiced her opposition to the -2 amendment and the bill, as historically communities have been responsible for building and maintaining schools, cited need for funding of actual programs before capital costs.

268 Rep. Scott Agreed with Rep Verger, needs to be more a local issue. Until proper funding, opposed to going out on statewide basis.

270 Rep. Hass Respectfully disagreed with Rep Verger as to larger districts being able to build more schools easier. Problem not keeping up with amount of growth.

295 Rep. Barnhart Need to do all of the above, need to raise \$1 billion for education not now in the basic school budget. Agreed with Rep. Verger, have to find more funds for regular operating budget.

323 Chair Shetterly Agreed with Rep. Scott and Rep. Verger. There are two issues one is funding schools, the other is the state's participation in capital funding. Do not see HJR 18 as opposed to basic funding of schools. On the issue of local participation it is a matter for implementing legislation and rule making.

350 **ROLL CALL: MOTION PASSED 6-2-1
REPRESENTATIVES VOTING AYE: Barnhart, Berger, Farr, Hass, Hopson, Williams, Chair Shetterly. VOTING NO: Scott, Verger.
EXCUSED: Farr.**

Chair Shetterly will carry the bill.

359 Chair Shetterly Closed the Work Session on HJR 18.

OPENED WORK SESSION ON HB 3278

392 Lizbeth Martin-Mahar Provided description of HB 3278, (Exhibit 5), governor's letter, (Exhibit 6) discussed -1, (Exhibit 7) and -2 amendments (Exhibit 8). Discussed revenue impact (Exhibit 9).

OPENED WORK SESSION ON HB 3551 TAPE 145, SIDE B

025 Rep. Jeff Kropf Asked Committee to ignore HB 3278, the companion to HB 3551, at this time. Discussed agreement with Governor's office to allow inclusion of biofuels, bio-oils language in the current pollution control tax credit.

071 Rep. Kropf Discussed major flaw in the relating clause of HB 3551 that is corrected with -

		2 (Exhibit 10), biofuels, means biodiesel, bio-oils which does not fit within the relating clause. Will be looking for another vehicle for the amendment.
088	Rep. Kropf	Discussed work group meeting following initial hearing focused on how expansion can be allowed within enterprise zone and ethanol statutes.
105	Rep. Kropf	Wants to ensure 10 year program where company could use enterprise zone statute, expanded ethanol statutes.
130	Rep. Kropf	Discussed agreements with local governments using enterprise zone and ethanol statutes together, .negotiation of additional years.
149	Rep. Kropf	Created mechanism for Economic Community Development Department to extend 5 year period of exemption if a majority of the taxing districts approved.
170	Chair Shetterly	Intent is for extended period to be a local option.
172	Rep. Kropf	Answered affirmatively.
175		Questions and discussion regarding makeup of local taxing districts.
179	Chair Shetterly	Consensus among a majority is that current language on local options? It seems awkward. Why not agree with 51%.
164	Casina Squires	May need an amendment to include "The County" and "a majority of the other taxing districts". Discussed real life scenario in Columbia County.
207	Gil Riddell	AOC has not seen -2 amendment, agreed may need amendment to include "The County plus a majority of other special districts". Discussed ambiguities affecting the current agreement with Columbia County.
220	Chair Shetterly	Regarding HB 3278 clarified will amend language into HB 2652, HB 3551 will go into another bill.
202	Dexter Johnson	Regarding consensus language?
235	Chair Shetterly	Is that standard language with other local option, property tax issues? Why not just a majority?
239	Johnson	Not standard, there isn't standard language for local option. This is OEDDC decision, not local government decision. The Department is not required to grant an extension, think there would be a problem if it were required, based solely on consensus.
255	Johnson	They have to independently determine it will promote economic development. Can't have one local taxing district tell another, what local taxes should be.
266		Question and discussions regarding the definition of consensus.
300	Marcia Kelley	Provided information that City of Salem, Marion County and the Transit District, have in the past had property tax plan that they get together and adopt and may be used as a model, rather than consensus.
313	Mark Kendell	On behalf of Director Michael Grainey, spoke regarding HB 3551, ethanol and biodiesel markets are merging as principle fuels experiencing volatility and competition. Discussed developing need, competition for stocks of biofuels.

356 Chair Shetterly Closed Work Session HB 3278 and HB 3551

364 Chair Sheterly Meeting adjourned at 10:25 a.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant

Exhibit Summary:

1. Malik, "HB 2299-A8 Amendment", 1 page
2. Malik, "HB 2299-A9 Amendment", 2 pages
3. Shaw, "Condon Wind Power, LLC", 2 pages
4. Meyer, "Draft Fiscal Analysis of HJR 18, 1 page
5. Martin-Mahar, "Staff Measure Summary HB 3278
6. Martin-Mahar, "Letter Governor's Office Pollution Control Tax Credit: House Bills 3278 and 2652
7. Martin-Mahar, "HB 3278-1 Amendment", 3 pages
8. Martin-Mahar, "HB 3278-2 Amendment", 4 pages
9. Martin-Mahar, "Revenue Impact HB 3278", 1 page
10. Rep. Kropf, "HB 3551-2 Amendment", 4 pages
11. Oregon Revenue Coalition, "Testimony HB 2299", 3 pages
12. ORC, "Testimony HB 3551", 2 pages
13. ORC, "Testimony HB 3278", 2 pages
14. League of Women Voters of Oregon, "Testimony HB 3278", 1 page