

HOUSE COMMITTEE ON RULES AND PUBLIC AFFAIRS

April 23, 2003 Hearing Room E
6:00 PM Tapes 44 - 47

MEMBERS PRESENT: **Rep. Dan Doyle, Chair**
 Rep. Linda Flores, Vice-Chair
 Rep. Laurie Monnes Anderson, Vice Chair
 Rep. Vic Backlund
 Rep. Phil Barnhart
 Rep. Betsy L. Close
 Rep. Joanne Verger

STAFF PRESENT: **Cara Filsinger, Administrator**
 Annetta Mullins, Committee Assistant

MEASURE/ISSUES HEARD: **HB 3606 – Pubic Hearing and 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.

<u>TAPE/#</u>	<u>Speaker</u>	<u>Comments</u>
Tape 44, A		
004	Chair Doyle	Calls meeting to order at 6:07 p.m. and opens a public hearing on HB 3606.
<u>HB 3606 – PUBLIC HEARING</u>		
006	Sen. Ryan Deckert	District 14. Testifies in support of HB 3606. Comments on conversation with businessman at coast about businesses interested in coming to Oregon, and the positive effect of major league baseball on Oregon's economy.
043	Rep. Vic Backlund	District 25. Comments on economic benefits of bringing professional baseball to Portland, and the opportunity for family participation.
083	Bob Shiprack	Oregon Sate Building and Construction Trades Council. Speaks of traveling around the country to baseball games and economic effects on local businesses and communities.
115	Ed Glad	Pacific Northwest Regional Council of Carpenters. Testifies in support of HB 3606 and in support of jobs for their members (EXHIBIT A) .
141	Wes Lawrence	President of Key Bank and member of Portland Business Alliance. Testifies in support of HB 3606 (EXHIBIT B) . Reads from letter to members telling about experiences of other stadiums and the benefits on the local economies (EXHIBIT C) .
160	Carl Flipper	Coordinator of the Humboldt Target Area Project. Testifies in support of HB 3606 (EXHIBIT D) . Explains the purpose of their organization is to work with the existing baseball groups and to enlist their support, and to organize an effort to survey franchises across the country to help answer the question of "what is in it for us." They were interested in low-income communities and those who would benefit. Comments on findings in their surveys.
275	Julie Edwards	West Linn, Oregon. Comments on living in cities that had baseball teams. Believes the stadium would be great for Portland

327	Wally Van Valkenburg	and Oregon. Believes quality of life will be added and it would be nice to have “home-town heroes.” Partner, Stoel Rives, member of the Board of Director of the Oregon Sports Authority, and Chair of the Oregon Stadium Campaign. Testifies in support of HB 3606. Comments on why the Oregon business community is supporting the stadium. They believe they can put together a stadium financing plan from revenues that would not be here in Oregon but for the addition of major league baseball. And, they strongly believe that Oregonians cannot afford to pass up a unique opportunity to invest in the future of Portland and Oregon. Comments on the first move of a major league team in 30 years and the interest in locating a team in Portland.
418 456	Van Valkenburg Jay Waldren	Comments on economic benefits to Oregon. Chair of the Port of Portland Commission, past chair of the North Clackamas School Board, founder of the North Clackamas Education Foundation, and is now environmental attorney working on the natural gas pipeline to Coos Bay to spread rural economic development. Testifies in support of HB 3606 for three reasons: economic development, creates a sense of community statewide, and provides help for education. Comments on effects of the addition of other businesses and tourism.

TAPE 45, A

053	Drew Mahalic	Chief Executive Officer, Oregon Sports Authority and past chair of the National Association of Sports Commissions. Testifies in support of HB 3606 (EXHIBIT E).
091	Rep. Close Mahalic	Asks if they have asked the people if they want to use tax dollars for a baseball stadium. Responds they did not ask the question specifically but it was clear that people did not want money diverted from the schools and essential needs. The bill has been constructed so that if anything, money will go toward those things with the addition of a baseball team.
108	Waldren	Explains that the team will be paid for and run by the owner. The stadium will be financed partly with public dollars. States that almost all stadiums have been financed with additional tax dollars. Explains that is the reason they have come up with the idea of using the specified income tax dollars so that tax dollars will not be taken away from anything else.
119	Rep. Close Van Valkenburg	Comments the moneys would be tax dollars even though they would be reserved for this purpose. Ask there is not private money to do this—why is public money needed. Responds there will be a private contribution from the owner of the team toward the stadium but the economics of the sport and the way the stadiums have been financed in other communities around the country are such that it is not doable in a market the size of Portland for the owner to finance 100 percent of the cost of the stadium. States that if they insisted on that, there would not be a team here. It has not been a condition imposed by other cities. States it has typically been a combination by the owner and a public contribution. How much the owner is going to contribute still is to be worked out. It will be a function in part of how much local money can be put together.

127	Chair Doyle Rep. Barnhart Mahalic	<p>Comments that the details of the bill will be discussed by the next witnesses.</p> <p>Asks Mahalic if a baseball team would not have an effect on Southern Washington as well.</p> <p>Responds he believes one in three people in southwest Washington would be coming to Oregon to watch major league baseball. States it could create some problems with Seattle but they discussed the issue with Major League Baseball. Comments on impact on other teams when teams have move in and out of other cities.</p>
154	Rep. Monnes Anderson Waldren Waldren	<p>Asks how the Rose Quarter, Coliseum, PGE Park, and Safeco Field were funded.</p> <p>Explains funding of the Rose Quarter, Coliseum, Safeco Field, and PGE Park.</p> <p>States that 11 new baseball stadiums have been built since 1990 and 10 have been funded with a heavy emphasis on public funds, including the one recently built in Cincinnati to stimulate the economy and the growth of Cincinnati. States the tri-county area is the same size now as Seattle was in 1989 when Seattle had three major league franchises.</p>
201	David Kahn Kahn	<p>Special Adviser to the Indiana Pacers. States his first project when he joined the Pacers in 1995 was to oversee the birth of the Conseco Field House. They got the building built in the same manner that is being put forth here. States that two fans took the time to visit all 110 sports facilities in America and ranked the facilities recently. Conseco Field House ranked number one of all pro-sports venues. State the people in Indianapolis were happy that they were able to provide the facility in a way that did not require anybody who did not want the facility to feel they had to pay one dollar for it.</p> <p>Explains status of campaign. Believes Oregon is competing against itself—competing to put together an adequate stadium financing plan that meets the needs of Oregonians and Major League Baseball, and a lease that will have to meet the owner-operator’s needs to field a competitive team in a mid-tier market the size of Portland.</p>
293	Kahn	<p>Portland is the most underserved professional sports market in America. A major league baseball team would be a perfect compliment to the Trail Blazers. Portland and Oregon have benefited from basketball. In order to get projects like this accomplished, you must have support of all four legs of the stool: the league is interested; the help of the state; the help of the city; support of the businesses and communities and neighborhoods. Believes there is no better time to do this. It has the opportunity to create thousands of construction trade jobs and drive tourism across the river from Washington, and keep Oregonians here to spend their money. Believes it will come down to whether they can put together adequate financing.</p>
362	Steve Kanter	<p>Professor, Lewis and Clark Law School, President, Portland Baseball Group for three years, and a member of the Steering Committee for the Oregon Stadium Campaign. Responds to Rep. Close’s question about spending tax dollars for the stadium, explains that they are constructing in HB 3606 a system that takes only those new moneys generated by baseball itself as the</p>

funds that will be used. States that only the state has the authority to tax the players; not the owner. They are not asking for \$1 from any person. States he would not support a proposal that would take \$1 from education or other vital services in the state.

States that when Seattle was looking for a new stadium for the Mariners, it was one of the toughest votes for the Washington legislators, particularly rural legislators. If you go to Washington state now, there is hardly anyone who will admit they had doubts or voted against it.

378 Rep. Close

Asks questions poised by constituent. Asks if the proponents would support taking Niki, Intel or Weyerhaeuser income tax money and subsidizing those businesses.

Kanter

Responds those would be entirely different situations. A major league baseball team would bring an \$80 million payroll. The state will reap the money from the 25 players and the visiting players and only have 25 more people living in Oregon.

420 Chair Doyle

Asks if there are other incentives for businesses.

Kanter

Responds yes, including abatement of property taxes and other local taxes, help with the land use process, and swapping land.

TAPE 44, B

002

Kanter

Explains principles they have followed in attempting to bring baseball to Portland: 1) they are only interested in bringing major league baseball done right, in a way that will allow it to be an enormous community building asset and a great economic development tool and be a responsible citizen in Oregon; 2) they have tried very hard to work collaboratively and to make sure they protect the state's financial integrity and the other programs so important to Oregonians across the state as best they can.

025

Kanter

Comments on cooperative state agencies and personnel in developing this bill. They believe the bill protects the state.

048

Chair Doyle

Asks the witnesses to review the amendments section-by-section **(EXHIBIT F)**.

Rep. Barnhart

Comments he is in favor of economic development but is not in favor of putting the state's economy or finance in jeopardy.

Kanter

Comments that the bill takes all the risk away from the state; it only transfer the income revenues of players and top management to help build the stadium. States that if there is a shortage of revenues the state has no obligation to make up the difference.

089

Kanter

Presents information on the economic development impacts **(EXHIBIT G)**.

Kanter

Presents statement explaining the HB 3606-2 amendments **(EXHIBIT H)**.

Kanter

Explains Section 1 **(EXHIBIT G, page 2)**.

182

Kanter

Explains Section 2 **(EXHIBIT G, page 2)**.

244

Rep. Close

Asks how the bonds would be repaid if there would be an economic downturn and the revenue projections are wrong.

253

Kanter

Responds that in the HB 3606-2 amendments they are not saying \$150 million in bonds will be issued, or that the state will issue any bonds. They are saying the Treasurer can enter into an agreement to provide the revenue flows. Only those bonds that are approved are the ones that can be issued. The HB 3606-2

		amendments are a substantial improvement for the state over the original bill draft. The bonds will be issued by a grantee, who, in order to get the bonds sold will have to have a guarantor. Bond buyers will only buy the bonds if the grantee that is issuing the bonds is credit worthy. That entity will need a guarantor. The only liability for the state would be if the state should change its tax structure.
289	Rep. Close Kanter	Asks if the state would not have to back up the authority. Responds those kinds of bonds now exist and the answer is no. Gives examples of existing bonds.
297	Kahn	States they are asking the state to earmark the state income tax revenues that would be collected toward deferring of the bonds. The state is not issuing the bonds. The state has no risk whatsoever. States they have tabled for now the question of who is going to issue the bonds and who will be the guarantor. Those questions do not need to be discussed in the context of this bill. They are only asking for a dedication of the income tax revenues.
313	Rep. Verger Kanter	Asks if the Treasurer has any responsibility in finding someone to sell the bonds. Responds no, the burden will be on the people who want to bring baseball. They will present to the state and the city the elements of the deal and the state and city will decide at that point whether to go forward. Not a penny of state money will be spent unless and until a good deal is completed.
360	Rep. Barnhart Kanter	States his understanding of the funding mechanism and asks if he is correct. Responds affirmatively. Explains it is the new incremental marginal moneys that the state will be passing through.
390	Rep. Monnes Anderson Kanter	Comments there is a risk if the state decides to do some major tax reform. Responds that the obligation is that the Department of Revenue requests the legislature to appropriate the amount as if the tax had not been collected. States that this legislature cannot bind a future legislature. Every legislature will have the chance to appropriate or not appropriate the money. The baseball people are taking the risk of that. They believe the legislature will be fair in the future.
459	Kahn	Comments that these deals get done in sports. It is a patchwork quilt; there will be a lot of different sources of bonding. States this is a deal point for a team owner.
TAPE 45, B		
010	Kanter	Continues explaining HB 3606-2 amendments, Sections 2 and 3 (EXHIBIT H, page 2) .
041	Rep. Monnes Anderson Kanter	Asks if Oregon should go bankrupt and cannot appropriate, whether the grantee would be responsible. Responds that he has confidence with the governor and the legislature that will not happen. Reviews Section 2(4) of the HB 3606-2 amendments (EXHIBIT H, page 2) .
046	Rep. Close	Comments she can see lawsuits in the future for saying that the legislature does not pledge the states full faith and credit.
048	Kanter	Comments he has taken advice from the best bond counsels in the state and all over the country this language has been found acceptable and it has been reviewed by lawyers and bond experts.

057	Kanter	Explains Section 3 (EXHIBIT H, page 3).
070	Chair Doyle	Asks if the team or major league baseball would be obligated.
	Kanter	Responds that the team would be the actual signatory to the agreement. Explains this is like an escrow arrangement; nobody puts any money in until it is all there. States the City of Portland has to request this agreement and the state has to negotiate and approve the agreement.
	Kanter	Continues reviewing Section 3 of the HB 3606-2 amendments.
099	Rep. Barnhart	Comments he is confused about the language on lines 14 and 15 of the HB 3606-2 amendments (EXHIBIT G, page 5).
101	Kanter	States there is also a parallel provision in Section 1. Comments on the tax change risk.
109	Rep. Barnhart	Comments it seems to him that it would also apply if the income tax were increased.
	Kanter	States that if the moneys collected are in a greater amount than anticipated today, it is true the state would have more new money that would go to the grantee; it would not increase the amount of bonds. It would just mean the bonds would be paid off that much more quickly. Once the bonds are paid off, all the money comes to the state.
118	Kanter	Explains Section 4 of the HB 3606-2 amendments (EXHIBIT H, page 3).
	Rep. Barnhart	Asks if (5) says the advisory committee would approve the grant agreement (EXHIBIT H, page 5).
129	Kanter	States no, and the reason is the separation of powers issue.
139	Kanter	Explains Section 6 (EXHIBIT H, page 3).
157	Rep. Monnes	Asks if every baseball player makes at least \$50,000 a year.
	Anderson	
159	Kanter	Responds he believe the salaries are close to \$800,000. States that every player who plays here will be subject to the tax.
	Rep. Backlund	Comments that this would also apply to the front office personnel.
	Chair Doyle	Asks if others who work at the ball park could make more than \$50,000.
186	Kanter	States the \$50,000 is a fair line between those who are considered high income and are likely national people who are brought in.
	Kanter	Comments on Maryland Economic Study (EXHIBIT G).
200	Rep. Monnes	Comments she wants economic development, but the state is not benefiting from the income tax.
	Anderson	
207	Kanter	States they have not chosen to rely on the incidental economic benefits that will come from major league baseball. Refers to the information presented on economic development (EXHIBIT G).
220	Kahn	Comments on drawing dollars in from Washington and keeping the dollars that are now being spent in Washington by Oregonians.
237	Kanter	Explains Sections 7 and 8 of the HB 3606-2 amendments (EXHIBIT H, page 3).
259	Rep. Monnes	Comments that they are getting a good deal by paying eight instead of nine percent that everyone else has to pay.
	Anderson	
	Kanter	Responds that almost no one has nine percent withheld. States the choice of eight percent is based on the best reliable estimate of what the effective tax rate is for high income baseball players.

		Comments on the players filing tax returns for refunds or paying more taxes. Believes this is more generous to the state and avoids the problem of some player claiming all sorts of exemptions on the W-4.
283	Rep. Verger	Asks if they have a calculation of the revenue stream and how many years it would take before the state would realize some income.
	Kanter	Explains that it is not a part of the bill. Comments on working with the Department of Revenue, Treasury and others to define that. They believe the bonds will be paid off in substantially fewer than 30 years and they will provide the information when it is complete.
318	Rep. Monnes Anderson Kanter	Asks how long it takes to build a stadium.
		States the league would like to relocate the Montreal Expos next season. The ideal position that we are in is we have an adequate interim facility, PGE Park, which needs some upgrading but would be acceptable to the league for three years. Typically, it takes about 26 months to three years to build. The hope is to have a team before there is a permanent stadium and they will be paying taxes from the beginning.
310	Kanter	Explains Sections 9 and 10, and 11 of the HB 3606-2 amendments (EXHIBIT H, page 3) .
362	Jason Franklin	NOballPORK.com, Portland. Testifies in opposition to HB 3606 (EXHIBIT I) .
TAPE 46, A		
042	Franklin Rep. Monnes Anderson Franklin	Continues statement in opposition to HB 3606 (EXHIBIT I) . Asks if Franklin has seen the HB 3606-2 amendments.
048	Rep. Monnes Anderson Franklin	Responds he has not seen the amendments. Advises Franklin that the state is not liable for any money with the HB 3606-2 amendments.
054	Rep. Barnhart	States that the obligation become apparent once the team comes. Comments there seems to be a difference in Franklin's opinions about the nature of the income tax. States we are talking about the incremental tax money that would not exist if it were not for the economic activity of the baseball team and especially the large salaries paid to the players and other employees. Then he is talking about tax money that would be available otherwise to schools and other things. Asks how those dollars would be available if the team isn't here to pay the taxes.
072	Franklin	Responds that the \$150 million would not exist if the team were not here. States that one needs to look at the resources that major league baseball would bring to Portland, which would be \$150 to the State of Oregon if the stadium was funded privately. Major League baseball should be treated as all other major businesses are in Oregon.
	Rep. Barnhart	Comments that money that becomes concentrated in baseball may not be available in some other way. Asks if Franklin is claiming that people who spend money at the baseball field won't spend it somewhere else.
104	Franklin	Comments that he didn't say that, but it is a point that many economists would bring up.

116	Rep. Backlund Franklin	Comments that visiting players' payrolls are also taxed. Responds that the proponents are putting out faulty numbers and a thorough analysis needs to be done.
136	Rep. Verger Franklin	Comments that she wants to be sure she understands Franklin's opposition to the bill. Asks if he is primarily opposed to the major league baseball team coming to Portland, or whether his opposition is more focused on any subsidy that would come from the State of Oregon. Responds that his opposition is focused on the subsidy. Comments that baseball is a profit-making enterprise, there are million dollar owners and multi-million dollar players. A lot of money is being made by baseball and there is no reason for this state, especially in the current financial condition, to be paying this group of individuals \$150 million to build a stadium so they can continue to make multi-million profits and payroll.
151	Rep. Flores Franklin Rep. Close Franklin Chair Doyle	Asks if his research showing \$45 million for the Expos was for players only. Responds he believes it is only the salaries of the players. Asks how he arrived at \$260 million. Explains it would include the interest that must be paid. Enters into the record a letter dated April 23, 2003 from Elizabeth Harchenko, Director, Oregon Department of Revenue (EXHIBIT J) .
199	Kate Richardson Richardson	Chief of Staff, Oregon State Treasury. Introduces Chuck Smith, Debt Management Director, and Cynthia Byrnes, Oregon Department of Justice. Explains they have worked with the proponents to find alternative financing. Explains differences between funding mechanism in HB 3606 and the HB 3606-2 amendments. States the Treasurer is neutral on the bill; they are here as technical advisers on financing. The proposal is for a grant, not a bond. Explains differences in bonds. States that although these are subject to appropriation, they are not a constitutional debt of the state. However, an obligation goes along with this type of agreement. The state is entering into a contractual obligation and the bill articulates the intention to appropriate. This legislature cannot bind another legislature in the future, but it is still a very serious obligation. There is an implied moral obligation and there would be very serious consequences if the state ever chooses to or fails to appropriate the revenues. There would be a degradation of the state's word on the appropriation credits and would be particularly hurtful to the appropriations that are outstanding now of \$1.2 billion, \$800 million in certificates of participation, and \$450 million in the recently issued appropriation bonds.
265	Richardson	Notes that the obligation to appropriate is only in the situation when income tax has been received. There is an indirect credit risk to the state but they do not anticipate that being an issue.
280	Richardson	States there are two policy questions. One is the assumption of the risk of a rate change; if the tax rate were lowered in the future, the grant is still estimated at the higher rate and the burden would be on the General Fund.
297	Rep. Barnhart	Asks if we are talking about a calculation based on the current taxing system to generate an amount of money. Gives example

		of basing our income tax on the federal adjusted gross income, rather than a net income, that could lower the tax rate and still provide approximately the same number of dollars. Asks if there could be an obligation to come up with more dollars.
318	Richardson	Responds it would be a question for the Department of Revenue.
340	Rep. Monnes Anderson	Asks how much is needed yearly to pay off the stadium.
349	Chuck Smith	Director, Debt Management, Oregon State Treasury. Comments on revenue streams over 30 years. States the amount increases incrementally over the years until the bonds are paid off.
	Rep. Monnes Anderson	Comments there would be an estimated \$45 million from the baseball team compared to the \$80 million and asks if there is a large enough discrepancy to allow the payment to be made.
377	Smith	Explains they are committing to pay a revenue stream and not pay bonds. If the revenue stream is considerably less than anticipated to pay the bonds, the state would pay the considerably less revenue stream.
384	Rep. Barnhart	Comments that we are talking about a specific amount of money that we are obligating ourselves to pay toward. It looks like we are setting up a framework for others to negotiate. Asks if that is what this is doing.
394	Richardson	States Rep. Barnhart has anticipated her second point. It is true; there are no numbers in the bill. There is no cap or specific amount because the state is not issuing bonds or granting a revenue stream. That provides some flexibility. They do not have cash flow numbers. This grant agreement anticipates exactly as Rep. Barnhart articulated.
421	Rep. Barnhart	States that this bill does contemplate there will be an amount toward which the state is obligated to make payments, if he is reading lines 4-6 on page 2 correctly.
436	Cynthia Byrnes	Department of Justice and representing the Treasury. States that the most solid direction one can get in the bill in terms of a maximum exposure is in Section 2(1) on page 1 of the HB 3606-2 amendments. Then you have to back into the amount by looking at the calculations of what the incremental tax revenues are. Thirty years would be maximum. Based on that revenue stream, it is anticipated the grantee will issue bonds that would be repaid from a revenue stream that would contemplate the use of those revenues.
466	Rep. Monnes Anderson	Asks what happens if there is a cost overrun for the construction of the stadium.
474	Byrnes	States we will still be on the incremental tax revenues over 30 years. That is the base number. No matter how much the stadium costs, the state obligation will be based solely on the income tax revenues. A cap can be put in the grant agreement and that cap would be whatever it is estimated to be. States a lot of this will still have to be flushed out by administrative rule and by the methodology that is going to be set up in the grant agreement.
TAPE 47, A		
046	Rep. Barnhart	Ask if the Treasurer is planning on hiring someone with baseball finance expertise to advise him on what kind of deal would be best for Oregon and to make sure the state's interests are protected.

060	Richardson	Responds the approval role by the Treasurer is in Section 2(1) and the negotiating responsibilities falls on the Department of Administrative Services.
074	Chair Doyle Richardson	Asks if Richardson can comment on the advisory committee. Explains she believes the purpose of the advisory committee is to review the provisions of the grant agreement listed in (4).
084	Rep. Verger	Comments on building a boardwalk with public funds that was to be paid for by lodging tax dollars.
103	Richardson	Explains these are not straight revenue bonds so they have to capture the general income tax. That makes the transaction more complicated because it is not a dedicated revenue stream and they do not know what the revenue stream looks like.
108	Rep. Verger Smith	Asks why they would have trouble coming up with some pretty close figures. Responds that once the revenue staff establish a system of methodology to calculate and get a few years experience under their belts, they will have a pretty accurate number. This has to be estimated from the start so they must develop some process and tweak as it goes down the line.
127	Rep. Verger Smith	Asks if these are general obligation bonds. States they are not. Explains that the state is granting a revenue stream which is the income tax produced by professional players to an entity. The entity is going to issue its bonds.
	Rep. Verger	Recalls the previous explanation.
148	Debra Buchanan	Department of Revenue (DOR). Offers to answer questions.
150	Rep. Monnes Anderson	Quotes from DOR letter (EXHIBIT J) and asks what the second paragraph of the letter means.
162	Buchanan	States the estimates they are required to make are of the incremental tax revenues expected to be generated by the players associated with major league baseball. The department will be making that estimate. It may not be and probably will not be what is actually collected when the players file their tax returns because the estimation will be based on the compensation they are paid. When returns are filed, they will know what is coming in.
176	Rep. Monnes Anderson Buchanan	Asks where the money for the reserve would come from. Responds her understanding is that the reserve would be set up as part of the grant agreement. It is not in the bill.
192	Rep. Barnhart Buchanan.	Asks why a reserve would be needed. States that they are making an estimate and the appropriation is based on the estimate. If the estimate is high and the actuals are less, there needs to be a repayment by the grantee. The reserve would serve that purpose.
	Rep. Close	Asks how they can calculate the amount of income tax if the players live out of state.
	Buchanan	Responds that is one of the things that makes an estimate difficult until they get some experience.
226	Rep. Close	Comments she is concerned about not knowing the revenue stream. Asks why the stadium would be tax exempt, and is that a general practice for stadiums.
235	Buchanan	Comments she believes a bill was passed last session that exempted sports facilities in the city of Portland.

241	Buchanan	Responds to Rep. Barnhart's question about the rates on page 1, lines 4-7 of the HB 3606-2 amendments. States they could provide some clarification on the language, whether it applies to the current rates of five, seven, and nine percent, or whether it refers to the tax structure as a whole. The rates could remain the same but the legislature could pass a law that excludes some large portion of the tax base, such as capital gains income.
	Kanter	Explains that tax exemption status is routine. The 2001 legislature passed a measure covering other facilities currently operating in Portland. Adds that this is not a privately owned stadium; it will be owned publicly. The private owners of the team will be putting in \$200 or \$250 million of their capitol to generate the \$20 million in revenues over five years and will be paying rent every year for the use of the stadium.
	Kanter	Comments that the language on change in tax structure was selected by bond counsel for the state in conjunction with the governor's legal counsel and others. The idea is the state is protected to pay only those truly new incremental income taxes. If the tax structure changes are not favorable, the calculation will be under the old structure. In addition to Section 1 the later sections provide the details of how this works. It will have to be spelled out in the grant agreement and passed by the advisory committee and subject to appropriation. It would only be in the case where there was a substantial change in the tax structure that sharply reduced the amount of income taxes coming from high income individuals. In that case the state is committing to continue to appropriate based on the tax system in effect at the time the grant agreement is entered into, but only in that circumstance.
312	Rep. Barnhart	Comments it would appear if the grant agreement chose these limits, it is possible the state could end up being obligated for more.
	Kanter	States it is possible but everyone understands there will an effective cap in the grant agreement.
	Rep. Barnhart	Comments that the contemplation is there will be an absolute dollar cap in addition to the income stream cap.
	Kanter	Responds, yes, because at the time of the grant agreement, they will know what the interest rates are and, what the bond market will bear. A set amount of bonding will be established with an amortization repay schedule. That will have to be fed into the mechanism. The objective will be that the state will pay only a reasonable portion of the overall stadium. That will be part of the grant agreement. If things go well, better than conservative estimates, the state will conclude its obligation much earlier than 30 years.
349	Rep. Barnhart	Gives two scenarios of an agreement, and asks what happens if at the end of the 30 years the bonds have not been paid off.
373	Kanter	States that the bonds will be paid off, but not by the state and they will be paid off within 30 years because the grantee and the guarantor will be obligated year by year to make up any shortfall. The state's liability is capped to new incremental tax revenues for 30 years.
382	Rep. Barnhart	States that if the income stream is not met, the state does not have to pay.

	Kanter	Responds affirmatively. States that the bill is absolutely clear about that. Adds that the grant agreement could include a provision that if moneys come in above some minimum, some portion of that goes to education from day one. States they expect more money than the conservative estimate.
421	Kanter	States it is important that the state protect itself. It is important that we al be a little bit generous, too, because it is important to have a team that can be successful and is not so saddled with debt or something else that they cannot contribute to the community, put a good team on the field, or pay reasonable salaries. If the Expos move here, their salaries will be close to the median. Major League Baseball has made clear that they will only sell to an ownership that is properly capitalized. Adds that the visiting teams will be a major source of revenues.
447	Rep. Barnhart	Asks if the total "duty days" establishes the denominator upon which Oregon bases its share of the income for tax purposes.
455	Buchanan	Responds that she believes the definition is based on an administrative rule that was adopted following a uniform recommendation of the Federation of Tax Administrators. The definition is used in other states as well as in Oregon.
TAPE 46, B		
004	Chair Doyle	Closes the public hearing and opens a work session on HB 3606.
<u>HB 3606 – PUBLIC HEARING</u>		
006	Rep. Flores	MOTION: Moves to ADOPT HB 3606-2 amendments dated 4/23/03.
010	Rep. Flores	Comments that as she understands this, the process cannot be moved forward until we have a framework and thinks we should help facilitate that. VOTE: 7-0-0
	Chair Doyle	Hearing no objection, declares the motion CARRIED.
017	Rep. Flores	MOTION: Moves HB 3606 to the floor with a DO PASS AS AMENDED recommendation.
020	Rep. Monnes Anderson	Comments she thinks major league baseball is a great source of entertainment and can bring a lot of community cohesion. States she would like to see a private entity take on this project and would like to treat baseball just like any other business and be able to access all the revenues rather than paying off bonds. States she will vote no but reserves the right to change her mind.
034	Rep. Barnhart	Comments that the HB 3606-2 amendments are a vast improvement over the original bill. The state would not be obligated on the bonds and the amendments establish a reasonable basis on which the state would contribute to the stadium. The incremental income would not exist at all if it were not for a baseball team. Makes analogy to urban renewal district financing. States he is interested in economic development that a project like this can bring to Oregon. States he will vote to send the bill to the floor and listen carefully to his constituents and others about the bill before he votes on the floor of the House.
078	Rep. Verger	Comments she loves baseball and would go to see any game she could. Compliments the proponents for their work. States her problem is the timing and her constituents do not like the bill. Believes there is a case to be made for the bill because the state is

104	Chair Doyle	<p>protected but thinks the questions will be how anyone can talk about baseball when they are closing six schools in her districts. States she will do right for her constituents and vote no.</p> <p>VOTE: 4-3-0</p> <p>AYE: 4 - Backlund, Barnhart, Flores, Doyle</p> <p>NAY: 3 - Close, Monnes Anderson, Verger</p> <p>The motion CARRIES.</p> <p>REP. DOYLE will lead discussion on the floor.</p>
105	Chair Doyle	<p>Closes the work session on HB 3606 and adjourns the meeting at 9:07 p.m.</p>

EXHIBIT SUMMARY

- A – HB 3606, prepared statement, Ed Glad, 1 p**
- B – HB 3606, prepared statement, Wes Lawrence, 1 p**
- C – HB 3606, letter, Wes Lawrence, 8 pp**
- D – HB 3606, prepared statement, Carl Flipper, 2 pp**
- E – HB 3606, prepared statement, Drew Mahalic, 1 p**
- F – HB 3606, HB 3606-2 amendments, Steve Kanter, 8 pp**
- G – HB 3606, economic development information, Steve Kanter, 21 pp**
- H – GB 3606, prepared statement, Steve Kanter, 3 pp**
- I – HB 3606, prepared statement, Jason Franklin, 4 pp**
- J – HB 3606, letter, Elizabeth Harchenko, 1 p**