

SENATE REVENUE COMMITTEE
May 14, 2003 1:00 PM STATE CAPITOL BUILDING

Members Present: Senator Ryan Deckert, Chair
Senator Ted Ferrioli, Vice Chair
Senator Tony Corcoran
Senator Charlie Ringo
Senator Bruce Starr

Members Excused: Senator Lenn Hannon

Witnesses Present: Art Keil, Oregon Association of Naturopathic Physicians
Mike Burton, Economic and Community Development Department
Chris Hagerbaumer, Oregon Environmental Council
Jeff Lang, Gales Creek Insurance
Lynn Lundquist, Oregon Business Association

Staff Present: Paul Warner, Legislative Revenue Office
Richard Yates, Legislative Revenue Office
Mazen Malik, Legislative Revenue Office
Tara Lantz, Committee Assistant

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004 Chair Deckert Calls meeting to order at 1:12 pm.

OPENS WORK SESSION ON SB 415

014 Art Keil Testifies in support of SB 415 and the -1 amendment because it would apply a credit for naturopathic physicians to practice in rural areas of less than 5,000 people. Estimates that there would never be more than one or two qualifiers.

027 Sen. Ferrioli MOTION: MOVES SB 415-1 AMENDMENTS DATED 4/16/03 BE ADOPTED.

035 Sen. Corcoran States that he is a no because giving away tax credits during the current economic situation are questionable.

039 Sen. Deckert ORDER: ROLL CALL VOTE: MOTION PASSES: 4-1-1.
SENATORS ANSWERING AYE: RINGO, STARR, FERRIOLI, DECKERT.
SENATORS ANSWERING NO: CORCORAN.
SENATORS EXCUSED: HANNON.

041 Sen. Ferrioli MOTION: MOVES SB 415 TO THE SENATE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.

050 Sen. Deckert ORDER: ROLL CALL VOTE: MOTION PASSES: 4-1-1.
SENATORS ANSWERING AYE: RINGO, STARR, FERRIOLI, DECKERT.
SENATORS ANSWERING NO: CORCORAN.
SENATORS EXCUSED: HANNON.
Sen. Ferrioli will carry the bill on the Senate Floor.

OPENS WORK SESSION ON HB 2671 A

055	Lizbeth Martin-Mahar	Explains HB 2671 A, which adds new criteria for businesses to qualify for long-term non-urban enterprise zone tax incentives.
072	Sen. Ferrioli	States that in the current situation it is difficult for companies in enterprise zones to remain eligible for tax credits and that it is important for them to remain in existence to create jobs in Oregon.
085	Sen. Deckert	States that the project in Klamath Falls convinced him that this is a good bill because of their large investment and because it doesn't affect the state's revenue picture.
090	Sen. Ringo	Asks if there was any persuasive testimony that these programs would not go forward if this bill was not passed.
096	Mike Burton	Responds that the county is certain that these programs will not go on if they do not reduce the requirements, which is why they are willing to make these negotiations. States that the Department does not have strong feelings either way.
108	Sen. Deckert	Points out that it is a new \$200 million investment
110	Burton	Responds that the threshold in the bill is \$200 million but that expectations are between \$700 and \$900 million.
114	Sen. Ringo	Asks what the financial impact to the county is if the bill passes.
117	Burton	Responds that the Counties are willing to forgo taxes on the entire \$800 million in return for a specified amount to be delivered in the near term, believed to be \$500,000.
123	Sen. Ringo	Asks if Burton means that the county is forgiving \$500,000 worth of taxes.
125	Burton	Responds that the county will receive \$500,000 in lieu of taxes that would be paid on the balance of the investment.
127	Sen. Ringo	Asks for the amount of taxes that would be paid on the balance of the investment.
128	Burton	Responds between \$5 and \$6 million. Discussion follows.
133	Sen. Ringo	Asks for the amount of the total investment.
135	Burton	Responds that it the first phase is \$350 to \$400 million and the second phase is approximately the same.
143	Sen. Ringo	Asks if the proponents are saying that even though they are anticipating \$900 million in investment, they are going to walk unless the county gives them a \$5 million break.
144	Burton	Responds affirmatively.
145	Sen. Ringo	Asks if this company is dependent on the geo-thermal potential of the Klamath basin
146	Burton	Responds that he believes the company is sited where it is because of a gas pipeline.

Discussion follows.

- 153 Sen. Ringo Points out that this company couldn't go anywhere because of its dependence on a natural gas pipeline.
- 157 Burton Responds that the company would not be able to locate everywhere because its target market is the west coast.
- 165 Sen. Ringo States that it is impossible to know for sure what the impact of this bill would be and that he suspects it would not make a difference and is going to vote no.
- 174 Sen. Ferrioli Argues that Klamath County has negotiated carefully in order to get this company to locate to Klamath Falls and that this is an opportunity to support a company that would make a large investment in Klamath County and create jobs.
- 208 Burton States that a merchant generating facility sells its product on the free market and that the cost structure that goes into that depends on if it is competitive.
- 225 Sen. Corcoran Responds that the reasoning given makes him oppose the bill even more because of experiences with private utilities such as Enron.
- 233 Sen. Deckert Responds that the state is not giving away tax breaks, but rather giving the option to counties to negotiate with the company. Gives example of chip manufacturers in Washington County.
- 256 Sen. Ringo Asks how long the exemption is allowed.
- 274 Burton Responds 7-15 years.

CLOSES WORK SESSION ON HB 2671 A

OPENS PUBLIC HEARING ON HB 2043 A

- 281 Martin-Mahar Explains HB 2043 A, which allows a corporate excise tax credit for corporations that provide motor vehicle insurance based on the number of miles traveled or time-based rating (Exhibit 4). Discusses revenue impact (Exhibit 5).
- 316 Chris Hagerbaumer Refers members to letters of support (Exhibit 6). Testifies in support of HB 2043 because pay-as-you-drive insurance because it links premiums to risk factors and provides incentives to drive less, benefiting the environment. Refer to written testimony (Exhibit 6). Discusses insurance company reactions.

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- 050 Sen. Ferrioli States that low-mileage drivers are already rewarded because how much you drive is a factor in your risk determined by insurance agents.
- 059 Hagerbaumer Responds that it is not the same as getting rewarded for every mile you drive less.
- 073 Sen. Ferrioli Asks how the companies make up the loss in revenue due to the cheaper rates.
- 080 Hagerbaumer Responds that reduced claims cost would balance out the lower rates

097	Sen. Ferrioli	States that he would need to hear that from an insurance agent because he believes it would make insurance companies raise rates across the board. Asks about statistic given.
108	Hagerbaumer	Responds that she got her data from the Department of Transportation.
130	Sen. Ferrioli	States that is unconvinced by the data.
135	Sen. Ringo	States that insurance companies are not going to proceed with these programs if they think they will lose money.
139	Jeff Lang	Testifies in support of HB 2043 because it provides greater choice for citizens. Discusses his background with pay-as-you-go insurance.
196	Sen. Ringo	Asks if the industry would implement a pilot project if this bill passes.
202	Lang	Responds that Travelers Insurance has with projects in other states. Discusses the history of pay-as-you-go insurance.
217	Sen. Ringo	Asks if anyone has talked to insurance representatives.
218	Hagerbaumer	Responds that they have seen some interest from large insurance companies, but points out that data is not available on the programs.
237	Sen. Ringo	States that he supports the bill, but is just curious as to whether the incentive would lead to a pilot.
251	Lang	Responds that its not the incentive given that will lead to projects, but the competition in the market.
260	Sen. Ringo	Asks what the most likely tool to measure the mileage would be.
263	Hagerbaumer	Responds that odometer audits are the easiest way to go, but that many companies are waiting for greater technology to come. Discussion on odometer audits follows.
294	Lang	States that this is not trying to abolish the old system, but rather add more choices.
309	Lynn Lundquist	Testifies in support of HB 2043 because it is a pilot program that would determine if this is a good way to go.
375	Sen. Deckert	Announces that the committee will be meeting with the House Revenue Committee for the revenue forecast.
383	Sen. Deckert	Adjourns meeting at 2:05 pm.

Tape Log Submitted by,

Tara Lantz, Committee Assistant

Exhibit Summary:

1. SB 415, Lizbeth Martin-Mahar, Proposed SB 415-1 Amendments, 2pp.

2. SB 415, Lizbeth Martin-Mahar, Staff Measure Summary, 1p.
3. SB 415, Lizbeth Martin-Mahar, Revenue Impact Statement, 1p.
4. HB 2043, Lizbeth Martin-Mahar, Staff Measure Summary, 1p.
5. HB 2043, Lizbeth Martin-Mahar, Revenue Impact Statement, 1p.
6. HB 2043, Chris Hagerbaumer, Written Testimony and Letters, 12pp.