

SENATE REVENUE COMMITTEE
JUNE 10, 2003 1:00 PM STATE CAPITOL BUILDING

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

Witnesses Present: Patty O'Sullivan, Portland Public Schools
John Marshall, Oregon School Boards Association
Senator Margaret Carter, District 22
David Nebel, Oregon Law Center
Dave Hunnicutt, Oregonians in Action
Ray Grace, Morrow County Commissioner
Greg Sweek, Morrow County Assessor
Jim Anderson, AVISTA Corp.
Mike Burton, Economic & Community Development Department
Bob Shiprack, Oregon State Building and Construction Trades Council
Shawn Miller, Associated Builders and Contractors
Jessica Harris, Associated General Contractors
Michelle Deister, League of Oregon Cities
Gil Riddell, Association of Oregon Counties
Dennis Mulvihill, Washington County
Richard Kosesan, LifeLine Renewable Energy Inc.
John Powell, LifeLine Renewable Energy Inc.
Mike McArthur, Sherman County Judge
Laura Pryor, Gilliam County Judge

Staff Present: Paul Warner, Legislative Revenue Office
Steve Meyer, Legislative Revenue Office
Mazen Malik, Legislative Revenue Office
Tara Lantz, Committee Assistant

TAPE 141, SIDE A

004	Chair Deckert	Calls meeting to order at 1:11 pm.
OPENS WORK SESSION ON SB 6		
014	Patty O'Sullivan	Explains the SB 6-5 amendments (Exhibit 1) which put all school districts, including Portland, into the bill.
026	Sen. Starr	Asks John Marshall to speak on the SB 6-6 amendments (Exhibit 2), which he had drafted working with the School Boards Association.
031	John Marshall	Explains SB 6-6 amendments which would allow districts to take advantage of marketplace competition as long as it doesn't exceed the premiums charged to PEBB employees and would allow districts to purchase their insurance from PEBB. States that this would allow time to see what kind of premiums the marketplace is able to produce.
056	Sen. Starr	MOTION: MOVES SB 6-6 AMENDMENTS DATED 6/10/03 BE ADOPTED.

062	Sen. Ferrioli	States that the -6 amendments do bring Portland in which is important. Shares Sen. Starr's questions about the effectiveness of a pool, but states that he will send the bill to Ways and Means.
070	Sen. Deckert	Clarifies that it is the -5 amendments that bring Portland into the bill. Discussion follows.
075	Sen. Ringo	States that the debate is between the -6 and the -5 amendments and that the -6 amendments are meant to substitute the intent of the bill. Urges a no vote on the -6 amendments because he wants to go forward with the statewide pool.
083	Sen. Starr	Responds that the debate is not about whether there is a state pool but rather what is going to save money and that there is no evidence for potential cost savings with a pool. States that they have not been given enough information to decide whether pooling will save money.
108	Sen. Ringo	States that the analysis was given that SB 6 would save \$42 million and that OSBA disagreed and said that it would only save \$23 million. Asserts that both figures are large and that the motivation behind the amendments drafted by OSBA is the \$2 million royalty they currently receive.
122	Sen. Deckert	ORDER: ROLL CALL VOTE: MOTION FAILS: 2-4-0. SENATORS ANSWERING AYE: STARR, FERRIOLI. SENATORS ANSWERING NO: CORCORAN, HANNON, RINGO, DECKERT.
127	Sen. Ringo	MOTION: MOVES SB 6-5 AMENDMENTS DATED 6/5/03 BE ADOPTED.
129	Sen. Deckert	ORDER: ROLL CALL VOTE: MOTION PASSES: 4-2-0. SENATORS ANSWERING AYE: CORCORAN, RINGO, FERRIOLI, DECKERT. SENATORS ANSWERING NO: HANNON, STARR.
132	Sen. Ringo	MOTION: MOVES SB 6 TO THE SENATE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION AND THE BILL BE REFERRED TO THE JOINT COMMITTEE ON WAYS AND MEANS BY PRIOR REFERENCE.
135	Sen. Hannon	States that he is going to vote no because it would take away any remaining local control.
147	Sen. Ferrioli	States that adding Portland to the pool is necessary but expresses concerns about far overstated potential savings. Declares that he will be giving a courtesy vote for the Chairman.
173	Sen. Corcoran	States that he believes there will be an economy of scale, using PEBB as an example.
190	Sen. Deckert	States that he does not know whether the bill will get out of Ways and Means and that there is a companion bill in the house that is going to Ways and Means as well. Discusses group that has worked on this issue for the past four months. Encourages people with other amendments to take them to Ways and Means.
200	Sen. Starr	Responds that policy choices are supposed to be made in Revenue and not Ways and Means and that they have spent far too little time spent on the bill in committee. Expresses concern over many aspects of the bill.

232 Sen. Deckert ORDER: ROLL CALL VOTE: MOTION PASSES: 4-2-0.
SENATORS ANSWERING AYE: CORCORAN, RINGO, FERRIOLI,
DECKERT.
SENATORS ANSWERING NO: HANNON, STARR.

OPENS WORK SESSION ON HB 2379

242 Sen. Carter Discusses the reasoning behind the HB 2379 and its intent of providing low income housing in N/NE Portland and states that she would like for it to be passed out with no amendments.

280 Sen. Ringo Asks about the -B9 amendments.

284 David Nebel Explains that the -B9 amendments are included in what Sen. Carter described as the original bill and that they are technical amendments to what they passed out originally to resolve conflicts that caused the bill to be brought back to committee.

301 Mazen Malik States that the bill cannot pass without conflict amendments.

315 Sen. Deckert Explains that they already passed the bill out but brought it back because of conflicts, which are resolved in the -B9 amendments.

324 Sen. Carter Requests that the -B10 amendments not be adopted.

328 Dave Hunnicutt Explains the -B10 amendments (Exhibit 4) which would solve a 30 year battle with Dorothy English and the state over the sale of property. States that she has been treated unfairly and that this is the only way to solve the problem.

401 Sen. Ringo States that there is a legitimate question as to if Dorothy English was treated unfairly, notes that there is a bill in the Rules committee that deals with the same issue, and questions whether the Governor would veto the bill because it is super siding a land-use dispute. Asks whether Honeycutt has asked the Governor that question.

426 Hunnicutt Responds that they have communicated with the Governor's office on several occasions and have not received a response.

TAPE 142, SIDE A

010 Sen. Ringo Expresses sympathy for English's situation, but states that it should not be added to a bill to promote affordable housing.

015 Hunnicutt Points out that the Governor just doesn't want to get involved in an ongoing process such as with the North Plains case and that this situation is not in process.

028 Sen. Hannon Asks if the North Plains case is still in court.

029 Hunnicutt Responds affirmatively.

030 Sen. Hannon Asks if this case is in court.

031 Hunnicutt Responds that they can't even get to court because the county's policies cannot rezone.

033 Sen. Hannon Points out that when this bill was up before, the legislature asked Honeycutt and the city of Portland to negotiate a reasonable compromise and bring it

back

- 038 Hunnicutt Responds that these amendments have not been in the committee before and that negotiations have been unsuccessful. Discusses House Bill that addresses same issue that is in the Senate Rules committee.
- 052 Sen. Deckert States that he doesn't want to attach the amendment to HB 2379 for fear of jeopardizing it, but that he believes there is a deal to be had.
- 060 Sen. Ferrioli States that there is no reason to amend the bill if the bill in Rules is moving forward.
- 061 Sen. Deckert Responds that the concern is that it is not moving forward.
- 062 Sen. Hannon Discusses other bill regarding land use policy that is locked up and questions why he should believe that Sen. Deckert will work for the bill when it was locked up.
- 073 Sen. Deckert Responds that it is his belief that there is room for compromise.
- 075 Sen. Ringo Responds that it is not that simple because people believe that once you make exceptions to the land use policy that it will never end.
- 082 Sen. Ferrioli MOTION: MOVES HB 2379-B10 AMENDMENTS DATED 6/9/03 BE ADOPTED.
- 087 Sen. Ferrioli States that if they could be assured that the bill in the Rules committee would move they wouldn't need to adopt the amendment.
- 091 Sen. Deckert States that he would prefer to hold the bill over.
- 092 Sen. Ferrioli MOTION: WITHDRAWAL OF MOTION (Refer to meter 082).
- 095 Sen. Corcoran States that there is no way the bill is going to pass out of Rules because there is no compromise and suggests moving HB 2379 today.
- 098 Sen. Deckert Asserts that he wants to hold the bill.

CLOSES WORK SESSION ON HB 2379

OPENS WORK SESSION ON HB 2671

- 106 Malik Explains HB 2671, which adds new criterion that allows a business to claim long-term non-urban enterprise zone property tax incentives. Refer to staff measure summary (Exhibit 5) Discusses the revenue impact (Exhibit 6). Discusses the -A3 amendments (Exhibit 6), which takes away the property tax requirements and allows for an in lieu of agreement to allow for an agreement with centrally assessed utilities.
- 158 Sen. Ferrioli States that the bill has the right relating clause for the implementation of an agreement that was struck between one of the counties and a couple of energy companies relative to the payment of an in lieu of taxes. States that the sponsors of the bill are supportive of the amendment.
- 191 Sen. Ferrioli Discusses the issue in HB 2299 that intersected with the agreement reached by the county and AVISTA.
- 206 Ray Grace States that they have worked out an agreement with AVISTA and that the amendment takes care of everything they need to put it into place.

218	Greg Sweek	Testifies in support of the –A3 amendments because it will allow the agreement to be implemented.
223	Jim Anderson	Discusses the agreement made between the county and AVISTA and offers support for the –A3 amendments.
231	Sen. Ferrioli	Testifies that both the county and AVISTA made compromises and that they have a future for a great relationship.
242	Sen. Hannon	Asks if the construction in progress is dealt with in the agreement.
245	Sweek	Responds that the construction in progress was in HB 2299 and that the agreement will only work if this amendment and an amendment for HB 2299 are passed. Discussion follows.
268	Sen. Ferrioli	Clarifies the difference between HB 2671 and HB 2299 as it relates to AVISTA.
291	Sen. Deckert	States that the only reason this amendment is here for HB 2671 is because it had the right relating clause. Discussion follows.
303	Sen. Ferrioli	MOTION: MOVES HB 2671-A3 AMENDMENTS DATED 6/9/03 BE ADOPTED.
306	Sen. Deckert	ORDER: HEARING NO OBJECTION, MOTION PASSES: 5-0-1. SENATOR EXCUSED: RINGO.
310	Sen. Ferrioli	MOTION: MOVES HB 2671 TO THE SENATE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.
315	Sen. Deckert	ORDER: HEARING NO OBJECTION, MOTION PASSES: 5-0-1. SENATOR EXCUSED: RINGO.

OPENS WORK SESSION ON HB 2299

329	Sen. Deckert	Asks Mike Burton to come up and discuss amendments.
332	Mike Burton	States that none of the amendments are from him and that some of the amendments cover the same things and are from the same sponsors.
346	Sen. Deckert	Asks if Burton participated in the drafting of the –B18 amendments.
350	Burton	Responds affirmatively and explains the –B18 amendments which point out that there is a fourth and fifth year exemption if businesses and counties follow an agreement that could, but does not have to, contain the stipulation of prevailing wages.
395	Sen. Deckert	Asks if Burton has been involved in the –B19, -B20, and –B21 amendments.
394	Malik	States that the –B20 amendments are conflict amendments that have to be adopted in order for the bill to pass out.
401	Sen. Ferrioli	Asks about the –B21 amendments.

TAPE 141, SIDE B

001 Sen. Starr Explains the –B21 amendments which would allow cities with populations over 60,000 to work with OECDD on the Strategic Investment Program.

008 Sen. Hannon Asks how many cities the amendment would apply to.

009 Sen. Starr Responds seven.

010 Sen. Deckert Asks who sponsored the –B21 amendments.

011 Sen. Starr Responds that he had it drafted.

014 Burton Explains the –B19 amendments which would remove specific conditions related to the AVISTA project that were in HB 2299 and that it leaves the construction-in-progress exemption in the bill.

020 Sen. Ferrioli Asks if it would remove section 34 b and c.

021 Burton Responds that it would remove 34 d and e and that 34 b and c remain in the bill.

025 Sen. Ferrioli Asks who sponsored the –B19 amendments.

026 Sen. Starr Responds that AVISTA brought the –B19 amendments.

027 Sen. Ferrioli Asks how this affects the agreement between AVISTA and Morrow County.

028 Burton Responds that without the construction-in-progress exemption in the bill the company has to pay the entire tax for the year in question. States that he believes that this amendment is necessary for the deal to go forward.

Discussion follows.

043 Bob Shiprack Discusses the –B18 amendment which is a compromise for the prevailing wage requirement and makes it permissive to reach an agreement in the fifth and sixth years of the enterprise zone exemption that includes providing prevailing wages.

068 Sen. Deckert Asks how Shiprack feels about using a sixth and seventh year exemption.

072 Shiprack Responds that he has never discussed that and doesn't know how the local governments would respond because it is such a large tax abatement.

078 Burton Responds that sixth and seventh years are negotiable.

085 Sen. Deckert Asks if local governments can already enter into a prevailing wage agreement.

087 Burton Responds affirmatively.

088 Sen. Deckert Asks if Shiprack wants it in statute.

089 Shiprack Responds affirmatively and states that it will be a tool for local governments to see in statute that this is an option they can pursue.

Discussion follows.

113 Shawn Miller Testifies in opposition to the –B18 amendments because it would tell people

that they have to negotiate a prevailing wage which would take away the incentive. Asserts that the requirement of establishing and implementing procedures to verify compliance would have to be done by the counties and would be an unfunded mandate.

- 170 Sen. Corcoran States that he doesn't see how it can be an unfunded mandate if it is negotiable.
- 175 Miller Responds that is just referring to the portion on compliance and believes that it is mandated in that section.
- Discussion follows.
- 201 Sen. Deckert States that he believes this is just putting down on paper what is currently law.
- 203 Jessica Harris Testifies in opposition to HB 2299-B18 amendments. States that this amendment doesn't do anything to produce more local jobs.
- 239 Sen. Corcoran Asks if prevailing wage jobs are not good for Oregon.
- 240 Harris Responds that they are good for Oregon but that this doesn't assure that Oregonians are going to get these jobs.
- Discussion follows.
- 257 Sen. Deckert Asks how this bill hurts anything.
- 258 Miller Responds that this will deter businesses from locating in Oregon.
- Discussion follows.
- 274 Anderson Discusses the -B19 amendments, which takes out sections 34 d and e that were put into the bill initially by AVISTA on the house side. Discusses section 34 c which would allow centrally assessed companies to negotiate with local taxing districts and allows local taxing districts to opt-out. Testifies that it is important for the future of the state to provide the incentive.
- 313 Sen. Ferrioli States that he has sympathy for taking centrally assessed utilities off the tax roll for works in progress, but that there are jurisdictions that are negatively affected by 34 c.
- 338 Anderson Responds that he isn't surprised that the counties have a problem with it that utilities are different today because they are selling commodities just like anything else.
- 386 Burton Clarifies that this only applies to centrally assessed utilities in enterprise zones and is not a blanket exemption.
- 392 Sen. Deckert Asks if the Department favors that approach.
- 399 Burton Responds that this has been a controversial issue but that the environment is changing and at some point there needs to be a policy decision to address that.
- 405 Sen. Deckert Asks if Burton can see the incentive qualities of the amendment.
- 410 Burton Responds that the energy market has changed and to exempt utilities from property taxes while in construction might create a proliferation of wind

generating facilities.

TAPE 142, SIDE B

007	Michelle Deister	Expresses concern for providing an exemption for centrally assessed utilities work in progress because it is a major shift in tax policy. Recommends that they look at the issue by itself and remove section 34 with the –B12 amendment.
034	Sen. Ferrioli	States that the –B12 and –B19 would be accommodations to both AVISTA and local governments and believes they should look further into the construction-in-progress policy.
054	Gil Riddell	Expresses concern that this is a major tax policy question and should be studied before any law is changed. Points out that there is an opt-out provision for special districts, but not cities and counties.
075	Sen. Deckert	Asks if they want the –B12, but not the –B19.
077	Deister	Responds that the –B12 and –B19 would remove any possible conversation about construction-in-progress. Discussion follows.
099	Sen. Ferrioli	States that the policy issue is whether to exempt centrally assessed utilities from works-in-progress and that it has the counties split and should be studied further.
108	Sen. Deckert	Agrees with Sen. Ferrioli and suggests using another vehicle for the policy in the future.
114	Sen. Starr	Explains the –B21 which allows the seven largest cities in the state to enter into negotiations with OECDD as it relates to the Strategic Investment Program if it was inside the city limits.
135	Dennis Mulvihill	States that he believes the association of counties would oppose the –B21 amendments because they would allow the cities to take the lead and make the decision even though it would impact the whole county. Discussion follows.
160	Sen. Deckert	States that they will hold the bill until Thursday and asks for no more amendments.
167	Sen. Ferrioli	Asks to hear what –B22 amendments are.
169	Richard Kosesan	Discusses the-B22 amendments which would provide an incentive for the development of wind energy specifically in Morrow County.
203	John Powell	Testifies that this would allow two counties that are contiguous of one another to share as enterprise zone because wind energy operations need to be spread out.
215	Sen. Ferrioli	Asks if they are looking specifically at Morrow and Sherman Counties.
217	Kosesan	Responds that they are mainly looking at Morrow County.
225	Mike McArthur	Testifies that the –B22 amendments don't seem necessary because counties are currently able to negotiate with one another.

Discussion follows.

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| 279 | Grace | States that he is not prepared to speak on the –B22 amendments. |
| 291 | Laura Pryor | Testifies that renewable energy is important, but doesn't understand why the amendment is necessary. Recommends taking a longer look at it. |
| 318 | Sen. Deckert | States that HB 2299 will be scheduled for Thursday and requests no more amendments. |

CLOSES WORK SESSION ON HB 2299 B

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| 320 | Sen. Deckert | Adjourns meeting at 2:55 pm. |
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Tape Log Submitted by,

Tara Lantz, Committee Assistant

Exhibit Summary:

1. SB 6, Patty O'Sullivan, Proposed SB 6-5 Amendments, 2pp.
2. SB 6, Sen. Starr, Proposed SB 6-6 Amendments, 2pp.
3. SB 6, Sen. Brown, Proposed SB 6-8 Amendments, 1p.
4. HB 2379, Dave Hunnicutt, Proposed HB 2379-B10 Amendments, 2pp.
5. HB 2671, Mazen Malik, Staff Measure Summary, 1p.
6. HB 2671, Mazen Malik, Revenue Impact Statement, 1p.
7. HB 2671, Sen. Ferrioli, Proposed HB 2671-A3 Amendments, 2pp.
8. HB 2299, Bob Shiprack, Proposed HB 2299-B15 Amendments, 2pp.
9. HB 2299, Bob Shiprack, Proposed HB 2299-B18 Amendments, 1p.
10. HB 2299, Jim Anderson, Proposed HB 2299-B19 Amendments, 1p.
11. HB 2299, Mazen Malik, Proposed HB 2299-B20 Amendments, 4pp.
12. HB 2299, Sen. Starr, Proposed HB 2299-B21 Amendments, 1p.
13. HB 2299, Richard Kosesan, Proposed HB 2299-B22 Amendments, 3pp.