

HOUSE COMMITTEE ON SMART GROWTH AND COMMERCE

February 16, 2001
3:30 PM

Hearing Room 50
Tapes 34 – 35

MEMBERS PRESENT: Rep. Rep. Bill Witt, Chair
Rep. Betsy Johnson, Vice-Chair
Rep. Tim Knopp, Vice-Chair
Rep. Alan Bates
Rep. Alan Brown
Rep. Janet Carlson
Rep. Richard Devlin
Rep. Bill Garrard
Rep. Jerry Krummel
Rep. Laurie Monnes-Anderson
Rep. Vicki Walker

STAFF PRESENT: Daniel Clem, Committee Administrator
Renee' Lunsford, Committee Assistant

MEASURE/ISSUES HEARD: HB 2103 Public Hearing
HB 2131 Public Hearing

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 34, A		
008	Vice-Chair Johnson	Calls the committee to order at 3:40 p.m. and opens a public hearing on HB 2103.
<u>HB 2103 PUBLIC HEARING</u>		
014	Dan Clem	Committee Administrator. Reads preliminary staff summary on HB 2103.
032	Mike Burton	Oregon Economic and Community Development Department (OECD). Submits written testimony (EXHIBIT A) and testifies in support of HB 2103.
110	Rep. Johnson	Asks if extended benefits are separate and distinct, or are those imbedded in the enterprise zone activities.
117	Burton	Responds that they are separate and distinct, however there is an extended benefit that is part of the regular program the fourth or fifth year.
123	Art Fish	Enterprise Zone Program Manager, Oregon Economic and Community Development Department. Testifies in support of HB 2103.
139	Rep. Johnson	Asks Mr. Fish to review the process of declaring an enterprise zone.
142	Fish	States that designation of an enterprise zone is a choice made by local counties and cities. Explains the process.
152	Rep. Johnson	Asks if there is a finite number of enterprise zones that can be operative at any given time.
155	Fish	Responds affirmatively. States that it is set by statute and that currently it is 48.

163	Rep. Johnson	Asks if there are openings and how those openings are filled.
165	Fish	Responds that there are four openings remaining.
171	Burton	Notes that they have indications from three communities of interest in pursuing other zones.
183	Rep. Johnson	Asks Mr. Burton to identify the three communities.
185	Fish	Responds that they are Stansfield, Gold Beach and Clatsop County.
191	Rep. Monnes-Anderson	Asks if an area is designated as an enterprise zone, can existing corporations be eligible for these property tax breaks.
197	Fish	Responds affirmatively and explains.
211	Chair Witt	Asks why the state wants to promote a program that gives this kind of long-term income tax breaks. Questions how this benefits the state.
224	Burton	Gives examples of the advantages of establishing enterprise zones.
237	Chair Witt	Asks what the city of Newport ended up doing.
244	Burton	Explains what Newport did.
249	Chair Witt	Asks what would happen if the committee did not take action on the bill.
256	Burton	Responds that the law will expire on December 31, 2002.
262	Chair Witt	Asks if the program creates a situation where foregone property or income taxes increase the burden on other areas of the state.
265	Burton	Responds that under the post-Measure 47 environment that is true.
274	Chair Witt	States that if property taxes are not coming in for education, presumably there are fewer dollars for the school funding formula.
276	Burton	Responds that is true.
282	Chair Witt	Asks in term of using this program, is it property tax exemption or income tax exemption.
285	Burton	Responds that the income tax exemptions and the term length of both are negotiable.
299	Chair Witt	Asks what success the program has shown in terms of new investments into the enterprise zones.
301	Burton	Responds that they could provide the projected cost-benefit associated with the investment.
314	Rep. Devlin	Asks if any company that utilized this program received the benefits for the duration of the agreement.
320	Burton	Responds affirmatively.
326	Rep. Krummel	Asks how many companies would not come here without the long-term benefits of the enterprise zone.
338	Burton	Explains that two existing companies would not have expanded without the benefit.
371	Rep. Walker	Comments on the visit the Joint Interim Trade and Economic Development Committee made to an enterprise zone in Grants Pass.
409	Rep. Garrard	States that because Oregon is competing with other states it is important to provide this incentive.
424	Burton	Reiterates that this can make a difference in business siting decisions.
444	Fish	Notes that this program is a statutory tax incentive.
465	Rep. Johnson	States she would like assurance that these are not special deals made for specific companies.
482	Fish	Explains that there are established parameters.

TAPE 35, A

050	Johnson	Comments that companies shopping for benefits between communities within a program like this tend to pit one against the other. States that limits need to be set and companies made aware of them.
068	Chair Witt	States he would like feedback on this competitive process.
075	Burton	Notes that distressed communities might warrant a completely different level of assistance. Explains their position and the state's position.
094	Chair Witt	States that there is a statutory structure that allows bidding wars to occur.
100	Burton	Notes that they have statutory direction to focus their efforts on rural and distressed communities.
108	Fish	States that the legislature has tried to avoid this in the past by creating parameters. Explains that the regular program is very straightforward.
131	Rep. Carlson	Asks for clarification regarding the extension of the sunset of the program and why there are so many written changes to achieve this.
145	Fish	Explains that Legislative Counsel felt the bill needed to be written in normal tax-law style, but in essence it is extending the program for another two years.
159	Chair Witt	Closes the public hearing on HB 2103 and opens a public hearing on HB 2131.

HB 2131 PUBLIC HEARING

163	Clem	Reads a staff preliminary summary of HB 2131.
189	Burton	Submits written testimony (EXHIBIT B) and testifies in support of HB 2131.
266	Dexter Johnson	Legislative Counsel Office. Explains the provisions of HB 2131.
289	Chair Witt	Asks if this bill restructures the language in current law to make it easier to follow and comply with.
295	Johnson	Responds affirmatively.
298	Rep. Johnson	Asks if the program is nearly fully subscribed and the paperwork has not been an impediment, why is this necessary.
314	Burton	Responds that this is a very active program and the "jumble" is creating problems.
325	Fish	Explains the organizational tactics.
356	Rep. Knopp	Asks what will happen legally if this bill doesn't pass.
362	Johnson	Notes that in previous sessions there have been businesses that haven't done things right and sought retroactive relief from the legislature. States that hopefully the bill will eliminate that.
370	Chair Witt	Asks if there is a sunset being extended in the bill.
375	Johnson	Responds no.
378	Chair Witt	Asks if there is a sunset in the bill.
380	Johnson	Responds affirmatively.
403	Mark Noakes	Linn County Assessor and Tax Collector. Testifies on his concerns with the bill.

TAPE 34, B

055	Chair Witt	Asks Mr. Noakes if he has talked to OECDD about this language.
058	Noakes	Responds affirmatively. Gives details.
065	Chair Witt	Clarifies that Mr. Noakes has had discussions with OECDD, but Mr. Fish has not agreed to make changes to address his concerns.

069	Rep. Johnson	Asks if the program in Linn County or any other counties would be interrupted if the bill doesn't pass.
067	Noakes	Responds not that he is aware of.
068	Rep. Bates	Asks if this program passes would it make it easier for enterprise zones to work with businesses, but more difficult for OECDD to work with.
072	Noakes	Responds that they would not be getting information in the timely manner that they are now.
083	Hasina Squires	Representing the Special Districts Association of Oregon. Testifies in opposition to HB 2131.
097	Michelle Deister	League of Oregon Cities (LOC). Testifies in opposition of HB 2131.
107	Chair Witt	Asks if cities currently have to opt in to the enterprise zone designation.
113	Deister	Responds affirmatively.
119	Chair Witt	Asks if cities are different from special districts in that the special district zones have to "go along for the ride".
121	Deister	Responds that is correct.
122	Chair Witt	Asks for clarification that Ms. Deister's objection is that the changes that are being made in the bill have a negative impact on cities in Oregon and LOC hasn't had a chance to consult with the cities about those changes.
124	Deister	Responds affirmatively.
126	Rep. Garrard	Asks if the special taxing district will not be affected by the tax in an enterprise zone unless the municipality is at its maximum.
130	Squires	Responds no. Explains that the city or county chooses to create an enterprise zone and provide a property tax exemption for the business.
133	Chair Witt	Asks if the same is true for school districts.
136	Burton	Explains how Measure 47 affected the process.
170	Rep. Bates	States that school districts are funded by local property taxes and state funds, and that under Ballot Measure 5, if property taxes drop, more state funds flow in and make up the difference.
180	Chair Witt	States that theoretically there is less money in the pot to spread, so this may not be true.
192	Rep. Bates	States that there seems to be some stakeholders who would like to be a part of this process. Asks if it would be possible to bring them together to discuss the issues and then come back to the committee.
200	Squires	Responds that they have indicated what their issues are and they have not been corrected.
202	Burton	States that because enterprise zones only apply to new investment there will never be a reduction in revenue, however there may be increases foregone. Notes that there is another set of amendments being drafted.
207	Rep. Devlin	Comments on enterprise zone exemptions.
230	Chair Witt	Recommends refining the language that is of concern and discussing the bill further at a later meeting.
238	John Phillips	Department of Revenue. Testifies on his agency's concerns with HB 2131.
274	Chair Witt	Closes the public hearing on HB 2131 and adjourns the committee at 4:55 p.m.

Submitted By,

Reviewed By,

Renee' Lunsford,
Committee Assistant

Daniel Clem,
Committee Administrator

EXHIBIT SUMMARY

A – HB 2103, written testimony, Michael Burton, 11 pp.

B – HB 2131, written testimony, Michael Burton, 6 pp.