

SENATE REVENUE COMMITTEE

April 18, 2001 — 8:10 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Senator Ted Ferrioli, Chair

Senator Lee Beyer, Vice Chair

Senator Susan Castillo

Senator Tony Corcoran

Senator Gary George

Senator John Minnis

Senator Charles Starr

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Carol Phillips, Committee Assistant

Witnesses: Sarah Doll, Oregon Environmental Council

TAPE 112, SIDE A

005 Chair Ferrioli Meeting called to order at 8:35 a.m.

013 Ed Waters Stated that sponsors of amendments for SB 764 have not reached the point where they are ready for committee consideration. The discussion will be held at a later date.

OPENED WORK SESSION ON SB 764

INVITED TESTIMONY

- 025 Sarah Doll Testified against SB 764. Exhibits 1 and 2. Stated the Oregon Environmental Council (OEC) opposes SB 764. Believes it no longer makes sense to allow this credit to businesses. Given that the state faces a huge deficit, OEC does not see where it makes sense to spend resources to help businesses comply with federal law. The Department of Environmental Quality (DEQ) states 75% of expenditures under this program go to help companies comply with existing law. OEC believes the credit promotes pollution control instead of pollution prevention. Since ordinary citizens do not receive credits to comply with the law, why should businesses?
- Questions and answers interspersed.
- 070 Sen. Castillo Since the witness had remarked that other states allow much lower pollution control tax credits, asked the witness to give examples.
- 073 Doll Replied that Georgia offers a tax credit between 3% and 8% of the cost of pollution control equipment. Delaware allows \$400 tax credit for each 10% reduction a company has in their emissions. On the other hand, Oregon allows 50% of the cost of a facility. In 1999 \$21 million in tax credits was issued, and \$68 million was allowed in 1998. Arizona, by comparison, gave out \$700,000 in tax credits in 1996.
- 087 Chair Ferrioli Stated that in testimony the witness declared citizens do not get tax incentives for pollution control measures. Pointed out that in fact citizens receive a wide variety of tax incentives for many different purposes, including energy conservation. Also, was not aware by any calculations that Oregon faces a deficit. Asked by what math the witness based the statement.

- 099 Doll Rephrased her remark to say citizens do not receive subsidies to comply. Stated that the Chair's examples of incentives do not refer to laws citizens are required to meet.
- 106 Chair Ferrioli Stated that industry goes far beyond what is required by law with the mentioned incentives. Reiterated the question: By what math does the witness declare Oregon faces a deficit?
- 108 Doll Replied budget projections are significantly lower than what was anticipated. Said maybe deficit was the wrong word to use. Said it appears there will be less money to spend on important programs.
- 113 Chair Ferrioli Pointed out that in fact there will be \$1.1 billion more to spend this biennium than in the 1999 biennium.
- 124 Vice Chair L. Beyer Stated he was impressed with the witness's comments on the balance of economic incentives. Asked if the witness was an expert in economic development.
- 126 Doll Said she was not, but had done research and talked with people.
- 130 Vice Chair L. Beyer Asked witness if she had worked with industry or on specific projects that would provide intimate knowledge of the issue. Asked witness if she was aware that Oregon's economic incentives in total were the absolute worst of the twelve western states. Asked witness if she was aware Oregon had lost about 20% of its manufacturing base in the last ten years. Asked witness if it might be better for Oregon to have a policy to encourage businesses to move their facilities out of state rather than remain in Oregon and improve their environmental standards. Witness's answer to all questions was no; her comments were directed toward the

pollution control tax credit only.

Further comments, with questions and answers interspersed.

193 Vice Chair L. Beyer As determined through his line of questioning, declared that the "expert" witness testimony appeared to be based on opinion and not fact.

199 Chair Ferrioli Added that amendments are being prepared relative to SB 764. The bill is the subject of negotiations through the office of the governor. Is hopeful the amendments will create a bill that the legislature will pass and the governor will sign.

CLOSED WORK SESSION ON SB 764

OPENED WORK SESSION ON SB 229-A

217 Richard Yates Gave overview of SB 229-A. Exhibit 3: (A-2) amendments. The bill allows the existing 44 enterprise zones to petition the Economic and Community Development Department to have their zones designated as electronic commerce zones, in which case investments in Internet and electronic commerce would qualify as investments eligible for property tax exemptions in those enter-prise zones. Those investments would also be eligible for a tax credit against any corporate or individual income tax liability equal to 25% of the investment.

230 Yates In previous discussion on this bill was concerned from a tax theory standpoint that there was no limit on the credit amount as worded in SB 229. In response to authorization from the committee, the (A-2) amendments were created to include a credit limit of \$2 million an individual taxpayer could receive in any tax year.

266 Vice Chair L. MOTION:

Beyer MOVES THE (A-2) AMENDMENTS TO SB 299-A BE ADOPTED.

269 Chair Ferrioli ORDER:

HEARING NO OBJECTION, THE CHAIR SO ORDERED.

270 Vice Chair L. MOTION:
Beyer

MOVES SB 229-A AS AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.

273 Chair Ferrioli ORDER:

HEARING NO OBJECTION, THE MOTION PASSES: 7-0-0

Sen. Deckert will carry the bill on the Senate Floor.

CLOSED WORK SESSION ON SB 229-A

277 Chair Ferrioli Commented on Exhibit 5, which is a letter from Oregon's congressional members in Washington, D.C. relating to SB 486 regarding federal forest receipts and whether they are to be considered inside or outside the school funding formula.

General discussion, and questions and answers interspersed.

411 Chair Ferrioli Adjourned meeting at 9:00 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 764, Doll, Newspaper article dated March 5, 2001, 2 pp.
2. SB 764, Doll, Written testimony dated April 18, 2001, 2 pp.
3. SB 229-A, Yates, (A-2) amendments, (DJ/ps) 4/17/01, 1 pp.
4. SB 229-A, Yates, Revenue Impact Statement, 1 pp.
5. SB 486, Ferrioli, Letter dated March 8, 2001, 2 pp.
6. SB 486, Ferrioli, Bill Summary S.1608 106th US Congress, 2 pp.
7. SB 486, Ferrioli, Bill Summary H.R.2389 106th Congress, 2 pp.