

**JOINT CONFERENCE COMMITTEE ON HB 2248**

July 6, 1999 Hearing Room E

3:00 p.m. Tapes 1 - 2

**MEMBERS PRESENT: Rep. Jim Hill, Chair**

**Sen. Tony Corcoran**

**Rep. Ryan Deckert**

**Sen. Avel Gordly**

**Sen. John Lim**

**Rep. Bob Montgomery**

**STAFF PRESENT: Keith Putman, Administrator**

**Annetta Mullins, Administrative Support**

**MEASURE HEARD: HB 2248-C 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.

| TAPE/#                                 | Speaker      | Comments  |
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| <b>TAPE 1, A</b>                       |              |   |
| 003                                    | Chair Hill   | Calls meeting to order at 3:32 p.m. and opens a work session on HB 2248-C.  |
| <b><u>HB 2248-C n WORK SESSION</u></b> |              |   |
| 009                                    | Keith Putman | Administrator. Advises members they need to decide what to do about the Senate amendments and the proposed amendments to the bill. The amendments are hereby made a part of these minutes: HB 2248-C17 ( <b>EXHIBIT A</b> ), HB 2248-C19 ( <b>EXHIBIT B</b> ), HB 2248-C20 ( <b>EXHIBIT C</b> ) and HB 2248-C21 ( <b>EXHIBIT D</b> ). |
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| 015 | Rep. Montgomery | Asks for an explanation of the Senate amendments.  |
|     | Putman          | Explains that the Senate amendments deleted the prohibition that a health care facility could qualify for the program and made provisions under which a health care facility could receive the benefits of the program.  |
| 031 | Sen. Gordly     | Asks what the opposition to the Senate amendment was in the House.   |
| 034 | Chair Hill      | Responds that the concern was the amendment applied to one particular person retroactively for about \$4 million and the enterprise zone no longer exists.   |
| 039 | Sen. Lim        | Clarifies the \$4 million was property value, not the tax amount.  |
| 047 | Rep. Montgomery | Comments that is not what enterprise zones were intended for.  |
| 047 | Sen. Lim        | Explains situation of individual.  |
| 059 | Rep. Deckert    | Asks what kind of facility is covered by the Senate amendment.   |
| 062 | Sen. Lim        | Explains that a physician in the Astoria area wants to provide dialysis, Currently, the people have to go to Portland. The doctor has borrowed and invested more than \$3 million and there is a possibility of creating more jobs in the area. The physician says she may not be able to make it without a tax break on the property. Adds that when she applied for it, she was denied. Comments that he has a letter from the mayor of Astoria supporting the request. Explains the HB 2248-C19 ( <b>EXHIBIT B</b> ) and the HB 2248-C20 amendments ( <b>EXHIBIT C</b> ). |
| 089 | Rep. Montgomery | Asks how many kidney patients in Clatsop County would be served.   |
| 090 | Rep. Lim        | Responds that he does not know.  |
| 100 | Chair Hill      | States that the enterprise zone in Astoria is no longer in existence.  |
| 106 | Sen. Gordly     | Comments that the mayor of Astoria describes the facility as Dr. Parkis multi-million dollar medical center and says "that it will provide dialysis for kidney patients who might otherwise be unable to reach Portland for treatment. Dr. Park will also provide oncology medicine and other specialties that have been unavailable in Clatsop County. Dr. Parkis project will provide more than 60 permanent family wage jobs in our community."   |
| 126 | Sen. Corcoran   | Comments there is a reason they stay away from retail services in enterprise zones. Asks what the chances are of the bill moving forward with the proposed amendments.   |
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| 142 | Chair Hill      | Advises that the bill will not get out of this conference committee.   |
| 149 | Sen. Lim        | States he believes the amendments are a good compromise. It is a good, prudent and moderate approach to ensure the local medical option.   |
| 150 | Chair Hill      | Explains options of conference committee.  |
| 178 | Sen. Lim        | Comments another option is the to send the bill to Ways and Means.   |
| 193 | Chair Hill      | Explains that sending the bill to Ways and Means is not an option.   |
| 213 | Rep. Hill       | <b>MOTION: Moves that the Senate recede from the Senate amendments dated June 17, 1999 and the Senate repass the measure.</b>  |
| 222 | Rep. Montgomery | Comments he will be supporting the motion because this would give a special tax break to somebody. It has been done in the past but it should be a special bill. The enterprise zone system should not be used for this kind of tax break. Appreciates the need for health care facilities in Astoria and throughout eastern Oregon. |
| 232 | Sen. Lim        | Comments this is not unusual and when there is a special need, it can be done.   |
| 245 | Sen. Corcoran   | Comments that based on the insistence of the House members that they will not budge on this, he will support the motion because the bill is more important than taking care of everybody in this bill. The bill is important for rural Oregon, the timber industry and others who have initiatives in this area.                     |
| 259 | Sen. Gordly     | Comments she is unable to support the motion. Believes the information before the committee from the mayor of Astoria is compelling information. Believes access to health care in Oregon and evening out access is one of the responsibilities of the legislature.  |
| 289 |                 | <b>VOTE: 4-2-0</b><br><br><b>AYE: 4 - Corcoran, Deckert, Montgomery, Hill</b><br><br><b>NAY: 2 - Sens. Gordly, Lim</b>   |
|     | Chair Hill      | <b>The motion fails for lack of sufficient affirmative Senate votes.</b>   |
| 302 | Sen. Lim        | <b>MOTION: Moves to ADOPT HB 2248-C19 amendments</b>   |

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|     |                 | <b>dated 07/06/99.</b>  |
| 303 | Sen. Lim        | Explains that the amendment provides that the city and county must approve the request.   |
| 309 | Chair Hill      | Asks if the amendment is for a retroactive tax break or whether it is prospective into the future.  |
| 311 | Sen. Lim        | Responds that it includes retroactivity.  |
| 318 | Rep. Montgomery | Asks if the facility is built.  |
| 321 | Sen. Lim        | Responds that the facility is under construction and does not know if it is completed or not.   |
| 322 | Rep. Montgomery | Asks if the physician knew what the law was before construction was started.  |
| 324 | Sen. Lim        | Responds he believes so because the physician applied for the benefits.   |
| 327 | Rep. Montgomery | Comments he did not come to Salem to pass retroactivity law on things that people knew in advance were excluded.  |
| 351 | Chair Hill      | Comments he does not understand how a retroactive tax break is going to secure the financial well being of this multi-million dollar medical center. Asks how a one-time tax break can insure success in the future.  |
| 370 | Chair Hill      | Comments the enterprise zone no longer exists and asks how benefits can be provided.  |
| 374 | Art Fish        | Enterprise Zone Coordinator, Oregon Economic Development Department (OEDD). Comments that Chair Hill's question is on target in that even if the zone existed the tax break would not begin until next year under any circumstances because the building is only being finished or was finished recently. The retroactivity is a product of the fact that the zone is terminated. The local sponsors of the enterprise zone did not reapply in 1998. There is no administrative mechanism to approve the pre-certification. |
| 390 | Rep. Deckert    | Asks if other special legislation of this nature has been passed.   |
| 398 | Fish            | Responds that none comes to mind during the three sessions he has been with the program. Explains there have been clauses that had retroactive effect or matters of legal or technical certainty but they had no particular investment in mind. Before 1995 the legislature passed laws after a certain situation arose that had a certain carry back to potential exemptions that might have existed.  |
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| 416              | Rep. Montgomery | Asks if the \$4 million retroactive rate is for one year or total. Suggest the legislature just write a \$60,000 check.  |
| 433              | Sen. Lim        | Comments that \$60,000 is a lot of money, but the facility will employ 60 people in family wage jobs. Believes the local government can recover more than \$60,000 in taxes.   |
| 445              | Chair Hill      | Comments that the issue is there is not an enterprise zone in which to give a tax break even if the legislation is passed.   |
| 453              | Fish            | Explains that when a zone terminates, there may be a variety of exemptions or companies that were in the process of getting exemptions, the exemptions may continue for several years after the zone is terminated. That is not unusual. This is an issue of the company that was denied pre-certification before the zone was terminated and there is no way to change that administratively. |
| 466              | Chair Hill      | Asks how long the tax breaks would continue.   |
| 466              | Fish            | Explains that the exemption in this case would be for three years, 2000, 2001 and 2002. It would be about \$150,000 to \$200,000 for the three-year period.  |
| <b>TAPE 2, A</b> |                 |  |
| 036              | Sen. Gordly     | Asks why the request was denied.   |
| 038              | Fish            | Explains that the denial of the pre-certification was based on the recognition that the law prohibited or made ineligible health care facilities. An appeal was also denied.   |
| 043              | Rep. Montgomery | Asks if OOEDD has denied other medical facilities in the past.   |
| 047              | Fish            | Comments he does not personally deny anybody pre-certification. The local officials handle that. In this case the pre-certification was formally submitted and was pursued in the courts.  |
| 055              | Rep. Corcoran   | Comments that Measure 50 also makes him nervous.   |
| 057              | Fish            | Comments that Measure 50 would not have an effect. Explains that pre-certification before a certain date would not change the exemption for the company.   |
|                  |                 | <b>VOTE: 3-3-0</b><br><br><b>AYE: 3 - Sens. Corcoran, Gordly, Lim</b>  |

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|            |                   | <b>NAY: 3 - Reps. Deckert, Montgomery, Hill</b>   |
|            | <b>Chair Hill</b> | <b>The motion Fails for a lack of a majority vote in both houses.</b>   |
| <b>112</b> | <b>Sen. Lim</b>   | <b>MOTION: Moves to ADOPT HB 2248-C20 amendments dated 07/06/99.</b>  |
| 115        | Sen. Lim          | Explains the C-20 amendments.   |
| 129        | Rep. Montgomery   | Asks if the amendments provide for retroactivity.   |
| 134        | Sen. Lim          | Responds that the language in line 17 on page 1 of the amendment requires that everything must happen this year.  |
| 138        | Sen. Corcoran     | Asks if there is a mechanism for this company to apply since there is no enterprise zone.   |
| 143        | Fish              | Responds negatively. Explains that pre-certification was applied for and denied. They would have to go to another enterprise zone that might exist and they cannot pick up a built building.  |
| 150        | Sen. Corcoran     | Asks if (1) of Section 20 ( <b>EXHIBIT C, page 1</b> ) is on the assumption that there is a zone in the Astoria area on the effective date of this act. Asks if Fish sees the C20 amendments as workable in terms of the current construct of the lack of an enterprise zone in the Astoria area and the anticipation that this bill would create additional enterprise zones.  |
| 163        | Fish              | Responds the language is mainly concerned with establishing prospectively for future businesses after this act might take place in existing enterprise zones. It would be for health care facilities and they could only use it in an enterprise zone that exists, and the decision will have to be made before the end of this year. That is something they want to contemplate. Adds that the language in line 5 ( <b>EXHIBIT C, page 1</b> ) says "Except as provided in section 21". Explains that Section 21 is the part of the existing bill that provides for a way to help the Astoria situation. This would not work for that, but it is otherwise provided for in the bill. |
| 177        | Chair Hill        | Asks if the amendment amends the bill so that in the future the health care facility exemption is limited to those who apply before December 31.  |
| 180        | Fish              | Explains the amendment would limit it to anybody who was in an enterprise zone where the local governments had chosen, before the end of this year, to allow the facilities in the future. It could be for years in the future.   |
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| 201 |                   | <p><b>VOTE: 3-3-0</b></p> <p><b>AYE: 3 - Sens. Corcoran, Gordly, Lim</b></p> <p><b>NAY: 3 - Reps. Deckert, Montgomery, Hill</b></p>   |
|     | <b>Chair Hill</b> | <b>The motion Fails for lack of a majority vote by both houses.</b>   |
| 209 | Sen. Lim          | Suggest the committee adjourn and meet again.   |
| 209 | Sen. Gordly       | Asks if the committee is open to receiving testimony because she would like to hear a constituent speak on the bill.  |
| 244 | Doris Penwell     | Economic Development Department (OEDD). Explains that after the bill left the Senate committee, there was a concern about the provisions of the bill having to do with the distribution of the 30 percent back to the counties under the 15 year income tax exemption. The special districts, cities and counties met with OEDD to determine what is reasonable in terms of public policy. The parties have agreed it would probably be better to amend the bill further to allow the distribution to take place up to the amount of property tax that might have been lost with the investment to the special districts and then any further distribution above that would go to the zone sponsor who may be the city or the county. |
| 252 | Lynn McNamara     | League of Oregon Cities. States they had some concerns in the Senate and have come to a resolution with the special districts and counties to cap the amount that would be distributed to the taxing districts that lost property tax revenues to the amount they lost. Everyone is happy and they urge the committee to adopt the HB 2248ñC17 amendments ( <b>EXHIBIT A</b> ). Adds that in line 4 of the -C17 amendments is a reference to "taxable assessed value" and suggests the reference should be to real market value because that is what the assessors keep track of. Adds that it would also be helpful to have correction to another reference in the bill.   |
| 279 | Marge Kafoury     | City of Portland. Comments she believes Sen. Gordly is asking for the city's opinion on a small portion of the bill. The City of Portland does support the major bill and it is important to the Portland Development Commission and OEDD. The City of Portland's interest is in Section 5(7) and believes it has been non-controversial.   |
| 300 | Hasina Squires    | Special District Associations of Oregon. States she concurs with McNamara's comments about the ñC17 amendments. In the House Revenue Committee the intent was not to give the potential for a huge windfall to districts. They just wanted the distribution to be allocated on the amount of property tax revenue that was lost. The ñC17 amendment clears that up.   |
| 315 | Rep. Susan Morgan | House District 46. Comments that the bulk of her district is in southern Douglas County, the area where one of the rare investments on behalf of Roseburg Forest  |

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|                  |                 | Products will take place if the bill can be amended with the conceptual amendments ( <b>EXHIBIT E</b> ). Adds that Rep. Messerle had wanted to be here because the bill also impacts his district. Explains that Douglas County has an unemployment rate of 11 percent. The amendments to the bill will allow investments on behalf of Roseburg Forest Products that will bring 150 family wage jobs, averaging about \$35,000 per year. It will bring stability and security to families in her district.   |
| 358              | Jack McIsaac    | Representing Roseburg Forest Products. Introduces Alan Ford and Scott Nelson, Roseburg Forest Products.  |
| 368              | Alan Ford       | President, Roseburg Forest Products. Reviews history of company. Gives history of investments in Oregon. States that they plan to invest at least \$60 million in a laminated veneer lumber plant in the Myrtle Creek-Riddle area of south Douglas County and will create 125 to 150 new jobs at an average wage that is over 150 percent of the county's average wage. HB 2248 provides a method for determining the portion of the company's tax liability that the credit can be used to offset.  |
|                  |                 | The 1997 law says that the credits may be used to offset taxes relating to the new plant. It does not specify a method to determine what portion of a company's overall tax payment relates to the new plant. Section 14 of HB 2248-C provides a method for determining which taxes relate to the new plant. The method in Section 14 works well for companies just entering the state but not for operations in Oregon. The proposed amendment ( <b>EXHIBIT E</b> ) changes the method for determining the portion of a company's tax payment that relates to the new plant. Adds that the amendment will have no effect on companies that bring major investments to the state for the first time. |
| <b>TAPE 1, B</b> |                 |  |
| 040              | Ford            | Adds that the enterprise zone was a key element in their making the decision to locate a plant and the location of the plant.  |
| 047              | Rep. Deckert    | Asks if there is an estimate of revenue to the state for the biennium.   |
| 048              | Scott Nelson    | Chief Financial Officer, Roseburg Lumber. Responds they expect the facility will start operations somewhere around January 2001. It is likely for the one- to two-year period after the start up date that the income level at the facility would be nominal and therefore the credit would be nominal. After that time period they would expect the credit would potentially be \$600,000 to \$900,000 annually.  |
| 043              | Rep. Montgomery | Asks if OOEDD has seen the amendments.   |
| 069              | Penwell         | Comments that OOEDD did see the amendments and shared them with the Department of Revenue to be sure they would agree the proposed amendment was workable and would be consistent with what they have done already.  |
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| 076 | Rep. Deckert    | Asks if this is consistent with other enterprise zone activities and whether the criteria meet the department's perspective.   |
| 078 | Penwell         | Responds it is consistent. Adds that OOEDD was concerned it could be administered in a way that would be acceptable to the sponsors and to the Department of Revenue.  |
| 098 | Rep. Deckert    | Asks Ford to repeat how many employees would be at the facility and what the wage rate would be.   |
| 095 | Ford            | Explains there will be two phases in the plan. Wages are from \$25,000 to \$40,000 a year or about \$13 to \$14 per hour and with benefits it will be about \$20.  |
| 104 | Fish            | Comments there has never been a tax credit like this before in an enterprise zone. The tax credit has to be approved by the governor and to be eligible there must be local approval of the project and the criteria in the bill must be met. The apportionment is a very technical issue. The legal clarification has been developed and is based on the interstate apportionment that is done among states. This is an excellent opportunity to make it a much more powerful tool for in state companies and provide a fair basis on which to judge their income for purposes of the credit. |
| 122 | Chair Hill      | Announces that the committee will have a chance to review the amendments and the committee will meet again   |
| 125 | Putman          | Clarifies amendment request.   |
| 130 | Gordly          | Comments she hopes the committee can find a way by working with OOEDD to make the opportunity in Astoria work. Concerned about health care access and questions what Oregon can do proactively to make the system work for Astoria.  |
| 150 | Rep. Montgomery | Comments the issue here is not health care. Agrees health care is needed in rural Oregon now more than ever.   |
| 159 | Chair Hill      | Adjourns meeting at 4:37 p. m.   |

Annetta Mullins, Keith Putman,

Administrative Support Administrator

**EXHIBIT SUMMARY**

**A ñ HB 2248, HB 2248-C17 amendments, League of Oregon Cities, Special Districts, 1 p**

**B ñ HB 2248, HB 2248-C19 amendments, Sen. Lim, 1 p**

**C ñ HB 2248, HB 2248-C20 amendments, Sen. Lim, 2 pp**

**D ñ HB 2248, HB 2248-C21 amendments, unknown, 1 p**

**E ñ HB 2248, conceptual amendment, Roseburg Forest Products, 1 p**