

PUBLIC HEARING AND WORK

SESSION ON SB 774 AND SB 1147

WORK SESSION ON SB 414

TAPES 124 - 125 A/B, 126 A

**SENATE REVENUE COMMITTEE**

---

**APRIL 24, 1997 - 9:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING**

---

Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair (arrived at 9:12 a.m.)

Sen. Joan Dukes

Sen. Verne Duncan

Sen. Tom Hartung

Sen. Randy Leonard (arrived at 9:22 a.m.)

Witnesses: Sen. Ted Ferrioli, District 28, John Day

Brian Boe, Representing Oregon Petroleum Marketers Association

Larry Campbell, AAA Oregon and Idaho

Mike Sherlock, Executive Director of Oregon Gasoline Dealers Assn.

George Shefcheck, Field Operations Manager for Measurement

Standards Division, Oregon Department of Agriculture

Gary Withers, Vice President for University Relations,

Portland State University

Doug Hall, Assistant Professor of Electrical Engineering, Portland State University

Tom West, Dean of Engineering, Oregon State University

Tad Reynales, College of Engineering, Network Manager, Oregon State University

Jim Craven, Representing American Electronics Association

Wendy Hawkins, Intel

Stephen Kafoury, Representing Wildlife Society and American

Fisheries Society

Stephen Smith, Oregon Chapter American Fisheries Society

Patricia Snow, Land Use Coordinator with Oregon Department of

Fish & Wildlife

Staff: Brian Reeder, Economist

Ed Waters, Economist

Jim Scherzinger, Legislative Revenue Officer

Carol Phillips, Committee Assistant

-

**TAPE 124, SIDE A**

004 Chair Baker Opened meeting at 9:09 a.m.

**OPENED PUBLIC HEARING ON SB 1147**

006 Ted  
Ferrioli SB 1147 extends sunset date for equipment donations of high technology equipment to January 1, 2004. It also expands the institutions which may receive the equipment and for which tax credits may be claimed from Pre-Kindergarten through Grade 12. In addition, the bill extends the sunset date for higher education as well. Pointed out that there are a lot of young people who need to have a working knowledge of high technology equipment at a younger and younger age.

Has a group of constituents in Prineville who donated an entire computer lab to a school with 20 workstations, and covered everything from basic computer platforms to CAD

025 Ferrioli (computer assisted drafting) programs. That donation will pay tremendous dividends to those students throughout their lives. Wanted to see this opportunity extended to younger and younger children because they will need keyboarding skills at earlier ages, will need to interface with different types of electronic platforms, and this encourages companies to make donations of new equipment.

038 Sen. Since Intel makes considerable donations to schools in Beaverton area, will this bill affect  
Hartung any ongoing programs?

041 Ferrioli Stated Intel does make donations of equipment to school districts in which employees' children are enrolled. Believes the bill will encourage other companies to follow Intel's lead.

047 Sen. Asked if "tangible personal property" as described of Internal Revenue Code would  
Hartung include wiring schools and running computer lines.

050 Ferrioli Does not believe it does include wiring. Believes it does include hardware, software, and peripherals, i.e. computers, keyboards, monitors, processing platforms, software, and cables. Does not believe it would include donation of interconnections between schools (i.e. Internet).

059 Sen. Asked that staff look up the exact meaning of tangible personal property in the Internal  
Hartung Revenue Code and provide that information to the Members.

CLOSED PUBLIC HEARING ON SB 1147

OPENED WORK SESSION ON SB 414

071 Jim Exhibit A - (-4) Amendments to SB 414. These Amendments reflect the discussion  
Scherzinger from last meeting. Exhibit B - Typed list of changes dated 4/23/97. Exhibit C - (-4) Amendments to SB 414 with hand engrossed amendments. Exhibit D - Copy of SB 414 with all changes hand-engrossed into the bill itself.

095 Brian Boe Industry participants had a meeting 4/23/97 and arrived at \$5.00 per meter fee instead of \$6.25. This would apply to all meters at all levels and not graduated or tiered by different class of meters. Believes a uniform fee is better suited to their purposes. Impact would be that instead of sampling at 100% of locations, it would be done on random basis. Would not be known to facility to be tested until testers arrive on site. Believe it maintains the goal of the program as a deterrent to anyone who might be thinking of fraudulent activity. It serves to keep a good level of verification and believes it keeps the program goals intact.

AAA is primarily interested in the consumer protection aspect of this bill and AAA

113 Larry Campbell sees it as one of the true consumer protection issues of the 1997 session. Supportive of the fact that random sampling is an improvement of efforts on behalf of the consumer. Asked that SB 414 be sent to the Floor with a Do Pass Recommendation. Questions and discussion.

124 Mike Sherlock His group was part of the work group 4/23/97 and supports SB 414 with the \$5.00 fee instead of \$6.25.

133 George Shefcheck Department of Agriculture met with industry on 4/23/97 and came to agreement for random inspection.

140 Jim Scherzinger The (-4) amendments reflect decisions made the last time this bill was discussed. The procedure for moving on this bill would be to conceptually amend the changes into the (-4) and then adopt the (-4) into SB 414 for subsequent transmittal to Ways and Means for further consideration.

150 Sen. Dukes Asked when the fees cited in SB 414 would begin to be collected.

152 Scherzinger SB 414 takes effect July 1, 1997. Section 13 page 6 of the (-4) Amendments specifies the date.

170 Chair Baker MOVES CONCEPTUAL AMENDMENTS TO SB 414 (-4) BE ADOPTED.  
HEARING NO OBJECTION, THE CHAIR SO ORDERED.

MOVES SB 414 AS AMENDED BY THE (-4) AMENDMENTS TO THE WAYS AND MEANS COMMITTEE WITH DO PASS RECOMMENDATION.

176 Chair Baker  
ROLL CALL VOTE: MOTION PASSES: 6 - 0

SENATORS VOTING AYE: DUKES, DUNCAN, HARTUNG, LEONARD, BRYANT, BAKER.

CLOSED WORK SESSION ON SB 414

OPENED PUBLIC HEARING ON SB 1147

198 Gary Withers Portland State is Oregon's urban university and very proud of its partnerships and relationships with business and industry. A bill which allows tax credits for equipment donations fosters and supports those relationships and partnerships. In the past two years PSU has received over \$700,000 in equipment donations from corporations.

Teaches microprocessor design classes. Two years ago the registration for a class that he

- 214 Doug Hall teaches was 40 students; last fall it was 92 students. The lab for that class had ten out-of-date low-end 486 computers. The Department Chair told him there was no budget for new equipment so he wrote a grant proposal to Intel, which found 25 Pentium machines for PSU's use. That gives PSU a world class microprocessor lab for its students. Anything that can be done to reward and encourage these kinds of donations is of great benefit to all of Oregon.
- 236 Sen. Bryant Asked how fair market value of used computers is calculated to ensure that the deduction taken by the donating business is actually fair market value and not some inflated value.
- 246 Hall With the donation agreement with Intel, the fair market value is indicated on the donation. In all cases thus far the fair market value has not been inflated.
- 275 Sen. Dukes Asked what happens to the out-of-date computers? Cannot get any used computers to Clatsop County because it is too far away from computer companies in Portland.
- 281 Hall In the electrical engineering curriculum, in order to teach what is necessary so PSU students can be competitive with those from Stanford, UC Berkeley, and elsewhere PSU needs the latest equipment. Other departments do not need quite the same. What PSU does with older 486 machines is recycle them to other departments. PSU does not throw computers out; they find another department who can use them.
- 300 Tom West The tax credit created by SB 1147 is very beneficial for those departments and units which teach in the high tech area because the high turnover in computers causes them to constantly be hustling to try and keep up-to-date equipment available in their classrooms. They make good use of many companies including Hewlett-Packard, Intel, Sequent, and Freightliner. These firms have supplied OSU with equipment over the years.
- 322 West The better equipment available at OSU, the better their probability of attracting high quality students and faculty. OSU uses the equipment to leverage grants from National Science Foundation and other organizations for matching funds. Realizes there is some budget impact from this, but the State of Oregon makes out very well, much higher than if OSU had to purchase all this equipment. Main thrust at present time is to develop people knowledgeable in use of computers, networks, etc.
- 353 Tad Reynales Appreciates opportunity to speak to importance of equipment donations to overall educational program at OSU. Over the past few years Hewlett-Packard has given OSU over \$2 million worth of equipment including major support for instructional computing and a number of smaller research computing and instrumentation grants. These grants have made it possible for the College of Engineering to develop central computer lab that serve both undergraduate and graduate students (about 1,000 students per year). These donations allow OSU to offer greater number of educational opportunities.
- Serves as project manager for Network for Education and Research in Oregon (NERO) for Oregon Joint Graduate Schools of Engineering. With OJGSC and NASA support

376 Reynales built a high speed network backbone that serves all of the state system of higher education and provides advanced network services and high-speed Internet access. NERO would not exist if not for substantial donations from partners including US West, Techtronix, GTE, Intel, and others. Questions and discussion.

**TAPE 125, SIDE A**

018 Jim Craven Thanked Sen. Ferrioli for bringing SB 1147 to the Senate. Been supportive of this program since its inception in 1985 and remains supportive. The bill makes two changes in the policy. (1) it changes the sunset date from 1998 to 2004. (2) it broadens the tax credit pre-kindergarten through grade 12. Key to this bill as heard from the representatives from Portland State and Oregon State is the leveraging value of this credit. The goal is new state-of-the-art equipment, at least in high schools. Lower grades do not need Pentiums to learn keyboarding and basic word processing.

053 Wendy Hawkins Exhibit G - Written testimony. Intel is concerned that schools have access to tools of technology not only for today but the for future. Intel is sponsoring a new program that will help significantly in meeting the challenge. Students Recycling Used Technology ("STRUT") allows businesses and individuals to donate used computers and other technical equipment to schools. High school students will learn skills in refurbishing computer components for their areas. Every ESD across the state is participating. Have pledges in hand of over 10,000 computer systems for this weekend.

116 Craven There are two great values to the STRUT program. One is collecting computers for the end result that they will get into classrooms. The other is that high school students are trained with a marketable skill in refurbishing computers. A lot of the students doing this work are involved in alternative education programs. Basic concept is computers donated in a county stay within that county. But because Portland has so many computers, they will be distributed all over state.

140 Sen. Duncan Commented that schools will have to maintain quality computer programs and there is no way to do it without the cooperation of the industry.

152 Sen. Dukes Asked how the 18 counties came to be on the list of participating schools (Exhibit G - page 2) and how can others be added to the list.

156 Hawkins Recruitment was done through Education Service Districts ("ESD"). The ESDs recruited at least one school in each district to be starting point. Taught computer refurbishing. List is two weeks old, so there are more on it now. More coming in all the time. Questions and discussion.

183 Waters Exhibit H - Internal Revenue Code definitions. Defined "stock in trade".

**OPENED WORK SESSION ON SB 1147**

197 Sen. MOVES SB 1147 TO THE SENATE FLOOR WITH DO PASS

Hartung RECOMMENDATION.

216 Craven Page 2 of the bill line 9 states that in current law no deduction shall be allowed under this chapter for any amount upon which the credit allowed under the section is based.

222 Sen. Leonard Concerned that Revenue Impact Statement may overstate the amount of the impact.

230 Waters In answer, the number was taken from tax expenditure report. That number was a very rough estimate of the activity under the existing credit during prior biennia. Unless credits are explicitly identified as to what they refer to, the Department of Revenue does not have a good way to track it.

ROLL CALL VOTE: MOTION PASSES: 6 - 0

SENATORS VOTING AYE: DUKES, DUNCAN, HARTUNG, LEONARD, BRYANT, BAKER.

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

CLOSED WORK SESSION ON ST 1147

OPENED PUBLIC HEARING ON SB 774

259 Stephen Kafoury Wildlife Society and Fisheries Society are two groups of professional biologists. Their people work for state and federal government agencies, universities, as independent consultants, etc. Main role at the legislature is to provide scientific information.

290 Steven Smith Exhibit J - Written testimony. Professional fisher/biologist in Oregon for 20 years. Knows fisheries are in jeopardy at this time. Supports amendment to remove sunset clause so the program can continue indefinitely. Would recommend two other amendments to the bill. Right now it is limited to 100 streambank miles in any county in any given year. This limitation has not been a problem in the past because of lack of participation. But given Oregon's accelerated efforts in fish habitat and riparian protection which will occur over the next few years with the coastal salmon initiative, etc. there will be other similar plans for steelhead elsewhere in the state. Would be wise to extend limitation to 200 streambank miles per county per year.

321 Smith Second amendment he would recommend is that the bill presently applies to farm and forest land only. Twenty years ago when bill was first proposed the legislature felt it should not apply to urban land. The main concern was the effect on property tax revenues to local governments. Today it should apply to urban lands as well because as more farm and forest lands are converted into rural residential categories, the riparian tax incentive should apply to those lands as they are added. Growth is inevitable. Proper incentives

must be set up now.

- 350 Smith Riparian lands are those closely associated with streams and rivers. In this bill it is defined as 100 feet within a stream or river. This strip of land is very important to fish in the streams, water quality, and water quantity. Development has compromised this area of land, so the quality and quantity of water goes down, fish populations decline, etc. Streams with good riparian streamside vegetation are much more healthy.
- 366 Chair Baker Asked what the credit does.
- 367 Smith Land owners, if they apply for the credit, do not have to pay property tax on that strip of land. Because it is restricted now to forest and farm land, it is not a lot of money for a 100 foot strip for those kinds of land designations.
- 382 Chair Baker Proposes to come back to this bill and work with economist, Brian Reeder on two amendments.
- 389 Sen. Bryant Stated that the program is voluntary to land owner. Program has worked well where it has been enacted.
- 398 Patricia Snow In support of proposed SB 774 and its amendments. Riparian tax incentive program has been in effect since 1981. Currently 110 participants covering approximately 61 linear riverbank miles. Anticipates increased participation in future in wake of coastal salmon initiative. There has been significant new interest in the Department's companion fish habitat tax credit program over the past few years. There is a bill to remove the sunset for that program as well.
- 420 Sen. Leonard Asked why there was a sunset date at all.
- 421 Snow Stated both programs were due to sunset in 1989 but were extended to 1997.
- 430 Chair Baker Stated this bill would be brought back for further discussion.
- 433 Kafoury Stated this legislature has worked very hard to ensure that salmon protection work is done on a voluntary basis rather than become regulatory. This bill is a good example of fitting in with the Governor's plan.
- 443 Chair Baker Adjourned meeting at 10:04 a.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

-

Exhibit Summary:

A. SB 414, Scherzinger, (-4) Amendments, (CW/ps) 4/22/97, 6 pages

B. SB 414, Scherzinger, Outline of Changes, 1 page

C. SB 414, Scherzinger, (-4) Hand Engrossed, 6 pages

D. SB 414, Scherzinger, Senate Bill 414, Hand Engrossed, 3 pages

E. SB 1147, Waters, Revenue Impact Statement, 1 page

F. SB 1147, Waters, Fiscal Impact Assessment, 1 page

G. SB 1147, Hawkins, Written testimony, 4 pages

H. SB 1147, Waters, Internal Revenue Service Codes, 1 page

I. SB 1147, Waters, Contributions of Computer Equipment, 1 page

J. SB 774, Smith, Written testimony, 1 page

K. SB 774, Reeder, Revenue Impact Statement, 1 page

L. SB 774, Reeder, Fiscal Impact Assessment, 1 page