

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.

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Work Session with Invited Testimony
HB 2255, 2256, 2064
Tapes 107-109 A & B, 110 A

House Committee on
State and School Finance
March 13, 1995 Page

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HOUSE STATE AND SCHOOL FINANCE COMMITTEE

MARCH 13, 1995 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Rep. John Schoon, Chair
Rep. Ron Adams
Rep. Lee Beyer (excused 9:40 am late arrival)
Rep. Tony Federici, Vice Chair
Rep. Tim Josi
Rep. Jane Lokan
Rep. Anita Rasmussen
Rep. Ken Strobeck
Rep. Jim Welsh (9:55 excused late arrival)

Witnesses Present: David Allen, Youth Employment & Empowerment Coalition
Mike Grainey, Department of Energy
Bill Nesmith, Department of Energy
Alan Seymour, Business Control Division
Rep. Avel Gordly, District 19
Rep. Margaret Carter, District 18
Brent Gunderson, Oregon Solar Energy Industries Association
Joe Misek, Department of Forestry
Jim Craven, American Electronics Association
Jerry Fisher, Hewlett Packard

Staff: James Scherzinger, Legislative Revenue Officer
Rhonda Wehler, Committee Assistant
Steve Bender, Legislative Revenue Office

TAPE 107 SIDE A
004 Chair Schoon -calls the meeting to order at 8:30 am and conducts administrative business
OPENS WORK SESSION HB 2255
007 Mike Grainey -refers to Exhibit A, Examples of Recent Business Energy Tax

Credit Projects
056 -cites examples, page 4, Rental Weatherization Projects
079 -refers to page 5, Alternative Fuel Projects and the Business Energy Tax

Credit
130 Allen Seymour -confirms permit not required for insulation of any buildings of existing housing
-for new construction many requirements, insulation levels for walls, ceilings and underneath house, high performance windows
141 -model energy code is national energy measurement code
-Oregon codes meet or exceed national energy codes
162 All -questions and discussion
180 Grainey -notes no federal tax credit exists
208 -refers to page 6, Exhibit A, Key Points
265 -individual weatherization tax credit discontinued in 1985
289 Bill Nesmith -says businesses reluctant to invest in something with more than a 2 year payback
-many will purchase energy efficient equipment to get tax credit
-energy investment competes with other plant investments, so tax credits

incentive
351 -explains two step process, businesses pre-approved for projects, then complete project and apply for credit when project is done, 2 year waiting process
384 -three year carry-forward is good provision

TAPE 108 SIDE A
004 Vice Chair Federici -refers to Exhibit C, 3/10/95

013 Grainey -explains calculation methods for energy income tax credits,
intent to give maximum amount of credit to systems that work best
034 -solar systems used to generate space or water heating, determined by
kilowatt hours
051 -alternative fuel projects are vehicles used by businesses
079 Rep Josi-asks why electricity should be an alternative fuel in time of
electricity shortages
084 Grainey -alternative fuel because of air quality
-national security seeking fuels not dependent upon propane
-need central generating plant for electricity if widely used
-coal will not be widely used in Northwest since close to Canadian natural
gas plants
139 David Allen -explains Youth Employment & Empowerment Coalition of 16
agencies in Portland
228 -says incentive must be provided to encourage employers to hire
gang-affected youth
-mentor helps youth with practicalities of employment
338 Margaret Carter -stresses adding terms race and gender would make program
cumbersome
-Emphasizes not just NE Portland problem, but state-wide problem
378 Carter -encourages no overhead expenses, use one agency to administrate
-refers to Exhibit B, Suggested Amendment to HB 2255, inclusion of academic
progress requirement
TAPE 107 SIDE B
023 Allen -says coalition could certify youth to Employment Division for job
placement
059 Avel Gordly -notes coalition is community based initiative with 30
agencies
-initiative provides another resource to prospective additional employers
114 Allen -both white and black businesses are targeted
184 All -questions and discussion
294 Steve Bender -refers to Exhibit C, Limiting Dollar Impact of
Gang-Affected Youth Employment Credit
324 -refers to HB 2255, Sections 19-20, dealing with alternative energy
device credit
-applies to owner-occupied or rental residences
-calculation of credit based on amount of electrical energy saved (\$.60 x
first year of energy kilowatt savings)
TAPE 108 SIDE B
005 -refers to Revenue Impact, Exhibit C, 3/10/95
-Department of Energy will certify contractors who install devices with
specific calculated dollar amounts
-no limits on amounts that can be re-certified each year
-credit taken in year in which device is installed
093 -refers to Exhibit B, 3/10/95
126 Grainey -says tax credit has helped develop technology
-significant small business element
-public policy benefit is that solar energy is cleanest energy, most
promising and effective but not competitive with other options
-market does not always work right (i.e. energy embargo) incentives more
effective than price controls
189 Nesmith -explains geo-thermal using coil in ground to draw heat from,
used where other alternative methods not easily assessable
246 -cites biggest users of energy
-pools and spas
-hot water heating
-geo-thermal ground heat pumps
261 Nesmith -discusses reasons to continue tax credit
-good public policy to encourage use of solar power
346 All -questions and discussion
390 Nesmith -distributed Exhibit D, Business Energy Tax Credit Program &
Exhibit E, Systems Receiving Final Approval
TAPE 109 SIDE A
030 Bender -discusses credits relating to Solar tax credits HB 2255
160 All -questions and discussion
265 Brent Gunderson -expresses support of HB 2255
Gunderson -explains comparison of other states credits to Oregon
-discusses how the credit has helped companies
-solar energy 70% exported out of country, good for balance of trade
deficits, adds employment
TAPE 110 SIDE A
018 -says no advantage to adding manufacturing initiatives to bill
091 Acting Chair Beyer -CLOSES WORK SESSION HB 2255
037 -OPENS WORK SESSION ON HB 2256
034 Steve Bender -explains reforestation credit, Section 5 of bill
-refers to page 121, Exhibit B, 3/10/95
-to qualify must have preliminary certification by Forestry Department
-can claim 15% of costs involved to replant
-after two growing seasons Department verifies planting, then qualified for
15% more, plus 30% of qualified maintenance costs
-must have costs of \$500 and own 5 acres of forestry land
-extends sunset to 2001
-revenue impact reduces General Fund by \$30,000 this biennium and \$700,000
next biennium
119 Joe Misek -explains 1979 10% credit not successful
-eligibility changed in 1989 to include 5 acre owners at 30%
-targeted at under-producing areas
-being used more because of extra provisions
-recommends leaving credit at current level
248 Steve Bender -says qualified research activities credit tied to parallel
federal credit
-Oregon credit more restrictive
-credit for increasing amount of research and development activities
-base amount percent of gross receipts for 1984-88 period, increase is from
that base amount

-for companies not operating then, federal rules are followed (3% of
 adjusted gross receipts in last 3 years)
 Bender -federal credit is equal to 20% of excess from base
 -state credit is equal to 5% of excess
 331 -company must segregate out total research payments for Oregon only
 -fields that qualify are limited
 -explains limitations of \$500,000 per year or 1/3 of taxes owed before
 credit is claimed
 359 -refers to page 119, Exhibit B, 3/10/95
 -disconnects sunset from federal credit sunset to Dec. 31, 2001
 -says implements 3 year carry-forward for credit, 10 year carry-forward for
 new companies
 TAPE 109 SIDE B
 009 -repeals requirement that research be limited, expands scope of activity
 to include companies qualified under federal
 018 -explains alternative research tax credit
 Bender -equal to 5% of research
 -extends sunset
 -implements 3/10 year carry-forward
 -increases maximum form \$50,000 to \$500,000
 051 -triples revenue impact of credit
 064 Jim Craven -recommends defining credit be included in both sections
 regarding research tax credit
 086 -says \$50,000 cap not incentive to large companies to continue research
 -adding carry-forward makes bill more helpful to small company
 113 Jerry Fisher -says original bill was set for \$500,00 cap, but was
 decreased
 -research tied to new jobs
 141 -explains Hewlett-Packard chose Corvallis location for continuing
 education component with Oregon State
 181 Acting Chair Beyer CLOSES WORK SESSION ON HB 2256
 OPENS WORK SESSION ON HB 2064
 215 Frank Brawner -presents Exhibit G, Oregon Laws
 -presents Exhibit H, Proposed Amendments
 239 Acting Chair Beyer CLOSES WORK SESSION ON HB 2064
 239 -adjourns meeting at 11:40 am

Rhonda Wehler, Committee Assistant

Kimberly Taylor James, Office Manager

Exhibit Summary

A. HB 2255, , Grainey, Examples of Recent Business Energy Tax Credit
 Projects, 3/13/95
 B. HB 2255, Carter, Suggested Amendment to HB 2255
 C. HB 2255, Bender, Limiting the Dollar Impact of the Gang-Affected Youth
 Employment Credit, 3/13/95
 D. HB 2255, Nesmith, Business Energy Tax Credit Program
 E. HB 2255, Nesmith, Programs Receiving Final Approval, 1/9/9
 F. HB 2255, Bender, Proposed Amendments, 3/10/95
 G. HB 2064, Brawner, Oregon Laws
 H. HB 2064, Brawner, Proposed Amendments