

Work Session HB 2004, 2196, 2630, SB
333A
Public Hearing HB 2260
Tapes 188-189 A & B
.

HOUSE STATE AND SCHOOL FINANCE COMMITTEE
APRIL 26, 1995 8:00 AM HEARING ROOM A STATE CAPITOL
BUILDING

Members Present: Rep. Tony Federici, Vice Chair

Rep. Tim Josi
Rep. Jane Lokan
Rep. Anitra Rasmussen
Rep. Ken Strobeck
Rep. John Watt
Rep. rlm Welsh

Members Excused: Rep. John Schoon, Chair

Rep. Lee Beyer

Witnesses Present: Arthur Fish, Oregon Economic Development Department

John Hall, Portland Development Commission
Neil Koehler, Parallel Products
Tom Kovick Parallel Products
John Charles, Environmental Council
David Barenburg, League of Oregon Cities
Bill Penhallow, Association of Oregon Counties
John Burns, Western States Petroleum Association
Rep. Tom Brian, District 9

Staff: James Scherzinger, Legislative Revenue Officer

Rhonda Wehler, Committee Assistant
Dick Yates, Legislative Revenue Office
Steve Meyer, Legislative Revenue Office

TAPE 188 SIDE A

004 Acting Chair Federici calls the meeting to order at 8:15 am and
conducts administrative

business

007 OPENS WORK SESSION ON HB 2004

026 Dick Yates -refers to Staff Measure Summary, Exhibit A

-explains bill provides exemption against motor vehicle fuel tax and use
fuel taxes which are currently .24 per gallon

.24 per gallon

-refers to -4 Proposed Amendments, Exhibit C

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Yates -to be eligible, fuel must be manufi~d by a company that
manufactured and sold not more than 10 million gallons in the prior
calendar year

094 Neil Koehler -informs grass straw companies were displeased with not
being eligible

for tax credit

114 Yates -notes bill limits amount of exemptions

-limit for first two years is \$4 million

-in remaining periods in effect limit is \$7 million

-credit due to sunset in 2001

-refers to Revenue Impact, ExHB it B, estimated at \$12.2 million from
highway fund for 1995-97 biennium

193 Tom Kovick -expresses approval of bill

188 -notes bill originally drafted without a sunset

-cites clean air benefits and economic benefits

explains 1991 bill was poorly draDed, allowing unlimited .5 per gallon
incentive, which became \$30 million bile and did not ensure an Oregon
bill

284 Rep Strobeck -asks effect upon pricing in federal credit

288 Kovick -replies even with federal credit, not enough incentive for
marketers to

use ethanol on a year round basis

-notes federal credit is 5.4% of 10% ethanol blend

-ethanol not being blended in Oregon except for octane, which is small market
-profits hard to anticipate
-capital investment in ethanol plants is \$24 per gallon, approximately \$30 million dollar investment
-adds his company would build in another state without incentive provided in bill

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TAPE 189 SIDE A

012 Rep Watt-explains incentive offered to many businesses to locate in given area

033 Kovick -asks true benefits to Oregon beyond disposing of waste
-notes bill has received broad support from diverse groups, support

057 Koehlf -opportunity for rural economic benefit
-narrow drafting is less than .5% of road fund
air -notes ethanol is 50% cleaner than gasoline in how it burns in

-technology is simple for pure ethanol automobiles
-bill would provide major move to convert buses from diesel to ethanol
-incentives necessary to lower wholesale cost to compete with gasoline and provide lower cost of fuel to consumer
-predicts 4-10 facilities to be built in Oregon by next session

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199 Rep. Tom Brian -summarizes legislative history re: ethanol issue
-fuel credit not needed in winter months, since Federal Energy Act in winter months, since Federal Energy Act requires use of ethanol

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Rep. Brian -credit benefited mainly out-of-state companies
-when temperatures rose above 70's in summer months, air quality

had

negative effect with use of ethanol
-legislature repealed tax credit which was benefiting out-of-state companies and replaced with property tax credit for companies who built in Oregon
-notes bill results in \$15-20 million loss from highway fund
-California has no similar subsidy, but has ethanol businesses successfully operating there
-stresses bill is poor tax policy

378 ~Ice Chair Federici -discussion about tax incentives in business development

TAPE 188 SIDE B

005 Rep. Brian -suggests subsequent referral to Ways and Means

028 John Charles Opposes bill good idea, wrong tax mechanism
-suggests solutions:
-recognize future in road finance is in electronic toll fees, then decreasing fuel tax to pay for roads that aren't toll roads
-collect mileage-based pollution charges (for vehicles using ethanol, consumer would pay substantially less)

116 David Barenburg -concerned with revenue loss from bill
-communities struggling to maintain safe and efficient network of highways in state
-stresses highway funds are for safe roads, not for economic development

180 Bill Penhallow -expresses concerns for cumulative impact, since counties have already

taken \$5 million hit last fiscal year, \$6 this fiscal year, fewer road funds available with shared revenue

178 John Burns -notes property tax exemption benefits Oregon producers
-fuel tax benefits out-of-state producers
-Washington state repealed similar bill two years ago due to market inequities and disruption

248 Vice Chair Federici -all marketers mandated to use ethanol in winter months
-CLOSES WORIC SESSION ON HB 2004

265 -OPENS PIIBUC HEARING ON HB 2260
-recesses meeting at 9:30 am.
270 -reconvenes meeting at 9:45 am
-REOPENS PUE LIC HEARING ON HB 2260
272 Steve Meyer -explains bill extends sunset dates for enterprise zones
from December

31, 2002 to June 30, 2009
-extends 10 year zone designation to following June 30 (end of tax
year) after termination date to coincide with tax year
-when individual zones terminate, Department of Economic
Development can designate replacement zones to compete, so overall,
determine economic hardship zones

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323 Arthur Fish -refers to Exhibit I, Written Testimony
-refers to Summary, Exhibit J, analyzing implications of HB 2260

TAPE 189 SIDE B

-notes bill would permit a full review of existing zones and open up
zones that might be desired by communities currently lacking an
enterprise zone

025 Fish -informs Attorney General finds residency requirements in enterprise
act to be unconstitutional
-HB 2140 has been amended to make requirements constitutional
-setting up formula for enterprise zones should be left to local
jurisdictions
-notes Economic Development Department proposes deleting all
unconstitutional residency requirements, and clearly places
verification
for compliance on zone sponsors, rather than county assessors
-for all five year exemptions local jurisdictions rely on own authority
-would circumvent constitutionality problem
-would achieve other goals, targeting groups such as dislocated
workers
-zone sponsors include cities and/or counties
-summarizes 35 enterprise zones in 21 counties in state
-all zones expire after 10 years, offering 3 year exemption on property
taxes, must comply with hiring, only primary industries can receive
exemptions, must increase full time employment by 10%
-almost 7,000 jobs have been created due to enterprise zones

199 ~Ice Chair Federici -CLOSES PUBLIC HEARING ON HB 2260
-adjourns meeting at 10:30 a.m.

Rhonda Wehler, Committee Assistant Kimberly Taylor Office Manager

Exhibit Summary

A HB 2004, Yates, Staff Measure Summary
B. HB 2004, Yates, Revenue Impact, 4/25/95
C. HB 2004, Yates, -4 Proposed Amendments,
4/25/95
D. HB 2004, Robinson, Memo, 4/20/95
E. HB 2004, Farm Bureau, Written Testimony
F. HB 2004, Oregon Food Processors Council
G. HB 2260, Meyer, Fiscal Impact, 3/14/95
H. HB 2260, Meyer, Revenue Impact, 3/17/95
I. HB 2260, Fish, Written Testimony, 4/26/95
J. HB 2260, Fish, Summary
HB 2260, Fish, Summary
K HB 2260, Hall, Written Testimony, 4/25/95

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L. HB 2196, Yates, Fiscal Impact, 4/24/95
M HB 2196, Yates, Staff Measure Summary
N. ~ 2196, Yates, Revenue Impact, 4/25/95
O. HB 2196, Yates, -2 Proposed Amendments, 4/25/95

P. SB 333, Yates, Revenue Impact, 4/25/95
Q. SB 333, Yates, StaffMeasure Sun una~y
S. SB 333, Yates, -A34 Proposed Amendments,
4/26/95

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