

Public Hearing 2071

Tapes 27-29 A/B

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HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME
TAXATION

FEBRUARY 16, 1993 8:00 AM HEARING ROOM C STATE CAPITOL
BUILDING

Members Present: Representative John Schoon, Chair

Representative Ron Adams

Representative Tony Federici

Representative Delna Jones, Ex Officio

Representative Gail Shibley

Representative Greg Walden

Witnesses Present: Rep. Bill Markham, Republican from Riddle

Fred Hansen, Director, Department of

Environmental Quality (DEQ)

William Wessinger, Chairman of the Environmental Quality Commission

John Fink, Tax Credit Program Coordinator for Department of Environmental
Quality

Jim Whitty, Associated Oregon Industries (AOI)

Ken Gibson, Weyerhaeuser Company

James Craven, American Electronics Association David Nelson, Oregon Seed

Council and Oregon Dairy Farmers Association

Mike Sims, Hanneman and Associates

Gene Alexander, Entek Manufacturing Inc.

Jim Denham, Teledyne Wah Chang

Mark Younger, Younger Oil

Joel Ario, Oregon State Public Interest Research Group (OSPIRG)

John Charles, Oregon Environmental Council

Douglas Morrison, Northwest Pulp and Paper Assoc.

Staff: Richard Yates, Legislative Revenue Office

Mary Gottlieb, Committee Assistant

TAPE 027 SIDE A

001 CHAIR SCHOON called the meeting to order at 8:05 a.m.

005 CHAIR SCHOON opened the public hearing on HB 2071.

007 DICK YATES gave background information concerning the bill and
identified his handouts, Exhibit 1, Summary of Tax Credit Program, and
Exhibit 2, Pollution Control Tax Credit. The only change to the bill is
that it moves the sunset date to June 30, 1993.

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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Discussion and questions.

246 REP. MARKHAM testified in opposition to pollution tax credits. He gave
a short history of Oregon's mining industry.

325 FRED HANSEN (with JOHN FINK and WILLIAM WESSINGER) testified in support
of HB 2071. They presented Exhibit 3, a letter from DEQ. FRED HANSEN
believes the primary issue is the fact that the program does not generate

environmental benefit beyond what would have been gained in the absence of a program.

TAPE 028 SIDE

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001 The DEQ representatives continue their testimony.

040 FRED HANSEN gave testimony concerning the importance of pollution control. Two pollution control requirements that are being met are (1) activities that are associated with the production of products, and (2) proper waste disposal associated with these activities.

Discussion and questions. -

135 WILLIAM WESSINGER testified that the objective of the commission is to have the legislature look at the bill, then if they wanted to pick out certain industries, they could change the sunset date on those industries only.

160 FRED HANSEN presented information about Oregon pollution laws. Before the federal Clear Water Act, the State of Oregon was imposing a number of environmental requirements.

Discussion and question.

258 JOHN FINK gave specific information on formulating a return on investments as contained in DEQ's Administrative Rule.

Discussion and questions.

TAPE 027 SIDE B

001 Further testimony from FRED HANSEN, JOHN FINK, AND WILLIAM WESSINGER, emphasizing underground storage tanks and recycling.

Discussion and questions.

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061 FRED HANSEN testified that the process requires final certification, construction must be substantially completed by the time of application, and all legitimate costs that are associated with that activity are eligible costs.

Questions and discussion.

171 FRED HANSEN went on to explain Exhibit 3. They recommend that the sunset date be changed to June 30, 1993.

Discussion and questions.

306 REP. SHIBLEY turned the discussion to benchmarks with regard to air quality and other pollution requirements.

More discussion on this topic.

TAPE 028 SIDE B

001 Discussion continues on pollution tax credits.

062 JIM WHITTY (with KEN GIBSON) presented Exhibit 4, Testimony of AOI in Opposition of HB 2071. In the future, the pollution control tax credit will be more important to Oregon's economic well being than ever before.

151 KEN GIBSON also gave testimony in opposition to HB 2071 and presented Exhibit 5. Because of the extra environmental spending required to meet Oregon DEQ standards, most mills in the state are marginal financially.

206 JIM CRAVEN with JOHN AARON) testified against this bill.

JIM CRAVEN believes this bill would put too much pressure on Oregon industries and would keep companies and jobs out of Oregon. Two examples of

companies that go beyond the regulatory requirements are (1) Praegitzer Industries in Dallas, and (2) Intel Corp. of Beaverton.

Questions and discussion

300 DAVID NELSON presented Exhibit 7. He stated that the purpose of the tax credit is to recognize and ease the burden placed on businesses, including agriculture, by environmental regulations.

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TAPE 029 SIDE A

001 Discussion continues with DAVID NELSON.

036 DAVID NELSON introduced Exhibit 8, Don Schellenberg's testimony, which opposes sunsetting the pollution control tax credits.

Discussion and questions.

062 MIKE SIMS presented Exhibit 9 and stated that the existence of the pollution control tax credits have helped abate the burdens of dairy farmers which, due to the nature of the milk marketing and pricing systems, cannot be passed to the ultimate consumer.

100 GENE ALEXANDER related that the Pollution Tax Credit Program has been very important to his company's success. Their environmental responsibilities go beyond the initial capital outlay for equipment.

Discussion and questions.

355 JIM DENHAM (with MARK YOUNGER) testified against HB 2071 and stated that his company has used the tax credit program to help provide financial justification for approval of capital funds from the corporate office. The credits have also helped to pay for more extensive environmental protection systems.

TAPE 030 SIDE A

001 JIM DENHAM continues with his testimony.

054 MARK YOUNGER asked the committee to continue the tax credit in HB 2071 because continuation of the credit is vital to the oil industry.

Discussion and questions.

102 JOEL ARIO (with JOHN CHARLES) offered testimony in support of HB 2071 and introduced Exhibit 12. He believes the credit program is overly broad and leads to costly subsidies to large businesses for doing nothing more than demonstrating minimal compliance with state and federal regulations.

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135 JOHN CHARLES also showed support for HB 2071. He stated nonpolluters should not help pay for the clean up costs of polluters. He also believes that the original purpose of the program has been served.

Questions and discussion.

TAPE 029 SIDE A

001 JOEL ARIO and JOHN CHARLES continued their testimony.

020 CHAIR SCHOON introduced a letter from a taxpayer from Junction City, Exhibit 14.

030 DOUGLAS MORRISON testified in opposition to HB 2071 and stated the mills must compete for business and capital~iF~many other states and countries. These credits are a tool that Oregon should use to promote sustainable industries and jobs.

070 CHAIR SCHOON adjourned the meeting at 11 a.m.

Mary Gottlieb, Committee Assistant

Kimberly Taylor, Office Manager

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EXHIBIT SUMMARY

1. Summary of Tax Credit Program, Dick Yates, Legislative Revenue Office.
2. Pollution Control Tax Credit, Dick Yates, Legislative Revenue Office.
3. Oregon State Department of Environmental Quality Testimony, Fred Hansen, Department of Environmental Quality.
4. Testimony of Associated Oregon Industries, Jim Whitty, Associated Oregon Industries.
5. Weyerhaeuser Paper Company Testimony, Ken Gibson, Weyerhaeuser Paper Company.
6. Testimony in Opposition to HB 2071, Jim Craven, American Electronics Association.
7. Statement of HB 2071, David Nelson, Oregon Seed Council and the Oregon Dairy Farmers Association.

8. Testimony, Don Schellenberg, Oregon Farm Bureau.
9. Statement in Opposition to HB 2071, Mike Sims, Hanneman and Associates, on behalf of the Tillamook County Creamery Association.
10. Testimony, Francis E. (Gene) Alexander, Entek Manufacturing Inc.
11. Testimony Regarding Pollution Control Tax Credits, Jim Denham, Teledyne Wah Chang.
12. Testimony, Joel Ario, Oregon State Public Interest Research Group.
13. Pollution Control Tax Credits - HB 2071, John Charles, Oregon Environmental Council.
14. HB 2071 - Letter to Delna Jones, Representative John Schoon.
15. Testimony on HB 2071, Douglas Morrison, Northwest Pulp and Paper.
16. Fiscal Analysis of Proposed Legislation, Legislative Fiscal Office.

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