

PublicHearing: HB 2423
Tapes 52-53 A/B

HOUSE COMMITTEE ON
HOUSE REVENUE AND SCHOOL
FINANCE
PROPERTY TAX SUBCOMMITTEE

MARCH 23, 1993 8:00 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Representative Tom Brian, Chair
Representative Mike Burton
Representative Margaret Carter
Representative Fred Girod
Representative Delna Jones
Representative Jim Whitty
Witnesses Present: Paul Meyerhoff, Manager of Transportation Development,
Oregon Department of Transportation
Jack Svadlenak, Economist, Oregon Department of Transportation
Olivia Clark, Department of Environmental Quality
Merlyn Hough, Air Quality Division, Department of Environmental Quality
Mike Grainey, Assistant to the Director, Department of Energy
Marge Kafoury, City of Portland
Elsa Coleman, Deputy Director of the Portland Office of Transportation
Roger Martin, Transportation '93
Brian Doherty, Western States Petroleum Association
Paul Cosgrove, Northwest Ethanol Fuel Association
Staff: James Scherzinger, Legislative Revenue Officer
Terry Drake, Legislative Revenue Office
Steve Meyer, Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 53 SIDE A

006 CHAIR BRIAN called the meeting to order at 8:07.

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

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009 CHAIR BRIAN opened the Public Hearing on HB 2423. He related that HB 242 3 would create a new (sooner) sunset date on the special tax rate for ethanol-blended fuel.

015 PAUL MEYERHOFF testified in support of HB 2423. The Oregon Department of Transportation (ODOT) requested HB 2423 because substantial revenues are now being lost due to the special tax.

Exhibit 1

Questions and discussion

026 PAUL MEYERHOFF responded to the question of what was "substantial" in terms of revenue losses by ODOT, stating the following: During the last three months, Highway Division revenue has been reduced by \$9 million; in

199 193, he estimated that the Highway Division revenue will be reduced \$18 million; and in 199395, this revenue will be reduced by \$40 million, all as a result of the special tax on ethanol-blended fuels (a 5 cent exemption).

Questions and discussion

044 PAUL MEYERHOFF stressed that the exemption itself violates the principles of cost responsibility, which has been taken seriously in Oregon in relation to funding highway construction. He also emphasized that the Clean Air Act of 1990 requires the use of oxygenated fuels, of which there are three kinds, which he described. Ethanol-blended fuels fits this category. The Clean Air Act requires the use of these fuels in certain areas between November 1 and February 29. Because of the exemption in place, ethanol fuels are being used significantly outside this time frame in spite of the fact that it has negative environmental impact, contributing to pollution problems in certain areas. Additionally, he expressed concern about the significant amount of money leaving ODOT (the Highway Fund) and how this effects both jobs and economic development in the state.

Questions and discussion

087 PAUL MEYERHOFF believed there are no producers of ethanol in the state of Oregon.

Questions and discussion

119 JACK SVADLENAK related that the oxygenated fuels requirement is to address a winter-time carbon monoxide problem. The problem with ethanol-blended fuels is that they tend to cause gasoline to

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evaporate, which creates a summer time ozone problem.

Questions and discussion about the loss of revenue to ODOT

140 PAUL MEYERHOFF believed that several of the oil companies support HB 242 3 and would testify to that effect.

Questions and discussion

147 PAUL MEYERHOFF discussed the use of oxygenated fuels, and the Federal government requirements concerning the use of such fuels at specific times of the year in cities such as Portland.

Questions and discussion about possible ozone problems with ethanol-blended fuels.

173 OLIVIA CLARK introduced MERLIN HUFF, whom she said would provide the members with information on ethanol and the Environmental Protection Agency (EPA).

184 MERLYN HOUGH discussed how ethanol blends can significantly reduce carbon monoxide in the air during the winter months, and how it has been used and tested in Oregon counties. He revealed the contents of various fuels and how they impact with the environment. He strongly supported the use of oxygenated fuels, of which ethanolblends are one type. He then discussed the consequences of the use of ethanol fuels in the summer months.

Questions and discussion interspersed

250 MERLYN HOUGH talked about the successful use of ethanolblended fuels here in six areas of Oregon, specifically about the overall 17% reduction in air pollutants.

Questions and discussion

296 MIKE GRAINEY said the Department of Energy supported HB 2423 for the same reasons as those of the Department of Transportation, although he spoke favorably of the aim of the original law to provide incentives for ethanol and other alternative fuels to reduce dependence on oil. He mentioned other incentives for instate producers of alcohol fuels, and that SB 12 and SB 13 would provide additional incentives if passed this Session.

Questions and discussion about possible ways to provide incentives to produce blended fuels if HB 2423 passed.

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386 TERRY DRAKE related that the production of ethanol is very capital intensive process that does not provide much labor. The blending and distribution of the fuels does involve much more labor and economic diversity. He discussed the incentive for the blending, but how there is no direct incentive for the production of these fuels. He suggested that incentives should be given on the production side, not the distribution side.

TAPE 63 SIDE A

007 MARGE KAFOURY introduced ELSA COLEMAN.

011 ELSA COLEMAN testified in support of HB 2423. Her testimony was verbatim. Exhibit 3

Questions and discussion interspersed

097 TERRY DRAKE related that there currently are no production facilities in Oregon and, therefore, the current exemption applied to fuel produced in other states.

Questions and discussion

115 MARGE KAFOURY discussed the fiscal impacts produced by her organization as a result of the tax exemption on ethanol-blended fuels. She compared her figures with those of ODOT.

Discussion

135 ROGER MARTIN believed HB 2423 was quite important in that it produced more revenue than any other of the bills proposed to fund the "Transportation Plan." He discussed the companies in Oregon that produce ethanol fuels, but he stressed that even with the exemption in place there have been no ethanol plants built in Oregon.

Questions and discussion about materials used in the production of ethanol fuels.

221 ROGER MARTIN continued his testimony in support of HB 2423, using some figures from the Division of Motor Vehicles. His figures included those about the gallons of ethanol sold in Oregon in recent years. He talked about the amount of taxes paid by the companies that sell ethanol in Oregon, most of which comes from the mid-west. He believed the purpose of the tax credit was not being

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met by those who take advantage of tax exemption. He did not believe one fuel should be artificially supported over other fuels. Exhibit 4?

355 BRIAN DOHERTY stated that his organization is a consortium of about 80 companies that explore for, produce, refine, and market motor vehicle fuels in the western states. He testified in support of HB 2423, because he believed in equal treatment of motor vehicle fuels.

380 PAUL COSGROVE testified in opposition to HB 2423. He described his association, which produces, markets, distributes, and sells ethanol fuel, but it does not include the large oil companies. He gave a brief history of exemptions that have been given to ethanol fuels; but he believed that some of these tax credits were adopted during the 1979 session and should have expired at the end of 1985, in spite of the fact that the Oregon Revised Statutes no longer contains the notation about the sunset date.

TAPE 62 SIDE

B

002 PAUL COSGROVE continued his testimony.

004 The meeting ending at 9:03 when the fire alarm sounded, and the Subcommittee did not reconvene.

Paula K. McBride, Committee Assistant

Kimberly Taylor , Office Manager

EXHIBIT SUMMARY

1. Testimony of Paul Meyerhoff II, Manager,
Transportation

Development Branch, Oregon Department of Transportation,
3/23/93

2. Testimony of Mike Grainey, Department of Energy.

3. Fact Sheet: Tax Exemption on Ethanol-Blended Fuel, Marge Kafoury, City
of Portland.

4. Testimony of Elsa Coleman, Portland Office of Transportation.

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