

Public Hearing & Work Session: SJM16
SB 881B
HB 3686
Tapes
209 -210
A/B
211 A

HOUSE COMMITTEE ON
REVENUE AND SCHOOL
FINANCE

JULY 28, 1993 8:00 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Representative Delna Jones, Chair
Representative John Schoon, Vice Chair
Representative Tom Brian
Representative Mike Burton
Representative Margaret Carter
Representative Tony Federici
Representative Fred Girod
Representative Gail Shibley
Representative Greg Walden
Representative Jim Whitty

Members Absent: Representative Ron Adams

Witnesses Present: Bruce Bolitho, RESIST

George Lough, RESIST

John Vogl, Retired Military, Portland

Karen Brazeau, Department of Education

Bob Jester, Acting Superintendent, McLaren

Roz Slovic, Eugene

Bill Scott, Director, Oregon Economic

Development Department Jon Jaqua, Assistant Director, Oregon Economic
Development Department

Mark Huston, Manager of Business Finances,

Oregon Economic Development Department

Bob Cantine, Association of Oregon Counties

B.J. Smith, League of Oregon Cities

Staff: James Scherzinger, Legislative Revenue Officer

Steve Meyer, Legislative Revenue Office

Richard Yates, Legislative Revenue Office

Paula McBride, Committee Assistant

TAPE 209 SIDE A

004 CHAIR JONES called the meeting to order at 11:34, and she conducted
administrative business.

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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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016 CHAIR JONES opened the Public Hearing on SJM16.

023 BRUCE BOLITHO gave a brief history why he was interested in SJM16 and
the issue it represented.

033 GEORGE LOUGH talked briefly about his organization. He also mentioned
hearings held by a subcommittee in the U.S. House of Representatives on the

issue contained in SJM16. He supported the legislation because it would "stop the outflow of funds from Oregon, particularly to California."

050 JOHN VOGL explained his support for SJM16, which he believed would help prevent his tax money from going to places other than Oregon.

Questions and discussion

078 DICK YATES briefly explained SJM16, which related to the taxation of income from retired persons regardless where the income was earned. He talked about the process many states have of issuing "tax credits" on mutually-taxed income, and the problems that arise when these tax credits were not available.

104 CHAIR JONES closed the Public Hearing and opened the Work Session on SJM16.

111 MOTION REP. SCHOON moved to adopt the amendments SJM16-1 to SJM16.

112 DICK YATES explained the amendments SJM16-1, the most important of which was on line 22. Exhibit 1

NO DISCUSSION

131 ORDER There being no objection, CHAIR JONES so ordered.

132 MOTION REP. SCHOON moved SJM16 as amended to the House Floor with a do-pass recommendation.

DISCUSSION

144 VOTEThe motion passed 10-0. Ayes:
REPS. BRIAN, BURTON, CARTER,
FEDERICI, GIROD, SHIBLEY,

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WALDEN, WHITTY, SCHOON, and CHAIR JONES.

154 CHAIR JONES closed the Work Session on SJM16.

156 CHAIR JONES opened the Public Hearing on SB 881B.

157 JIM SCHERZINGER described the three major things that SB 881B, would accomplish, based on his "Staff Measure Summary." Exhibits 36

190 KAREN BRAZEAU testified in support of SB 881B, and she mentioned the names of other individuals and organizations- that also supported this bill.

213 BOB JESTER stated his support of SB 881B.

220 CHAIR JONES mentioned that SB 881B came from the House Education Committee (on which two House Revenue and School Finance Committee members sit) with its recommendation.

Discussion of SB 881B

226 ROZ SLOVIC revealed that she had introduced SB 881B and, obviously supported it. She believed that children who are part of the Corrections Department should not be deprived of an equal education.

Discussion

260 CHAIR JONES closed the Public Hearing on SB 881B and opened the Work Session on SB 881B. She asked those members who had served on the House Education Committee to comment on the bill.

260 REPS. WHITTY AND SCHOON provided members with additional information from the House Education Committee proceedings in support of SB 881B.

Questions and discussion

307 MOTION REP. SCHOON moved SB 881B to the House Floor with a do pass recommendation.

NO DISCUSSION

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312 VOTE The motion passed 10-0.

Ayes: REPS. BURTON, CARTER, FEDERICI, GIROD, SHIBLEY, WALDEN, WHITTY, BRIAN, SCHOON, and CHAIR JONES.

Excused: REP. ADAMS.

321 CHAIR JONES closed the Work Session on SB 881B.

323 CHAIR JONES opened the Public Hearing on HB 3686, which was introduced on behalf of the Oregon Economic Development Department (OEDD).

335 BILL SCOTT briefly introduced the subject about which HB 3686 was centered, related to revenue bonds "key industries" in Oregon.

363 JON JAQUA provided some background to the "history and philosophy" of HB 3686. He said that the Legislature this session had made clear that they believed OEDD was not doing enough to create jobs in Oregon, and that they had decided to more "proactive in this area," especially as related to retraining. He pointed out that over 300,000 jobs had been created over the last decade; however, two third of these were less than family-wage jobs. He spoke about the dislocation of workers, and how the closure of Trojan had severely impacted Columbia County. He reviewed the reasons why Oregon lost the expansion of a major company to another state, and he discussed some "substantial projects" (over hundreds of millions of dollars) that other companies were considering. He believed these hadn't occurred in Oregon over the past years because of the "inequity of the tax structure" here. HB 3686 was devised to remedy what he believed were the tax system disinclinations for "key industries" in Oregon. The projects HB 3686 would cover "over the biennium would only be half a dozen."

His testimony was based on a handout given to members.

Exhibit 7

TAPE 210 SIDE A

002 JON JAQUA continued his testimony in support of HB 3686. He discussed the rational and content of HB 3686, which would allow the State to bond projects and provide property tax exemptions for companies. He described how this would work in communities in Oregon. He talked about the possible contributions of companies in the project that HB 3686 would fund, and he reviewed the benefits for local government. Exhibit 7

Questions and discussion

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131 JON JAQUA related that there were 135 "distressed" areas of the state, and he provided information about this particular designation and what it meant in the different areas.

Questions and discussion

158 JON JAQUA explained why he thought the property tax system in Oregon was an inequitable one.

Questions and discussion concerning this issue with JON JAQUA and MARK HUSTON

221 CHAIR JONES conducted administrative business.

239 CHAIR JONES recessed the meeting at 12:18 and VICE CHAIR SCHOON

reconvened at 2:17.

247 Questions and discussion continued between members, JON JAQUA, and MARK HUSTON concerning HB 3686. They first explored the issue of "local hiring" by companies who qualified for the revenue bonds in the bill.

273 Members and the witnesses discussed "tax increment financing" (bonds) for local projects, specifically how HB 3686 would effect such financing.

324 Members and the witnesses discussed the term "unlimited bonding authority" (page 5-6 of HB 3686). The bonds authorized by HB 3686 would be revenue "conduit" bonds, which JON JAQUA described.

342 Members and JON JAQUA discussed the time limitations of HB 3686.

360 Members and JON JAQUA reviewed the process of consideration of HB 3686 thus far in legislative bodies, specially as related to SB 5049.

370 Members and the witnesses explored the process of analyzing the ramifications and benefits of HB 3686.

386 MARK HUSTON explained to the members the process of how the bonds would be approved and issued, and he believed it would have to be determined that the bonds were "cost effective" under the statutory requirements for OEDD by the Oregon Economic Development Commission. He explained the make-up and purpose of this

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commission, and decisions relevant to this commission that the current Legislature was considering. He informed members that the State would not guarantee the bonds that would be issued under HB 3686.

Questions and discussion

TAPE 209 SIDE B

002 Questions and discussion continued between members and witnesses, specifically concerning whether or not HB 3686 would require an analysis of the ability of a company to repay bonds issued under the authority of this bill.

029 JON JAQUA addressed the issue of the State of Oregon "buying business" through various tax relief measures. He believed HB 3686 would be "just another tool" to continue the economic development of Oregon.

044 VICE CHAIR SCHOON introduced visitors to the hearing.

049 VICE CHAIR SCHOON raised concerns about providing another reduction in taxes for businesses under HB 3686 just "to beat the bids" from other states.

Questions and discussion

084 MARK HUSTON relayed that the revenue bonds in HB 3686 would be taxable bonds, but could be potentially exempt from the State Income Tax under certain conditions, which he described.

093 REP. SHIBLEY asked the witnesses if they could accept amendments to HB 368 6, specifically the elimination of Sections 3, 4, and 5 (which would still provide the bonding capability but not offer the property tax exemption).

Discussion

154 MARK HUSTON believed that Section 7 was also an essential part of HB 368 6.

Questions and discussion

165 JON JAQUA said OEDD's intent for determining the length of the exemption of property taxes for companies that receive a bond under

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HB 3686 would be part of the negotiations on the local level.

Questions and discussion -

184 JON JAQUA examined the issue of "buying business" in Oregon (encouraging business to locate in this state as opposed to another). He discussed four areas that OEDD thought were necessary for a good business environment in the state. He reiterated that the high property taxes in Oregon badly defeated many of the goals of businesses.

Questions and discussion

215 REP. WHITTY wanted to know why any business coming to Oregon would not apply for a bond under HB 3686 since, otherwise, they would have to pay their property taxes.

Discussion

247 REP. WHITTY questioned the fairness of the OEDD being able to define by rule the term "distressed area," which was used in HB 3686.

Questions and discussion

303 MARK HUSTON discussed the fee for the revenue "passed through" bonds available through HB 3686. The Economic Development Commission, by statute, can charge a fee of up to 1/2 of 1% of on the amount of the bond issue.

Questions and discussion

311 Members and the witnesses discussed the figure set as the amount of property tax exemption that would be granted a company under HB 3686.

Questions and discussion

337 Members and witnesses explored the possibility of making bonds available to small businesses, instead of just for "key industries," under HB 3686.

Discussion

351 Members and witnesses discussed the issue of ensuring local government revenues wouldn't be effected by HB 3686.

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389 Members and witnesses explored the reasonableness and feasibility of forcing businesses to stay committed to a local community for the duration of the revenue bonds they received, and for doing their hiring locally.

TAPE 210 SIDE B

008 MARK HUSTON described a benefit of using the bond program for delivery of the tax benefit for a business under HB 3686.

018 Members and witnesses continued the discussion centered on the concern about businesses repaying revenue bonds under HB 3686.

079 MARK HUSTON informed members that the 30-year repayment limit in HB 368 6 was a maximum limit, and that the repayment limit would be negotiated between the Commission and the local community.

Discussion

090 Discussion between members and the witnesses about the eligibility for revenue bonds by businesses under HB 3686.

145 Members and witnesses discussed the benefits of "buying business" by granting various tax exemptions. JON JAQUA thought it would be more

accurate to say this was "competing at a prudent level."

Questions and discussion

160 JON JAQUA reiterated the relationship to HB 3686 of SB 5049, which was the bonding authority for all state agencies.

188 BOB CANTINE praised OEDD for their efforts to bring jobs to Oregon, and he related discussions his organization has had with OEDD about economic development in the state. He thought the projects that would be supported by HB 3686 were "unique" and that the members would have to decide "how far to go" to attract business here. He explained to members that the value of a business's property that goes on the tax roll "doesn't change the revenue to local government a dime;" rather, the tax rate of all other taxpayers would be reduced. Therefore, the local government would get no additional revenue to service the new industry, unless in compression, which he explained. HB 3686 would, in effect, create a situation where taxpayers would be asked to give up any potential tax reductions during the life of the bonds, in exchange

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for the economic benefit that might be derived.

230 BOB CANTINE explained what he thought the impact of HB 3686 would be to local government, and compared differences with the state.

258 BOB CANTINE explained amendments submitted by the Association of Oregon Counties for HB 3686. Exhibit 8

Questions and discussion

TAPE 211 SIDE A

002 Questions and discussion continued between BOB CANTINE and members regarding his proposed amendments.

016 B.J. SMITH submitted another set of conceptual amendments for HB 3686, which she believed represented a "major policy issue" that would assertively use the "property tax as an incentive tool for economic development." She reviewed these amendments, including language that would clearly stipulate the requirements involved in the process before revenue bonds were issued. Her bottom line was the local governments needed some sort of "insurance policy" from businesses who received revenue bonds for projects, concerning sharing the expenses for increased service levels.

Exhibit 9

094 BOB CANTINE supported of the efforts of OEDD in Oregon, but he urged members to take seriously his concern that "it was always easier to give someone else's money away." By this he meant that all those effected should take part in the considerations necessary for issuing revenue bonds to particular businesses.

Questions and discussion

121 B.J. thought her amendments and those of the Association of Oregon Counties were quite similar. She believed that HB 3686 would be beneficial to local communities in Oregon; however, she reiterated her concerns about going ahead with this project without having additional safeguards concerning a variety of issues, covered by her amendments.

166 BOB CANTINE said he was enthusiastic about the concept, but that he hoped "the state could come along and help with the particulars."

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174 REP. SHIBLEY asked staff for a definition of "key industry" and "distressed areas" in Oregon.

178 Questions and discussion concerning how members wanted to proceed with HB 3686.

238 JON JAQUA said he would provide members with a list of the projects the OEDD had worked on during the last decade, which would show those businesses over the \$100 million range.

Discussion continued between members and witnesses concerning aspects of HB

368 6

354 VICE CHAIR SCHOON recessed the meeting at 3:58.

Paula K. McBride, Committee Assistant

Kimberly Taylor James, Office Manager

EXHIBIT SUMMARY

1. SJM16-1, Dick Yates, Legislative Revenue Office.
2. Staff Measure Summary, SJM16, Dick Yates, Legislative Revenue Office.
3. Staff Measure Summary, SB 881-B, Jim Scherzinger, Legislative Revenue Office.
4. Staff Measure Summary, SB 881-B, Linda Sample Brown, House Education Committee.
5. Revenue Analysis of Proposed Legislation, SB 881-B, Terry Drake, presented by Jim Scherzinger, Legislative Revenue Office.
6. Fiscal Analysis of Proposed Legislation, SB 881-B, Roz Shirack, Legislative Fiscal Office.
7. Proposal: Strategic Investments Program, Jon Jaqua, Oregon Economic Development Department.
8. Amendments to HB 3686, Bob Cantine, Association of Oregon Counties.
9. Concept Amendments for HB 3686, B.J. Smith, League of Oregon Cities.