



STATE OF OREGON

Research Report

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Research Report # 3-99 (Revised 9/21)

September 1999

**REVENUE MEASURES PASSED BY THE
1999 LEGISLATIVE ASSEMBLY**

This report summarizes 1999 legislation related to revenue and school finance. The measures are divided into seven sections. The first is an overview of major legislation with significant long-term implications for Oregon's public finance system. The remaining sections provide a comprehensive summary of revenue related measures. These sections are categorized by subject. The subject areas are income tax, property tax, school finance, timber taxes, transportation taxes and miscellaneous revenue measures. Where applicable we have noted which measures have been vetoed by the Governor and which have been assigned chapter numbers in *Oregon Laws* as of this printing.

Preceding the summaries are two indexes. The first index lists measures by bill number. The second index is by general subject area.

The summaries are not intended to be a full description of the content of each bill. For more information consult the bill itself or contact the Legislative Revenue Office.

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MAJOR LEGISLATION

- SB 535** (Income Tax) Increases amount of federal income taxes that can be deducted from Oregon taxable income.
- HB 2007** (Miscellaneous) Allocates tobacco settlement revenue and establishes reserve fund.
- HB 2082** (Transportation) Increases gas tax and replaces weight mile tax with diesel tax.
- HB 2753** (Property Tax / School Finance) Gives school districts authority to put local option property taxes on ballot.
- HB 3575** (Timber Taxes) Eliminates timber harvest privilege tax and taxes forestland at 100% of assessed value.

SB 535

Under current Oregon law, taxpayers can subtract up to \$3,000 of federal incomes taxes paid from their Oregon taxable income. There is no additional subtraction allowed for federal taxes above \$3,000. SB 535, which would become effective in the 2002 tax year, raises this subtraction amount to \$5,000. It is then indexed to the rate of inflation for each year after 2002.

This legislation is significant because it changes the distribution of the personal income tax burden. In terms of Oregon's largest tax, it is clearly the most significant measure passed by the 1999 Legislature. This measure will appear on the November 2000 ballot.

Oregon first limited the amount of federal income taxes that could be deducted from state taxes in 1974. It was initially set at \$3,000. The limit was increased to \$5,000 in 1975 and \$7,000 in 1979. In 1987, the Legislature enacted comprehensive state personal income tax reform. This was in response to federal reform the previous year. Oregon's tax rates were lowered and the taxable base was expanded. The federal tax deduction limit was decreased to \$3,000 at this time. It has remained at \$3,000 since.

The federal tax deduction limit affects only those taxpayers with federal tax liability above \$3,000. Increasing the limit from \$3,000 to \$5,000 means a tax reduction of \$180 for those with federal liability above \$5,000. This is based on Oregon's 9% marginal tax rate. The state tax bill for those with federal liability below \$3,000 would be unaffected.

LRO estimated the distribution effects of raising the federal deduction cap with its micro-simulation model of the state personal income tax. This model is based on a sample of 30,000 Oregon taxpayers. The results show that 60% of the tax reduction would accrue to taxpayers with income between \$50,000 and \$100,000. Those with income below \$50,000 tend to have federal liability less than \$3,000 or at least less than \$5,000. Taxpayers above \$100,000 would receive a smaller tax reduction in percentage terms because most pay federal taxes well above \$5,000.

Because of the implementation date, this legislation has no revenue impact in the 1999-2001 biennium. It is expected to reduce personal income tax collections by \$158 million in the 2001-2003 biennium. It will first apply to a full biennium's collections in 2003-2005, and is expected to reduce income tax revenue by \$248 million in the 2003-2005 biennium.

HB 2007

This measure allocates funds received from the Master Settlement Agreement between the states and the tobacco companies. Oregon became eligible for this revenue with the passage of model legislation (SB 792). HB 2007 establishes a Health Security Fund. Earnings from the fund are to be distributed to health related programs. Allocations from the fund principle may be made under certain economic and budgetary conditions. This measure is significant because it distributes a major new long-term revenue source and it establishes a reserve fund that can be tapped in economic downturns. The Legislature referred HB 2007 to the voters for approval.

Revenue from the tobacco settlement is expected to be significant. Direct payments to the states are only one of a number of payments specified in the agreement. Total payments to the states are \$206 billion over a 25-year period. Annual payments are to be made in perpetuity. Oregon has already received its first payment (\$27.5 million) though the state cannot yet access the account. A second payment is anticipated in January 2000. Payments to Oregon are expected to total \$180.6 million for the 1999-2001 biennium and \$191.7 million for the 2001-2003 biennium.

The Master Settlement Agreement contains a number of adjustment factors that could affect the amount of payments to individual states. These include adjustments for inflation, changes in the volume of cigarette sales and tobacco market share losses to non-participating companies. The prospect of federal government claims on a portion of the state settlement has lessened with recent federal legislation.

The settlement does not designate how the funds are to be spent by the states. The Legislature in each state determines how the money is to be spent. HB 2007 outlines the Oregon Legislature's response. The measure allocates only earnings from the fund. These earnings are projected to total \$19.8 million available to be spent in the 2001-2003 biennium. The largest allocations are to county health programs (\$7.9 mil.), elderly and disabled transportation (\$4 mil.) and housing and community services (\$4 mil.).

The principle of the Health Security Fund cannot be allocated unless certain conditions are met. These conditions are designed to indicate "the presence or likelihood of an economic recession." An economic recession is defined as (1) a consecutive two-quarter decline in Oregon's seasonally adjusted payroll employment and (2) a projected General Fund deficit of greater than 1% for the current biennium. If both conditions are met, a two-thirds vote of the legislature is required to spend the fund principle.

Expenditures from the fund must be for 'health programs'. However, the Legislature has the discretion to define what is categorized as a health program. This means that once the above conditions are met, there would be considerable flexibility in allocating the funds.

Oregon is currently one of five states that do not have a stability fund. The Health Security Fund clearly qualifies as a stability fund. It can be used during budget shortfalls. Expenditures are relatively flexible.

HB 2007 does not become law unless approved by voters in the next general election.

HB 2082

This measure is significant for two reasons. First, it raises a large amount of revenue for the state transportation system through a 5-cent per gallon increase in the gas tax, higher car registration fees and increases in heavy vehicle taxes and fees. Secondly, it fundamentally changes the way Oregon taxes heavy vehicles. HB 2082 eliminates the current weight mile tax system and replaces it with a 29-cent diesel tax and a new system of registration fees for heavy vehicles.

The measure is expected to increase highway fund revenue by \$175.4 million in the 1999-2001 biennium. It is projected to raise \$206.9 million in the 2001-2003 biennium. New money available to the state will include estimated tax increases of \$91.8 million in the 1999-2001 biennium, \$113.6 million in the 2001-2003 biennium, plus net revenue from increased bonding. Following approval of a specific

project list by the Emergency Board, the Department of Transportation can issue up to \$600 million in new highway revenue bonds. Bond issues will be scheduled to meet revenue requirements as construction on these new projects begins. A portion of the increased tax revenue will be used to meet the debt service obligations of these new bonds.

Counties and cities are to receive roughly one-half of the new revenue through a combination of general formula sharing and special allotments. The measure also allows counties to impose an additional \$10 annual car registration fee if a majority of the County Commissioners approve.

Basic vehicles, those less than 8,000 pounds, will face a 2-cent fuel tax increase on November 1, 1999. A further 3-cent increase will take place on January 1, 2000. Basic vehicle registration fees are scheduled to rise by \$10 on January 1, 2000. The measure is expected to raise \$136.5 million from basic vehicles in the 1999-2001 biennium and \$191.3 million in the 2001-2003 biennium.

HB 2082 eliminates Oregon's weight mile tax on heavy vehicles effective July 1, 2000. A 29-cent diesel fuel tax is imposed at the rack or distributor level on that date. The new legislation outlines the new administrative structure necessary to implement and enforce the diesel tax system. The diesel tax is projected to generate \$133.1 million in revenue for the 1999-2001 biennium and \$270 million when fully implemented for the 2001-2003 biennium.

The diesel tax is expected to generate roughly one-half the revenue of the existing weight mile tax. This means that heavy vehicle registration fees have to be increased significantly for their share of revenue to remain proportional to their share of highway costs. HB 2082 raises registration fees for commercial vehicles above 26,000 pounds by a factor of 11.5 on July 1, 2000. A further increase is scheduled for July 1, 2002. Registration fees are also adjusted for vehicles between 8,000 and 26,000 pounds.

The new registration fee structure is made up of a fixed fee and a variable fee. The fixed portion is 18 percent of fee revenue with the variable portion accounting for the other 82 percent. The measure contains numerous exemptions and limits for special categories of vehicles. These categories include investor-owned utility vehicles, garbage trucks, dump trucks and lower weight trucks with low mileage.

The new law is designed to allocate user costs between heavy and light vehicles in the proportions recommended by the 1999 Highway Cost Allocation study. This study, which allocates shares of different types of expenditures among vehicle weight classes, indicates that heavy vehicles should pay for 36.2 percent of the estimated highway expenditures in 2000. The remainder is allocated to basic vehicles.

The previous cost allocation study used to establish current rates indicated that heavy vehicles are responsible for 37.7 percent of highway expenditures. The reduced share is due to a different mix of expenditures and changes in the trucking industry. The effect of the new cost allocation study is to reduce the amount of the heavy vehicle fee increase from what it would have been under previous law. Revenue from heavy vehicles is \$38.9 million higher in the 1999-2001 biennium and \$15.6 million higher in the 2001-2003 biennium than it was projected to be under the weight mile system using the previous cost allocation study results.

Finally, the 1999 legislation requires that the Legislative Assembly adjust the fees and tax system to ensure that cost shares between heavy and basic vehicles be consistent with updated cost allocation studies. The measure also establishes a process for making adjustments if heavy vehicle revenue falls 5% or more below projections in the first year of implementation.

HB 2082 has three major companion measures that go into effect with the implementation of the new highway finance system. These measures are discussed in Section F.

There is a strong possibility that this measure will be referred to voters for approval, most likely in the May 2000 election.

HB 2753

This legislation establishes a local property tax option for individual school districts. Districts must get approval of local voters for additional local property tax revenue. This measure is significant from two perspectives. First, it represents the first substantive change in the general property tax system since passage of Measure 50 in the spring of 1997. Secondly, it marks a shift from the state's post-Measure 5 policy of movement toward equalized funding across school districts.

Measure 5 established a \$15 per thousand of assessed value limit on property tax rates. Bonds are exempted from this calculation. Schools (K-12, ESDs and community colleges) are limited to \$5 per thousand of value. Measure 50 did not repeal Measure 5 limits. Instead it established a new set of value limits. These value limits are usually more restrictive than Measure 5's rate-based limits.

For most property there is a "gap" between the Measure 5 limit and the Measure 50 limit. The Measure 5 limit forms the upper bound of the gap, while the more restrictive Measure 50 forms the lower bound. Measure 50 did not allow school districts to ask voters for authority to raise levies above the Measure 50 limit. HB 2753 grants school districts the ability to ask local voters for property tax levies above the Measure 50 limit as long as the Measure 5 limit is not exceeded.

A local option levy for schools is subject to the restrictions contained in Measure 50. All local option levies are temporary. They cannot exceed 5 years in the case of operating levies or 10 years for capital projects. Local option levies must be approved by either a majority of voters in a general election (November of even-numbered years) or an election in which a majority of registered voters turns out. HB 2753 first applies to the 2000-2001 school year. However, the general election will not occur until November of 2000, too late for the 2000-2001 academic year.

Measure 5 forced state government into the forefront of school finance. Because of limitations on school property tax revenue, school finance has become increasingly centralized at the state level. This has been accompanied by a policy of equalizing operating revenue among school districts after adjustment for unique cost factors. This equalization process is now nearly complete.

HB 2753 allows school districts to receive local property tax revenue that is excluded from the school equalization formula. The limits on how much can be raised are the lesser of (1) Measures 5 and 50 tax gap, (2) 10% of state and local revenue from the school equalization formula or (3) \$500 per weighted student. This allows local districts to move above the statewide equalization level but caps the amount of deviation.

This measure has no direct revenue impact because it is contingent on the actions of local voters. The Measure 5 and 50 gap is estimated to be \$218.4 million statewide for the 1999-2000 property tax year. This translates into \$350 per weighted student. Ten percent of 1999-2000 formula revenue is \$489 per weighted student on a statewide basis. The Measure 5 and 50 gap varies widely by school district. In general, the gap will grow over time. This is because real market value growth is likely to exceed the Measure 50 value limit.

HB 3575

This measure fundamentally changes the way timber and forestland are taxed. HB 3734 (1993) exempted standing timber from property tax but preserved privilege taxes levied on the value of timber harvested. The timber harvest privilege tax was used as a method of collecting 80 % of the property tax on forestland value. Forestland was then assessed at 20% of its specially assessed value for property tax purposes. The new system is phased in over the next three years. Key elements of the new system are:

- The timber harvest privilege tax is phased out.

- Specially assessed forestland is increased to 100% of the indexed statutory value. The statutory value is adjusted to reflect the “cut” and “cap” features of Measure 50.
- The new system applies to all forestland, but small forestland ownerships of less than 5,000 acres may elect to be taxed under an alternative system specified by the 2001 Legislature.

The privilege tax was established in 1991 in response to Measure 5. Prior to 1990, a severance tax of 6.5% (5.0% on the east-side) was due on harvested timber. Measure 5 limited property taxes to 1.5% of assessed value. The Attorney General issued an opinion indicating that the severance tax was likely to be subject to the Measure 5 limit. This prompted the Legislature to eliminate the severance tax and replace it with a privilege tax. The privilege tax, which is not subject to the Measure 5 limits, was set at 4.5% for the western Oregon harvest and 3 % for the east-side. Effective January 1, 1996, privilege tax rates were set at 3.2% for the west-side and 1.8% for the east-side.

HB 3575 sets the western Oregon privilege tax rate at 1.9% (1.1% for the east-side) for calendar years 2000 and 2001 and 1.4% (0.8% east-side) for 2002. There will be no privilege tax for calendar year 2003.

HB 3575 raises specially assessed value and maximum assessed value to 75% of statutory value for fiscal years 2000-2001 through 2002-2003. After 2002-2003, specially assessed value is set at 100%. The maximum assessed value base is calculated by taking the 1995 indexed statutory value and reducing it by 10%. The value is then allowed to grow 3% per year. This calculation is designed to mimic the procedure for determining maximum assessed value under Measure 50.

All forestland ownerships greater than 5,000 acres are automatically converted to the new tax system. Smaller ownerships may elect to participate in the new program prior to April 1, 2002. On July 1, 2003 small forestland owners will be placed under the new tax system or select an alternative program. The Department of Revenue is directed to organize a work group and recommend a tax alternative that allows small owners to harvest their timber holdings in a way that encourages efficient resource management.

The total revenue impact of the measure is a net of reduced privilege taxes and increased property taxes. Net revenue collections across all governmental units is expected to increase \$4.2 million in the 1999-2001 biennium, \$0.6 million in the 2001-2003 biennium before declining \$7.7 million in the 2003-2005 biennium. The phase-in is designed to hold school revenue harmless for the 1999-2001 biennium. Losses in privilege tax offset revenue will have to be made up for with General Fund or other revenue sources in the biennia beyond 1999-2001. The revenue impact includes a significant shift in the tax burden from forestland owners to other property taxpayers. This tax shift is estimated to be \$5.9 million in the 1999-2001 biennium and \$17.5 million in the 2001-2003 biennium.

This legislation is significant because it ends a long-term policy of taxing timber at the time of harvest. The new system exempts the value of standing timber from property tax and fully integrates the taxation of forestland value into the property tax system.

INCOME TAX

SB 2

Increases maximum Working Family Childcare Credit for filers between 150% and 200% of federal poverty level (fpl). Increases maximum income level for complete phaseout of the credit from the current 200% of fpl to 250% of fpl Applies to tax years beginning on or after January 1, 2001.

REVENUE IMPACT:

State: Reduces General Fund revenues by \$31 million in 2001-03 and 2003-05.

SB 252 (CH 60)

Eliminates \$10 minimum tax for inactive corporations.

REVENUE IMPACT:

State: Reduces General Fund revenues by less than \$60,000 in 1999-01 and in 2001-03.
(Note: There are about 3,000 inactive corporations in Oregon).

SB 256 (CH 73)

Waives payment of income tax if amount due is less than \$1. Changes minimum refund of excess income taxes from \$5 to \$1. Changes minimum surplus kicker refund from \$5 to \$1.

REVENUE IMPACT:

State: Reduces General Fund revenues by \$35,000 in 1999-01 and in 2001-03.
(Note: DOR estimates approximately 14,000 additional refund checks will be issued, and about 1,500 returns are currently filed owing less than \$1 tax).

SB 257 (CH 74)

Harmonizes provisions related to audits and adjustments by other states' taxing authorities with those applied to federal tax changes.

1. Extends reporting requirements to include tax changes made by other states.
2. Extends provisions relating to federal adjustments and appeals to include adjustments and appeals made by other states.
3. Extends statute of limitations for adjustments currently applied to federal tax changes to encompass audits or changes made by other states.

Allows credit for taxes paid to another state to be claimed when another state imposes tax on an entity that Oregon treats as a partnership (e.g. LLC or other non-corporate pass-through entity).

REVENUE IMPACT:

State: Reduces General Fund revenues by \$100,000 in 1999-01 and in 2001-03.

SB 369

Amends and repeals statutes relating to campaign finance provisions of 1994 Ballot Measure 9 that were declared void by the Oregon Supreme Court.

Raises from \$500 to \$2,000 the aggregate amount of political contributions or expenditures received or made by a candidate or political committee before a detailed contribution and expenditures report must be filed.

Moves the presidential preference primary election from the second Tuesday in March to the third Tuesday in May to coincide with the general biennial primary election.

Effective January 1, 1999 eliminates requirement that contributions to candidates who have not filed a declaration of voluntary campaign finance limitation are not eligible for the Political Contribution Tax Credit.

REVENUE IMPACT:

State: Reduces General Fund revenues by \$1 million in 1999-01 and in 2001-03.

(Note: Removing the Measure 9 restrictions would allow an increased number of political contributions to qualify for the Political Contribution Tax Credit. The change would allow an estimated 15,000 additional credits to be claimed per biennium).

SB 570 (CH 623)

Extends alternative energy device tax credit for installation of energy efficient appliances to renters and other residential tenants. Applies tax credit to devices purchased on or after January 1, 1998.

Expands tax credit for businesses providing transit passes to their employees (currently under the business energy tax credit program) to include transportation provided by private companies or by transit providers other than transit districts. Applies to credits certified on or after effective date.

Expands type of facility or device for which an investor-owned utility may claim a "pass-through" credit by paying their business customers the present value of the applicable business energy tax credit.

REVENUE IMPACT:

State: Reduces General Fund revenues by \$40,000 in 1999-01 and in 2001-03.

SB 756 (CH 746)

Permits Oregon residents to establish tax-deferred college savings accounts. Establishes the Oregon Qualified Tuition Savings Program (QTSP). A person may establish an account by making an initial contribution to the QTSP in the name of a designated beneficiary. At the time of the initial contribution, either the account owner or the designated beneficiary must be a resident of Oregon. The designated beneficiary may be changed. Payments must be used to pay for qualified education expenses and must be paid jointly to the designated beneficiary and the higher education institution or directly to the higher education institution.

Beginning 2001, annual contributions up to \$2,000 can be subtracted from taxable income. Account earnings are tax deferred. Nonqualified withdrawals are subject to tax.

Establishes the Oregon Qualified Tuition Savings Board. This five-member board shall manage the Oregon Qualified Tuition Savings Program in accordance section 529 of the Internal Revenue Code and invest funds contributed to the program within restrictions established by the board. The board is directed to publish a biennial report to the Governor and the Legislative Assembly detailing the board's activities.

REVENUE IMPACT:

State: Reduces General Fund revenues by \$678,000 in 2001-03 and by \$1.2 million in 2003-05.

SB 873

Allows personal income taxpayer to carry forward the deduction for basis adjustment claimed in the 1996 tax year for reconciliation of Oregon and federal depreciation. (Unused portion of deduction can be carried forward for up to two succeeding tax years). Eliminates irrevocability of election not to make adjustment. Applies to tax years beginning January 1, 1996.

REVENUE IMPACT:

State: Reduces General Fund revenues by \$300,000 in 1999-01.

(Note: The measure would presumably affect a small number of taxpayers who were unable to use all of their deduction in the 1996 tax year. The bill allows taxpayers to carryforward and apply the unused portion of their deduction against taxable income in the 1997 and 1998 tax years).

SB 874

Modifies definition of an Oregon resident for personal income tax purposes to exclude individuals qualifying as "resident" or "physically present" in foreign countries under IRC 911(d)(1).

Applies to tax years beginning January 1, 1995 or to tax years for which notice of deficiency may be issued on the effective date of the bill. Authorizes Department of Revenue to issue refunds.

REVENUE IMPACT:

State: Reduces General Fund revenue by about \$3.1 million in 1999-01 and \$1.6 million in 2001-03.

(Note: Oregon taxpayers working overseas are currently required to file a full-year return for the year in which they move overseas and for the year in which they return. In 1996 about 559 taxpayers fell into this category, paying about \$1.6 million in Oregon personal income taxes. SB 874 would allow many of these taxpayers to file part-year returns, thus paying Oregon income tax on only that income earned in the state. Assuming, on average, that these taxpayers worked in Oregon half the year, then the revenue impact of allowing part-year returns would be an estimated loss of \$800,000 per year).

SB 1136

Reopens tax years currently closed for taxpayers claiming refund of taxes on federal retirement income attributable to employment before October 1, 1991. (Currently tax years 1991-1994 are closed by statute of limitations).

Directs Department of Revenue to not make these refunds for closed years before July 1, 2001 (2001-03 biennium).

Specifies that refund claim forms must be filed by April 16, 2001.

Establishes expedited procedure for administering claims of deceased federal retirees and deceased federal pension beneficiaries.

REVENUE IMPACT:

State: Reduces General Fund revenue about \$110 million in 2001-03.

SB 1195 (CH 510)

Expands list of systems eligible for the alternative energy device income tax credit to include wind powered turbines, windmills, equipment used in the production of alternative fuels and electric generators powered by alternative fuels. Applies to systems placed in service on or after January 1, 2000.

REVENUE IMPACT:

State: Reduces General Fund revenue about \$5,000 in 1999-01 and by \$10,000 in 2001-03.

SB 1264 (CH 365)

Changes to Business Energy Tax Credits:

Changes determination of maximum amount of costs available for certification for renewable energy tax credit from a total of \$40 million to \$10 million per facility.

Extends credit carryforward period 5 additional years (8 years total carryforward).

Eliminates sunset on renewable energy facility tax credit program.

Applies changes in tax credit program to tax years beginning on or after January 1, 1999.

Changes to Energy Facility Siting Process:

Exempts certain biomass facilities from requirement to obtain site certificate from Energy Facility Siting Council.

Changes to Small-scale Energy Loan Programs:

Specifies that lease purchase agreements are sufficient evidence of indebtedness for eligible public entities receiving small-scale local energy project loan funds.

Expands kinds of businesses and projects eligible for loan funds.

REVENUE IMPACT:

State: Reduces General Fund revenue by about \$120,000 in 1999-01 and \$1.2 million in 2001-03.

SB 1275 (VETOED)

Modifies formula used to apportion the income of multistate businesses.

Reduces property and payroll factors, and increases sales factor over a three year period, beginning January 1, 2001:

Tax Year	Factor Weights		
	Property Factor	Payroll Factor	Sales Factor
Current	.25	.25	.50
2001	.20	.20	.60
2002	.15	.15	.70
2003	.10	.10	.80

REVENUE IMPACT:

State: Reduces General Fund revenue by about \$3.5 million in 1999-01 and \$52 million in 2001-03.

Comment: Most states use the amount of sales, value of property and total payroll to determine what proportion of a corporation's income is taxable in that state. SB 1275 makes Oregon a "super-weighted sales" state by placing a high degree of emphasis on the sales factor. The significance of the other two factors used for apportioning corporate income—payroll and property, are thereby reduced.

At the beginning of 1999, 22 states (including Oregon) used double-weighted apportionment formula. In addition, 3 states now have super-weighted sales formulas in which more than ½ of corporate income is apportioned by sales. Recently Texas, Nebraska and Illinois have joined Iowa as single sales factor states. SB 1275 puts Oregon with Minnesota, Ohio and Michigan as super-weighted sales formula states.

HB 2080

Creates a non-refundable personal and corporate income tax credit based upon premiums paid for long-term care insurance as defined in ORS 743.652.

- Credit is available for taxpayers purchasing long-term care insurance premiums for coverage of the taxpayer, dependents and/or parents of the taxpayer.
- Credit is available to employers who provide long-term care insurance on behalf of their Oregon employees.
- For non-business filers, maximum income tax credit is 15% of the total amount of long-term care insurance premiums paid by the taxpayer not to exceed \$500.
- For business filers, maximum income tax credit is 15% of the total amount of long-term care insurance premiums provided by the taxpayer not to exceed \$500 per employee.

Specifies that either the credit or a deduction can be claimed, not both.

Credit is allowed only for new policies purchased on or after January 1, 2000.

REVENUE IMPACT:

State: Reduces General Fund revenue by about \$205,000 in 1999-01 and \$455,000 in 2001-03.

HB 2087 (CH 857)

Increases the cap on the total amount of tax credit allowed for lending institution loans for construction, development or rehabilitation of housing for low-income families.

Cap on credits granted for new and existing loans is increased from the current level of \$4 million to \$5 million beginning January 1, 2000 and to \$6 million beginning January 1, 2002.

Extends current sunset from December 31, 1999 to December 31, 2009.

REVENUE IMPACT:

State: Reduces General Fund revenue by about \$1 million in 1999-01 and \$2 million in 2001-03.

HB 2181 (CH 826)

Adds non-point source control facility to the types of projects eligible for pollution control tax credit.

Defines non-point source pollution control facility as one identified by rule by the Environmental Quality Commission.

REVENUE IMPACT:

State: Reduces General Fund revenue by about \$10,000 in 1999-01 and 2001-03.

HB 3157

Allows income tax credit for qualified adoption expenses incurred in adopting a child. Credit cannot be claimed for portion of adoption expenses reimbursed as federal income tax credit under IRC Sec. 23. Maximum credit is \$1,500 phasing out for taxpayers between \$75,000 and \$115,000 AGI. Allows taxpayer to carryforward unused credit up to 4 additional years. Effective for tax years beginning on or after 1/1/2000 and before 1/1/2006.

REVENUE IMPACT:

State: Reduces General Fund revenue by about \$900,000 in 1999-01 and by \$1.8 million in 2001-03.

HB 3244 (CH 741)

Extends and simplifies First Break Program income tax credits for employers who hire certain at-risk youths. Adds the following to the list of "community-based organizations" that can issue First Break certificates certifying qualified youths: schools or class groups offering alternative education programs under ORS 336.615 to 336.665, the federal Job Corps and school districts. Extends upper age limit for "qualified youth" eligible under the program from 17 to 23 years old. Includes summer employment of full-time student among types of employment qualifying for the tax credit. Applies to certificates issued to qualified participants on or after the effective date of the bill but before 12/31/04 (Note: Original sunset is 12/31/01).

REVENUE IMPACT:

State: Reduces General Fund revenue by about \$250,000 in 1999-01 and \$600,000 in 2001-03.

HB 3405 (CH 358)

Allows a subtraction from corporate and personal taxable income for the difference between the fair market value and the sale price of land donated or sold to a public school district, non-profit private school and public or non-profit private community college, college or university. In the case of a donation, subtraction in a tax year cannot exceed 50% of taxable income. In the case of a "reduced sale," subtraction in a tax year cannot exceed 25% of taxable income. Requires an addition on the Oregon return for the amount that has been claimed as a deduction on the federal return (so that the taxpayer is not receiving a double deduction). Unused amounts in excess of limitations may be carried forward and subtracted from taxable income for up to 15 succeeding years.

REVENUE IMPACT:

State: Uncertain but probably minimal.

(Note: If land donations are actually made the bill may reduce general fund (personal and corporate income tax) revenues if the donor would otherwise be subject to the restrictions governing charitable contributions. However these transactions occur infrequently and currently there are no known negotiations for land donations underway that would qualify for the subtraction).

HB 3600

Establishes individual development account (IDA) program for lower income households. Defines lower income households as those having income no greater than the median household income for the area, and net worth less than \$20,000. Fiduciary organizations can establish lower income and net worth thresholds for participants. Directs Housing and Community Services Department (HCSD) to administer program and select fiduciary organizations to manage the IDAs. Defines purposes for which IDAs can be

established as: acquiring education, purchase of primary residence, and capitalization of a small business.

Contributions, matching deposits (from fiduciaries) and account earnings are exempt from state income tax if the funds are withdrawn for approved purposes. Total account value may not exceed \$20,000 per account. Businesses donating to the program are allowed an income tax credit equal to the lesser of \$25,000 or 25% of the amount donated.

Exemption from personal income tax for IDAs will be suspended on or after January 2001 if revenue impact for the 1999-01 biennium is likely to exceed \$250,000. Credit for donations to fiduciary organizations administering IDAs will be suspended on or after January 2001 if revenue impact of the credits for the 1999-01 biennium is likely to exceed \$500,000.

REVENUE IMPACT:

State: Reduces General Fund revenue by no more than \$750,000 in 1999-01.

HB 3606

Expands taxpayers allowed to take the pollution control tax credit to include either the lessee, lessor or contract purchaser of a pulp, paper or paperboard facility. (Currently, only credits for recycling and material recovery facilities can be passed to a non-owner operator).

Applies to all applications for credits made on or after January 1, 1999.

REVENUE IMPACT:

State: Reduces General Fund revenue by \$1 million in 1999-01 and in 2001-03.

PROPERTY TAX

SB 81 (CH 788)

Pertains to the authority of justice courts to enforce court judgements.

Exempts satisfaction of judgement recorded from the \$10 assessment and taxation (A&T) fund plus \$1 statewide mapping fee established by HB 2139.

REVENUE IMPACT:

Local: Under HB 2139, satisfactions of judgment for lien records are be charged an additional \$11 fee for the A&T fund and statewide mapping system. This measure exempts satisfactions of judgement of lien records from a recording fee. Each year, there are about 10,500 satisfactions of judgements statewide. This exemption would result in a loss of local revenues of \$115,500 per year, beginning in 2000. This revenue loss will grow annually as the number of satisfactions of judgments for lien records is expected to increase.

SB 123 (CH 186)

Due to a drafting oversight in the implementation of Measure 50, this measure allows the Department of Revenue to recalculate permanent tax rates for certain local taxing districts beginning in 2000-01. All taxing districts, which received a portion of the expiring law levies of Linn and Deschutes Counties and the City of Sweet Home, will have revised permanent tax rates. Local districts must provide tax relief to property owners retroactive back to tax year 1997-98.

Revised permanent tax rates represent the amount of property taxes that would have been imposed by the taxing district beginning in July 1, 1997, if the replacement portion of expiring law levies had been removed from the calculation of 1997-98 Measure 47 and 50 tax estimates.

REVENUE IMPACT:

Local: Recalculating permanent tax rates will lower local revenues for taxing districts which received a misallocated replacement portion of Linn, Deschutes and the City of Sweet Home levies. In the first biennium, the total tax reduction is estimated at \$29.5 million and in the second biennium, the tax reduction is estimated at \$16.8 million. The first biennium tax reduction is larger than the second biennium because it represents 4 years of tax reduction. By tax year 2000-01, local taxing districts must refund taxpayers for 3 prior years (1997-2000) as well as the current year tax reduction. The second biennium only represents 2 years of tax reduction. A large number of the local taxing districts have already chosen to levy less than their permanent tax rate for the past two years, 1997-98 and 1998-99 in order to compensate for this Measure 50 implementation error.

Revenue Loss – Deschutes and Linn Counties					
Year	Biennium Total	Total Reduction	Schools	Cities	Special Districts
1999-00	<u>1999-01</u>	-7,515,863	-4,792,151	-1,004,621	-1,072,539
2000-01	-29,492,568	-21,976,705	-13,970,882	-2,866,917	-2,183,111
2001-02	<u>2001-03</u>	-8,194,091	-5,220,711	-1,124,180	-1,163,272
2002-03	-16,750,595	-8,556,504	-5,449,208	-1,189,313	-1,211,479

SB 125 (CH 862)

Changes the treatment of personal and real property tax roll corrections for clerical and omitted property errors.

The additional taxes from tax roll corrections must be placed on the following year's tax roll. The additional taxes should be considered delinquent at the time other property taxes imposed in that year become delinquent.

For one taxpayer in Multnomah County foreclosure proceedings shall be stopped. Delinquent interest and the county's portion of the additional taxes shall be waived. The remaining additional taxes shall be added to the following year's tax roll and can be deferred at the option of the owner.

Lowers the interest rate on refunds from 16% to 12%.

REVENUE IMPACT:

Local: The revenue loss from this measure is minimal about \$3,000 to Multnomah County.

SB 245

Revises laws relating to tax exemptions available to qualified businesses in enterprise zones.

Property Tax Exemption on New Property or Improvements of Businesses in Enterprise Zone

Eliminates the "gross receipts test" for qualifying to be an eligible firm. Allows businesses that serve customers by telecommunications to be eligible for tax exemptions.

Allows any eligible business, (which has applied before January 1, 1999), and has a total investment of more than \$50 million in the enterprise zone to receive a tax exemption after the zone has terminated if the sponsor approves the application.

Requires Oregon businesses to comply with local, Oregon and federal law applicable to the firm's operations inside the enterprise zone and not all state laws.

Investment in Rural Enterprise Zone – Property Tax Exemption and Corporate Tax Credit

Changes criteria for a targeted county having either "chronic unemployment or chronically low income" or counties that experience negative net migration.

Alters the requirements for minimum annual corporate excise taxes paid by the firm: lesser of \$1 million or a smaller amount depending on the facility location and county population. Reduces the time the rural investment credit can be given from 15 years to between 5-15 years. The property tax exemption can also be for a period shorter than 15 years (7-15 years).

Allows facilities owned by the same company but having facilities located in different enterprise zones to be aggregated for consideration of rural tax incentives.

Changes required investment in property and improvements from \$50 million to the lesser of \$50 million, or an amount equal to 1% or 0.5% of the value of all nonexempt taxable property in the county depending on where the facility is located.

Decreases maximum new hire requirement from 100 to a smaller number of full-time employees depending on where the new facility is located and the population of the county.

Distributes 30% of business' net corporate income tax to the local taxing districts, up to the amount they would have received in property taxes from the facility with the exception of school districts.

REVENUE IMPACT:

Local: A typical call center is estimated to reduce property taxes by approximately \$50,000 per year. Two large companies potentially affected by this legislation are Willamette Industries and Hyundai. If the terminated zone sponsors approve the property tax exemption for Willamette Industries, it is estimated that a little over \$1 million in property taxes will be reduced for local districts in each of the following three tax years, 2001-02, 2002-03 and 2003-04. 1998-99 was the first year of the Hyundai plant exemption, totaling \$11.1 million. Under current law, Hyundai could lose their 1998-99 tax exemption plus two additional years of tax exemption in 1999-00 and 2000-01. This measure changes current law and requires an eligible business to adhere to only Oregon state laws, which pertain to their business in the enterprise zone, not all state laws.

For two potential projects, a steel plant in Coos Bay and a forest product plant in Douglas County, it is estimated that \$3 million per year will be lost in property taxes due to the tax exemption. Changes in this measure could initiate other large projects. Another project, with a large investment of \$250 million, would cause additional property tax losses of about \$2.5 million per year. Any loss in property tax revenues may potentially be offset by capture of corporate income tax revenues by the local taxing districts in the area of the facility.

State: The future revenue losses are indeterminate but potentially large. With projects, like the steel plant, the total annual payroll estimate, when the plant is fully operational, is \$14 million per year creating a potential tax credit of \$8.75 million (62.5% of the total annual payroll). The forest products plant is estimated to have a payroll of \$4.1 million and an annual tax credit of \$2.6 million. An additional project that could qualify for the tax credit is estimated to have an annual tax credit of \$7.5 million.

SB 497 (VETOED)

Allows owners of commercial property to have their original frozen value from their first 15- year period of special assessment to be extended to a second 15-year special assessment period.

Under current law, new construction is taxed at its assessed value and is not specially assessed or considered part of the frozen value of the historic property.

New construction, on historic residential property on or after September 1, 1996 and before December 31, 1997, shall receive special valuation accorded historic property.

New construction, on historic commercial property on or after January 1, 1999 and before June 30, 2000, shall also receive special valuation accorded historic property if the new construction meets the square footage requirement.

REVENUE IMPACT:

Local: The assessed value for commercial properties can be frozen for up to 30 years. This measure is consistent with a recent Multnomah county court case ruling in February 1999.

Allowing new construction to be specially assessed and considered part of the frozen value of the historic property will decrease local property tax revenues. The revenue impact of the measure is uncertain but is targeting particular properties in Portland. Two Portland condominium buildings, Chown Pella and the Modern Confectionery Lofts, and one commercial building, The Cold Storage Building, had new construction completed during the required time periods outlined in this measure. This measure will reduce property taxes in Multnomah County alone by at least \$62,000 in the first biennium and \$65,000 for the second biennium. There could be other new construction completed on commercial properties before June 30, 2000.

SB 548 (CH 570)

Allows a partial property tax exemption for real property, owned or leased by a municipality or port, which is used to clean or decontaminate agricultural commodity cargo. Taxpayer will pay a fee of one quarter of 1% of the assessed value of the exempt property. This measure applies to tax years beginning on or after July 1, 1999.

REVENUE IMPACT:

Local: This measure will affect the assessed value and taxes paid in Multnomah County. It applies the partial property tax exemption to a grain cleaning facility owned by the Port of Portland. In 1998-99, this cleaning facility had an assessed value of \$3.6 million and the property taxes, currently assessed against the plant, is \$61,863. Under this measure, the in lieu tax would be one quarter of 1% of the assessed value of the exempt property. This would lead to a reduction each year of approximately \$56,000 in local property tax revenues. Over the next two biennia, total local revenues would decline by \$173,327.

SB 595 (VETOED)

Allows a personal property tax exemption for wine-making equipment and machinery if the winery is located in an exclusive farm use (EFU) zone and whose owner is growing at least 5 acres of grapes. This measure applies to tax years beginning on or after July 1, 2000.

REVENUE IMPACT:

Local: From a recent Department of Revenue survey of 12 of the top wine producing counties, it is estimated that on the 1998-99 tax roll, \$11.6 million in assessed value and total tax amount of \$133,461 is from personal property accounts of wineries in EFU zones. The survey results also indicated 23 additional winery accounts statewide (in both EFU and non-EFU zones) next year, 1999-2000. These new accounts are estimated to have a total value statewide of \$4.1 million for wineries in EFU zones. Considering these new accounts in addition to the 1998-99 estimated reduction in property taxes, it is estimated that \$185,694 would be loss annually in property tax revenues beginning tax year 2000-01 due to this measure. This property tax exemption has a high growth rate and the majority of the growth is in Yamhill County.

SB 965 (CH 760)

Extends a property tax exemption for property of a health district if the property had been leased or rented for purposes of providing facilities for health care practitioners within a rural county. Under current law, it is unclear how counties are to treat property that a health district, like a hospital, owns but leases or rents to other health providers, like doctors.

REVENUE IMPACT:

Local: The revenue impact from this measure is uncertain. In Harney County, the county hospital recently built another office building and is leasing/renting the office space to doctors. The building has an assessed value of approximately \$1.1 million and \$15,743 in property tax revenues each year for one office building.

Currently there are 11 counties considered frontier rural counties, by the Office of Rural Health. There are 9 health districts located in those frontier rural counties. Each of these districts could have new facilities qualify for a property tax exemption if their facility was leased or rented to other health providers. The revenue impact from this measure will be concentrated in the rural frontier counties.

SJR 1

Allows adjustment in certain taxing districts' permanent rate limits if voters statewide approve the measure.

Applies only to permanent tax rate limits affected by levies, which are greater than \$1.2 million and the replacement portion exceeds \$900,000. Recalculations of the permanent rate limits begin on or after July 1st, 2000.

Requires the local option levy allocated to those taxing districts in 1997-98 be reduced by the amount equal to the expiring serial or one-year levy. If a local taxing district voluntarily reduced their local option rate between 1997-98 and the passage of SJR1, the local option authority reduction required from this measure would be adjusted to reflect the lower local option authority already taken.

REVENUE IMPACT:

Local: In the next two biennia, the increase in permanent tax rates for three taxing districts and reduction in local option rates would decrease property taxes in Linn and Deschutes counties by approximately \$6.1 million. This reduction is due to the expiring local option levy being reduced by 10%, (required by Measure 47 and 50), once it is incorporated into each district's permanent tax rate.

Revenue Loss	Tax Year			Total
	2000-01	2001-02	2002-03	
Linn County	-1,012,244	-1,042,611	-1,073,889	-3,128,744
Deschutes County				
(City)	-203,015	-211,135	-219,581	-633,731
(Rural)	-439,495	-457,075	-475,358	-1,371,927
Sweet Home City	-329,705	-339,596	-349,784	-1,019,085
		Total Difference:		-\$ 6,153,487

HB 2039 (CH 821)

Calls for state funds to reimburse counties for new property tax expenditures after July 1, 2001.

New expenditures shall be funded in one of two ways: restricting one or more property tax expenditures that were in effect for the prior year or state general funds shall be appropriated and counties reimbursed for 50 % of property tax expenditures

REVENUE IMPACT:

Local – None.

State – None. The bill does require a General Fund appropriation to fund the Property Tax Expenditure Account. The amount necessary to fully fund the account depends on new property tax exemptions and special assessments ultimately passed by future legislators and signed into law by the Governor.

HB 2041 (CH 767)

Changes the appeal process for gross errors of 20% or more of the **assessed** value to 20% or more of the **real market** value.

Clarifies that once a taxpayer meets the necessary conditions for an appeal, the appeals board can correct either or both the maximum assessed value and the real market value of the property. Applies to tax years beginning on or after July 1, 1999.

REVENUE IMPACT:

Local – During the next two biennia, the amount of property tax loss from this measure is uncertain but minimal since the amount of property that is appealed each year is small. This measure would make it easier for taxpayers to meet the condition for an appeal. Local tax revenues would be reduced if either the maximum assessed value was lowered or the real market value adjustment downward caused the real market value to fall below the assessed value.

HB 2043

Property, destroyed or damaged due to fire or Act of God, can have a reduction in the maximum assessed value (MAV) to reflect the loss, provided the destroyed property is not minor construction.

If an adjustment in MAV due to fire or Act of God is made, the reduction in RMV shall not be considered as a retirement. MAV of the property shall first be established and adjusted for damages due to fire or Act of God and then for retirements. Applies to tax years beginning on or after July 1st, 1997.

Allows the assessment date to be changed from January 1st to July 1st of the current assessment year if any real or personal property has been destroyed or damaged during that period.

REVENUE IMPACT:

The local revenue impact from this measure is minimal. The adjustments in maximum assessment value of destroyed or damaged property due to an Act of God each year will not have a significant revenue impact. This measure will allow damaged property's assessed value to be based on maximum assessed value and not real market value. The reduction in assessment value due to property being destroyed or damaged each year is difficult to predict but should be a small amount. If an estimate of .04% of all assessed value statewide was damaged or destroyed each year, this would correspond to an annual reduction of \$1 million in property tax revenues.

HB 2044 (CH 20)

Cancels the taxes imposed in the current year if the assessed value does not consider damaged or destroyed property. Applies to tax years beginning on or after July 1st, 2000.

Allows the assessment date to be changed from January 1st to July 1st of the current assessment year if any real or personal property has been destroyed or damaged due to fire or Act of God during that period.

REVENUE IMPACT:

Local – The local revenue impact from this measure is minimal. See HB2043.

HB 2045

Exempts logging equipment, which is environmentally sensitive, less than 8 years old, from personal property taxes beginning July 1, 2000 and sunsets the tax exemption as of July 1, 2008.

Equipment used in the manufacturing or milling of forest products is not considered logging equipment and is not exempt from taxation.

Allows the personal property tax exemption for at least 5 years on all logging equipment meeting the criteria of environmentally sensitive logging equipment for 1 or more years between July 1, 2000 through July 1, 2006.

Exempts from property taxation logging equipment, which is already considered environmentally sensitive, like a skyline yarder and carriage.

Requires owners of gas stations to post information on the amount of federal, state, local and total taxes per gallon of gasoline.

REVENUE IMPACT:

Local: The revenue impact from this measure is uncertain. It is estimated that annually over \$2 million in taxes would be lost primarily to counties, schools and special districts based on a recent July, 1999 survey of 22 counties. The school portion of the total tax reduction is approximately 55% and the county portion is about 27% of the total tax reduction.

HB2045 – Revenue Impact			
Tax Year	Assessed Value	Tax Reduction Statewide	Tax Reduction (Schools Only)
2000-01	219,498,062	-\$2,257,640	\$1,225,148
2001-02	223,888,023	-\$2,302,793	\$1,249,651
2002-03	228,365,784	-\$2,348,849	\$1,274,644

HB 2047 (CH 22)

Links the fees for a title search to the greater of the actual cost to the county for a title search or \$50 when the property is redeemed after the date the notice is sent out. If the property is redeemed before the date the notice is given, the cost is the same as under current law, \$50.

Eliminates the requirement for participants in the Senior Property Tax Deferral program to pay all but \$1,000 of their annual property taxes and delinquency penalties for a foreclosure delay.

REVENUE IMPACT:

Local: This measure allows counties to charge taxpayers for the full cost of a title search. This will eliminate the burden on counties to absorb the cost difference between the actual cost of a title search and \$50. For tax years, 1996 and 1997 for Washington, Multnomah and Lincoln counties, the average amount of loss revenue due to only charging a flat fee of \$50 was \$5,973. Assuming this average loss per county each year from current law, local revenues statewide are estimated to grow by \$860,183 over the new two biennia under this measure.

Eliminating the requirement that participants in the deferral program must pay all but \$1,000 of their property taxes and late penalties each year to receive a delay in foreclosure has an uncertain but minimal revenue impact. This measure is estimated to decrease local revenues in the next two biennia by \$844,262. Even though local revenues would be reduced in the next four years, ultimately all delinquent taxes and penalties on each deferred account would be paid once the individual sells the property.

HB 2050 (VETOED)

Exempts intangible personal property from taxation for centrally assessed utility companies.

Adds franchises, licenses and software including application and custom programs but excludes basic operating system software to a finite list of intangible personal property for centrally assessed utility companies.

Taxes three types of intangibles: a nuclear power plant, stranded costs and advantageous contracts.

Implements a phase in period for removing the intangible value from the utility's real market value - first year of implementation, 2000-01, only 1/3 of the intangible value will be taken off the utility roll value, second year, 2001-02, 2/3 of the intangible value will be removed and in 2002-03, and future years all the intangible value will be removed from the real market value.

REVENUE IMPACT:

Local: The revenue impact from this measure is indeterminate. From the Department of Revenue (DOR) and industry work group, there were several areas of agreement and disagreement between industry members and the Department of Revenue on appraisal methods and the procedure to identify and remove intangible values. This revenue impact has a range of estimates, the Department of Revenue and industry estimates. The revenue lost by local districts is estimated to be between \$10.8 and \$26.3 million over the next two biennia. For schools, the revenue impact could range from \$4.5 to \$10.4 million. In future years, after the completion of the phase-in period, there could be an annual loss between \$7.1 and \$15.3 million statewide. The revenue impact varies widely between counties.

Revenue Impact of HB 2050: Intangible Exemption

Year	Revenue Decline (in millions) – 3 Year Phase-In			
	DOR Estimate		Industry Estimate	
	Total	Schools	Total	Schools
2000-01	-0.85		-3.0	
2001-02	-2.9		-8.0	
2002-03	-7.1		-15.3	
Total	-\$ 10.8	-\$ 4.5	-\$26.3	-\$ 10.4

HB 2079 (CH 476)

Allows a property tax exemption for long-term care facilities and adult foster homes, which have an average residency rate of 70% (long-term care facilities) and 60% (adult foster homes) or more residents who are eligible for Medicaid. Exemption applies if the governing body of the local taxing district adopts the property tax exemption by ordinance. This applies for tax years on or after July 1, 2000. Both real and personal property can be exempt from the long-term care facilities, which include nursing facilities, assisted living or a residential care facility.

REVENUE IMPACT:

Local: Revenue impact is uncertain. Local governments have the option to approve this property tax exemption. Every qualifying assisted living (ALF), residential care (RCF), nursing care facility (NCF) and adult foster home (AFH) must receive approval from each local taxing district for the property tax exemption.

HB 2090 (CH 487)

Extends the sunset deadline for the property tax exemption for property owners who construct or purchase low-income housing units from January 1, 2000 to 2010.

REVENUE IMPACT:

Local: Extending this property tax exemption deadline 10 more years would give property owners additional tax relief. It is estimated that approximately 3 new properties will claim this exemption each year. In the next two biennia, extending the sunset deadline will allow 9 new owners of low-income housing units a property tax exemption. This corresponds to a reduction of approximately \$37,000 in the first biennium and \$189,883 in the second biennium for just the new properties that could claim the exemption between years 2000-2003.

HB 2139 (CH 701)

Addresses revenue sources for the County Assessment and Taxation Fund (A&T).

Establishes permanently, without a sunset, a delinquent interest charge of 1.33% per month or 16% annual interest rate.

Specifies that the Department of Revenue shall be given A&T moneys necessary to pay for their administration of the assessment of industrial properties, up to 10% of the moneys in the account.

Sets a recording fee of \$10 (for the A&T Fund) + \$1 (statewide mapping system) to be applied to other fees already assessed on documents, which convey or contract to convey any estate or interest in real property beginning January 1, 2000.

Expands the document base, which pays the recording fee. Only 3 types of documents are exempt from the fee: documents of evidence of authority to solemnize marriages, instruments that are otherwise exempt from recording or filing fees or internal county government instruments which currently do not have fees.

Adds a moratorium on real estate transfer fees. If the recording fee is \$11 or more, a city, county or other municipal corporation can not impose additional fees upon the transfer of real property.

Describes the objectives of the study the Department of Revenue with county governing bodies and county assessors shall conduct on the appropriate level of funding for property assessment and taxation functions. Study findings will be reported to the legislature before Dec. 31st, 2004.

REVENUE IMPACT:

Local: Under current law both the \$20 recording fee is being eliminated and the delinquent interest is being reduced on July 1, 2000. The revenue estimates of the impact of this measure for the next two biennia would be an increase in local tax revenues of \$39.3 million with a \$10 fee. The \$1 fee for the mapping system would generate approximately \$1.25 million per year or \$2.5 million in the first biennium and approximately \$1.35 million per year or \$2.7 million in the second biennium.

State: Local moneys from the County A&T Fund Account will be given to the Department of Revenue to pay for their expenses incurred in assessing industrial properties. State General Fund money will not need to be allocated to the Department of Revenue for these assessment purposes.

Revenue Impact of HB 2139

\$10 Fee on Larger Base of Documents					
HB 2139 Biennium	Recording Fees (\$10)	Del. Interest (16% interest)	County Investment Earning	Total from All Funding Sources	Increased A&T Revenues from Current Law
1999-00	\$ 6,066,600	\$ 12,317,000	\$ 109,000	\$ 19,975,770	\$ 3,976,770
2000-01	\$ 12,861,191	\$ 12,008,000	\$ 107,000	\$ 24,333,131	\$ 11,333,131
2001-02	\$ 13,504,251	\$ 11,887,920	\$ 107,535	\$ 24,824,493	\$ 11,824,493
2002-03	\$ 14,044,421	\$ 11,769,041	\$ 108,073	\$ 25,219,313	\$ 12,219,313
				TOTAL:	\$ 39,353,707

HB 2247 (CH 460)

Allows the Director of the Economic Development Department to approve 10 new non-urban enterprise zones, with the requirement that at least 4 of the new zones must be in eastern Oregon. All new zones must be designated by January 1, 2004.

REVENUE IMPACT:

Local— Allowing ten new enterprise zones, statewide, will give the targeted businesses in the zone a property tax exemption. This will decrease local property tax revenues but it is uncertain to what extent revenues will fall or exactly when this will occur. In the next two biennia, (1999-2003), the local property tax revenues are estimated to decline by \$1.38 million.

HB 2375 (CH 800)

Canceled the additional taxes imposed on all types of forestland if it is sold or transferred to a local, state or federal government agency.

Disqualification of specially assessed forestland if the sale or transfer of the property is to a federal, state and local government agency.

A lien of taxes and interest shall not attach if forestland is disqualified as a result of the forestland or land designated as forestland, as a result of an application being filed, being acquired by a federal, state or local governmental agency. Takes effect on or after January 1, 2000.

REVENUE IMPACT:

Local: The loss in local revenues statewide would be minimal.

HB 2732 (CH 773)

Allows a real and personal property tax exemption for volunteer fire departments.

Defines a volunteer fire department as a nonprofit corporation organized to provide fire protection service in an area. Exemption begins July 1, 2000.

REVENUE IMPACT:

Local: Negligible.

HB 2792 (VETOED)

Gives a partial property tax rebate, of 5% of the prior years' property taxes, to senior citizens. Begins in income tax years on or after January 1, 2003.

Seniors must file a claim with the Department of Revenue at the time he/she files a personal income tax return. The senior must own and occupy a principal residence, with an assessed value of less than \$300,000, and have an adjusted gross income per year that does not exceed \$30,000.

For property tax years beginning on or after July 1, 2003, a senior citizen may not claim a property tax rebate if he/she is participating in the senior deferral program. If a senior chooses to not participate in the senior deferral program, a claim for a property tax rebate may be filed.

REVENUE IMPACT:

Local: After this tax rebate program begins, each year the rebate is estimated at a little more than \$70 per senior citizen. Annually, this property tax rebate program is estimated to cost about \$17 million.

HB2792: Elderly Population – Income < \$30,000			5% of prior year's property tax	
Tax Rebate Paid in Calendar Year	# of Households	Total Tax (per person)	Tax Rebate (per person)	Total Tax Rebate
2004	252,410	\$1,490	\$71	\$17,188,001
2005	256,094	\$1,534	\$73	\$17,894,035

The cost of this program will increase each year as the average number of senior citizens (65 years and older) grows at approximately 1.5% a year and property taxes are assumed to grow at 3% a year.

HB 2901

Extends the eligibility for the Senior Property Tax Deferral program to disabled homeowners who qualify for federal Social Security disability benefits beginning in property tax year July 1, 2001.

An individual who is no longer disabled and is ineligible for the property tax deferral will not have future years' property taxes deferred.

Raises the maximum household income required to qualify and remain eligible for the Senior Deferral Program to \$27,500 and \$32,000 respectively. Annual adjustments are made to the income limits for changes in cost of living.

REVENUE IMPACT:

Local: None. State makes payments to local governments.

State: This measure would increase participation in the senior deferral program and decrease the senior deferral account surplus down in the second biennium. This measure is estimated to increase taxes and interest deferred by over \$5 million a year starting in tax year beginning July 1, 2001.

Revenue Impact of HB 2901

Property Tax Year Beginning July 1 st	# of New Senior Participants in Senior Deferral	# of Disabled Homeowners Participants	Estimate of Property Taxes and Interest (per Senior Deferral account)	Additional Taxes and Interest Deferred
2001	1,406	2,244	\$ 1,431	\$5,224,297
2002	1,424	2,275	\$ 1,489	\$5,506,139

HB 3211 (CH 808)

Extends eligibility for a 10-year property tax exemption to existing building owners, who have preserved their facility into multiple-unit housing for low-income residents, in a city or county, which has adopted an ordinance.

Sets a sunset for the property tax exemption. An application must be made to the city or county on or before January 1, 2006.

REVENUE IMPACT:

Local: Indeterminate. It is difficult to predict how many new participants will use this particular property tax exemption and the number of cities and counties, which will adopt the property tax exemption.

SCHOOL FINANCE

SB 100 (CH 200)

Specifies procedure and criteria for operating a free public charter school.

Defines public charter school as a school operating under an agreement between sponsor and applicant. Allows sponsor to be a school district or the State Board of Education. Allows charter school to be formed as a new public school or from an existing public school (or portion) or alternative school. Limits charter school enrollment in a district to 10% of the total enrollment in the district (subject to waiver) until January 1, 2003. Grants charter for up to 5 years but allows termination for cause. Requires minimum enrollment of 25 students. Requires 80% of students to be residents of the local district until January 1, 2004. Makes students outside district eligible for enrollment if space is available. Requires district or charter school to provide transportation.

Funds charter schools by assuming its students are residents of the school district where located for the state equalization formula distribution. Requires school district to pay a minimum percent of its formula allocation per weighted student (excluding transportation and new facility grants) for each enrolled charter school student. If district sponsored, makes percents 80% for elementary and 95% for high school students. If State Board sponsored, makes percents 90% for elementary and 95% for high school students. Allows resident district to keep remainder with exceptions. Keeps resident district responsible for special education services and makes funds available for these students. Allows district to contract with a charter school for providing special education services. Allows remote small school becoming a charter school to retain remote small school status.

Prohibits charter school from levying taxes or issuing public bonds. Upon dissolution, transfers charter school assets bought with public funds to State Board of Education for distribution.

Establishes Public Charter School Development Fund. Dedicates federal funds for charter schools to the fund. Requires Department of Education to award grants and loans to charter schools and alternative schools on the basis of need.

Makes other charter school provisions. Takes effect on passage.

REVENUE IMPACT:

School Districts: The bill will likely increase the weighted student count used by the state equalization formula to allocate revenue to school districts. (1) Charter schools may draw students from private schools. (2) If students attend a charter school from a district other than where the charter school is located, the district may still count the charter school student the first year because the district can use the higher of the current year or prior year weighted student count. The potential number of charter school students is unknown.

Assuming no higher State School Fund appropriation with charter schools, the additional student count will decrease the amount per weighted student for equalization districts. School districts with charter schools within their boundaries may benefit from funding charter students at no more than the percentage funding requirement (excluding transportation) assuming small additional administrative costs. The 1999-00 average amount for district sponsored charters is about \$3,760 at 80% and \$4,465 at 95%. Charter schools may also receive state education bond revenue. Charter schools benefit from any federal or other funds in the Public Charter School Development Fund.

SB 167 (CH 211)

Allows Klamath Community College Service District to sell bonds. Prohibits bond sales by any community college service district formed after July 1, 1997.

REVENUE IMPACT:

Community Colleges: No direct impact. The Klamath Community College Service District will require voter approval for a general obligation bond. If approved, property taxes increase outside the Measure 50 limit to repay the bond. Voter approval requires a simple majority at a November general election and a double majority at any other election.

New community college service districts will not be able to sell bonds.

SB 428 (VETOED)

Creates Student Bill of Rights Program. Allows 11th and 12th grade students to take free post-secondary courses for high school and college credit. Limits enrollment to two years and not beyond the 12th year.

Specifies application procedure. Makes admission voluntary for post-secondary institutions. Includes Oregon community colleges, state higher education institutions and accredited non-profit institutions. Excludes remedial or developmental post-secondary courses.

Limits school district payment for each credit hour to no more than 90% of the state average General Purpose Grant per weighted student in the prior year divided by 45 for quarter credits and 30 for semester credits. Requires districts to reimburse students for textbooks, materials and equipment if students apply.

Allows school districts to provide transportation if institution within the district. Makes transportation costs approved costs for the school equalization formula.

Takes effect 2000-01.

REVENUE IMPACT:

School Districts: School transportation costs may increase slightly, but are expected to have minimal impact on the distribution of the State School Fund by the school equalization formula.

Comment: The average General Purpose Grant per ADMw in 2000-01 is about \$4700. The average maximum at 90% is about \$141 per semester credit and \$94 per quarter credit. District payments depend on the number of students participating and average credit hours per student.

SB 622

Establishes alternative rate regulation structure for telecommunications carriers.

Requires electing carriers to pay to a Telecommunications Infrastructure Account 20% of gross regulated intrastate revenue from year prior to making election for the next four years. Establishes Connecting Oregon Communities Fund equal to 70% or 40% of Telecommunications Infrastructure Account payment based on number of lines served. Uses balance for telecommunications infrastructure projects approved by the Oregon Economic Development Commission.

Divides the Connecting Oregon Communities Fund into School Technology Account for first \$25 million a year in 2000 and 2001 and Public Access Account for the balance. Distributes funds from these accounts to school districts, Education Service Districts, community colleges, universities, public libraries and rural health care providers.

Distributes from the School Technology Account \$9,600 per school facility in 2000 for local area network access, if not already equipped, and \$5,400 per year for recurring connection costs in 2000 and 2001. Also distributes funds for Oregon Public Education Network, interactive distance education system for high schools and ESDs and hub equipment for interactive video system. Distributes any remaining funds to school districts on a per weighted student basis with a minimum of \$25,000 per district in 2000 and 2001.

Distributes any funds in the Public Access Account for the higher education Oregon Wide Area Network, to OSU for funding virtual access for the disabled and other grants. Uses amounts above \$25 million in 2000 and 2001 and all Connecting Oregon Communities Fund revenue in 2002 and 2003.

Takes effect on passage.

REVENUE IMPACT:

Any revenue available depends on telecommunications carriers electing the new regulation. When and how much revenue is available depends on when the election is made and by what carriers. Assuming the largest carrier makes the election in 1999, about \$25 million per year should be available in 2000 and 2001 for schools and ESDs.

School Districts and ESDs: Up to \$25 million per year only in 2000 and 2001 from the School Technology Account. Makes \$9,600 per school facility grants only in 2000. Does not address what happens if funds are insufficient to make all specified transfers to the Department of Education for distributions. If funds are more than specified transfers, school districts receive the balance on a per weighted student basis.

Higher Education, Community Colleges...: Any amount in the Connecting Oregon Communities Fund above \$25 million per year in 2000 and 2001 with the first \$3 million per year for the Oregon Wide Area Network. Funding in all four years primarily depends on smaller carriers making the election.

SB 718 (CH 696)

Allows diesel and propane use fuel tax refunds to fire districts, school districts, education service districts and school transportation contractors. Requires school tax refund to be for fuel used to transport students. First applies to use fuel tax paid 12 months prior to the effective date.

REVENUE IMPACT

(\$ million)	<u>1999-01 Refunds</u>	<u>2001-03 Refunds</u>
Schools	\$ 3.28	\$ 2.69
Fire Districts	0.66	0.54
State Highway Fund		
State 60.05%	-2.37	-1.94
Counties 24.38%	-0.96	-0.79
Cities 15.57%	-0.61	-0.50
	0	0

Assumes no increase in the use fuel tax rate, an October 1, 1999 effective date and quarterly refunds.

School Districts: School district and transportation contractor resources increase by their refund amount. Districts providing their own student transportation apply for refund revenue. Districts contracting for student transportation should benefit after current contracts expire.

Education Service Districts: Minimal refund revenue.

Local Government: Fire district resources increase by their refund amount.

SB 1149 (CH 865)

Provides method to deregulate electric utilities. Provides Oregon commercial electricity consumers direct access to competitive electricity markets not later than October 1, 2001. Provides residential electricity consumers a cost-of-service rate option and a portfolio of options not later than October 1, 2001. Makes numerous related provisions.

Requires companies offering direct access to collect a public purpose charge of 3% of revenues (with an exception) for 10 years. Allocates first 10% of public purpose charge to Education Service Districts in the service territory where collected. Requires ESDs to use these funds first for energy audits of school districts in the ESD and then implementation of audits. Allocates 63% of the balance for new cost-effective conservation and new market transformation, 19% for above-market costs of new renewable energy resources and 13% for new low-income housing. Allocates 5% of the balance after the ESD allocation for grants to provide housing for low-income persons. Requires electric companies, under Commission determined apportionment, to collect \$10 million for assistance to, through Housing and Community Services, low-income energy consumers.

Makes implementation of 3% charge conditional on the Public Utility Commission finding no adverse impact on the access to cost-based power from the Bonneville Power Administration for residential and small-farm consumers. Requires PUC decision by May 1, 2001.

REVENUE IMPACT:

Education Service Districts: Assuming public purpose charges begin October 1, 2001, ESDs receive about \$3.6 million in 2001-02 and \$5.8 million in 2002-03. If credits are subtracted before calculating 3%, these amounts will be less. Potential credits are not known.

State Other Funds: Assuming the \$10 for assistance to low-income energy consumers is an annual assessment beginning October 1, 2001, this will generate \$6.7 million for 2001-02 and \$10 million for 2002-03. The 5% (effectively 4.5%) allocation for grants for low-income housing will generate \$1.6 million for 2001-02 and \$2.7 million for 2002-03. If the 3% Public Purpose Charge is reduced by credits allowed under this Act, these amounts will be reduced. Potential credits are not known.

SB 5511

Appropriates \$2,093.3 million from the General Fund to the State School Fund for 1999-00 (assumes timber bill HB3575 becomes law) and \$2,167.3 million (assumes HB1284 becomes law) for 2000-01.

Caps K-12 State School Fund and local revenue at \$3,060.9 million in 1999-00 and caps ESD revenue (including OPEN) at \$150 million. Caps K-12 State School Fund and local revenue at \$3,184.9 million in 2000-01 and caps ESD revenue at \$151.1 million. Increases K-12 cap to \$3,199.9 million in 2000-01 if SB 1284 (Transportation Reinvestment Account) becomes law prior to January 1, 2001. Limits transfers from timber harvest accounts to the State School Fund at \$20.7 million.

Appropriates \$15 million to Emergency Board for the State School Fund if SB1284 (Transportation Reinvestment Account) becomes law prior to January 1, 2001. Appropriates \$300,000 to the Department of Education for an education budget model.

REVENUE IMPACT:

School and ESD Districts: See appropriation summary at end of this section.

HB 2052

Allows the State Board of Education to loan up to \$700,000 to financially troubled school districts. Defines financially troubled school district as having (1) a negative general fund ending balance on June 30, 1998, (2) insufficient reserve funds to offset negative balance and (3) requested Department of Education assistance.

Requires Department of Education to form a working group to review district's financial condition and make a recommendation to the Board. If the Board approves a loan, requires loan repayment without interest within four years from State School Fund allocations to the district. Transfers State School Fund repayments to the General Fund.

Appropriates \$700,000 from the General Fund to the Department of Education for loans in the 1999-01 biennium.

Declares emergency. Takes effect July 1, 1999. Sunsets December 31, 2003.

REVENUE IMPACT:

School Districts: May increase Banks School District funds up to \$700,000 from a loan. Would reduce State School Fund payments to Banks School District by the loan amount before December 31, 2003.

State Government: Transfers loan repayments from the State School Fund to the General Fund by December 31, 2003. Assuming a \$700,000 loan and 25% per year reduction in the district's negative balance (SB1201), increases General Fund revenue by \$350,000 in both 1999-01 and 2001-03. However, full repayment is not required until four years from the date of the loan which could carry over into 2003-04.

HB 2567

Education Service Districts

Establishes formula for distributing State School Fund dollars to Education Service Districts in 1999-00 and 2000-01. Makes 1999-00 state and local revenue equal to the higher of: (1) 1998-99 per weighted student SSF grant and imposed property taxes times 1999-00 weighted students, (2) 1998-99 state and local revenue, or (3) an amount ranging from \$125 to \$225 times 1990-91 weighted students for 9 ESDs below the 1998-99 state average. Makes same allocation in 2000-01 using 1999-00 revenue. Defines ESD local revenue as property taxes received and timber revenue. Includes in local revenue any unused property tax authority. If state and local revenue insufficient, prorates reduction. If state and local revenue available is more than allocation requires, prorates increase. Requires reports to the Department of Education and annual audits.

Creates 17-member interim task force on ESD funding. Requires study of what services to provide on a regional level, how to deliver those services efficiently and a review of funding equity. Appropriates \$150,000 to the Department of Education for staff and other costs.

K-12 School Districts

Allows issuing \$112 million (\$127 million if SB1284 does not become law) plus costs in bonds for education projects. Allocates bond revenue on a per weighted student basis. Defines projects as instructional training and acquisition, construction, improvement, remodeling, maintenance or repair of school facilities.

Adds additional student weighting to districts with small high schools. Applies to districts with under 8,500 weighted students in 1999-00 and with existing small high schools. Phases in additional weight for small high schools less than 20 miles to nearest high school. Counts 25% of weight in 1999-01, 50% in 2001-03, 75% in 2003-05.

Allows districts with over 50,000 weighted students to request an advance payment of 2000-01 revenue. Limits advance to estimated increase in 2000-01 state and local formula revenue. Reduces 2000-01 revenue by advance payment amount.

Makes urban enhancement payment of \$2 million per year to district with more than 50,000 weighted students. Appropriates \$4 million for biennium.

Sets \$17.5 million biennial limit for new facility grants statewide. Increases facility grant from 6% to 8% of construction costs. Transfers \$800,000 from the State School Fund to fund out-of-state special education placement. Transfers \$1.125 million per year to Oregon Public Education Network. Prorates reduction if state and local revenue distributed by the equalization formula is less than estimated. Makes technical correction.

First applies to 1999-00 distribution.

Comment: HB2567 took the place of HB2566. HB2567 eliminated the student high growth grant and added an enhanced new facility grant.

REVENUE IMPACT:

See Simulation 57 for 1999-00 estimates for state and local equalization formula revenue and the comparable 1998-99 numbers.

School Districts: Increases new facility grants by \$7.5 million in the biennium and reduces general purpose grants by same amount. Adds \$112 million (\$127 million if SB1284 does not become law) in bond revenue distributed separate from the State School Fund. Provides up to \$400,000 per year to districts with special education students placed out-of-state and \$1.125 million per year to Oregon Public Education Network. Grants \$2 million per year for urban enhancement from the General Fund.

ESDs: Distributes \$180.6 million of State School Fund revenue to ESDs and OPEN in 1999-01.

State Government: Decreases interest earnings about \$0.3 million with an advance payment in April, 1999.

State School Fund	1999-00	2000-01	1999-01
	(\$ million)		
School Districts	\$ 2,138.2	\$ 2,239.9	\$ 4,378.1
School District Facility	8.6	8.9	17.5
Education Service Districts	90.0	88.3	178.3
Out-of-State Disability Placement	0.4	0.4	0.8
Oregon Public Education Network	1.1	1.2	2.3
Total State School Fund			\$ 4,577.0

HB 2670

Expands school district ability to claim room and board costs in lieu of student transportation costs. Applies to school districts having power of attorney for students who reside in school dormitories. Excludes foreign exchange students. Limits eligibility to existing dormitories. Specifies that transportation costs exclude cost of constructing dormitories. First applies to the 1998-99 school formula distribution.

Requires the Department of Education to apply for federal Partnerships in Character Education Pilot Project grants to develop character education curricula in the 2001-03 biennium. Encourages school districts to use a secular character development program in grades K-6.

REVENUE IMPACT:

School Districts: Shifts about \$9,000 in 1998-99 to 2 school districts using dormitories and a similar amount in 1999-00 and 2000-01. Qualifying additional dormitory costs as transportation costs increases the transportation grants of these districts. Funding these higher transportation grants shifts State School Fund revenue from other districts. The amount will vary depending on school district use of power of attorney versus interdistrict agreements for dormitory students.

Comment: Students in dormitories for whom the district has power of attorney are assumed to be residing at the school and thus not have transportation costs. Without power of attorney a student has a residence separate from the school and would incur transportation costs if not in a dormitory. School districts having interdistrict agreements for boarding students report dormitory costs as approved transportation costs.

HB 2753

Allows school districts to seek voter approval of a local option property tax. Excludes local option tax from local revenue in the school equalization formula. Makes tax excluded equal to the lesser of (1) Measures 5 and 50 tax gap, (2) 10% of state and local revenue from the school equalization formula or (3) \$500 per weighted student. Permits districts to collect less than the full tax approved by voters. First applies to 2000-01.

REVENUE IMPACT:

School Districts: No direct impact. Districts decide how much of the property tax gap to request within the limits and voters must approve. The gap amount will initially be the controlling limit for most districts. However if the gap grows over time as expected, the 10% or \$500 limit may be lower.

HB 3365 (CH 684)

Modifies Department of Education billings for the special education costs of students in hospital programs, long-term care, Fairview training center and state schools for the deaf and blind. Billings continue to be paid from the County School Fund. If billings for students in a county exceed the County School Fund, then the remainder comes directly from the State School Fund instead of from State School Fund grants to the school districts in the county.

First applies to billings submitted after August 15, 1999.

REVENUE IMPACT:

School Districts: Based on 1998-99 data, an estimated \$1.2 million of Department of Education billings in 2000-01 will be paid directly from the State School Fund. These billings are mostly for school districts in Multnomah County with a minor amount in Malheur County. In future years as billings likely increase and County School Fund revenue from federal forest fees decrease, the amount will grow and include more counties. Total County School Fund billings for 1998-99 are \$6.16 million.

HB 3428 (CH 251)

Revises Oregon School Bond Guaranty Act. Clarifies the language. Gives general obligation bond an existing statutory definition. Defines school bond as a general obligation bond issued by a school district. Defines state bond as state issued general obligation bond to fulfill its guarantee of school bonds. Makes related statutory changes. Allows guarantee for bond advance refunding.

REVENUE IMPACT:

School Districts: If also used for bond advance refunding, additional savings on bond interest reduces property taxes needed to finance the bonds.

HB 5018

Makes \$145.0 million of lottery funds available to the State School Fund in 1999-00 and \$150.9 million in 2000-01. Transfers any unused State School Fund revenue to the Lottery Bond Fund to repay education lottery bonds.

Requires Legislative Revenue Officer to certify by May 1, 2000 amount of unused State School Funds in 1997-99 biennium and requires transfer by June 30, 2000 of any unused funds not already transferred.

Sets maximum payments from the School Technology Account established in SB622. Designates portion of State School Fund appropriations as replacement revenue for Measure 50.

REVENUE IMPACT:

School and ESD Districts: See appropriation summary at end of this section (next page).

K-12 AND ESD STATE FUNDING SUMMARY					
	General Fund	Lottery	Timber	Bond Proceeds	Total
1999-00					
State School Fund					
SB 5511	2,093,278,273				2,093,278,273
HB 5018		145,021,727			<u>145,021,727</u>
Total SSF	2,093,278,273	145,021,727			2,238,300,000
Education Bonds					
HB 2567				56,000,000	56,000,000
Technology					
SB 622					25,000,000
Urban Enhancement					
HB2567	<u>2,000,000</u>				<u>2,000,000</u>
Total 1999-00	2,095,278,273	145,021,727		56,000,000	2,321,300,000
2000-01					
State School Fund					
SB 5511	2,152,259,018				2,152,259,018
SB 5511	15,000,000				15,000,000
HB 5018		150,940,982			150,940,982
HB 3575			20,675,207		<u>20,675,207</u>
Total SSF	2,152,259,018	150,940,982	20,675,207		2,338,875,207
Education Bonds					
HB 2567				56,000,000	56,000,000
Technology					
SB 622					25,000,000
Urban Enhancement					
HB2567	<u>2,000,000</u>				<u>2,000,000</u>
Total 2000-01	2,154,259,018	150,940,982	20,675,207	56,000,000	2,421,875,207
Note: Assumes passage of SB1284. This table includes only those school appropriations that were part of the legislative debate over total school funding. The budget contains other education appropriations for specific purposes.					

TIMBER TAXES

SB 1151 (CH 631)

Requires State Department of Forestry to review Oregon Forest Practices Act rules to determine issues relating to western juniper. Excludes western juniper from definition of forest products and from definition of timber.

REVENUE IMPACT: Minimal

Comment:

Removing western juniper from the definition of "timber" exempts commercial harvest from the timber privilege tax, which is 1.8% of harvest value in eastern Oregon. Removing western juniper from the definition of forest products exempts harvests from the Forest Products Harvest Tax, which is currently \$2.26 per 1,000 board feet. Some commercial harvests of western juniper have occurred and are expected to continue, but the volume and value exempted by this Act is small.

HB 2112

Imposes Forest Products Harvest Tax rates of \$0.67 to fund forest products research at Oregon State University and \$1.08 to fund 40% of the cost for administration of the Forest Practices Act including 7 cents for a program targeting threatened and endangered salmon species and 1 cent for capital construction.

Rates apply to harvests made during calendar years 2000 and 2001

REVENUE IMPACT:

Local Government: None.

State Government: Other Fund revenue increase as follows:

<u>Program</u>	<u>1999-01</u>	<u>2001-03</u>
Forest Research	\$2,943,000	\$1,809,000
Forest Practices Act	<u>4,743,000</u>	<u>3,008,000</u>
Total	\$7,686,000	\$4,874,000

Comment:

Rates currently in effect for calendar year 1999 (\$0.55 for research and \$0.70 for forest practices) will provide current law revenue of \$1,427,000 for research and \$1,816,000 for administration of the Forest Practices Act.

HB 2114

Imposes a 15¢ per 1,000 board foot Forest Products Harvest Tax in calendar years 2000 and 2001 to fund Department of Forestry assistance to nonindustrial forestland owners. Extends sunset (7/1/99) to 7/1/01 on required General Fund reimbursement from the Western Oregon Timber Tax Account for the costs incurred by the Department of Forestry in administration of the Western Oregon Small Tract Option Tax and the tax credit allowed for reforestation of under productive forestlands.

Removes exemption, on January 1, 2002, from Forest Products Harvest Tax for the first 25,000 board feet of timber harvested annually by any person. Makes technical changes.

REVENUE IMPACT:

State Other Fund Revenue	<u>1999-2001</u>	<u>2001-2003</u>
Forest Products Harvest Tax		
Service Forestry	\$ 659,000	\$ 418,000
25,000bf Exemption	0	149,000
Privilege Tax to Forestry	500,000	

Local Government: Impact of Privilege Tax Transfer

Revenue Loss: School Districts	\$ 250,000
Property Tax Shift: Other Districts	\$ 250,000

Comment:

Transferring revenue from the Western Oregon Timber Tax Accounts is roughly split between reducing school district revenue and reducing timber tax offsets for other districts. The school distribution formula will spread the lost revenue over all districts statewide. The reduced offsets increase the imposed tax rates in the affected nonschool districts. The increased revenue from removing the 25,000bf exemption from the Forest Products Tax flow through proportionately to all agencies imposing a tax rate. Rates currently in effect include 50¢ for fire suppression and 51¢ for the Forest Resource Institute. The amount will be higher if HB 2112 is passed, which imposes 67¢ for forest research and \$1.08 for administration of the Forest Practices Act.

HB 2452 (VETOED)

Exempts harvests on private land, other than forestland, from the Eastern and Western Oregon Privilege Taxes. Deletes tax rates, which applied to harvests from reforestation lands and for the 1994-95 and 1995-96 tax years. Allows a qualified taxpayer to claim a tax credit for reforestation to create an intensively managed hardwood stand and still be exempt from Eastern and Western Oregon Privilege Taxes, if the land is other than forestland.

Applies to privilege tax reporting periods beginning on or after the effective date of this act.

REVENUE IMPACT:

Local Government: Revenue Loss and Tax Shift

	<u>1999-01 Biennium</u>		<u>2001-03 Biennium</u>	
	<u>Revenue Loss</u>	<u>Tax Shift</u>	<u>Revenue Loss</u>	<u>Tax Shift</u>
Schools				
K-12	\$1,673,000	0	\$2,101,000	0
ESD	114,000	0	139,000	0
College	149,000	0	210,000	0
Nonschool				
County	0	367,000	0	613,000
Other	0	216,000	0	374,000
Total	\$1,936,000	\$583,000	\$2,450,000	\$987,000

Comment:

The above estimates assume a 5% reduction in privilege tax revenue. No direct information is available on harvests from land which is not classed as forestland. Land reported as forestland by county assessors

is about 90% of land classed as timberland by the Department of Forestry, but harvests should be lower. About 12% of Western Oregon Privilege Tax (\$4.6 million in 1966) is paid under the small owner election, so this represents about 40% of those revenues.

There are other factors, ignored by this estimate, which could increase the revenue loss. Roughly, 50% of the land reported by assessors as forestland is designated forestland. If assessors do not assign forestry as the highest and best use of land, the owner must apply for designation as forestland. Reclassification of these lands would exempt harvests from privilege taxes. This change muddies the question of whether the harvest tax is a tax on property subject to Measure 5 (1990) and Measure 50 (1997). Should the courts find that these Measures apply, the 3.2% (west) and 1.8% (east) privilege tax rates would be reduced to about 0.8% and the value of the harvest could also be limited. Further, with this change, the courts might require that the tax be applied on a property by property basis to recover the deferred property tax on the forestland.

HB 3575

Creates a new program, phased in over 3 years, for levying property tax on forestland and assessing privilege tax on timber harvests. When fully phased in, the specially assessed value of forestland is 100% of the indexed statutory values, maximum assessed is the 1995 indexed statutory value reduced by 10% and increased by 3% per year after 1997, and harvests from forestland in this program are exempt from privilege tax. The phase in limits specially assessed value and maximum assessed value to 75% for fiscal years 2000-01 to 2002-03 and reduces the privilege tax rate to 1.9% (1.1% on the east side) for calendar years 2000 and 2001 and to 1.4% (.8% on the east side) for calendar year 2002. Privilege tax collected from harvests on these forestlands is distributed 97% to the State School Fund (SSF), and 7% to the Community College Support Fund (CCSF). Privilege tax collected through May 15th of each fiscal year is distributed to the school funds by May 31st.

Requires the Department of Revenue (DOR) to identify forestland in ownerships of 5000 or more acres (large ownerships) and in ownerships of less than 5,000 acres (small ownerships). Forestland in large ownerships must be assessed under the new program. Owners of forestland in small ownerships may elect, between the effective date of this Act and April 1, 2002, to be assessed under this new program. Beginning July 1, 2003, forestland in small ownerships is automatically assessed under the new program unless the owner elects to be assessed under an alternative program (see study below).

Changes method of distributing privilege taxes for harvests from forestland not assessed under the new program. The current method continues through the May 2000. Beginning July 2000, allocates 35% of privilege tax from harvests on these lands to counties, 60.45% to SSF, and 4.55% to CCSF. For the counties, no distribution is made for 2000-01, and thereafter the receipts through May 15th of the prior fiscal year are distributed in August and offset against county levies. The distributions to the school funds mirror those, described above, for the new program. In August of 2000, the balance of the Western Oregon Timber Tax Reserve Account, in excess of a reserve for expense and refunds, is distributed 30% to counties, 65.1% to SSF, & 4.9% to CCSF; and the amounts on deposit with Eastern Oregon county treasurers are distributed as under current law.

Exempts lands assessed at real market value or as farmland from the privilege tax. Changes the method of indexing forestland and valuing timber harvests. Requires DOR to convene groups for interim studies to determine the specially assessed value of forestland, design an alternative deferred tax option for forestland in small ownerships, and design a system for appeal of the real market value of forestland. Requires alternative dispute resolution, if specially assessed forestland values are not agreed to by the group convened. Appropriates \$360,000 for this purpose and for working group expenses. Deletes provisions that increase local district bonding capacity to reflect privilege tax receipts. Defines terms and specifies administrative procedures required for implementation of the new program. Makes technical changes and repeals statutes made obsolete. Specifies application dates.

REVENUE IMPACT:

	<u>1999-01</u>	<u>2001-03</u>	<u>2003-05</u>
State General Fund Accounts			
State School Fund	\$20,675,207	\$24,219,359	\$ 1,005,317
Community College Support Fund	1,556,198	1,822,963	75,669
Held for Counties by DOR			
On Deposit	771,614	-492,704	7,651
Interest	0	23,417	12,544
Local Governments			
Schools			
Privilege Tax	-27,478,108	-45,296,696	-45,418,247
Property Tax			
Forestland	5,446,880	11,388,882	21,185,692
Other Value	0	0	0
Total to Schools	200,177	-7,865,492	-23,151,570
Other Local Governments			
Privilege Tax	-6,758,310	-17,165,540	-19,076,627
Property Tax			
Forestland	4,077,733	8,611,606	15,654,262
Other Value	5,912,769	17,463,316	18,845,889
Total Other Local	3,232,191	8,909,382	15,423,523
Total Revenue Impact	4,203,982	574,604	-7,707,852
Tax Paid by Industry	-1,708,787	-16,888,712	-26,553,741
Tax Shift to Other Taxpayers	5,912,769	17,463,316	18,845,889

Comment:

Beginning July 1, 2000, no privilege tax goes directly to schools. Thus, the reduced privilege tax going to schools is the total estimated under current law. Privilege tax plus interest due schools is distributed to the school funds during the fiscal year and included in the calculation of per student grants. Privilege tax plus interest due counties will accumulate in the Timber Tax Accounts during each fiscal year for distribution in the following August. As privilege taxes received by nonschool districts decrease, the property tax billing rate is increased. This accounts for shifting most of the reduced timber privilege tax to property tax on assessed value other than forestland. The billing rate is not affected for school districts.

Federal in lieu payments to taxing districts for Coos Bay Wagon Road lands in Coos and Douglas counties could also be impacted by this Act. If the harvest from these lands is down and the in lieu payments are computed under the new program, the payments would increase.

TRANSPORTATION

SB 1284

Establishes the Transportation Reinvestment Account. Revenue for the account comes from “identified” personal income tax collections. Identified personal income tax collections are those associated with the economic activity generated by payments to contractors out of revenue from HB2082 and federal T-21 revenue.

Identified revenue is to be certified by DAS in consultation with ODOT and LRO.

The bill also sets up the terms of an interagency loan from the Veteran’s Affairs Department to the Transportation Reinvestment Account. The measure sunsets on January 1, 2004.

REVENUE IMPACT:

This measure has no impact on overall state revenue.

Identified revenue from personal income tax collections is estimated to be \$42.8 million in 2001-2003.

SB 1337

Moves election date to May 16, 2000 (primary), if HB 2082 is referred by referendum petition.

REVENUE IMPACT: None (see HB 2082).

SJR 11

Amends Oregon Constitution to allow revenues from fuel taxes or levied on the ownership or use of motor vehicles to be used for policing of public roads and roadside rest areas, limited to funding increased service levels.

REVENUE IMPACT: Indeterminate

Will require future implementing legislation, if adopted.

SJR 44

Amends Oregon Constitution to require that state imposed highway user fees be designed so that vehicle classes pay in proportion to the costs incurred for the highway system because of each class of vehicle. Requires the Legislative Assembly to provide for a biennial review and adjustment of revenue sources to ensure fairness and proportionality (see HB 2082)

Submits proposed amendment at the November 2, 1999 special election date (see HB 2354).

REVENUE IMPACT: None.

HB 2082

Repeals Weight-Mile Tax on July 1, 2000 (repeal makes all vehicles subject to fuel taxes). But first increases weight-mile tax rates and flat fees by roughly 3.5% between January 1, 2000 and June 30, 2000. Redefines the road use assessment fee on January 1, 2000.

Increases motor fuel and use fuel tax rates by 2¢ on November 1, 1999 and by another 3¢ on January 1, 2000. Imposes a new diesel fuel tax at 29¢ per gallon on July 1, 2000. Allows 45% diesel fuel tax refund for concrete mixers, self-loading log trucks, and garbage trucks operating power take-off units without separate fuel tanks. Allows 15% refund for log trucks and sand and gravel trucks without receipts or up to 25% if off-road use is documented. Allows 70% refund for vehicles owned by investor-owned utilities. Allows 100% refund for ancillary equipment with separate fuel supply. Allows a trip permit in lieu of diesel fuel tax.

Increases passenger car registration fees by \$10 per biennium and modifies registration fees for vehicles between 8,001 and 26,000 pounds on January 1, 2000. Increases registration fees for commercial vehicles required to establish a registered weight (over 26,000 pounds) by a factor of 11.5 on July 1, 2000. Splits fees into fixed (17.8%) and variable (82.2%) fees. Allows quarterly payment of registration fees for Oregon firms in interstate commerce. Exempts tow trucks and vehicles registered by persons involved in waterworks construction from registration fee increases. Exempts trucks under 60,001 pounds traveling less than 30,000 miles, garbage and recycling trucks, trucks owned by investor-owned utilities, trucks over 60,000 pounds used to install heavy equipment, and trucks over 26,000 pounds traveling less than 5,000 miles from variable portion of registration fee. Limits variable portion of registration fee to \$900 for concrete mixers, log trucks, and sand and gravel trucks (special fee 1). Limits variable portion of registration fee to \$430 for trucks transporting garbage or recyclables (special fee 2). Increases certain trip and variance permits, allows ODOT, by rule, to increase certain variance permit fees and imposes continuous trip permit fees for vehicles over 80,000 pounds, which decreases for certain axle combinations. Triples permanent registration fee for trailers. Increases commercial vehicle registration fees again on January 1, 2002. Total fee is increased to 15.29 times current fees. Fixed fee is 13.3% and variable fee is 86.7% of total. Increases special fee 1 to \$1,250 and special fee 2 to \$590. Allows a majority of a county's Commissioners to have ODOT administer a countywide passenger car registration fee of \$10 a year. Requires counties making this election to notify ODOT by January 1, 2000. Requires county to convene a meeting with ODOT and affected cities to determine distribution within county. Requires Multnomah County to spend a majority of money on Willamette River bridges.

Specified distribution and use of net revenue from state imposed highway user fees. Revenue from the 2¢ fuel tax increase from November 1, 1999 through December 31, 1999 is allocated to ODOT for preservation of state highways. Beginning January 1, 2000 the total available is allocated:

- 82.2324% is distributed 60.05% to the state, 24.38% to counties, and 15.57% to cities for the purposes provided by law.
- 8.1898% funds four programs off the top with the balance distributed 60% to counties and 40% to cities for road and bridge modernization, maintenance, and preservation. The fund allocations are \$3 million for certain eastern Oregon counties, \$3 million for disaster relief, \$1 million for special city allotments, and \$750,000 for special county allotments.
- 6.4770% to state highway programs including payment of principle and interest on bonds.
- 3.1008% to the state for modernization, maintenance and preservation.

Moves point of collection of the diesel fuel tax to the rack (currently taxed as use fuel) and imposes an inventory tax on fuel below the rack on July 1, 2000. Requires licensing, record retention, and reporting by diesel fuel suppliers, transporters, distributors, exporters, importers, blenders, and users. Allows disclosure of information reported to Legislative Revenue Officer. Specifies criteria for issuing and revoking licenses. Requires dyeing of untaxed fuel following federal requirements. Allows fuel suppliers to retain 2% of collections to be shared with distributors and allows fuel suppliers a credit for uncollected fuel taxes. Requires all licensees, with certain exceptions, to furnish bond or equivalent.

Specifies procedures for administration including auditing, collection, and refund of diesel fuel taxes, appeal rights, and penalties and interest imposed on delinquent payments. Allows weighmaster and motor carrier enforcement officers to issue citations for certain violations. Provides for audit and collection of weight-mile taxes imposed before July 1, 2000.

Establishes the Eastern Oregon Federal Forest Safety Net Account in the Highway Fund. Requires ODOT and the Association of Oregon Counties to distribute funds to eligible counties. Establishes the Disaster Relief Account in the Highway Fund. Requires ODOT, the Association of Oregon Counties, and the League of Oregon Cities to establish guidelines for repair of roads and bridges damaged by natural disaster. Requires ODOT to develop a list of projects to be funded by bonding and to present this list to the Emergency Board no later than February 1, 2000. Requires that projects be approved for inclusion in the Statewide Transportation Improvement Plan and requires additional consideration be given to projects that leverage local or private funds or generate toll revenues. Requires quarterly reports updating the status of projects on the list. Allows ODOT, following the report to the Emergency Board, to issue up to \$600 million in Highway User Tax Bonds during the 1999-01 biennium to finance road and bridge modernization and safety projects. Directs ODOT and the State Treasurer to structure bond issues so that the principal and interest can be paid from the funds allocated for that purpose.

Requires that state imposed taxes and fees constitutionally dedicated to highways be such that light and heavy vehicles pay amounts proportional to costs incurred because of each vehicle class. Requires ODOT to forecast highway user fees under this Act for July 1, 2000 to January 1, 2001 and requires that the Governor submit proposed adjustments to the Legislative Assembly by March 1, 2001 if the actual revenue differs by more than 5% from the forecast. Requires the Office of Economic Analysis to conduct biennial cost responsibility studies to determine the proportionate share of cost for light and heavy vehicles and to report recommended fee adjustments to the Legislative Assembly. Requires the Legislative Assembly to enact the recommended fees and requires the Governor to implement the recommendations if the Legislative Assembly fails to act (action by Governor deleted in conflict amendments to HB 3344). Sets 26,000 pounds as the dividing line between light and heavy vehicles. Requires first study to be completed by January 31, 2003.

Prohibits any Oregon governmental body from requiring that a commercial vehicle be equipped with an electronic device that identifies its location (transponders). Requires that gas stations post the amount of federal, state, and local taxes on each gallon of gasoline. Provides for changes in the implementation dates in this Act if it is referred and becomes law. Defines terms and conforms various statutes to the provisions of this Act.

REVENUE IMPACT (HB 2082):

Increased Revenue by Source	<u>1999-01</u>	<u>2001-03</u>	<u>2003-05</u>
Fuel Taxes			
Basic Vehicles	\$113,104,642	\$157,304,098	\$161,381,461
Heavy Vehicles	<u>91,647,371</u>	<u>227,486,771</u>	<u>240,343,009</u>
Total Fuel	204,752,012	384,790,868	401,724,470
Registration Fees and Other Revenue			
Basic Vehicles	23,436,300	34,008,630	35,714,150
Heavy Vehicles	<u>147,326,121</u>	<u>253,111,941</u>	<u>275,823,757</u>
Total Registration	170,762,421	287,120,571	311,537,907
Weight-Mile Taxes	-200,086,904	-465,028,545	-496,260,089
Total Revenue Above Current Law			
Basic Vehicles	136,540,942	191,312,728	197,095,611
Heavy Vehicles	38,886,587	15,570,167	19,906,677
Total	175,427,529	206,882,895	217,002,287
Distribution of New Revenue (includes administrative costs reductions)			
State			
Program	\$ -9,110,793	\$ 7,050,928	\$ 8,448,136
Bonding	<u>100,915,945</u>	<u>106,570,260</u>	<u>110,947,339</u>
Total State	91,805,152	113,621,188	119,395,475
State Share	50.7%	51.9%	51.9%
County			
General	43,947,849	53,700,152	56,737,394
Disaster Relief	6,000,000	6,000,000	6,000,000
E.O. Safety Net	6,000,000	6,000,000	6,000,000
Special Allotment	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
Total County	57,447,849	67,200,152	70,237,394
County Share	31.7%	30.7%	30.5%
City			
General	29,952,007	36,300,435	38,333,209
Special Allotment	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Total City	31,952,007	38,300,435	40,333,209
City Share	17.6%	17.5%	17.5%
Total Distributed	\$181,205,008	\$219,121,776	\$229,966,078

HB 2190 (CH 769)

Gives ODOT authority and responsibility for collecting delinquent fuel taxes. Allows ODOT to issue warrants, specifies procedures for recording, and makes warrant a lien on the property. Allows ODOT to use collection agents and to assign accounts to a collection agency. Allows collection agencies to take necessary actions including attachment and garnishment. Allows uncollectable accounts to be assigned to the Secretary of State. Increases maximum bond to \$250,000 for new gasoline dealers and dealers who have not paid timely during the past 3 years but grandfathers in dealers licensed on the effective date of this Act. Allows dealers to petition a hearing on the bonding requirement. Allows ODOT to waive penalty, imposed after 1/1/1998, for using fuel on the highways without a required user license. Requires Department to give notice that it may waive these penalties and that it will consider refund of penalties paid between January 1, 1998 and the effective date of this Act. Makes knowing and willful failure to file and pay use fuel tax, by either sellers or users, a class C misdemeanor. Allows ODOT to refuse to issue licenses to fuel dealers, sellers, and users.

Prohibits the Department of Transportation from collecting use fuel taxes, penalties, and interest owed by certified operators of tow trucks and transporters of manufactured structures prior to 1996, if the operators paid weight-mile tax, were licensed, complied with laws relating to weight-mile taxes, and failed to report as fuel users (qualified operators). Prohibits collecting penalties and interest on use fuel taxes for qualified operators for 1996, 1997, and 1998 and allows 5 years for payment of these taxes. Allows qualified operators, who have paid their use fuel taxes, to claim a credit for years 1993 through 1995.

REVENUE IMPACT:

	1999-01	2001-03
Increased Fuel Tax Collections	\$70,000	\$70,000
Tow Trucks & Transporters Refunds	-\$16,000	
Amounts Waived	-\$95,000	
Total	-\$41,000	\$70,000

Comment:

Administering the collection of motor fuel taxes in conjunction with the collection of weight-mile taxes is expected to increase collections by about \$35,000 a year. Between 1993 and 1997, about 395 operators of tow trucks and transporters either paid tax at the pump or as licensed fuel users. ODOT has identified another 104 operators who failed to pay the diesel fuel tax during this period. The above estimates are based on these accounts. The Act also allows ODOT, upon a determination of reasonable cause, to waive or refund penalties imposed on persons purchasing diesel fuel without a required user's license. The above impacts do not include an estimate of these refunds or write-offs.

HB 2199

Increases aviation fuel tax rate 3¢ on the effective date and by an additional 3¢ on July 1, 2000. Increases jet fuel tax rate by one-half cent on the effective date of this Act. Adjusts aviation fuel tax refunds allowed, when the full motor vehicle tax rate is paid, to reflect the increased aviation fuel tax rates.

Makes increased revenue available to the Department of Transportation to fund maintenance and preservation of pavements used for runways, taxiways, and aircraft parking areas at public use airports.

REVENUE IMPACT:

	1999-01	2001-03
Aviation Fuel	\$352,600	\$619,400
Jet Fuel	\$1,570,400	\$2,036,900
Total	\$1,924,998	\$2,658,298

Comment:

This estimate assumes that the first 3¢ increase in the aviation fuel tax rate takes effect on October 1, 1999 and that the increased revenues are first reported in November.

HB 2811 (CH 296)

Requires Department of Administrative Services to estimate gasoline consumed by motor boats, once every four years, through a statistically valid, unbiased, independent survey of boat owners. Specifies survey methodology. Requires survey to be developed by a research department within the State System of Higher Education in consultation with the State Marine Board and the Department of Transportation. Deducts survey costs from Marine Board transfers. Requires first survey be done in time for July 2003 transfers. Bases transfers prior to July 2003 on the motor boat fuel consumption results of the 1998 statewide boater survey conducted by the State Marine Board. Takes effect July 1, 1999.

REVENUE IMPACT: None

Comment:

The bill changes the method of estimating gasoline consumption by motor boats from the "federal method", which has been used for several years, to a method based on surveys of Oregon boat owners. The results of the current survey, which will be in effect through the 2002-03 fiscal year, are similar to the results obtained from the federal method. Thus, there is no change in the amount to be transferred and no revenue impact.

HB 3344

This Act has two parts. Sections 1 to 35 and 38 to 40 apply if HB 2082 becomes law. Sections 36 and 37 apply if HB 2082 does **not** become law.

If HB 2082 becomes law, the ORS Sections repealed by HB 2082 are suspended until January 1, 2006 and the sections of HB 2082 relating to the diesel fuel tax are repealed on January 1, 2006. Makes diesel fuel subject to Use Fuel Tax. Restores administrative procedures relating to weight-mile taxes. Amends sections amended by HB 2082 to restore referenced to weight-mile taxes and delete references to diesel fuel tax. Expands Section 83 of HB 2082 to require the Office of Economic Analysis to collect data on the effect of heavy vehicle classes, as determined by the Office, on the costs of maintenance, operation, and improvement of highways, roads, and streets. Directs Office to consider this data when recommending changes in registration fees. Deletes language in Section 83 of HB 2082 which requires the Governor to implement the recommendations of the Highway Cost Allocation if the Legislative Assembly fails to do so.

If HB 2082 does not become law, The weight mile tax rates in current law are reduced by roughly 11%. Reduced tax rates take effect on January 1, 2000 if HB 2082 is not passed by both houses of the Legislative Assembly or is vetoed by the Governor. Reduced tax rates take effect on September 1, 2000 if HB 2082 is referred by initiative petition and rejected by the people (see SB 1337).

REVENUE IMPACT:

	<u>1999-01</u>	<u>2001-03</u>	<u>2003-05</u>
State	\$ -23,463,057	\$ -38,993,620	\$ -49,588,780
County	- 9,525,884	-15,831,215	-20,132,797
City	<u>- 6,083,594</u>	<u>-10,110,419</u>	<u>-12,857,574</u>
Total	\$ -39,072,535	\$ -64,935,255	\$ -82,579,151

Comments:

The portions of this Act which take effect if HB 2082 becomes law have no revenue impact. The revenue impact shown above assume that HB 2082 does **not** become law.

MISCELLANEOUS

SB 183 (CH 203)

Allows Lottery to establish, by rule, procedures for verification and payment of winning lottery tickets over \$600, which are lost or destroyed by vendor.

REVENUE IMPACT:

Local Government: None

State Government: Reduction of \$7,700 in Economic Development Fund. revenues.

Comment:

The revenue reduction represents 7 unpaid claims where the vendor kept tickets for verification and subsequently lost or destroyed those tickets. Lottery has made an effort to educate vendors on this process and does not expect problems in the future.

SB 198 (CH 559)

Provides method of calculating debt limit after issuance of certain bonds. Allows public body to enter into rate covenants. Limits authority of cities with regard to operation and financing of off-street parking. Defines terms.

Allows counties to incur limited tax bonded indebtedness up to 1% of Real Market Value of property plus any cash or sinking fund reserves. Defines bonded indebtedness and limited tax bonded indebtedness.

Allows public bodies to issue bonds through competitive bidding process and defines competitive bidding process of the public body. Exempts bonds issued in compliance with competitive bidding process of the public body from certain bid requirements.

Allows a municipality to invest proceeds of bonds, certificates of participation, and certain related funds in investment agreements if certain conditions are met.

Allows a public body to issue forward current refunding bonds to refund principal and interest on outstanding bonds, to pay the cost of issue and up to 6 months interest on the new bonds. Defines forward current refunding bond. Requires authorization by ordinance or resolution. Adds definition of forward current refunding bond to instruments classed as Advanced Revenue Bonds and expands definition of public body to include intergovernmental entities. Expands legislative findings. Provides manner of issue, review processes, and assistance from the Oregon Municipal Debt Advisory Commission.

REVENUE IMPACT: Indeterminate

Comment:

The provisions relating to forward current refunding bonds and competitive bidding may provide a mild incentive to increase bonding by reducing debt service costs. To the extent that local governments are able to invest bond proceeds or invest at a higher rate of return, they will increase local revenues. The provisions for issuing limited tax bonded indebtedness are permissive in that they give counties new authorization to issue bonds backed by existing operating revenue within the limitation of Measure 5 (1990). It also expands the types of projects or products that may be funded through bonding. To the extent that counties use this authority, they will increase current revenue and reduce future revenues by

the amount required to service the debt. With total statewide real market value at roughly \$210 billion, the total new authorization is \$2.1 billion.

SB 792 (CH 272)

Enacts model statute required by Tobacco Master Settlement Agreement.

Requires any tobacco products manufacturer selling cigarettes to consumers in Oregon to either become a participating manufacturer and meet its financial obligations under the Master Settlement Agreement or to place specified amounts into a qualified escrow account. Specifies how funds may be released including payment judgements or settlements for claims by the State of Oregon. Allows Oregon Attorney General to bring a civil action for compliance with this agreement. Specifies penalties for failure to comply.

Declares legislative findings and purpose of legislation. Defines terms.

REVENUE IMPACT: Indeterminate

There is \$27.5 million in escrow for Oregon, expected deposits of \$73.6 million in 2000 and \$79.4 million in 2001, and expected additional deposits annually through 2025. There are many factors which could prevent Oregon from taking control over some or all of these funds. Of particular concern for this Act is the possible decline in market share for the companies party to the agreement. If Oregon does not pass this Act and market share falls below a threshold, Oregon could lose all of these revenues. If Oregon passes this bill and none of the other contingencies take effect, it guarantees that Oregon will receive 35% of the amounts put into escrow plus interest. If the bill is passed and also survives judicial review, it will protect 100% of the amounts deposited for Oregon at least with respect to the conditions relating to declining market share of the companies party to the agreement.

SB 5541 (CH 395)

Appropriates funds for the operations of the Department of Revenue, including funds for enhanced audit and collection of income taxes.

REVENUE IMPACT:

State: General Fund revenue increase of \$16.1 million from enhanced collections (including \$8 million in December 1998 Revenue Forecast).

HB 2892 (CH 351)

Creates four broad categories of retail alcoholic beverage licenses to be issued by the Oregon Liquor Control Commission (OLCC): full on-premises sales, limited on-premises sales, off-premises sales, and temporary sales. Consolidates current retail licenses in new categories. Sets eligibility criteria for new retail licenses. Allows exemptions from licensing requirements for specified activities and eliminates corresponding license. Adjusts license fees (generally higher). Allows OLCC to reject applications that are not in required form. Requires OLCC give applicants opportunity to be heard regarding rejected applications.

Modifies process for written local government recommendations to OLCC regarding license applicants. Allows OLCC to proceed with consideration of an application if it has not heard objection from a local government within 30 days after notice of application for a new license or within 60 days of notice of application for a license renewal. Requires OLCC to establish, by rule, valid grounds for unfavorable recommendations and the allowable grace period that local governments may request when processing

written recommendations. Clarifies OLCC is not responsible for collection of fees charges by local governments for processing written recommendations.

Allows placement of video lottery terminals in establishments with full or limited on-premises sales license. Authorizes State Lottery Commission to develop rules regarding licensed establishments allowed to offer video lottery.

Prohibits OLCC from licensing premises that do not have defined boundaries. Authorizes "U-Brew" operations under a brewery or brewery-public house license. Consolidates definitions of wine and cider. Adjusts statute to reflect new license categories. Eliminates duplicative statutes.

Takes effect January 1, 2001

REVENUE IMPACT: Increased License Fees

	1999-01	2001-03
State General Fund	\$300,513	\$300,513
Counties	\$53,663	\$53,663
Cities	\$182,455	\$182,455
Total	\$536,631	\$536,631

HB 3425 (CH 606)

Requires that one-third of the revenue received by the Racing Commission from the development and administration of Multi-Jurisdictional Simulcasting and Interactive Wagering Totalizator Hubs be deposited in the State General Fund.

REVENUE IMPACT: Indeterminate

Comment:

It is not clear, at this time, that "Hubs" will be established in Oregon. If this occurs, the Commission must set the tax rate as a percent of gross mutuel wagering receipts (up to 1%). The General Fund would receive 1/3 of the amount raised.

HB 3492

Aligns state law with Federal Cigarette Labeling and Advertising Act. Declares that consumers and retailers purchasing cigarettes are entitled to be assured through appropriate enforcement measures that cigarettes they purchase were manufactured for consumption in the United States. Defines "cigarette." Prohibits tax stamp from being affixed to cigarette package if package differs in any respect from requirements of Federal Cigarette Labeling and Advertising Act, the package was imported into the United States after January 1, 2000, the package is labeled "For Export Only," "U.S. Tax Exempt," "For Use Outside U.S.," or if package has been altered to omit such language.

Requires Department of Revenue to suspend license of cigarette distributor for 90 days upon determination by Department of Justice that distributor violated labeling or advertising provisions. Allows Oregon State Police to seize cigarette packages that violate this section. Requires Department of Revenue to issue written notice to all licensed Oregon cigarette distributors and retailers regarding these provisions. Requires notice to specify date, not earlier than the 60th day or later than the 90th day after the date on which the notice is mailed, after which a penalty may be imposed or seizures, destruction or sales may take place.

Prohibits person under age 18 from purchasing, attempting to purchase or acquire tobacco products except when such person is in a private residence accompanied by a parent or guardian and has the parent or guardian's consent. Establishes violation of provisions of measure as a violation punishable by a fine not to exceed \$250. In addition to fine, provides graduated penalties for first and subsequent violations. Specifies that first-time violators may be ordered to participate in tobacco education program or tobacco use cessation program or to perform community service related to diseases associated with consumption of tobacco products. Specifies that a person convicted of a second violation through misrepresentation of age may be required to participate in education or cessation program, perform community service, and shall have their driving privileges and right to apply for driving privileges suspended for a period not to exceed one year. Upon petition of the person, permits court to withdraw suspension order at any time. Sets operative date for suspensions on or after 4/1/00.

Extends sunset on cigarette tax to January 1, 2002.

REVENUE IMPACT: Cigarette Tax Rate Extension

	<u>1999-01</u>	<u>2001-03</u>
Local Government:		
City	\$ -100,000	\$ -108,000
County	-100,000	-108,000
Special Transportation	-100,000	-108,000
State Government:		
General Fund	-1,100,000	-1,190,000
Health Plan	33,634,000	36,403,000
Tobacco Use Reduction	<u>-150,000</u>	<u>-162,000</u>
Total Revenue Impact	<u>\$32,084,000</u>	<u>\$34,726,000</u>

HB 3612 (CH 672)

Establishes civil penalty for violations of commercial fishing law or rule when gain is at least \$5,000. Defines gain. Requires civil penalties to be deposited in the Commercial Fisheries Fund. Creates Oregon Albacore Commission. Specifies representation on the Commission. Requires director to consider recommendations by producers' organizations, fish processors, and processors' organizations in making appointments to the Commission. Authorizes the Commission to assess, levy, and collect an amount not to exceed 3% of the average unit price of albacore from producers and first purchasers.

REVENUE IMPACT: Indeterminate

Comment:

This Act is permissive. The Commission will set the rate required to fund the agreed upon activities within the 3% limit. Assuming continued growth in the catch and some recovery in the average per unit price, the maximum assessment for the 1999-01 biennium is \$330,000 (catches after October 1, 1999) and \$666,000 for the 2001-03 biennium.