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OVERVIEW

Forces Shaping Revenue Policy

Fundamental forces beyond the state's borders were behind much of the key revenue policy decisions made by the 2007 Legislature. The key forces shaping policy were:

- An expanding national economy with strong financial markets.
- High energy prices and a growing awareness of the costs associated with reliance on fossil fuels.
- The prolonged war in Iraq and its impact on participants and their families.
- The rising cost of health care and the growing number of uninsured.
- Ongoing efforts among the states to close the tax gap between actual tax collections and the potential base under existing law.
- Future federal policy following the scheduled expiration of the Secure Rural Schools and Community Self Determination Act of 2000.

The Economy

The U.S. economic expansion entered its 6th year in November of 2006 and has continued through the second quarter of 2007. The national economy appears to be running near full capacity with unemployment at 4.6% (June 2007). Oregon's economy, mired in three consecutive years of declining employment (2001 through 2003), has posted healthy job growth between 2 and 3% annually over the past three years. As a result, the state's unemployment rate has inched down to 5.4% (June 2007). Personal income for state residents increased 18% over the past three years. State economic growth has been fueled by acceleration in the state's population growth. Net in-migration into Oregon totaled 34,622 in 2005 and 44,575 in 2006.

Oregon's income tax dominated revenue system has responded to stronger economic growth with a surge in both personal and corporate income tax collections. It is this surge in collections, combined with an expansion of lottery game options, which had the largest impact on budget deliberations in the 2007 session. General Fund resources, including the beginning balance grew an estimated 24.5 % in the 2005-07 biennium. Lottery resources surged 38.2%, with the addition of line games accounting for a majority of the growth. General Fund/Lottery resources increased an estimated 25.4% in the 2005-07 biennium. Because much of the growth was unanticipated, General Fund/Lottery spending lagged behind revenue growth. Expenditures increased an estimated 13.2 % for the 2005-07 biennium, leaving approximately $1.8 billion in unspent ending balances and reversions. It is the unspent revenue carried forward that permitted significantly faster growth in the 2007-09 budget. Although General Fund revenue growth is expected to slow sharply in 2007-09 due to a slowing economy and the effects of the 2% surplus kicker refunds, the large amount of carried forward balances allows for a significant increase in the General Fund/Lottery budget.

Energy Prices

Surging oil prices have pushed energy policy to the forefront once again. The current revenue forecast (May 2007) projects that the price of oil will remain above $60 per barrel at least through 2011. Continued political tension in the Middle East means that further jumps in oil prices are a major threat to the economic outlook. In addition, scientific evidence continues to grow that burning fossil fuels poses significant short term health costs and potential major long term changes to the world's climate. These factors have accelerated the development of alternative energy sources across the country.

War

The time span covered by the current American military involvement in Iraq now exceeds the length of time U.S. troops were involved in World War II. Though the war is being fought at a low intensity level by historical standards, the number of Oregon veterans is growing. This has put significant strain on the Oregon National Guard and has raised issues over appropriate tax policy for military personnel.

Health Care Costs

The share of the nation's resources dedicated to health care continues to rise. It has climbed from 9% of Gross Domestic Product (GDP) in 1980 to over 15% in 2007. The Congressional Budget Office estimates that if federal spending on health care continues to rise at the same rate relative to the economy over the next 40 years as it did over the past 40 years, federal health care spending will equal 20% of the nation's GDP. This is about equal to the percentage of GDP now accounted for by the entire federal budget.

Rising health care costs affects the state budget both through rising expenditures for programs such as the Oregon Health Plan and through rising labor costs particularly for labor intensive services such as education. Rising health care costs also affects state revenue directly through increases in non-taxable health care benefits provided by employers.

Tax Compliance

Starting with efforts by the Internal Revenue Service to identify and prevent abusive tax shelters at the beginning of the decade, states have stepped up compliance efforts. California has been among the most aggressive starting with its voluntary compliance program for abusive tax shelters in 2004. A number of states have followed suit including Minnesota, Illinois, North Carolina and New York. Oregon considered abusive tax shelter legislation in 2005 but ultimately did not pass major changes.

Federal Timber Payments Policy

The expiration of the federal Secure Rural Schools and Community Self Determination Act of 2000 (PL 106-393) at the end of 2006-07 federal fiscal year poses major risks to Oregon's local revenue system. Counties receive $200 million per year and schools receive $31 million in federal dollars under the act. Moreover, the county general fund and road fund revenue under the act is spread very unevenly with some county budgets highly dependent on the federal revenue for basic services. With future federal policy highly uncertain throughout much of the session, the Legislature considered a number of short-term and long-term options for responding to a change in federal policy. Near the end of the session, Congress did approve a one-year extension of PL 106-393 but the future of this major revenue source beyond the coming year remains very much in doubt.

2007 Legislative Responses to Major Trends

The Legislature passed a number of revenue policy bills that were clearly in reaction to these fundamental forces:

- The recovering economy allowed for a significant increase in K-12 spending and the overall General Fund/Lottery budget. The State School Fund increased from $5.305 billion in 2005-07 to $5.985 billion in 2007-09. In addition, the Legislature re-established the School Improvement Fund with a $260 million appropriation. Overall General Fund/Lottery spending increased 21.1% relative to the 2005-07 budget. Perhaps more importantly for the long run, the recovering economy also allowed for a significant increase in the state's reserve position. HB 2707, which required 2/3 approval, suspended the 2% surplus kicker credit scheduled to go to corporations for the 2007 tax year and redirected the revenue into a new general purpose rainy day fund also established by the bill. The new fund receives the revenue from the corporate kicker credit minus $24.8 million targeted for a one-time small business credit, up to 1% of the General Fund following the end of the biennium and interest accrued to balances in the fund. The Rainy Day Fund is expected to reach a balance of $476 million with the ending balance transfer following the 2007-09 biennium. In addition, the Education Stability Fund, established by voters in 2002, is growing more rapidly than expected because of strong Lottery earnings growth. The fund receives 18% of earnings until it reaches its cap of 5% of General Fund revenue. The Education Stability Fund balance is expected to reach $466 million by July of 2009. This leaves a combined reserve fund balance of $942 million following the end of the 2007-09 biennium. These estimates are predicated on the assumption that no withdrawals are made during the biennium.

- Rising energy prices and the search for alternative fuels spawned a number of bills during the 2007 session. The most significant proposals to become law are
    - the creation of a new credit for the production of biofuel raw materials (HB 2210)
    - an expansion of the business energy tax credit (sections 14-27 of HB 3201)
    - an expansion of the residential energy tax credit (sections 28-36 of HB 3201), and
    - the establishment of the Clean Diesel Engine Fund (HB 2172 and sections 37-58 of HB 3201)

  These measures are designed to stimulate development of alternative fuels, encourage energy saving investment and provide incentives for environmentally sound capital investment.

- The war in Iraq has drawn policymaker's attention to Oregon's tax treatment of active military personnel and veterans. The Legislature modified military service requirements to qualify for the homestead property tax exemption (HB 2023) and extended the income tax exemption for active duty service in the Oregon National Guard and armed forces reserves (HB 2026). Both measures were intended to clarify legislation passed in 2005 and were made retroactive to previous tax years. HB 3201 (sections 1 & 7) provides for an increase in the amount of active duty compensation that can be subtracted from Oregon taxable income from $3,000 to $6,000 beginning with the 2007 tax year. Concerns over health care for veterans led to passage of a new $5,000 tax credit for physicians working at the Oregon Veterans Home (HB 3201, sections 3-4 & 9) and the establishment of a tax credit for physicians participating in the TRICARE system for veterans (HB 3201, sections 4-6 & 8).

- Rising health care costs were the driving force behind two large revenue raising measures approved by the 2007 Legislature. The first was the extension and modification of the long-term care provider tax and the hospital provider tax (HB 3057). Both measures were originally approved in 2003 and were scheduled to sunset. These measures are projected to raise $220.6 million in the 2007-09 biennium. Secondly, the Legislature submitted a constitutional measure to voters (SJR 4/ Measure 50) for approval of an increase in tobacco taxes to pay for the Healthy Kids Program proposed by the Governor, other health related expenditures and an increase in tobacco use reduction expenditures. Specifically, SJR 4 and its implementing language (SB 3) will increase the cigarette tax from $1.18 per pack to $2.025 per pack starting January 1, 2008 if approved by voters. The measure also increases the tax on other tobacco products from 65% of wholesale price to 95% of wholesale price. The measure is expected to generate $152.8 million in new revenue in 2007-09 and $233.2 million in 2009-2011.

- After spending much of the 2005 session developing a bill to reduce the use of abusive tax shelters for Oregon income tax purposes, the Legislature did not take final action. In 2007 the Legislature approved SB 39 designed to strengthen the state's laws preventing the use of abusive tax shelters. SB 39 defines abusive tax shelters, increases penalties for using them and extends the number of years back the Department of Revenue can examine returns in those cases where abusive tax shelters are suspected. SB 39 is designed to complement the Department of Revenue's plans to participate in an administrative voluntary compliance initiative with 30 states. A voluntary compliance initiative gives taxpayers who have used abusive tax shelters in the past a period of time to amend their returns and pay appropriate taxes before the new stiffer penalties go into effect. The Legislature also took action to require out-of-state residents who receive capital gains income from the sale of property in Oregon to make a withholding payment at the time of sale (HB 2592). Experience in other states indicates that these transactions often result in unreported income. The two measures combined (SB 39 and HB 2592) will increase General Fund revenue by an estimated $16.7 million in the 2007-09 biennium.

- The House Revenue Committee and the Senate Finance and Revenue Committee spent considerable time during the 2007 session discussing the potential impact of an elimination or substantial reduction in federal timber payments on county governments. Ultimately the federal government did renew the program (PL 106-393) for one year. However, several steps were taken to help counties prepare for the substantial risk that the payments will not survive in the long-term. The Legislature relaxed county assessment and taxation standards on a one-year basis for those counties with significant federal timber revenue at risk (HB 3532). The Legislature also transferred $56.2 million of state highway fund revenue to counties on a one-time basis for local transportation purposes (SB 994) and referred a measure modifying the double majority requirement on local property tax votes (HJR 15).

PERSONAL AND CORPORATE INCOME TAX

SB 39A (CH 568)

Defines “listed transaction”, “reportable transaction” and “transaction without economic substance”. Requires taxpayers who engage in, are associated with, or receive a tax benefit from a reportable transaction to report that transaction to the Department of Revenue, beginning with tax year 2007; creates a penalty for failing to report the use of such transactions. Creates a 60% penalty for understatement of tax due to the use of a listed transaction; the penalty applies to listed transactions discovered or reported on or after January 1, 2008. Creates a 100% penalty for promoters of a tax shelter. Opens closed tax years going back to 1999 if the return reflects the use of a listed transaction that led to a tax deficiency.

Revenue Impact:

$ Millions	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	$11.3	$0.5	**$11.8**	**$1.0**

The revenue impact estimate is based on the California program, adjusted for Oregon specific characteristics. One significant factor that interacts with the effects of this bill is that the Department of Revenue is participating in a multi-state administrative voluntary compliance initiative (VCI) during 2007. It is expected that this bill would increase the response to that effort. The table below shows how the revenue impact was calculated. (It does not include the effects of the anticipated 2007 administrative VCI.)

	2007-09	2009-11
Gross Collections	$17.3	
(Less) Assumed Current Collections	-$6.0	
(Plus) New Penalties	$0.5	$1.0
(Equals) Net Revenue Impact	$11.8	$1.0

SB 173 (CH 321)

Allows the Department of Revenue to disclose confidential information from tax returns to cities, counties or other political subdivisions of other states, or an association established exclusively to provide services to federal, state or local taxing authorities, e.g. the Federation of Tax Administrators (FTA). The use of this information must be for tax administration and compliance purposes only. The entity receiving the information must be governed by a provision of law that meets the requirements of the Internal Revenue Code pertaining to confidentiality.

Statute defines all details from tax returns as confidential and then identifies specific exceptions to that law, including the Internal Revenue Service, the Multistate Tax Commission, or other states that are subject to laws that meet the IRS requirements pertaining to confidentiality. This law effectively adds to that list of exceptions the FTA and sub-state governments that meet the specified requirements.

Revenue Impact:

This bill is not expected to affect revenues in a significant manner.

SB 175 (CH 322)

Reduces the time period the Department of Revenue (DOR) must wait before demanding a taxpayer file a tax report or return and imposing a failure to file penalty in cases where the report or return is required to be filed more often than once a year. The time period is reduced from three months to one month after the filing or payment due date. In cases where a taxpayer is required to file a federal income tax return for a period of less than 12 months, the current waiting period of three months is retained. The changes in this bill would apply to reports or returns required to be filed on or after January 1, 2008. Most of these reports and payments are made on a quarterly basis and pertain to such tax programs as personal income tax withholding, tobacco, lodging, and transit.

Revenue Impact:

The bill is expected to enhance collection efforts by enabling DOR to contact delinquent taxpayers sooner. It is expected to increase collections by less than $50,000 per biennium.

SB 176 (CH 463)

Allows the Department of Revenue (DOR) to transfer outstanding liability for taxes, penalty or interest from a business entity that dissolves to a reorganized entity that is substantially the same business. The bill specifies factors that may be considered when determining if the dissolved and reorganized businesses are essentially the same. These factors include: the physical location of the businesses, the services provided or products produced by the businesses, if the businesses have the same corporate directors or officers, or if the businesses have the same owners or holders of a direct or indirect interest in the businesses.

Revenue Impact:

$	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	$200,000	$100,000	$300,000	$200,000
State Other Funds	< $50,000	< $50,000	< $50,000	< $50,000
Local Government	< $50,000	< $50,000	< $50,000	< $50,000

There are currently several cases where a business has an outstanding liability with the Department of Revenue for withholding, tobacco, and transit taxes. The business has dissolved and reorganized as essentially the same business. This bill would allow the DOR to pursue collections activity for these cases. The recurring revenue impact is due to the addition of this tool for DOR collection activities.

SB 178A (CH 323)

Clarifies language pertaining to the definition of a "unitary business". Current statute states a business is unitary if it, either directly or indirectly, shares or exchanges value as demonstrated by (a) centralized management or a common executive force, (b) centralized administrative services or functions resulting in economies of scale, and (c) flow of goods, capital resources or services demonstrating functional integration. The Department of Revenue has historically interpreted the statute to mean all three conditions as necessary. This bill modifies statute so that it is not necessary that all three conditions be met to define a business as unitary. Effective for tax years beginning on or after January 1, 2007.

Revenue Impact:

The proposed interpretation of the definition of a unitary business could have both positive and negative impacts on revenue. For example, the inclusion of a given corporation with net losses in a unitary business would reduce the income for the entire group. Similarly, the inclusion of a corporation with a net income would increase the income of the entire group. Taken together, the net impact is expected to be minimal.

SB 179A (CH 716)

Allows insurance companies to petition the Department of Revenue, and authorizes the department, to use a modified apportionment formula if the current formula does not produce a fair and equitable apportionment of income. Allows potential modifications to include the exclusion of any one or more factors, the inclusion of one or more additional factors, the inclusion of reinsurance premiums in the insurance sales factor, or any other method to achieve a fair and equitable apportionment of the taxpayer's income. Defines "total net income received from real property" for purposes of the real estate income and interest factor. Changes the apportionment formula for insurance companies from an equally weighted three factor formula to a single factor formula based on insurance sales beginning with tax year 2007.

Revenue Impact:

$ Millions	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
General Fund	$0.8	$0.6	**$1.4**	**$1.5**
Insurers Headquartered in Oregon				
Excise Tax	-$2.2	-$2.1	**-$4.3**	**-$4.4**
Insurers Headquartered Elsewhere				
Excise Tax	$9.5	$9.2	**$18.7**	**$19.3**
Retaliatory Tax	-$6.5	-$6.5	**-$13.1**	**-$13.4**

This revenue impact is due to the change in the apportionment formula from a three-factor formula to the single sales factor formula. In general, the impact on individual companies depends on their specific characteristics such how much of their sales and operations are inside Oregon or in other states. Another significant factor that would determine the effect of the proposed policy on specific taxpayers is whether they are domestic (headquartered in Oregon) or foreign (headquartered outside Oregon). Foreign insurers are subject to Oregon's retaliatory tax while domestic insurers are not.

Domestic insurers that operate only in Oregon would not be affected by the policy change. The impact on those that operate in multiple states would depend on the difference between their sales factor and other factors. For example, if a company has a sales factor of 45% and a 3-factor apportionment percentage of 55%, then the proposed law would result in a tax reduction. In contrast, if a company has a sales factor of 45% and a 3-factor apportionment percentage of 35%, the bill would lead to a tax increase for the company. In aggregate, domestic insurers are expected to have a reduction in excise tax liability by using a single sales factor.

The impact on foreign insurers is complicated by the interaction between the excise tax and the retaliatory tax. Insurers whose excise tax would increase under a single sales factor would likely experience a reduction in their retaliatory tax, up to a dollar-for-dollar reduction. Similarly, insurers whose tax liability would decrease under a single sales factor would experience a similar increase in their retaliatory tax. An analysis of each foreign insurer for tax years 2002-2004 revealed that, on average, only 70% of the aggregate increase in excise taxes was offset by a reduction in aggregate retaliatory taxes.

An additional complicating factor is the distribution of tax liability among the roughly 1,100 insurance companies that are subject to both the excise tax and the retaliatory tax. Most companies (roughly 80%) are unaffected by the proposed policy; the aggregate impact is driven by the remaining 20% of insurers. Historical simulations of the proposed policy for tax years 2002-2004 resulted in two years with a net total increase in taxes and one year with a net total decrease in taxes. In each year the magnitude of the impact was significantly affected by just a few companies.

The concentration among taxpayers who experienced a reduction in taxes was greater than among taxpayers who experienced an increase in taxes. One consequence of this kind of distribution is that the performance of very few companies can have a disproportionate impact on the revenue stream. An analysis of the policy impact controlling for the outliers revealed that the impact remained slightly positive. While in any given year the revenue impact may be positive or negative, the analyzed data suggest that the long-term average revenue impact to be slightly positive.

SB 582B (CH 586)

This bill modifies some features of the university venture development tax credit program established by the 2005 Legislature (SB 853). SB 582 does not change the existing credit which allows for 60% of donations to university venture development funds to be taken as a credit on Oregon income tax returns. The credit is capped at $14 million in donations ($8.4 million in total credits). SB 582 however did modify the recapture provision contained in the original legislation. SB 853 required the venture funds to return a portion of earnings from research based commercial products to the General Fund until the credit was fully repaid. SB 582 modifies this provision by allowing venture development funds to retain use of the credits up to the cap amount for future research. Other elements of SB 582 change reporting requirements, establish a cap on administrative fees and redirect deposits into the Higher Education Donation Fund rather than the Treasury.

REVENUE IMPACT:

No revenue impact is expected from the bill for the next three biennia because the tax credit is not changed from current law. However, elimination of the recapture provision means that the General Fund will not receive back the $8.4 million in credits expected to be issued. Since recapture is based on income generated from marketable innovations, when and if it occurs is highly uncertain.

SB 635A (CH 815)

Changes the maximum reimbursement for a single film or television series to the sum of 10 percent of employee compensation for work done in Oregon and 20 percent of all other expenses paid in Oregon. Reduces the expense threshold to qualify for reimbursement from $1 million to $750,000. Applies to films starting principal photography on or after January 1, 2007.

REVENUE IMPACT: None

SB 819B (CH 896)

This bill modifies distribution of 2% surplus kicker refunds and credits. Under previous law, the refund or credit was based on a percentage of the taxpayer's liability after all credits have been taken. Under SB 819, the calculation is changed to a before-credit basis. The total amount of kicker refunds and credits are not affected by the bill. The Legislature enacted the change in response to concerns that large kicker credits and refunds (such as those anticipated in the 2007-09 biennium) would reduce the attractiveness of credits as policy tools. This is particularly true in the case of the business energy credit that is marketable. In years which the kicker percentage is high, the relative value of the credit declines if the kicker is calculated after all other credits have been taken. With the change to a before-credit calculation the value of credits are unaffected in years where a kicker refund or credit is available.

By switching to a before-credit basis, SB 819 creates the possibility that a kicker refund for individuals or a credit for corporations may exceed total after-credit tax liability for a given year. Because of this possibility SB 819 allows corporations to carry forward 2% surplus kicker credits to future tax years. It also states that surplus kicker refund payments are refunds for overpayment of taxes imposed in a prior year.

REVENUE IMPACT: None

SB 859B (CH 822)

Modifies the charitable checkoff program. Requires at least 12 entities to be listed on the tax return, if space allows. Requires the Charitable Checkoff Commission (CCC) to create an eligibility roster. Requires the CCC to prioritize which entities appear on the tax form if there is insufficient room on the tax form to include all eligible entities. The first entities to be removed are those that have been on the form for the greatest number of years, among those on the return for at least 2 years. If only some entities that have been on the form for the same duration need to be removed, those with the lowest average donation amount are removed first. If removed from the form but still eligible to be listed, an entity shall be placed at the end of the eligibility roster for consideration in the subsequent year. Lowers the donation requirement for maintaining eligibility from $50,000 to $25,000. Removes the reapplication requirement that the entity collect at least 10,000 signatures. Clarifies that an entity that qualified for listing prior to January 1, 2007 does not have to collect signatures for qualification after January 1, 2007. Requires two “other” entity choices be included on the return (to be chosen from those listed in the instructions). Removes the dollar check boxes from the return. Changes first apply to tax year 2007.

REVENUE IMPACT: None

SB 954B (CH 905)

SB 954 is designed to complement the Strategic Investment Program (SIP) enacted in 1993 by helping to offset local government costs associated with large economic development projects. The SIP allows local governments, working through the Economic and Community Development Department, to negotiate an assessed value cap ($100 million for urban areas, $25 million for rural) with companies planning a major capital investment. Local governments also negotiate a community service fee in lieu of the reduced property taxes. The Department of Economic and Community Development currently lists 11 projects that have been or are currently receiving a property tax exemption under the SIP. These projects account for $43 million in eligible investment expenditures.

SB 954 requires firms receiving property tax relief under the SIP to report average employment and wages to the Department of Economic and Community Development on an annual basis. Estimated employment and wages are those attributed to the facility upon which the property tax exemption was received. The Department of Administrative Services then estimates the amount of personal income tax collections directly attributed to the wages and salaries associated with the project. 50% of these estimated tax collections are then deposited into the newly created shared services fund. Moneys in the fund are then allocated on an annual basis to local taxing districts based on the allocation of community service fees under the SIP. The community service fund income tax diversion first applies to projects that become eligible for the property tax exemption after 1-1-08. The first transfer of identified revenue to the shared services fund occurs following the 2009 tax year.

REVENUE IMPACT:

The amount of income tax revenue allocated through the shared services fund is entirely dependent on the number of SIP projects approved in the future and the wage and salary income associated with those projects. Since the first transfer will not occur until after the 2009 tax year, the measure has no affect on General Fund revenue in the 2007-09 biennium. Based on assumed growth, about $600,000 is expected to be transferred to eligible local governments in the 2009-11 biennium. This amount is expected to jump to $4.5 million in the 2011-13 biennium based on expected growth and a known project in Washington County.

HB 2007A (CH 99)

Creates domestic partnerships, which are civil contracts entered into by two qualified adults of the same sex, at least one of whom is an Oregon resident. Establishes eligibility, procedure and fees for creation of a domestic partnership, including requiring individuals to sign a “Declaration of Domestic Partnership” and file with the county clerk. Establishes that domestic partners have the same responsibilities, privileges, immunities, rights and benefits of married couples and, if applicable, divorced couples. Requires Oregon circuit courts to hear disputes relating to domestic partnerships, such as actions for dissolution, annulment or legal separation, so long as the partnership was created and filed in Oregon.

Revenue Impact:

This bill could have a slightly positive or slightly negative revenue impact depending on the circumstances of the affected taxpayers. The bill would allow domestic partners to file joint tax returns for Oregon. The difference in tax liability between the two taxpayers each filing a single (or head of household) return compared to a joint return is the revenue impact. Depending on their financial circumstances, this difference can be either positive or negative. For example, the two taxpayers may have very different income levels but each taxpayer has some income taxed at the 5% and 7% rates. Combining the income under a joint return could result in relatively more of their combined income being taxed at 9%, resulting in a higher tax liability. Another way for tax liability to increase is through the federal tax subtraction. Filing as single allows each taxpayer to subtract up to $5,000 of federal tax liability; filing a joint return limits the deduction to $5,000 combined. The lower subtraction limit could result in a higher tax liability. Conversely, if one of the taxpayers has unused losses or deductions because of insufficient income, then filing a joint return allows those losses or deductions to offset some of the income of the other taxpayer, thereby possibly reducing their tax liability. Also, it is possible that there is not a significant difference in tax liability between filing two single returns or one joint return. If the two individuals have roughly the same income and both use the standard deduction, then changing to a joint filing status may have a negligible effect on their combined tax liability.

HB 2026 (CH 605)

Extends the subtraction of military duty compensation from taxable income to include active duty service performed by the Oregon National Guard, military reservists or organized militia while away from home. The duty must consist of service where the taxpayer is required to be away from home overnight for a period of three consecutive weeks or more. Permits the filing of claims for a refund for tax years 2001 through 2004.

The 2005 Legislature intended to exempt this income from the personal income tax. The language used to achieve this goal restricted the subtraction to compensation associated with a change in status from Title 32 to Title 10 of the United States Code. However, only the National Guard is affected by the change in status because military reservists always serve under Title 10. This bill removes the language pertaining to the U.S. Code and lists the necessary criteria for the income to be exempt from Oregon taxation.

Revenue Impact:

$	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	-$100,000	-$25,000	**-$125,000**	**-$50,000**

Most of the revenue impact in 2007-08 is due to refunds that would be issued for amended returns. These are largely the result of Reservists who were called up to active duty after 9/11/2001 and served in Oregon. The ongoing revenue impact of roughly -$50,000 per biennium is due to a variety of duty tours that would require reservists to be away from home for at least three consecutive weeks.

HB 2031B (CH 4)

Creates a one-time 67% credit for C-corporations. The credit is applied against tax year 2007 tax liability for corporations with less than $5 million in Oregon sales. Defines “Oregon sales” for purposes of the credit. Took effect because HB 2707-C was passed by both Houses of the Legislative Assembly and signed by the Governor by March 16, 2007. (The Governor signed both HB 2707-C and HB 2031-B into law on March 16, 2007.) The credit is intended to allow small corporations (those with less than $5 million of Oregon sales) to keep their portion of the 2005-07 kicker that is otherwise directed to the Rainy Day Fund created in HB 2707-C.

Revenue Impact:

$ Millions	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	-$24.8	$0.0	**-$24.8**	**$0.0**

C-corporations with Oregon sales of less than $5 million are projected to receive $24.8 million of the 2005-07 corporate kicker. (This estimate is based on the March 2007 forecast of a 67% corporate kicker and the projected tax year 2007 liability for these corporations.) The statutory 67% amount provides a level of certainty for corporations about the amount of credit that they can expect for tax year 2007.

HB 2094B (CH 765)

Makes several changes to the Individual Development Account (IDA) program. Modifies the definition of “account holder” to include youths age 12 and older. Clarifies the definition of “fiduciary organization”. Updates the Internal Revenue Code reference to December 31, 2006. Clarifies language pertaining to the qualification of becoming an account holder. Modifies the definition of “net worth” by excluding one vehicle. Expands the use of IDA account funds to include certain improvements and repairs to an account holder’s primary home. Expands the use of IDA account funds to include the purchase of equipment, technology, or training needed to obtain or maintain employment or start a business. Allows account holders to accrue up to $3,000 of matching deposits in any 12-month period. Removes the $20,000 maximum dollar amount for each account and directs the Housing and Community Services Department to adopt rules to establish a maximum. Repeals the Individual Children’s Development Account program. Includes an emergency clause. The credit structure was not changed but it now sunsets on January 1, 2012.

As per Committee rules, the following metrics were adopted for evaluating the IDA credit:

- Number of participants and tax credits utilized
- Percentage of participants who are low-income (Target 100%)
- Percentage of participants who develop and complete a Personal Development Plan (with the assistance of IDA providers) (Target 100%)
- Percentage of participants who personally save at least 25% of the funds needed for their education, home ownership, or business goal (Target 100%)
- Percentage of participants who reach their goal and “graduate” within 5 years (Target 100%)

REVENUE IMPACT: None

HB 2172C (CH 855)

Directs the Environmental Quality Commission (EQC) to establish a goal to reduce the risk of cancer from diesel engine emissions to no more than one case per million by 2017 and to substantially reduce risks to school children by 2013. Beginning with the 2007-08 school year, provides that funds received by school districts to repower, retrofit or replace school bus diesel engines will not be deducted from State School Fund transportation grants. Directs EQC to establish standards for qualifying repower or retrofit diesel engines, including a 25 percent reduction in diesel emissions.

Establishes the Clean Diesel Engine Fund—a permanent Department of Environmental Quality (DEQ) appropriation to provide grants and loans to assist owners to repower or retrofit diesel engines, to scrap older diesel engines, and to fund administration of the clean diesel program. Dedicates 75 percent of funds available until June 30, 2010 to repower or retrofit vehicles that will be used in Oregon for 75 percent of their total miles (or 75% of total hours) in the three years following the retrofit or repower. Allows money from the Clean Diesel Engine Fund to award grants and loans for up to 25% of the certified costs of qualifying repowers.

Authorizes DEQ to certify and contract with third parties to repower and retrofit diesel trucks. Establishes $50 application fee for DEQ tax credit certification, plus an additional application processing fee to be set at a rate determined by EQC rule. Requires replaced engines to be scrapped and the repowered engine to have a useful life of at least seven years. Requires a second repower or retrofit to further reduce emissions to be considered “qualifying”. Requires the DEQ to conduct audits to ensure engines continue to meet certification requirements.

The tax credits originally contained in this bill were incorporated in HB 3201-B as part of an “omnibus tax credit” package. The intent was to put all of the policies of this bill into HB 3201-B, but that was not possible because this bill contains many non-taxation policies. (All law changes in HB 3201-B had to be related to taxation.) Also, given how the taxation and non-taxation policies are intertwined within this bill, it was not possible to simply separate the tax and non-tax policies. Therefore, the credit language exists, in identical form, in each of the two bills.

REVENUE IMPACT: None

Because HB 3201-B was signed into law, this bill has no revenue impact.

HB 2210B (CH 739)

Allows a tax credit against personal income and corporate income/excise taxes for agricultural producers and collectors of biofuel raw materials (including forest or agriculture-sourced woody biomass, oil seed crops, grain crops, grass or wheat straw and animal rendering byproducts) used to produce fuel in Oregon. Allows the credit to be transferred to another taxpayer. Specifies the amount of credit per type of biomass.

Allows income tax credit for consumers who purchase ethanol blended at 85 percent ethanol concentration and biodiesel blended at 99 percent biodiesel concentration for use in alternative fuel vehicles. The credit is $0.50 per gallon up to $200 per vehicle owned or leased by the taxpayer per year.

Allows income tax credit for consumers who purchase forest or agriculture waste or residue solid biofuel that contains 100 percent biomass (pellets) or biodiesel for home heating with at least 20 percent concentration of biodiesel. Sets the credit for pellets equal to $10 per bone dry ton up to $200 per year. Sets the credit for biodiesel home heating to $0.05 per gallon up to $200 per year for the taxpayer.

Provides that the producer and consumer credits are effective for tax years beginning on or after January 1, 2007 and before January 1, 2013.

Expands the definition of Rural Renewable Energy Development Zones to include energy production facilities that produce ethanol, biofuel or verified fuel additives. Increases the value limit on property eligible for the property tax exemption from $100 million to $250 million.

Creates standards for biodiesel, ethanol and other renewable diesel to be monitored by the Oregon Department of Agriculture. Requires Oregon Department of Agriculture to monitor biodiesel fuel production, and ethanol production capacity in Oregon to initiate minimum fuel blending requirements statewide for biodiesel and ethanol. Requires retail, nonretail, and wholesale dealers of gasoline to sell only gasoline that contains at least 10 percent ethanol (9.2 percent under certain conditions) within three months after Oregon production of ethanol reaches 40 million gallons per year.

Requires retail, nonretail, and wholesale dealers of diesel to sell only diesel that contains at least two percent biodiesel within three months after production of biodiesel in the state, using feedstocks from Oregon, Washington, Idaho and Montana, reaches five million gallons annualized for at least three months. Increases the diesel requirement to five percent, using the same feedstocks, when production reaches 15 million gallons annualized for at least three months.

Excludes diesel fuel sold for use by locomotives, marine engines or home heating from the biodiesel fuel content requirements. Restricts proportion of methyl tertiary butyl ether (MTBE) and other gasoline additives used in fuel. Maintains exclusive farm use status for on-farm biofuel production facilities. Requires state-owned structures to use biofuel, or direct-application electricity generated from biofuel, where diesel is currently used for stationary or back-up generation. Requires the Department of Energy to periodically conduct an impact study of the biofuels program. Directs the first study to be conducted two years after the effective date of this Act.

As per Committee rules, the following metrics were adopted to evaluate the producer credit:

- Amount of biofuel raw material collected or produced as a result of this tax credit
- Amount of liquid fuel or electricity produced from the material collected or produced
- Amount of energy produced (in million BTUs)
- Annual dollar value of the energy produced
- Tons of CO_2 emissions avoided
- Amount of fossil fuel displaced
- Total Average Payback Period / Return on Investment

As per Committee rules, the following metrics were adopted to evaluate the consumer credit:

- Number of vehicles using B100 or E85 fuel; number of homes using highly-efficient wood stoves or B20 for heating
- Amount of gasoline or diesel replaced in vehicles (in gallons); amount of fossil fuel displaced by wood stoves, and amount of heating oil displaced by B20
- Amount of fossil energy displaced (in million BTUs)
- Annual dollar value of the biofuel energy consumed
- Tons of CO_2 emissions avoided
- Total Average Payback Period / Return on Investment

Revenue Impact:

$ Millions	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	-$1.4	-$2.9	**-$4.3**	**-$8.8**
Local Government	$0	-$0.6	**-$0.6**	**-$1.2**

The revenue impact on the General Fund is comprised of the producer credit (80%) and the consumer credit (20%). The revenue impact on local governments is due to the property tax exemption from businesses enrolled in the Rural Renewable Energy Development Zone program. These estimates include the impact of SB 814, which disallows the producer credit for corn and delays the eligibility for wheat until 2009.

HB 2235A (CH 614)

Oregon currently has a permanent connection (a "rolling reconnect") to the federal definition of taxable income. Other connections were to the Internal Revenue Code (IRC) as amended and in effect on December 31, 2004. This bill updates the IRC date references to the IRC as amended and in effect on December 31, 2006, as well as Oregon's date reference for statute pertaining to the definitions of S corporations. Lists the federal legislation that is affected by this Act. Provides a mechanism for a taxpayer to have interest or penalties canceled for tax deficiencies that are attributable to the federal law connection changes in this Act. Specifies that if a refund is due a taxpayer for a tax year beginning before January 1, 2007 due to any retroactive treatment from these federal tax law connection changes then the refund will not be paid with interest. Clarifies that taxpayers must file an amended return for changes in Oregon's law due to these federal tax law changes for tax years before January 1, 2007. Allows the Department of Revenue to make changes to tax returns that do not file amended returns. Changes the Oregon standard deduction inflation adjustment factor from the second quarter of the current calendar year to the 12 months ending August 31 of the prior calendar year (to make consistent with other federal and Oregon inflation adjustment factors). Includes a conflict amendment relating to SB 83.

Revenue Impact:

$ Millions	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	$5.2	$2.9	**$8.1**	**$5.9**

The bill changes the standard deduction inflation adjustment period from the second quarter of the current year to the twelve-month period ending August 31 of the prior year. This aligns the inflation adjustments with other aspects of the personal income tax, such as the tax brackets and personal exemption credit. The change results in lower standard deductions than those previously anticipated.

HB 2286 (CH 54)

Allows public employee's deferred compensation plan payments as part of a divorce judgment or order to a spouse, former spouse, child or dependent of a member to begin earlier than the date the employee would be eligible to receive payments.

Revenue Impact:

By changing the timing of payments to an alternate payee, there may be a small revenue impact due to a shift in the timing of liability. The change in tax collections is expected to be minimal.

HB 2294B (CH 625)

Expands the Oregon Department of Fish and Wildlife (ODFW) Fish Screening Cost-Share Program to include water diversions of any size, with preference for diversions of 30 cfs or less. Modifies the ODFW fish screening goal from 75 water diversions per year to 150 diversions or 150 cubic feet per second (cfs) of water per biennium (one cfs equals 449 gallons per minute). Requires installation if: (1) the water diversion is at least 30 cfs; (2) a new water right is issued for the water diversion; (3) the point of water diversion is transferred. Prohibits payment of cost-share funds for diversions involving water rights issued on or after July 1, 1996, unless the Fish Screening Task Force finds good cause to allow an exception. Eliminates dollar expenditure limits of $10,000 for ODFW and $5,000 for the water diverter, but retains the percentage limits.

Requires ODFW be responsible for major maintenance and repair of screening devices at water diversions of less than 30 cfs. Requires individual be responsible for all maintenance of screening/by-pass devices at water diversions of at least 30 cfs. Authorizes ODFW to charge $150 per visit for inspection and maintenance of a bypass device if the owner fails to maintain it. Requires ODFW notify a person required to install, operate, maintain, repair, or replace a screening or bypass device and allows the person to request a contested case hearing before the State Fish and Wildlife Commission. Sunsets the credit as of January 1, 2014.

As per Committee rules, the following metrics were adopted for evaluating this credit:

- The number of eligible fish screens, fish by-passes or fishways installed annually
- The annual dollar value of tax credit certifications for fish screens, fish by-passes and fishways
- The annual capital construction value of fish screens, fish by-passes and fishways installed

Revenue Loss:

$	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	< $50,000	< $50,000	**< $50,000**	**< $50,000**

The credit for each device installed equals the lesser of 50% of the taxpayer's net certified installation costs or $5,000. This structure was not changed by the bill, but the modifications to the water diversions may affect the timing of the credits claimed. Fewer than two dozen taxpayers are expected to claim this credit each year.

HB 2592B (CH 864)

Requires "authorized agent", which is defined in the bill, to withhold income taxes on certain real estate transactions if the transferor is either a nonresident (if an individual) or is not doing business in Oregon (if a C corporation). The amount withheld is the least of: (a) 4% of the value of the property, (b) 4% of the net proceeds, or (c) 10% of the gain includible in taxable income. Requires the authorized agent to remit amount withheld to the Department of Revenue. Identifies condition for when the authorized agent is not required to withhold. Requires the Department of Revenue to provide collection, enforcement, administration, and distribution services for local governments that impose a tax on income as defined in ORS 316, 317, or 318, if requested.

Revenue Impact:

$ Millions	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	$2.3	$2.5	**$4.9**	**$5.7**

The revenue impact estimate is due to the provision that requires withholding on the sale of property by nonresidents. The estimates are based on the experience and estimates of other states that are either considering or currently do withhold income taxes from the gain on real property sold by nonresidents, adjusted for Oregon characteristics. The analysis focused primarily on three states – Montana, Maryland, and California – due to the availability of data. The expectation is that the withholding will primarily serve as a tool that will help improve compliance with existing tax laws. The withholding will also accelerate some collections from the tax return filing deadline to the date of the transaction.

HB 2707C (CH 5)

This bill establishes the new general purpose Rainy Day Fund and redirects the 2% surplus corporate kicker credit to the fund on a one-time basis. Diverting the corporate kicker credit required a 2/3 vote in each chamber as specified in the constitution (Article IX, section 14). The constitution calls for a "new" estimate upon which to base the kicker calculation. The new estimate contained in HB 2707 is $975 million. As of the May forecast, the 2007-09 corporate income tax revenue was estimated to be $834.2 million, well below the new estimate. The original estimate at the time of the close of the 2005 legislative session was for corporate income tax revenue of $500 million. The amount above the original estimate minus $24.8 million is to be deposited in the Rainy Day Fund under HB 2707. The purpose of the $24.8 million set aside is to pay for a one-time small corporation credit contained in HB 2031. This leaves an estimated $309.4 million for deposit in the Rainy Day Fund.

REVENUE IMPACT:

The diversion of the corporate kicker credit is a one-time source of revenue for the Rainy Day Fund. HB 2707 also allocates up to 1% of General Fund appropriations to the fund. This allocation is based on the ending balance and is calculated after all actual General Fund revenue and expenditures have been determined. The transfer is expected to take place sometime after January 1 following the close of the biennium. The fund will also accrue interest earnings on fund balances. The fund itself is part of the General Fund for purposes of cash management during the course of a biennium but interest is calculated separately for balances in the fund on a monthly basis. This gives the fund a second ongoing source of revenue.

Finally HB 2707 specifies operational procedures around the Rainy Day Fund. Triggers for withdrawing revenue from the fund are the same as the existing Education Stability Fund, including the necessity of a 3/5 vote in both chambers for all withdrawals. The Rainy Day Fund is capped at 7.5% of General Fund revenue in the prior biennium. If the cap is reached, dedicated revenues revert back to the General Fund until the fund falls back below 7.5%.

HB 2735C (CH 906)

Requires an owner of a mobile-home park to pay each mobile-home owner between $5,000 and $9,000 if the homeowner is forced to relocate or abandon their property due to the park's closure. These payments shall be exempt from income tax. This exemption is applicable to tax years beginning on or after January 1, 2007 and before January 1, 2013. Creates the Office of the Manufactured Dwelling Park Community Relations, within the Housing and Community Services Department effective January 1, 2013. Requires this Office to adopt rules establishing a sample form for the notice of termination that is sent to a park resident declaring that he must vacate the park. In consultation with the

Department of Revenue, this Office shall also adopt rules for establishing a sample form that will instruct park residents that a closure may allow the taxpayer to appeal a property tax assessment on the manufactured dwelling. Prohibits local governments from enforcing an ordinance, rule of other local law regulating manufactured dwelling park closures after July 1, 2007. Notwithstanding this prohibition, within 90 days of the effective date of this Act, a local governing body may amend a law, rule or ordinance that was adopted before July 1, 2007, if the amendment increases the rights of park tenants to be equal to or greater than the rights established by this Act. Establishes a January 1, 2014 sunset date for an exemption on capital gains derived from the sale of a mobile-home park to a mobile-home association. Requires that the owner of a marina pay owners of floating homes the lesser of $3,500 or moving and set-up costs, if the marina is closed and the tenant is given less than 180 days notice to vacate the premises. Instructs the Department of Housing and Community Services to adopt rules to administer this section. Expands use of the annual $6 assessment imposed on a manufactured home that is credited to the Mobile Home Parks Account. In addition to ORS 446.515, the assessments may be used for carrying out ORS 446.380, 446.385, 446.392 and 446.543.

Revenue Impact:

($ Millions)	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	-$0.05	-$0.05	**-$0.1**	**-$0.1**

<u>DATA</u>

1.Household adjusted gross income (AGI) in 2005 by value range and the average income tax paid by value range of AGI. (Source: <u>Oregon Personal Income Tax Statistics</u>, DOR Tax year 2005).

2. Data reported for 1 mobile home park sale to a homeowner's association (Source: 'Their Own Community', Democrat- Herald. April 2, 2007). This 13 acre park with 45 home sites sold in 2006 for $41,000 per site.

<u>Assumptions</u>

<u>Exemption on the $5,000-$7,000-$9,000 payments to homeowners</u>.

1.The incremental tax associated with an average $7,000 payment to a owner of a mobile home who is required to move due to a park closure will be roughly $150.

2. Roughly 200 mobile home owners will be required to move or vacate their homes. ($150*200= $31,200 per year is the value of the exemption from income tax.

<u>Repeal of the sunset date for capital gains on sales of mobile home parks to certain associations</u>.

1. The sale of home parks to home-owners associations will be negligible in urbanized areas where the land cost will prevent home-owner associations from purchasing their parks.

2. The capital gain on most of the parks that will be sold to homeowner associations will be located in areas where land values have not appreciated substantially over the past decade. For the most part, the average value of the land will not be worth more than $20,000, the cost of which a decade ago might have been $5,000 per site.

3. Assume 1 park with 30 sites is sold every biennium.

4. The capital gain on the land is $15,000 * 30 sites = $450,000 per biennium.

5. <u>The effective tax rate of 8% applied to $450,000= $36,000 per biennium or $18,000 per year.</u>

HB 2752B (CH 868)

Expands the Working Family Child Care credit to taxpayers who incur child care expenses because their spouse's disability prevents him or her from providing child care, being employed, or attending school. Defines 'disability' as a physical or cognitive condition that results in a person requiring assistance with the activities of daily living. Allows the Department of Revenue to require a physician verify the existence of the disability and its severity. Applies to tax years beginning on or after January 1, 2007. Sunsets the Working Family Child Care credit as of January 1, 2014. Grants the Department of Revenue rule making authority with respect to a taxpayer's claim of disability in conjunction with this credit. Includes a conflict amendment related to HB 3201.

As per Committee rules, the following metrics were adopted for evaluating this credit:

- o The number of individuals who apply for and receive the credit
- o The number of children who receive child care as a result of the credit

Revenue Loss:

$	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	**< $50,000**	**< $50,000**	**< $50,000**	**< $50,000**

This extension of the working family child care credit is to a targeted group of taxpayers that is expected to be small. Data currently collected from tax returns allows for an analysis of the taxpayers who may claim this credit and indicates few additional taxpayers would be eligible for the credit under these conditions.

HB 2810C (CH 880)

Extends the sunset date on the credit for contributions to the Child Care Division (of the Oregon Employment Department) from January 1, 2009 to January 1, 2013. Extends the refundability of the earned income credit through tax year 2013 and sunsets the entire credit as of January 1, 2014.

The purpose of the Child Care Division credit is to provide a funding pool for child care to improve the quality of care for the children of low- and moderate-income families in Oregon. As per Committee rules, the following metrics were adopted for evaluating this credit:

- o The number of programs funded
- o The number of children served

Revenue Impact:

$ Millions	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	$0	-$0.1	**-$0.1**	**-$3.5**

Under current law the Child Care Division credit is scheduled to sunset on January 1, 2009 so extending the sunset has a small impact in 2007-09. The earned income credit is currently refundable through tax year 2010. Most of the 2009-11 impact (-$2.9 million) is due to the extended refundability of the earned income credit.

HB 3048A (CH 680)

HB 3048 modifies the statute determining how excess revenue is to be returned under the 2% surplus kicker constitutional prevision. In this case only the corporate credit calculation is changed. Under the original 2% surplus kicker calculation established in 1979, both personal and corporate kicker credits were based on a taxpayer's liability for the year in which the biennium ends. This calculation requires the Department of Administrative Services to base the percentage kicker credit on total estimated liability for a year that is not complete and therefore must be estimated. If the estimate is too high, the percentage credit to return all of the surplus revenue will be too low and the full amount will not be returned. If the estimate of total liability is too low, the percentage will be too high and more than the excess will be returned. This situation was corrected for the personal income tax in 1995 when the credit was converted into a refund based on taxpayer liability in the prior year—which is essentially known when the calculation is done. However, the corporate credit calculation was unchanged and continues to be based on the total liability estimate for the current year up through the 2005-07 biennium.

HB 3048 changes the corporate kicker credit calculation to the prior year. This means that the credit will be based on the corporation's tax liability in the tax year that ended prior to the completion of the biennium. The data for this year is known with much greater precision and therefore the amount returned to corporations as a credit in the future is expected to be much more closely in line with the amount by which revenue exceeded the estimate in the prior biennium.

REVENUE IMPACT: None

HB 3201B (CH 843)

This bill combined a number of taxation polices into a single bill and offset much of the cost by a phase-down of the personal exemption credit for personal income tax filers above certain income levels. The policies enacted with this bill are as follows:

- Increases the subtraction for active duty compensation to $6,000 and includes income earned by employees of the Oregon Military Department for duties performed for the Oregon National Guard Youth Challenge Program.
- Creates a credit of up to $5,000 for physicians who provide medical care to residents of an Oregon Veterans' Home. The credit amount is the lesser of $1,000 for every eight residents served or $5,000.
- Removes the sunset date on the property tax exemption for summer homes on federal land.
- Excludes up to $7.5 million of natural resource property and property used in commercial fishing from gross estate value for purposes of the inheritance tax. The exclusion only applies if the property is transferred to a spouse or natural or adopted child, grandchild, niece or nephew or brother or sister of the decedent. Requires the property to be used as a natural resource property for at least 5 out of the 8 calendar years following the decedent's death or transferred to another eligible family member; if not, then an additional tax shall be imposed.
- Provides taxing districts the option of exempting certain machinery and equipment of egg processors from property taxation.
- Allows a business that changes ownership to continue to qualify for an income exemption under the Oregon Investment Advantage Act (formerly referred to as the Small City Business Development exemption.)
- Expands the Business Energy Tax Credit (BETC) as follows:
    - Increases the credit for facilities that use or produce renewable energy from 35% to 50% of eligible costs, taken over five years.
    - Provides a credit to homebuilders for installing renewable energy systems in homes and for designing and building high-performance low energy use homes.
    - Allows use of the BETC and any federal energy tax credit for the same qualifying energy efficiency or renewable energy project.
    - Provides that alternative fuels facilities, combined heat and power facilities, and renewable energy manufacturing facilities qualify for the 50 percent tax credit.
    - Increases the size of hydro facility eligible for BETC from one megawatt to ten megawatts, provided the facility meets all statutory requirements for protection of fish and wildlife.
    - Increases the maximum amount of cost eligible for the tax credit from $10 million to $20 million per project for renewable energy resources including alternative fuels renewable energy manufacturing facilities or combined heat and power projects.
    - Sunsets the credit on January 1, 2016
- Expands the Residential Energy Tax Credit (RETC) as follows:
    - Increases the maximum tax credit for fuel cells and for wind generation from $1,500 to $6,000 claimed over four years.
    - Allows a tax credit to be taken for each qualifying device if more than one device is acquired in the same year.
    - Makes high efficiency wood stoves eligible for the RETC.
- Creates a credit of up to 25% of the certified cost for qualifying repower or 50% of certified cost of qualifying retrofit of older diesel truck engines. Disallows the credit in conjunction with the pollution control credit, but allows the credit in conjunction with the business energy tax credit (BETC). Limits total annual repower/retrofit credits to $3 million.

- Extends existing tax credit for new low emission truck engines for engine model years through 2011. Reduces the limit on the total amount of credits for purchases of new diesel engines from $3 million to $500,000 per year.
- Increases the limit on credit certifications to the Oregon Production Investment Fund from $1 million to $5 million.
- Increases the total credits for affordable housing loans from $11 million to $13 million. Allows the loans to be used for certain manufactured dwelling park projects and other preservation projects.
- Phases down the personal exemption credit for taxpayers above certain income thresholds. In 2007, the phase down starts and $234,600 for joint filers and $156,400 for single filers.
- Increases the subtraction for contributions to an Oregon College Savings Network account from $2,000 to $4,000 (joint) and from $1,000 to $2,000 (married-filing-separately) for tax year 2008. Beginning in 2009, the subtraction amount for all filers is adjusted annually for inflation.
- Creates a refundable $5,000 credit for mobile home owners if they are required to move due to the closure of the mobile home park. Repeals a similar existing credit that was scheduled to sunset on 1/1/2008.
- Creates a $2,500 credit for physicians in their first year participating in the TRICARE system. Creates a $1,000 credit for each subsequent year the physician actively participates in the TRICARE system with the requirement that physicians in non-rural areas accept at least 10 patients. (Rural communities, as defined by the Office of Rural Health, have no similar requirement.) Limits new certifications to 500 per year.
- Creates a subtraction of TRICARE payments for the first two years a health care provider participates in the TRICARE system. Limits new certifications to 500 per year.

As per Committee rule, policy goals and corresponding metrics were discussed to allow an improved evaluation of the effectiveness of tax expenditures. A number of the policies contained in this bill included such measures. The identified metrics are listed below.

Business Energy Tax Credits

- Number of eligible energy efficient and renewable energy systems installed
- Amount of energy saved or produced (in million BTUs)
- Annual dollar value of the energy saved or produced
- Tons of CO_2 emissions avoided
- Capital invested in energy efficiency and renewable energy projects
- Total average payback period / return on investment

Residential Energy Tax Credits

- Number of energy efficient appliances, renewable systems and hybrid vehicles bought
- Amount of energy saved or produced (in million BTUs)
- Annual dollar value of the energy saved or produced
- Tons of CO_2 emissions avoided
- Capital invested in energy efficiency and renewable energy projects
- Total average payback period / return on investment

Diesel Engine Tax Credits

- o Quantity (tons/year) of diesel particulate emissions (see HB 7272C)

Revenue Impact:

The estimated total revenue impacts for 2007-09 and 2009-11 are -$3.5 million and -$26.5 million. The various tax expenditures (credits, subtractions, etc.) contained in the bill are expected to reduce revenue by $22.4 million in the 2007-09 biennium and by $45.6 million in 2009-11. To offset some of this loss, the personal exemption credit is phased down for taxpayers above a certain income level, possibly to one-third of the original amount. This policy is expected to increase revenue by $18.9 million in 2007-09 and by $19.1 million in 2009-11. The table below shows the revenue impacts of the separate provisions.

Policies Adopted in HB 3201-B

Section(s)	Original Bill(s)	Policy	Effective Date	Sunset Date	State Revenue Impact	
					2007-09	2009-11
1, 7	HB 3202	Increases the active duty pay subtraction to $6,000	1/1/2007	None	-1.1	-1.8
2, 2a, 9-10	HB 3202	Allows income earned by employees of the Military Department from the Oregon National Guard Youth Challenge Program as eligible for the active duty pay subtraction, up to $6,000.	1/1/2008	1/1/2012		
3-4, 9	HB 2400	Creates a credit of up to $5,000 for physicians who provide medical care to residents of an Oregon Veteran's Home.	1/1/2008	1/1/2012		
4-6, 8	HB 3197	Statewide TRICARE credits of $2,500/$1,000. New certifications limited to 500 per year.	1/1/2008	1/1/2012	-2.7	-6.2
1, 2a, 7, 10	HB 3197	Statewide TRICARE 2-year subtraction for payments received under TRICARE.	1/1/2007	1/1/2012		
11-13	HB 2462	Increases the subtraction for contributions to a college savings network account from $2,000 to $4,000 (joint) and from $1,000 to $2,000 (married-filing-separately)	1/1/2008	None	-2.0	-3.2
14-27	HB 2211-B	Business Energy Tax Credit (BETC) expansion	1/1/2007	1/1/2016	-1.9	-12.6
28-36	HB 2212-A	Residential Energy Tax Credit (RETC) expansion	1/1/2007	1/1/2016*	-2.6	-3.3
37-58	HB 2172-B	Credit for the repower/retrofit of older diesel truck engines	1/1/2008	1/1/2018	-1.9	-4.4
		Extends the sunset on the new engine credit through model year 2011	Act	1/1/2012		
59-60	SB 635	Increases credit certifications for contributions to the OR Production Investment Fund from $5 million per year	Act	1/1/2012	-5.9	-8.0
61-62	SB 984	Increases total credits for affordable housing loans to $13M	Act	1/1/2020*	-1.3	-3.1
63-64	NA	Phase out the personal exemption credit similar to the federal phase-out of the personal exemption deduction	1/1/2007	None	18.9	19.1
65-66	HB 3293	Removes the sunset date on the property tax exemption for summer homes on federal land	N/A	N/A	0.0	0.0
67-69	HB 3479	Excludes natural resource property and property used in commercial fishing from gross estate value for purposes of the inheritance tax	1/1/2007	None	-1.0	-1.0
70-75	HB 3548	Adds egg processors to the list of food processors eligible for a property tax exemption on machinery and equipment	7/1/2007	7/1/2012	0.0	0.0
76-80	HB 2788	Allows a business that changes ownership to continue to qualify for an income exemption	1/1/2007	None	0.0	0.0
81-91	HB 2735	Creates a refundable $5,000 credit for mobile home owners if they are required to move due to park closure; repeals similar existing credit	1/1/2007	1/1/2013	-2.0	-2.0
				Net Revenue Impact:	-3.5	-26.5

* In current law.

HB 3364A (CH 883)

Adds certain fees (established by the State Forester) to the base costs for the calculation of the reforestation credit against personal income and corporate excise and income taxes. The eligible fees are those imposed by the State Forester to cover the necessary expenses incurred during the inspection and certification activities related to the reforestation program. Applies to tax years beginning on or after January 1, 2008. Sunsets credit certifications on December 31, 2022 and sunsets the credit on January 1, 2028.

As per testimony provided by the Forestry Department, the goal of this credit is to encourage private woodland owners to convert bare land, brush land, or otherwise underproductive forestland into well-stocked forestland. As per committee rule, the following metric was adopted for evaluating the credit:
Number of acres reforested under the program

Revenue Loss:

$	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	< $50,000	< $50,000	**< $50,000**	**< $50,000**

Between 2002 and 2006, there was an annual average of 37 applicants to the reforestation program. The fee is $300, so the total increase in credits would be roughly $11,000 per year. Half of the credit is claimed in the year the trees are planted. The other half, plus 50% of any additional maintenance costs, are claimed after the trees have survived two or more growing seasons.

MEDICAL PROVIDER TAXES

HB 3057A (CH 780)

Extends the long term care facility tax sunset date from July 1, 2008 to July 1, 2014 and repeal date from January 2, 2009 to January 2, 2015. Extends the hospital tax and Medicaid managed care tax sunset dates from January 1, 2008 to October 1, 2009 and repeal dates from January 2, 2010 to January 2, 2012. Ensures that the hospital tax sunsets if the Medicaid managed care tax no longer qualifies for federal matching funds. Repeals the assessment on Programs of All-inclusive Care for Elderly Persons (PACE).

The bill also changes the Hospital tax by: (1) reducing the maximum tax rate from 3% to 1.5%; (2) allowing the Department of Human Services (DHS) to develop a collection schedule for assessments for the calendar quarter ending September 30, 2009 that allows sufficient time to finalize all Medicaid cost settlements; (3) allowing DHS to write rules to identify criteria for late penalty assessments; and (4) clarifying that Hospital tax revenue be used for hospital services only and for increasing reimbursement rates above those in effect on February 29, 2004.

The bill also changes the Long Term Care Facilities tax by: (1) clarifying that for the purpose of determining the assessment rate, gross revenue does not include hospital revenue or revenue from sources other than long term care facility operations; (2)

clarifying the definition of ‘Medicaid patient days’ for purposes of applying the assessment rate; (3) clarifying that financial statements or revenue reports be used when establishing the assessment rate; (4) extending by three months the time DHS has to refund overpayments to taxpayers; (5) reducing the Medicaid reimbursement rate from the 70th percentile of allowable costs to the 63rd percentile; (6) allowing DHS to reduce the effective assessment rate from 6% to 5.5% beginning January 1, 2008 to comply with federal law; and (7) removing the tax from the jurisdiction of the Oregon Tax Court.

Revenue Impact:

($ Millions)	2007-09 Biennium	2009-11 Biennium
State Other Funds	$220.6	$120.6
Long term care tax	$39.4	$88.5
Hospital and MCO taxes	$181.2	$32.1

The revenue impact is due to the extension of the three taxes. The estimates for the long-term care tax include one year in the 2007-09 biennium and two years in the 2009-11 biennium. The estimates for the hospital and MCO taxes include 18 months in the 2007-09 biennium and 3 months in the 2009-11 biennium.

PROPERTY TAX AND LOCAL GOVERNMENT REVENUE

HJR 15

HJR 15 refers a constitutional amendment to voters on the November 2008 ballot. The measure amends the double majority provision originally contained in Measure 50 in 1997. Under current law, proposed increases in local property taxes must be approved at an election in which both a majority of voters approve and a majority of voters (relative to those registered) participate in the election. The only current exception to this requirement is the general election taking place each November of even-numbered years. If HJR 15 is approved by voters, the exceptions to the double majority requirement will increase to twice each year—each May and each November. This means that there will be 4 elections every two years in which the double majority requirement does not apply compared to 1 every two years under current law.

REVENUE IMPACT: None

SB 43 (CH 43)

Permits the tax collector to petition the court to cancel uncollectible deferral amounts on exempt real property. Takes effect January 1, 2008.

REVENUE IMPACT: None

SB 151C (CH 888)

Extends the current sunset date for the enterprise zone program from June 30, 2009 to June 30th 2013. Creates a property tax, enterprise zone exemption until June 30th 2016 for certain buildings, if the business that owns this property satisfies the enterprise zone requirements, if it engages in activities that result in a land transfer between a business entity and a state government and/or local government; and if it is located in a city having a population of more than 2,500, but less than 5,500 within a county having a population of more than 6,000, but less than 9,000, as of the latest federal decennial census. Requires that prior to February 1, 2009, the Legislative Revenue Officer shall file with the Seventy-fifth Legislative Assembly a report that evaluates the performance of Oregon's enterprise zones and related tax incentives. Requires that the interim legislative committee of the House of Representatives on revenue or economic development shall perform this evaluation. Takes effect January 1, 2008.

REVENUE IMPACT:

$millions	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium	2011-2013 Biennium
State General Fund	0	0	**0**	**0**	**0**
State Other Funds	0	0	**0**	**0**	**0**
Local Government	0	0	**0**	**-$.522**	**-$1.04**
Local School Districts	0	0	**0**	**-$.313**	**-$.756**

SB 171 (CH 226)

Enables the Department to share with the tax assessor, county tax collector or their representatives, any information that has been reported on tax returns to the Department by entities described in ORS 308.525 and ORS 308.810 if it is for the purpose of: (1)

collecting delinquent taxes on real property or (2) correctly reflecting on the tax rolls the information that has been reported by businesses that operate in multiple counties.

Establishes that the Oregon Tax Court may determine the real market value or the correct valuation of property that is subject to special assessment based on evidence before the court, without regard to the values pled by parties. Applies to appeals on or after the January 1, 2006 and to appeals that are pending in tax court on the effective date January 1, 2006. Takes effect January 1, 2008.

REVENUE IMPACT: None

SB 172A (CH 227)

Permits the Department of Revenue or a county assessor to forward tax returns that are filed erroneously to the correct entity. Applies to property tax returns filed on or after January 1, 2008. Takes effect upon becoming law. Changes the filing date from January 1 to March 1 for certain tax filers. Effective January 1, 2008

REVENUE IMPACT: None

SB 416B (CH 718)

Limits historical property special assessments to one 15-year term prospectively for all types of property unless a second 15 year term is approved by the local governing authority. Permits completion of the second 15-year term of special assessment. Creates a Task Force on Historic Property to conduct a comprehensive review of the special assessment of the historic properties program. Requires Task Force to report to the Governor prior to October 1, 2008. Takes Effect September 27, 2007.

REVENUE IMPACT:

$ millions	**2007-08**	**2008-09**	**2007-09 Biennium**	**2009-11 Biennium**
State General Fund	0	0	**0**	**0**
State Other Funds	0	0	**0**	**0**
Local Government	+$.41	+ $.83	**+$1.24**	**+$1.30**
Local School Districts	+$.29	+$.58	**+$.86**	**$.91**

SB 417A (CH 239)

Relating to Boundary Commission in Lane County. Effective January 1, 2008.

REVENUE IMPACT: None

SB 440B (CH 502)

Expands information to be included on manufactured structure ownership documents issued on or after effective date of Act. Requires that notice of manufactured structure sale provided to county assessor be accompanied by documentation of tax payment or cancellation. Takes effect January 1, 2008.

REVENUE IMPACT: None

SB 514A (CH 809)

Establishes a property tax special assessment program for land subject to conservation easements. Allows land currently subject to farm use or forest use special assessment to be transferred to a conservation special assessment without paying additional tax. Permits owner or other qualified person to withdraw application within 30 days of applying for a change in classification from conservation easement or a wildlife habitat easement. Requires a $250 application fee for the conservation easement special assessment; and the fees are credited to the county's general fund in which the specially assessed property is located. Applies to tax years on or after July 1. 2008. Takes effect January 1, 2008.

REVENUE IMPACT:

$	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund				
State Other Funds				
Local Government	0	-26,535	**-26,535**	**-56,300**
Local School Districts	0	-19,215	**-19,215**	**-40,777**

SB 653A (CH 817)

Permits tax-exempt entities to claim exemption for property held under sublease from taxable owner. Requires that any change in the use of the property due to a sublease to another tax exempt entity requires that a new claim for the exemption shall be filed with the tax assessor. Requires that sub lessees qualifying for the exemption must file a claim in writing by December 31st following the effective date of this Act. Applies to tax years on or after July 1, 2007. Takes effect September 27, 2007.

REVENUE IMPACT:

$	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund **State Other Funds**				
Local Government	-51,745	-103,492	**-155,237**	**-244,858**
Local School Districts	-40,823	-81,645	**-122,468**	**-193,858**

SB 697A (CH 516)

Allows county assessor to reduce maximum assessed value of property when buildings are demolished or removed. Takes effect January 1, 2008.

REVENUE IMPACT:

$	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund **State Other Funds**				
Local Government	-14,500	-14,500	**-$29,000**	**-$29,000**
Local School Districts	-10,500	-10,500	**-$21,000**	**-$21,000**

SB 777A (CH 469)

Extends sunset date for a 10-year partial exemption from property taxes for the rehabilitation of housing or the conversion of buildings to housing. The proposed sunset date is January 1, 2017. Provides that rehabilitation improvements must be executed within 2 years of initial application. Takes effect January 1, 2008.

REVENUE IMPACT:

	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	0	0	**0**	**0**
State Other Funds	0	0	**0**	**0**
Local Government	0	-$29,205	**-$29,205**	**-$155,513**
Local School Districts	0	-$20,295	**-$20.257**	**-$108,069**

SB 806 (CH 350)

Authorizes a municipal corporation to certify either a local option property tax levy or taxes and interest to repay a general obligation bond measure, approved by voters in the second year of a biennial budget, subject to satisfying certain requirements. Effective January 1, 2008

REVENUE IMPACT: None

SB 808B (CH 894)

Modifies reporting requirements for municipal budget documents. Requires that the municipal budget document include an estimate of the amount required to repay the taxing district's bond obligations, pension and disability plan obligations. Requires that the municipality's budget increase estimates in order to account for anticipated constitutional limitations, tax discounts, and the failure of taxpayers to pay their taxes when they are due. Applies to tax years beginning on or after July 1, 2007. Permits the budget document to include an amount equal to payments that are due for the current and subsequent fiscal year, excluding the amount of tax needed to pay bonded indebtedness. Allows a municipal corporation to submit its budget document to its county tax assessor if the county in which the municipality is located has neither a tax supervising and conservation commission nor a county clerk. Enables Douglas and Lane Counties to use monies described in ORS 294.060(1) until January 2, 2014 for the purpose of patrolling county roads by law enforcement officials. Enables a mass transit district to enter into transactions with entities for the supply or delivery of electricity or diesel fuel on an economic and cost-effective basis. Prohibits investing surplus funds for the purposes of receiving interest or other earnings from an investment; or that is for any purpose other the supply or delivery of electricity or diesel fuel on a cost-effective basis. Takes effect September 27, 2007.

REVENUE IMPACT: None

SB 812B (CH 895)

Modifies laws governing peoples' utility districts. Amendment pertains to HB2210. It removes ,corn. From the list of products that are eligible for the tax credit for production of biomass. It also delays 'wheat' from eligibility for this credit until January 1, 2009. Takes effect January 1, 2008.

REVENUE IMPACT: None

SB 814B (CH 590)

Permits an assessor or tax roll officer to correct errors in valuation at any time during appeal process if correction results in a reduced tax. Clarifies that correction in value judgment to accounts that are appraised by the Department of Revenue may not be made without the approval of this Department. Modifies the producer credit created in HB 2210B by removing 'corn' from the list of products that are eligible for the credit and delays eligibility for 'wheat' until January 1, 2009. Takes effect September 27th, 2007.

REVENUE IMPACT:

$	**2007-08**	**2008-09**	**2007-09 Biennium**	**2009-11 Biennium**
State General Fund				
State Other Funds				
Local Government	-14,500	-14,500	**-$29,000**	**-$29,000**
Local School Districts	-10,500	-10,500	**-$21,000**	**-$21,000**

SB 815 (CH 524)

Provides for treatment of property that is transferred from an exempt entity to a taxable owner or taxable use. Property transferred or sold by an exempt entity to a taxable entity before July 1 or any year is taxable in the ensuing tax year. Requires that the taxable entity that owns or controls the property, after the transfer has occurred, must advise the county assessor of this event within 30 days of the date of the transfer. Takes effect January 1, 2008.

REVENUE IMPACT: None

SB 959A (CH 824)

Clarifies who must file a tax return by adding the word 'business' to the list provided under current law. Permits a taxpayer who has not filed a personal and real property tax return to file an application for relief of tax penalties with the county assessor in which the property is located. Grants county assessors the discretion to grant or deny the applications for tax relief. Among the reasons for granting tax relief, the taxpayer must never have previously filed the appropriate property tax return in Oregon; and he must never have previously received property tax relief from having filed the required tax return late. Requires the Secretary of State to provide applicants for 'assumed business names' with certain tax information. Takes effect January 1, 2008.

REVENUE IMPACT:

$	**2007-08**	**2008-09**	**2007-09 Biennium**	**2009-11 Biennium**
State General Fund				
State Other Funds				
Local Government		-14,500	**-$14,500**	**-$29,000**
Local School Districts		-10,500	**-$10,500**	**-$21,000**

HB 2023A (CH 604)

Modifies military service requirements needed to qualify for a homestead property tax exemption to include members of the National Guard and military reservists who served 178 days or more under Title 10 if at least one of the days of service falls within the tax year in which the exemption is claimed. Permits retroactive applications for exemption. Applies to all claims submitted on or after July 1, 2005. Takes effect January 1, 2008.

REVENUE IMPACT:

$millions	**2007-08**	**2008-09**	**2007-09 Biennium**	**2009-11 Biennium**
State General Fund	0	0	**0**	**0**
State Other Funds	0	0	**0**	**0**
Local Government	-$1.40	-$.50	**-$1.90**	**-$1.06**
Local School Districts	-$.97	-$.35	**-$1.32**	**-$.74**

HB 2030A (CH 537)

Repeals the September 1, 2007, sunset date for the termination of bankruptcy accounts that county assessors are allowed to create currently in order to cover their legal and related costs of collecting property taxes from bankrupt accounts. Retroactive to September 1, 2007 if the Act becomes effective after this date. Takes effect September 27, 2007.

REVENUE IMPACT: None

HB 2095B (CH 606)

Allows a housing authority to own, operate and/or manage a mixed income housing property by forming partnership agreements with limited liability companies and non-profits. Replaces an annual report with an annual independent audit requirement. Changes definitions of 'slum' to 'blighted area'. Restricts the use of the 'housing authority' to an entity that has been created by the Legislature under ORS 456.055. Changes the definition of 'persons of eligible income' from persons who can not cover the cost of housing including utilities and taxes for less than 25% of gross income family income' to 'persons whose incomes are less than 80% of median area income, adjusted for family size'. The proposed change conforms to revised federal guidelines. Repeals ORS 456.170. Takes effect January 1, 2008.

REVENUE IMPACT:

	2007-08	**2008-09**	**2007-09 Biennium**	**2009-11 Biennium**
State General Fund	0	0	**0**	**0**
State Other Funds	0	0	**0**	**0**
Local Government	-$14,517	-$14,517	**-$29,034**	**-$29,034**
Local School Districts	-$10,483	-$10,483	**-$20,960**	**-$20,960**

HB 2096A (CH 607)

Authorizes the formation of non-profit manufactured dwelling park cooperatives and makes them eligible for existing housing loan and technical assistance programs. Specifies that membership in cooperatives is limited to homeowners who do or will occupy a home in the park. Prohibits members from selling memberships for more to than amount they paid adjusted for cost –of-living increases. Authorizes the housing and

Community Services Department to provide second lien loans. Increases form 25 to 50% the level of loan the many be guaranteed by the department's Guarantee Fund. Specifies that eligibility for program loans is based on a significant percentage of resident meeting low income thresholds. Provides consistent income eligibility restrictions throughout the housing statutes and revises the definition of elderly from 58 to 55 in compliance with Federal Fair Housing Law. Requires the Land Conservation and Development Commission and Department to report to the 2009 Legislative Assembly on providing sites and streamlining land use requirements related to urban growth boundary expansion for affordable housing, including new manufactured home parks. Takes effect January 1, 2008.

REVENUE IMPACT: None

HB 2140C (CH 764)

Makes technical changes to Public Contracting Code. Modifies rules governing prevailing wage rates to provide clarity for public–private partnerships. Exempts library in Baker City , privately owned, affordable housing residential construction; Oregon facilities financed under ORS 289 and financing of health care facilities, construction projects unless the bonds or loans will be used for public improvement; agreements of public-private projects signed by urban renewal agencies and projects funded by Treasury Bonds before effective date of the act. Requires Commissioner of Bureau of Labor and Industries, when asked, to determine whether proposed public works projects into more than one contract to avoid compliance and adds criteria for determining impermissible project division. Provides mechanism for commissioner to divide project. Declares an emergency. Effective July 13, 2007.

REVENUE IMPACT: None

HB 2155 (CH 766)

Increases the maximum loan amortization form30 to 40 ears fro home loans that are made to veterans under article XI-A of the Oregon Constitution. Takes effect January 1, 2008.

REVENUE IMPACT: None

HB 2228A (CH 613)

Increases authority of county assessors to extend time for filing tax returns until April 15th if sufficient just cause exists for doing so, or if doing so will enhance the accuracy of the filing and taxpayer compliance. Grants the Department the authority to grant the April 15th extension to companies with property located in more than one county or to companies that are subject to the Department's assessments. Takes effect January 1, 2008.

REVENUE IMPACT: None

HB 2229 (CH 545)

Reduces the interest that is paid on a property tax refund to an amount equal to the portion of the refund that is not attributable to inaccurate reports, statements or written information provided by the taxpayer. Takes effect September 27, 2007.

REVENUE IMPACT: None

HB 2230 (CH 449)

Amends ORS 307.475 to allow property owners to apply to the Department no later than December 15th for tax relief in the event that an application for redetermination of damaged or destroyed property was not filed timely, pursuant to ORS 308.146 (6) or ORS 308.428. The amendment to ORS 307.475 applies to applications for hardship relief from taxes due on property due on or after July 1, 2007. Takes effect September 27, 2007.

REVENUE IMPACT:

$	**2007-08**	**2008-09**	**2007-09 Biennium**	**2009-11 Biennium**
State General Fund	0	0	**0**	**0**
State Other Funds	0	0	**0**	**0**
Local Government	-14,500	-14,500	**-$29,000**	**-$29,000**
Local School Districts	-10,500	-10,500	**-$21,000**	**-$21,000**

HB 2231 (CH 450)

Amends ORS 308.146 (6)(b) by changing the deadline for filing an application with a county assessor to have real or personal property assessed after it has been damaged or destroyed. The application may be filed the later of (a) August 1st of the current assessment year or (b) on or before the 60th day following the date on which the property was destroyed or damaged. The application deadlines in ORS 308.428 (2) are changed to be consistent with the deadlines proposed for ORS 308.146 (6) (b). Takes effect January 1, 2008.

REVENUE IMPACT:

$	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	0	0	**0**	**0**
State Other Funds	0	0	**0**	**0**
Local Government	-14,500	-14,500	**-$29,000**	**-$29,000**
Local School Districts	-10,500	-10,500	**-$21,000**	**-$21,000**

HB 2232 (CH 451)

Permits boards of property tax appeals to waive penalties on delinquent real property if it is both the first time that a tax return was required and the first time that the taxpayer filed the return. Applies to penalties associated with tax years beginning on or after July 1 2007. Takes effect September 27, 2007.

REVENUE IMPACT:

$	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	0	0	**0**	**0**
State Other Funds	0	0	**0**	**0**
Local Government	-14,500	-14,500	**-$29,000**	**-$29,000**
Local School Districts	-10,500	-10,500	**-$21,000**	**-$21,000**

HB 2233 (CH 363)

Applies existing provisions for property tax liens against tax-deferred homesteads to security interests in tax-deferred manufactured structures that are treated as personal property for tax purposes. Takes effect January 1, 2008.

REVENUE IMPACT: None

HB 2234 (CH 452)

Eliminates duplicate appeals process. Inserts ORS 305.560 in ORS 311.223 (4) which will change the current appeals process for persons aggrieved of an assessment on omitted property. ORS 305.560 requires that, except for an order denying a discretionary waiver of penalty and interest by the Department of Revenue, a person's appeal is initiated by filing a claim with the clerk of the Oregon Tax Court, at its principal office in Salem Oregon. Inserts ORS 305.280 in ORS 311.223 (4). ORS 305.280 (1) describes the time for filing appeals by referencing ORS 305.275 which states that an aggrieved person may appeal to the magistrate division of the Oregon Tax Court within 90 days, but in no event later than 1 year, from the date when the act or omission occurred, or from the date that an order of determination is made. ORS 305.280 (5) stipulates that the Tax Court will issue a written decision rejecting a petition from an aggrieved party; and reasons will be included that explain the basis for the denial. Takes effect September 27, 2007.

REVENUE IMPACT: None

HB 2236 (CH 364)

Allows counties to pay contested property tax refunds prior to conclusion of property tax appeals. Provides for collection of additional taxes or payment of additional refund upon resolution of property tax appeals. Applies to refunds related to property tax years beginning on or after July 1, 2007 and to appeals pending as of the effective date of this Act. Takes effect September 27, 2007.

REVENUE IMPACT:

$	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	0	0	**0**	**0**
State Other Funds	0	0	**0**	**0**

Local Government	+14,500	+14,500	**+$29,000**	**+$29,000**
Local School Districts	+10,500	+10,500	**+21,000**	**+$21,000**

HB 2237A (CH 615)

Section 1 eliminates the annual filing requirement for a war veteran's exemption, not to exceed $15,000 on the assessed value of homestead or personal property if three conditions are satisfied. First, a war veteran must have been granted the homestead exemption defined in ORS 307.250 in the previous year. Second, the war veteran claiming the exemption must satisfy the requirements for having disabilities of 40% or more, or a surviving spouse must continue to meet the qualifications for the exemption as defined in ORS 307.250 (1) (c).Third, the ownership and use of the homestead or personal property and all other qualifying conditions of the property must remain unchanged. Takes effect January 1, 2008.

REVENUE IMPACT:

	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	0	0	**0**	**0**
State Other Funds	0	0	**0**	**0**
Local Government	-$9,088	-$9,088	**-$18,125**	**-$18,125**
Local School Districts	-$6,562	-$6,562	**-$13,175**	**-$13,175**

HB 2238 (CH 198)

Relating to councils of governments. Creating new provisions, applies to fiscal years beginning on or after July 1, 2007. Declaring an emergency

REVENUE IMPACT: None

HB 2239A (CH 616)

Modifies procedures for reviewing assessment rolls. Corrects clerical errors, omissions; and adds omitted property to the tax rolls that are prepared by the Department of Revenue for assessment and apportionment of centrally assessed property. Sets June 15 as a specific date when the Department shall review the tentative tax roll for omissions and clerical errors. Applies to assessment rolls initially proposed or corrected after the effective date of this Act, January 1, 2008.

REVENUE IMPACT: None

HB 2319A (CH 126)

Transfers duty to notify county treasurer of large property tax appeals from Oregon Tax Court to Department of Revenue. Takes effect January 1, 2008.

REVENUE IMPACT: None

HB 3009A (CH 668)

Permits second Oregon Veteran's Home to admit spouses of veterans,. Eliminates requirement for second Oregon Veteran's Home to obtain certificate of need from Department of Human Services. Declares emergency. Takes effect June 27, 2007.

REVENUE IMPACT: None

HB 3046A (CH 678)

Creates a property tax exemption for property used for a natural gas pipeline extension project, including later additions or improvements not to exceed 115 miles, if the project receives funds from the Oregon Unified International Trade Fund and the project is owned by a local government. Applies to tax years on or after July 1, 2007. Takes effect September 27, 2007.

REVENUE IMPACT:

$	**2007-08**	**2008-09**	**2007-09 Biennium**	**2009-11 Biennium**
State General Fund				
State Other Funds				
Local Government		-14,500	**-$14,500**	**-$29,000**
Local School Districts		-10,500	**-$10,500**	**-$21,000**

HB 3047A (CH 679)

Creates a ‘county road fund’ in which property taxes for roads derived from local option levies shall be deposited for apportionment. Allows county, road districts and the incorporated cities located within the county to modify the apportionment formula by agreement. Clarifies that no ad valorem tax may be expended on any roads or bridges except for funds derived from a levy within the permanent rate, if a voter–approved county serial levy dedicated to road improvements was used in determining that rate. Clarifies that the apportionment of road taxes, including local option property taxes, is subject to Oregon’s Constitutional limitations. Takes effect January 1, 2008.

REVENUE IMPACT: None

HB 3445A (CH 561)

Adds premises open to public in service district to definition of ‘highway’ for purpose of law enforcement. Effective June 22, 2007.

REVENUE IMPACT: None

HB 3455A (CH 884)

Revises the definition of an urban renewal plan’s consolidated billing rate to include urban renewal plans that have been substantially amended. Specifically, if the urban renewal plan is a ‘reduced rate’ plan before it is substantially amended, it remains a ‘reduced rate’ plan after it has been substantially amended. Takes effect September 27, 2007.

REVENUE IMPACT: None

HB 3488B (CH 885)

Expands the property tax exemption for alternative energy systems to include certain systems that are owned or leased by a person whose principal business activity is the production, transportation or distribution of energy. Requires the alternative energy system to be a net metering system primarily designed to offset onsite electricity use by the person. Applies to tax years beginning on or after January 1, 2007. Allows public utilities to provide no-interest loans to customers who install renewable energy generation facilities in their homes. Takes effect September 27, 2007.

REVENUE IMPACT:

$	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
Local Government	**$0**	**$0**	**$0**	**-$148,193**
Local School Districts	**$0**	**$0**	**$0**	**-$107,312**

HB 3532A (CH 72)

Permits a county to reduce its certified expenditures for the fiscal year beginning July 1, 2006 and ending June 30th 2007, while allowing it to continue to receive funds from the County Assessment and Taxation Fund (CAFFA) based upon its prior year's share (%) if the following conditions are satisfied: (1) revenue in the prior year was supplemented by certain federal payments (PL 106-393) in an amount equal to at least 10% of the expenditures certified by the Department, (2) the reduction in county expenditures does not exceed 10% of the prior year's certified expenditures; and (3) the reduction in the county's expenditures does not result in a failure by the county to administer property taxes. Declares an emergency. Takes effect May 2,2007.

REVENUE IMPACT: None

HB 3537A (CH 694)

Exempts from taxation real and personal property of retail stores owned by non-profit entities if the retail stores deal exclusively in donated inventory and the proceeds from the stores' sales are used to financially support a not-for-profit housing program. Takes effect September 27, 2007.

REVENUE IMPACT:

$	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund **State Other Funds**				
Local Government **Local School Districts**	-22,453 -11,567	-22,453 -11,567	**-46,947** **-24,148**	**-46,947** **-24,148**

HB 3538A (CH 562)

Permits establishment of heritage districts. Takes effect January 1, 2008.

REVENUE IMPACT: None

TIMBER TAXES

HB 2069A (CH 248)

Provides specific authority for State Forester and State Board of Forestry to operate state forest tree seed orchard. Creates sub-accounts for state forest nursery, state forest tree seed bank and state forest tree seed orchard.

REVENUE IMPACT: None

HB 2115A (CH 852)

Extends the Forest Products Harvest Tax for forest research and the Oregon Forest Practices Act administration to 2008 and 2009 calendar years. Applies to forest products harvest tax reporting periods on or after January 1, 2008. Increases the rates for the Forest Research Laboratory at OSU from $.67 thousand board feet (mbf) of harvested timber to $.92/mbf. Increases the rate for administration of the Forest Product Practices Act from $.55/mbf to $1.1456/mbf. Takes effect January 1, 2008.

REVENUE IMPACT:

$millions	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund		**0**	**0**	**0**
State Other Funds		+14.7	**+$14.7**	**+16.69**
Local Government		0	**0**	**0**
Local School Districts		0	**0**	**0**

Impact Explanation: The impact reflects only the portions of the FPHT that require rate setting every biennium. The BN0709 forecast reflects only 21 months because of a ¼ carryover in FY0708 associated with the rate set for 2007.

HB 3044A (CH 779)

Increases the current rate component of the Forest Products Harvest Tax (FPHT) designated for fire suppression to $.625 per thousand board feet of harvested timber. Increases the assessments imposed on owners of timber and grazing lands for the purpose of fire protection. Clarifies that contiguous lots that are subject to ORS 477.295, whose owner has made application for fire protection services, shall be treated as one lot with respect to the $47.50 rate that is imposed on each lot or parcel. Regarding the assessments paid to the Oregon Land Protection Fund (OLPF), clarifies that a lot on which a single-family dwelling has been placed may be treated as a combined lot if it does not exceed 20 acres. Applies to tax years on or after July 1, 2008. Takes effect September 27, 2007.

REVENUE IMPACT: None

SCHOOL FINANCE

SB 211A (CH 488)

Increases the amount of State School Fund revenue allocated for high cost disability students (costs above $30,000 per disability student) from $12 million to $18 million per year in the school equalization formula. Takes effect July 1, 2007.

Revenue Impact:

School Districts	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State School Fund Net Impact	0	0	**0**	**0**
High Cost Disability Grants	$ 5.0 mil.	$ 5.8 mil.	**$ 10.8 mil.**	**$ 12.0 mil.**
General Purpose Grants	-5.0 mil.	-5.8 mil.	**-10.8mil.**	**-12.0 mil.**
Shift Among School Districts	**Yes**	**Yes**	**Yes**	**Yes**

Impact Explanation:

Up to $6 million of State School Fund revenue per year shifts from districts without high cost disability students or a very low percentage of these students to districts with a concentration of high cost students. High cost disability grants may be fully funded at less than $18 million the first year or two. Any unused disability grant revenue is distributed as part of the school formula general purpose grant. General purpose grants are distributed almost equally per weighted student.

SB 318B (CH 578)

Modifies School Improvement Fund grants. Allocates 95.25% to school districts and programs and 4.75% to educational service districts (ESDs). Distributes grants in each district category proportional to the district share of total weighted students. Requires ESDs to spend 100% of grants on resolution services. Revises list of activities to increase student achievement. Takes effect July 1, 2007.

Revenue Impact:

Assumed School Improvement Fund	**2007-08**	**2008-09**	**2007-09 Biennium**
School districts and programs	$ 123.8 mil.	$ 123.8 mil.	**$ 247.6 mil.**
Education service districts	6.2 mil.	6.2 mil.	**12.4 mil.**
Appropriation Total	$ 130.0 mil.	$ 130.0 mil.	**$ 260.0 mil.**

Impact Explanation:

The appropriation to the School Improvement Fund is assumed to be equally divided between the two years.

SB 550D (CH 891)

Extends the sunset from 2007 to 2013 for distributions of revised federal Secure Rural Schools and Community Self-Determination Act revenue. Ensures that these federal funds are distributed to counties based on historical national forest timber revenue and that 25% is deposited into county school funds, distributed to school districts and included as district revenue in the school equalization formula. Takes effect on passage. Retroactively takes effect if passage is after July 1, 2007.

Revenue Impact:

Federal Forest Fee Related Revenue	2007-08	2008-09	2007-09 Biennium
School Districts	$+33.9 mil.	0	**$+33.9mil.**

Impact Explanation:

The federal revenue has been included in 2007-08 school equalization formula revenue. The average statewide impact is about $51 per weighted student. Federal legislation is needed for this revenue to continue beyond 2007-08.

SB 1036B (CH 829)

Allows school districts to impose a tax on new construction measured by the square footage of improvements. Requires revenue to be used for capital improvements and defines capital improvements. Sets a tax rate limit of $1 per square foot for residential use and $0.50 for nonresidential use. Imposes additional $25,000 limit on nonresidential use. Indexes rates beginning in 2009. Exempts construction of affordable housing, public buildings, agricultural buildings, hospitals, private schools and religious facilities.

Requires school districts with construction tax revenue to develop long-term facility plans. Requires intergovernmental agreement with local governments collecting the tax and limits collection expense to 1% of tax revenue. Preempts local governments from using a construction tax until 2018, but grandfathers in local government construction taxes already in effect as of May 1, 2007 or in the process of being adopted. Allows taxes to be used for repayment of capital improvement debt. Takes effect on the 91st day after sine die.

Revenue Impact:

School Districts	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
Construction Tax Revenue	**Indeterminate**			
State School Fund Distribution	0	0	**0**	**0**

Impact Explanation:

Construction revenue depends on the number of school districts adopting the construction tax, the average tax rate adopted under the limit and the square feet of taxable new construction added in these districts. Assuming that all school districts adopt the maximum tax rate, the potential statewide revenue is about $60 million per year. Revenue may replace some school property taxes for school bonds. The distribution of State School Fund dollars does not change.

HB 2040B (CH 846)

Allows Bethel School District to contract with HomeSource as a qualified private alternative education program provider of services to qualified homeschooled students. Makes Bethel School District the resident district of qualified homeschooled students under a district contract. Requires the State Board of Education to adopt by rule a formula to determine the funding for HomeSource students. Requires HomeSource students under contract to be enrolled in specific courses that meet the academic content standards adopted by the State Board of Education.

Sunsets in 2012 the transfer of $2.5 million each year from the State School Fund to the Small School District Supplement Fund. Deletes statutes that distribute the Supplement Fund to districts with less than 8,500 weighted students that have small high schools.

Increases the education service district (ESD) minimum allocation of state and local funding from a little less than $950,000 to $1 million per year.

Requires the interim revenue committees to study the adequacy of funding for small school districts and small ESDs and make recommendations to the 2009 legislature. Takes effect on passage.

Revenue Impact:

State School Fund	2007-09 Biennium	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium
Bethel SD and statewide	Indeterminate			
Small school districts with small high schools	0	0	$-2,500,000	$-5,000,000
All school districts	0	0	+2,500,000	+5,000,000
5 ESDs with minimum funding increase	$+540,000	$+530,000	$+520,000	$+510,000
Other 15 ESDs	-540,000	-530,000	-520,000	-510,000

Impact Explanation:

The funding formula adopted by the State Board of Education will likely determine how many Home Source courses under contract with the Bethel School District may be used by home schooled students. The resulting effect on Bethel School District's average daily membership (ADM) included in the school equalization formula is uncertain. There may be a small shift in school formula revenue between Bethel School District and all other districts.

The small high school sunset gain for all school districts in 2012-13 is about $3.65 per weighted student. The loss for 101 small school districts with small high schools is on average about $29 per weighted student which is partially offset by the $3.65 gain.

The 5 small ESDs effected by the $1 million minimum are Lake, Harney, Region 18/Wallowa, North Central and Grant. Each gains a little over $50,000 per year.

HB 2104A (CH 539)

Lowers unclaimed financial property dormancy period from 5 years to 3 years before property is transferred to the unclaimed property account in the Common School Fund. Applies to financial institutions, insurance companies and other holders of intangible equity ownership.

For automatically renewable property, allows owners consent to renew to be indicated by a financial institution sending a statement by first class mail or electronic mail without receiving notice that the statement is undeliverable.

Changes notification method from certified mail to first class mail for financial businesses to give notice to the owner of held assets before imposing service charges, stopping interest payments or levying fees.

Revenue Impact:

	2007-09 Biennium	2009-11 Biennium
Common School Fund Deposits	0	$20-25 million
School District Distribution	0	$7-8 million

Impact Explanation:

This is a one-time speed up in unclaimed property transfers that apply to two years worth of dormant financial assets. Common School Fund deposits increase in the 2009-11 biennium with additional distributions to school districts. The initial increase is primarily due to the added funds increasing the growth of the Common School Fund and triggering an extra 0.5% distribution of the Fund for a year.

HB 2105A (CH 849)

Increases base and volume fee for removal or fill permits issued by the Department of State Lands for Oregon waterways. Provides for annual fee increase beginning January 1, 2009 using the Consumer Price Index for the Portland area. Allows waiver of fees for voluntary habitat restoration project. Creates a general permit for removal/fill activities that are substantially similar in nature and ongoing. Takes effect July 1, 2007.

Revenue Impact:

	2007-09 Biennium	2009-11 Biennium
Common School Fund	$+580,000	$+650,000
School Districts	?	?

Impact Explanation:

School districts may have a marginal increase in earnings distributed from the Common School Fund. Due to the lag between earnings and distribution, using a three year rolling average growth rate and the rounding of the growth rate, any increase in distribution to school districts is uncertain, but the full impact will be delayed to 2009-11.

HB 2263C (CH 858)

Repeals Certificate of Initial Mastery (CIM) and Certificate of Advanced Mastery (CAM). Modifies Early Childhood Improvement Program. Eliminates Learning Centers, Oregon 21st Century Schools Program, School Improvement and Professional Development Program and Statewide Literacy Hotline. Requires Superintendent of Public Instruction to assign school ratings. Directs schools in need of improvement to file improvement plans. Requires Department of Education to design and implement system of progressive interventions for school districts that do not demonstrate improvement. Changes elements of Oregon Report Card.

Directs department to contract with nonprofit entity to administer with the department a nationally-normed assessment to all tenth grade students to predict success on college entrance exams. Provides contractor selection criteria. Allows test funding up to $550,000 per year from the State School Fund from dollars that otherwise would go to education service districts.

Establishes Board of Directors for Oregon School for the Deaf and Oregon School for the Blind. Defines membership and duties. Allows Board of Directors of each school to appeal decisions made about schools by the Superintendent of Public Instruction to the State Board of Education. Applies to Superintendent decisions made on or after January 1, 2007. Takes effect July 1, 2007.

Revenue Impact:

State School Fund Limit	2007-08	2008-09	2007-09 Biennium
Education service districts	$-550,000	$-550,000	**$-1,100,000**
Tenth grade assessment test	+550,000	+550,000	**+1,100,000**

Impact Explanation:

If the full $550,000 is used each year for testing, the ESD reduction per weighted student is on average about 82 cents per year.

HB 2641A (CH 778)

Increases school district local option property tax limits from $750 to $1,000 per weighted student (ADMw) and from 15% to 20% of school equalization formula revenue that, if exceeded by a district, reduces the district's State School Fund revenue by the amount above the lesser of these two limits. Increases the $1,000 limit by 3% per year beginning in 2008-09. Also applies the new limits in the calculation of the local option equalization grant. Takes effect on the 91st day after sine die.

Revenue Impact:

School Districts	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
Local Option Revenue		May be increased by voters		
State School Fund	0	0	0	0

Impact Explanation:

Given the State School Fund appropriation for 2007-09, the $1,000 per ADMw limit will be the controlling limit. School districts may seek voter approval of local option property tax levies that yield more than $750 per weighted student (ADMw), but less than $1,000 (when the tax gap between 1990 Measure 5 and 1997 Measure 50 is sufficient). Local option authority already passed by voters for up to 5 years may possibly exceed the $750 per weighted student limit within the 5 years, but districts need not use their full authority. One district's existing authority may exceed $750 per ADMw in 2008-09.

HB 3141B (CH 839)

Requires the Department of Education to collect data about physical education from school districts and to award grants. Set standards for physical education beginning in 2017.

Establishes District Best Business Practices Advisory Committee. Requires committee to advise the Department on the development of a system for auditing district business practices. Directs the Department to contract with the Secretary of State to audit business practices of districts that volunteer.

Creates an Education System Design Team to design a legislative system to evaluate K-16 education budgets with specific outcome goals and report by February 1, 2008.

Transfers funding for students in the Youth Corrections Education Program who are 21 or older or have a high school diploma from the school equalization formula to a direct transfer from the State School Fund. Modifies funding for South Umpqua School District division report.

Sets State School Fund expenditure limits or transfers for best business practices, talented and gifted, physical education data and grants, design team, Quality Education Commission support, virtual school fund, and speech pathology grants.

Revenue Impact:

State School Fund	2007-08	2008-09	2007-09 Biennium
Spending limits for various education programs and projects	$+2,180,793	$+2,269,805	**$+4,450,598**
School Districts	-2,077,205	-2,161,989	**-4,239,194**
Education Service Districts	-103,588	-107,816	**-211,404**

Impact Explanation:

If expenditures are below the limits, the reductions for school districts and ESDs will be less. Some grants may directly benefit districts and partially offset the reduced distribution from the State School Fund to school districts and ESDs. The annual division assumes transfers of about 49% in 2007-08 and 51% in 2008-09. The average reduction per weighted student is around $3.33 for the biennium.

The funding for the Youth Corrections Education Program is currently from the State School Fund through the school equalization formula, but will now be a direct transfer from the State School Fund to the Youth Correction Education Program. This redirection is not included in the above numbers.

HB 3344B (CH 882)

Allocates 50% of the 2007-09 ending biennial balance in the Administrative Services Economic Development Fund to the school matching subaccount in the Education Stability Fund. Uses the May 2009 revenue forecast to measure any ending balance.

Revenue Impact:

No revenue impact. A method to distribute funds in the school matching subaccount has not been adopted.

HB 5020A (CH 700)

Appropriates $5,350.4 million from the General Fund to the State School Fund for the 2007-09 biennium. Limits the lottery revenue allocation to the State School Fund to

$634.1 million. Limits 2007-08 State School Fund expenditures to $2,914.6 million and 2008-09 to $3,070.2 million. Appropriates $400,000 from the General Fund to the Local Option Equalization Grants Account. Takes effect July 1, 2007.

Revenue Impact:

State School Fund and Local Option Equalization Grants Account	2007-08 $ millions	2008-09 $ millions	2007-09 Biennium $ millions
School Districts	$ 2,783.7	$ 2,934.5	**$ 5,718.2**
Education Service Districts	119.5	123.8	**243.3**
Other Programs	11.4	11.8	**23.2**
School Local Option Equalization	0.2	0.2	**0.4**
Total	**$ 2,914.8**	**$ 3,070.3**	**$ 5,985.1**

Impact Explanation:

The State School Fund allocation between school districts and education service districts depends on formula local revenue estimates and may shift somewhat between the two. There is a small amount of private small tract timber revenue that goes directly into the State School Fund so that General Fund and lottery funding is below State School Fund expenditures by $240,000. Other programs include small high school grants, virtual school funding and state education programs for students in hospitals, long term care facilities and schools for the deaf and blind.

HB 5021A (CH 701)

Appropriates $260.0 million from the General Fund to the School Improvement Fund for grants to school districts, Youth Corrections Education Program, Juvenile Detention Education Program and education service districts (ESDs added by SB318) to fund activities related to increasing student achievement. Takes effect July 1, 2007.

Revenue Impact:

School Improvement Fund	2007-08 $ million	2008-09 $ million	2007-09 Biennium $ million
School Districts	$ 123.4	$ 123.4	**$ 246.8**
Youth Corrections Education	0.3	0.3	**0.6**
Juvenile Detention Education	0.1	0.1	**0.2**
Education Service Districts	6.2	6.2	**12.4**
Total	**$ 130.0**	**$ 130.0**	**$ 260.0**

Impact Explanation:

The assumption is that the School Improvement Fund will be equally divided between the two years in the biennium. The funds are distributed proportional to weighted students.

TRANSPORTATION

SB 219A (CH 576)

Allows the Department of Transportation access to the records of the Employment Department for the purpose of collecting a delinquent account. Becomes effective on January 2008.

REVENUE IMPACT:

	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State Other Funds (Highway Fund)	$150,000	$300,000	**$450,000**	**$600,000**

IMPACT EXPLANATION:

ODOT collection is expected to increase to about 5% of the current delinquency rate. Currently ODOT's collection unit collects about $1.5 million a year of the $6 million in-state delinquencies. The other 50% of the total delinquencies are owed outside the state, and not expected to be impacted by this law.

SB 1022A (CH 531)

Requires the Oregon Transportation Commission to approve the establishment of any tolls in Oregon. Establishes sanctions for failure to pay tolls including a civil penalty of not more than $25 and refusal to renew a vehicle registration. Authorizes use of electronic toll collection and a photo enforcement system by a toll-way operator under conditions set by the commission. Specifies that photos of a vehicle are prima facie evidence that the owner of the vehicle was the driver who did not pay the toll. Allows a registered owner to recover from the driver or renter of a ticketed vehicle the amount of the toll and civil penalty. Exempts records including photos from public disclosure, specifies who's records may be disclosed to, and stipulates that records may only be used for toll collection and traffic management purposes. Clarifies which statutory provisions apply to toll projects that are entered into through the Innovative Partnership Program, consistent with the program's statutes.

REVENUE IMPACT:

If the tollways are brought on line by early 2011, then revenue to the highway fund will start coming in the 2009-11 biennium. The expectation is about $700,000 for that biennium. If the projects are not ready until the 2011-13 biennium then the revenue expectation will be about $3.5 million.

IMPACT EXPLANATION:

This is an enabling legislation for electronic tollways. This bill creates obligation of person to pay toll, imposes civil penalty for failure to pay toll and imposes penalties, authorizes use of photo radar to enforce toll payment. Authorizes Oregon Department of Transportation (ODOT) to put a (DMV) hold on the registration of vehicle owned by an individual who fails to pay toll. Additionally it exempts tollway fees from the required legislative biennial review. The bill will give ODOT the authority to undertake rulemaking to govern the review and approval of tollway proposals, standards for electronic toll collections, photo enforcement of tolls and assessment and collection of civil penalties for unpaid tolls.
While the feasibility of financing several facilities, such as the Newberg-Dundee Bypass and a new bridge across the Columbia River at Portland, is being reviewed, none is under construction. No toll facility would be completed during the 2007-2009 biennium. However, for purposes of this statement, the assumption is that a toll facility would be ready for operation by the beginning of 2011.

HB 2034 (CH 845)

Specifies time window for acquiring Oregon car title, car registration, driver license and driver permit for new resident of Oregon to less than 30 days.

REVENUE IMPACT:

Minimum impact (Less than $50,000)
Increase revenue in both the Highway fund, and Criminal Fines and Assessment Account (CFAA), by very small amounts.

IMPACT EXPLANATION:

Currently, ORS 807.062(2), states that a resident of Oregon may not operate a motor vehicle in this state unless the person receives a driver license or permit from the Oregon Department of Transportation. Similarly, a person commits the offense of failure to register a vehicle if the person owns a vehicle in this state and does not register it with the Oregon Department of Transportation (ORS 803.300).
The new time limit definition, for vehicles and driver licenses, as it applies to new residents, will allow for increased enforcement and fines by law enforcement agencies.

This will also somewhat accelerate the process of registering vehicles for new residents as well as increase the rate of exchanging their driver licenses.

HB 2071A (CH 147)

Increases service charge that agents of State Marine Board may impose for issuing temporary permit to operate boat. Specifies the charge and its future increases, and allows the Marine Board to increase it in the future using CPI indexing.

REVENUE IMPACT:

The impact is unclear once the fee becomes changeable by indexing. The level and price at a certain point will start affecting the transaction of permits, and thus start exerting a downward pressure on those permits.

IMPACT EXPLANATION:

The bill authorizes the increase of the charge that agents (private entities) can receive for selling temporary permits. Currently that charge is at a $1, the bill increases it to $2.50 for 2 years, then to $3.75 for the period of two years (2011-2013). The fee of course goes to the private entities (boat dealers and sporting goods entities) which operate as agents of the Marine Board. The charge that has been fixed for many years currently does not make a significant revenue source. However, it starts increasing in two increments perhaps reaching cost parity at sometime. After that, the Marine Board will adjust the charge every 3 years using the CPI of urban consumers. It is not clear at what point, this charge starts composing a significant part of the total price, and when the price elasticity of demand start nesting itself into purchasing attitudes and registration behaviors. If that happens the increases might change the dynamics of simple reward (compensation) to a price setter and a damper on the permits and in turn on the regulation function..

HB 2278B (CH 859)

Authorizes issuance of lottery bonds up to $100 million plus an additional amount established by the State Treasurer to pay bond-related costs and reserves, for Multimodal Transportation Projects. Authorizes Oregon Transportation Commission to promulgate rules to determine whether transportation projects meet qualifications. Reduces allocation from 15 percent to 10 percent of net bond proceeds to each of five defined regions. Directs Commission to solicit recommendations from the Economic and Community Development Department prior to selecting marine projects. Requires recipients of funds to pay 2% of the project cost for the purpose of statewide multimodal transportation planning.

REVENUE IMPACT:

Connect Oregon II program.

In Millions	2007-09	2009-11	2011-13
Bond proceeds	$101.97	0	
Issuance Costs	($1.97)		
Fees from Recipients	$1.150	$2.30	$0.550
Debt Reserves	$10.40		
Debt service Payments	($5.32)	($20.22)	($20.22)
Total	$106.23	($17.92)	($19.67)

IMPACT EXPLANATION:

Assuming two bond issuances of $50 million each. The first, taxable, on March-2008, and the second, tax-exempt, on May-2009. The debt reserves and issuance costs will be paid by increasing the Bond amount. The payments will go on for 20 years for each issuance.

HB 2936B (CH 664)

Decreases registration fees for motor homes from $126 to $54. Increases length of motor home up to 14 feet as threshold for registration fee of $126. Requires additional $7.50 per foot registration fee for length beyond 10 feet for motor homes. Increases penalty from Class D to Class A traffic violation for truck drivers who violate provisions of a size and weight permit. Creates a class C traffic offence for failure to remove vehicle after a minor no injury accident.

REVENUE IMPACT:

The impact is a reduction in revenue for the Department of parks and recreation.

	2007-09 Biennium	2009-11 Biennium
State Other Funds 663 motor homes 14 ft or less	($48,194)	($64,259)

IMPACT EXPLANATION:

Currently, motor home fees are $126 for 6–10 feet in length plus $7.50 a foot for each foot of length over the first 10 feet. The bill decreases the fee to $54 for motor homes 6–14 feet in length plus $7.50 a foot for each foot of length over the first 14 feet. These fees are paid on a biennial basis. This new fee will reduce the revenues going to the State Parks and recreation department, 663 motor homes 14 ft or less x ($72+ $7.50 ft over 10 feet). However, this bill changes registration fees so a 14-foot motor home pays $54, but a 15-foot motor home pays $163.50. The new created offenses might generate new revenues that will go through the CFA process and division of funds to the different jurisdictions.

LIQUOR, AND LOTTERY

SB 69 (CH 569)

Repeals requirements relating to emergency lottery computer database center at Burns.

REVENUE IMPACT: None

HB 2171C (CH 854)

Allows a person to sell and ship wine or cider directly to an Oregon resident if they possess a direct shipper permit issued by the Oregon Liquor Control Commission. Limits who can be issued a permit to persons with a license issued by this state or another state that authorizes a person to manufacture wine or cider; authorizes the sale or wine or cider produced only from grapes or other fruit grown under the license holder's control, authorizes the retail sale of wine or cider, or a winery trade association. Requires a $50 registration fee and maintaining a minimum $1000 bond or other security if the permit applicant holds a license from another state or is a nonprofit trade association. Establishes the procedure for issuing a direct shipper permit. Imposes requirements for sales and shipments under the permit. Establishes violations for selling to minors or selling without possessing a permit.

REVENUE IMPACT: None

HB 2446 (CH 631)

Authorizes the placement of video lottery game terminals in establishments holding a brewery-public house license issued by the Oregon Liquor Control Commission.

REVENUE IMPACT:

Less than $50 thousand: New terminals placed in brewery houses will generate small positive revenue impact ($50,000) per year.

IMPACT EXPLANATION:

Current statute requires brewpub proprietors to obtain a limited on-premises license in addition to their brewery-public house license in order to have video lottery terminals on their premises. HB 2446 removes the requirement of obtaining a limited on-premises license and adds a brewery-public house licensee to the list of Oregon Liquor Control Commission licensees who are allowed to operate video lottery terminals. Currently 21 lottery retailers are also brewpubs, with 28 possible additions. However, not all might go immediately to this new option.

HB 2486B (CH 637)

Establishes that the bond required by Oregon Liquor Control Commission (OLCC) for the operation of a winery cover taxes on the sale and use of the winery's agricultural equipment. Allows the OLCC to waive bond for wineries if the licensee was not liable for a privilege tax in the immediate preceding calendar year, and does not expect to be liable in the current calendar year, or if the winery was established in the current calendar year and does not expect to be liable for a privilege tax in the current calendar year.

REVENUE IMPACT:

Minimal impacts of less than $50 thousand a biennium to the OLCC tax payments and its transfers to the general fund.

IMPACT EXPLANATION:

Oregon wineries are required to provide a surety bond to the Oregon Liquor Control Commission (OLCC) to cover unpaid wine taxes. However, the surety bond does not cover grape tonnage taxes. A winery is exempt from paying a privilege tax on the first 40,000 gallons, or 151,000 liters, of wine sold annually in Oregon, which comes from a United States manufacturer of wines annually producing less than 100,000 gallons, or 379,000 liters. This bill creates a discretionary exception to the surety bond requirement for small wineries that are eligible for the small production exception from wine privilege taxes, and permits the surety bond to cover unpaid tonnage tax. A winery pays a tonnage tax for grapes they use to process into wine at the current rate of $25 per ton, with the tax proceeds going primarily toward research at institutions such as Oregon State University to further the state's horticulture industry. The bill increases slightly the possibility of defaulting on payment of taxes without a bond to back it up.

TOBACCO

SJR 4D (Filed with secretary of State, M-50)

Proposes amendment to Oregon Constitution imposing cigarette taxes of 84.5 cent per pack. imposes 30% other tobacco product tax. Dedicates revenue raised to children's healthcare programs, health care programs for low-income adults and other medically underserved Oregonians, and to tobacco use prevention and education. Refers proposed amendment to the people for their approval or rejection.

REVENUE IMPACT:

If the constitutional amendment is approved by the voters, then the net new revenues that will be generated by the new tax are shown in the following chart.

$	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State Other Fund				
Cigarette Taxes	35,074,314	111,706,080	**146,780,394**	**223,116,884**
Other Tobacco Taxes	1,065,714	4,909,112	**5,974,826**	**10,105,857**
Total	**$36,140,029**	**$116,615,191**	**$152,755,220**	**$233,222,741**

IMPACT EXPLANATION:

The resolution will constitutionally instate a tax increase on tobacco of 84.5 cents and 30% of whole price on the other tobacco products. This amount is on top what exists in statutes today at the rate of $1.18 for cigarettes and 65% for other tobacco products. This constitutional amendment will be dedicated to the Healthy Kids program and other health, prevention and education programs. The dedication necessitates that a different method of distribution needs to be adopted. This new method is defined in SB 3. Thus the companion bill takes affect only if SJR 4 passes.

The amounts shown as the impact represent the net increase of tobacco revenue over today's revenue amounts. These figures however, might not be what will be reflected in the distribution to the later uses as will be the case in SB 3.

SB 3C (CH 788)

Creates Oregon Healthy Kids Program, which includes private health option to provide health care coverage to children. Establishes Oregon Healthy Kids Program Fund. Establishes Healthy Kids Safety Net Fund, and allocates money to Rural Healthcare revolving account fund. Allocates cigarette and other tobacco products taxes imposed by Oregon Constitution. Redistributes the revenue occurring from current tobacco taxes. Takes effect only if Senate Joint Resolution 4 (2007) is approved by people. Takes effect on January 1, 2008 if proposed constitutional amendment passes.

REVENUE IMPACT:

This impact shows the revenue affected by the bill if SJR 4 passes. The amounts are 18 months because the implementation date is January 1, 2008. Prior to that date revenues will continue to be distributed under the current law statutes.

$ New Revenue	(starting 1/1/08) 2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
Health Plan (OHP)	$ 7,312,952	26,802,832	**34,115,784**	**50,704,975**
TURA	$ 6,106,296	13,401,480	**19,507,776**	**38,964,178**
Rural Health	$ 458,878	1,681,843	**2,140,722**	**3,181,672**
Kids Safety Net	$ 1,198,518	4,392,709	**5,591,227**	**8,310,025**
Healthy Kids Program	$ 28,531,970	104,573,034	**133,105,004**	**197,828,841**
Total	**$43,608,614**	**$150,851,898**	**$194,460,512**	**$298,989,691**

$ Old Revenue	(starting 1/1/08) 2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	$ 37,760,703	63,116,462	**100,877,165**	**127,423,832**
Health Plan (OHP)	$ 88,755,658	154,045,604	**242,801,262**	**314,416,828**
Local Government (Cities)	$ 2,623,304	4,602,292	**7,225,597**	**9,198,138**
Local Government (Counties)	$ 2,623,304	4,602,292	**7,225,597**	**9,198,138**
Local Government (Transit)	$ 2,623,304	4,602,292	**7,225,597**	**9,198,138**
Total	**$134,386,274**	**$230,968,943**	**$365,355,217**	**$469,435,073**

IMPACT EXPLANATION:

This bill will distribute the constitutionally raised tax increase on tobacco of 84.5 cents and 30% of wholesale price on the other tobacco products. This amount is on top existing taxes in statutes at the rate of $1.18 for cigarettes and 65% for other tobacco products. The constitutional amendment will be dedicated to the healthy Kids program and other health, prevention and education programs. The dedication necessitated a new method of distribution for the current uses. The bill also imposes a floor tax.

Thus, if this bill takes effect after SJR 4 passes, it will distribute new revenue, and hold harmless the current uses depending on tobacco taxes.

The outline of the new distribution scheme is as follows:

Constitutional Tax increase 84.5 cents.

Dedicated to:

- Healthy Kids (72.34% for 07-09), (68.47% for 09-11).
- Kids Safety Net (3.04% for 07-09), (2.88% for 09-11).
- Rural Health (1.16% for 07-09), (1.10% for 09-11).
- TURA (4.918% for 07-09), (10% for 09-11).
- Heath Plan (OHP) (18.54% for 07-09), (17.55% for 09-11).

Other Tobacco Products (OTP) increase (30 % of wholesale price) Dedicated to:

- TURA (55.4% for 07-09), (43.0% for 09-11).
- Heath Plan (OHP) (44.6% for 07-09), (57% for 09-11).

The current tax in two pieces 58 cents and 60 cents: Combine as $1.18 tax.

Distributed as:

- First (hold harmless) General Fund (GF) 21.69%,
- Cities 2.3 %,
- Counties 2.3 %,
- ODOT (Senior and Disabled Transportation) 2.3 %
- What is left (after hold harmless) then goes to OHP (71.41%).

OTP the original 65% of wholesale price to fill gaps:

- General Fund (78.7%)
- Oregon Heath Plan (21.3%)

SB 571C (CH 602)

Expands definitions of “enclosed area,” “place of employment,” and “public place” for purposes of smoking restrictions. Revises finding of people of Oregon relating to secondhand smoke. Prohibits smoking within 10 feet of certain public places. Narrows exceptions to requirement that employer provide smoke-free workplace. Diverts funds collected from noncompliance fines from General Fund to Tobacco Use Reduction Account. Enhances fine against employer for failing to provide smoke-free workplace. Allows exemptions for quarter of hotel rooms and tobacco shops. Specifies effective date as January 1, 2009.

REVENUE IMPACT:

The amounts in brackets ( ) represent revenue reductions.

$ Millions	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
General Fund	$0.00	($2.28)	**($2.28)**	**($11.25)**
Health Plan	$0.00	($6.96)	**($6.96)**	**($34.27)**
TURA (Tobacco reduction)	$0.00	($0.31)	**($0.31)**	**($1.54)**
City/County & Transit	$0.00	($0.52)	**($0.52)**	**($2.55)**
Total Tobacco Taxes	**$0.00**	**($10.08)**	**($10.08)**	**($49.60)**

Although reductions in Lottery revenues are expected, they are not included in these estimates. It is difficult to pinpoint the impact on the currently robust lottery revenues and to separate the confounding variables that the lottery had been experiencing. The 2009 effective date, however, leaves some time and room for adjustments and change by agency and retailers. As a rule of thumb, every 1% change in lottery results in $13-$15 million change in biennial state revenues.

IMPACT EXPLANATION:

Tax rate on cigarettes became $1.18 with the passage of Measure 20 of 2002. The other tobacco products tax rate is 65% of wholesale price. Cigarette taxes are distributed in the following way: 22 cents is distributed to the General Fund (18.64%), the Health Plan gets 85.7 cents (72.66%), 3.4 cents went to the tobacco cessation programs (2.9%), and 2.3 cents (1.93%) each to cities, counties , and to ODOT for senior and disabled transit.

	2008	2009	2010	2011		2007-09	2009-11
Current Law Forecast	**$263.88**	**$264.57**	**$267.41**	**$268.08**		**$528.45**	**$535.49**

Distributions within cities and counties are based on population. The Other Tobacco Products tax is distributed to the General Fund (53.85%), the Health Plan (41.54%), and tobacco cessation programs (4.62%). When the state of Washington instituted its smoking restriction with its price tax increase, the tobacco taxes in Oregon, contrary to many years of decline previously and elsewhere, started increasing again. This increase is interpreted as both an increase in sales as well as an increase of out-of-state smokers (from Clark County) smoking in Oregon establishments. Many will assume drinking and playing lottery as well. The restrictions in Oregon will send much of this business elsewhere. More importantly, the clean indoor act has been affective, in the places where it was enacted, in reducing smoking levels. This estimate assumes that the proposed law is only successful in bringing smoking levels back to their historical declining trend.

Much attention to the impact on lottery revenue was paid by LRO, however, Due to many confounding variables; it is difficult to pinpoint the impact on the currently robust lottery revenues. The phenomenal revenue growth in the recently introduced line games is likely to mask any expected reductions.

The impacts of the smoking ban do not include any additional revenue or add taxes based on the future results of SJR 4 (M-50).

HB 3454 (CH 707)

Provides that manufacturer of roll-your-own tobacco must make escrow payments in same manner as manufacturers of cigarettes for purpose of providing source for payment of certain judgments and settlements on claims against manufacturer.

REVENUE IMPACT: None

IMPACT EXPLANATION:

Aligns the conditions of the Master Settlement Agreement (MSA). A suit by 46 states against 4 tobacco companies resulted in a 1998 Master Settlement Agreement. The settling companies agreed to make payments to the states in perpetuity, based on domestic cigarette consumption. Actual payments are determined annually based on numerous adjustments and conditions. Oregon receives 1.15% of these payments. In 2000, Measure 89 (legislative referral) and Measure 4 (initiative petition) dedicated payments under the Master Settlement Agreement. This is a necessary adjustment for the enforcement terms of the MSA

BONDING AND OTHER FINANCIAL MANAGEMENT

SB 64 (CH 152)

Makes records of certain investments of State Treasurer, Oregon Growth Account Board and Oregon Investment Council exempt from disclosure under public records law.

Most public records are open material for disclosure unless it is explicitly exempt. ORS 192.502. This exemption specifies things from addresses and Social Security Number of employees to, financial records of companies in enterprise zones. It also amends other statutes that refer to ORS 192.502, and adjusts to the new numbering system.

REVENUE IMPACT: None

SB 66A (CH 217)

Specifies that investments are a function that needs to be explicitly allowed by the legislature. Separates out from the general fund a number of funds that currently retain their own interest. Creates Community Housing Trust, and allows it to be invested. Removes the elected offices from the structure of the governor's budget, and restores them to their old independent status in budgeting.

The need to clarify any misinterpretation of whether fund needs to be separately invested, when it is allowed to earn interest. Gets a number of the interest earning-keeping accounts out of the general fund and establish them explicitly and distinctly as independent funds. 1) The mobile Home Parks Account, 2) The mobile Home Parks purchase Account, 3) The Oil Spillage Control Fund, 4) The Restoration and Protection Research Fund, 5) the Community Electric Public Service Fund, and 6) The Low-income Electric Bill Payment Assistant Fund.

Removes the 2005 session inclusion of elected officer budgets from the governor' budget structure. This restoration of independent budgets will reflect the independence of the agencies of the elected offices and the different roles they play in the state as constitutional officers.

REVENUE IMPACT: None

SB 579 (CH 172)

This bill modifies the nature of investments that can be undertaken through the Oregon Growth Account (OGA). The OGA is a sub-account within the Education Stability Fund. 10% of funds transferred to the Education Stability Fund are placed into the sub-account. About $22 million in new money is expected to be transferred into the sub-account in the 2007-09 biennium. The purpose of the OGA is to earn returns for the Education Stability Fund by making investments in or providing seed capital for emerging growth businesses in Oregon. The Oregon Investment Council manages investments for the fund. The OGA is governed by the Oregon Growth Account Board.

REVENUE IMPACT:

SB 579 expands the definition of emerging growth business for investments undertaken through the OGA. Specifically the measure removes requirements that investments must take place in traded sector industries, adds commercialization of technology to the definition of seed capital and increases flexibility regarding types of payments or profit sharing arrangements that the Oregon Growth Account Board can enter into.

SB 5516B (CH 761)

Appropriates moneys from General Fund to Department of Higher Education for capital construction. Limits for six-year period beginning July 1, 2007, payment of expenses from bond proceeds and other revenues, including federal funds, collected or received by Department of Higher Education for capital construction within Department of Higher Education and by Department of Community Colleges and Workforce Development for capital construction at community colleges. Establishes accounts related to issuance of general obligation bonds under Article XI-G of Oregon Constitution.

REVENUE IMPACT:

The impact of bonding will be a revenue increase from bond proceeds, and a negative related to debt service payments. Total bonds for this capital construction bill are $573 million. For these bonds, slightly more than $90 million in total debt service occurs in a fully phased biennium. Payments will continue over 10 biennia.

Impact Explanation:

The bonds for the higher education capital construction is specified by the project type coat and location. However, the bonds are allowed for 6 years, which allows for much flexibility on timing and management. When the Ways and Means Committee changed the make up of the bonds, it reduced the general fund and lottery fund bonds to $219 million with debt service payments of about $35 million a biennium. The total capital construction authority for the 07-09 are as follows:

SB 5516 A				2007-09
		XI-G Bonds	$	117,583,535
	Higher Ed	XI-F Bonds	$	159,683,401
		Lottery Bonds	$	50,000,000
		Energy Loans	$	37,605,000
		COP	$	11,000,000
		Other revenue	$	157,143,042
	Total		$	533,014,978
	Community Colleges	XI-G Bonds	$	40,040,500
	Grand Total		$	573,055,478

HB 2199A (CH 767)

Allows State Board of Higher Education or State Treasurer to enter into financial agreements for bond issued under article XI-F(1) and pay amounts due under financial agreement from available funds authorized by Legislative Assembly. Establishes a sub fund in Higher Education sinking fund to use for payments.

The funds of Universities such as tuition are kept in the General Fund. Interest of these funds also accrue and part of the general fund. This bill will expand authority to enter into debt and use debt instruments. Moreover, opens the ability to use interest rate swaps. This might reduce borrowing costs. It also allows for the use of variable rate debt instruments and the use of interest rate swaps (synthetic fixed rate debt) to lower fixed rate instruments

REVENUE IMPACT: None

HB 3265B (CH 783)

revises ORS 286, 287 and 288 to Include in ORS 286 the general borrowing provisions that relate to state borrowings, clarifies that all state borrowings are issued by the State Treasurer, clarifies the responsibilities of state agencies in connection with state borrowings, and streamline the process for state borrowings by eliminating unnecessary formal requirements for State Treasurer review of state borrowings. Include in ORS 287 the general borrowing provisions that relate to local government borrowings, and clarify how those provisions relate to each other. Repeal ORS 288 and incorporate relevant provisions into ORS 286 and 287. Uses modern, simplified language and definitions.

BACKGROUND:

Unlike private entities, state agencies and local governments need very clear authority to borrow money. A borrowing that is done by a state agency or local government without clear legal authority can be declared ultra vires and void by a court. Purchasers of state and local government bonds protect themselves against this risk by requiring that government borrowers provide an "unqualified" legal opinion that the borrowing is authorized. The lawyers who give these opinions (usually described as "nationally recognized bond counsel") are able to give unqualified opinions on the borrowings only if there is no substantial doubt that the borrowing is authorized. Because of the risk of an ultra vires determination and the need for unqualified opinions, there is a significant and unnecessary cost to the state and its local governments if Oregon's borrowing statutes are ambiguous or inconsistent.

ORS Chapter 286 originally contained general provisions relating to the duties of the Office of the State Treasurer with respect to state borrowings. Many agencies, however, had authority (dating from the turn of the early and mid-1900's) to issue bonds without oversight by the State Treasurer. The details related to agencies' bond programs are located in various chapters dealing specifically with their bond funded programs. Beginning in the 1980's, the State Treasurer was given an increased role in the issuance of the state's bonds, including approving if, when and how bonds are to be issued. Many of the original statutes under which state agencies issued bonds independent of the State Treasurer's oversight, however, were not changed. ORS Chapter 287 originally contained provisions relating to local government borrowings. Beginning roughly in 1977, when the Oregon Legislative Assembly authorized the creation of the Oregon Municipal Debt Advisory Commission (MDAC), borrowing legislation started to appear in the form of "uniform acts" that were intended to apply to large numbers of government borrowers, often including both state agencies and local governments. Many of these provisions were codified in ORS Chapter 288.

For the last thirty years, the Oregon Legislative Assembly has been adding bits and pieces to these three chapters. The chapters lack generally applicable definitions, and terms in those chapters are often used inconsistently. Particular government bodies are occasionally left out because of drafting inconsistencies, and it is growing harder and harder to determine how different sections of these chapters relate to each other. Legislation that originally began “notwithstanding any other provision of law” or that otherwise overrode inconsistent prior legislation have been codified without those overrides, and the inconsistent statutes have, in some cases, been subsequently amended, making it even more difficult to determine what these statutes mean.

In addition, during this period there has been tremendous innovation in the capital markets. Governments often can save substantial amounts of money for their citizens if the governments take advantage of these innovations. The Oregon Municipal Debt Advisory Commission and the State Treasurer have frequently requested the Oregon Legislative Assembly to expand the borrowing powers of Oregon governments. During the last ten years, legislation granting those requests often has been in the form of bills that broadly grant authority to governments. Often those bills have combined awkwardly with the hodge-podge of old and new statutes in those chapters.

REVENUE IMPACT: None

HB 3482B (CH 785)

HB 3482 amends the statutes regarding the Oregon Facilities Authority (OFA). The OFA is responsible for recommending the issuance of conduit bonds to finance projects submitted by non-profit organizations. These bonds are repaid through the revenue generated by the project. The Treasurer issues these conduit bonds based on recommendations from the OFA. The Treasurer appoints the members of the OFA. HB 3482 expands the list of institutions that the OFA can consider for possible recommendations, increases the board membership from 5 to 7 and updates language regarding financial arrangements and instruments.

REVENUE IMPACT: None

Miscellaneous

SB 196 (CH 87)

Increases penalties for unemployment insurance fraud from the disqualification of 26 weeks of benefits over 3 years to the disqualification of 52 weeks of benefits weeks over five years. Assesses a 15% penalty on the annual amount of unentitled.

REVENUE IMPACT:

	FY 2008	FY 2009	2007-09 Biennium	2009-11 Biennium
Fraud Control Fund (Other Funds)	475,000	950,000	**$ 1,425,000**	**$ 1,900,000**
Fraud Control Fund Interest (Other Funds)			**$ 48,300**	**$ 218,200**
Total Fraud Control Fund (Other Funds)			**$ 1,473,300**	**$ 2,118,200**

Impact Explanation:

Based on 2005 data, $10.5 million of A and F type overpayments set up (these are the types that would be affected by fines). A-Type is essentially claimant caused and F-Type is fraud. In the proposed law change, a 15% fine of all A and F type overpayment set-ups would result in fine assessments of $1.58 million. The 2005 recovery rate of 65%; results in a recovery of $1 million. However, fines would be subject to waiver, as is interest, in order to settle accounts. This would be an approximant 5% reduction. Therefore, the total realized would be $950,000 annually. This revenue is designated to the Fraud Control Fund.

SB 461C (CH 837)

Directs PUC to adjust meter fee sufficient to increase total amount in low income assistance fund from $10 million to $15 million. The residential meter fee is estimated to rise from 33 to 50 cents, and is not allowed to increase after 2008. While the fees are capped at $500 for each commercial customer, the PUC is directed to adjust commercial fees to reflect their share of the new revenue. Revenue growth is expected to occur in future years because of load growth of commercial costumers, and increases in the number of residential customers. Specifies that the increase is dedicated to the state's low-income energy assistance program.

REVENUE IMPACT:

$ Millions	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State Other Funds **Low-income Electric Bill payment assistance surcharge**	$2.5	$5.11	**$7.61**	**$10.86**

Impact Explanation:

This is a surcharge on electric utility users. To raise $10 million for low-income bill assistance each electric bill currently has an extra charge, beyond the 3% Public Purpose

Fee. This bill proposes to increase that total low-income assistance amount by 50%. The charge Increases the total annual collection level for the low-income electric bill assistance program from the current $10 million to $15 million in 2008. The amount to be raised in calendar year 2008 is $5 million, the fiscal year starting July 2008, will accordingly show half of the amount. Thereafter the $5 million is allowed to increase due to additional residential customers and load growth in commercial costumers. The rate for each customer will not be adjusted in following years but the total fee collected may increase over $15 million from either the addition of residential customers or the load growth on commercial customers (who pay a rate instead of a flat fee). Revenue Increases in this analysis for latter years will follow the population growth forecast shown in the March-2007 forecast by the office of economic analysis.

The Oregon Public Utility Commission determines by administrative rule the proportion of the total to be collected by each utility and the amount to be collected from residential and commercial customers. The fee per residential electric meter is expected to grow from 33 to 50 cents. The bill maintains the current cap of $500 per month per site for business customers. Public and consumer-owned utilities also offer low-income energy assistance to households in their service areas but are not affected by SB 461-B.

SB 838C (CH 301)

Requires the Department of Energy to create a renewable portfolio standard under which electric utilities must derive 25 percent of annual retail electricity sales from renewable energy resources by the year 2025, with allowance for lower participation form small utilities. Authorizes the Public Utility Commission (PUC) and consumer-owned utility governing boards to establish procedures for implementation and monitoring of the renewable energy standard. Modifies and extends the public purpose charge collected from retail customers until January 1, 2026. Creates new provisions and declares and emergency, effective upon passage.

REVENUE IMPACT:

The Public Purpose charge extension to 2026 will start showing up in the 2011-2013 biennium. Starting in FY 2013 the amount of funds the Public Purpose Charge (PPC) generates is about $70 million a year.

Additional amounts, that are not easy to determine, which could add more than $5 million a year, will come from the charges and penalties in sections 20 to 22 of the bill.

The level of economic activities has the potential to increase if these technologies become an economic growth driver. On the other hand, the requirements might restrain growth if enough progress and energy production is not achieved in the mandated period. Either way, it will influence the growth level of the income tax and consequently the general fund. Jobs and economic activity will be subject of a study as stipulated in section 25 of the bill. Finally, Increased property taxes might be an outcome, providing that the new technologies are assessed (for property tax purposes) similar to the way wind turbines are assessed today.

Impact Explanation:

As part of SB 1149 (1999), utilities were required to reserve 3 percent of their retail electricity sales for 10 years beginning in March 2002. This public purpose charge is used to fund energy conservation and renewable energy programs and to help provide weatherization and other energy assistance to low-income households and public schools in Oregon. Entities that receive and use these funds are:

• Energy Trust of Oregon, Inc. The non-profit Energy Trust began administering funds in March 2002; it develops and implements programs that promote energy conservation and development of renewable energy resources within the State. The Energy Trust receives 73 % of the funds (56 % dedicated to conservation programs and 17 % for renewable energy projects).
• Education Service Districts. Oregon's Education Service Districts receive 10 % of funds to improve energy efficiency in individual schools. The distribution formula is used to prioritize projects.
• Oregon Housing and Community Services. Oregon Housing and Community Services (OHCS) receive and administer PPC funds for low-income housing programs. 4.5 % of the PPC funds are dedicated to low-income housing development projects; the projects involve construction of new housing or rehabilitation of existing housing for low-income families through the OHCS Housing Trust Fund. OHCS operates two weatherization programs, and an additional 11.7 % of the total PPC funds collected are allocated for low-income weatherization. One program provides home weatherization (for single- and multi-family, owner occupied, and rental housing) and the other provides for weatherization of affordable multi-family rental housing through the OHCS Housing Division. In addition to projects conducted by these agencies, large commercial and industrial customers can implement their own energy conservation or renewable energy projects. These "self-direct customers can then deduct the cost of projects from the conservation and renewable resource development portion of their PPC obligation to utilities.

Sections 20 to 22 add new revenues to the fund, which can produce few million more depending on the development and implementation time lines, and the degree of difficulties anticipated in the new electric generation technologies. The bill, however, allows utilities to recover their costs by passing their added costs to the consumer, which might produce a higher price for energy. If this higher price is sufficient to produce a slow down in energy consumption beyond the conservation and efficiency amounts, it might result in lower economic activity and thus lower incomes and revenue to local and state governments. On the other hand, if the activities and new technology spur a niche of industry, that is efficient, trend setting, and competitive, it could have a positive and enhancing affect on employment, income and revenues. Furthermore, the wind turbines generating electricity have been boon to local government property taxes. The new clean energy industry could have a similar effect pushing up the amounts of property taxes that will enhance local government coffers, albeit, without new requirements for additional government services.

SB 5538A (CH 81)

Limits biennial expenditure for the racing commission from fees taxes and other revenues, excluding lottery and federal revenues to $5,664,272.

REVENUE IMPACT:

$ Thousands	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund	$225.6	$254.4	**$480.0**	**$509.76**
State Other Funds	451.2	508.8	**960.0**	**1,019.52**
Total	**$676.8**	**$763.2**	**$1,440.0**	**$1,529.28**

Impact Explanation:

The bill gives general fund and the racing commission increased amounts of revenue based on eight Hubs operating. The Pari-mutual tax is set in rules by the commission within the 1% limit set by statutes. At this time, 0.25% of all Hub wagers are collected as tax by the commission. The General Fund receives 1/3 of the tax proceeds, as well as the ending balance of other revenue sources (after expenses). Thus, by increasing the tax base, the amounts of transfer (equal to 1/3 of the tax) is higher.

The Increase of the tax proceeds (to the General Fund) are about $480,000 in 2007-09 biennium.

The General Fund transfer from the racing commission should be anticipated in the close of session forecast. Therefore, the increase in the General Fund revenue will increase the amounts anticipated in the forecast.

For the 2009-11 biennium, the increase amounts are expected to be lower since the growth in not additional hubs but the average annual rate of increase in disposable personal income (6.2%).

HB 2331A (CH 860)

Increases court filing fees in civil matters earmarked for legal services for matters filed with the court after July 1, 2007 and before July 1, 2008 and the again after July 1, 2008 and thereafter as follows: (1) $9.50 to $11.50 and then $13 for small claims matters if the amount of the value claimed does not exceed $1,500; (2) $12 and then $16 if the amount or value claimed in small claims exceeds $1,500; (3) $27.50 and then $55 if the suit is for more than $10,000 and $ 37.50 and then $45 if the suit is for less than $10,000; (4) $41.50 and then $83 for a probate petition where the estate is more than $100,000 and less than $500,00; (5) $47.50 and then $95 if the estate is $500,000 or more and less than $1 million; (6) $53 and then $106 if the estate is more than $1 million; (7) $50.00 and then $100 when filing a petition in court seeking arbitration or challenging arbitration; (8)

$6 and then $11 from a petitioner and $3 and then $6 from each defendant or respondent in a filing of a case of original jurisdiction in the Oregon Supreme Court.

REVENUE IMPACT:

The bill is attempting to raise $1.6 million in revenue and the legal aid figures are aiming to be $1.2 million as well, however the figures in the bill are wrong and they are meant to adjusted more while in ways and means. Once that is accomplished, the revenue impact will be estimated again to show the impact in the coming two biennia.

Impact Explanation:

Places a surcharge of certain specified court filing fees for the purposes of funding the Court Facilities Planning Commission that will run from July 1, 2007 to June 30, 2009. The bill as it is written today was designed to raise revenues for two purposes approximately 5% filing fee surcharge for period 7/1/07-6/30-09 which would raise 1.2 million. This figure is based on the monthly amount raised by a similar surcharge that expired 1/1/07. It was 30 percent surcharge. Based on the monthly amount collected (approx 300,000 a month at 30 percent, so approx 50k a month at 5 percent. Then multiply 50k*24 and the result is 1.2 million)

HB 2369A (CH 629)

Extends the sunset date on the emergency communication tax until 2014

REVENUE IMPACT:

$ Millions	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State Other Funds (9-1-1)	18.97	39.80	**58.78**	**84.52**

Impact Explanation:

Under current statutes subscribers who have telecommunications services, which includes cellular, wireless and other radio common carriers, are assessed a tax of $.75 per month. The funds collected are deposited into the Emergency Communications account and is then distributed by the office of Emergency Management to the 9-1-1 communication districts. The funds are allocated as follows: 57.5% distributed to cities, counties and special districts for 9-1-1 operations at Primary Public Safety Answering Points (PSAP's). 35% for Enhanced 9-1-1 PSAP common network services. 4% Oregon Emergency Management program administration. 2.5% equipment replacement fund not to exceed $500,000 per year. 1.0% Department of Revenue for collection and administration costs.

The current law sunsets by the end of 2007. As it is extended, the tax will continue generating revenue and the strong growth will continue for few years. When the market of communication devises reaches saturation around 2010-2011, the revenue will start growing at the rate of population growth.

HB 2530B (CH 862)

As introduced, HB 2530 laid out a fundamental change in Oregon's tax structure including the imposition of a broad retail sales tax and substantial reductions in the personal income tax. However, as approved by the Legislature and signed by the Governor, HB 2530 establishes a task force charged with recommending a comprehensive revenue restructuring plan to the 2009 Legislative Assembly. The task force consists of 30 members, including 8 legislators (4 from each chamber) and a 7-member advisory council. The Governor is responsible for appointing the Chair of the task force who then appoints the advisory council. The Legislative Revenue Office is responsible for staffing the task force and the advisory council.

HB 2530 begins with a series of statements outlining the key problems of the current revenue system. Among the problems cited in the bill are the cumulative fiscal impact of voter initiatives, the volatile state revenue system and diminishing ability of local governments to fund needed services. The bill also refers to effects of a loss in federal timber revenue on county governments.

The bill requires the task force to complete the "initial state plan" on or before November 1, 2008.

REVENUE IMPACT: None

HB 2961A (CH 666)

HB 2961 imposes a $10 fee on court filings involving marital annulment, dissolution and separation. Collected fees are deposited into the Domestic Violence Clinical Program Account. The account is used to fund education for victims of domestic violence, stalking or sexual assault. Dollars from the account are allocated through the Department of Higher Education through grants to accredited institutions that provide civil legal services to victims of domestic violence. Currently the eligible higher education programs are the law schools at the University of Oregon, Willamette University and Lewis & Clark College.

REVENUE IMPACT:

Based on the historical amount of filings and the payment participation rate, HB 2961 is expected to generate $350,000 in the 2007-09 biennium and $467,000 in the 2009-11 biennium in Other Funds revenue for the Domestic Violence Clinical Program Account.

HB 3530A (CH 786)

Allows city incorporated after certain date and not within urban growth boundary to issue short-term obligation before fiscal period in which tax revenues or other money are anticipated.

Current law permitted only cities within an urban growth boundary to issue tax anticipation notes. Current law is the result of amending law in the 2005 session (SB 341) to accommodate the incorporation of the city of Damascus at that time. Before that the borrowing was only allowed against money that will come in the same year. The new incorporation of the city of La Pine, presented the same difficulties as Damascus was in, however, it is not with an Urban Growth Boundary (UGB). The proposed change in the law will remove the UGB requirement.

REVENUE IMPACT: None