REVENUE MEASURES PASSED
BY THE 75th LEGISLATURE

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Introduction

For the second consecutive interim, the Legislature called itself into session to approve legislation that warranted action prior to the next regular session and take steps to address the state's fiscal situation if necessary. The Legislature convened on February 1 and adjourned on February 25. Perhaps the most far reaching action was the decision to refer SJR 41 to voters in November 2010. If approved by voters, this measure will establish annual legislative sessions with specified time limits of 160 days for sessions taking place in odd numbered years and 35 days for even year sessions. This report focuses on the revenue measures approved during the February 2010 special session. It addresses the measures passed that have identifiable revenue impacts as well as those with revenue policy implications that do not have a direct revenue impact. The report summarizes the fiscal environment in which these revenue bills were considered and then outlines the bills themselves. It is intended to serve as a supplement to the "Revenue Measures Passed" document that the Legislative Revenue Office releases following each regular session. It is also intended to complement the "Budget Highlights Update" report released by the Legislative Fiscal Office.

Fiscal Situation

At the close of the regular session, based on the May 2009 economic forecast, the Legislature produced a General Fund budget with a projected ending balance of $233.8 million (including estimated revenue from Measures 66 and 67) along with a $10 million ending balance for the Lottery. Although the recession appears to have technically ended this past summer, General Fund revenue has continued to drift below projections throughout the biennium. In addition, Lottery revenue has come in well below projections as consumer discretionary spending remains exceptionally weak.

At the Legislature's request, release of the March revenue forecast was moved up to the first week in February to coincide with the beginning of the special session. The new forecast showed a sharp erosion in the 2009-11 personal income tax projection wiping out what remained of the projected ending balance and leading to a projected General Fund shortfall of $106.3 million for the biennium. Moreover, the estimate for Lottery revenue was further reduced leading to a projected shortfall of $33.6 million for 2009-11.

The new revenue forecast also contained an updated current law revenue impact estimate of the Business Energy tax Credit (BETC). The new impact estimate for the BETC in the 2009-11 biennium was $235 million. This compares with an estimate of $143.8 million at the close of the regular session. Despite the revised BETC impact estimate, the projection for 2009-11 corporate income tax revenue was revised up by $14.7 million. It now stands at $5.5 million above the close of session estimate, just $11.1 million below the 2% corporate kicker credit trigger threshold. Firming of corporate income tax revenue may be an early sign that the recovery is beginning to take hold.

Revenue Measures Approved by February Session

The Legislature took a series of actions to help fill the shortfall caused by declines in both the General Fund and Lottery revenue forecasts since the close of the regular session. Table 1 summarizes the measures approved by the Legislature during the session that had an impact on General Fund revenue.

GENERAL FUND REVENUE ACTIONS TAKEN IN FEBRUARY 2010 SESSION

DESCRIPTION	BILL NUMBER	2009-11 REVENUE IMPACT	2011-13 REVENUE IMPACT
		(in millions)	
BETC Modifications	HB 3680	+$54.4	+$85.8
Shift from Other Fund Accounts	HB 3696	+$50	$0
Rainy Day Fund Allocation	HB 5565	+$10	$0
Personal Income Tax Collections Speed Up	HB 5100	+$3	0
BOOST Program/ Corporate Income Tax Auditors	HB 3698	+$2	+$18*
Criminal Fine Assessment Distribution	HB 3696	+$1.8	$0
Estate Tax Refunds	HB 3696	-$0.8	$0
Severance Pay Deduction for Small Business Start Up	HB 3627	-$0.15	-$0.2
Total		+$120.25	+$103.6

*Assumes audit positions funded in 2011-13 budget.

The major revenue policy change enacted in the February session was a modification to the BETC (HB 3680). HB 3680 establishes a cap for pre-certified renewable energy projects, delays the initial use of credits for large renewable energy projects, and establishes tighter accountability standards for projects certified by the Department of Energy. The bill also extends the sunset date for pre-certification of the renewable manufacturing facilities credit to January 1, 2014, redefines the definition of projects to allow for construction phases and places a cap on the amount of credits for manufacturing projects that can be awarded. Finally the measure extends the sunset on final certifications for renewable energy and conservation (including recycling) projects to July 1, 2012. This measure is expected to increase General Fund revenue by $54.4 million in the 2009-11 biennium and a further $85.8 million in 2011-13.

Following a policy established in the 2009 regular session to help rebalance the 2007-09 General Fund budget, the Legislature shifted $50 million from Other Fund accounts to the General Fund. Over half of this revenue ($31 million) comes from Oregon's first tax amnesty which was conducted between October 1 and November 19, 2009. Revenue came in roughly double projections based on SB 880 in the 2009 session. The 2009 Legislature did not allocate any of the projected amnesty revenue due to the uncertainty surrounding estimates from a first time program.

The Legislature also transferred $10 million from the Oregon Rainy Day Fund to the General Fund and modified the trigger for additional revenue to the State School Fund for the second year of the biennium. During the February session, the Legislature added the Education

Stability Fund to the list of revenue sources that can be drawn from to meet the $200 million trigger (SB 5565). SB 5565 establishes a subaccount within the State School Fund to serve as a repository for appropriations from the Oregon Rainy Day Fund and the General Fund plus allocations from the Education Stability Fund necessary to meet the $200 million trigger. Funds are to be allocated from the subaccount to the school districts prior to the end of the 2010-11 fiscal year.

Enhanced collection efforts by the Department of Revenue are expected to generate additional revenue with $3 million due to a speed up of personal income tax collections (HB 5100) and $7 million from the hiring of additional corporate income tax auditors (HB 3698). A portion of the corporate revenue was allocated to the BOOST program in HB 3698 with $2 million in residual revenue expected for the General Fund.

General Fund revenue was slightly reduced by establishing a deduction for personal income tax filers who use severance pay to start a new business (HB 3627, -$150,000) and by directing the Department of Revenue to refund estate taxes for those eligible filers with natural resource property for deaths between January 1, 2007 and March 11, 2008 (HB 3696, -$800,000).

The Legislature passed a number of measures during the February 2010 session that have significant revenue policy implications but are not expected to directly affect General Fund revenue. Included among these measures were a series of property tax modifications (HB 3609, HB 3612, HB 3640 and SB 1015), bond related measures (HB 3646, HJR 101, SJR 48) and an update of the income tax base connection date to the federal code (SB 1016).

PERSONAL AND CORPORATE INCOME TAX

HB 3627

Creates a subtraction for severance pay invested in a new or existing small business. To be eligible, the investment must occur on or before the due date of the tax return (or the extension) and continue for at least 24 months following termination. The taxpayer must materially participate in the business and may claim the subtraction only once. Limits the subtraction to the lesser of $500,000 or the amount invested. Allows the Department of Revenue to clawback unpaid taxes if the department determines that the taxpayer is not in compliance with the provisions of the bill. Requires the Department of Revenue, Oregon Business Development Department, and the Legislative Revenue Office to prepare a report on the economic impact of the policy and report to the Legislature by February 1, 2015. Applies to tax years beginning on or after January 1, 2010 and before January 1, 2014.

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-13	2013-15
General Fund	**$0**	**-$0.15**		**-$0.15**	**-$0.2**	**-$0.1**

Impact Explanation:

The estimated revenue impact is based on data from the National Compensation Survey, Oregon Employment Department, and the March 2010 Economic and Revenue forecast. The National Compensation Survey reported that severance pay cost employers, on average, roughly one cent per hour worked. Applying this amount to estimates of the average number of hours worked as reported by the Employment Department and the employment forecast in the Economic and Revenue forecast results in an estimate of total severance pay per year. According to data from Challenger, Gray & Christmas, 8.6 percent of laid-off employees chose to start their own businesses in 2009. Assuming this percentage is the same for Oregon and represents the same share of money invested, the revenue impact is roughly -$100,000 per year.

HB 3680

Makes several changes to the Business Energy Tax Credit (BETC) program, which consists of three types of projects: conservation, renewable, and manufacturing. Enhanced general accountability standards affect all types of projects while other changes affect only certain types. The policy changes are grouped according to their scope of impact.

All Projects

- Grants the Department of Energy (DOE) rule making authority to establish standards for the definition of a single facility.
- Makes preliminary certifications, for projects other than manufacturing projects, valid for three years, with a possible two-year extension. (Manufacturing project pre-certifications are valid for five years.)
- Allows a new owner or lessor of a facility to claim the tax credit only if they meet the program requirements, they do not owe money to the state of Oregon, the facility stays in operation, and all conditions of the final certification are met.
- Requires pre-certifications to contain information on the impact on jobs, on the benefits to economic activity in Oregon, and that demonstrates that the facility will comply with applicable state and local laws and regulations.
- Requires transferees to first use the tax credit in the tax year in which they obtain the credit.
- Removes the ability of the DOE director to certify final costs exceeding the pre-certification level.
- Gives the DOE authority to require additional financial information and maintain the confidentiality of that information.
- Allows the DOE director to alter, condition, suspend, or deny a pre-certification if the applicant already received certification for the same costs, if the facility would not be economically viable without additional credits, if the applicant was involved in activities that led to civil penalties or the revocation, cancellation, or suspension of a BETC, or if the applicant is in arrears for payments owed to any government agency.
- Requires the final certification to contain information on the impact on jobs, on the benefit to economic activity in Oregon, that demonstrates the facility will remain in operation for at least five years or, if it's a Research and Development project, that a reasonable effort has been made to place the facility in operation.
- Allows the DOE director to suspend or revoke certification if the facility is no longer in operation.

Renewable Projects

- Limits the amount of pre-certification credits the DOE may issue in a biennium to $300 million, starting with the 2009-11 biennium. The cap is pro-rated to $150 million for the fiscal year ending June 30, 2012. Directs the DOE to prioritize which projects qualify for pre-certification under the limit and based on the listed criteria.
- Extends the sunset for final certification to July 1, 2012.
- Limits total credit costs on individual wind projects larger than 10 Megawatts to $3.5 million for projects pre-certified in 2010; reduces that limit to $2.5 million for projects pre-certified in 2011 and then to $1.5 million in 2012.
- Changes the existing 5-year credit to a 6-year credit for renewable projects that cost more than $10 million, for final certifications issued on or after January 1, 2010. The

credit is still claimed over five years, but the first year it may be claimed is the year following final certification.
- Adds ‘renewable energy storage device’ to the definition of ‘renewable energy resource’, making the users of energy from such devices eligible for this tax credit.

Manufacturing Projects
- Limits the amount of pre-certification credits the DOE may issue in a biennium to $200 million, starting with the 2009-11 biennium. The cap is pro-rated to $50 million for the six months ending December 31, 2013.
- Extends the manufacturing BETC sunset date to January 1, 2014 for pre-certification.
- Adds ‘renewable energy storage device’ to the definition of ‘renewable energy resource equipment manufacturing facility’, making producers of these devices eligible for this credit.
- Makes electric vehicle manufacturers (including certain all-terrain vehicles) and component part manufacturers eligible for this credit. Limits maximum credit costs per manufacturer to $1.25 million.
- Requires the DOE to consider such factors as phases of development, expansion of or addition to existing facilities or product lines, increased production, and number of jobs created or maintained when determining eligibility for a credit.

Conservation Projects
- Extends the sunset for final certification to July 1, 2012.
- Adds ‘efficient truck technology’ to the definition of ‘transportation facility’.

The bill also contains two policies that are unrelated to the BETC. First, it clarifies that a reservation partnership zone is a type of enterprise zone. Second, it extends the sunset date for the reservation enterprise zone income tax credit from January 1, 2014 to January 1, 2018. Takes effect on the 91st day following sine die.

Revenue Impact ($Millions):

	Fiscal Year			**Biennium**		
	2009-10	**2010-11**		**2009-11**	**2011-13**	**2013-15**
General Fund	**$0**	**$54.4**		**$54.4**	**$86.0**	**$4.7**

Impact Explanation:
Certain policies contained in the bill increase revenue while others decrease revenue. The net impact, which reflects both increases and decreases, is a revenue increase for this biennium and the next two biennia. The estimated revenue increase is primarily due to the shift to the six-year credit for renewable projects greater than $10 million in project costs and the limit on pre-certifications for renewable projects. The revenue increase for the 2009-11 biennium is primarily due to the change from the current five-year credit to the six-year credit for large renewable projects. This change essentially shifts the revenue impact of these projects to subsequent biennia. The revenue increase in subsequent biennia is driven by the cap on pre-certifications for renewables. The cap is below the current law projection for the amount of pre-certification credits expected to be issued this biennium. Extending the sunset date six months for non-manufacturing projects attenuates the revenue gains in 2011-13 and 2013-15. Extending the sunset date for manufacturing projects has the effect of spreading out the final certifications to

later biennia – there is a revenue gain in the nearer biennia and a revenue loss in the outer biennia.

The policy that results in most of the revenue loss is the consideration of phases of development for the manufacturing BETC. This policy would allow applicants that have received an initial manufacturing BETC to receive subsequent credits for additional phases of their manufacturing process. The assumed impact is that, generally, each year there will be one applicant who receives an additional manufacturing credit worth $20 million claimed over five years. Expanding the manufacturing BETC to include electric vehicles also results in a revenue loss, although the maximum credit is $1.25 million claimed over five years. Combined, these two policies reduce revenue by roughly $12 million in 2011-13 and $35 million in 2013-15.

The limit on pre-certifications for manufacturing projects is not expected to have an impact because the cap level exceeds current expectations for the program. Also, the changes made to the reservation enterprise zone credit are expected to have a minimal revenue impact.

HB 3698

Establishes Building Opportunities for Oregon Small Business Today (BOOST) account to be managed by the Oregon Business Development Department. Funds from the account are to be used for loans to eligible small businesses and to employers hiring eligible unemployed workers.

To fund the BOOST program, HB 3698 allocates $3.5 million from the Tax Amnesty Fund to the Department of Revenue to hire additional auditors for the corporate income tax section. The work of these additional auditors, split between multistate apportioned tax returns and corporations operating exclusively in Oregon, is expected to generate gross revenue of $7 million during the 2009-11 biennium. This additional revenue is to be deposited into a newly established Tax Enforcement Fund. The BOOST account is to receive up to $5 million in allocations from the Tax Enforcement Fund during the biennium. HB 3698 transfers all moneys remaining in the Tax Enforcement Fund on June 30, 2011 to the General Fund. This is estimated to be $2 million.

HB 3698 allows for continuation of the Tax Enforcement Fund into the 2011-13 biennium and requires all balances in the fund to be transferred to the General Fund on June 30, 2013. Based on Department of Revenue estimates, continuation of corporate audit activities through the 2011-13 biennium would generate an additional $18 million in corporate income tax collections during the biennium. The estimated cost of continuing the corporate audit program is $5.8 million.

SB 1016

Updates Oregon's date of connection to certain federal laws from May 1, 2009 to December 31, 2009 and including certain 2010 donations made to Haiti. Updates statutes pertaining to the tax qualification status of the Public Employees Retirement System plans and to unemployment insurance. Includes income tax provisions pertaining to the definition of charitable organizations, federal Adjusted Gross Income (for the purposes of Oregon's Elderly Rental Assistance and

Senior Deferral programs), rules for S-corporation representation before magistrate, the Department of Revenue, and the Oregon Tax Court. 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, 2011 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, 2010. Allows the Department of Revenue to make changes to tax returns that do not file amended returns.

Revenue Impact: A revenue gain or loss of less than $50,000 per biennium.

Impact Explanation:
There was little federal legislation passed in 2009 that would be tied to upon implementation of this bill, so the revenue impact is considered minimal. The most significant piece of legislation that would have an impact on Oregon revenue is the policy pertaining to donations to Haiti. Generally, deductions for donations are allowed for the tax year in which the donations were made. The federal legislation pertaining to 2010 donations made to Haiti allows the deduction against 2009 taxes rather than 2010 taxes. This results in a revenue loss in 2009-10 and an offsetting revenue gain in 2010-11 as the deductions are moved forward one tax year.

SCHOOL FINANCE

HB 3687

Makes school district special education costs that are reimbursed from the Blind and Visually Impaired Student Fund approved costs for the High Cost Disability grant in the school equalization formula. First applies to 2009-10 grants and sunsets in 2020.

Shifts funds from the sale of the former Oregon School for the Blind property from the Education Stability Fund to the Department of Education. Directs Department to distribute 50% to the Blind and Visually Impaired Student Fund and 50% to the Oregon School for the Deaf for repairs and improvements.

Takes effect on passage.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-2013	2013-2015
Blind and Visually Impaired Student Fund	$ 0	$ 2.5		$ 2.5	$ 0	$ 0
Oregon School for the Deaf	$ 0	$ 2.5		$ 2.5	$ 0	$ 0
Education Stability Fund	$ 0	$-5.0		$-5.0	$ 0	$ 0
Total	$ 0	$ 0		$ 0	$ 0	$ 0

Impact Explanation:
The $5 million assumes a sale of the blind school in 2010-11 at about the "as is" appraisal. Other sale options may generate more or less revenue.

High cost disability grants are for special education costs above $30,000 per student and are limited to a total of $18 million per year. Blind and Visually Impaired Student Fund payments cannot statutorily be used to take the place of high cost disability grants. The Fund can, for a few former blind school students, fill the cost gap between $30,000 per student and about $12,000 of double student weight revenue that is not eligible for high cost disability grants and also about 20% of the amount above $30,000 per student that is not funded by the grant because of the $18 million yearly limit. The number of high cost former blind school students and their costs for 2009-10 are not yet available from school districts to estimate potential payments from the blind fund.

SB 988

Grants school district residency to foreign exchange students who are attending school in Oregon under a cultural exchange program and living in a school district dormitory. Limits foreign exchange status to one year. Applies only to the 2009-10 and 2010-11 school years. Requires The Department of Education to adjust school revenue distributions in 2009-10 if needed to reflect the change.

Allows school districts and education service districts to enter into funds diversion agreements with the Department of Education for qualified revenue bonds. Specifies conditions of diversion agreements allowing the Department to divert district State School Fund revenue to district debt service payments. Limits revenue bonds to those sold in 2010 as qualified school construction bonds under the American Recovery and Reinvestment Act of 2009. Sunsets diversion agreement authorization June 30, 2029.

Adds school districts to public agencies that may finance water treatment works to control pollution. Includes Oregon prekindergarten program providers in pilot project for Head Start providers to implement health literacy program.

Takes effect on passage.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
School Districts	**2009-10**	**2010-11**		**2009-11**	**2011-13**	**2013-15**
With eligible foreign exchange students	**$ 0.35**	**$ 0.35**		**$ 0.7**	**$ 0**	**$ 0**
Without eligible foreign exchange students	**$ -0.35**	**$ -0.35**		**$ -0.7**	**$ 0**	**$ 0**
Total	**$ 0**	**$ 0**		**$ 0**	**$ 0**	**$ 0**

Impact Explanation:
The impact assumes that school districts will not under existing statutes include foreign exchange students living in dormitories in their school district student count (ADM) for these two school years. Six small districts with about 60 foreign exchange students will have reduced State School Fund revenue from the school equalization formula if the Department of Education advises districts to exclude these students from district ADM. If the current practice of districts counting these students in ADM continues, there is no impact.

SB 5565

Redirects up to the $200 million of primarily reserve funds from the State School Fund to the Supplemental School District and School Program Subaccount within the State School Fund. Finds a decline in nonfarm payroll employment to trigger access to reserve funds. Transfers from the Education Stability Fund to the Subaccount on May 1, 2011 any difference between $200 million and appropriations from the Oregon Rainy Day Fund and General Fund. Repeals Subaccount July 1, 2012. Appropriates $10 million from the Oregon Rainy Day Fund to the General Fund on April 1, 2010.

Excludes education service districts from receiving a share of funds from the Supplemental School District and School Program Subaccount. Distributes Subaccount funds to school districts using the school equalization formula. Applies to the 2010-11 school year.

Requires three-fifths majority vote. Declares an emergency and takes effect on passage.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-13	2013-15
State School Fund	$ -200.0	$ 0		$ -200.0	$ 0	$ 0
Supplemental Subaccount	$ +200.0	$ 0		$+200.0	$ 0	$ 0
School Districts	$ 0	$ +9.5		$ +9.5	$ 0	$ 0
Education Service Districts	$ 0	$ -9.5		$ -9.5	$ 0	$ 0
Oregon Rainy Day Fund	$ 0	$ -10.0		$ -10.0	$ 0	$ 0
General Fund	$ 0	$ +10.0		$ +10.0	$ 0	$ 0
Total	$ 0	$ 0		$ 0	$ 0	$ 0

Impact Explanation:
Assumes the Supplemental Subaccount is fully funded. The shift from ESDs to school districts is about $14 per weighted student (ADMw).

HEALTH CARE TAX

SB 1047

Eliminates premium assessment on health insurers and health care service contractors for health plan policies insuring Oregon residents when such policies are delivered or issued for delivery outside of Oregon. Applies to premiums earned by insurers on these policies on or after October 1, 2009. Takes effect on passage.

Revenue Impact (in $Millions): Minimal* (See Impact Explanation.)

Impact Explanation:
HB 2116 established a one percent assessment on health insurance premiums. The premium assessment applies to health plan policies insuring Oregon residents. It means that the health insurance plan premiums for Oregon residents who are covered by a policy issued to their employer in another state are also subject to the assessment. However, when the revenue impact was issued for HB 2116, the projected revenue did not include the amount of assessment on health insurance premiums covering Oregon residents from policies delivered or issued for delivery outside Oregon. Therefore, SB 1047 has no impact on revenue projections for HB 2116.

On the other hand, SB 1047 clearly exempts from assessment the health insurance plan premiums for Oregon residents covered by policies issued outside Oregon. This creates a revenue impact, likely to be minimal, but the lack of data makes it impossible to make an informed estimate.

PROPERTY TAX

HB 3609

Allows the sponsor of an enterprise zone, under certain severe economic conditions, to relax minimum employment requirement and to extend eligible period of property tax exemption of qualified property up to two additional years. Applies to property tax years beginning on or after July 1, 2009.

Revenue Impact: Less than $50,000.

Impact Explanation:
When an enterprise zone business qualifies for up to two additional years of property exemption, the lifetime property tax obligation of the business is expected to stay roughly the same over expanded eligibility period. However, the property tax payment stream may change. While the business will have to pay property taxes in the first year of disqualification, it could regain eligibility in the following years.

HB 3612

Allows payment of additional property taxes one tax year at a time when property taxes are added to an assessment or tax roll due to correction of error in prior tax years. Allows payment in chronological order with the additional taxes for the earliest tax year added to the tax year following the tax year in which correction is made. Allows prepayment. Applies to roll corrections made on or after the effective date of this bill. Takes effect on the 91st day after adjournment sine die.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-13	2013-15
Local Government	$0.00	$0.00		$0.00	-$0.97	$0.48
Local School Districts	$0.00	$0.00		$0.00	-$0.70	$0.35
Total	$0.00	$0.00		$0.00	-$1.67	$0.83

HB 3640

Requires the county assessor in a county with a population of more than 340,000 to cancel property tax assessment for manufactured structures if the total assessed value of all manufactured structures taxable as personal property of any taxpayer is less than $12,500 in any assessment year. Applies to tax years beginning on or after July 1, 2010. Reinstates property tax assessment for these manufactured structures for tax years beginning on or after July 1, 2014.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-13	2013-15
Local Government	$0.00	-$0.90		-$0.90	-$1.79	-$0.90
Local School Districts	$0.00	-$0.65		-$0.65	-$1.30	-$0.65
Total	$0.00	-$1.55		-$1.55	-$3.09	-$1.55

SB 1015

Broadens the definition of a proposed taxing district boundary change to include a change that has not become final or effective on or before March 31 and that is subject to voter approval in an election held before July 1 of the same year and becomes final or effective before July 1. Exempts from property taxation certain communications equipment, emergency response equipment and other tangible personal property owned by a nonprofit maritime fire and safety association, acquired or used primarily to respond to shipboard fires or oil spills in navigable waters. Exempts from property taxation property used for other than housing or residential purposes that is part of multiple-unit housing approved for exemption before August 26, 2009, for tax year beginning before July 1, 2009. Specifies the manner in which refunds are made.

Extends the sunset for approval of property tax exemption for certain low-income rental housing from December 31, 2009 to December 31, 2019. Conforms various parts of Oregon Revised Statutes to the Constitutional change that eliminates double majority requirement in May or November elections of any year. Makes all the changes above take effect on 91st day following adjournment sine die.

Revenue Impact (in $Millions):

(1) Redefining a proposed taxing district boundary change: No Revenue Impact.
(2) Property tax exemption of certain personal property for a nonprofit maritime and fire safety association: Minimal* revenue loss for local government and school districts in Multnomah, Clatsop, and Columbia Counties.
(3) Property tax abatement for certain mixed-use multiple-unit housing (Multnomah County)

	Fiscal Year			Biennium		
	2009-10	2010-11		2009-11	2011-13	2013-15
Local Government	**-$0.22**	**-$0.22**		**-$0.44**	**-$0.47**	**-$0.50**
Local School Districts	**-$0.43**	**- $0.44**		**-$0.87**	**-$0.92**	**-$0.97**
Total	**-$0.65**	**-$0.66**		**-$1.31**	**-$1.39**	**-$1.47**

(4) Property tax exemption for certain low-income rental housing: Minimal* revenue loss
(5) Conforming Oregon Revised Statutes to Constitutional change: No Revenue Impact
*Minimal means revenue loss of less than $50,000.

ESTATE TAX AND COURT FEES

HB 3696

Transfers revenue from Other Fund account balances to the General Fund. Directs Department of Revenue to recalculate certain estate tax returns for estates of decedents between January 1, 2007 and March 11, 2008. Directs Department of Revenue to make refunds to eligible estates. Modifies court fee language to conform to statute for implementation by Judicial Department.

Revenue Impact (in $Millions):

	Biennium		
	2009-11	2011-13	2013-15
Estate Tax Refunds	**-$0.8**	**$0**	**$0**
Transfers from Other Fund Accounts	**+$50.0**	**$0**	**$0**
General Fund	**+$49.2**	**$0**	**$0**

Impact Explanation:

The estate tax refund estimate is based on a review of estate tax returns containing natural resource property from estates of decedents between January 1, 2007 and March 11, 2008. The estate tax refund from identified returns was calculated by determining the tax due under rules established by the Department of Revenue following the passage of HB 3201 in the 2007 regular session compared to the calculation under the natural resource estate tax credit established in the 2008 Special Session (HB 3618). It is possible that additional returns that were not identified in the review may emerge. This would have the effect of increasing the revenue impact.

Transfers of Other Funds account balances included in this measure will be used in the budget adjustments in House Bill 5100. That adjustment anticipates a net $50 million increase in General Fund resources. A detail account of those transfers can be found in the Fiscal Impact reports (LFO budget report).

The impact of this measure on court fees will not increase revenue if passed, however the revenue might decrease if the measure is not enacted. About $500,000 will not be collected if this measure doesn't pass. The passage of HB 2287 (2009) was assumed to be implemented in a certain way. However, when implementation of the new fees commenced in courts a discrepancy between intent and language in the bill arose. This measure is needed for the revenue amounts and funds intended for the court revenue restructure process carried in HB 2287 of the 2009 session. The original estimate for HB 2287 was about $39 million.
This measure temporarily expands tax expenditure for the purpose of mitigating the impacts of tax law changes in regard to the natural resource properties.

FINANCIAL MANAGEMENT AND BUDGET

HB 5100

The measure makes various technical adjustments to agency budgets previously passed by the Legislature, implements budgetary changes tied to other legislation, and finalizes some General Fund components of the statewide budget to rebalance to current forecast revenues. Also included in this measure is an updated estimate of revenue gains resulting from a speed up in personal income tax collections.

Revenue Impact (in $Millions):

	Biennium		
	2009-11	**2011-13**	**2013-15**
Speed Up in Personal Income Tax Coll	**$3.0**	**$0**	**$0**
Total General fund	**$3.0**		

Impact Explanation:

Senate Bill 5540 (passed in the regular 2009 session), the budget bill for the Department of Revenue, included a collections speed-up project. Revenue form that project was estimated to generate $17.6 million in additional General Fund revenue. Project efforts have been more successful than anticipated, increasing that projection to $20.6 million. The additional $3 million expected to be generated is used in the statewide budget rebalance plan.

For additional information on the use of the revenue and other budget issues, see the Legislative Fiscal Office reports on this measure (HB 5100) and HB 3696.

HB 5101

The measure makes lottery allocation adjustments and the Criminal Fine and Assessment Account (CFAA) allocation adjustments needed to implement the 2010 session budget reconciliation.

Revenue Impact: (in $Millions):

The measure adjusts for shortfall of Lottery revenue from latest forecast. The $69 million total revenue shortfall is divided among several constitutional and statuary uses. The state budget has to immediately makeup for $33.6 million that shortfall.

Impact Explanation:

The Oregon Lottery collects revenues from traditional and video lottery. It pays player prizes and its operating expenses out of the gross revenues and then transfers the balance (net profits) to the Economic Development Fund (EDF). The Department of Administrative Services then distributes funds to the constitutional and statutory funding priorities, including Legislative allocations.

The March 2010 revenue forecast for available lottery funds in this biennium is $69,088,400 below the level assumed in the 2009 Legislatively Adopted Budget.

Total Available Resources in Millions	*(69.088)*
ALLOCATION OF RESOURCES	
County Economic Development	*(3.271)*
Education Stability Fund	*(11.770)*
Oregon Capital Matching Account	*0.000*
Parks and Natural Resources Fund	*(9.808)*
Collegiate Athletics	*0.001*
Gambling Addiction	*(0.654)*
County Fairs	*0.001*
Debt Service on Lottery Bonds	*0.001*
Other Legislatively Adopted Allocations	*0.000*
Total Distributions	*(25.503)*
Discretionary Resources	*(43.585)*
Ending Balance	10.0
total reduction in revenue	(33.585)

The resulting negative amounts will be offset by fund shifts and savings (see Fiscal Impact Report issued by LFO)

BONDING AND DEBT MANAGEMENT

HB 3646

Authorizes private activity bond proceeds to be used for management and operation of eligible projects. Requires related agency, or state Treasurer to pledge or use money received to subsidize borrowing costs to repay bonds for which subsidy was provided.

This bill deals with two distinct issues:

1. Oregon Facilities Authority (OFA) current issuance authority is more limited than what is permitted by federal tax law. This bill expands the type of programs that the Oregon Facilities Authority is permitted to support by allowing loan-and-lease programs that could be supported through new federal programs. It also allows the use of the newly utilized tax credit bonds.
   If HB 3646 did not pass, it would not have an effect on current OFA programs, but will prevent OFA from facilitating federally subsidized financing for nonprofit loan-lease programs, and will prevent Oregon from taking advantage of certain federal stimulus programs. The authority includes bonding for operation, and that will be monitored to determine if it needs some future tightening.

2. Adjusts existing state bonding statutes to allow for the new federal Build America Bonds (BAB's) process, by allowing federal BAB rebates to be deposited into the state's debt service funds.
   Usually, state debt would be issued in the form of tax-exempt bonds. That status saves investors money, and underwriters are willing to accept a smaller interest rate payment from the state as a result. However, Build America Bonds is an option that gives the state savings up front (in the form of a federal "rebate"), but the trade-off is that the bonds are taxable (which means they are generally sold at a higher interest rate).
   If HB 3646 did not pass, it would prevent Oregon from depositing federal BAB subsidies. Bond issues planned as BABs will instead be sold through standard tax-exempt financing, and pay somewhere between 0.5% to 0.8 % extra in interest cost annually over the life of the bonds.

Revenue Impact: None

HJR 101

Refers a Constitution amendment to voter approval relating to bonded indebtedness for institutions of higher education.

HJR 101 allows the Oregon University System (OUS) to finance the purchase of existing buildings which can be less costly than building new facilities, and to finance any facilities that benefit higher education, and not exclusively used for higher education. HJR 101 is thought to be necessary to resolve the conflict in roles and nature of higher education facilities which have evolved over the past sixty years. In addition to traditional instruction, educational facilities' are also used for research, public service, and economic development. These multipurpose uses are not compatible with the bond restrictions in today's constitutional language.

Revenue Impact: None

SB 5564

Allows the Department of Transportation to increase the amount of revenue bonds it was authorized to issue by $60,000,000. The proceeds from these bonds will be used to pay for costs associated with the Department's headquarters building renovation project and the Oregon Wireless Interoperability Network.

Revenue Impact:

Revenue Bonds		2009-11	2011-13	2013-15
ODOT (Infrastructure Fund)	Total Issuance Debt service	$60,000,000 $ (3,572,000)	 $ (9,526,000)	 $ (9,526,000)
Revenue Bonds expenses &	Cost of Issuance	$ (612,220)		
Total Revenue		**$ 55,815,780**	**$ (9,526,000)**	**$ (9,526,000)**

Impact Explanation:
The Joint Committee on Ways and Means increased the Department of Transportation's issuance authority for the Oregon Transportation Infrastructure Fund by $60 million to reflect anticipated increases in program needs including use of bond proceeds to finance the Department's headquarters building renovation project and the Oregon Wireless Interoperability Network (see LFO Report).
Bonds are assumed to mature in 20 years and tax-exempt with a rate 5%. The total Issuance number includes the issuance costs and any reserves. When bonds are sold towards the middle or end of the biennium their debt service might not begin until very late in the biennium, however three quarterly debt service payments are assumed to take place in 2011.

SJR 48

Refers to voters a constitutional amendment to allow the state to incur a new kind of general obligation bonds. The XI-P bonds will be used to finance real property ownership in whole or part as well as finance repair and equipment. The bonds will not have the pledge of property taxes.

This measure started as SJR 44, which was later amended into SJR 28. The XI-P bonds will not be backed by property tax but otherwise still backed by the full faith and credit of the state and its taxing authority. Additionally the total bond principal under this section is limited to 1/100 of the real market value of the property in the state. These new bond type are seen as a solution to the extensive use of the COP (Certificate of Participation). The COPs are used to finance about $1.5 billion in different state projects. The XI-P bonds will be instruments to finance projects for 20 to 30 years duration.

Revenue Impact: None

ECONOMIC DEVELOPMENT

SB 1017

Increases maximum amount of Oregon Business Development Fund loans to more than fifty percent of project costs if the applicant has been denied by two or more lenders and has no other available financing. Increases authority of the Director of the Business Development Department for business development loan maximum from $100,000 to $250,000. Expands eligibility for entrepreneurial development loans to include all existing businesses that grossed less than $500,000 the previous year.

Revenue Impact:

The impact of this measure changes with the “-2” amendment to become an appropriation of $3,000,000 from the general fund to the Oregon Business Development Department. With connections to HB 3698 which increases the appropriation to $5,000,000. These general fund appropriations will be used for Oregon Business Development Fund. Loans to developing businesses facing the tight credit conditions specified in the bill. Usually the impact on the general fund as revenue transfers (from original language in the bill) comes in two ways the interest that might not be received and the borrowing that would have occurred as a result of less funds availability.