REVENUE MEASURES PASSED BY THE 76th LEGISLATURE 2012 Session

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BILLS BY SUBJECT AREA		Page
Personal Income and Corporate Income and Excise Taxes		
SB 1531	Updates Oregon's date of connection to certain federal laws from December 31, 2010 to December 31, 2011.	7
HB 4005	Establishes credit against income taxes for current market value of any livestock that belongs to taxpayer and is killed by a wolf. Establishes taxpayer must submit evidence that includes finding by Department of Fish and Wildlife (ODFW) or by peace officer that wolf was probable cause of loss. Stipulates tax credit be reduced by any amount taxpayer has already received as compensation for killed livestock. Establishes a refund if tax credit exceeds taxes for year. Applies to tax years beginning on or after January 1, 2012.	7
HB 4079	Makes technical clarifications to energy related tax credits.	8
Property Taxes		
SB 1529	Establishes separate classes for all machinery and equipment, for state assessed industrial property under ORS 306.126, and for industrial and commercial property combined. Changes collection proceedings for machinery and equipment accounts that have delinquent taxes to allow for warrant and seizure of the machinery and equipment.	9
SB 1532	Clarifies that a company that is an owner or lessee of a data center is not centrally assessed under ORS 308.515 if certain conditions are met.	10
HB 4039	Extends ability to participate in the Senior and Disabled Property Tax Deferral program for two years for participants previously disqualified for having a reverse mortgage. Clarifies language. Requires notification to taxpayers pledging their homes for a reverse mortgage that they will not be able to participate in the deferral program as well.	10
HB 4041	Exempts from taxation property owned exclusively by eligible Indian tribe or by entity wholly owned by eligible Indian tribe if property is used exclusively for certain government services. Allows an exemption from property taxation property that is leased or rented to low-income persons by certain entities. Requires properties receiving this exemption satisfy various requirements.	12
HB 4093	Increases number of rural enterprise zones that may be designated from 17 zones to 20 zones and the number of urban/rural enterprise zones from 15 zones to 20 zones. Allows rural enterprise zones to increase to 15 square miles in size and to have 15 miles as the greatest distance between two points, but does not change size limits of urban enterprise zones. Allows a sponsor of a terminated enterprise zone to apply for a new enterprise zone 10 years after termination.	13
HB 4177	Permits certain counties to receive assistance payments from the County Assessment Function Funding Assistance Account (CAFFA).	13

INDEX BY BILL NUMBER

Senate Bills:

House Bills

2012 Legislative Session
Revenue Policy Overview

General Fund Fiscal Situation

Oregon's economic recovery generated a rebound in personal income tax collections during the first quarter of the 2011-13 biennium, with collections in the last six months of 2011 exceeding the prior year level by 10.3%. Despite the uptick in personal income tax collections, Oregon's General Fund revenue continued to track below the close of the 2011 legislative session forecast. As a result, the March 2012 revenue forecast (released at the beginning of the legislative session) showed a reduction of $305.5 million compared to the close of session estimate. The updated forecast also put the Lottery earnings estimate at $35.6 million below the close of session projection.

In developing the close of session budget the Legislature adopted a General Fund projected ending balance of $146 million. In addition, the Legislature "held back" an additional $300 million from state agencies as a hedge against the risk of further declines in the revenue forecast. If the forecast held at or close to the close of session estimate, additional dollars were to be appropriated to state agencies. Given that the revenue forecast declined between the 2011 close of session and the beginning of the 2012 session, it was clear that the full $300 million set aside was not available to be appropriated.

The task of the 2012 session became one of determining which program areas could best absorb reductions by not receiving its share of the set aside and which program areas were most in need of receiving at least a portion of the set aside.

General Fund Revenue Adjustments

Shifts from Other Fund accounts were the primary revenue mechanism used to rebalance the 2011-13 General Fund budget. These shifts, which totaled $102.4 million, were specified in SB 1579. In addition, SB 5702 increased the General Fund allocation from the Criminal Fines Account by $874,000. The rebalance plan also incorporated updated revenue impact assumptions regarding two other General Fund revenue sources not specifically included in any measure--$25.2 million from the Department of Justice mortgage lawsuit settlement and $5 million from lower than anticipated interest costs from the issuance of Tax Anticipation Notes. No revenue raising measures were approved during the 2012 legislative session.

Table 1 displays the changes in the General Fund resource outlook resulting from Legislative actions and updated assumptions.

Table 1: General Fund Resources after Enactment of Legislative Rebalance Plan

Close of 2011 Legislative Session	(in millions)
General Fund Resources	$14,008.9
General Fund Ending Balance (including held back funding)	446.3
*March Revenue Forecast**	
General Fund Resources	13,703.3
General Fund Ending Balance	140.7
2012 Legislative Session Adjustments	
Fund Shifts Contained in SB 1579	
Criminal Injuries Compensation Fund	56.2
DAS Insurance Fund	13.3
Supplemental Employment Department Admin Fund	9.0
State Court Facilities and Security Account	6.6
DOJ Protection & Education Revolving Account	4.0
Business Development Small Business Development Account	3.7
Tax Amnesty Account	3.0
DEQ—Motor Vehicle Pollution Account	3.0
Tobacco Use Reduction Account	1.5
Employment Department Special Admin Fund	1.1
Secretary Operating Account	1.1
Total SB 1579 Fund Shifts to General Fund	102.4
Other Legislative Actions	
Allocation from Criminal Fines Account (SB 5702)	.9
Wolf Predation Tax Credit (HB 4005)	-.01
Forecast Adjustments	
DOJ Mortgage Lawsuit Settlement	25.2
Lower TANS interest cost estimate	5.0
Post 2012 Legislative Session	
General Fund Resources	13,836.8
Projected General Fund Ending Balance	115.0

*Released February 8, 2012

These revenue actions, combined spending allocations and reductions, leave an estimated General Fund ending balance of $115 million for the 2011-13 biennium. The uncommitted projected ending balance is supplemented by a $27 million general purpose appropriation to the Emergency Fund, an estimated $46 million ending balance in the Oregon Rainy Day Fund and an estimated $10 million ending balance in the constitutional Education Stability Fund.

For a detailed description of budget actions taken in the 2012 session see Budget Highlights (March 2012) published by the Legislative Fiscal Office.

Summary of Major Revenue Measures Approved in the 2012 Session

The Legislature passed a series of bills making adjustments to property tax and income tax laws. In addition, action was taken to modify the school distribution formula through the one-year extension of a supplemental grant.

HB 4039 modified changes in the Senior and Disabled Property Tax Deferral program approved in 2011 by granting participants with a reverse mortgage two additional years in the program. HB 4039 increases the state's obligation to make property tax payments for the 2011 and 2012 tax years by an estimated $6 million but the program is expected to remain self-funding over the next 3 biennia. Other significant property tax changes were a clarification that data warehouse property located in an enterprise zone was not subject to central assessment (SB 1532), a requirement for the Department of Revenue to establish a separate assessment class for machinery and equipment (SB 1529), and an exemption for tribally owned property that is used to provide general governmental services (HB 4041). The latter two measures are expected to have a small impact on property tax collections.

The Legislature modified state income tax law through the passage of HB 4005, HB 4079 and SB 1531. HB 4005 established a new personal income tax credit designed to compensate owners of livestock due to wolf depredation. The credit is capped at $37,500 for any tax year but the revenue impact for the 2011-13 biennium is estimated at $10,000. HB 4079 makes a number of technical clarifications to several energy related tax credits. SB 1531 updates Oregon's connection date to certain federal income tax laws through December 31, 2011. HB 4079 and SB 1531 are not expected to have an impact on General Fund revenue.

In addition to transferring balances from a number of Other Fund accounts to the General Fund, SB 1579 extended a sunset on the Small School District Supplemental Fund from July 1, 2012 to July 1, 2013. This action has the effect of reducing State School Fund revenue flowing through the school distribution formula by $2.5 million in the 2012-13 fiscal year. However, this reduction is offset by an additional $2.5 million State School Fund appropriation in SB 5701.

Further details on these revenue measures and others can be found in the body of this report.

SUMMARY OF INDIVIDUAL REVENUE BILLS

PERSONAL AND CORPORATE INCOME TAX

SB 1531 (CH 31)

Updates Oregon's date of connection to certain federal laws from December 31, 2010 to December 31, 2011. In addition to connecting to general provisions in statute, the updates include provisions pertaining to the definition of charitable organizations, federal Adjusted Gross Income (for the purposes of Oregon's Elderly Rental Assistance), rules for S-corporation representation before magistrate, the Department of Revenue, and the Oregon Tax Court. Includes provisions related to the Oregon 529 College Savings Network. Clarifies that, for agricultural and horticultural cooperatives, Oregon's disconnect from federal IRC Section 199 deductions (domestic production activities) should not affect the calculation of patronage dividends.

Revenue Impact: A minimal revenue gain or loss of less than $50,000 per biennium.
There was little federal legislation passed in 2011 that would lead to a revenue impact at the state level. One of the more significant federal policies was the two percentage point reduction in payroll taxes, but that does not have a direct impact on Oregon income taxes. The inclusion of the language pertaining to cooperatives does not result in a revenue impact because it is a clarification of existing law. With the passage of this bill, the affected cooperatives would continue filing their tax returns as they have since the state disconnected from IRC Section 199 in 2005.

HB 4005 (CH 65)

Establishes credit against income taxes for current market value of any livestock that belongs to taxpayer and is killed by a wolf. Establishes taxpayer must submit evidence that includes finding by Department of Fish and Wildlife (ODFW) or by peace officer that wolf was probable cause of loss. Stipulates tax credit be reduced by any amount taxpayer has already received as compensation for killed livestock. Establishes if tax credit exceeds taxes for year amount of excess shall be refunded to taxpayer. Applies to tax years beginning on or after January 1, 2012. Takes effect on 91st day following adjournment sine die. Sunsets January 1, 2019. Does not grant tax credit for a wolf kill after the wolf is removed from the state endangered species list.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2011-12	2012-13		2011-13	2013-2015	2015-2017
State General Fund	-$ 0.005	-$ 0.005		-$ 0.01	-$ 0.03	-$ 0.04

The wolf population in Oregon has been growing, with four documented breeding pairs and management objectives to reach 7 breeding pairs in both Eastern and Western Oregon. Population estimates per breeding pair are 14.8 wolves per pair. Based on depredation levels in other states, an average of 5 sheep and 5 cattle are anticipated to be lost each year in Northeast Oregon. With market prices of $122 per head of sheep and $850 per head of cattle, the annual loss is roughly $4,860. Other livestock such as horses, mules, goats, and any furbearing mammal bred commercially within pens, cages, or hutches do not have detailed depredation information. Assuming these additional animals will account for 50% of the losses in a given year, total losses for 2012 would be an estimated $9,720. As wolves propagate across the state, the growth in wolf population along with an expansion of livestock subject to predation will result in an increase in depredation over the next three biennia. A removal of wolves from the state endangered species list would discontinue this credit. If that were the case, revenue impacts would drop to zero. Projections are made with the assumption that this will not happen in the period prior to 2018.

The amount of this increase is estimated using the rate of confirmed depredations in other areas during the expansions of their wolf populations as reported by the United States Fish and Wildlife Service.

Oregon's Estimated Annual Losses of Livestock to Wolves					
2012	2013	2014	2015	2016	2017
$ 9,720	$14,771	$19,145	$20,019	$23,379	$32,540

The measure also reduces any tax credits by any amount compensated under the county wolf depredation compensation and financial assistance grant program. ORS 610.150 directs the State Department of Agriculture to establish the program to assist livestock producers who experience confirmed wolf losses. The program would be funded through the Wolf Management Compensation and Proactive Trust Fund for counties who wish to establish it.

HB 4079 (CH 45)

Makes a number of technical clarifications to several energy related tax credits. The affected tax credits are for renewable energy, transportation projects, conservation projects, renewable energy resource manufacturing, biomass, and residential energy. It adds these credits to the law requiring state agency administering the tax credits to submit a report to Oregon Department of Administrative Services (the transparency website).

Examples of the technical modifications include clarifying that: once the renewables credits have been sold they may not be revoked, the collection of jobs data is limited to direct jobs only, the Department of Energy has authority to manage the cap on transportation credits, third-party installers for the residential energy tax credit may reserve tax credits, and there is a limit of one credit for each unit of biomass.

Revenue Impact: None

This bill is a technical follow-up bill to HB 2523 and HB 3672. The former bill moved the administration of manufacturing Business Energy Tax Credit from the Department of Energy to the Business Development Department, while the latter was the tax credit omnibus bill from the 2011 Session. There is no revenue impact because the changes are of a technical nature. The current law revenue forecast (released on February 8, 2012) already contains the tax credit revenue impacts from HB 3672.

PROPERTY TAX

SB 1529 (CH 30)

Establishes separate classes for all machinery and equipment, for state assessed industrial property under ORS 306.126, and for industrial and commercial property combined. Changes collection proceedings for machinery and equipment accounts that have delinquent taxes to allow for warrant and seizure of the machinery and equipment. Clarifies language that separates machinery and equipment, state-assessed industrial properties, and locally-assessed commercial and industrial properties into their respective classes.

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2011-12	2012-13		2011-13	2013-2015	2015-2017
Local Government	$ 0.005	$ 0.005		$ 0.09	$ 0.46	$ 0.83
Local School Districts	$ 0.003	$ 0.003		$ 0.06	$ 0.31	$ 0.55

The measure changes the classifications of various types of property. When the Changed Property Ratio (CPR) is calculated, it is done using all the property that is grouped into a class. It is the ratio of existing assessed values to real market values and ranges from 0 to 1. This ratio is used to determine the maximum assessed value for taxation on all newly constructed property or improvements. To regroup property has the effect of changing the calculation of the CPR that will be applied to any newly added value.

Industrial properties often had a high CPR, because the machinery and equipment grouped into the industrial class with them has a depreciating real market value. Removing the machinery and equipment to its own class as this measure does reduces the CPR for industrial properties as a result, resulting in a revenue loss from this category.

Because of its smaller amount of machinery and equipment and less depreciation, the commercial class tends to have lower CPR's. By combining the commercial class with the industrial class, CPR's are raised for this group, and this is a source of revenue gain.

Despite having its machinery and equipment removed from its class, the state-assessed industrial properties still have a high rate of depreciation, and their CPR will be around 1. Since these properties are currently grouped into the "industrial" class, their CPR's are lower because they are grouped in with locally-assessed industrial properties that tend to have less depreciation. The measure puts these state-assessed industrial properties into their own class, and the CPR is therefore higher. This is a source of revenue gain.

Finally, machinery and equipment is currently in either the commercial or industrial class with other properties that don't depreciate as much. The CPR on this property is lower as a result of this grouping. When separated out into its own class, machinery and equipment has a higher CPR. Therefore, there is revenue gain from this change.

The net effects can be seen in the table below and in the summary table above.

Tax Year	Locally Assessed Industrial	Commercial	State Assessed Industrial	Machinery & Equipment Industrial	Machinery & Equipment Commercial	Net Impact
2012-13	-730,518	724,591	59,570	96,028	3,244	152,914
2013-14	-1,461,985	1,450,124	119,217	192,180	6,492	306,027
2014-15	-2,194,404	2,176,600	178,941	288,458	9,744	459,339
2015-16	-2,927,775	2,904,021	238,743	384,860	13,001	612,851
2016-17	-3,662,099	3,632,387	298,623	481,388	16,262	766,562
2017-18	-4,397,377	4,361,700	358,581	578,041	19,527	920,473

The measure also provides collection measures for machinery and equipment if property tax accounts become delinquent. Currently, the county only has the option of foreclosure on the machinery and equipment, which takes 6 years. This measure would expand the ability to collect the delinquent taxes by a warrant and seizure on the machinery and equipment, which is a faster process and does not leave the property open to depreciation or loss while waiting for the foreclosure process. This change would have some positive revenue impact if counties recover money for machinery and equipment that they seize. The size of this impact is unknown and would depend on the prevalence of this collection method's use.

SB 1532 (CH 103)

Clarifies that a company that is an owner or lessee of a data center is not centrally assessed property under ORS 308.515 if certain conditions are met. The conditions are that the company has invested in a data center or related property, the property is part of an enterprise zone agreement and the data center investment represents more than 95% of total property owned in the state. Applies to property tax years beginning on or after July 1, 2012.

Revenue Impact: Indeterminate

This bill could potentially affect the property tax liability of data transmission companies that construct data center facilities in one of the enterprise zones located around the state in the future compared to current law. However, given the ambiguity of current law and the recent issuance of a temporary rule (150-308.503(3) by the Department of Revenue defining data transmission services, any future revenue impact of this bill is considered indeterminate.

HB 4039 (CH 13)

Requires financial institution to notify potential borrower of prohibition against pledging tax deferred homestead as security for reverse mortgage. Allows taxpayer to elect to credit payments to deferred taxes payable as result of determination of ineligibility. Specifies classification of homesteads for purposes of determining county median RMV. Requires Department of Revenue to certify eligibility for deferral not less than once every three years but in a flexible manner. Requires department to report to interim committee regarding claim form for homestead property tax deferral program for property tax year beginning on July 1, 2012. Removes the reference to the Fair Trade Practices Act. Extends a two year reprieve to existing program participants who were disqualified solely due to having a reverse mortgage and who had completed their recertification paperwork for the 2011-12 tax year's payment. Allows them to continue to participate in the program for the 2011-12 and 2012-13 tax year. Directs the Department of Revenue to pay the property taxes for 2011-12 tax year to assessors and directs assessors to refund the money to the taxpayers. Requires the Department of Revenue to conduct a survey of participants to gather socioeconomic information. Requires the survey form to be developed in consultation with the Legislative Revenue Officer and presented to the interim Legislative Assembly revenue committees for approval.

Revenue Impact ($Millions):

	Fiscal Year			Biennium		
	2011-12	2012-13		2011-13	2013-2015	2015-2017
Senior and Disabled Deferral Account	-$3.3	-$3.71		-$6.01	$0.85	$0.59

The aspect of the measure that has a revenue impact is the extension of a 2-year reprieve to the existing participants in the Senior and Disabled Property Tax Deferral program who were dropped from the program due to having pledged their home as security for a reverse mortgage. This extends participation in the program for the 2011-12 and 2012-13 tax years to 1,664 individuals who would not otherwise be able to participate in those years.

The program balance before and after this change is below:

November Balance (In Millions)	2011	2012	2013	2014	2015
Current Law (HB 2543)	-$ 700,000	$ 5,700,000	$13,100,000	$22,200,000	$35,228,042
2 Year Reprieve for 1,664 individuals previously disqualified for a Reverse Mortgage	$ -4,028,000	$ -314,647	$ 7,575,903	$17,040,235	$30,360,996

The impact of HB 2543 in the 2011 session was to reduce the program from 12,000 existing and new participants to just over 5,800 participants and new applicants. This has reduced the payment obligations of the program in the 2011-12 tax year from an anticipated $24.2 million to $9.4 million. This measure would offset some of the impacts of HB 2543.

HB 4041 (CH 42)

Exempts from taxation property owned exclusively by eligible Indian tribe or by entity wholly owned by eligible Indian tribe if property is used exclusively for certain government services. Allows an exemption from property taxation property that is leased or rented to low income persons by a partnership, nonprofit corporation, or limited liability company of which an eligible Indian tribe is a general partner, limited partner, director, member, manager, or general manager. Allows the exemption for property that is used as an affordable housing activity under 25 USC 4132. Requires properties receiving this exemption satisfy various requirements. Allows the low income housing that receives an exemption to generate an income. Requires taxpayers to file a claim for exemption including information about the property. Requires that all agreements necessary for the construction and operation of the property as low income housing are executed before July 1, 2017 in order for property to be eligible for the tax exemption.

Revenue Impact ($Millions):

		Fiscal Year			Biennium		
		2011-12	2012-13		2011-13	2013-2015	2015-2017
Existing Properties Impact	**Local Government**	-$ 0.030	-$ 0.030		-$ 0.060	-$ 0.125	-$ 0.133
	Local School Districts	-$ 0.020	-$ 0.020		-$ 0.040	-$ 0.084	-$ 0.089
Future Properties Impact	**Local Government**	-$ 0.002	-$ 0.002		-$ 0.003	-$ 0.020	-$ 0.084
	Local School Districts	-$ 0.001	-$ 0.001		-$ 0.002	-$ 0.013	-$ 0.056
Total	**Local Government**	**-$ 0.032**	**-$ 0.032**		**-$ 0.063**	**-$ 0.145**	**-$ 0.217**
	Local School Districts	**-$ 0.021**	**-$ 0.021**		**-$ 0.042**	**-$ 0.097**	**-$ 0.145**

The revenue impact has two components. The first is $100,000 in existing tax liability growing at 3% per year. The second is a range based on projections of new construction or acquisitions of properties used for qualifying governmental services assumed to be accounting for $11,088 per biennium in tax liability from new construction, also growing at 3% per year.

The measure would exempt certain properties in use for tribal government from property tax if they are equivalent to services that a state and local government or the federal government would customarily provide its citizens. The properties affected include those used for administration, health facilities, education, transportation, fire, police, properties held for or rented to low income individuals, cemeteries, and limited utility services.

There are 6 tribes with currently held property around the state that would be affected. A number of tribes have offices in major cities that would be affected by this measure including the Grande Ronde and Siletz Tribes. The Siletz Tribe has three properties in Portland, Eugene, and Salem, with a tax liability of $59,200. The Grande Ronde Tribe has administrative, police, fire services, and cemeteries in Yamhill, Polk, and Multnomah counties with a tax liability of $23,043. The Coquille Tribe has $4,144 in tax liability for administrative properties that would be exempt. The Confederated Tribes of the Umatilla Indian Reservations have only $475 of tax liability that would become exempt under this measure. The Confederated Tribes of the Coos are planning to build property for low-income housing that would be exempt under this measure. The total tax liability on existing properties is slightly more than $100,000.

If properties used for qualifying tribal government purposes were acquired or constructed outside of reservations or trust lands, this measure would exempt them from property tax. If this measure is the factor which determines that these properties would be newly constructed, then it has no revenue impact. If the measure is driving the acquisition of existing properties that are currently taxable and rendering them tax exempt, then there is a revenue impact. If these properties would have been built or acquired regardless of whether this measure exempts them from property taxes, the impact would be equal to future tax liability on such properties and is estimated. A revenue estimate has been developed for new property with the assumption that an additional $100,000 in real market value is constructed or acquired per biennium with an assessed value of $68,800 and an average tax rate of 16 percent. Such property would have a tax liability of $11,088.

HB 4093 (CH 71)

Increases number of rural enterprise zones that may be designated from 17 zones to 20 zones and the number of urban/rural enterprise zones from 15 zones to 20 zones. Allows rural enterprise zones to increase to 15 square miles in size and to have 15 miles as the greatest distance between two points, but does not change size limits of urban enterprise zones. Allows a sponsor of a terminated enterprise zone to apply for a new enterprise zone 10 years after termination. Requires enterprise zone sponsor to report on any of the 3 new rural enterprise zones and 5 new urban or rural enterprise zones designated pursuant to this measure.

Revenue Impact (in $Millions):

	Fiscal Year			Biennium		
	2011-12	2012-13		2011-13	2013-2015	2015-2017
Local Government	-$ 0.71	-$ 0.71		-$ 1.42	-$ 5.00	-$ 5.15
Local School Districts	-$ 0.47	-$ 0.47		- $ 0.94	-$ 3.34	-$ 3.44

The measure's impact would be in its expansion of the number of rural (17 zones to 20 zones) and urban/rural enterprise zones (10 zones to 15 zones,) its increases in size of rural enterprise zones, and its allowance of a zone sponsor to sponsor another enterprise zone after cancellation for failing to meet the requirements or voluntary zone cancellation. There is currently full utilization of all urban/rural zones allowed by statute. In 2011-13, there is an anticipated revenue impact of $34.6 million and a shift of $7.2 million from existing urban/rural enterprise zones. In 2011-13, the revenue impact of existing Long Term Rural Enterprise Zones is anticipated to be $27.5 million and a shift of $5.6 million. It is assumed that a proportionally larger revenue impact would occur from expanding these zones. The proportional increase in the number of zones was used to estimate the revenue impact from new zones relative to the revenue impact of existing zones. There would be some offsetting positive revenues to the state general fund to the extent that enterprise zones stimulate new business activity for which corporate and personal income tax revenue would increase.

HB 4177 (CH 77)

Permits certain counties to receive assistance payments from the County Assessment Function Funding Assistance Account (CAFFA). This measure would allow counties which derive more than 10% of their revenues from the Secure Rural Schools Act's county payments in lieu of timber receipts to temporarily reduce their expenditures on assessment and taxation functions without losing payments from the CAFFA fund. The measure also requires that statutorily required functions not be impeded by county actions.

Revenue Impact: None

SCHOOL FINANCE

SB 1579 (CH 107)
Implements statutory changes to support legislatively approved budget. This bill works in conjunction with SB 5701 to make adjustments to the 2011-13 budget.

Revenue Impact (in $Millions):

	Biennium
	2011-2013
State School Fund	+ $ 2.5

Extending the sunset on the Small School District Supplement Fund from July 1, 2012 to July 1, 2013 reduces the State School Fund revenue flowing through the school distribution formula by $2.5 million for the 2012-13 fiscal year. However, this reduction is offset by an additional $2.5 million State School Fund appropriation in SB 5701.

BONDING AND DEBT

SB 1558 (CH 59)
Modifies the scope of costs of certain economic development projects that the Oregon Business Development Department may finance with proceeds of certain revenue bonds.

Revenue Impact: None

The Oregon Business Development Department is currently authorized under ORS 285B.323 to utilize bond proceeds to provide financing for economic development projects. The statute currently defines “economic development project” as real or personal properties used or useful in connection with a revenue producing enterprise, an exempt facility or nonprofit entity, and vehicles, rolling stock and equipment related to an enterprise, facility or entity. This measure expands the definition of “economic development project” to include the above, as well as: research and development conducted in Oregon or related to products that the Department finds will be produced in Oregon; estimated initial operating expenses associated with a capital asset; and refinancing of an existing loan when doing so facilitates the financing or operation of a capital asset such as those listed above. The amendment in the house puts restrictions on the type of companies who are allowed (Oregon companies) to utilize these provisions, and specifies operating capital (without a 3 year allowance) and Research and Development (R&D) activities as eligible in the expansion of allowable uses of the bond proceeds.

HB 5201 (CH 78)

Modifies amount authorized for bonds and issuance of certificates of participation and other financing agreements during 2011-2013 biennium.

Revenue Impact: (In $Millions)

	2011-13	2013-15	2015-17
General Fund			
Revenue	**$13.96**		
Cost and debt service	**-$3.17**	**-$5.877**	**-$5.877**
Net General Fund Revenue	**$10.79**	**($5.877)**	**($5.877)**
Other Funds			
Revenue	**$81.877**		
Cost and debt service	**-$5.956**	**-$11.99**	**-$11.99**
Net Other Fund Revenue	**$75.922**	**($11.99)**	**($11.99)**
COPs (DAS)	**$2.5**	**($0.3625)**	**($0.3625)**
Lottery Funds			
Revenue	**$10.625**		
Cost and debt service	**-$1.020**	**-$1.784**	**-$1.784**
Net Lottery Fund	**$9.604**	**($1.784)**	**($1.784)**

Impact Explanation:
The detail of the bonding revenue and payments as well as the projects can be found in the LFO budget report. Below is a breakdown by bonding category.

			2011-13	2011-13	2013-15
General Fund			**Total cost**	**Debt service**	**Debt service**
	DAS (e-court)	XI-Q	$13.96	($2.94)	($5.88)
Total			**$13.96**	**($2.94)**	**($5.88)**
Other Fund					
	OSU - Student Housing	XI-F	$29.00	**($2.11)**	**($4.22)**
	OSU - MU Renovation of Bookstore	XI-F	$9.18	**($0.67)**	**($1.34)**
	OSU - Student Experience Center	XI-F	$42.70	**($3.11)**	**($6.21)**
	WOU - Laboratory Annex	XI-F	$1.00	**($0.07)**	**($0.15)**
Total		XI-F	**$81.88**	**($5.96)**	**($11.91)**
	Community Colleges **	Lottery	**$10.63**		**($1.78)**

** The State Treasurer might not issue the lottery bonds if the debt capacity does not support it as of Feb-2013.

The Joint Committee on Ways and Means authorized $81,877,500 additional Article XI-F bond issuance authority for the Oregon University System for projects approved in House Bill 5202-A. The Article XI-Q authority for the Department of Administrative Services was increased by $13,960,000 to fund further development of the Judicial Department's e-Court system. Lottery Revenue Bond authority for the Department of Administrative Services was increased by $10,625,000 to provide funding for the community college capital projects approved in House Bill 5202-A. The additional Lottery Revenue Bonds cannot be issued if the State Treasurer, after considering a report from the State Debt Policy Advisory Commission (SDPAC) on lottery-backed debt capacity, determines that lottery-backed debt capacity is not sufficient to support issuance of the bonds. The SDPAC report is to be received no later than February 1, 2013. Authority for Certificates of Participation and Other Financing Agreements was increased by $2,500,000 based on projected use of capital leases.

FINANCIAL MANAGEMENT

HB 4040 (CH 90)

Establishes Oregon Growth Board and Oregon Growth Fund. Sunsets board and fund January 2, 2014 if certain conditions are not met. Modifies investment policy for Oregon Growth Account. Maintains current law whereby allocation of Education Stability Fund revenue flowing to the Oregon Growth Account is increased back to 10% following 4 years in which a 5% allocation was applied. The 10% allocation is restored July 1, 2013.

The measure also has implications for future revenue and tax policy development by giving the Oregon Growth Board the responsibility of making recommendations to the Legislature on corporate tax expenditures that potentially encourage private investment activity.

Revenue Impact: Indeterminate

Revenue impact depends on what effect restructuring has on investment earnings from Education Stability Fund balances. Currently these investment earnings are used for bond repayment through the Oregon Education Fund and support for needs based scholarships through the State Scholarship Fund.

HB 4110 (CH 72)

Directs Oregon Investment Council and State Treasurer to try to ensure that moneys in Public Employees Retirement Fund are not invested in companies with interest in energy sector of Iran. Directs State Treasurer to adopt engagement policy with private investment fund managers and to encourage managers to end investments with companies with interest in energy sector of Iran. Requires notices to fund managers, companies and Oregon Investment Council. Specifies contents of notices. Applies subject to specified fiduciary standards.

Revenue Impact: None

Section 2 makes definitions including the definition of what a scrutinized company is. Sections 3 and 4 describe the process to be followed, and the reports) march-15) are in section 5.
Section 6 of the bill indicates the legislation applies only if the legislature appropriates sufficient moneys to the State Treasurer to administer section 4(2) to (5) and 5 of the bill.

It is difficult to estimate the impact of lost investment opportunities to the PERS Fund. Arizona currently is excluding investments in Petro China, Royal Dutch Shell, Total, and Eni in order to conform to the requirements of the law in their state. Operative on 1/1/2013 and effective on passage.

JUDICIAL SYSTEM AND COURT FUNDING

HB 4167 (CH 89)

House Bill 4167 makes technical changes to the current law implementation of HB 2712 (2011). The measure clarifies the financial implementation of HB 2712 (criminal fines) by restating the fine amount to be remitted to the state by local courts; the fees payable by circuit vs. local courts; fees payable by corporations; remittance of fees for animal abuse; changes the fine amounts charged by the Department of Transportation; presumptive fee amounts; and the distribution of revenues by the Judicial Department and the Department of Revenue, among other technical changes.

Revenue Impact:
Revenue reduction to the Criminal Fines Account of $431,000 for the first biennium (2011-2013), then $740,000 for each biennium after that. This reduction is gained by TriMet. The impact of the small fines not having to transfer $60 to the CFA is minimal.

The measure as amended removes the maximum language for offenses, exempts entities issuing small fines below $60 from having to remit $60 to the Criminal Fines Account; this will not significantly impact revenues. However, the measure will treat violations issued by TriMet ($175 presumptive fine) in an identical way to violations issued by local governments, which would require TriMet to submit the first $60 from each violation to the Criminal Fines Account. Only 75% of fines are imposed and only 60% are assumed to be finally collected. The continued collection and growth in revenue is dependent on the level of enforcement currently in place. The measure as amended also authorizes an allocation of $77,860 from the Criminal Fines Account to TriMet for net violation revenues issued from January 1, 2012 to April 2012, the effective date of the measure.

Money remaining in the CFA account is supposed to revert to the general fund at the end of the biennium, thus this can be seen as a revenue shift from the general fund.

LIQUOR, BEER AND WINE

HB 4047 (CH 16)

Revises authority of charitable or nonprofit organization to sell alcoholic beverages in factory-sealed containers without license. Allows organization to sell by raffle. Allows organization to auction or raffle limited amounts of distilled liquor. Allows organization to auction or raffle cider. Limits duration of auction or raffle. Specifies origin and importation requirements for auctioned or raffled alcoholic beverages.

Revenue Impact: None

Existing law allows for some exceptions in the selling of alcohol and some activities of raffling or selling of wine, beer and other alcoholic beverages during events. Those exceptions are specified into seven categories in ORS 471.162. The sixth category involves nonprofits without an OLCC license, and it is that section that is being expanded to allow for a limited amount of liquor sales (4 liters). Those bottles are required to be imported and/or distributed in Oregon in the current fashion conducted by the OLCC. The exceptions are event which happen once a year and lasts for no more than one day. The OLCC approval is still needed prior to the events.

LOCAL FINANCE

HB 4175 (CH 75)

Permits certain counties to use federal forest reserve moneys in county road funds for law enforcement purposes if sufficient amount of federal moneys is received by county. specifies the language to be applicable to seven counties. Allows for the federal money to be loaned by the rest of the counties to road patrols, but specifies that it needs to be budgeted and payable in three years after the end of the current year or the current budget.

Revenue Impact: None

In the 2007 session, SB 808 allowed federal forest reserve moneys to be utilized for law enforcement patrols. The measure set a sunset date of January 2, 2014 for the use of this money for law enforcement. In the 2011 session SB 443 extended the sunset to January 2, 2016. Ordinarily, the federal forest reserve moneys are split 25% for schools and 75% for the county road funds. This provision allows the forest reserve money to go to law enforcement patrols and extends the authority to all counties who receive federal funds as a budgeted loan. This is a permissive (enabling) legislation and does not impact state funds.

This measure expands that ability to seven counties: Coos, Curry, Douglas, Josephine, Klamath, Lane, and Linn. The measure goes on to apply these provisions to any year before, on, or after the effective date of the bill and removes the provisions of the existing law applying to Lane and Douglas Counties limiting them to monies received on or before 9/27/2007. For counties with funding available, the bill simply creates a funding flexibility for these law enforcement activities. The bill contains a sunset date of January 2, 2016 for these provisions.

The measure as amended also contains two provisions that allow inter-fund loans to be made from a county's road fund to any other county fund for the purpose of patrolling by law enforcement and requires a repayment of those loans within a three year period. These provisions are not subject to the sunset provision applying to section 1 of the bill nor are they limited to the counties listed above. This mechanism would be available to all of Oregon counties upon passage of the bill and loan and repayment requirements would only apply to the listed counties after January 2, 2016.

LOTTERY

SB 5702 (CH 111)

Adjusts specified allocations to specified state agencies coming from Lottery revenues (Administrative Services Economic Development Fund) for the 2011-2013 biennium.

Revenue Impact:

The measure adjusts for shortfall of Lottery revenue from the close of session forecast. The $35.6 million total revenue shortfall is divided among several constitutional and statutory uses. The budget is adjusted to compensate for the $35.6 million shortfall. The reduction in the allocation (from the CFA) amounts to DPSST ($873,897) results in an increase in the transfer to the general fund (from the CFA) by the same amount.

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 2012 revenue forecast for available lottery funds in this biennium is $35,583,512 below the resources ($1,095,418,099) assumed for the 2011-13 Legislatively Adopted Budget. The Committee action uses assumed lottery resources ending balance and other adjustments to move required funds to the debt service allocation.

Total Available Resources reductions	**($35,583,523)**
Constitutional Dedications reductions	
Education Stability Fund (18%)	(6,405,019)
Parks and Natural Resources Fund (15%)	(5,337,516)
Other reductions	
statutory allocation and Legislative appropriations	(23,840,988)
	(35,583,523)
Ending balance (COS) discretionary Resources	27,522,376
Reduction in statutory allocation and Legislative appropriations	(23,840,988)
Amounts that can be shifted to different categories	**3,681,388**

Freed allocation for Shifts between categories		
Collegiate Athletics	**(Allocation Reduction)**	232,960
Gambling Addiction	**(Allocation Reduction)**	390,969
Other Legislatively Adopted	**(Allocation Reduction)**	3,494,895
		4,118,824
Total resources available for shifts		**7,800,212**
Debt Service on Lottery Bonds	**(Allocation Increase)**	(7,800,212)
Ending Balance after rebalance		**$0.0**

See Fiscal Impact Report for more details on shifts and rebalance.
The transfer from CFA to the general fund occurs after all the allocations take place. If the allocation is reduced, then the transfer to the general fund increases as a result.

MEDICAL PROVIDER TAXES

SB 1580 (CH 8)

Provides legislative approval of Oregon Health Authority (OHA) proposals for the Coordinated Care Organizations (CCOs). Requires the authority to report quarterly to the legislative committees on implementation of CCO model of health care delivery. Authorizes sharing and use of information between the Department of Consumer and Business Services and the authority for specified purposes. Prohibits discrimination against types of providers by the CCOs and the specified managed care organizations. Declares emergency, effective on passage.

Revenue Impact: None

HB 4046 (CH 15)

Excludes, for the purpose of assessment on insurance premiums, “accident” only, specified disease and hospital indemnity insurance policies, if the policies pay benefits on an indemnity basis. Takes effect on September 29, 2013.

Revenue Impact: Minimal*
*Revenue impact of less than $50,000.

The law governing the assessment on insurance premiums to finance the Health System Fund expires on September 30, 2013. As a result, if this bill takes effect on September 29, 2013, it will be in force for two days. According to the Insurance Division of the Department of Consumer and Business Services, the insurance premiums to be excluded from the assessment under this bill are estimated to be about $160,000. Based on the assessment rate of 1% of the insurance premiums, the revenue loss is estimated to be about $1,600.

HB 4164 (CH 38)

Acknowledges approval of the Oregon Health Insurance Exchange Corporation business plan. Specifies that the Corporation can establish a line of credit and financial accounts in federally insured banks and credit unions. Clarifies that the Corporation is subject to certain provisions of the Public Contracting Code. Exempts the carriers providing benefit plans to the Corporation from the requirements in the small group market that apply to insurance plans for employers with 50 or fewer employees - this will allow the Exchange to design and pilot innovative plans for its own employees, which could potentially become product offerings in the Exchange in the future. Permits school districts and community colleges to opt out of the Oregon Educator Benefit Board to enroll in coverage through the Exchange beginning in October 2015. Directs the Corporation to seek federal waivers to allow the districts to obtain coverage in the Exchange.

Revenue Impact: None

TRANSPORTATION

SB 1591 (CH 63)

Modifies the membership and powers of the Travel Information Council. Makes changes to the policy of the Oregon Motorist Information Act of 1971. Grants Council authority to erect and repair structures and to acquire and sell real and personal property. Repeals provisions that sunset the authority of the Travel Information Council over rest areas. Increases the number of rest areas over which the Travel Information Council has managerial authority and directs Department of Transportation to maintain ownership of those rest areas and enter into intergovernmental agreement with the Council for their management. Provides an increase in funds with moneys attributable to certain increases in fees and tax rates. Prohibits use of moneys originating from local transient lodging tax for management of rest areas under the Council's jurisdiction.

Revenue Impact:

The reduction in revenue to the state is $3.9 million in the 2011-13 biennium and $10.1 million each biennium starting 2013-15. However, there is an increase in transfers to cities, counties and to the Travel Information Council.

	2011-13	*2013-15*	*2015-17*
Transfer to TIC	($5.42)	($13.10)	($13.10)
Transfer to counties	($0.90)	($1.80)	($1.80)
Transfer to cities	($0.60)	($1.20)	($1.20)
Gross reduction to Hwy Fund	**($6.92)**	**($16.10)**	**($16.10)**
Current Funding to TIC repealed	$3.00	$6.00	$6.00
Net revenue reduction to ODOT (Hwy Fund)	($3.92)	($10.10)	($10.10)

Further impacts are also likely as described in the last paragraph of the explanation section.

The Oregon Travel Information Council (TIC) is a semi-independent state agency, which assumed management of nine rest areas in five locations in Oregon in 2010. The effort was funded through an annual $3 million revenue transfer in HB 2001. Funding in this measure, however, is moved from a shared responsibility (as it was in HB 2001) to a sole expense of the state. The measure increases the number of rest areas to be serviced by the council, and allocates $457,000 (April 2012), and transfers an additional $1,960,000 for the second year of the biennium and the added rest areas responsibility. Starting next biennium (2013-15) the amount of revenue transfer out of the state portion of the highway fund will be $6,550,000 a year ($13.1 million a biennium). This is including and replacing the $3 million transferred annually as a result of HB 2001 (Jobs and Transportation Act). Moving the revenue transfer to the state share of the highway Fund adds to the local government revenue share from HB 2011. There is a reduction in the maintenance budget by ($691,963).

The bill also references a source of new revenue (section17) coming from DAS (DMV record sales), which is estimated at $9 million a year, and only referenced in an interagency agreement. This is the same money source that is alluded to in the **HB1543** budget report, which increases payments to Multnomah County by $14.5 million for the sellwood interchange and Cornelius pass road. After accounting for the new revenue ($10.54 million), that payment will reduce the highway fund by an additional $3.96 million in the 2011-13 biennium for a total of ($10.88 million). However, these funds are not subject to the 60/40 split with local government, and it will result in net increase to the State Highway Fund (ODOT) of about $1.9 million in 2013-15 and the biennia following that. Thus, (assuming all the record sales levels are not impacted by price) it will take about 11 years (end of 2025) for the fund to break even (in simple terms and not considering other factors) and start realizing new revenue. Further analysis after the end of the session showed that that the breakeven point is about 5 years.

UNEMPLOYMENT INSURANCE

SB 1588 (CH 109)

Excludes from the definition of employment, for purposes of unemployment insurance benefits, service performed in the operation of a passenger motor vehicle that is operated as a taxicab or for nonemergency medical transportation, by a person who has an ownership or leasehold interest in the vehicle, for an entity operated by a board of owner-operators elected by the members of the entity. Takes effect on the 91st day after the adjournment sine die of the 2012 regular session of the 76th Legislative Assembly.

Revenue Impact (in $Millions):

	Fiscal Year		Biennium		
	2011-12	**2012-13**	**2011-13**	**2013-2015**	**2015-2017**
Unemployment Insurance Trust Fund Balance	**-$0.01**	**-$0.08**	**-$0.09**	**-$ 0.17**	**-$0.17**

This bill creates an exclusion from the Unemployment Insurance (UI) tax for the entities specified under the bill. According to the Oregon Employment Department, taxable wages subject to this exclusion for the calendar year 2011 are estimated to be $4.6 million. There will be less contribution to the UI Trust Fund from these entities. At the same time, the laid-off employees of these entities will not be eligible for unemployment benefits, resulting in less benefits paid out. On net, the Department estimates that the decrease in the UI Trust Fund would amount to $85,000 per calendar year.