74th OREGON LEGISLATIVE ASSEMBLY – 2007 Regular Session **MEASURE: SB 151-C**
STAFF MEASURE SUMMARY **CARRIER: Rep. Barnhart**
HOUSE REVENUE COMMITTEE

REVENUE: Revenue statement issued
FISCAL: Fiscal statement issued

Action:		Do pass with amendments to the B engrossed bill and be printed engrossed
Vote:		6-0-3
	Yeas:	Berger, Butler, Olson, Read, Witt, Barnhart
	Nays:	
	Exc.:	Bruun, Gelser, Rosenbaum
Prepared By:		Mary Ayala, Economist
Meeting Dates:		6/13, 6/14

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

ISSUES DISCUSSED:

- The PSU study's recommendations: restricting the number of zones to the most severely distressed economic areas of the state, providing opt-out provisions for special districts, requiring that independent entities verify the investment and job creation figures; performing cost benefit analyses of new investments that incorporate the impact on affected taxing districts; and setting maximum limits for subsidies per job created.
- That the evaluation of Oregon's enterprise zone program should be prepared by independent sources or that stakeholders, such local school taxing districts, should be involved in the Economic and Community Development Department's internal review of the enterprise zone program.
- The Department's overview of Oregon's Enterprise Zone program highlighted performance. Forty-three (43) companies first qualifying for property tax exemptions in 2006 invested in new property totaling $242 million in 2006 and created 1,219 new full time jobs. Existing companies that qualified for the standard 3-5 year property tax exemption in FY0506 invested $1.3 billion in property and created 5,884 new jobs.

EFFECT OF COMMITTEE AMENDMENTS:
Extends the sunset date for enterprise zones from June 30th, 2009 to June 30th , 2013. Creates a property tax exemption until June 30th, 2016 for certain older buildings, owned by a business located in an enterprise zone if qualifying conditions are satisfied. The business must satisfy the enterprise zone requirements and engage in activities that result in a land transfer between a business entity and a state government and/or local government. The business must also be located in a city having a population of more than 2,500, but less than 5,500 within a county having a population of more than 6,000, but less than 9,000, as of the latest federal decennial census. Deletes the 2-year extension of the property tax exemption for sustainable business firms. Requires that prior to February 1,2009, the Legislative Revenue Officer shall file with the Seventy-fifth Legislative Assembly a report that evaluates the performance of the enterprise zones and related tax incentives. Requires that the interim legislative committee of the House of Representatives on revenue or economic development shall perform this evaluation. Eliminates the 91 day after sine die provision.

BACKGROUND: A number of studies have pointed out that the public benefit from an enterprise zone program hinges on the number of zones that are designated within each state and on the combination of state plus local incentives, targeted to enterprise zones, that provide a rationale for a company's decision to relocate from one state to another, or from one region of a state to another. These studies also suggest that the public benefit also depends upon each state's policies, reflected in its use of capital intensive vs. labor intensive incentives, or rural development vs. urban redevelopment incentives. These studies have attempted to measure the extent to which the incentives, all of which have been granted within specific time limits, accomplished certain permanent employment and/or income gains that would not have been realized otherwise within the same time limits, absent the localized incentives.