

74th OREGON LEGISLATIVE ASSEMBLY – 2008 Special Session
STAFF MEASURE SUMMARY
HOUSE REVENUE COMMITTEE

MEASURE: HB 3619-A
CARRIER: Rep. Barnhart

REVENUE: Revenue statement issued

FISCAL: Fiscal Impact issued

Action:	Do Pass as amended and be printed engrossed
Vote:	8-0-1
Yeas:	Bentz, Berger, Bruun, Gelser, Read, Rosenbaum, Witt, Barnhart
Nays:	
Exc.:	Olson
Prepared By:	Chris Allanach, Economist
Meeting Dates:	2/6, 2/11, 2/12

WHAT THE BILL DOES: Allows the Department of Energy to establish by rule certain criteria relating to the credit for renewable energy resource equipment manufacturing facilities. These criteria include standards for: (1) what constitutes a single facility; (2) the minimum level of increased employment for an eligible facility; (3) indicators of financial viability of applicants for preliminary certification; (4) the likelihood of long-term success of an eligible facility. Increases the maximum certified cost of a facility that receives a preliminary certification from \$20 million to \$40 million. Allows the director of the Department of Energy to certify a lesser amount if any of the following conditions exist at the time of precertification: (1) the last revenue forecast for a biennium indicates that resources available for the next biennium will be at least 3% less than appropriations from the GF for the current biennium; (2) a revenue forecast projects GF revenues in the current biennium will be at least 2% below what revenues were projected to be in the forecast on which the legislatively adopted budget was based; (3) the proposed facility does not meet the criteria for likelihood of success; (4) the proposed facility is not likely to meet the minimum employment gains required; or (5) the applicant lacks the minimum level of financial viability. Declares that a preliminary certification remains valid for five years after the date it is issued. Replace the requirement that the director of the Department of Energy consult with the Public Utility Commission with permissive language that allows such consultation if the applicant is a public utility. Modifies the revocation, or "clawback", provisions so that if a certificate is revoked, the person that obtained the certification from the Department of Energy (or any successor in interest to that person) is responsible for reimbursing the state for any tax benefit received from the use of the tax credits, even if the tax credit has been sold; the purchaser of these credits is held harmless by any certificate revocation. Applies to preliminary certifications approved on or after January 1, 2008. Expands cap on Oregon Affordable Housing Lenders Credit from \$13 million per fiscal year to \$17 million. The increased cap first applies to the 2009 corporate tax year. The Housing and Community Services Department uses the credit to reduce finance costs for preserving and constructing housing for low income residents. The program is combined with other grants and federal subsidies to reduce housing costs. Increasing the cap is expected to retain federal subsidies that would otherwise be in danger of ending and stimulating construction activity primarily in the form of preserving existing structures.

ISSUES DISCUSSED:

- Definition of a project or facility
- Economic criteria to establish project viability
- Economic and environmental benefits
- Secondary market for the manufacturing facilities tax credits
- The impact of expanding the Affordable Housing Lenders Credit

EFFECT OF COMMITTEE AMENDMENTS:

Replaces bill

BACKGROUND: The Business Energy Tax Credit was created in 1980 and eligible projects have traditionally been classified as conservation, recycling, or renewable energy. The credit was equal to 35 percent of certified costs and claimed over five years with 10 percent claimed in each of the first two years and five percent in each of the final three years; the maximum certified costs for a project was \$10 million. In 2007, the credit for renewable projects was expanded to 50 percent of eligible costs taken equally over five years and the maximum project cost was increased to \$20 million. The Affordable Housing Lenders Credit was expanded in 2007 to include certain projects that had been previously developed as affordable housing with assistance from the U.S. Department of Housing and Urban Development. The expansion included an increase in the cap from \$11 million to \$13 million per fiscal year.

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This summary has not been adopted or officially endorsed by action of the committee.