75TH OREGON LEGISLATIVE ASSEMBLY 2010 Special Session
STAFF MEASURE SUMMARY
SENATE FINANCE & REVENUE COMMITTEE

MEASURE: HB 3680 B
CARRIER: Sen. Burdick

REVENUE: Revenue Impact Issued
FISCAL: Fiscal Impact Issued

Action:	Do Pass with Amendments and be printed A Engrossed	
Vote:	5-0-0	
	Yeas:	Hass, Morse, Rosenbaum, Telfer, Burdick
	Nays:	0
	Exc.:	0
Prepared By:		Chris Allanach, Economist
Meeting Dates:		2/17; 2/19

WHAT THE BILL DOES: Creates a limit on the amount of preliminary certification credits the Department of Energy may issue for renewable projects within the Business Energy Tax Credit (BETC) program. Sets the limit at $300 million for the 2009-11 biennium and $150 million for the fiscal year ending June 30, 2012. Directs the Department of Energy to prioritize which projects qualify for preliminary certification under the limit and identifies criteria to be used. Limits the amount of preliminary certification credits the department may issue for renewable manufacturing projects within the BETC program to $200 million for each of the 2009-11 and 2011-13 biennia and $50 million for the six months ending December 31, 2013. Adds ‘renewable energy storage device’ to the definition of ‘renewable energy resource’ and the manufacturing of such devices to the manufacturing credit. Makes electric vehicle manufacturers (including certain all-terrain vehicles) and component part manufacturers eligible for the manufacturing credit. Limits maximum eligible project costs for these manufacturers to $2.5 million. Requires the Department of Energy 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 manufacturing credit. Adds ‘efficient truck technology’ to the definition of ‘transportation facility’. Extends the manufacturing BETC sunset date to January 1, 2014 for pre-certification. Extends the sunset for all other portions of the BETC to July 1, 2012. Makes preliminary certifications, for projects other than manufacturing projects, valid for three years. 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. Requires transferees to first use the tax credit for the tax year in which they obtained the credit. Removes the ability of the director of the Department of Energy to grant final certification costs exceeding the pre-certification level. Adds accountability standards to the program effective June 1, 2009. Gives the Department of Energy authority to require additional information and maintain confidentiality. Clarifies the a reservation partnership zone is a type of enterprise zone. 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.

ISSUES DISCUSSED:
- Policy decisions made by the House Revenue committee
- Value of expanding the credit program in certain areas
- Administrative actions taken by the Department of Energy
- The need for program transparency
- The economic and jobs impact of projects
- The trade-off between direct and indirect state spending
- The value of a cap on manufacturing tax credits

EFFECT OF COMMITTEE AMENDMENTS: Replaces bill.

BACKGROUND: The BETC was created in 1979 for projects pertaining to recycling, energy conservation, and renewable energy. Generally, the credit is 35% of the certified cost taken over five years: 10 percent in the first two years, and 5 percent for the subsequent three years. In 2007, the credit was increased to 50% over five years for projects that use or produce renewable energy or are a renewable energy resource equipment manufacturing facility. In 2008, the Assembly required the Department of Energy to establish criteria relating to the credits for renewable energy equipment manufacturing facilities (HB 3619). These criteria include standards relating to employment gains, financial viability, likelihood of long-term success, and the likely impact on location or expansion decisions. That same legislation allows the Department of Energy to certify a lesser amount if General Fund revenues are less than expected or if the standards mentioned above are not met. In 2009, the Assembly passed HB 2472 that was intended to provide additional accountability measure and reduce the credit for certain projects; however the bill was vetoed by the Governor.

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