

**Testimony Before the
Senate Finance & Revenue Committee**

RE: Enterprise Zones

*Presented by: Mark Landauer, SDAO
May 18, 2011*

Good morning, Madam Chair and members of the committee; my name is Mark Landauer, and I appear before you today representing the Special Districts Association of Oregon. The Special Districts Association of Oregon represents approximately 900 special service districts throughout the State of Oregon. These districts include rural fire protection, water, sanitary, library, parks and recreation and several other types of districts who are governed by unpaid elected officials committed to serving their communities through public service.

SDAO opposes HB 3017 which would extend the sunset to the Enterprise Zone program, authorized under ORS 285C. Over the years, SDAO has expressed several concerns with the Enterprise Zone program and I would like to share those concerns with you today.

In 1985, Oregon enacted enterprise zone legislation that would improve employment opportunities and income conditions for residents of the more economically depressed areas of the state. The underlying policy for this legislation was to improve the welfare of Oregon's more economically disadvantaged residents.¹

According to the 2011-2013 Oregon Tax Expenditure Report, Oregon's Enterprise Zone Program exempted \$1.3 billion of assessed property value in 2009-2010. The property tax loss in 2009-2011 is estimated to be \$32.9 million and \$34.6 million in 2011-2013.²

Currently, only cities and counties are eligible to seek and gain designation of enterprise zones. When a city or county is granted an enterprise zone designation, they are given the unilateral ability to exempt those qualifying businesses from paying the property tax of other overlapping taxing jurisdictions. Those overlapping taxing jurisdictions include school districts, community colleges, and special districts.

¹ ORS 285C.055

² 2011-2013 Oregon Tax Expenditure Report, pg. 222

grow and that many local governments wish to have tax incentives and other assistance available to stimulate sound business investments that support and improve the quality of life. Therefore, it is declared to be the purpose of ORS 285C.050 to 285C.250 to stimulate and protect economic success in such areas of the state by providing tax incentives for employment, business, industry and commerce and by providing adequate levels of complementary assistance to community strategies for such interrelated goals as environmental protection, growth management and efficient infrastructure.

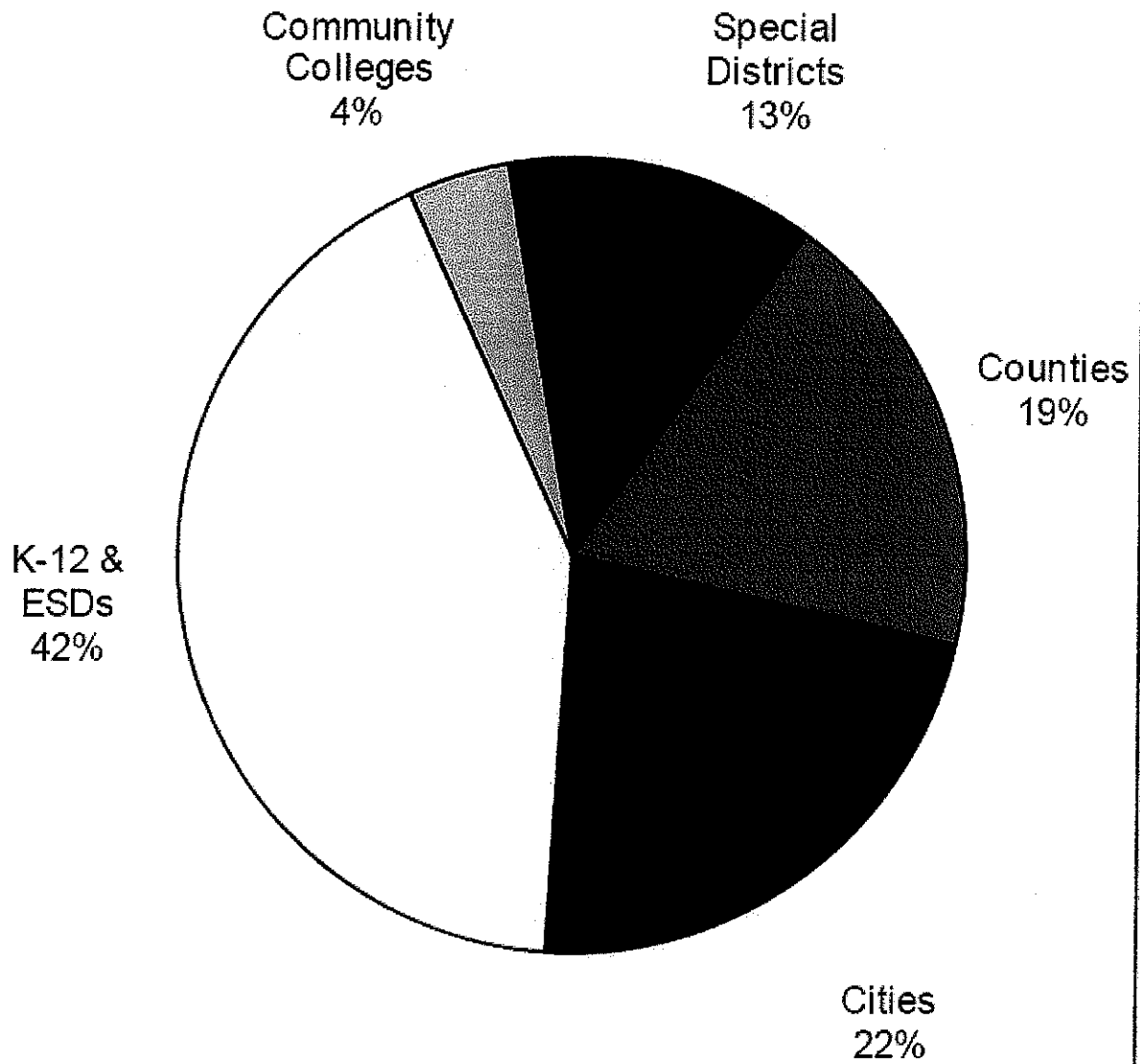
In 2007, SDAO commissioned a study by three individuals at The Center for Urban Studies at Portland State University. Among other programs they studied and made several recommendations related to Oregon's Enterprise Zone Program. SDAO believes that these modest recommendations ought to be included in any re-authorization of this program.

- Gathering sufficient data by which to conduct independent quantitative analysis of the program impacts on local communities;
- Requiring independent verification of investment and job creation figures (excluding the valuation of the property);
- Requiring local jurisdictions to conduct cost/benefit analysis, or fiscal impact analysis;
- Provide for representation of all affected taxing districts in the exemption decisions;
- Mandate specific data, reporting, and evaluation requirements related to investment and employment on the part of companies and administrative entities, including the tracking of the performance of firms after their use of the program.

Without providing an opt-out for special districts, more rigorous reporting requirements, and providing more strategic focus to truly distressed areas, SDAO can not support an extension to this program. However, we do believe that there are alternatives that the Legislature could create or expand that could incent the creation of new jobs, the expansion of existing businesses, and attract new business. Some of those alternatives include:

- Extending the new construction tax exemption to two or even three years for industrial and commercial construction rather than the existing one-year exemption. The advantage to this would be creation of a level the playing field for all communities across the state and budgetary savings that would result by the elimination of the program at the Oregon Business Development Department.
- Eliminate the ability of OBDD to designate new zones and re-designate expiring zones and simply make the State of Oregon an Enterprise Zone. Businesses seeking to relocate or expand in the state would have to meet the standards in ORS 285C.135 and could have their property taxes on improvements and capital exempted for up to three years, provided they

Exhibit 2a 2009-10 Property Taxes Imposed by Type of District



Source: Oregon Department Of Revenue Property Tax Statistics, Fiscal Year 2009-2010, pg 2.