



Oregon

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To: The Honorable Ginny Burdick, Jules Bailey and Vicki Berger, Co-Chairs
Joint Committee on Tax Credits

Testimony by
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Oregon Department of Fish and Wildlife
Testimony on SB 689

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My name is Curt Melcher Deputy Director for the Oregon Department of Fish and Wildlife. I appreciate the opportunity to provide you with our comments on Senate Bill 689.

Senate Bill 689 will extend the tax credit currently available to tax payers that install fish screening devices, by-pass devices, or fishways. The fish screening tax credit is scheduled to be repealed January 2, 2014 and ODFW is prohibited from issuing preliminary certificates for this tax credit after January 1, 2012.

Fish screening devices, by-pass devices, and fishways protect fish from being diverted out of the stream or having their migration blocked at water diversions while still allowing the water user to divert and use their allotment of water. The installation of these devices provides an instantaneous benefit to fish populations by eliminating the loss of fish through diversion structures.

This tax credit is a valuable incentive ODFW is able to offer that allows a tax credit equal to 50 percent of the taxpayer's net certified costs of installing a fish screen or fishway, up to a maximum credit of \$5,000 per device. The credit is appreciated by water users in that it can be used by itself or in conjunction with other State and Federal cost share programs. Over the last five bienniums, an average of \$83,285 in tax credits per biennium has been issued to tax payers through this incentive.

Individual and corporate taxpayers are both eligible and benefit from this tax credit program. Funding for State and Federal cost share programs come in various cycles of amounts and availability. A unique benefit of this tax credit that is valued by water users is its independence from agency funding cycles. During periods when cost share funds have been depleted until the next allotment, the tax credit becomes the only assistance available to water users interested in protecting fish at their diversion.

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SB 689 proposes to extend a tax credit issued for the installation of fish screening devices. Oregon Department of Fish and Wildlife (ODFW) issues certificates to tax payers that qualify for this tax credit. Please consider the following information related to seven of the eight questions.

1. What is the public policy purpose of this credit? Is there an expected timeline for achieving this goal?

The purpose of this credit is to provide an incentive to water users that will result in the installation of fish screens and fishways at water diversions. These fish protection devices allow water to be diverted as needed by the water user, while protecting fish from being diverted with the water and also to allow fish passage past the diversion structure. ODFW operates a voluntary fish screening program that relies on incentives such as this tax credit opportunity to encourage water users to install fish protection devices at their water intakes. There are still thousands of diversions operating in Oregon without adequate fish screening or passage in place.

2. Is economic development and job creation a primary goal of this credit? If so, the following should be addressed based on historical evidence for existing credits and projections based on new proposed credits:
 - Number of jobs associated with credit on an annual basis.
 - Break down between permanent and temporary jobs.
 - Break down between traded sector and domestic sector jobs.
 - Estimates of average wage per job.
 - Estimate of tax revenue cost per job.

No, economic development and job creation are not primary goals of this tax credit. Fish protection, production, and population connectivity are the primary goals.

3. Who (groups of individuals, types of organizations or businesses) directly benefits from this credit? Does this credit target a specific group? If so, is it effectively reaching this group?

All tax payers, including corporations, that divert water for purposes other than a Federal Energy Regulatory Commission (FERC) licensed hydroelectric project are eligible to benefit from this tax credit if they install a fish screen device, by-pass device, or fishway. Diversions that are part of a hydroelectric project required to be licensed under FERC are ineligible.

4. What is expected to happen if this credit fully sunsets? Could adequate results be achieved with a scaled down version of the credit? What would be the effect of reducing the credit by 50%?

If this tax credit sunsets, one less incentive would be available to encourage water users to install fish protection devices. This tax credit is used as a tool by ODFW staff when explaining the benefits of these projects and assistance available to water users that are considering installing a fish screen. A scaled down version of this credit, including a 50% reduction may result in less water users electing to voluntarily install a fish screen, by-pass, or fishway.

5. What background information on the effectiveness of this type of credit is available from other states?

ODFW is not aware of a similar tax credit available in other Pacific Northwest states. Other states either require screens be installed or lack an incentive program similar to what is available in Oregon. Not having incentives available to assist water users has been shown to result in far fewer screens and fishways installed.

6. Is use of a tax credit an effective and efficient way to achieve this policy goal? What are the administrative and compliance costs associated with this credit? Would a direct appropriation achieve the goal of this credit more efficiently?

The use of this tax credit is an effective and efficient way to help protect fish at diversions. This tax credit is used as a tool to work with water users interested in voluntarily protecting fish while still diverting and using water for agricultural and other uses. The tax credit is effective in that it is always available and not dependent on funding cycles or fluctuating allotments that other cost share assistance programs experience.

7. What other incentives (including state or local subsidies, federal tax expenditures or subsidies) are available that attempt to achieve a similar policy goal?

ODFW has a cost share program that water users can apply to for assistance installing fish screens, bypasses, and fishways. Eligibility for the cost share program is more restrictive than the tax credit program. Some water users that are not eligible for the cost share program are still eligible for the tax credit program. Water users utilizing the ODFW cost share program are also eligible to apply the tax credit to the out of pocket expenses paid for by the water user.

Other cost share programs exist that may be available for water users seeking assistance with fish screens and fishway projects. These include Fisheries Restoration and Irrigation Mitigation Act (FRIMA), Oregon Watershed Enhancement Board (OWEB), Natural Resources Conservation Service (NRCS), and others. These funding sources are periodically available with fluctuating levels of funds and assistance.

8. Could this credit be modified to make it more effective and/or efficient? If so, how?

The fish screening tax credit is for 50 percent of the tax payers net certified costs up to a maximum credit of \$5,000 per device installed. Increasing the tax credit percent or the maximum credit would provide an additional incentive but does not guarantee additional projects or additional fish protection. Many projects are not impacted by the \$5,000 tax credit cap. Projects diverting a large amount of water generally cost more and may become more attractive to water users if the \$5,000 cap was increased.

9. How would the return on the state's investment best be measured for this credit? Which of the following can be quantified as a "return" or "benefit" resulting from the use of this credit:
- Jobs and overall economic activity
 - Environmental goals such as energy conservation, air/water quality
 - Social goals

The state's return on investment can be measured through increased number of water diversions that are screened to protect fish, the number of barriers improved to allow for fish passage, and ultimately increases in the abundance of our fish populations.

10. Using the three broad categories above, how do these credits rank in terms of their expected return on investment?