

**FISCAL IMPACT OF PROPOSED LEGISLATION****Measure: SB 904**Seventy-Sixth Oregon Legislative Assembly – 2011 Regular Session  
Legislative Fiscal OfficePrepared by: Robin LaMonte  
Reviewed by: Steve Bender, Susie Jordan  
Date: March 29, 2011**Measure Description:**

Directs Oregon Business Development Department to establish program to allow rural airport in State of Oregon, with approval of all cities, counties and other local property taxing jurisdictions within which district exists, and to create airport tax increment financing district in which up to 50 percent of incremental tax revenues generated by commercial and industrial development or expansion can be used to pay for airport-related infrastructure and services for period of up to 25 years.

**Government Unit(s) Affected:**

Business Development Department (Business Oregon), Department of Aviation

**Summary of Expenditure Impact**

	<b>2011-13 Biennium</b>	<b>2013-15 Biennium</b>
Lottery Funds	218,920	234,512
<b>Total Funds</b>	<b>\$218,920</b>	<b>\$234,512</b>
Positions	1	1
FTE	0.75	1.00

**Summary of Revenue Impact - See Revenue Impact Statement****Local Government Mandate:**

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

**Analysis:**

SB 904 directs the Oregon Business Development Department (OBDD) to establish a new program to create airport tax increment financing districts, with the approval of local governments and local taxing jurisdictions. The bill also requires OBDD to report to the Legislature on the progress in attracting commercial and industrial development or expansion and the economic impact of the bill.

OBDD is required to create the program, including standards for a partial rebate component not to exceed 50% of the increases in property tax revenue within a calendar year. Ninety-five percent of the partial rebate monies will be available to the airport sponsor for airport-related infrastructure projects and services, or for airport management projects. OBDD would receive 2.5% of the partial rebate to airport sponsors to support economic development aviation cluster planning that serves rural airports throughout Oregon, and the Oregon Department of Aviation would receive another 2.5% of the partial rebate amount, for rural aviation planning purposes. Because the language of the bill is permissive, neither agency is able to forecast the revenue that it would receive. OBDD estimates that it will require one Program Analyst 4 to establish the program and to manage the ongoing program, including audits of the use of tax rebates and approval of rebate payments. The 2011-13 biennial personal services cost for the position is \$129,440. The 2011-13 fiscal impact includes \$31,650 in one-time costs for Attorney General fees (\$23,100) and office furniture and equipment.

OBDD operating expenses are funded out of Lottery Funds. Therefore, the expenses of this program are assumed to be funded out of Lottery Funds.

The Department of Aviation anticipates a minimal fiscal impact from this bill.

Depending on the number of local jurisdictions that choose to participate in the airport tax increment financing districts, this bill could have an effect on local tax revenues including school districts. The measure shifts 50% property tax resource to the Tax Increment Finance (TIF) district. Under current law, the county assessor "freezes" the assessed value of real property within the district. (ORS 457.430) As property values thereafter increase due to normal appreciation or as a result of new development, property taxes are levied on property in the district based on current assessed values. Taxes collected on the increment between the frozen value and the current value are the source of revenue for TIF. The revenue impact will be addressed in a Revenue Impact Statement.