



Crook County School District

Where Students Dream, Learn, & Succeed

471 NE Cocheco Plaza Drive
Prineville, OR 97754-8467
t: 541.447.5664 f: 541.447.3645

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Subject: Central Assessment of Data Centers in Enterprise Zones

Representative McLane:

The Crook County School District offers our strong support of your efforts to limit central assessment of data centers in enterprise zones. Recent attempts by the Department of Revenue to centrally assess data centers covered by Enterprise Zone Agreements threaten Oregon's ability to attract economic development and create new jobs. We believe legislative action is urgently needed to erase this crippling threat and protect Oregon counties' ability to make their own job-generating economic development agreements.

Oregon Is Attracting High-Value Data Center Developments

The Internet has changed many industries, and created others from scratch. Among the latter is the burgeoning data center industry, which provides much of the physical infrastructure necessary to support Internet commerce. According to Forrester Research, this industry is expected to grow by eighty percent by 2015. Oregon's favorable climate, combined with plentiful power and a talented native workforce, has drawn some of the world's leading Internet companies to the state. Several other blue chip companies are in the process of siting major developments in Oregon.

Enterprise Zone Agreements govern the terms under which many of these projects pay property tax with county governments. The Enterprise Zone programs were created by the legislature as part of Oregon's larger economic development strategy. These programs help keep Oregon competitive in the region, and empower local and county governments to set investment and job creation standards.

Existing projects have already generated millions in tax revenue and municipal fees, hundreds of family-wage jobs, and thousands of person-years of skilled construction labor. Future projects promise more of the same, at a time when Oregon desperately needs new opportunities for its existing workforce.

Central Assessment of Data Centers Undermines Oregon's Competitiveness

However, the Department of Revenue has recently informed some data center operators that Oregon's "central assessment" statutes "require the department to assess any property, real or personal, tangible or intangible..." Central assessment of data centers and their enterprise-level intangible assets – such as a company's worldwide "goodwill" or intellectual property value – can dramatically increase a company's tax liability. The Department of Revenue's use of this authority – one historically used to calculate the taxable value of utilities, railroads and airlines – could circumvent the Enterprise Zone Agreements many data center operators have entered into with local governments. It threatens to stall or even reverse much of the economic activity generated by the data center industry.

Central assessment of data centers marks a tectonic shift in Oregon's tax policy – a change made without involvement of the Legislature. Between 1973 and 2009, the Oregon Department of Revenue did not attempt to subject data centers to central assessment.

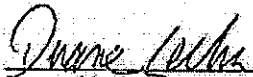
By luring major data center development projects to the state with Enterprise Zone Agreements and then bypassing those agreements using central assessment authority, Oregon has chilled the data center industry's interest in the state, as well as the economic activity that flows from those investments. Unless reversed by the Legislature, the long-term cost to Oregon will be considerable. It is a policy shift that is too substantial to be imposed without the Legislature's involvement. Data center companies with established footholds in Oregon must now reconsider the advisability of continued hiring and equipment refreshes, while companies considering siting in Oregon are now faced with the prospect of doing business with an unpredictable tax collector.

If central assessment of data center properties covered by Enterprise Zone Agreements continues on the course threatened by DOR, the downstream effects on the construction trades, utility companies, material suppliers, and local governments could be devastating in communities that already suffer some of Oregon's highest unemployment rates. Oregon's emergent data center cluster has the promise to rejuvenate numerous support industries and write the next chapter in Oregon's history as a cultivator of high-tech industries. Continued central assessment could mark the premature end to that chapter, and worse.

The Undersigned Strongly Support a Legislative Fix

The Crook County School District would like to thank you for your leadership on this issue. The damage done by central assessment of data centers covered by Enterprise Zone Agreements can, with the passage of carefully calibrated legislation, be mitigated and contained.

Sincerely,



Duane Yecha, Superintendent
Crook County School District



Patti Norris, Board Chair
Crook County School Board

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