
MEMORANDUM

Legislative Fiscal Office
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To: Capital Construction Subcommittee

From: Michelle Deister, Legislative Fiscal Office
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Date: July 5, 2013

Subject: SB 583 - A
Work Session Recommendations

SB 583 - A relates to alternative fuel vehicles.

The measure, the original staff measure summary, preliminary Joint Committee on Ways and Means staff measure summary, and fiscal impact statement are available on the Oregon Legislative Information System (OLIS).

The measure previously had a public hearing in the Natural Resources Subcommittee on April 18, 2013

The measure creates an alternative fuel vehicle revolving loan fund from the auctioning of \$3 million in tax credits, to assist public bodies and tribes in the purchase or conversion of alternative fuel vehicles. The measure has a \$3 million dollar fiscal impact in the 2013-15 biennium to the Oregon Department of Energy.

Amendment

There is a A8 amendment to the measure which describes what constitutes an alternative vehicle fuel fleet and eligible project, and ensures that the tax credits auctioned for the alternative vehicle revolving loan fund are within the existing \$20 million cap for transportation project incentives. The amendment also provides limited expenditure limitation in the amount of \$3 million dollars.

Motion: Move the A8 amendment to SB 583 - A.

Measure as Modified

The measure, as amended, is recommended to be moved to the full Committee on Joint Ways and Means.

Motion: Move SB 583 - A to the full committee with a “do pass” recommendation, as amended.

Assignment of Carriers

Full: _____
2nd Chamber: _____

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: SB 583 - A8

Seventy-Seventh Oregon Legislative Assembly – 2013 Regular Session
Legislative Fiscal Office

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Prepared by: Krista McDowell
Reviewed by: John Borden, Michelle Deister
Date: 7/3/2013

Measure Description:

Establishes Alternative Fuel Vehicle Revolving Fund.

Government Unit(s) Affected:

Department of Energy, Department of Revenue(DOR)

Summary of Expenditure Impact:

	2013-15 Biennium	2015-17 Biennium
Other Funds	3,000,000	64,000
Total Funds	\$3,000,000	\$64,000

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:

This bill establishes the Alternative Fuel Vehicle Revolving Fund (AVF), separate and distinct from the General Fund, and directs the State Department of Energy to use the funds for a loan program to help public bodies and tribes to purchase new alternative fuel vehicles or to convert existing vehicles to alternative fuel vehicles. The bill authorizes the Oregon Department of Revenue to hold a one-time auction of no more than \$3.0 million in tax credits to establish the initial funding source for the AVF. The Department of Revenue can charge up to .25 percent of proceeds from the sale of the tax credits to cover its administration costs. Remaining revenues from the tax credit auction are expected to fund Department of Energy administration and overhead costs as well as the loan program.

For the purposes of this analysis it is assumed that the Department of Revenue is able to sell all of the tax credits at a 1:1 ratio, meaning that a \$1 tax credit sells for \$1, resulting in \$3.0 million in revenues. Additionally, a .25 percent one-time administration fee will be charged, or \$7,500; leaving a total of \$2,992,500 million to establish the AVF to fund the loan program and Department of Energy administration expenses.

Initial startup costs for the program in the 2013-15 biennium are estimated at \$179,056 Other Funds and include work to be completed by existing State Energy Loan Program (SELP) employees, rulemaking, loan application forms, marketing tools and the creation of a website. Ongoing program administration in the 2015-17 biennium is estimated at \$64,000 Other Funds.

The 2013-15 budget for the Department of Energy, as recommended by the Joint Ways and Means Committee, includes sufficient staffing to accommodate this program. Administration and overhead costs for the program will be expended from the Alternative Fuel Vehicle Revolving Fund. To the extent that funds and revolve through loan repayments, ODOE will need to return to the legislature for additional expenditure limitation for additional loans expenditures from the Fund.

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
Seventy-Seventh Oregon Legislative
Assembly
2013 Regular Session
Legislative Revenue Office

Bill Number: SB 583 - A8
Revenue Area: Income Taxes
Economist: Chris Allanach
Date: 7/5/2013

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Measure Description: Makes two changes to the transportation projects tax credit. First, it adds the acquisition of an alternative fuel vehicle fleet to the definition of projects that are eligible for the tax credit. Second, it redirects \$3 million of transportation project tax credits to a credit that will be auctioned. The proceeds from this tax credit will be deposited into the Alternative Fuel Vehicle Revolving Fund, which is also created in this bill.

Revenue Impact: None

Impact Explanation: Under current law, there is a \$20 million biennial cap on tax credits to be issued by the Department of Energy for transportation projects. The May 2013 revenue forecast incorporates the assumption that these tax credits will be issued. Because this bill does not change the cap, there is no revenue impact. The addition of alternative fuel vehicle fleets to the definition of transportation projects and the redirection of the \$3 million in tax credits to the Alternative Fuel Vehicle Revolving Fund will change the nature of which tax credits will be issued but are not expected to change the amount of total tax credits issued.

Creates, Extends, or Expands Tax Expenditure: Yes No

Joint Committee on Ways and Means

Carrier – House: Rep.
Carrier – Senate: Sen.

Revenue: Revenue Impact Statement issued

Fiscal: Fiscal Impact Statement issued

Action:

Vote:

House

Yeas:

Nays:

Exc:

Senate

Yeas:

Nays:

Exc:

Prepared By: Krista McDowell and Michelle Deister, Legislative Fiscal Office

Meeting Date:

WHAT THE MEASURE DOES: Establishes Alternative Fuel Vehicle Revolving Fund. Continuously appropriates moneys in Fund to Oregon Department of Energy. Permits public bodies to borrow from Fund to purchase alternative fuel vehicles. Permits contributions and donations to Fund and provides opportunity for tax credit for contributions to Fund made by taxpayers. Provides for auction of tax credits established by measure.

ISSUES DISCUSSED:

- Similarities to Small-Scale Energy Loan Program
- Potential quantity of vehicles or fleets that may be converted
- Possible loan interest rates as compared to market interest rates

EFFECT OF COMMITTEE AMENDMENT: The A8 amendment inserts language as follows: alternative fuel vehicle fleets, as defined by provisions in the amendment, are added to allowable qualifying tax credits under alternative fuel vehicle projects; provides expenditure limitation in the amount of \$3 million dollars; and ties the tax credit auction to capitalize the revolving fund to the ODOE existing \$20 million tax credit cap for transportation projects.

BACKGROUND: Senate Bill 583-A is intended to assist public bodies, including federally-recognized Native American tribes, with the purchase of alternative fuel vehicles or the conversion of existing vehicles owned by public bodies to alternative fuel operation. The types of alternative fuels that would be eligible for the program include electric, liquefied natural gas, compressed natural gas, ethanol, methanol and propane, or any other fuel approved by administrative rule by the Oregon Department of Energy. The measure establishes the Alternative Fuel Vehicle Revolving Fund, to be administered by the Oregon Department of Energy, which is designed to make loans to assist with the conversion of existing fleet vehicles to alternative fuel systems and to purchase new alternative fuel vehicles; priority is to be given to conversion of existing vehicles.

Senate Bill 583-A also establishes that persons and corporations may qualify for a tax credit for making certified alternative fuel vehicle donations to the Fund. The Department of Revenue may conduct an auction of up to \$3 million in tax credits .

**PROPOSED AMENDMENTS TO
A-ENGROSSED SENATE BILL 583**

1 On page 1 of the printed A-engrossed bill, line 2, after “vehicles;” delete
2 the rest of the line and insert “creating new provisions; amending ORS
3 315.336, 469B.320 and 469B.344 and section 54, chapter 730, Oregon Laws 2011;
4 appropriating money; limiting expenditures; and prescribing an effective
5 date.”.

6 On page 2, line 10, delete “or” and insert “and”.

7 In line 16, after “program” insert “and any other costs incurred by the
8 department in carrying out the provisions of sections 1 to 7 of this 2013
9 Act”.

10 On page 4, delete lines 13 and 14 and insert:

11 **“SECTION 10. During the biennium beginning July 1, 2013, the limit**
12 **imposed under ORS 469B.344 (1)(a) on the total amount of potential tax**
13 **credits for all transportation projects in this state shall be reduced by**
14 **the total amount of potential tax credits auctioned under section 9 of**
15 **this 2013 Act during the biennium beginning July 1, 2013.**

16 **“SECTION 11. Section 9 of this 2013 Act applies to tax years begin-**
17 **ning on or after January 1, 2013, and before January 1, 2015.**

18 **“SECTION 12. Notwithstanding any other law limiting expenditures,**
19 **the limitation on expenditures established by section 1, chapter**
20 **_____, Oregon Laws 2013 (Enrolled House Bill 5011), for the biennium**
21 **beginning July 1, 2013, as the maximum limit for payment of expenses**
22 **from fees, moneys or other revenues, including Miscellaneous Re-**

1 **ceipts, but excluding lottery funds and federal funds, collected or re-**
2 **ceived by State Department of Energy, is increased by \$3,000,000.**

3 **“SECTION 13.** ORS 469B.320, as amended by section 7, chapter 45,
4 Oregon Laws 2012, is amended to read:

5 “469B.320. As used in ORS 315.336 and 469B.320 to 469B.347:

6 **“(1) ‘Acquisition of an alternative fuel vehicle fleet’ includes the**
7 **replacement of two or more vehicles that are not used primarily for**
8 **personal, family or household purposes, that are modified or acquired**
9 **directly from the factory and that:**

10 **“(a) Use an alternative fuel, including electricity, biofuel, gasohol**
11 **with at least 20 percent denatured alcohol content, hydrogen, Hythane,**
12 **methane, methanol, natural gas, propane or any other fuel approved**
13 **by the Director of the State Department of Energy as an alternative**
14 **fuel; and**

15 **“(b) Produce lower exhaust emissions, or are more energy efficient,**
16 **than equivalent vehicles fueled by gasoline or diesel.**

17 **“[(1)] (2) ‘Alternative fuel vehicle infrastructure project’ includes a facil-**
18 **ity for mixing, storing, compressing or dispensing fuels for alternative fuel**
19 **vehicles, and any other necessary and reasonable equipment.**

20 **“(3) ‘Alternative fuel vehicle project’ means:**

21 **“(a) The acquisition of an alternative fuel vehicle fleet; or**

22 **“(b) An alternative fuel vehicle infrastructure project.**

23 **“[(2)] (4) ‘Cost’ includes capital expenditures and core expenses such as**
24 **vehicle repair, fuel, personnel and administrative expenses.**

25 **“[(3)] (5) ‘Transportation project’ means:**

26 **“(a) Transit services provided to members of the public by a public or**
27 **nonprofit entity that receives state or federal funding for those services, or**
28 **is the direct recipient of funding from an entity that receives state or federal**
29 **funding for the services; or**

30 **“(b) An alternative fuel vehicle [*infrastructure*] project.**

1 **“SECTION 14.** ORS 315.336, as amended by section 6, chapter 45, Oregon
2 Laws 2012, is amended to read:

3 “315.336. (1) A credit is allowed against the taxes otherwise due under
4 ORS chapter 316 or, if the taxpayer is a corporation, under ORS chapter 317
5 or 318, for a transportation project, based upon the certified cost of the
6 project during the period for which the project is certified under ORS
7 469B.320 to 469B.347.

8 “(2) The credit allowed for a project other than an alternative fuel vehicle
9 [*infrastructure*] project shall be as follows:

10 “(a) For tax years beginning on or after January 1, 2011, and before Jan-
11 uary 1, 2012, the maximum allowed credit shall be:

12 “(A) 35 percent of certified cost, if a preliminary certification is issued
13 under ORS 469B.329 prior to July 1, 2011; or

14 “(B) 25 percent of certified cost, if a preliminary certification is issued
15 under ORS 469B.329 on or after July 1, 2011, and before January 1, 2012.

16 “(b) For tax years beginning on or after January 1, 2012, and before Jan-
17 uary 1, 2013, the maximum allowed credit shall be 25 percent of certified
18 cost.

19 “(c) For tax years beginning on or after January 1, 2013, and before Jan-
20 uary 1, 2014, the maximum allowed credit shall be 20 percent of certified
21 cost.

22 “(d) For tax years beginning on or after January 1, 2014, and before Jan-
23 uary 1, 2015, the maximum allowed credit shall be 15 percent of certified
24 cost.

25 “(e) For tax years beginning on or after January 1, 2015, and before Jan-
26 uary 1, 2016, the maximum allowed credit shall be 10 percent of certified
27 cost.

28 “(3) The total amount of the credit allowable for an alternative fuel ve-
29 hicle [*infrastructure*] project under this section may not exceed 35 percent
30 of the certified cost of the project.

1 “(4)(a) Except as provided in paragraph (b) of this subsection, the credit
2 allowed in each of the first two tax years in which the credit is claimed shall
3 be 10 percent of the certified cost of the project, but may not exceed the tax
4 liability of the taxpayer. The credit allowed in each of the succeeding three
5 years shall be five percent of the certified cost, but may not exceed the tax
6 liability of the taxpayer.

7 “(b) If the amount of the credit allowed under this section is less than
8 35 percent of the certified cost of the project, the credit allowed in any tax
9 year may not exceed five percent of the certified cost of the project, and may
10 not exceed the tax liability of the taxpayer.

11 “(5) In order for a tax credit to be allowable under this section:

12 “(a) The project must be located in Oregon.

13 “(b) The project must have received final certification from the Director
14 of the State Department of Energy under ORS 469B.320 to 469B.347.

15 “(6) Any tax credit otherwise allowable under this section that is not used
16 by the taxpayer in a particular year may be carried forward and offset
17 against the taxpayer’s tax liability for the next succeeding tax year. Any
18 credit remaining unused in that next succeeding tax year may be carried
19 forward and used in the second succeeding tax year, and likewise, any credit
20 not used in that second succeeding tax year may be carried forward and used
21 in the third succeeding tax year, and likewise, any credit not used in that
22 third succeeding tax year may be carried forward and used in the fourth
23 succeeding tax year, and likewise, any credit not used in that fourth suc-
24 ceeding tax year may be carried forward and used in the fifth succeeding tax
25 year, but may not be carried forward for any tax year thereafter. Credits
26 may be carried forward to and used in a tax year beyond the years specified
27 in subsection (2) of this section only as provided in this subsection.

28 “(7) The credit allowed under this section is not in lieu of any depreci-
29 ation or amortization deduction for the transportation project to which the
30 taxpayer otherwise may be entitled for purposes of ORS chapter 316, 317 or

1 318 for such year.

2 “(8) The taxpayer’s adjusted basis for determining gain or loss may not
3 be decreased by any tax credits allowed under this section.

4 “(9) The definitions in ORS 469B.320 apply to this section.

5 **“SECTION 15.** ORS 469B.344, as amended by section 10, chapter 45,
6 Oregon Laws 2012, is amended to read:

7 “469B.344. (1)(a) The total amount of potential tax credits for all trans-
8 portation projects in this state may not, at the time of preliminary certifi-
9 cation under ORS 469B.329, exceed \$20 million for any biennium.

10 “(b) For each tax year, the Director of the State Department of Energy
11 may allocate a percentage of the amount allowed in paragraph (a) of this
12 subsection to alternative fuel vehicle [*infrastructure*] projects and a percent-
13 age to transit services.

14 “(2) Notwithstanding ORS 315.336, in the event that the director receives
15 applications for preliminary certification with a total amount of potential
16 tax credits in excess of the limits set by the director pursuant to subsection
17 (1)(b) of this section, the director shall allocate the issuance of preliminary
18 certifications among applicants as follows:

19 “(a) If an excess of applications for credits for transit services is received,
20 the director shall allocate the issuance of preliminary certifications among
21 applicants for credits for transit services and proportionately reduce the
22 amount of allowed credit, with no applicant receiving more than 20 percent
23 of the amount established under subsection (1)(b) of this section for transit
24 services.

25 “(b) The director may allocate the issuance of preliminary certifications
26 among applicants for credits for alternative fuel vehicle [*infrastructure*]
27 projects and may award credits for less than the amount otherwise allowed
28 applicants.

29 “(c) If, after making any reductions required under paragraph (a) of this
30 subsection, an unallocated amount remains, the director shall allocate this

1 additional amount among applicants affected by the percentage restriction
2 in paragraph (a) of this subsection.

3 **“SECTION 16.** Section 54, chapter 730, Oregon Laws 2011, is amended to
4 read:

5 **“Sec. 54.** (1) A taxpayer may not be allowed a credit for a transportation
6 project, other than an alternative fuel vehicle [*infrastructure*] project, certi-
7 fied under [*section 60 of this 2011 Act*] **ORS 469B.332** if the first tax year for
8 which the credit would otherwise be allowed begins on or after January 1,
9 2016.

10 **“(2)** A taxpayer may not be allowed a credit for an alternative fuel vehicle
11 [*infrastructure*] project certified under [*section 60 of this 2011 Act*] **ORS**
12 **469B.332** if the first tax year for which the credit would otherwise be allowed
13 begins on or after January 1, 2018.

14 **“SECTION 17.** The amendments to **ORS 315.336, 469B.320 and**
15 **469B.344 by sections 13 to 15 of this 2013 Act apply to tax years begin-**
16 **ning on or after January 1, 2015.”.**

17 In line 15, delete “11” and insert “18”.
18 _____