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Proposed Modifications to the Shared Services Fund
SB 213 and SB 314

Background

The Shared Services Fund was established by the Legislature in 2007 (SB 954). The bill required firms receiving property tax relief under the Strategic Investment Program (SIP) to report average employment and wages directly attributed to the project receiving property tax relief to the Business Development Department. The Business Development Department then forwards this information to the Department of Administrative (DAS) for calculation of the amount to be deposited in the Shared Services Fund. DAS estimates the amount of personal income tax collections associated with the project by calculating the average state income tax bill for the average wage multiplied by the number of eligible employees. 50% of this figure is then allocated on an annual basis to local taxing districts based on the allocation of the community services fees under the Strategic Investment Program.

The concept behind the Shared Services Fund, discussed at length by the Senate Finance and Revenue Committee in 2007, was to help defray the additional service costs to local governments in those areas where the SIP was used successfully. Since Washington County was the most extensive user of the SIP, it was the center of the committee's discussion. The committee acknowledged that the property tax, restrained by Measure 50 value limits, had become rigid and only partially responsive to economic growth. In contrast, the state's income tax dominated revenue system was highly responsive to economic growth.

The revenue impact for SB 954 anticipated a SIP project starting in the 2010-11 fiscal year. The revenue loss to the state (gain to the Shared Services Fund) was \$0.6 million the 2009-11 biennium and \$4.5 million in the 2011-13 biennium. In keeping with Legislative Revenue Office practice at the time, the impact estimate was carried out through 3 biennia only.

Description of the Bills

SB 223

- Clarifies that DAS must transfer balances in the Shared Services Fund to eligible taxing districts.
- Extends the sunset on the Shared Services Fund from 1-1-2019 to 1-1-2029.

SB 314

- Directs Department of Revenue to transfer 50% of personal income tax collections identified as attributable to an eligible SIP project to the Shared Services Fund.
- Directs Department of Administrative Services to certify amounts of revenue eligible for transferal to the Shared Services Fund by May 15 each year to the Department of Revenue, the Legislative Revenue Office and the Legislative Fiscal Office.
- Specifies that first transfer under the bill is to be made after July 1, 2013.

Current Distribution of Shared Service Fund Payments

The Department of Administrative Services transferred \$11,965,254 to taxing districts in eligible counties for the 2012-13 fiscal year. Table 1 shows payments by county. Table 2 shows the distribution among taxing districts in Washington County.

Table 1: Distribution of Shared Service Payments

By Project At the County Level		Within Washington County (2005 Intel Project)	
County	Distribution	Taxing District	% Distribution
Washington	\$11,570,726	County	60.9%
Clatsop	\$165,922	City	36.7%
Union	\$29,354	Metro	0.8%
Sherman	\$129,372	TV Fire & Rescue	0.6%
Gilliam & Morrow	\$16,345	Port	0.6%
Gilliam	\$26,787	Enhanced Sheriff's Patrol District	0.4%
Morrow & Umatilla	\$14,057	Urban Road Maintenance District	0.1%
Umatilla	\$12,691		
Total	\$11,965,254		

Shared Service Fund Projections

With the emergence of eligible projects in 2011-12, Shared Service Fund revenue became an element in the current law General Fund revenue forecast. Table 2 shows the projected revenue flowing into the fund based on the expected number of eligible projects along with the income tax collections associated with wages attributed to those projects.

Table 2:
Projected Fund Transfer from General Fund

Biennium	Transfer to Shared Services Fund (millions)
2011-13*	\$12.0
2013-15	\$56.2
2015-17	\$75.6
2017-19	\$83.2
2019-21	\$90.9

*Actual

LRO: 3-13-13