



**Testimony of Jim McCauley
Representing Washington County**

Before the Senate Finance and Revenue Committee

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Good afternoon, Chair Burdick and Committee Members. My name is Jim McCauley Deputy Government Affairs Manager for Washington County. Andy Duyck, the Chairman of the Washington County Board of Commissioners, and Rob Massar, the Assistant County Administrator, are both with me today. You will hear from them shortly.

Thank you for providing Washington County, the City of Hillsboro, and others the opportunity to comment on the Gain Share program authorized by SB 954 in the 2007 legislative session. We will discuss the rationale for its creation and what has happened since then,

Gain Share is a part of the Strategic Investment Program (SIP), which was created in 1993. The State felt it needed an economic development instrument that would attract and retain world-class traded sector companies. SIP established authority for counties, to negotiate 15-year property tax abatements on land, buildings or equipment for businesses willing to invest at least \$100 million in an urban area or \$25 million in a rural location.

Since 1996 Washington County has entered into 6 SIP agreements that have foregone/abated the collection of approximately \$600 million in property taxes. These in turn have generated approximately \$270 million annually in income taxes for the State of Oregon. Rob Massar will explain these numbers in more detail, later in our presentation.

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The Gain-Share policy discussion began in 2005 when local elected officials were anticipating another round of SIP agreements. They felt it unfair for citizens to give up their property taxes and not be able to share in the significant amount of income tax revenue it created for the state. By the 2007 session the Gain-Share idea emerged as the mechanism to address the fairness question.

Two key arguments brought about the adoption of SB 954:

- 1) Washington County's taxing districts, after negotiating several Strategic Investment Programs, were finding that public resistance to property tax abatements was increasingly difficult. They could not prove that forgone property taxes would bring sufficient new revenue back to the local community. Local elected officials from all parts of the state wanted their communities to be pistons in Oregon's economic engine but needed a way to clearly demonstrate to their constituents that diverting a portion of their precious property tax revenues would generate an adequate local return on this investment.

It was also about fairness: If local taxing districts were willing to forgo property taxes, then they deserve at least an equal share of what this investment generated. This is why the phrase "Gain-Share" was applied to this concept; as economic performance improves state, regional and local partners all share the gain.

- 2) In 2007 a lot of legislative interest was being directed at methods to reform Oregon's tax system. Gain Share was proposed as a method to encourage local governments to invest their property taxes and create additional revenue for the state.

Legislative support for this policy was strong. In fact, at one stage of the process the shared amount was 75% for the local taxing districts and 25% for the state. And there was also consideration given to expanding the Gain-Share principle to apply in Enterprise Zones.

The hearings process determined that the state of Oregon and local governments should have an equal share in the income taxes generated by the property tax investments.

Thank you for your attention and consideration. Rob Massar will now provide you details on the economic costs and benefits of the Gain Share and SIP programs in Washington County.

Thank you.