

SB 129, SB 57 and SB 848

Gain Share's demise is overdue. None of these bills reflects the full reality that Gain Share was a 2007 legislative mistake.



When enacting Gain Share, Legislators made one kind of property tax break unlike all others. We don't compensate local jurisdictions for any other of the multitude of property tax breaks available in Oregon. It would be appropriate, if we had the money, but we don't. Local property tax revenue is reduced or eliminated entirely for many types of properties--- farm and forest land, government buildings, churches, hospitals, universities, and enterprise zones. In none of these cases does the legislature pass back to local communities any percentage of the income taxes of the employees working at these properties.

This sharing of income taxes is done only for SIP properties -- largely wind farms, Genentech and Intel. Think of these examples:

Jurisdiction	Workers and Business	Number of Employees	Property Taxes Paid
Eugene	College students and professors	60,000	zero
Salem	State employees	21,000	zero
Douglas County	Private employees in enterprise zones	1200 ¹	zero
Washington County	Intel and Genentech ² employees	18,000	\$41.3 m

Of these, only Washington County received a Gain Share payment, and it comes in addition to significant property tax receipts. While the other communities received neither property taxes nor payments from the state to help provide local services, Washington County received \$41.3 m in property taxes from Intel and Genentech and also \$37.8 million in Gain Share from the General Fund.

Gain Share is neither logical nor fair to the rest of the state. It should be discontinued. A simple majority vote this session could save \$158 million between now and Gain Share's sunset 1.1.2019. That's enough to pay for seven days of school statewide, to fund a good number of the new ideas put forward this session or to strengthen our social service programs.

None of the bills before you today end Gain Share immediately.

¹ Local enterprise zones exempt businesses from 100% of taxes for 3-5 years. Used widely, for example Coos, Deschutes, and Linn counties each have 500 - 1200 employees working at tax exempt properties in enterprise zones, but the counties receive no Gain Share.

² Property tax and SIP fee data for 2013-14 from the Washington County Assessor. Though their property taxes are reduced by SIP agreements, these two businesses paid \$41.3 million to Washington County in local property taxes and fees last year. Each has properties that are not in SIP agreements in addition to their SIP properties.

SB 57 is the best, largely because it reduces the cost by roughly 73%. It allows Gain Share to sunset on 1.1.2019 instead of immediately. It reduces Gain Share's cost from \$158 to **\$40+ million** between now and its sunset.

SB 848 reduces the impact by the same 73%, but continues Gain Share for 10 more years. We estimate its cost at **\$260+ million**.

SB 129 reduces Gain Share's impact, so it's a step in the right direction, but will cost **\$450 + million** over the coming 10 years.

Unless you've funds to give communities for each new campus building or enterprise zone business, it's unfair to continue Gain Share for communities with SIP projects.

For example: When Facebook built in Prineville they were eligible to use either a 15-year Rural Enterprise Zone exemption or a Rural SIP. They negotiated 15 years of Rural Enterprise Zone payments, up from zero, which is all that is required, to \$110,000 per year.³ Prineville and Crook County get no Gain Share because that's not part of the Rural Enterprise Zone. But, if the deal were a SIP deal instead, the local community would be receiving roughly nine times more revenue from Facebook under the SIP law, and they would be receiving Gain Share payments from the state.

Given inadequate funds to make it fair, we think ending Gain Share is the only defensible solution to the situation.

We advocate for simply returning the funds to the General Fund from whence they come. This means human services, new economic development ideas put forward this session, college and K-12 education would all be more likely to receive more funding, as it **leaves the money in your hands.**

Devoting 100% of the money to K-12 is an idea others have suggested. The results would include:

- The wind farm communities would lose \$660,000 of Gain Share but gain \$4.3 m in school funding.
- Multnomah County would gain \$15.7 m in school funding with Portland Public Schools receiving \$7.8 m of that.
- Even Washington Counties' schools would have no reason to complain. They would get \$13.9 million....a bit more than they received from Gain Share in the most recent "gifts" from Hillsboro and Washington County.

Speaking specifically to the bills, with each of these bills, we've two concerns.

- 1) K-12 is protected somewhat. However, Community Colleges and ESDs are not, and should be.
- 2) Money is given to new economic development funds with no sidebars: what are the goals, how are decisions will to be made, will this be loans vs grants, what are the criteria for funding one project over another?

We urge you to turn away from these compromise bills and simply end Gain Share.

³ Facebook has agreed to pay annual "project fees" of \$110,000 which will total \$1,650,000 over 15 years under their Rural Enterprise Zone agreement. With a Rural SIP, their tax and fee payments would have averaged roughly \$970,000 a year for a total of \$14,500,000 over 15 years, and the community would get Gain Share as do the communities above.

Background Information

Gain Share Distribution: Payments are distributed to counties based on one half the estimated personal taxes of the employees at each SIP site. The most recent distributions were:

Totals by County ⁴	
County	Amount Due to County
Umatilla	\$ 18,000
Morrow	\$ 19,000
Morrow & Gilliam	\$ 9,000
Union	\$ 24,000
Gilliam	\$ 51,000
Sherman	\$ 74,000
Clatsop	\$ 111,000
Washington County	\$ 37,805,000
Total	\$ 38,111,000

**Washington County received 99% of this year's Gain Share distributions.
How do they plan to spend Gain Share?**

Hillsboro, Metro, the Port and TVF&R get their share of Gain Share.

Schools only get gifts. Last year, of \$38 m, K-12 got \$10 m, and then when an unanticipated \$6 million arrived, another \$3 m went to the schools.

Washington County Commissioner's plan for use of their own distribution of Gain Share 2013-18⁵ indicates that in anticipation of nearly \$90 million, County Commissioners intended is to spend:

- \$34 m -- Seismic upgrades & IT projects
- \$20 m -- Events Center/Veterans Plaza
- \$15 m -- Countywide Bike/Ped safety projects
- \$10 m -- Reserves
- \$7.5 m --Traffic congestion & growth mitigation
- \$2.5 m --Small Projects Opportunity Fund

⁴ Calculated by the Department of Administrative Services for presentation to the E-Board April 30, 2014. Payments are calculated for property tax year 2012 with employment data from 2013. Numbers rounded by TFO.

⁵ "Washington County Gain Share Program Project Funding Discussion," spreadsheet created by Washington County

25 SIP agreements have moved forward since 1994.

The Tax Expenditure Report estimates that SIPs reduced property tax receipts by \$520 m this biennium, up from \$367 m last. Gain Share's estimated cost to the General Fund is \$95 million for 2015-17, and \$63 million for 2015-16.

The benefits to businesses are generous. Most recently, Intel's SIP property tax subsidy for the year was \$124 m. Intel paid \$24 million in fees and taxes on their SIP properties, of which \$4.5m was property tax; the remainder was fees. On other Washington County properties they paid \$17 m. in property taxes, for a total of \$41 million. Only the property tax revenue was shared with schools.

SIP Projects since inception in 1994

Name of Project	County	1st Year	Investment thru 6/2010
Intel SIP 2014 Multiple projects	Washington	Not yet active	
PGE Carty Generating Station	Morrow	Not yet active	
PGE Port Westward II	Columbia	2015	
Shepherds Flats	Gilliam	2012	
Shepherds Flats	Morrow	2012	
Intel SIP2005	Washington	2010	\$770 million
Wauna Paper Mill, Georgia-Pacific	Clatsop	2008	\$318 million
Genentech	Washington	2010	\$433 million
Elkhorn Wind Farm, EDP	Union	2008	\$191 million
Klondike III Wind Farm,	Sherman	2008	\$458 million
PGE Biglow Canyon Wind Farm	Sherman	2008	\$960 million
Willow Creek Wind Farm,	Gilliam Morrow	2009	\$128 million
Hay Canyon Wind Farm-Star Pt	Sherman	2009	\$326 million
Pebble Springs Wind Farm	Gilliam	2009	\$539 million
Echo Wind Farms	Morrow Umatilla	2009	\$140 million
Combine Hills II Wind Farm	Umatilla	2010	\$137 million
Stateline III Wind Farm	Umatilla	2010	\$188 million
Microchip Technology	Multnomah		\$358 million
Intel SIP1999	Washington		\$12 billion 500 million
Intel Ronler Acres	Washington	finished	\$2 billion 241 million
Integrated Device Technology	Washington	finished	
Intel Aloha Campus	Washington	finished	
LSI	Multnomah	finished	

Sources:

Tax Expenditure Report, page 297.

<http://www.oregon4biz.com/Contact-us/Public-Record-Request/> on 11.5.2013, see "Table of Ongoing Projects" under the Strategic Investment Program heading, and email dated 11.5.2013 from Marc Zolton of marc.zolton@biz.state.or.us, for the finished projects. An email from Ivo Trummer of OBDD dated 1.21.2015 provided the most recent five projects. He reported 2 moribund projects as well. There have been two other applications on which there has been no action: Columbia Energy Partners' Echanis Wind Farm in Harney County appears unlikely to move forward, and BP North American Inc. Orion Renewables' Golden Hills Wind Farms hasn't been begun. OBDD reports it was perhaps sold or never begun.