

A-Engrossed
House Bill 2070

Ordered by the House April 16
Including House Amendments dated April 16

Introduced and printed pursuant to House Rule 12.00. Pre-session filed (at the request of House Interim Committee on Revenue)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

[Advances sunset of gain share program.]

[Repeals Shared Services Fund and laws pertaining to shared services distributions.]

[Takes effect on 91st day following adjournment sine die.]

Restricts base of shared services distributions to personal income tax revenue attributable to newly created jobs for eligible projects. Directs Department of Revenue to make shared services distributions out of unreceipted personal income tax revenue. Limits amount of shared services distributions county may receive per biennium and requires distribution of amounts in excess of limit to State School Fund.

Sunsets shared services distributions on January 1, 2025.

Declares emergency, effective on passage.

A BILL FOR AN ACT

1
2 Relating to shared services distributions; creating new provisions; amending ORS 285C.600, 285C.615,
3 285C.635 and 327.008 and section 6, chapter 905, Oregon Laws 2007; repealing ORS 285C.639;
4 and declaring an emergency.

5 **Be It Enacted by the People of the State of Oregon:**

6 **SECTION 1.** ORS 285C.600 is amended to read:

7 285C.600. As used in ORS 285C.600 to 285C.639:

8 (1) "Business firm" has the meaning given that term in ORS 285C.050.

9 (2) "Eligible project" means a project that meets criteria established by the Oregon Business
10 Development Commission to be exempt from property taxation under ORS 307.123.

11 (3) "First-source hiring agreement" has the meaning given that term in ORS 285C.050.

12 (4) **"Newly created jobs" means, for an eligible project, positions that opened since the**
13 **strategic investment program application for the project was made and that still existed in**
14 **the preceding calendar year.**

15 [(4)] (5) "Publicly funded job training provider" has the meaning given that term in ORS
16 285C.050.

17 [(5)] (6) "Rural area" means an area located entirely outside of the urban growth boundary of
18 a city with a population of 30,000 or more, as the urban growth boundary is acknowledged on De-
19 cember 1, 2002.

20 [(6)] (7) "Strategic investment zone" means a geographic area established under ORS 285C.623,
21 within which the property of eligible projects may be exempt from property taxation under ORS
22 307.123.

23 **SECTION 2.** ORS 285C.615 is amended to read:

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 285C.615. (1) On or before April 1 following each tax year that property is exempt under ORS
2 307.123, the business firm that owns or leases the exempt property shall submit a report to the
3 Oregon Business Development Department, in addition to any other reporting or filing requirement.

4 (2) The report shall be in a form prescribed by the Oregon Business Development Department
5 and shall include:

6 (a) The assessed value and location of taxable and exempt property constituting the eligible
7 project and the corresponding payment and savings of property taxes for the tax year, as ascer-
8 tained from the county assessor;

9 (b) The amount and disposition of fees and other amounts paid by the business firm pursuant to
10 the agreement with the county under ORS 285C.609 in the immediately preceding calendar year;

11 (c) The average number of persons hired or employed by the business firm in association with
12 the eligible project, determined by dividing the total number of hours for which such hired or em-
13 ployed persons were paid during the immediate prior calendar year by 2,080;

14 (d) The annual amount of taxable income and total compensation paid to employees as described
15 in paragraph (c) of this subsection;

16 (e) Numbers and amounts as described in paragraphs (c) and (d) of this subsection for [*jobs re-*
17 *tained in direct relation to*] **retained jobs and newly created jobs for** the eligible project; and

18 (f) Any other information required by the department.

19 (3)(a) If a business firm fails to provide a report required under this section or to verify infor-
20 mation as requested by the Oregon Business Development Department, the Oregon Business Devel-
21 opment Commission, upon recommendation by the department, may suspend the determination of the
22 commission that the project receive the tax exemption provided for in ORS 307.123.

23 (b) If the commission suspends the determination of eligibility under this subsection, the ex-
24 emption is revoked as provided in ORS 307.123 (6), until the department receives the report.

25 (c) Upon receipt of a report required under this section or the information requested by the
26 department, the department shall notify the commission and the commission shall rescind the sus-
27 pension **required under this subsection.**

28 (4) Information collected under this section may be used by the Oregon Business Development
29 Department to make aggregate figures and analyses of activity under the strategic investment pro-
30 gram publicly available.

31 (5) Specific data concerning the financial performance of individual firms collected under this
32 section is exempt from public disclosure under ORS chapter 192.

33 (6) After receiving the reports required under this section, the Oregon Business Development
34 Department shall compile and organize the reported information for purposes of ORS 285C.635 and
35 transmit it to the Oregon Department of Administrative Services. The Oregon Business Develop-
36 ment Department shall transmit the information not later than April 15.

37 (7) The Oregon Business Development Department shall adopt rules the department considers
38 necessary to administer ORS 285C.600 to 285C.639.

39 **SECTION 3.** ORS 285C.635 is amended to read:

40 285C.635. (1)(a) Upon receipt of information compiled under ORS 285C.615, the Oregon Depart-
41 ment of Administrative Services shall determine the annual amount of personal income tax revenue
42 attributable to **newly created jobs for** each eligible project for which an eligible business firm re-
43 ceived a property tax exemption under ORS 307.123.

44 (b) The amount of personal income tax revenue attributable to **newly created jobs for** each
45 eligible project under this subsection may not include personal income tax revenue attributable to

1 the estimated incremental income tax revenues generated by an eligible employer in connection with
 2 a tax reimbursement arrangement or loan agreement that has been entered into under the Oregon
 3 Industrial Site Readiness Program established by ORS 285B.627.

4 [(2)] (c) In determining the amount of personal income tax revenue attributable to **newly cre-**
 5 **ated jobs for** each eligible project, the Oregon Department of Administrative Services may rely on
 6 reasonable techniques of estimation, if appropriate.

7 [(3)] (2) Not later than May 15 of each fiscal year, the Oregon Department of Administrative
 8 Services shall certify **to the Department of Revenue, the Legislative Revenue Officer and the**
 9 **Legislative Fiscal Officer** the amounts determined under subsection (1) of this section [*to the De-*
 10 *partment of Revenue, the Legislative Revenue Officer and the Legislative Fiscal Officer*] **and the**
 11 **amounts described in subsection (3) of this section to be distributed by the Department of**
 12 **Revenue under subsection (4) of this section.**

13 (3)(a) **The total amount to be distributed by the Department of Revenue under subsection**
 14 **(4) of this section equals 50 percent of the total annual amount of personal income tax re-**
 15 **venue attributable to newly created jobs for all eligible projects as determined under sub-**
 16 **section (1) of this section.**

17 (b)(A) **Each county in which an eligible project is located shall receive the amount ob-**
 18 **tained by multiplying the total amount to be distributed described in paragraph (a) of this**
 19 **subsection by the ratio of the annual amount of personal income tax revenue determined**
 20 **under subsection (1) of this section attributable to newly created jobs for all eligible projects**
 21 **in the county to the annual amount of personal income tax revenue determined under sub-**
 22 **section (1) of this section attributable to newly created jobs for all eligible projects in all**
 23 **counties.**

24 (B) **The county shall distribute the amount received under this paragraph to the taxing**
 25 **districts in the county in which an eligible project is located in a manner consistent with the**
 26 **distribution of the community services fee under ORS 285C.609 for the project.**

27 (c) **Notwithstanding paragraph (b) of this subsection, a county may not receive distrib-**
 28 **utions under this subsection totaling more than \$10 million for any biennium. Excess**
 29 **amounts for all counties shall be distributed to the State School Fund established under ORS**
 30 **327.008.**

31 (4) Not sooner than July 10 and not later than July 15 of the [*following fiscal year, after receiving*
 32 *the certification under subsection (3) of this section,*] **fiscal year immediately following the fiscal**
 33 **year in which the certification under subsection (2) of this section is made,** the Department
 34 of Revenue shall [*transfer an amount equal to 50 percent of the cumulative amount for all eligible*
 35 *projects determined under subsection (1) of this section to the Shared Services Fund established in ORS*
 36 *285C.639*] **make the distributions described in subsection (3) of this section.**

37 (5) The Department of Revenue shall retain unreceipted revenue from the tax imposed under
 38 ORS chapter 316 in an amount necessary to make the [*transfer*] **distributions** required under sub-
 39 section (4) of this section. The department shall make the [*transfer*] **distributions** out of the unre-
 40 ceipted revenue in lieu of paying the revenue over to the State Treasurer for deposit in the General
 41 Fund.

42 (6) The Oregon Department of Administrative Services shall adopt rules necessary to administer
 43 this section.

44 **SECTION 4. ORS 285C.639 is repealed.**

45 **SECTION 5.** ORS 327.008, as amended by section 6, chapter 81, Oregon Laws 2014, is amended

1 to read:

2 327.008. (1) There is established a State School Fund in the General Fund. The fund shall consist
3 of moneys appropriated by the Legislative Assembly *[and]*, moneys transferred from the Education
4 Stability Fund **and moneys distributed by the Department of Revenue under ORS 285C.635**
5 **(3)(c)**. The State School Fund is continuously appropriated to the Department of Education for the
6 purposes of ORS 327.006 to 327.077, 327.095, 327.099, 327.101, 327.125, 327.137, 327.348, 336.575,
7 336.580, 336.635, 342.173, 343.243, 343.533 and 343.961 and sections 1 to 3, chapter 735, Oregon Laws
8 2013, and section 2, chapter 81, Oregon Laws 2014.

9 (2) There shall be apportioned from the State School Fund to each school district a State School
10 Fund grant, consisting of the positive amount equal to a general purpose grant and a facility grant
11 and a transportation grant and a high cost disabilities grant minus local revenue, computed as pro-
12 vided in ORS 327.011 and 327.013.

13 (3) There shall be apportioned from the State School Fund to each education service district a
14 State School Fund grant as calculated under ORS 327.019.

15 (4) All figures used in the determination of the distribution of the State School Fund shall be
16 estimates for the same year as the distribution occurs, unless otherwise specified.

17 (5) Numbers of students in average daily membership used in the distribution formula shall be
18 the numbers as of June of the year of distribution.

19 (6) A school district may not use the portion of the State School Fund grant that is attributable
20 to the facility grant for capital construction costs.

21 (7) The total amount of the State School Fund that is distributed as facility grants may not ex-
22 ceed \$20 million in any biennium. If the total amount to be distributed as facility grants exceeds this
23 limitation, the Department of Education shall prorate the amount of funds available for facility
24 grants among those school districts that qualified for a facility grant.

25 (8) Each fiscal year, the Department of Education shall transfer to the Pediatric Nursing Facil-
26 ity Account established in section 5, chapter 81, Oregon Laws 2014, the amount necessary to pay
27 the costs of educational services provided to students admitted to pediatric nursing facilities as
28 provided in section 2, chapter 81, Oregon Laws 2014.

29 (9) Each fiscal year, the Department of Education shall transfer the amount of \$18 million from
30 the State School Fund to the High Cost Disabilities Account established in ORS 327.348.

31 (10)(a) Each biennium, the Department of Education shall transfer \$33 million from the State
32 School Fund to the Network of Quality Teaching and Learning Fund established under ORS 342.953.

33 (b) For the purpose of making the transfer under this subsection:

34 (A) The total amount available for all distributions from the State School Fund shall be reduced
35 by \$5 million;

36 (B) The amount distributed to school districts from the State School Fund under this section and
37 ORS 327.013 shall be reduced by \$14 million; and

38 (C) The amount distributed to education service districts from the State School Fund under this
39 section and ORS 327.019 shall be reduced by \$14 million.

40 (c) For each biennium, the amounts identified in paragraph (b)(B) and (C) of this subsection shall
41 be adjusted by the same percentage by which the amount appropriated to the State School Fund for
42 that biennium is increased or decreased compared to the preceding biennium, as determined by the
43 Department of Education after consultation with the Legislative Fiscal Officer.

44 (11) Each fiscal year, the Department of Education may expend up to \$550,000 from the State
45 School Fund for the contract described in ORS 329.488. The amount distributed to education service

1 districts from the State School Fund under this section and ORS 327.019 shall be reduced by the
2 amount expended by the department under this subsection.

3 (12) Each biennium, the Department of Education may expend up to \$350,000 from the State
4 School Fund to provide administration of and support for the development of talented and gifted
5 education under ORS 343.404.

6 (13) Each biennium, the Department of Education may expend up to \$150,000 from the State
7 School Fund for the administration of a program to increase the number of speech-language
8 pathologists and speech-language pathology assistants under ORS 348.394 to 348.406.

9 (14) Each fiscal year, the Department of Education shall transfer the amount of \$2.5 million from
10 the State School Fund to the Small School District Supplement Fund established in section 3, chap-
11 ter 735, Oregon Laws 2013.

12 **SECTION 6.** ORS 327.008, as amended by section 7, chapter 735, Oregon Laws 2013, and section
13 7, chapter 81, Oregon Laws 2014, is amended to read:

14 327.008. (1) There is established a State School Fund in the General Fund. The fund shall consist
15 of moneys appropriated by the Legislative Assembly [and], moneys transferred from the Education
16 Stability Fund **and moneys distributed by the Department of Revenue under ORS 285C.635**
17 **(3)(c).** The State School Fund is continuously appropriated to the Department of Education for the
18 purposes of ORS 327.006 to 327.077, 327.095, 327.099, 327.101, 327.125, 327.137, 327.348, 336.575,
19 336.580, 336.635, 342.173, 343.243, 343.533 and 343.961 and section 2, chapter 81, Oregon Laws 2014.

20 (2) There shall be apportioned from the State School Fund to each school district a State School
21 Fund grant, consisting of the positive amount equal to a general purpose grant and a facility grant
22 and a transportation grant and a high cost disabilities grant minus local revenue, computed as pro-
23 vided in ORS 327.011 and 327.013.

24 (3) There shall be apportioned from the State School Fund to each education service district a
25 State School Fund grant as calculated under ORS 327.019.

26 (4) All figures used in the determination of the distribution of the State School Fund shall be
27 estimates for the same year as the distribution occurs, unless otherwise specified.

28 (5) Numbers of students in average daily membership used in the distribution formula shall be
29 the numbers as of June of the year of distribution.

30 (6) A school district may not use the portion of the State School Fund grant that is attributable
31 to the facility grant for capital construction costs.

32 (7) The total amount of the State School Fund that is distributed as facility grants may not ex-
33 ceed \$20 million in any biennium. If the total amount to be distributed as facility grants exceeds this
34 limitation, the Department of Education shall prorate the amount of funds available for facility
35 grants among those school districts that qualified for a facility grant.

36 (8) Each fiscal year, the Department of Education shall transfer to the Pediatric Nursing Facil-
37 ity Account established in section 5, chapter 81, Oregon Laws 2014, the amount necessary to pay
38 the costs of educational services provided to students admitted to pediatric nursing facilities as
39 provided in section 2, chapter 81, Oregon Laws 2014.

40 (9) Each fiscal year, the Department of Education shall transfer the amount of \$18 million from
41 the State School Fund to the High Cost Disabilities Account established in ORS 327.348.

42 (10)(a) Each biennium, the Department of Education shall transfer \$33 million from the State
43 School Fund to the Network of Quality Teaching and Learning Fund established under ORS 342.953.

44 (b) For the purpose of making the transfer under this subsection:

45 (A) The total amount available for all distributions from the State School Fund shall be reduced

1 by \$5 million;

2 (B) The amount distributed to school districts from the State School Fund under this section and
3 ORS 327.013 shall be reduced by \$14 million; and

4 (C) The amount distributed to education service districts from the State School Fund under this
5 section and ORS 327.019 shall be reduced by \$14 million.

6 (c) For each biennium, the amounts identified in paragraph (b)(B) and (C) of this subsection shall
7 be adjusted by the same percentage by which the amount appropriated to the State School Fund for
8 that biennium is increased or decreased compared to the preceding biennium, as determined by the
9 Department of Education after consultation with the Legislative Fiscal Officer.

10 (11) Each fiscal year, the Department of Education may expend up to \$550,000 from the State
11 School Fund for the contract described in ORS 329.488. The amount distributed to education service
12 districts from the State School Fund under this section and ORS 327.019 shall be reduced by the
13 amount expended by the department under this subsection.

14 (12) Each biennium, the Department of Education may expend up to \$350,000 from the State
15 School Fund to provide administration of and support for the development of talented and gifted
16 education under ORS 343.404.

17 (13) Each biennium, the Department of Education may expend up to \$150,000 from the State
18 School Fund for the administration of a program to increase the number of speech-language
19 pathologists and speech-language pathology assistants under ORS 348.394 to 348.406.

20 **SECTION 7.** Section 6, chapter 905, Oregon Laws 2007, is amended to read:

21 **Sec. 6.** (1) [*Sections 2 and 3 of this 2007 Act*] **ORS 285C.615 and 285C.635** apply to:

22 (a) Tax years beginning on or after January 1, 2009[, and before January 1, 2019].

23 [(2)] (b) [*Sections 2 and 3 of this 2007 Act apply only to*] Income taxes [*generated as the result*
24 *of an eligible project that first becomes*] **attributable to eligible projects that first become** exempt
25 from property taxation under ORS 307.123 on or after January 1, 2008[, and continue to apply only
26 as long as the project remains exempt].

27 **(2) Distributions under ORS 285C.635 may not be made on or after January 1, 2025.**

28 **SECTION 8. This 2015 Act being necessary for the immediate preservation of the public**
29 **peace, health and safety, an emergency is declared to exist, and this 2015 Act takes effect**
30 **on its passage.**

31