

# Senate Bill 129

Sponsored by Senator DEVLIN; Senators BATES, BEYER, BOQUIST, HANSELL, HASS, JOHNSON, KNOPP, MONROE, ROBLAN, STEINER HAYWARD (Presession filed.)

## 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 **as introduced**.

Requires Department of Revenue to transfer 10 percent of total annual amount of personal income tax revenue attributable to eligible projects located in counties for which cumulative amount exceeds \$5 million to Local Economic Opportunity Fund. Continuously appropriates transferred moneys and interest on transferred moneys in fund to Oregon Business Development Department for grant program to support economic development in fiscally distressed counties.

Requires Department of Revenue to transfer to Shared Services Fund cumulative amount for all eligible projects, less amount of transfer to Local Economic Opportunity Fund, multiplied by 50 percent.

In county for which total amount of personal income tax revenue attributable to eligible project exceeds \$5 million, requires 40 percent of distribution county would otherwise receive to be distributed to school districts with schools in county and to State School Fund for distribution to school districts without schools in county. Excludes distributions to school districts from local revenues for purposes of State School Fund distributions.

Extends sunset of shared services transfer statutes. Clarifies that statute requiring transfers applies to income taxes attributable to eligible project approved for exemption before sunset date for length of exemption.

Takes effect on 91st day following adjournment sine die.

## A BILL FOR AN ACT

1  
2 Relating to strategic investment; creating new provisions; amending ORS 285B.260, 285C.635,  
3 285C.639 and 327.011 and section 6, chapter 905, Oregon Laws 2007; and prescribing an effective  
4 date.

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

6 **SECTION 1. The Legislative Assembly finds that:**

7 (1) **The State of Oregon has a compelling interest in promoting and stimulating economic**  
8 **development within this state.**

9 (2) **The state can better provide for the welfare of its residents by encouraging counties**  
10 **to enter into strategic investment program agreements so that businesses will make signif-**  
11 **icant capital investments within this state.**

12 (3) **Investments in the strategic investment program by businesses under agreements**  
13 **with counties create significant, long-term economic benefits and serve as a catalyst for**  
14 **additional economic expansion within this state.**

15 (4) **In consideration for local governments' support of strategic investment program**  
16 **agreements and abatement of tax revenues, and to maintain business development incentives**  
17 **for local governments and support economic development opportunities in this state, the**  
18 **Legislative Assembly recognizes the importance of certainty in the formula for distributions**  
19 **to counties and other local governments from the Shared Services Fund under ORS 285C.639**  
20 **and supports maintaining a consistent formula for those distributions.**

21 **SECTION 2. ORS 285C.635 is amended to read:**

22 **285C.635. (1)(a) Upon receipt of information compiled under ORS 285C.615, the Oregon Depart-**

**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 ment of Administrative Services shall determine the annual amount of personal income tax revenue  
 2 attributable to each eligible project for which an eligible business firm received a property tax ex-  
 3 emption under ORS 307.123.

4 (b) The amount of personal income tax revenue attributable to each eligible project under this  
 5 subsection may not include personal income tax revenue attributable to the estimated incremental  
 6 income tax revenues generated by an eligible employer in connection with a tax reimbursement ar-  
 7 rangement or loan agreement that has been entered into under the Oregon Industrial Site Readiness  
 8 Program established by ORS 285B.627.

9 (2) In determining the amount of personal income tax revenue attributable to each eligible  
 10 project, the Oregon Department of Administrative Services may rely on reasonable techniques of  
 11 estimation, if appropriate.

12 (3) Not later than May 15 of each fiscal year, the Oregon Department of Administrative Services  
 13 shall certify the amounts determined under subsection (1) of this section to the Department of Re-  
 14 venue, the Legislative Revenue Officer and the Legislative Fiscal Officer.

15 (4) Not sooner than July 10 and not later than July 15 of the following fiscal year, after re-  
 16 ceiving the certification under subsection (3) of this section, the Department of Revenue shall  
 17 transfer:

18 (a) **To the Local Economic Opportunity Fund created under ORS 285B.260, an amount**  
 19 **equal to [50] 10 percent of the cumulative amount [for all eligible projects] determined under sub-**  
 20 **section (1) of this section for all eligible projects located in a county for which the cumulative**  
 21 **amount exceeds \$5 million; and**

22 (b) **To the Shared Services Fund established in ORS 285C.639, an amount equal to the cu-**  
 23 **mulative amount for all eligible projects determined under subsection (1) of this section, less**  
 24 **the amount transferred under paragraph (a) of this subsection, multiplied by 50 percent.**

25 (5) The Department of Revenue shall retain unreceipted revenue from the tax imposed under  
 26 ORS chapter 316 in an amount necessary to make the [transfer] transfers required under subsection  
 27 (4) of this section. The department shall make the [transfer] transfers out of the unreceipted re-  
 28 venue in lieu of paying the revenue over to the State Treasurer for deposit in the General Fund.

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

31 **SECTION 3.** ORS 285C.639 is amended to read:

32 285C.639. (1) The Shared Services Fund is established in the State Treasury, separate and dis-  
 33 tinct from the General Fund. Interest earned by the Shared Services Fund shall be credited to the  
 34 fund. The fund shall consist of:

35 (a) Moneys transferred by the Department of Revenue to the fund under ORS 285C.635 (4); and

36 (b) Interest earnings on moneys in the fund.

37 (2) All moneys in the Shared Services Fund are continuously appropriated to the Oregon De-  
 38 partment of Administrative Services for the purpose of making distributions described in subsection

39 (3) of this section.

40 (3)(a) Not sooner than August 15 and not later than September 1 of the [following] fiscal year  
 41 **immediately following the fiscal year in which the certification under ORS 285C.635 (3) is**  
 42 **made, except as provided in paragraph (b) of this subsection,** the department shall distribute to  
 43 counties for distribution to taxing districts the moneys from the Shared Services Fund:

44 [(a)] (A) In proportion to the amount of money transferred into the fund for each eligible project  
 45 that received a property tax exemption under ORS 307.123; and

1        [(b)] **(B)** Consistent with the distribution of the community services fee under ORS 285C.609 for  
2 that project.

3        **(b) In a county for which the total amount described in ORS 285C.635 (1) exceeds \$5**  
4 **million, 40 percent of the amount that would otherwise be distributed in the manner required**  
5 **under paragraph (a) of this subsection shall be distributed as follows:**

6        **(A) Sixty percent to school districts as defined in ORS 330.005 that have elementary or**  
7 **secondary schools in the county. The moneys shall be distributed to each school district in**  
8 **the proportion that the number of students residing in the county who attend all schools in**  
9 **the school district that are located in the county bears to the total number of students re-**  
10 **siding in the county who attend all public elementary and secondary schools that are located**  
11 **in the county.**

12        **(B) Forty percent to the State School Fund established under ORS 327.008 for distribution**  
13 **to school districts for schools that do not receive moneys under subparagraph (A) of this**  
14 **paragraph.**

15        (4) The department shall furnish the Oregon Business Development Commission with information  
16 on the recipients of the distributions and the amounts distributed under this section, as requested  
17 by the commission.

18        **SECTION 4.** ORS 285B.260 is amended to read:

19        285B.260. (1) There is created a Local Economic Opportunity Fund, separate and distinct from  
20 the General Fund, to consist of:

21        **(a) All moneys credited [thereto] to the Local Economic Opportunity Fund,** including moneys  
22 from the Administrative Services Economic Development Fund[, and];

23        **(b) Moneys transferred to the Local Economic Opportunity Fund under ORS 285C.635**  
24 **(4)(a); and**

25        **(c) All interest earned on moneys in the Local Economic Opportunity Fund.**

26        **(2) Moneys in the Local Economic Opportunity Fund [is] are** continuously appropriated to  
27 the Oregon Business Development Department to be used for grants *[to implement ORS 280.518 and*  
28 *285B.230 to 285B.266.]*:

29        **(a) With respect to moneys described in subsection (1)(b) of this section, and interest**  
30 **earned on those moneys, to support economic development in fiscally distressed counties;**  
31 **and**

32        **(b) With respect to all other moneys in the fund, and interest earned on those moneys,**  
33 **to implement ORS 280.518 and 285B.230 to 285B.266.**

34        [(2)] **(3)** The department may use moneys in the Local Economic Opportunity Fund to pay for  
35 the administrative expenses of operating the *[local investment program under ORS 285B.230 to*  
36 *285B.266]* **grant programs authorized under subsection (2) of this section.**

37        [(3)] **(4)** The **Local Economic Opportunity** Fund *[shall]* **may** not be used to retire any debt, to  
38 reimburse any person or municipality for expenditures made or expenses incurred prior to the  
39 adoption of a local economic development strategy or to substitute for local government expen-  
40 ditures for existing and continuing public services. The department shall adopt rules to carry out  
41 the provisions of this subsection.

42        **(5)(a) Grants described in subsection (2)(a) of this section shall be awarded as soon as**  
43 **practicable after September 1 of each year to eligible counties making application pursuant**  
44 **to rules adopted by the department in consultation with the office of the Governor.**

45        [(4)] **(b)** After consulting with representatives of communities or geographic areas, the depart-

1 ment, by rule, shall adopt standards, objectives and criteria for the use and distribution of moneys  
 2 in the Local Economic Opportunity Fund **other than moneys described in subsection (1)(b) of**  
 3 **this section and interest on those moneys.**

4 ~~[(5)]~~ (6) The Local Economic Opportunity Fund is created to provide a flexible funding source  
 5 for financing those locally determined programs and projects that may not be eligible for financing  
 6 through other state and federal funding sources.

7 **SECTION 5.** ORS 327.011 is amended to read:

8 327.011. For the purpose of State School Fund distributions for school districts:

9 (1) Local Revenues are the total of the following:

10 (a) The amount of revenue offset against local property taxes as determined by the Department  
 11 of Revenue under ORS 311.175 (3)(a)(A).

12 (b) The amount of property taxes actually received by the district, including penalties and in-  
 13 terest on taxes.

14 (c) The amount of revenue received by the district from the Common School Fund under ORS  
 15 327.403 to 327.410.

16 (d) The amount of revenue received by the district from the county school fund.

17 (e) The amount of revenue received by the district from the 25 percent of federal forest reserve  
 18 revenues required to be distributed to schools by ORS 294.060 (1).

19 (f) The amount of revenue received by the district from state managed forestlands under ORS  
 20 530.115 (1)(b) and (c).

21 (g) Moneys received in lieu of property taxes.

22 (h) Federal funds received without specific application by the school district and that are not  
 23 deemed under federal law to be nonsupplantable.

24 (i) Any positive amount obtained by subtracting the operating property taxes actually imposed  
 25 by the district, based on the rate certified pursuant to ORS 310.060, from the amount that would  
 26 have been imposed by the district if the district had certified the maximum rate of operating prop-  
 27 erty taxes allowed by law.

28 (j) Any amount distributed to the district in the prior fiscal year under ORS 327.019 (8).

29 (2) Local Revenues do not include:

30 (a) If a school district imposes local option taxes pursuant to ORS 280.040 to 280.145, an amount  
 31 equal to the lesser of:

32 (A) The amount of revenue actually received by the district from local option taxes imposed  
 33 pursuant to ORS 280.040 to 280.145;

34 (B) Twenty percent of the total received by the school district from the general purpose grant,  
 35 the transportation grant, the facility grant and the high cost disabilities grant of the district, as  
 36 those grants are calculated under ORS 327.013; or

37 (C) \$1,000 per district extended ADMw, as calculated under ORS 327.013, increased each fiscal  
 38 year by three percent above the amount allowed per district extended ADMw for the prior fiscal  
 39 year.

40 (b) For a school district with a statutory rate limit on July 1, 2003, that is greater than \$4.50  
 41 per \$1,000 of assessed value, the amount of property taxes actually received by the district, includ-  
 42 ing penalties and interest on taxes, that results from an increase in the rate of ad valorem property  
 43 tax of the district allowed under section 11 (5)(d), Article XI of the Oregon Constitution.

44 (c) **Moneys distributed to school districts under ORS 285C.639 (3)(b).**

45 **SECTION 6. Section 1 of this 2015 Act is repealed on January 2, 2020.**

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

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

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

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

8       **(2) ORS 285C.615 and 285C.635 continue to apply to income taxes attributable to eligible**  
9 **projects described in subsection (1)(b) of this section as long as the projects remain exempt**  
10 **from property taxation under ORS 307.123.**

11       **(3) ORS 285C.615 and 285C.635 do not apply to income taxes attributable to eligible**  
12 **projects that first become exempt from property taxation under ORS 307.123 on or after**  
13 **January 1, 2025.**

14       **SECTION 8.** (1) The amendments to ORS 285B.260, 285C.635 and 285C.639 by sections 2 to  
15 **4 of this 2015 Act apply to tax years beginning on or after January 1, 2016.**

16       **(2) The amendments to ORS 327.011 by section 5 of this 2015 Act apply to State School**  
17 **Fund distributions commencing with the 2016-2017 distribution.**

18       **SECTION 9.** This 2015 Act takes effect on the 91st day after the date on which the 2015  
19 **regular session of the Seventy-eighth Legislative Assembly adjourns sine die.**

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