

AOC TESTIMONY IN SUPPORT OF B-ENGROSSED SB 936
HOUSE COMMITTEE ON REVENUE
Thursday, June 1, 2017

I am Doris Penwell with Association of Oregon Counties, here today in support of B-engrossed **SB 936**.

The AOC requested this proposal, through Senator Betsy Johnson, because of several years of experience with using the Strategic Investment Program in negotiations with companies to site substantial investments in rural areas of the state.

As you may know, the original Strategic Investment Program was developed years ago during a period when the State needed to entice Intel to site and grow their facilities in Oregon. Oregon has benefitted greatly from those investments, and, without this kind of program, the company could easily have sited elsewhere.

After several years of success with the program, the legislature determined that a rural element should be added to the program in 2005, for certain kinds of lower investments. Lower rural thresholds were established at ¼ of urban, regardless of the amount of investment, as follows:

- capping total property tax required on the real and personal property investment at **\$25 million with a 3% increase per year** (compared to \$100 million for urban projects); and
- capping the community service fee at **\$500,000** per year (compared to \$2 million for urban).

Of course, in either the rural or urban programs, other provisions have also been negotiated between the counties (and cities where appropriate) and the developers. And the increase in taxes paid on these large investments have made a substantial difference to rural prosperity for a number of counties.

We have experience now that shows the levels of rural investments have surpassed anything that was initially expected; and counties began to believe that when the investments reached \$500 million and beyond, that it might be more prudent to establish a limited sliding scale for property taxes paid, up to the level that has been reached for the urban program. **To date those rural investments have ranged from just over \$100 million to just over \$900 million.** (Rural area is defined in this program as “an area located entirely outside of the urban growth boundary of a city with a population of 40,000 or more.”)

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The bill proposes in **Section 1** increases for the level of **rural** investments, (lines 14 through 19, Page 1). They are:

- Investments up to \$500 million would be subject to the present payment of the assessed value to a \$25 million cap;
- Investments above \$500 million to \$1 billion, would be subject to not more than the assessed value at \$50 million; and
- Investments above \$1 billion would be subject to not more than the assessed value of the \$100 million cap, reaching the level of the urban program.

These changes still provide for a competitive arrangement for companies that choose to site in rural areas.

Section 2 of the bill makes effective all changes by Section 1 on or after the 91st date after sine die, for projects approved **by Oregon Business Development Commission**. We have found since introduction of the bill that there are some projects currently being negotiated in several counties. We believe it would be best for the counties, taxing districts and the company(s) to **not** have those negotiations disrupted, therefore, the effective date of the bill, cited in Section 4.

Section 3 applies to rural and urban projects. It increases the level of a **community service fee for all projects not to exceed \$2.5 million per year**, which should help compensate for direct impacts for community expenses of the still-large project investments, urban or rural. A community service fee was established in the program to compensate jurisdictions for the level of taxes that may be foregone but for the exemption by use of the SIP. The counties, by statute, must negotiate distribution of this annual payment of moneys with cities and special taxing districts that constitute at least 75 percent of the property taxing authority of the county.

Finally, we are still hopeful that investments by businesses for **less than \$500 million** come forth in rural areas, where the counties and companies wish to use the SIP program to mutual benefit. This is the main reason we chose to leave the first threshold in Section 1 at \$500,000 million.

AOC encourages your support of B-Engrossed SB 936, effective on or after the 91st day after sine die.