

ASSOCIATION OF OREGON COUNTIES TESTIMONY REGARDING HB 4027
Monday, February 5, 2018
House Committee on Revenue

I am here today representing the Association of Oregon Counties related to both provisions of HB 4027. We are not ready to take a position on the bill until issues which are discussed below are more clearly provided for by the solar industry proponents.

SOLAR ASSESSMENT (Sections 1-4)

The Counties have been very supportive of the Payment in-lieu-of-taxes program which became operative in 2015 for development of solar generating facilities. A number of counties (both urban and rural) have approved projects under the permissive arrangement. We have understood that it is desirable for both the counties and the developers to know what the property tax liabilities will be during the term of the arrangements.

It is definitely helpful for the developer to obtain financing because of this certainty; and the counties appreciate that certainty as well, particularly when depreciation of equipment in the facility could likely affect the value of the investment that is taxed over the years. A number of in-lieu-of-taxes agreements have been made for differing terms, as well as providing for other related issues in an agreement between parties. It has worked better for some counties than others.

The questions which have not been clearly spelled out by introduction of the bill relate to:

- Why is the change from permissive to mandatory necessary or desirable? Counties that wish to approve developments have been happy with the partnership arrangements. Generally, for counties that have lower tax rates than the \$7,000/mw would provide, benefit greatly over the term of the arrangement. Other counties are finding from analysis that over the term of the agreement, some years are not as beneficial; but having the ability to negotiate terms, periods of an agreement, etc., helps to alleviate the ups and downs.
- Multnomah County is excluded from the bill; we understand Washington County may wish to be excluded as well. But the bill is unclear whether any development in those counties would be centrally assessed, or if they would be permitted to use the program.
- Changing from a permissive program to a mandatory program for development in a county. Can the county continue to make agreements, negotiate the length of the agreement, other issues related to the project, etc.?
- The current program has no definition for a solar facility; We are in agreement with the proponents that it would be helpful to have a definition.
- The billing process for the fee in-lieu-of taxes, is awkward now; and the Assessors have been in conversations with AOC and the proponents and are recommending that the billing be done at the regular tax statement period. There are other issues related to possible delinquency of payments that could be cleared up as well.

We will continue to work with the Solar industry and other partners on these and other issues that need resolution.

GIGABIT PROVISIONS (Sections 4-9)

The bill repeals the 2015 tax exemption for communication companies for investments in fiber optic gigabit technology; but it establishes a process for valuing the investments and providing for tax credits to compensate companies in the repeal.

AOC supports introduction of this repeal and continues to encourage broadband expansion throughout the state. But for any incentive to be successful in enticing expansion, it is important to recognize that for an incentive to work it not be used except in a case when the investment would not likely occur but for the incentive.

Outstanding issues which we will continue to stay engaged with include:

- Definition of the timeframe (dates) that will be considered for credits, and
- How counties will individually deal with processing the credits.