74th OREGON LEGISLATIVE ASSEMBLY – 2007 Regular Session **MEASURE: SB 518-A**
STAFF MEASURE SUMMARY
SENATE FINANCE & REVENUE COMMITTEE

REVENUE: No Revenue Impact
FISCAL: Fiscal Impact Issued

Action:		Do pass as amended and requesting referral to Ways & Means Committee
Vote:		4-0-1
	Yeas:	Burdick, Monroe, Starr, Deckert
	Nays:	
	Exc.:	G. George,
Prepared By:		Paul Warner, Economist
Meeting Dates:		3/28, 5/9, 5/30

WHAT THE BILL DOES: Requires Governor to issue new biennial economic and community development incentive report starting November of 2008. Defines contents of report. Specifies performance data on economic development programs and requires Department of Economic and Community Development to gather and prepare information for report. Performance measure data includes employment associated with incentive, average annual wages of jobs, estimated personal income tax revenue resulting from incentive program and impact of the project on the property tax base of the local community. The Department of Economic and Community Development is also required to analyze the effectiveness of the incentive program and determine if it is the most fiscally effective way to achieve purpose of the incentive program or fund. Establishes time table for release and update of report to match Governor's recommended budget and the Tax Expenditure Report.

ISSUES DISCUSSED:
- Minnesota's experience in requiring comprehensive reporting and evaluation of economic development incentive programs.
- Oregon's experience and expectations in key incentive programs.
- Availability of information required in bill.
- Fiscal impact of compiling and reporting data on economic development incentive programs.

EFFECT OF COMMITTEE AMENDMENTS: Replaces bill.

BACKGROUND: Like most states, Oregon has developed a number of programs designed to encourage capital investment and private sector job creation in the state. The major tax tools in this area are the Strategic Investment program and Enterprise Zones. The Strategic Investment Program caps assessed property on qualified investments at $100 million in urban areas, $25 million in rural areas. Counties initiate program and work through application process with state Economic and Community Development Department. Property tax revenue was reduced by an estimated $119.3 million in the 2005-07 biennium as a result of the program. Enterprise zones are another tool frequently used to encourage regional economic development. Local governments apply for zone status where property can be exempt for up to 5 years. State government may also grant tax credits in conjunction with a new investment in an enterprise zone. Property tax revenue reductions due to zone designations are estimated at $28.3 million in 2005-07. State and local governments have also extensively used grants, loans and infrastructure investment to encourage economic development.