Oregon taxes upgrade Texas trucks

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SUMMARY: Mesilla Valley Transportation got nearly $5,200 per truck from Oregon. Its office here, in a Northeast Portland truck lot, is a trailer that was empty Monday.

SUMMARY: Officials investigate $4.5 million in energy tax credits that paid for improving the efficiency of rigs, with little benefit to Oregon

ILLUSTRATION: Courtesy Mesilla Valley Transportation Web site

ILLUSTRATION: FREDRICK D. JOE/THE OREGONIAN

SALEM --State officials are investigating a Texas trucking company that received millions of dollars in green energy tax credits in recent years while providing few Oregon jobs or environmental benefits.

The investigation by the state Justice Department also is targeting a Coburg nonprofit that helped the Texas company get the Oregon tax credits.

Mesilla Valley Transportation, based in El Paso, Texas, and Las Cruces, N.M., received 752 separate tax credits worth $4.5 million to outfit its truck fleet with the latest fuel-saving technology under Oregon's Business Energy Tax Credit program, records show.

But an investigation by The Oregonian found that the company's long-haul rigs are running less than 1 percent of their miles on Oregon roads. Its main Oregon operation is a trailer in a truck lot in Northeast Portland. The office, with a single unused computer in view, was unoccupied Monday.

The tax credits are supposed to go to trucking companies that provide jobs in Oregon, generate "substantial energy savings" and drive on state roads.

The newspaper also found a close connection between the trucking company and Cascade Sierra Solutions, a nonprofit that served as a broker between Mesilla Valley and Oregon's energy tax incentive program. In addition to helping the Texas truckers snare Oregon tax dollars, Cascade Sierra Solutions has claimed energy tax credits worth $1.5 million for leasing energy-saving equipment to other truckers.

Oregon Department of Energy officials who oversee the subsidies said they decided to ask the attorney general's office to look into the two businesses as part of a crackdown on abuses of the program, whose ballooning costs have prompted state lawmakers to impose new limits.

I'm concerned that projects were funded that may not have benefited Oregonians," said Mark Long, who took over as Energy Department director last June. "If it's determined that there was not a benefit to Oregonians, then the department will take action. Absolutely."
Among the options is to seek repayment of the subsidies.

A spokesman for the attorney general confirmed the state investigation.
"There are significant questions raised about the ways the BETC program was being used," Tony Green said.

It marks the first involvement by the Justice Department in Oregon's program aimed at making the state a national leader in green energy. The incentives, also given for energy conservation, have come under criticism in Salem because of skyrocketing costs, lack of accountability and reports by The Oregonian of widespread problems.

Mesilla's chief financial officer, Dean Rigg, said his company has done "exactly what the program was designed for." His company is trying to develop more business in Oregon, he said, but he couldn't detail how many Oregon-based workers Mesilla employs or how many miles his trucks drive in the state.

Sharon Banks, chief executive officer of Cascade Sierra Solutions, said the incentives are an important tool and Cascade's outreach and financing programs have helped put fuel-saving equipment on trucks that wouldn't otherwise be upgraded.

"I agree that (Mesilla) doesn't have as much nexus as they should" in Oregon, Banks said. "They probably shouldn't have qualified."

But Cascade helped the Texas company obtain the Oregon subsidies because it met the minimal state requirements at the time, she said.

"I don't make the rules," she said. BETC "out of control"

State energy officials and legislators are scrambling to fix loopholes that allowed Mesilla to take advantage of Oregon's generous tax breaks. Even as they do so, the eligibility standards for truckers to qualify for taxpayer support are far more lax than neighboring states. Moreover, Oregon continues to subsidize upgrades even though they quickly pay for themselves.

For example, Oregon helps pay to install auxiliary diesel generators that help trucks save more than 80 percent of fuel used when idling. The units cost $4,000 to $14,000 but pay for themselves within four to 24 months, according to Cascade's marketing materials.

With Oregon taxpayers covering 35 percent of that cost through BETC, it's no surprise that "efficient truck technology" incentives have seen the same kind of explosive growth that has caused deep concern about the state's entire energy subsidy program. In 2006, Oregon taxpayers were on the hook for $173,287 to outfit trucks with fuel-saving equipment. By 2009, that amount topped $4 million.

"Certainly, the BETC got out of control," said Bob Russell, a longtime lobbyist for the trucking industry. "Clearly, the truck BETC priorities needed to be tightened as well."

Mesilla Valley Transportation has been the biggest beneficiary, capturing nearly two-thirds of Oregon's tax incentives for trucks in the past two years.

The Texas company submitted its first Oregon tax credit application in July 2007, before the Oregon Department of Transportation said it had registered a single Mesilla truck.

The company currently has 817 trucks listing Oregon as their base state --one of the main criteria for BETC eligibility. Between 2007 and 2009, Mesilla received final approval for 752 tax credits, according to state records. The underlying cost of the upgrades was $12.8 million, of which Oregon taxpayers covered 35 percent, or nearly $4.5 million.

Mesilla, like many recipients, sold the tax credits as part of the BETC pass-through program. That's a mechanism many companies use to raise cash up front or if they don't pay enough Oregon taxes to use the credits themselves. Individuals or corporate taxpayers buy the credits from the project owner at a discount to reduce their own tax bills.

The transactions netted Mesilla $3.9 million, almost $5,200 per truck.

Yet state transportation officials have determined Mesilla's fleet drives only a tiny fraction of its miles on Oregon roads --less than 0.8 percent.

After The Oregonian raised questions about the company's use of Oregon tax credits and the location of its trucks, the state Department of Transportation concluded that Mesilla likely doesn't meet the requirements to call Oregon a base for its operations.

Mesilla and Cascade officials have provided various Oregon addresses to the Energy and Transportation departments. They include a private home in Oregon City, Cascade's office in Coburg, a truck lot in Coburg and the Northeast Portland trailer.

The Energy Department stopped approving Mesilla's tax credit applications last year. Bob Repine, who has overseen the state's energy tax program since last fall, said he became concerned after receiving a batch of 37 requests for tax credits submitted by Cascade for upgrades on Mesilla trucks.

The trucks were clearly not located in Oregon, Repine said. Furthermore, the energy-saving devices were to be installed in El Paso by a company owned by Mesilla's owners.

We said, 'How does that create jobs in Oregon?' " Repine said.

Nonprofit scrutinized

Much of Mesilla's dealings with the BETC program were coordinated by Cascade Sierra Solutions, a nonprofit set up in 2006 by Sharon Banks, who used to work on truck upgrades as an employee with an air quality agency in Lane County.

Cascade has outreach centers in Seattle, Portland, Coburg and Sacramento. The centers showcase the various fuel-saving technologies and each state's taxpayer incentive programs to pay for them.

Cascade also leases energy-saving equipment to truckers and claims the tax credits for itself, $1.5 million in the past two years. In 2008, tax credit receipts comprised 23 percent of Cascade's revenues and helped pay Banks' $120,000 salary.

Banks said Cascade hasn't encouraged out-of-state truckers to change their base registration to Oregon so they "can take our tax money."

She said Cascade is a victim of regime change at the Energy Department. Applications were approved regularly until last year, after a shakeup in the department by Gov. Ted Kulongoski.

"The whole department started getting scrutinized, and all of the sudden it's a problem," she said.

Long, the new director, agrees his department, along with the Legislature, is tightening the screws on who gets green energy subsidies.

Repine, Long's top deputy, added: "I can't tell you why there wasn't a standard before. We're looking at it with a new set of lenses."

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