

AOC TESTIMONY IN SUPPORT OF A-ENGROSSED SB 936
SENATE COMMITTEE ON FINANCE AND REVENUE
Wednesday, May 3, 2017

I am Doris Penwell with Association of Oregon Counties, here today in support of A-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 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, 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 were also negotiated between the counties (and cities where appropriate) and the developer. And the increase in taxes paid on investments have made a substantial difference to rural prosperity of 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 investment have ranged from just over \$100 million to just over \$900 million.

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The current version of the bill which we proposed increases in Section 1 only levels of **rural** investments, (lines 14 through 19, Page 1). They are:

- Investments up to \$500 million would be subject to the present \$25 million cap;
- Investments above \$500 million to \$1 billion, would be subject to not more than a \$50 million cap; and
- Investments above \$1 billion would be subject to not more than a \$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 July 1, 2017, for SIP projects approved by Oregon Business Development Commission. We are finding, however, that there are some projects being negotiated right now that may fall closely around this date. We believe it would be best for the counties, taxing districts and the company(s) to not have those negotiations disrupted, so we now propose that, by an amendment to this bill, moving the date for this change to be consistent with the effective date of the bill, cited in Section 4.

Section 3 increases the level of a **community service fee for all rural and urban 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. We have thus far found support for this change.

Finally, we are still hopeful that investments 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 SB 936, with the effective date changes proposed above.