

A-Engrossed
Senate Bill 129

Ordered by the Senate April 3
Including Senate Amendments dated April 3

Sponsored by Senator DEVLIN; Senators BATES, BEYER, BOQUIST, HANSELL, HASS, JOHNSON, KNOPP, MONROE, ROBLAN, STEINER HAYWARD (Presession filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

[Requires Department of Revenue to transfer 10 percent of total annual amount of personal income tax revenue attributable to eligible projects located in counties for which cumulative amount exceeds \$5 million to Local Economic Opportunity Fund. Continuously appropriates transferred moneys and interest on transferred moneys in fund to Oregon Business Development Department for grant program to support economic development in fiscally distressed counties.]

[Requires Department of Revenue to transfer to Shared Services Fund cumulative amount for all eligible projects, less amount of transfer to Local Economic Opportunity Fund, multiplied by 50 percent.]

[In county for which total amount of personal income tax revenue attributable to eligible project exceeds \$5 million, requires 40 percent of distribution county would otherwise receive to be distributed to school districts with schools in county and to State School Fund for distribution to school districts without schools in county. Excludes distributions to school districts from local revenues for purposes of State School Fund distributions.]

[Extends sunset of shared services transfer statutes. Clarifies that statute requiring transfers applies to income taxes attributable to eligible project approved for exemption before sunset date for length of exemption.]

[Takes effect on 91st day following adjournment sine die.]

Directs Department of Revenue to make shared services distributions out of unreceipted revenue. In county for which annual amount of personal income tax revenue attributable to eligible projects exceeds \$5 million, requires distribution of 60 percent of amount that would otherwise be distributed to county to State School Fund, Higher Education Coordinating Commission for expansion of certain Oregon State University programs and Department of Education Career and Technical Education Revitalization Grant Program.

Sunset shared services distributions for eligible projects that first become exempt from property taxation under strategic investment program on or after January 1, 2029, but continues distributions for eligible projects already exempted on sunset date as long as projects remain exempt from property taxation under strategic investment program.

Declares emergency, effective on passage.

A BILL FOR AN ACT

1
2 Relating to strategic investment; creating new provisions; amending ORS 285C.635 and 327.008 and
3 section 6, chapter 905, Oregon Laws 2007; repealing ORS 285C.639; and declaring an emergency.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1. The Legislative Assembly finds that:**

6 **(1) The State of Oregon has a compelling interest in promoting and stimulating economic**
7 **development within this state.**

8 **(2) The state can better provide for the welfare of its residents by encouraging counties**
9 **to enter into strategic investment program agreements so that businesses will make signif-**
10 **icant capital investments within this state.**

11 **(3) Investments in the strategic investment program by businesses under agreements**
12 **with counties create significant, long-term economic benefits and serve as a catalyst for**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 **additional economic expansion within this state.**

2 **(4) In consideration for local governments' support of strategic investment program**
3 **agreements and abatement of tax revenues, and to maintain business development incentives**
4 **for local governments and support economic development opportunities in this state, the**
5 **Legislative Assembly recognizes the importance of certainty in the formula for shared ser-**
6 **vices distributions to counties and other local governments and supports maintaining a**
7 **consistent formula for those distributions.**

8 **SECTION 2.** ORS 285C.635 is amended to read:

9 285C.635. (1)(a) Upon receipt of information compiled under ORS 285C.615, the Oregon Depart-
10 ment of Administrative Services shall determine the annual amount of personal income tax revenue
11 attributable to each eligible project for which an eligible business firm received a property tax ex-
12 emption under ORS 307.123.

13 **(b)** The amount of personal income tax revenue attributable to each eligible project under this
14 subsection may not include personal income tax revenue attributable to the estimated incremental
15 income tax revenues generated by an eligible employer in connection with a tax reimbursement ar-
16 rangement or loan agreement that has been entered into under the Oregon Industrial Site Readiness
17 Program established by ORS 285B.627.

18 [(2)] **(c)** In determining the amount of personal income tax revenue attributable to each eligible
19 project, the Oregon Department of Administrative Services may rely on reasonable techniques of
20 estimation, if appropriate.

21 [(3)] **(2)** Not later than May 15 of each fiscal year, the Oregon Department of Administrative
22 Services shall certify **to the Department of Revenue, the Legislative Revenue Officer and the**
23 **Legislative Fiscal Officer** the amounts determined under subsection (1) of this section [*to the De-*
24 *partment of Revenue, the Legislative Revenue Officer and the Legislative Fiscal Officer*] **and the**
25 **amounts described in subsection (3) of this section to be distributed by the Department of**
26 **Revenue under subsection (4) of this section.**

27 **(3)(a)** The total amount to be distributed by the Department of Revenue under subsection
28 **(4) of this section equals 50 percent of the total annual amount of personal income tax re-**
29 **venue attributable to all eligible projects as determined under subsection (1) of this section.**

30 **(b)(A)** Except as provided in paragraph (c) of this subsection, each county in which an
31 eligible project is located shall receive the amount obtained by multiplying the total amount
32 to be distributed described in paragraph (a) of this subsection by the ratio of the annual
33 amount of personal income tax revenue determined under subsection (1) of this section at-
34 tributable to all eligible projects in the county to the annual amount of personal income tax
35 revenue determined under subsection (1) of this section attributable to all eligible projects
36 in all counties.

37 **(B)** The county shall distribute the amount received under this paragraph to the taxing
38 districts in the county in which an eligible project is located in a manner consistent with the
39 distribution of the community services fee under ORS 285C.609 for the project.

40 **(c)** In a county for which the annual amount described in subsection (1) of this section
41 for all eligible projects in the county exceeds \$5 million, the amount that would otherwise
42 be distributed in the manner required under paragraph (b) of this subsection shall be dis-
43 tributed as follows:

44 **(A)** 40 percent to the county for distribution to the taxing districts in the county in the
45 manner required under paragraph (b)(B) of this subsection.

1 (B) 30 percent to the State School Fund established under ORS 327.008.

2 (C) 15 percent to the Higher Education Coordinating Commission for the purpose of
3 funding the expansion of the statewide Oregon State University agricultural experiment
4 station and branch stations, the statewide Oregon State University Extension Service and
5 the Forest Research Laboratory.

6 (D) 15 percent to the Department of Education Career and Technical Education
7 Revitalization Grant Program established under ORS 344.075, for the purpose of expanding
8 educational pathways in kindergarten through grade 12 that lead to high-wage and high-
9 demand employment. The Department of Education shall provide regionally based technical
10 outreach and assistance to rural applicants to achieve equitable statewide distribution of
11 grants under this subparagraph.

12 (4) Not sooner than July 10 and not later than July 15 of the *[following fiscal year, after receiving*
13 *the certification under subsection (3) of this section,]* **fiscal year immediately following the fiscal**
14 **year in which the certification under subsection (2) of this section is made**, the Department
15 of Revenue shall *[transfer an amount equal to 50 percent of the cumulative amount for all eligible*
16 *projects determined under subsection (1) of this section to the Shared Services Fund established in ORS*
17 *285C.639]* **make the distributions described in subsection (3) of this section.**

18 (5) The Department of Revenue shall retain unreceipted revenue from the tax imposed under
19 ORS chapter 316 in an amount necessary to make the *[transfer]* **distributions** required under sub-
20 section (4) of this section. The department shall make the *[transfer]* **distributions** out of the unre-
21 ceipted revenue in lieu of paying the revenue over to the State Treasurer for deposit in the General
22 Fund.

23 (6) The Oregon Department of Administrative Services shall adopt rules necessary to administer
24 this section.

25 **SECTION 3. ORS 285C.639 is repealed.**

26 **SECTION 4.** ORS 327.008, as amended by section 6, chapter 81, Oregon Laws 2014, is amended
27 to read:

28 327.008. (1) There is established a State School Fund in the General Fund. The fund shall consist
29 of moneys appropriated by the Legislative Assembly *[and]*, moneys transferred from the Education
30 Stability Fund **and moneys distributed by the Department of Revenue under ORS 285C.635**
31 **(3)(c).** The State School Fund is continuously appropriated to the Department of Education for the
32 purposes of ORS 327.006 to 327.077, 327.095, 327.099, 327.101, 327.125, 327.137, 327.348, 336.575,
33 336.580, 336.635, 342.173, 343.243, 343.533 and 343.961 and sections 1 to 3, chapter 735, Oregon Laws
34 2013, and section 2, chapter 81, Oregon Laws 2014.

35 (2) There shall be apportioned from the State School Fund to each school district a State School
36 Fund grant, consisting of the positive amount equal to a general purpose grant and a facility grant
37 and a transportation grant and a high cost disabilities grant minus local revenue, computed as pro-
38 vided in ORS 327.011 and 327.013.

39 (3) There shall be apportioned from the State School Fund to each education service district a
40 State School Fund grant as calculated under ORS 327.019.

41 (4) All figures used in the determination of the distribution of the State School Fund shall be
42 estimates for the same year as the distribution occurs, unless otherwise specified.

43 (5) Numbers of students in average daily membership used in the distribution formula shall be
44 the numbers as of June of the year of distribution.

45 (6) A school district may not use the portion of the State School Fund grant that is attributable

1 to the facility grant for capital construction costs.

2 (7) The total amount of the State School Fund that is distributed as facility grants may not ex-
3 ceed \$20 million in any biennium. If the total amount to be distributed as facility grants exceeds this
4 limitation, the Department of Education shall prorate the amount of funds available for facility
5 grants among those school districts that qualified for a facility grant.

6 (8) Each fiscal year, the Department of Education shall transfer to the Pediatric Nursing Facil-
7 ity Account established in section 5, chapter 81, Oregon Laws 2014, the amount necessary to pay
8 the costs of educational services provided to students admitted to pediatric nursing facilities as
9 provided in section 2, chapter 81, Oregon Laws 2014.

10 (9) Each fiscal year, the Department of Education shall transfer the amount of \$18 million from
11 the State School Fund to the High Cost Disabilities Account established in ORS 327.348.

12 (10)(a) Each biennium, the Department of Education shall transfer \$33 million from the State
13 School Fund to the Network of Quality Teaching and Learning Fund established under ORS 342.953.

14 (b) For the purpose of making the transfer under this subsection:

15 (A) The total amount available for all distributions from the State School Fund shall be reduced
16 by \$5 million;

17 (B) The amount distributed to school districts from the State School Fund under this section and
18 ORS 327.013 shall be reduced by \$14 million; and

19 (C) The amount distributed to education service districts from the State School Fund under this
20 section and ORS 327.019 shall be reduced by \$14 million.

21 (c) For each biennium, the amounts identified in paragraph (b)(B) and (C) of this subsection shall
22 be adjusted by the same percentage by which the amount appropriated to the State School Fund for
23 that biennium is increased or decreased compared to the preceding biennium, as determined by the
24 Department of Education after consultation with the Legislative Fiscal Officer.

25 (11) Each fiscal year, the Department of Education may expend up to \$550,000 from the State
26 School Fund for the contract described in ORS 329.488. The amount distributed to education service
27 districts from the State School Fund under this section and ORS 327.019 shall be reduced by the
28 amount expended by the department under this subsection.

29 (12) Each biennium, the Department of Education may expend up to \$350,000 from the State
30 School Fund to provide administration of and support for the development of talented and gifted
31 education under ORS 343.404.

32 (13) Each biennium, the Department of Education may expend up to \$150,000 from the State
33 School Fund for the administration of a program to increase the number of speech-language
34 pathologists and speech-language pathology assistants under ORS 348.394 to 348.406.

35 (14) Each fiscal year, the Department of Education shall transfer the amount of \$2.5 million from
36 the State School Fund to the Small School District Supplement Fund established in section 3, chap-
37 ter 735, Oregon Laws 2013.

38 **SECTION 5.** ORS 327.008, as amended by section 7, chapter 735, Oregon Laws 2013, and section
39 7, chapter 81, Oregon Laws 2014, is amended to read:

40 327.008. (1) There is established a State School Fund in the General Fund. The fund shall consist
41 of moneys appropriated by the Legislative Assembly [*and*], moneys transferred from the Education
42 Stability Fund **and moneys distributed by the Department of Revenue under ORS 285C.635**
43 **(3)(c).** The State School Fund is continuously appropriated to the Department of Education for the
44 purposes of ORS 327.006 to 327.077, 327.095, 327.099, 327.101, 327.125, 327.137, 327.348, 336.575,
45 336.580, 336.635, 342.173, 343.243, 343.533 and 343.961 and section 2, chapter 81, Oregon Laws 2014.

1 (2) There shall be apportioned from the State School Fund to each school district a State School
2 Fund grant, consisting of the positive amount equal to a general purpose grant and a facility grant
3 and a transportation grant and a high cost disabilities grant minus local revenue, computed as pro-
4 vided in ORS 327.011 and 327.013.

5 (3) There shall be apportioned from the State School Fund to each education service district a
6 State School Fund grant as calculated under ORS 327.019.

7 (4) All figures used in the determination of the distribution of the State School Fund shall be
8 estimates for the same year as the distribution occurs, unless otherwise specified.

9 (5) Numbers of students in average daily membership used in the distribution formula shall be
10 the numbers as of June of the year of distribution.

11 (6) A school district may not use the portion of the State School Fund grant that is attributable
12 to the facility grant for capital construction costs.

13 (7) The total amount of the State School Fund that is distributed as facility grants may not ex-
14 ceed \$20 million in any biennium. If the total amount to be distributed as facility grants exceeds this
15 limitation, the Department of Education shall prorate the amount of funds available for facility
16 grants among those school districts that qualified for a facility grant.

17 (8) Each fiscal year, the Department of Education shall transfer to the Pediatric Nursing Facil-
18 ity Account established in section 5, chapter 81, Oregon Laws 2014, the amount necessary to pay
19 the costs of educational services provided to students admitted to pediatric nursing facilities as
20 provided in section 2, chapter 81, Oregon Laws 2014.

21 (9) Each fiscal year, the Department of Education shall transfer the amount of \$18 million from
22 the State School Fund to the High Cost Disabilities Account established in ORS 327.348.

23 (10)(a) Each biennium, the Department of Education shall transfer \$33 million from the State
24 School Fund to the Network of Quality Teaching and Learning Fund established under ORS 342.953.

25 (b) For the purpose of making the transfer under this subsection:

26 (A) The total amount available for all distributions from the State School Fund shall be reduced
27 by \$5 million;

28 (B) The amount distributed to school districts from the State School Fund under this section and
29 ORS 327.013 shall be reduced by \$14 million; and

30 (C) The amount distributed to education service districts from the State School Fund under this
31 section and ORS 327.019 shall be reduced by \$14 million.

32 (c) For each biennium, the amounts identified in paragraph (b)(B) and (C) of this subsection shall
33 be adjusted by the same percentage by which the amount appropriated to the State School Fund for
34 that biennium is increased or decreased compared to the preceding biennium, as determined by the
35 Department of Education after consultation with the Legislative Fiscal Officer.

36 (11) Each fiscal year, the Department of Education may expend up to \$550,000 from the State
37 School Fund for the contract described in ORS 329.488. The amount distributed to education service
38 districts from the State School Fund under this section and ORS 327.019 shall be reduced by the
39 amount expended by the department under this subsection.

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41 School Fund to provide administration of and support for the development of talented and gifted
42 education under ORS 343.404.

43 (13) Each biennium, the Department of Education may expend up to \$150,000 from the State
44 School Fund for the administration of a program to increase the number of speech-language
45 pathologists and speech-language pathology assistants under ORS 348.394 to 348.406.

1 **SECTION 6.** Section 6, chapter 905, Oregon Laws 2007, is amended to read:

2 **Sec. 6.** (1) [*Sections 2 and 3 of this 2007 Act*] **ORS 285C.615 and 285C.635** apply to:

3 **(a)** Tax years beginning on or after January 1, 2009[, and before January 1, 2019].

4 [(2)] **(b)** [*Sections 2 and 3 of this 2007 Act apply only to*] Income taxes [*generated as the result*
5 *of an eligible project that first becomes*] **attributable to eligible projects that first become** exempt
6 from property taxation under ORS 307.123 on or after January 1, 2008[, and continue to apply only
7 *as long as the project remains exempt*].

8 **(2) ORS 285C.615 and 285C.635 continue to apply to income taxes attributable to eligible**
9 **projects described in subsection (1)(b) of this section as long as the projects remain exempt**
10 **from property taxation under ORS 307.123.**

11 **(3) ORS 285C.615 and 285C.635 do not apply to income taxes attributable to eligible**
12 **projects that first become exempt from property taxation under ORS 307.123 on or after**
13 **January 1, 2029.**

14 **SECTION 7.** Section 1 of this 2015 Act is repealed on January 2, 2020.

15 **SECTION 8.** This 2015 Act being necessary for the immediate preservation of the public
16 peace, health and safety, an emergency is declared to exist, and this 2015 Act takes effect
17 on its passage.

18