

2018 CRSOA LEGISLATIVE SESSION FINAL REPORT



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2018 LEGISLATIVE SESSION

OREGON'S FOURTH CONSTITUTIONALLY REQUIRED ANNUAL LEGISLATIVE SESSION CONCLUDES

Voters approved Ballot Measure 71 at the November 2010 ballot. Voters rejected a similar measure in 1990, but resoundingly supported the Constitutional amendment in 2010 with 68% of voters favoring annual sessions. Some of the arguments supporting the amendment included the following justifications and reasons to support the measure included:

- The Legislature will meet for fewer days overall, and will be able to provide greater accountability and more consistent budgeting.
- By not waiting every two years to do the people's business, taxpayer dollars would be enhanced through government transparency and efficiency.
- The Legislature could increase responsiveness and get the greatest value for every tax dollar to improve the delivery of vital services.

Annual legislative sessions are now limited to a maximum of 35-days in even numbered years and 160-days in odd numbered years. This was the fourth even-numbered year constitutionally mandated legislative session.

The members of the legislative assembly expressed frustration about the number of big issues that were addressed this session (e.g. cap & trade, net neutrality, gun boyfriend loophole legislation). The session largely dealt with high profile issues like commercial and industrial emissions (air toxics), connecting or disconnecting to the federal tax code changes recently passed by Congress, affordable housing and prescription drug transparency. However, the recently concluded session was far less acrimonious than past short sessions due to the Senate's unwillingness to address a large magnitude of high profile issues in such a short time period.

STATE BUDGET SOLID WITH REVENUE FORECASTS

At the conclusion of the 2017 legislative session, the legislature approved a spending plan of \$20.9 billion in general fund and lottery revenue over the next two years, which was a \$2 billion increase or 10.3% more than the previous two-year budget. Since lawmakers approved the budget last year, revenue estimates based on the previous two forecasts, coupled with the current forecast provided during the second week of the 2018 session, showed that General Fund and lottery revenues had increased nearly \$255 million from the close of session forecast. The February 16th forecast set the stage for the budget co-chairs to make the necessary modifications to the budget based on the latest revenue. However, whether the Legislative Assembly would disconnect with portions of the recently passed Jobs Act and Tax Cuts had yet to be determined. Once it was determined that Oregon pass-through entities would no longer receive the state tax break the assembly was in a position to make additional

expenditures as described later in this report.

2018 LEGISLATIVE SESSION OVERVIEW

Prior to the 2018 legislative session's opening gavel much of the focus was given to Ballot Measure 101 which was referred to the voters after the conclusion of the 2017 Legislative Session. Measure 101 asked voters whether two health-care related taxes that were enacted during the previous session should remain in place. Voters overwhelmingly supported the preservation of the taxes in the end. If voters had rejected the measure, the assembly would have spent a good deal of time trying to balance the state's Medicaid budget. Another topic that received a great deal of attention pre-session was the effort to reduce the state's carbon impact. Soon after the 2017 session concluded, the Chairs of the House and Senate Environment Committees convened a Clean Energy and Jobs workgroup in order to develop a carbon cap and trade proposal for consideration during the 2018 session. Despite months of meetings that took place over the interim, shortly before the session began the Senate announced that the votes did not exist at the time to undertake such a complex policy discussion during the 35-day session. Furthermore, the Governor did not even mention the proposal during her State of the State speech during the opening day of session. Regardless of this, the House worked hard until the final days of session to find a pathway to the Governor's desk for this proposal.

Another topic that received a great deal of attention was the Federal Tax Cut and Jobs Act that had been passed by Congress and signed into law by the President. Enactment of this bill in Washington D.C. created a new budget challenge for Oregon. Specifically, the bill created a tax cut for repatriated profits being held in offshore accounts. Estimates were that this new law would reduce state income taxes by approximately \$100 million from the Close of Session Forecast –necessitating program cuts without new revenue. In the end, rather than making program cuts, the Legislative Assembly disconnected the state's tax code from the federal tax code, which turned a \$100 million loss into a \$140 million one-time windfall.

As in previous short sessions, policy makers were intent on addressing more than budget adjustments and technical fixes. Policy measures were filed to address a number issues including but not limited to: access to firearms, prescription drug pricing, industrial emissions, the broken foster care system, updating advance directives, affordable housing and homelessness, net neutrality, and consumer protections. Leadership limited each member's ability to introduce legislation to a maximum of two bills in the House and one bill in the Senate (unlike previous short sessions when each member was provided two bills). Committees were prohibited from introducing more than three pieces of legislation, with a few exceptions. In the end 259 pieces of legislation were introduced for consideration.

The 79th Oregon Legislative Assembly, 2018 Regular Session convened on February 5th with Democrats controlling the Senate by a 17 to 13 margin. Four days into session, Senator Jeff Kruse (R-Roseburg) announced his resignation effective in Mid-March and stated he would not

enter the Capitol during the remainder of the session. In the House of Representatives, Democrats held a 35 to 25 majority over their Republican counterparts. Measures that were not posted for a work session by February 9th were considered dead and those that were posted but had not been moved out of their originating committee by February 15th, were also considered dead under the provisions of House Concurrent Resolution 40 (2017). As a result of these deadlines, many of the bills introduced and printed at the beginning of the session saw no further action. Bills that moved to the second chamber were required to be posted for a work session by the 22nd and moved out of committees by the 27th. These strict timelines did not apply to the Joint Ways & Means Committee, both chamber's Rules Committees, nor the House and Senate Finance and Revenue Committees.

The Legislative Assembly, unlike the previous short session, was not influenced by the threat of any Initiative Petitions. Despite this, a few high-profile measures did ultimately make it to the Governor's desk. A bill requiring state and local governments to only contract with internet services providers who do not block, slow or charge more for information, was a direct swipe at the Trump Administration's repeal of net neutrality at the Federal Communications Commission. Other high-profile issues included elimination of a state tax break for pass through entities which resulted from the federal Job Act and Tax Cut, closing the "boyfriend loophole" in the gun background checks, and greater transparency for large increases in prescription drug pricing. A number of bills also passed relating to homelessness and affordable housing. Most measures were less controversial this session and many passed with broad bi-partisan support in both chambers. In fact, only two measures passed this short session without Republican support; SB 1528 which eliminates the state tax break for pass through entities (part of the federal Job Act and Tax Cut) and HB 4135 making changes to the state's advance directives law.

Unlike the last short session, the Joint Ways & Means committee released their budget adjustments and expenditures towards the end of session. This was largely due to the fact that closing the pass-through state deduction was not assured until the final days resulting in a nearly \$200 million swing in revenue for the state. The three significant expenditure measures were the Lottery Bonding bill (SB 5703), the General Obligation Bonding bill (SB 5702), and General Fund Expenditure bill (HB 5201).

In the end, the Legislative Assembly adjourned *sine die* shortly before 5:00 p.m. on March 3rd – eight days short of the constitutionally required adjournment. This was the shortest short session thus far (28 days), beating the 2016 shortest session which lasted 32 days. A total of 259 bills and resolutions were introduced with 141 (122 bills and 19 memorials and resolutions) passing both chambers and only two bills passing without Republican support. We tracked 13 bills because of their potential to impact our CRSOA members in one way or another.

All 60 seats in the state House are up for election, along with 16 state Senate seats, all five of Oregon's U.S. House seats, the governorship, and the Commissioner for Bureau of Labor. 15 people applied to challenge Gov. Kate Brown, including two fellow Democrats.

SUMMARY OF WAYS & MEANS EXPENDITURES:

SB 5702 - General Obligation Bonding

Effective Date: On passage

SB 5702 increases bond authorizations for the 2017-19 biennium and makes changes to the following previously approved bond authorizations, among other changes.

- Department of Environmental Quality, Environmental Data Management System (EDMS): approved \$5,070,000 Article XI-Q bonds to finance \$5,000,000 project costs and \$70,000 for costs of issuing the bonds. The project is to implement the foundational build of a customized off-the-shelf (COTS) software solution that will replace multiple outdated and disparate information technology systems currently in use. The EDMS project will provide a common platform to receive and share environmental information and support e-commerce and web-based interactions.
- Lottery bonds proceeds of \$10,000,000 were originally approved in 2013 to ODOT for the Oregon International Port of Coos Bay to acquire, construct, or improve the Coos Bay rail link railroad right-of-way infrastructure. Designating \$3,000,000 of remaining proceeds towards the acquisition of rolling stock leaves \$7,000,000 authorized for the original project, in addition to \$10,000,000 that was approved for acquisition, construction, or improvement of the Coos Bay rail link in HB 5030 (2015)

SB 5703 – Lottery Bonding Bill

Effective Date: On passage

The March 2018 revenue forecast of 2017-19 biennium lottery resources is \$110,349,711 (or 8.3%) above the level assumed in the 2017-19 legislatively adopted budget. Three allocations are specified in the constitution. The Education Stability Fund receives 18 percent of net lottery proceeds, the Parks and Natural Resources Fund receives 15 percent of net lottery proceeds, and the Veterans' Services Fund receives 1.5 percent of net lottery proceeds. The March 2018 lottery revenue forecast translates into a \$19,862,948 increase in revenue to the Education Stability Fund, a \$16,552,457 increase in revenue to the Parks and Natural Resources Fund, and a \$1,655,246 increase in revenue to the Veterans' Services Fund, over the levels anticipated in the 2017-19 legislatively adopted budget.

HB 5201 – General Fund Expenditure Omnibus Budget Reconciliation Bill

Effective Date: Upon passage

This bill is the omnibus budget reconciliation bill for the 2018 legislative session, implementing the statewide rebalance plan that addresses changes in projected revenues and expenditures since the close of the 2017 session.

- \$1,895,000 for disbursement to the Rogue River Valley Irrigation District for the Bradshaw Drop Irrigation Canal project
- \$1,000,000 for disbursement to the Port of Umatilla to build a new facility to house the Hermiston Chamber of Commerce
- \$100,000 for disbursement to Harney County for a study of the Silvies River and its drainages.
- \$1,435,000 General Fund appropriation to support operations of a Carbon Policy Office to be housed temporarily in the Department of Administrative Services
- \$642,194 was approved for repairing and improving docks owned by the Port of Brookings Harbor (*Lottery bonds were approved to finance this project in the 2017 session, but because of an error, expenditure limitation of the bond proceeds was not added to the agency budget. This additional Other Funds expenditure limitation corrects this error and permits the agency to distribute the bond proceeds, which are expected to be issued in the spring of 2019. The Federal Funds expenditure limitation was increased by \$703,125 to accommodate expenditure of federal grants awarded under the State Trade Expansion Program*).
- \$500,000 was provided for the City of Warrenton to finance the rebuilding of a dock destroyed by fire.
- \$500,000 was provided for the Port of Cascade Locks to finance infrastructure and business recruitment at the Port's Business Park.
- \$500,000 was provided for deposit into the Local Economic Opportunity Fund, to assist community economic resilience planning.
- \$5,000,000 in General Fund was added as a one-time enhancement to the budget for the Housing and Community Services Department for homeless shelter capacity and homelessness prevention services provided throughout the state through the Emergency Housing Account Program.
- \$1,917,084 General Fund, \$2,965,300 Other Funds expenditure limitation, and the addition of six months to existing limited duration positions (3.38 FTE) to continue planning and begin development of an environmental data management system (EDMS). \$5 million in bonds have been approved for this project and will be let in May of 2018.
- \$26,194,224 General Fund to the Department of Forestry, Fire Protection Division was approved for the payment of emergency firefighting costs associated with the 2017 forest fire season.
- \$3 million for the Pacific Marine Energy Center South Energy Test site, which will test wave energy devices seven miles offshore just south of Newport. The \$3 million in state

funds will help leverage an additional \$35 million in federal dollars for the project. The test facility is being designed and constructed by a team led by Oregon State University, and is expected to be operational in 2021.

- \$7,244,215 for expenses associated with the cleanup efforts at the Goble, Oregon, site on the Columbia River

ECONOMIC DEVELOPMENT LEGISLATION THAT PASSED

SB 1516 – Small Business Loans

Effective Date: January 1, 2019

This bill creates the Small Business Expansion Loan Fund, administered by Oregon Business Development Department (OBDD). It authorizes loans of up to \$250,000 from the fund for early stage growth capital to individuals and businesses with 50 or fewer employees. It permits larger loans upon approval of the Oregon Business Development Commission. Eligibility criteria are established and the bill provides terms of repayment and pricing. Under the bill loans must be secured by sufficient collateral and security. OBDD is authorized to set aside up to 20 percent of moneys in the fund for loans to applicants with low to moderate income or personal net worth who operate businesses with a majority share owned by minorities, women, or honorably discharged veterans, or that are located outside the Portland metropolitan area. The OBDD Commission is authorized to transfer moneys in Oregon Business Development Fund to the Small Business Expansion Loan Fund when reasonable and financially appropriate.

ECONOMIC DEVELOPMENT LEGISLATION THAT FAILED

HB 4024 – OBDD Study of Economic Development

In committee upon adjournment

The Oregon Business Development Department, more commonly known as “Business Oregon,” is the state’s economic development agency. The Department’s core functions include: rural community development and infrastructure financing; business retention, expansion and recruitment; promotion of exports and international trade; industry research and development and entrepreneurship; small business assistance; and support for arts and cultural organizations. HB 4024 would have required the Business Oregon to study economic development in Oregon and report to Legislative Assembly by February 1, 2019.

HB 4078 – Brownfields

In committee upon adjournment

During the 2016 session the Legislative Assembly enacted SB 1565. That bill allows cities and counties, by passing an ordinance or resolution, to establish a property tax exemption or deferral for newly constructed or installed industrial improvements that cost a minimum of \$1

million and a maximum of \$25 million. Exemptions or deferrals under the program may be granted for up to five years, but properties must be located in rural areas (entirely outside of an urban growth boundary of a city with a population of more than 40,000 or more—a provision similar to the existing strategic investment program statute).

HB 4078 would have expanded eligible locations to include a location that was not formerly used for industrial purposes. It also clarified the definition of eligible property to include property whether appraised by the county or the Department of Revenue. It also would have expanded the definition of eligible property to include property constructed or installed at a brownfield and allowed the cost of initial investment to include the costs of the remaining brownfield cleanup.

ENVIRONMENTAL LEGISLATION THAT PASSED

SB 1541 – Clean Air Oregon

Effective date: Upon Passage

After it was discovered that toxic heavy metals were being emitted from a glass manufacturer in a residential neighborhood in SE Portland Governor Brown committed to addressing the problem. Over the course of about 18 months, the Department of Environmental Quality developed and proposed rules that the Oregon business community had concerns with as did some public entities. After the failure to get funding to implement those rules during the 2017 session a few Legislative members and lobbyists began negotiating a compromise. HB 1541 is a product of those discussions.

Under the Cleaner Air program, companies would have to track any release of more 600 chemicals and file reports with air regulators. The chemicals range from aniline to zinc oxide. Manufacturers — such as factories, lumber mills, glass blowers — whose emissions are deemed to excessively increase health risks for people living nearby — would have to install pollution controls on their machinery or equipment.

Under the proposed state agency rules, those requirements would have kicked in for existing businesses whose emissions create a heightened risk of cancer in 25 out of a million people after a lifetime of exposure.

Under HB 1541, the requirements apply only to businesses with emissions that heighten the cancer risk for 50 out of a million people. Then, in 2029, the requirement would tighten to 25 people out of a million. Meanwhile new businesses immediately face the tougher compliance standards of 25 people out of a million.

The bill also authorizes the EQC to establish a pilot program within Multnomah County to evaluate and control cumulative public health risks from toxic air emissions from multiple

contamination sources. The requirements of the pilot program would be in addition to others established in the bill.

Once operational, regulations will be fully funded by fees paid by polluters. However, SB 1541 includes \$824,000 from the general fund in startup costs, out of a budget of \$1.6 million this biennium. Roughly \$133,000 of the program's \$3.1 million 2019-2021 budget will also come from the general fund. The balance will come from fees leveraged on air quality permit holders.

The funding will cover 10 positions at DEQ and the Oregon Health Authority, which will implement air toxics rules. DEQ will hire permit writers, an air quality modeler, program coordinator, management and information technology support.

An additional \$1 million was added to DEQ's budget to allow them to begin to address their current backlog of industrial air permits. A recent audit by the Secretary of State revealed the serious extent of this backlog, which is due to a chronic under-funding of the agency.

ENVIRONMENTAL LEGISLATION THAT FAILED

HB 4001 – Cap and Trade

In committee upon adjournment

HB 4001 was one of two bills introduced that proposed that Oregon adopt a cap and trade program. Both bills (HB 4001 and SB 1507) were the result of a work group during the 2017 interim. As introduced, both HB 4001 and SB 1507 updated existing state greenhouse gas reduction goals and would have required the Oregon Environmental Quality Commission to establish an overall statewide cap on greenhouse gas emissions. The statewide cap would be reduced over time to achieve emission reductions of 80 percent below 1990 emission levels by the year 2050. The bills would have required regulated entities (those who have emissions of greater than 25,000 metric tons per year) to obtain allowances. The bills also set forth provisions outlining the distribution of allowances and market establishment by which allowances would be auctioned/traded in a secondary market. Revenues from auction proceeds would be dedicated to a Transportation Decarbonization Investment Fund, a Climate Investment Fund and a Just Transition Fund. HB 4001 and SB 1507 would have established a Joint Legislative Committee on Climate to provide legislative oversight over the program and to make recommendations on expenditures of auction proceeds. In addition, a 21-member program advisory committee would have been created. While HB 4001 and SB 1507 were similar in overall policy and general program requirements, there were some significant policy differences between the bills. The Senate version contained provisions to allow regulated entities who were energy intensive and trade exposed to receive free allowances.

Under the provisions of SB 5701, the legislature dedicated \$1.4 million in general funds to fund and create a new Carbon Policy Office. The funds will be used to staff the office with four limited duration positions (2.32 FTE), the Governor's Carbon Policy Advisor, a Climate Policy Manager, Project Manager and a support staff position. The approved one-time funding

includes \$650,000 for studies to examine the following areas: an economic impact analysis of a cap and trade program on Oregon's jobs and economy, leakage risk of emission intensive, energy-intensive trade exposed industries (EITEs) and carbon sequestration.

Both cap and trade bills failed this session. It is highly anticipated that similar legislation will be considered and voted upon during the 2019 session.

HB 4002, SB 1508- Cleaner Air Oregon Fees

In committee upon adjournment

These two bills both proposed to assess additional fees for air contamination sources operating under a state, regional or federal air quality permit. The new fees would have been in addition to existing permit fees and would have been used to develop and implement a program to reduce public health risks from toxic air emissions from commercial and industrial sources. Under the bill, total fees collected for the existing biennium could not exceed \$2 million. *(Please see SB 1541 above)*

FINANCE & TAXATION BILLS THAT PASSED

HB 4139 – Heavy Equipment Taxation

Effective Date: June 2, 2018

HB 4139 replaces the existing personal property tax system for heavy equipment held for rental with a 2 percent point-of-sale tax. This type of personal property is very mobile and is often missed in property tax assessments. Heavy equipment rental providers will file quarterly tax returns and remit the sales tax to the Oregon Department of Revenue (DOR). DOR will return the revenue to the county in which it was rented, where it will be distributed to taxing districts using the tradition property tax methodology. The county assessors opposed the bill. SDAO was neutral on the bill because it ensures that local governments will be made whole yearly by the rental companies if there is a revenue loss. DOR will submit a report on the new program on or before July 1, 2022.

SB 1528 – Pass Through State Tax Deduction

Effective Date: June 2, 2018

In December 2017, the Tax Cuts and Jobs Act was enacted by Congress and signed by President Trump. Included in the Act was a provision that allowed specified pass through entities (S-Corps and LLCs) a deduction generally equal to twenty percent of the pass through's qualified business income. Due to Oregon's connection to the federal definition of taxable income, the twenty percent deduction, absent any law change in Oregon, would automatically become part of Oregon's taxable income starting point for determining Oregon tax liability.

SB 1528 rolls back a new state business tax break automatically created by 2017 federal tax reform. Oregon tax law is generally connected to the federal tax code, unless the state

specifically disconnects from it. The federal tax break would have allowed “pass-through” businesses to deduct 20 percent of their gross income from their state taxes, in 2018. SB 1528’s disconnection from this break restores roughly \$200 million per year to Oregon’s state budget.

GENERAL GOVERNMENT BILLS THAT PASSED

SB 1542 – Odd-Numbered Year Legislative Session Start Date

Effective Date: June 2, 2018

Currently, ORS 171.010 provides that all regular sessions of the Legislative Assembly begin on the first day of February, unless the first day is a Thursday, Friday, Saturday or Sunday, in which case the regular session begins on the following Monday. Senate Bill 1542 retains this start date for even-numbered year regular sessions, while beginning the odd-numbered year regular sessions on the Tuesday after the holiday for Dr. Martin Luther King, Jr.'s Birthday.

GENERAL GOVERNMENT BILLS THAT FAILED

SB 1514 – Sunset of Boards and Commissions

In committee upon adjournment

This bill would have created periodic sunset review of state boards, commissions, committees, task forces and other executive department entities that met certain criteria. Under the proposal the Legislative Policy and Research Director (LPRD) would establish a roster and schedule of entities for periodic sunset review. The bill required listed entities with periodic sunset review scheduled for next odd-numbered year regular session of the Legislative Assembly to provide specific information and required the LPRD to compile and present that information to legislative committees and facilitate committee undertaking of periodic sunset review.

PERS BILLS THAT PASSED

SB 1529 – PERS Incentive Fund Capitalization

Effective Date: June 2, 2018

SB 1529 establishes and appropriates money to the Employer Incentive Fund (EIF), which will be used to assist PERS employers fund their unfunded actuarial liability (see SB 1566 summary below). Monies generated in this bill for the EIF are as a result of the bill’s provisions that reconnect Oregon’s tax code to the federal tax changes made in late 2017. Eighteen percent of the total amount raised by this bill is dedicated to the EIF, and the Legislative Revenue Office projects that the fund will receive \$25 million as a result.

SB 1566 – PERS Incentive Fund Framework

Effective Date: June 2, 2018 with an Operative Date of January 1, 2019

SB 1566 establishes eligibility criteria for the PERS Employer Incentive Fund (EIF) established in SB 1529 (see above). Employers with unfunded actuarial liabilities of more than 200 percent of their PERS-eligible payroll will be eligible for the first six months after enactment of the bill. The fund then becomes open to all other employers up to the amount remaining in the EIF.

All PERS employers are eligible to receive matching funds; however, an employer must have an approved Unfunded Actuarial Liability Resolution (UALR) plan. The PERS agency is tasked by the bill with developing rules and technical assistance for agencies to develop their UALR plans.

The match rate is up to 25 percent of a PERS employer's contribution. An employer must make a minimum contribution of \$25,000, and the maximum amount to be matched is up to 5 percent of the employer's UAL or \$300,000, whichever is greater. The employer must apply to reserve matching funds by no later than December 31, 2019, and lump sum payments must be made by July 1, 2023. Contributions generated from debt financing are not eligible to receive a match. The employer's match must be from cash on hand and cannot be from borrowed funds.

PERS will engage in administrative rulemaking to implement the provisions of the bill. It is expected that in future legislative sessions, additional funds will be made available to fund the EIF; the Governor's target is to ultimately capitalize the fund with \$400 million.

TRANSPORTATION BILLS THAT PASSED

HB 4059 – Transportation Funding Package Modifications

Effective Date: June 2, 2018

During the 2017 Legislative Session, the Oregon Legislature passed the largest transportation funding package in the State's history. That bill, HB 2017, among other things, increased fuel taxes, registration and title fees, and implemented a new payroll tax dedicated to public transportation. HB 4059 was introduced as a bill to make technical corrections to the bill enacted last year. Another bill, HB 4060 was introduced in order to make policy changes to the recently enacted law. In the end, however, both bills were merged into HB 4059. HB 4059 makes a number of technical and a few policy changes to the transportation funding package passed last year. There were no substantive policy changes to the ConnectOregon program.

TRANSPORTATION BILLS THAT FAILED

HB 4004 – Oil Trains

In committee upon adjournment

Under current Oregon Law, railways do not receive any extra scrutiny regarding oil spill response requirements. This bill would have defined certain sections of railroads as High Hazard Train Routes if they abut or travel navigable waters, inland watersheds, or drinking water intakes over which trains consisting of 25 or more railcars transport oil. The bill would have required railroads transporting oil and operating within High Hazard Train Routes to develop contingency plans regarding oil spills. Additionally, the bill established the High Hazard Train Route Oil Spill Prevention Fund which would have provided money to the Department of Environmental Quality to review contingency plans, maintain response capacities, and review and revise response plans.

HB 4083 – Tax Incentive to Maintain Short Line Railroads

In committee upon adjournment

This bill would have created a tax credit for owners or lessees of short line railroads that complete certified short line railroad rehabilitation projects in Oregon. The proposed credit would have been equal to lesser of: \$3,500 multiplied by the number of miles of short line railroad track the taxpayer owns or leases in Oregon or fifty percent of the certified short line railroad rehabilitation project costs. The bill would have made the tax credit transferable and would have allowed any unused portion of credit to be carried forward up to five succeeding tax years. The Oregon Department of Revenue would have been responsible for certification and administration of the proposed tax credits. Finally, the bill would have placed an unspecified limit on the total amount of potential tax credits available in any single biennium.

HB 4138 – Boat Wakes

In committee upon adjournment

The Oregon State Marine Board is the state's regulatory agency for maintaining safe access and use of Oregon's waterways, providing education and enforcement for the boating public, and helping to address environmental stewardship. The Board is funded by user fees paid by motorized boat owners and users. The Oregon Department of State Lands is responsible for stewardship of lands, wetlands, and waterways. This bill would have permitted the State Marine Board to adopt rules, at the request of the Department of State Lands, relating to the operation of motorboats in order to minimize and prevent erosion. Although this bill targeted what is called the Newberg Pool on the upper Willamette it could have created a troubling precedent.

LOOKING FORWARD TO THE 2019 LEGISLATIVE SESSION

The Politics/Numbers Game of the House and Senate

The House of Representatives currently is comprised of 35 Democrats and 25 Republicans. Democrats only need to pick up one seat allowing them to vote for tax increases without the need of a single Republican member. Eight current members (6 Republicans and 2 Democrats) are either not running again, is seeking a different office, or has been appointed to a different office. Of the 60 seats in the House, 20 seats did not draw an opponent from the opposite party (15 Democrats and 5 Republicans) and are guaranteed to hold that seat in the November general election. There are 9 House republican and 6 House democratic primary election challenges.

Democrats control the Senate by a 17 – 13 margin, and by picking up a single seat they will have a super majority allowing them to vote for tax increases without the need of a single Republican member. Two existing Democrats have primary elections – Senator Rod Monroe (D-Portland) and President Peter Courtney (D-Salem). Some of the most closely watched races will be: in the Ashland area where Senator Alan DeBoer (R-Ashland) will not seek re-election to a 2nd term and Democrats will target this open seat. In Clackamas County where Senator Alan Olsen (R-Canby) will have to defend a district where Democrats may spend some money. In Hood River County Senator Chuck Thomsen (R- Hood River) faces changing demographics and where Democrats will likely make a push. Finally, Republicans will likely attempt to pull an upset by unseating Senator Chuck Riley (D-Hillsboro) in a potentially expensive race

Kate Brown is running for her first four-year term for Governor. She has attracted two primary candidates with little name recognition. Representative Knute Buehler (R-Bend) is the current odds-on favorite to emerge from the Republican primary which has a total 13 contestants. In the only other state-wide election Labor Commissioner Brad Avakian will not be seeking another term. As a result, three candidates are vying for the non-partisan office including former House Majority Leader Val Hoyle.

2018 Interim Process

The legislature has designated three separate blocks of “interim committee days” to receive reports and updates on designated issues and to preview legislative concepts for 2018: May 21-23; September 24-26; and December 12-14.

Several key dates for interest groups seeking to introduce legislation are listed below:

- Pre-Session Legislative Requests Due – September 28th
- Pre-Session Legislative Drafts Returned – December 5th
- Pre-Session Filing Closes – December 21st

State agencies must submit legislative concepts to the Department of Administrative Services (DAS) by April 13, 2018. DAS will approve introduction of agency concepts by June 1, 2018. Legislative counsel will have completed all agency legislative concept drafts by November 1, 2018. The Governor's office will then review approved DAS legislative concepts. Pre-session filing closes for state agencies on December 7, 2018.

Initiative Petitions

Petition sponsors of other measures have until July 6, 2018 to submit the required number of valid signatures in order to place a measure on the ballot. Measures that propose to change Oregon's Constitution need 117,578 valid signatures and statutory changes require 88,184 signatures.

Several measures are currently actively gathering signatures for the upcoming ballot. Some of those include: retroactive term limits, requiring voters to prove citizenship, elimination of the state's "sanctuary statute," public disclosure of corporate tax returns, elimination of compulsory union dues, and a prohibition on grocery store sales taxes. At this time it is difficult to predict what will and won't appear on the November ballot.

Legislative Referrals

The 2017 legislative assembly referred one measure to the voters of Damascus and one to voters statewide for the statewide November election. HJR 201 refers a Constitutional Amendment to the voters, at the November 6, 2018 election, to approve or deny the ability of local governments to issue of general obligation bonds for affordable housing.