
**79th LEGISLATIVE
SESSION
SUMMARY OF BILLS**

JULY 2017

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How to Read the Bill Summaries

[HB 2017: Transportation Package](#)

*Effective Date: October 6, 2017**

**Varying operational dates*

Effective Date - indicates the date on which the bill becomes effective

*Varying... - indicates that a particular bill has multiple portions that take effect on different dates

GENERAL OVERVIEW

At 3:26 p.m. on July 7, the 79th meeting of the Oregon Legislative Assembly ended its five-month run and adjourned *sine die*, (from the Latin “without day,” meaning “without assigning a future date for resumption”). Facing large challenges on several fronts – balancing a budget showing a \$1.4 billion shortfall; passing a large transportation infrastructure package; enacting tax reform; and solving the unfunded liability of the Public Employee Retirement System’s (PERS) – the results were mixed. Tensions between parties, and even between chambers, made resolution of some issues difficult or even impossible.

The League’s 2017 legislative priorities, established by its policy committees, ranked by city councils and approved by the LOC Board of Directors, fared reasonably well. A major transportation package was approved, full recreational immunity was restored to cities, and property taxes were positioned for inclusion in future tax reform efforts. However, PERS reform continues to present a vexing challenge that is not conducive to a near-term fix.

The League’s advocacy team tracked about 1,300 of the nearly 2,800 bills introduced this session. While providing effective advocacy on behalf of Oregon’s 241 cities, the involvement of individual cities and their elected officials and professional staff once again had significant impacts on the League’s lobbying efforts. Beginning with attendance by more than 200 city officials at the League’s “City Day at the Capitol” on February 8, and continuing through the session with legislative action alerts on issues such as recreational immunity and transportation, cities made their mark on the legislative process. Also encouraging is the growing number of city officials who have been elected to the Legislature, bringing a greater level of understanding about local government to the state legislative process.

COMMUNITY DEVELOPMENT

Building Codes

OVERVIEW

The 2017 session started with a number of hearings on bills that would have changed local implementation of the state’s building code. Primarily, the bills focused on modifying how local building inspection programs are run. However, after hearings and discussion, there were no legislative changes adopted that will impact local implementation of programs.

However, the Oregon Building Codes Division will be working to clarify how permanent “tiny homes” can be built within the residential code. With increasing interest in developing housing with smaller footprints, a resolution was reached through a work group process during the session to ensure that houses with a smaller footprint remain safe, and that there is a standard for inspecting these structures.

It is likely that there will be continuing conversations on how local building inspection programs are run and the state’s oversight role in that process.

BUILDING CODES – PASSED BILLS

SB 871: Local Demolition Process

Effective Date: October 6, 2017

SB 871 clarifies that cities have the authority to develop a program for home demolitions that accounts for potential lead and asbestos if the home was built prior to January 1, 1978. Cities that adopt such a program must require that persons demolishing a qualifying building must abide by some, or all, of a list of best practices for lead containment, as developed by the Oregon Health Authority. Cities may also require a copy of an asbestos survey, as required by the Oregon Department of Environmental Quality. Finally, cities may create further requirements, but cannot develop additional best practices for abating lead and asbestos in demolition.

HB 2737: Tiny House Building Code

Effective Date: October 6, 2017

HB 2737 requires the Oregon Department of Consumer and Business Services (DCBS) to develop construction standards for houses that are less than 600 square feet in size. The standards are required to allow for both lofted areas that can be used for sleeping, and access to lofted areas using ladders or alternative tread devices. Currently, lofted areas and alternative access methods cannot be approved under existing residential building codes, preventing building inspectors from permitting permanent structures with these amenities. The DCBS is required to adopt the new code by January 1, 2018. This bill creates additional clarity for cities looking to develop tiny homes as permanent residences.

BUILDING CODES – FAILED BILLS

HB 2164: E-Permitting System for Building Inspection Programs

HB 2164 would have required local governments with building inspection programs to use the state’s electronic-permitting (“e-permitting”) system or an independent system that meets requirements set by the Oregon Building Codes Division. In 2015, the League worked to ensure that participation in the state’s e-permitting system was optional. This session, the League sought to maintain that independence while trying to determine which local jurisdictions do not participate in any electronic system and how to respond to concerns about customer access to the permit process.

HB 2165: Tiny Home Building Codes

HB 2165 would have defined what constitutes a small home. Building inspectors in Oregon were inspecting small homes, also known as tiny homes, under the recreational vehicle code. But that was in contrast with builders marketing tiny homes as residences, which meant the homes would need to meet the residential code. HB 2165 would have required homes that are permanently installed for use as a residence to be inspected under the low-rise residential code, and those not permanently installed to be inspected under the recreational vehicle code. According to the provisions of HB 2165, a permanently-installed small home does not have attached wheels, sits on a foundation, and has a fixed connection to utilities.

HB 2168: Providing Building Inspector Equipment

HB 2168 would have required a city to provide building inspectors with all the necessary equipment for completing an inspection. Currently, the Oregon Specialty Code requires a permit holder to provide access to the equipment needed to conduct the inspection, including ladders lifts and scaffolding. The proposed requirements in HB 2168 would increase the cost of administering a building inspection program, and cause delays due to the need for equipment at each inspection. In addition, the building inspectors would have assumed the risk of injury when using equipment belonging to the contractor, subcontractor, material supplier, or property owner. Stakeholders have been tasked with finding potential solutions to the numerous issues raised, and the League will work to ensure that local inspection programs continue to be effective and efficient.

HB 2710: Energy Code Updates

HB 2710 would have required the director of the Oregon Department of Consumer and Business Services to review electrical codes, standards and technical components once every three years to determine if provisions of the Reach Code should be amended into the state building code. The bill required the department to review energy conservation standards and establish goals for increasing energy efficiency and conservation. The goal laid out in the bill was to reduce energy usage in new construction to 35 percent of current usage by 2023 through implementation of code and standards updates.

HB 2907: Specialized Building Inspectors

HB 2907 would have redefined specialized building inspectors to include city employees and third-party inspectors hired and overseen by the city. This bill was important for cities that depend on contracted inspectors to either perform or supplement a local inspection program.

HB 3189: Department of Building Codes

HB 3189 would have removed the Building Codes Division as part of the Oregon Department of Consumer and Business Services and created an independent Department of Building Codes. The bill would have also moved all the fee revenues the division collects into a separate building code fund that

would provide the agency with its budget. The League expressed some concerns about the impact that creating a separate department might have on the oversight and relationship with locally-run building inspection programs. HB 3189 was passed by the House Committee on Business and Labor and moved to the Joint Committee on Ways and Means. However, the bill received no subsequent hearings.

Economic Development

OVERVIEW

Traditional economic development tools for growing Oregon’s economy have been the following incentives: enterprise zones, e-commerce zones, urban renewal, property tax exemptions and income tax credits. In general, the Legislature needs revenue to provide new incentives, and they didn’t have extra to spend this session.

The state has been experiencing record low unemployment. The April 2017 jobless rate was 3.7 percent, which is the lowest for which the state has comparable data, a period stretching back to 1976. As a result, there wasn’t the perceived need to focus on job growth this session. Instead, the Legislature focused efforts and appropriations on two areas highly linked to continued economic development: affordable and workforce housing, and a transportation package.

The urban renewal “peace treaty” (signed after 2009 session reforms) with special districts and schools expired this year, and there were renewed discussions on the urban renewal districting process and use of revenues this session. The League opposed HB 2470, which would have seriously hampered city authority to manage urban renewal districts and reduced the utility of urban renewal as a key economic development tool. The bill ultimately did not advance. However, at the request of the leadership in the new House Economic Development and Trade Committee, the League will continue to talk with proponents during the interim to see if consensus revisions can be found to improve urban renewal as a revitalization instrument. This report has moved urban renewal bills from the property tax section (urban renewal districts utilize property tax increments) to the economic development section this year as urban renewal is a key economic development tool for cities. In addition, this is in line with the merger of the Oregon Economic Development Association (OEDA) and the Association of Oregon Redevelopment Agencies (AORA) in July. The new organization will be organized under the OEDA name, with a robust Urban Renewal Committee and Board representation. The League will continue to serve on the OEDA Board and participate on the Urban Renewal Committee.

The legislative revenue committees continued to review expiring tax credit programs this session via the Joint Tax Credits Committee. Due to the tight budget and failure to pass a revenue package, the Legislature spent only \$1 million in their omnibus tax credit bill, HB 2066. Thus, many tax credits were not extended and will sunset. One particular disappointment for cities was the failure to extend the electronic commerce income tax credit. The electronic commerce program has been limited to 15 zones, and cities have been on the waiting list to get an electronic commerce zone overlay on their respective enterprise zone. Since tax credits are generally business incentives that ultimately help grow jobs and the economy, this report has moved the tax credit bill summaries largely into the economic development section rather than the tax section this year.

A reoccurring economic development topic this session were the various enterprise zone program requirements. Several bills sought to revise or extend these programs. Generally, enterprise zone programs provide property tax exemptions that local governments provide to incentivize business investment and job growth. There were some modest revisions for rural enterprise zones that will make it easier to qualify for the incentives in some circumstances.

Despite the tight budget, the state did continue to invest in infrastructure. Such appropriations create construction jobs and continue to prompt further economic development as they provide the infrastructure needed for business growth. The Joint Ways and Means Committee largely accommodated the budget requests for the Oregon Business Development Department (Business Oregon). In addition, the Special Public Works Fund was recapitalized with \$20 million for general purposes and an additional \$10 million for levees. While the League would have liked a \$50 million recapitalization as the governor requested, in a tough budget year without a revenue package, this was a win. For more details on key appropriations, see the [Budget section](#) of this report.

ECONOMIC DEVELOPMENT – PASSED BILLS

SB 333: Industrial Site Readiness Program Updates

Effective Date: October 6, 2017

SB 333 makes minor technical updates to the state’s Industrial Site Readiness loan program. Since the loan program was established in 2015, there have been a few issues and concerns raised about program implementation, including needed modifications to some of the program requirements. In particular, Business Oregon will be required to obtain wage and employment data directly instead of seeking the information from the employer. In addition, SB 333 clarifies the roles that other state departments have in the process of ensuring the employment opportunities meet the requirements of the program. The bill does not impact the role or responsibility of cities entering into a loan agreement to make the site shovel ready.

SB 936: Strategic Investment Program

Effective Date: October 6, 2017

SB 936 makes revisions to the Strategic Investment Program (SIP). The SIP is administered by Business Oregon and offers a 15-year property tax exemption on a portion of large capital investments that serve a traded sector industry. To qualify, the cost of the project must exceed the taxable portion, which is \$25 million in rural areas and \$100 million in urban areas. A new sliding scale for required property taxes is provided in the bill for rural projects. That is, the bill increases the taxable portion of projects located in rural areas eligible for property tax exemptions under a SIP agreement. The taxable value of the rural eligible project property is based upon the total cost of the project. Second, the bill increases the cap on the community services support fee from \$2 million to \$2.5 million in any year for both urban and rural projects.

HB 2012: Eastern Oregon Border Economic Development Board

Effective Date: On Passage

HB 2012 establishes a new seven-member Eastern Oregon Border Economic Development Board to develop a plan for investment in workforce development and economic development in the region along the Idaho border. The board is to meet at least quarterly, and is to be staffed by the Oregon Business Development Department (OBDD). The bill appropriates \$5 million to fund the effort, including grants and loans for eligible applicants. The board shall make the decisions to approve and award grants or loans, but OBDD shall be responsible for the payment of the grants or loans. Board members are to be selected by the governor from a list prepared by the county based on listed qualification requirements. City officials or staff may be chosen as board members, and cities are eligible for the grants and loans. Also, the board is to recommend changes to specific laws, rules and regulations that repeatedly place

specific workforce development or economic development efforts in the region at a competitive disadvantage.

HB 2066: Economic Development Program Changes: Wage and Compensation Requirements

Effective Date: October 6, 2017

HB 2066 became the omnibus tax credit bill for the session, but a set of rural county enterprise zone revisions were amended into the bill from other legislation during the last days of session. The rural enterprise zone sections of the bill redefine “qualified rural county” to mean, for certain economic development programs, a county outside all metropolitan statistical areas in which total property taxes imposed by all taxing districts equal at least 1.3 percent of total assessed value of all taxable property in county. The bill then lowers, for such qualified rural counties, the total compensation requirements for such economic development programs while creating wage floors for all counties. The affected economic development programs are: enterprise zones, rural enterprise zones (long term), the Strategic Investment Program and business development tax exemptions (personal income tax or corporate excise tax). The details of these changes are complex and cities are encouraged to consult with Business Oregon. The bill also extended the sunset for tax credits for reservation enterprise zones from January 1, 2018 to January 1, 2028. For further details of the components of this omnibus tax credit bill, see [HB 2066, State Taxes – Passed Bills](#).

HB 2152: Small Business Development Centers

Effective Date: January 1, 2018

HB 2152 authorizes small business development centers to use state grant funding for outreach and marketing activities. The bill directs the centers to collaborate with state agencies, state-supported organizations and private-sector entities to provide specified services to small businesses. There are currently 19 small business development centers (SBDCs) operating throughout Oregon, mostly in conjunction with community colleges and public universities. Under current law, SBDCs are prohibited from using state funds to engage in outreach and marketing efforts to publicize the services they provide.

HB 2242: Oregon Business Development Fund

Effective Date: January 1, 2018

HB 2242 gives Business Oregon greater flexibility to use loans from the Oregon Business Development Fund (OBDF) by revising the definition of a business development project. The measure also specifies that the current 15 percent annual funding from OBDF reserved for emerging small businesses in rural or distressed areas be extended to businesses not engaged in traded-sector activities.

HB 2244: Film and Video Labor Rebate

Effective Date: January 1, 2018

HB 2244 moves the sunset of the Greenlight Oregon Rebate Labor program from January 1, 2018 to January 2, 2024. The bill also allows the Oregon Film and Video Office to deduct expenses for workforce development and educational efforts from the labor rebate amounts. The program provides a rebate of up to 6.2 percent of payroll for businesses with at least \$1 million of production expenses in Oregon. The program was established in 2005.

HB 2833: Enterprise Zones Technical Amendments

Effective Date: October 6, 2017

Brought by Business Oregon, HB 2833 makes numerous technical changes to the rural enterprise zone (long-term zone) and the standard enterprise zone programs. It clarifies such items as wage requirements, application requirements, exemptions, valuation mechanisms, recession provisions, disqualifying event triggers, deadlines and communications with the assessors and the Oregon Department of Revenue.

HB 2933: Special Public Works: Emergency Projects Grants

Effective Date: January 1, 2018

HB 2933 lifts the \$2.5 million biennial total cap on emergency project grant funds that may be provided through the Special Public Works Fund (SPWF) that is administered by the Oregon Business Development Department (Business Oregon). Emergency projects come with matching dollars from the Federal Emergency Management Agency, and as a result, this bill provides flexibility so funds can be allocated to meet community and infrastructure needs in an emergency. Individual projects have a cap of \$1 million from the SPWF, and the department has statutes and rules that allow grant decisions to be based on the balance of the fund, priority and needs. While the SPWF was recapitalized this session with \$30 million in the lottery bond bill (see the [Budget section](#) of this report), the demands are expected to continue to outpace the fund resources.

HB 2968: Brownfield Remediation Coordinated Process

Effective Date: May 25, 2017

HB 2968 requires the Oregon Department of Environmental Quality to study and make recommendations on ways to create a coordinated process for the remediation or removal of brownfields. The goal is to release a landowner from potential state and federal liabilities related to the environmental conditions of the site if they proceed with a project under the coordinated process. The recommendations must be made by September 15, 2018.

HB 3377: Oregon Business Development Department: Audit Response Report

Effective Date: June 14, 2017

The Secretary of State's Audit Division released an audit report of the Oregon Business Development Department (Business Oregon) in December of 2016. The department is the state's primary economic development agency. The audit report recommended that Business Oregon improve the evaluation and transparency of the individual economic development incentives and business loan programs the department oversees. HB 3377 requires the department to report on its response to the recommendations of the audit report to the Legislature by January 1, 2018.

HB 3350: New Office of Outdoor Recreation

Effective Date: July 1, 2017

HB 3350 establishes the Office of Outdoor Recreation within the Oregon Parks and Recreation Department. The bill directs the state's parks and recreation director to appoint an associate director to serve as the executive head of the Office of Outdoor Recreation. The bill directs the office to: coordinate outdoor recreation policy; assist in developing or updating the outdoor recreation management strategies of the department; coordinate with the Oregon Tourism Commission and Travel Information Council; serve as a clearinghouse and information center for outdoor recreation stakeholders; and develop data on the social, economic, and resource impacts of outdoor recreation in this state. The office will promote the health and social benefits of outdoor recreation in coordination with other related state programs and

initiatives. A recent industry finding estimates the economic impact of Oregon's recreation industry at \$12 billion, and this new office is intended to help this industry continue to grow.

ECONOMIC DEVELOPMENT – FAILED BILLS

SB 167 & HB 2071: Agriculture Workforce Housing Tax Credit

SB 167 and HB 2071 would have extended the agricultural workforce housing tax credit, which was set to end January 1, 2020, by six years. These bills did not receive hearings.

SB 145 & SB 176 & HB 2080: Reservation Enterprise Zone Program

SB 176 and HB 2080 would have extended the sunset of the reservation enterprise and reservation partnership program tax credits from January 1, 2018 to January 1, 2024. While these bills failed, this tax credit program was extended for 10 years, to January 1, 2028, in HB 2066.

SB 168: Biomass Tax Credit

SB 168 would have extended the sunset on all of the biomass tax credits until January 1, 2024. SB 168 would have also transferred woody biomass tax credits to the Oregon Department of Forestry instead of the Oregon Department of Energy. Oregon's Biomass Producer or Collector (BPC) tax credit was created by the Legislature in 2007 to promote sustainable growth of the biofuels market in Oregon. Currently, the Oregon Department of Energy (ODOE) accepts tax credit applications from applicants who collect or produce certain biomass material in Oregon that is delivered for use as feedstock for bioenergy or biofuel production in the state. The ODOE issues a tax credit certificate to successful applicants, and certificate holders may sell the credit. Only entities with tax liability are eligible to apply, which excludes non-profits, tribes and public entities. SB 168 received a hearing in the House Environment and Natural Resources Committee, but did not advance further. A modified tax credit was included in the omnibus tax credit bill, HB 2066.

SB 169: Electronic Commerce Tax Credit

SB 169 would have extended the sunset for tax credits for electronic commerce in an enterprise zone or a city designated for electronic commerce to 2024. Without the extension, the credit sunsets on January 1, 2018. The League supported a similar but more comprehensive e-commerce tax credit extension bill, HB 2243.

SB 170 & HB 2074: Energy Conservation Tax Credit

SB 170 and HB 2074 would have extended the sunset date of the tax credit for energy conservation projects from January 1, 2018 to January 1, 2024. Taxpayers who invest in a qualifying energy conservation project are allowed to claim a tax credit of up to 35 percent of the eligible project costs, as certified by the Oregon Department of Energy. The credit is taken over five years and may not exceed the tax liability of the taxpayer. Ten percent of the certified cost of the facility may be claimed in the first and second years, and 5 percent may be claimed in the succeeding three years. If the project has certified costs of no more than \$20,000, the tax credit may be taken in one year. The credit has a five-year carry-forward and may be transferred. Cities have some of these credits outstanding, and the League advocated for providing a soft sunset to cover those in progress. The bill received hearings, but the tax credits were ultimately not extended in this lean tax credit session. For more information, see [HB 3032](#), which would have addressed problems with the various energy tax credit programs, including this one, in a comprehensive manner.

SB 172 & HB 2076: Fish Screening Device Tax Credit

HB 2076 would have extended the tax credit for installing a fish screening device for six more years, until January 1, 2024. Currently, taxpayers are allowed a tax credit for installing a fish screening device to provide for upstream and downstream passage for native migratory fish in Oregon. Most eligible devices are found on agricultural land to keep fish from entering irrigation canals. The tax credit was initially adopted in 1989, and serves as a voluntary cost-share program for the installation of fish screen devices. While both of these bills failed, the fish screening device tax credit was included in the omnibus tax credit bill, HB 2066, that did pass.

SB 173 & HB 2077: Rural Enterprise Zone Tax Credit

These bills would have extended the sunset date of the long-term rural enterprise zone tax credit from a June 30, 2018 expiration to June 30, 2024. This tax credit is equal to 62.5 percent of gross payroll against state corporate excise taxes, and the length of the tax credit is a maximum of 15 years. It must be approved by the governor, and details of such tax credits with businesses are confidential. The tax credit is an optional overlay on existing enterprise zones which provide property tax exemptions. The League supported this tax credit as it is one of the few economic development incentives that utilizes state revenue. The lack of tax transparency (these credits are confidential) made passage of these bills difficult.

SB 174 & HB 2078: Research Tax Credit

These bills would have extended the qualified research expenses tax credit sunset from January 1, 2018 to January 1, 2024. This state tax credit is tied to the federal research tax credit (IRC §41). There wasn't great interest in renewing this credit, as the business community did not advocate to keep it.

SB 175 & HB 2079: Renewable Energy Tax Credit Extension

SB 175 and HB 2079 would have extended the sunset for renewable energy development contribution tax credits from January 1, 2018 to January 1, 2024. The Legislature created the Renewable Energy Development (RED) grant program in 2011 to promote investment in renewable energy projects. The Oregon Department of Energy (ODOE) administers the program and grants cover 35 percent of the cost of the project (not to exceed \$250,000). Businesses, public bodies, schools, non-profits and tribes are eligible to apply. Due to limited revenues, very few tax credits were extended this session. This one was on the short list but did not enjoy support in the Senate.

SB 177 & HB 2081 & HB 2681: Alternative Energy Tax Credit

These bills would have extended the sunset for construction or installation of alternative energy devices from January 1, 2018 to January 1, 2024.

SB 178 & HB 2082: Rural Medical Care Tax Credit

These bills would have extended the sunset of the rural medical tax credit program six years. The tax credit provides health care providers a non-refundable tax credit of up to \$5,000. In order to receive the credit, a provider must work a minimum of 20 hours a week in a qualifying rural area. This tax credit was ultimately revised and extended in the omnibus tax credit bill, HB 2066 that did pass.

SB 179 & HB 2083: Alternative Fuel Vehicle Transportation Tax Credit

HB 2083 would have extended the tax credit for alternative fuel vehicle projects from January 1, 2018 until January 1, 2024.

SB 291 & HB 2194: Prevailing Wage Rates for Public Works

SB 291 and HB 2194 would have redefined “funds of a public agency,” in order to apply prevailing wage rates to certain projects for public works. This would have included tax credits or tax abatements that contractors received for the project in the calculations. The League opposed the bills, which did not receive a hearing.

SB 316: Wine Board: Oregon Wine Marketing and Promotion

SB 316 would have required the Oregon Wine Board to establish and operate a program for wine market access and promotion. The bill also would have had the Oregon Liquor Control Commission pay \$1.5 million of the state wine production and distribution tax revenues to the board account each year for the board to carry out the program. The League was successful in getting the bill amended so that local government’s share of the wine taxes would not be decreased. The bill moved to the Joint Ways and Means Committee and did not advance. However, an appropriation of \$500,000 for marketing from the general fund was made to the Oregon Wine Board in the Christmas tree bill, [HB 5006](#).

HB 2041: Certified Oregon Products

HB 2041 would have established a program in the Oregon Business Development Department to certify nonprofit and for-profit businesses to use the term “Certified Oregon” on products and labels, in advertising and media and for other purposes specified by rule. The bill would have established a Certified Oregon Advisory Group to advise and make recommendations to the department to implement the program and certify businesses. The bill was heard in the House Economic Development and Trade Committee and sent to the Joint Committee on Ways and Means with a “do pass” recommendation, but it was ultimately not funded.

HB 2067: Tax Havens (Foreign Black List)

In 2013, the Legislature passed HB 2460, which contained a list of foreign jurisdictions deemed tax havens, in which income from an affiliate must be included on the Oregon corporate tax return. The 2013 bill also required the Oregon Department of Revenue (DOR) to prepare a biennial report reviewing the status of the current list and make recommendations to the Legislature for additions or subtractions. Based on the DOR review, HB 2067 would have added Panama, Hong Kong, The Netherlands, Switzerland, Jordan, Lebanon, Macau and the United Arab Emirates to the current list. The League opposed the bill, along with other economic development partners, because having a “black list” disincentives companies with legitimate, non-tax motivated operations in deemed tax haven countries from hiring and expanding in Oregon because they are taxed differently the moment they invest in the state. Foreign direct investment, job creation and exports are hampered by the black list. The bill passed out of the House Revenue Committee, but was sent back to committee without a floor vote.

HB 2070: Affordable Housing Lender Tax Credit

HB 2070 would have extended the sunset for affordable housing lender tax credits for six years, from 2020 to 2026. Currently, lenders who make a below market rate loan for affordable housing are allowed a tax credit equal to the difference of the interest rates, but no greater than a 4 percent rate differential. The program cap is \$17 million in outstanding tax credits. The credit is non-refundable- but has a five-year carryover. While this bill did not pass, this tax credit was extended in HB 2066, and the cap was raised to \$25 million.

HB 2073: E-Commerce Zone Tax Credit

HB 2073 would have extended the sunset for tax credits for electronic commerce in an enterprise zone or a city designated for electronic commerce until 2024. The tax credit is available for qualified businesses

based on capital assets used in electronic commerce (e-commerce) operations, as long as the business is engaged or preparing to engage in e-commerce. The e-commerce tax credit is an overlay on the enterprise zone program that provides a property tax exemption. Without the extension, the credit sunsets on January 1, 2018. The sunset is a soft sunset, and thus businesses will still be able to claim the e-commerce tax credit for investments made during the 2017 tax year and utilize any carryover credits until their expiration. The League supported a similar but more comprehensive e-commerce bill, HB 2243.

HB 2146: Transferability of Energy Tax Credits

HB 2146 would have provided that tax-exempt entities are prohibited from earning or transferring energy-related tax credits. This bill would have applied to final certifications issued after January 1, 2018. The League agrees that in the future, grants are preferable to receiving a tax credit that must be transferred (sold) by a local government, because the local government has no tax liability. However, the League opposed this legislation as written because it would adversely impact tax-exempt entities with outstanding pre-certified energy projects by removing a payment method altogether without providing a substitute for either completed projects or those that are in-progress.

HB 2155: Qualified Equity Investment Tax Credit

HB 2155, as amended, would have extended the sunset for qualified equity investment tax credits from 2018 to 2023. Business Oregon would have been able to issue up to \$24 million in tax credits per year (presently capped at \$16 million). The bill also would have capped fees paid to qualified community development entities at 3 percent of the qualified equity investment. The bill would have exempted qualified active low-income community businesses from the requirement that they may not have 15 percent or more of their annual gross revenues from the rental or sale of real estate if the income they receive is from sale or rental of affordable housing. The bill received a “do pass” recommendation from the House Economic Development and Trade Committee, but had a subsequent referral to the House Revenue Committee and did not advance there.

HB 2243: E-Commerce Zone Tax Credit

HB 2243 would have extended the sunset for tax credits for electronic commerce in an enterprise zone or a city designated for electronic commerce until 2024. The tax credit is available for qualified businesses based on capital assets used in electronic commerce (e-commerce) operations so long as the business is engaged or preparing to engage in e-commerce. The e-commerce tax credit is an overlay on the enterprise zone program that provides property tax exemptions. Without the extension, the credit sunsets on January 1, 2018. The sunset is a soft sunset, and thus businesses will still be able to claim the e-commerce tax credit for investments made during the 2017 tax year and utilize any carry forward credits until their expiration. The bill would have increased the maximum number of allowable electric enterprise zone overlays from 15 to 21. (Cities are presently on a waiting list to create a new e-commerce zone.) The bill would also have capped the allowable credit for a taxpayer in a year at \$2 million, allowed tax payers to elect to take a partial refund of the tax credit instead of utilizing the carryover procedure, and required more taxpayer transparency. Sponsored by Business Oregon, the League supported this bill, along with economic development advocates. When no state revenue package could be reached, business tax credits simply did not advance.

HB 2459: Brownfields Tax Credits Task Force

HB 2459 would have created a task force to study tax credits for brownfields. Tax credits have been proposed as an effective tool for incentivizing the remediation of brownfields, and are used in other states. The task force would have been required to report back its findings and recommendations to the legislative assembly by December 1, 2018.

HB 2470: Urban Renewal

HB 2470 would have required urban renewal agency boards to include one member from each taxing district overlapping the urban renewal district, making boards large and unwieldy. Secondly, the bill would have required approval of an urban renewal plan by all taxing districts to form a district or make various amendments to a plan. This effective veto power would have made the use of urban renewal very difficult, hampering growth and redevelopment. State law already provides for limits and requirements for consultation and collaboration with taxing districts. The League opposed the bill, as it would have threatened both city authority to manage urban renewal districts and the viability of urban renewal as a key economic development tool. The bill had one contentious hearing but did not advance. Instead, legislators formed a work group that will continue to look at ways to improve urban renewal transparency and address concerns, mainly from special districts and schools, during the interim. The League is participating on the work group.

HB 2531: State Workforce Investment Board

HB 2531 would have appropriated \$5 million from the state's general fund to the Oregon Workforce Investment Board for Worksystems, Inc. for training and case management. Worksystems, Inc. is one of Oregon's nine local workforce boards that coordinates with federal Workforce Investment Opportunity Act activities. This public/private partnership pursues and invests in resources to improve workforce quality. Worksystems, Inc. serves the city of Portland, and Multnomah and Washington counties. HB 2531 was intended to be a pilot program, and would have provided training and case management for 1,000 potential job applicants in east Portland and east Multnomah County in advanced electronics, metal and machinery manufacturing and distribution jobs. The bill received a "do pass" recommendation from the House Higher Education and Workforce Development Committee, and was then referred to the Joint Ways and Committee, where it did not advance.

HB 2534: Oregon Opportunity Fund

HB 2534 would have created the Community Leverage Fund, which would have been administered by Business Oregon. The bill would have allowed community organizations to propose projects that improve outcomes related to health, early learning, economic development and education. HB 2534 specified that grants and loans given by the fund must be made in roughly equal proportions through the state's economic development regions. Cities would have been allowed to apply for grants and loans. Amendments would have replaced the original bill and established the Oregon Opportunity Commission. The purpose of the commission would have been to award grants and loans from the Oregon Opportunity Fund, develop assessment tools, review laws and rules and identify incentives to address concentrated poverty. Local communities would have to submit a community driven plan to address poverty to receive grants and loans. The bill received a "do pass" recommendation from the House Human Services and Housing Committee, but remained in the Joint Ways and Means Committee upon adjournment.

HB 2672: Tax Havens (Repeals Foreign "Black List")

HB 2672 would have discontinued the use of a biennially-updated list of jurisdictions of incorporation for inclusion on the tax haven "black list." Instead, under the bill, the tax status determination would be based on a variety of factors in the foreign jurisdiction and a focus on the individual corporation's practices, and not simply the foreign location of the corporation in determining whether the income from an affiliate must be included on the Oregon corporate tax return. The League would prefer using this methodology over the present blacklist, which discourages foreign investment and job creation by corporations in the listed foreign jurisdictions. The House Revenue Committee instead focused on HB 2067, which also failed to pass.

HB 2752: All-Wood High-Rise Buildings

HB 2752 would have tasked Business Oregon to develop a grant program to support cross-laminated timber high-rise construction. That program would have been funded with \$2 million for eligible projects. The amended bill required Business Oregon to prioritize projects that result in the greatest increase of affordable housing and best demonstrate feasibility and innovative nature of building high-rise structure out of wood. The bill received a “do pass” recommendation from the House Economic Development and Trade Committee, but remained in the Joint Ways and Means Committee upon adjournment.

HB 2759: Transferability of Energy Tax Credits

HB 2759 would have prohibited the transfer of energy-related tax credits held by tax-exempt or governmental entities, including cities. Instead, the bill would have provided for the purchase of the tax credits by the Oregon Department of Energy. The League supported this grant alternative to deal with the department’s failed tax credit system, but the Legislature failed to address the problem altogether. With the strained state budget and the swirling political problems with the department, there simply wasn’t a political path to address the energy tax credit transferability problems this session.

HB 2775: Biomass Tax Credit

HB 2775 would have limited the credit amount allowed for animal manure that can be claimed annually by all taxpayers to \$5 million. In addition, it would have made the credit available only for manure processed in a manure digester that was in existence on July 1, 2016. The bill did not advance after a hearing, but a modified bovine manure tax credit was included in the omnibus tax credit bill, [HB 2066](#).

HB 2904: Rural Enterprise Zones

HB 2904 would have provided alternative eligibility criterion for the rural enterprise zone program for “qualified rural counties” as defined in the bill. Qualified counties would cover those outside all metropolitan statistical areas in which the total property taxes imposed by all taxing districts equal at least 1.3 percent of total assessed value of all taxable property in county. The long-term rural enterprise zone program offers property tax abatements for seven to 15 years for facilities. Currently, it is necessary for facilities to be located in an area with chronic unemployment or chronically low incomes, but the bill would have added an alternative criterion. While the bill passed the House, time ran out before it could be heard in the Senate. However, similar provisions were included in the omnibus tax credit bill, [HB 2066](#).

HB 3032: Energy Tax Credits (Omnibus Bill)

Some energy tax credits have become unsaleable due to the statutory price setting formula that set transferrable credits too high. HB 3032 would have provided that the value of a transferable tax credit shall be set at the time of application for a preliminary certification, or at the time of final certification of the energy project, whichever yields the lower price. With amendments, the bill also would have extended the sunset date on the various energy tax credit programs that are to sunset. The League worked in the interim with the Joint Interim Committee on Department of Energy Oversight and during the session with the energy committees, both revenue committees, and the Joint Tax Credits Committee to try to make local governments whole for those who had received preliminary certifications from the Oregon Department of Energy for energy projects (both energy conservation and energy transportation projects). However, with the strained state budget and the swirling political problems with the Oregon Department of Energy, there wasn’t a political path to address the energy tax credit transferability problems this session or extend the credits, even to local governments and nonprofits. Litigation over tax credit program failures and the misinformation the Oregon Department of Energy provided to program

participants is a likely next step for local governments stuck with an unsaleable tax credit or a pending tax credit project that has reached its sunset.

HB 3137: Urban Renewal: Blight Definition

HB 3137 would have specifically included brownfields in the list of conditions that qualify as “blighted” and can be designated for an urban renewal area. Secondly, the bill provided that ports can create an urban renewal agency as long as the port has a brownfield in the designated area. Presently, only cities and counties are authorized to create an urban renewal agency, and inclusion of ports seems to have been a drafting mistake. Instead, the bill should have provided that a brownfield within a port can be included in an urban renewal district, but the district must be created by the county or city where the brownfield is located. Thirdly, the bill provided the urban renewal agency with power to remediate a brownfield. The League was supportive of making the brownfield adjustments to speed up the process potentially, but brownfields should meet the criterion under existing law. The bill received a “do pass” recommendation from the House Economic Development and Trade Committee, but then was referred to the House Revenue Committee, where it remained upon adjournment.

HB 3146: Economic Development Program Changes: Wage and Compensation Requirements

HB 3146 would have revised requirements for a number of economic development programs by reducing the wage compensation minimum threshold requirements for workers hired by businesses from 150 percent of the annual county wage average to 130 percent of the county average annual wage for each assessment year during the tax exemption period. The bill also would have created a wage floors for all counties. Amendments to ORS 285C.412 would have clarified that the qualification date is the date the agreement is signed between the zone sponsor and the business. The affected economic development programs would have been: Enterprise Zones; Oregon Investment Advantage; Oregon Business Retention and Expansion; and Oregon Industrial Site Readiness. The bill passed the House, but time ran out before it could advance in the Senate. However, similar provisions were provided in HB 2066, which did pass during the last week of session.

Housing

OVERVIEW

With a recognized, statewide shortage in the number of units, housing was once again a priority issue for the Legislature and the League. Much of the legislative process focused on policies to keep individuals in their current rentals, but there were also long negotiations about changes to the current housing planning process. At the last minute, SB 1051 was passed to implement a number of changes and limits on cities in creating plans for residential zones.

In addition to significant changes to the land use process in SB 1051, there was significant investment of state funds for housing in the end-of-session budget bills (SB 5505 and SB 5530). Finally, a number of tools were modified or created that will provide cities with more ability to incentivize certain types of development through property tax exemptions.

HOUSING – PASSED BILLS

SB 277: Manufactured Home Eviction Process

Effective Date: June 14, 2017

SB 277 revises the process and timing for evicting residents of manufactured home parks and floating home parks. The bill clarifies the definitions of deterioration and disrepair to clarify the reasons that a landlord can attempt to evict a tenant of the park. It also clarifies the time periods and rights of the park tenants to cure the deterioration or disrepair that the landlord included in the notice for eviction. The bill will help keep tenants in these housing types, and provides landlord clarity for eviction processes that will help to ensure well-maintained units.

SB 310: Local Certification of Vertical Housing Development Zones

Effective Date: October 6, 2017

SB 310 shifts the oversight for the designation of vertical housing development zones and eligible projects from the Oregon Housing and Community Services Department (OHCS) to local government. Vertical housing development zones and projects therein have needed the approval of the OHCS prior to receiving the tax exemption. SB 310 allows a city to certify the zone and a project's eligibility directly with the tax assessor's office. The bill moved all of the current eligibility requirements from rules to statute. In addition, cities and counties are required to consider the potential for economic displacement while making the decision to designate a zone.

SB 689: Reentry Task Force

Effective Date: On Passage

SB 689 re-creates the Reentry Task Force to finalize recommendations for state and local government actions to improve outcomes for the reentry of convicted criminals into a community. The task force is charged with creating recommendations that will expand employment prospects and increase housing opportunities for convicted criminals as they reenter non-incarcerated daily living. These recommendations will provide cities with ideas for assisting these individuals in making a successful community transition.

SB 821: Emergency Housing Account

Effective Date: January 1, 2018

SB 821 requires the Oregon Housing Stability Council to work with the Community Action Partnership of Oregon (CAPO) to better align the Emergency Housing Account grant process with federal homelessness prevention strategies. The funding is focused on providing low-income, elderly, disabled and Native American persons with access to emergency shelters, transitional housing, and services to remain in their homes. CAPO represents the federal antipoverty social services agencies.

SB 1051: Housing Review Process

Effective Date: January 1, 2018

SB 1051 requires cities with a population greater than 5,000 to finalize decisions on housing applications for multi-family developments that include affordable units for low-income families within 100 days. Cities with a population greater than 2,500 must allow accessory dwelling units in all single-family zones. The bill changes the definition of needed housing to include housing types for low-income households. SB 1051 further requires that cities allow housing to be built on land owned by worship institutions for affordable housing, provided that the underlying zoning of the land allows housing. It also prohibits a

city from lowering the density of a proposed development if it is within the designated density range permitted in the zone. Cities retain some authority to reduce density if there are health, safety or habitability concerns or other protections based on land use goals.

HB 2002: Housing Preservation

Effective Date: October 6, 2017

HB 2002 requires owners of publicly-supported properties to provide two-year notice of the termination or expiration of the contract to provide publicly supported affordable housing to cities, counties and the Oregon Housing and Community Services Department (OHCS). The bill defines “publicly supported” narrowly, and does not include developments that: received local waivers of taxes or charges; were subject to inclusionary zoning requirements; or receive rental payments from federal subsidy programs. Local governments and the OHCS must be provided an opportunity to purchase the property. The bill outlines the process for purchasing the property, including the right of first refusal.

HB 2008: Manufactured Housing Park Termination Fees

Effective Date: June 6, 2017

HB 2008 increases the fee that a manufactured housing park owner must pay to tenants when the owner is closing the park. The bill further requires the Office of Manufactured Dwelling Park Community Relations to establish rules to recalculate the fee on a yearly basis. Park owners are also required to provide information to the state about the park being closed down.

HB 2140: Seismic Risk Disclosure

Effective Date: January 1, 2018

HB 2140 adds information to the real property disclosure form related to seismic retrofits for older homes. Two new questions will be included in the standard real property disclosure form. The first asks if the house was built prior to 1974. If it was, the second question inquires if the home is bolted to its foundation. This will allow purchasers to understand the likelihood of the house to survive a seismic event or if they should retrofit the home after purchase. Owners that do not know if their home was built prior to 1974 or whether it is bolted to the foundation can answer “unknown.”

HB 2377: Local Housing Property Tax Exemption

Effective Date: October 6, 2017

HB 2377 creates a new optional property tax exemption program that cities can use to incentivize the inclusion of workforce or low-income units in multifamily developments. To implement the tax exemption, a city would have to adopt a schedule, through ordinance, establishing the length and percentage of the exemption based on the number of affordable units. The city would also be required to define the terms “area median income” and “affordable” for families of varying sizes. The exemption cannot last more than 10 years, and taxing districts representing 51 percent or more of the total taxation assessed on the property must agree to the exemption. The program can be used on new construction and rehabilitation projects. The bill includes a number of other technical requirements for implementing the exemption, but the extent of the exemption is determined by the city to meet its goals.

HB 2912: Housing Land Acquisition Loan Program

Effective Date: January 1, 2017

HB 2912 creates a new loan program that is focused on providing organizations with loans to purchase land for affordable housing development. The bill specifies that 40 percent of the funds should be

directed to organizations that focus on home ownership for low-income families. The Oregon Housing and Community Services Department will shift current funds from underused programs to provide the funding to support the loan program. In addition, the interest rate for the program cannot exceed 1 percent. This bill will help affordable housing developers finance projects that assist with increasing homeownership within a community.

HB 3012: Rural ADUs for Historic Homes

Effective Date: January 1, 2018

HB 3012 allows specific owners to build an accessory dwelling unit on rural residential exception properties. Properties eligible to build the secondary dwelling unit must have a home built between 1850 and 1945 already on the property. The lot cannot be subdivided or partitioned in a way that places the new unit on a new legal lot separate from the original home. To limit redevelopment conflicts, the property cannot be located within an urban growth boundary.

HB 3175: LIFT Program Changes

Effective Date: June 6, 2017

HB 3175 expands the types of projects eligible for Local Innovation and Fast Track (LIFT) funding. LIFT provides subsidies for developers building affordable housing for low-income households. The bill modifies the definition of affordable to include both housing rented to households at 60 percent of the area median income, and housing sold to households at 80 percent of the area median income. Through this change, organizations that develop housing for home ownership programs can access these grants.

HB 5012: OHCS Budget

Effective Date: June 6, 2017

HB 5012 allocates a total budget of \$1,115,946,590 for the Oregon Housing and Community Services Department (OHCS), the majority of which is not from the state's general fund. This budget is a decrease from the previous biennium, largely based on the expiration of a number of one-time programs. In addition to the numerous housing funds, the budget provides for the Oregon Volunteers and the Court Appointed Special Advocates programs. Additional funds aimed at developing housing were allocated in both the state bonding bills, SB 5530 and SB 5505.

HOUSING – FAILED BILLS

SB 166: Affordable Housing Tax Credits

SB 166 would have extended the sunset for the tax credit provided to affordable housing lenders, which was set to expire on January 1, 2020. The Senate Finance and Revenue Committee passed the bill and moved it to the Joint Tax Credit Committee, but ultimately the extension of the sunset was added to the omnibus tax credit bill (see [HB 2066, Finance & Taxation, Passed Bills](#))

SB 340: Local Preemption on Accessory Dwelling Units

SB 340 would have preempted local governments from adopting an ordinance, regulation or rule prohibiting the use of an accessory dwelling unit in a residential zone if the local government has a housing shortage in effect. While the bill was scheduled for a hearing, the committee removed it from the schedule after the League expressed concerns.

SB 945: Affordable Housing Study

SB 945 would have required the Oregon Housing and Community Services Department to study current affordable housing programs. The purpose of the study would have been to recommend what improvements could be made to existing programs.

SB 1024: ADUs in Rural Residential

SB 1024 would have preempted a county from prohibiting accessory dwelling units (ADUs) on any land zoned for residential use. The bill would have allowed an ADU wherever there was a single-family dwelling. The legislation did not account for the residential lot's proximity to the urban growth boundary.

HB 2004: Tenant Protections

HB 2004 would have significantly changed landlord-tenant statutes to provide tenants with additional protections from eviction by landlord. As originally written, the bill contained a section that would have repealed the preemption on a local government's ability to create limits on rent increases, but included some sideboards to any rent control program a city might enact. HB 2004 also included limitations on landlords for ending month-to-month leases without long notice requirements, and required a landlord to make payments to tenants upon termination of a lease. As the bill moved through the process, the section removing the preemption was taken out of the bill. Further changes to the sections impacting landlord-tenant relationships were also made, but the bill did not receive a vote in the Senate.

HB 2007: Housing Review Process

HB 2007 would have: provided a shorter review period for multi-family buildings that include affordable housing units; prevented cities from using discretionary review to deny an application, even in historical housing districts; required cities to include accessory dwelling units and duplexes in all single family residential zones; and allowed housing to be developed on lands occupied by religious or worship organizations. In addition, the bill would have required the Oregon Department of Land Conservation and Development to study the timeline and delays of development from completed application to certificate of occupancy. While the bill did not move out of the Joint Ways and Means Committee, some components were included in another bill that did pass (see [SB 1051, Housing – Passed Bills](#)).

HB 2070: Low Income Housing Tax Credit

HB 2070 would have extended the sunset for the tax credit provided to affordable housing lenders, which was set to expire on January 1, 2020. The Senate Finance and Revenue Committee passed the bill and moved it to the Joint Tax Credit Committee. However, the extension of the sunset was added to the omnibus tax credit bill (see [HB 2066, Finance & Taxation, Passed Bills](#)).

HB 2210: Housing Rehabilitation Fund

HB 2210 would have required the Oregon Housing and Community Services Department to develop the Retaining Affordable Rental Housing Program. This program would provide financial assistance to multifamily rental housing owners to rehabilitate or maintain rental units at a rental rate affordable to federally-defined low income individuals. The program would provide forgivable loans capped at \$10,000 to specific qualifying landowners.

HB 2773: Local Certification of Vertical Housing Development Zones

HB 2773 would have shifted final project certification of a vertical housing development from the Oregon Housing and Communities Service Department (OHCS) directly to local government. The bill would have helped communities that have or want to establish vertical housing development zones by allowing a limited property tax abatement for the development or rehabilitation of housing units in buildings that also contain commercial space. This tool has been used throughout the state and was reauthorized in 2015.

Shifting the authority for final certification to a city would have streamlined the process and retained authority at the local level (see [SB 310, Housing – Passed Bills](#)).

HB 3155: Surplus Lands for Housing Task Force

HB 3155 would have created a legislative task force to examine the sale and study of public lands that might be used for housing development. In particular, the task force would look at state lands that would provide the best options for housing development. The task force would have included a city representative.

HB 3299: Real Property Liable to Local Government

HB 3299 would have required a city to hold property owners liable for failing to sell or leave vacant any property after 270 days following foreclosing. Only owners of more than \$10 million in real property would be liable, and the liability would be for \$10 per day beginning on the 270th day after foreclosure. There would have been an exception made for property being renovated or remodeled. Any liability under this new law would have been established as a lien, prioritized over all liens.

HB 3357: Document Recording Fee Increase

HB 3357 would have increased the document recording fee charged for certain real property documents. The current fee is \$20, and the bill would have raised the fee to \$40. Revenues collected from the document recording fee are split between the General Housing Account, the Emergency Housing Account, and the Home Ownership Assistance Account.

HB 3373: Housing Planning Technical Assistance

HB 3373 would have created two new state positions shared between the Oregon Housing and Community Services Department and the Oregon Department of Land Conservation and Development to provide local governments with technical assistance for planning for affordable housing. These positions were intended to coordinate the resources of both departments to assist communities in developing a plan to meet the Goal 10 needed housing requirement. Despite strong support from advocates, including the League, and the House Human Services and Housing Committee, the bill did not move out of the Joint Ways and Means Committee due to the difficult budget process.

HB 3390: Housing Stability Planning

HB 3390 would have mandated cities with a population of 200,000 or less to create housing stability plans. These plans would need to include standards that would apply to landlord and tenant relationships, including a requirement that the city implement a cap on rent increases and a means for enforcement of the local standard. In addition, the city would be required to establish health and safety standards for rentals as well. Finally, the bill would have ended the preemption on establishing rent control for the same set of cities.

HB 3401: Density Reduction Preemption

HB 3401 would have prevented cities from reducing the density of a housing development application if the density meets the zoning designations. The bill would have made changes to the definition of needed housing to include all housing on residential lands. Finally, the bill would have required that a city allow a house to be built on every legal lot zoned for single-family housing.

Land Use

OVERVIEW

This session, land use was not a major topic of discussion in the Legislature. There were several passed bills that focused on small reforms and addressed specific issues in the land use process. However, broader bills that would have made significant exceptions to the current land use process did not move this session. There were a number of conversations about annexation, land use exceptions, and periodic review as concepts were discussed, but there was little action taken to truly address the concerns with these processes.

LAND USE – PASSED BILLS

SB 418: Sequential UGB Expansion Review

Effective Date: January 1, 2018

SB 418 allows a city to undertake an additional path for review of an urban growth boundary (UGB) expansion. Currently, there are two methods for a UGB expansion, the traditional path and the streamlined path. SB 418 allows a city to work with the Oregon Department of Land Conservation and Development (DLCD) to create a work plan to stage each portion of the UGB decision-making process and have a review of each stage completed before moving on to the next. For example, a city could determine a three-step process of establishing the future need, determine the current buildable land inventory, and finally select the lands to be added to the UGB. Under the process, each of these steps would go to the DLCD for approval before the city would move to the next step. This would allow a city to know that the work completed in each step will not be challenged at the end of the process.

SB 865: Plat Map Review Process

Effective Date: January 1, 2018

SB 865 adds a new notification process for certain special districts when a new subdivision plat is being completed. As originally drafted, the bill was unclear as to when the notice would have been required during the plat map process. The League successfully amended the bill, first to clarify that the new notice requirement relates to tentative subdivision plat maps. Second, the amendment requires special districts to provide the city with maps or information related to the location of the district's boundary, rights of way, easements and facilities.

SB 5527: DLCD Budget

Effective Date: July 1, 2017

SB 5527 allocates more than \$21 million to the Oregon Department of Land Conservation and Development (DLCD), including \$13.3 million in general funds, \$1.6 million in other funds and \$6.5 million in federal funds. This budget keeps the department at the same service level as the prior biennium. The Joint Ways and Means Committee did not recommend the inclusion of any policy option packages for additional programs or services, and left the department's budget at current service levels. The DLCD's general fund grant program will receive approximately \$1.5 million, but that figure was reduced slightly in the final reconciliation bill.

HB 2095: Metro UGB Process

Effective Date: January 1, 2018

HB 2095 allows cities within Metro boundaries to apply for additional land to be added to their urban growth boundary (UGB) in between the six-year urban growth report process. The bill allows up to 1,000 additional acres to be brought into one or more cities' UGB three years after the completion of Metro's buildable land inventory. This process cannot be used until the urban and rural reserves processes are completed for the affected county.

HB 2316: Housing Needs Analysis

Effective Date: January 1, 2018

HB 2316 requires all cities that complete a housing needs analysis to adopt measures to accommodate any need that is determined. This bill undoes a court decision that determined that cities with populations of less than 25,000 did not need to make changes to accommodate any needs discovered through a housing needs analysis. The bill does not require a city to adopt a housing needs analysis, but if the city sought to adopt an analysis to expand its urban growth boundary or as part of a periodic review process, the bill requires the city enact policies to address any needs.

HB 2785: Removal Fill Agricultural Exemption

Effective Date: January 1, 2018

HB 2785 adds an additional exemption from removal-fill permit requirements for the establishment, repair, restoration, resumption or replacement of a dwelling or agricultural building that is located on land zoned as exclusive farm use, forest use or mixed farm and forest use, if that use was established on or before January 1, 2017. The exemption would apply to agricultural dwellings that were established subject to county approval or lawfully established on or before December 31, 1973 and agricultural buildings or activities that are associated with a dwelling or agricultural building that has received county approval under ORS 215.402 to 215.438 and are located on the same lot or parcel as the associated dwelling or agricultural building.

HB 3245: Comprehensive Plan Map Approval

Effective Date: January 1, 2018

As amended, HB 3245 allows a city council to delegate authority for final approval of a comprehensive plan map amendment to a planning commission or hearings officer, and removes the requirement for these narrow amendments be adopted by ordinance or order. The bill also clarifies that parties providing written or verbal testimony in front of the planning commission or hearings officer would be allowed to appeal or seek a petition for review to the city council. HB 3245 provides cities with the ability to determine the most efficient process for adopting comprehensive plan map amendments. Prior to a 2016 decision by the Oregon Land Use Board of Appeals, which found that only counties had statutory authority to delegate comprehensive plan amendments, only a few cities had delegated this review. HB 3245 would return the authority for a narrow set of decisions to these cities.

LAND USE – FAILED BILLS

SB 114: Annexation Local Preemption Repeal

SB 114 would have repealed SB 1573, which was passed by the Legislature in 2016 to preempt city charter requirements for a vote on annexations. Currently, sending an annexation request to voters is

prohibited if: the petition is agreed to by 100 percent of the land owners to be annexed; at least one parcel is contiguous to the city's limits; the land to be annexed is entirely within the urban growth boundary; the land is part of an acknowledged comprehensive plan; and the petition conforms with all other requirements of the city's ordinances. The city can still hold a public hearing, and the council may approve or not approve the annexation. However, the request cannot be put to a vote of the electors. (See also SB 258, below).

SB 258: Annexation Local Preemption Repeal

SB 258 would have repealed SB 1573, which was passed by the Legislature in 2016 to preempt city charter requirements for a vote on annexations. Currently, it is prohibited to send an annexation request to voters if: the petition is agreed to by 100 percent of the land owners to be annexed; at least one parcel is contiguous to the city's limits; the land to be annexed is entirely within the urban growth boundary; the land is part of an acknowledged comprehensive plan; and the petition conforms with all other requirements of the city's ordinances. The city can still hold a public hearing, and the council may approve or not approve the annexation. However, the request cannot be put to a vote of the electors. (See also [SB 114, Land Use – Failed Bills](#)).

SB 432: Reduced Land Use Review in Eastern Oregon

SB 432 would have provided some cities in eastern Oregon with the ability to make land use decisions for properties without undertaking the state's traditional land use process. Specifically, cities in counties that have not experienced population growth between 2000 and 2010, as measured by the United States Census, would have been allowed to make changes to land use regulations using the exceptions process, without a review of the exception's merits by the Oregon Land Conservation and Development Commission. The decision would also only be appealable by neighboring land owners in court. If a county saw 4 percent growth in population or an additional 1,000 residents move into the county in a subsequent census, the city would no longer be allowed to use the new exception process. As amended, SB 432 also would have limited the reasons for the exceptions to business growth and promotion or increasing housing development. Any exceptions that would impact high-value farm land or sage grouse protections would also have been prohibited. The bill moved through a number of Senate committees, but was left in the Joint Ways and Means Committee at the end of the session.

SB 602: Shovel-Ready Buildable Land Supply

SB 602 would have defined "shovel-ready buildable land" and "buildable lands." It would also have authorized a local government to waive the requirements of statewide land use planning goals as necessary to establish and maintain a five-year supply of shovel-ready buildable lands for industrial and commercial uses.

SB 608: Urban Growth Boundary Amendments for Needed Housing

SB 608 would have authorized a local government to amend its urban growth boundary (UGB) to accommodate land for needed housing if, in the prior year, the number of new households exceeded the number of new housing units, and the average monthly vacancy rate for rental units did not exceed 6 percent. Local governments would have had to ensure that land is developed to provide housing for the next 10 years.

SB 612: Land Use Planning Exception for Job Creation

SB 612 would have authorized a local government to adopt an exception to a statewide land use planning goal if the jurisdiction met criteria related to high unemployment, population decline or poverty goals. The exception would have allowed local governments to create five or more new full-time jobs with salaries 400 percent of the federal poverty guidelines for a family of four.

SB 618: Land Use Emergency Waiver

SB 618 would have enabled local governments to take a land use action or limited land use action that does not comply with the requirements of a statewide land use planning goal if the local government declared a land use emergency. The waiver would not be classified as taking an exception under ORS 197.732.

SB 990: Small Modular Reactors

SB 990 would have created an exemption for small modular reactors from certain nuclear-fueled thermal power plant siting restrictions. Siting of small modular reactors would be subject to city or county voter approval. In addition, emergency planning zones would have been required for small modular reactors located in a county if siting was approved by electors. Disposal of high-level radioactive waste produced from small modular reactors would be required in a manner approved by the United States Nuclear Regulatory Commission.

HB 2039: Island Annexation

HB 2039 would have required a double majority vote prior to annexation of “island” parcels of 100 acres or more. That is, when a city charter requires a vote on annexation, citizens in both the “island” to be annexed and the city at-large would have to approve. The League opposed this bill as it would allow residents of the island to essentially veto any attempts to annex a larger island and inhibit the organized urbanization of city areas. The House passed the bill, but it did not move out of a Senate committee.

HB 2040: Extraterritorial Service to Property

HB 2040 would have explicitly stated a city’s authority to require consent to eventual annexation of property before providing extraterritorial service. The bill would have prevented a city from requiring consent if: the extraterritorial service was the result of an intergovernmental agreement with another local government; consent was not a requirement of the intergovernmental agreement or a comprehensive plan; and the extraterritorial service was a service other than water service, sewer service, storm water service, construction of first paved access to the property or service provided by a municipal electric utility.

HB 2096: Urban Service Agreements

HB 2096 would have established a new system for cities with populations greater than 5,000 to negotiate urban service agreements with water, park, sewer and fire special districts in areas under consideration for urban growth boundary expansion. A city would not be able to withdraw territory from a special district unless: the district did not respond to notice within 60 days; both the city and district agree to cease negotiations; or the agreement is finalized. To assist this effort, HB 2096 would have created a process which leads to binding arbitration that would result in a final agreement.

HB 2703: Public Facility Plans

HB 2703 would have required a city or county to consider the integration of an ecosystem services model when developing a public facility plan. Such a plan would have to include a determination by the city to integrate, or not integrate, ecosystems services, in addition to or in place of a traditional hard infrastructure model. It would also have to include rough cost estimates for public projects needed to provide sewer, water and transportation for the land uses contemplated in the comprehensive plan and land use regulations. However, project timing and financing of public facility plans would not be taken into consideration in land use decisions.

HB 2708: Shoreline Protection

HB 2708 would have directed the Land Conservation and Development Commission to adopt, amend or repeal the statewide land use planning goal relating to beaches and dunes as necessary to incorporate current bioengineering measures. This bill would have helped to ensure that statewide land use planning goals reflect current available conservation and shoreline protection methods.

HB 2894: Land Development Review

HB 2894 would have authorized cities to consider a variety of factors when determining the development potential of lands within their urban growth boundary. Cities could study areas outside the urban growth boundary to determine the amount of buildable lands required to accommodate their housing needs for the next 20 years. Factors that cities should consider within their determination would include: the condition of current development; the cost of infrastructure; recorded easements, covenants, conditions or restrictions on development; and physical, topographical or other impediments on the land. The bill would have allowed cities to include, or exclude, lands with reduced development potential in the city's analysis of buildable lands to meet housing needs.

Miscellaneous

MISCELLANEOUS – PASSED BILLS

HB 2143: Outdoor Recreation Day

Effective Date: May 22, 2017

HB 2143 designates the second Saturday of every June as “Oregon Outdoor Recreation Day” for the promotion of tourism and outdoor recreation opportunities.

HB 2906: Geospatial Data Sharing

Effective Date: October 6, 2017

HB 2906 creates the Oregon Geographical Information Council and establishes a requirement that public bodies, including cities, will begin sharing geospatial information system (GIS) data by 2020. The Geographical Information Council will: determine what information to share in a state-maintained database that will be accessible to other public bodies; establish standards for protecting the data; and decide how to receive data with no cost to the government sharing the data or to the government requesting the data. This framework will assist cities with obtaining geospatial data from other governments and will establish funding to create this data for areas around the state.

MISCELLANEOUS – FAILED BILLS

HB 3394: Disaster Resilience SDCs

HB 3394 would have allowed cities to impose a system development charge (SDC) to fund disaster resilience and mitigation efforts in an effort to anticipate or reduce risks to property or health resulting from disasters, including but not limited to, earthquakes, landslides, avalanches, volcanic eruptions, floods and other hydrological disasters, storms and other metrological disasters, wildfires and attack. Ten percent of SDC revenues collected would have been spent on state disaster resilience priorities, with the remaining 90 percent spent on local or regional disaster resilience priorities.

ENERGY & ENVIRONMENT

OVERVIEW

A remarkable number of energy and environment bills were introduced during the 2017 legislative session. The League monitored more than 100 energy and environment-related bills that had the potential to impact local government policies and operations. However, despite extensive efforts by the Legislature and stakeholders on several significant issues—including a proposed overhaul of the Oregon Department of Energy, mandates to phase-out diesel engines, and ongoing desires by some legislators to implement a cap-and-invest, or carbon tax program—there were very few notable energy or environmental policy changes enacted this session.

It was well known going into the session that there would be legislative efforts to address concerns over the administration of and specific incentive programs offered through the Oregon Department of Energy. The Legislature formed a Joint Interim Committee on Department of Energy Oversight during the 2015-16 interim to review agency functions, hear public testimony, and make recommendations for changes to the department and its programs. Also during the interim, Governor Kate Brown recommended that three incentive programs, administered through the department, be allowed to expire: the Residential Energy Tax Credit, the Biomass Tax Credit and Energy Incentives Program. Despite the governor's recommendation, several bills were introduced to extend the sunset provisions for the incentive programs. However, none of those bills passed prior to adjournment, which means those incentive programs will end on January 1, 2018. Similarly, there was considerable deliberation on bills that proposed to make substantial modifications to the administration and operations of the department, including the potential establishment of a new commission to oversee it. However, none of those bills passed prior to adjournment.

ENERGY & ENVIRONMENT – PASSED BILLS

SB 99: Senate Confirmation of ODOE Director

Effective Date: January 1, 2018

SB 99 requires the director for the Oregon Department of Energy (ODOE) to be confirmed by the Senate. Prior to passage of SB 99, statute specified that the director be appointed by the governor, but did not require Senate confirmation of that appointment.

SB 334: Inventory of Biogas & Renewable Natural Gas

Effective Date: October 6, 2017

SB 334 requires the Oregon Department of Energy to develop and maintain an inventory of biogas and renewable natural gas sources in Oregon, and submit a report to the Legislature on the inventory by September 15, 2018. The bill defines “biogas” as gas generated from organic waste or other organic materials through anaerobic digestion, gasification, pyrolysis or other technology. This could include gas from landfills, waste lagoons, and wastewater treatment processes. The inventory will identify a list of biogas and renewable natural gas sources, estimate potential production quantities for each source, and identify a list of existing biogas production sites. The bill also requires the department to estimate the potential quantity of renewable natural gas that could be produced and used as transportation fuel or natural gas for residential, commercial and industrial consumers.

Finally, SB 334 requires the department to appoint an advisory committee to assist in developing, maintaining and periodically updating the inventory in addition to making recommendations to remove barriers for production and utilization of biogas and renewable natural gas to improve air quality and reduce greenhouse gas emissions.

SB 339: Small-Scale Generation for RPS Compliance

Effective Date: June 22, 2017

In 2016, the Legislature passed SB 1547, which made significant increases to Oregon’s renewable portfolio standards to require 50 percent of an electric company’s energy to come from qualifying renewable resources by the year 2040. Another provision of the updated renewable portfolio standard requires that at least 8 percent of the aggregate electrical capacity for electric companies with more than 25,000 customers (PaciCorp and Portland General Electric) be generated from small-scale renewable energy projects. SB 339 clarifies that qualifying “small-scale” sources from facilities with a generating capacity of 20 megawatts must utilize a qualifying renewable energy source per ORS 469A.025. For facilities that generate biomass with thermal energy generation for a secondary purpose, SB 339 clarifies that up to 20 megawatts of energy may be used to comply with the small-scale mandate, regardless of the overall nameplate capacity of the facility.

SB 978: PUC Investigation of Trends, Technologies & Policies

Effective Date: January 1, 2018

SB 978 requires the Oregon Public Utility Commission to develop a public process to investigate how industry trends, technologies and policies might impact the existing regulatory and incentive systems for the electricity sector. The bill requires the commission to investigate: obligations of and benefits to electric companies under the current regulatory system; obligations of and benefits to customers of electric companies, including customers that participate in direct access; and the current use of regulatory incentives. The commission shall report findings from the investigation to the Legislature no later than September 15, 2018.

SB 1008: Clean Diesel Funds

Effective Date: On Passage

SB 1008, as initially introduced, would have implemented a variety of mandates for the phase-out of certain on-road and off-road diesel engines. The bill also proposed public contracting requirements for the mandated use of clean diesel equipment on certain public improvement work. However, SB 1008 was significantly amended to eliminate the mandate language, clarify definitions, and authorize the receipt and use of approximately \$70 million from the Environmental Mitigation Trust Agreement (Volkswagen settlement funds). The bill adds qualifying replacements of motor vehicles and equipment costs as eligible under the Clean Diesel Engine Fund, which provides grants and loans to incentivize the phase out, including retrofits, repowers and now replacements, of certain diesel engines and equipment. SB 1008 further requires the Environmental Quality Commission to adopt rules for standards associated with funding retrofits, repowers and replacements of diesel engines in addition to rules to provide preferences for loan and grant funds. The bill also prioritizes funds for owners and operators of school buses with a goal of reducing emissions from at least 450 diesel-powered school buses. Finally, SB 1008 extends the deadline for all school buses to retrofit, replace or repower diesel engines to January 1, 2025. The previously mandated deadline was January 1, 2017. A previous version of SB 1008 required the Oregon Department of Environmental Quality to contract with a third-party organization develop a comprehensive, statewide inventory of nonroad diesel engines used in Oregon. That provision was deleted from the final version of SB 1008, however, the Legislature did include funding in HB 5006 that appropriates \$500,000 for a similar inventory study of public and private fleets.

SB 5518: DEQ Budget

Effective Date: July 19, 2017

SB 5518 contains the approved 2017-19 budget for the Oregon Department of Environmental Quality. The approved budget includes total funds of slightly more than \$383 million, with approximately: \$45 million from general funds; \$4.7 from Measure 76 lottery funds; \$173 million in expenditure limitation from other funds (primarily derived from license and permit fees); \$132 million from other funds nonlimited (primarily derived from the Clean Water State Revolving Loan Fund, including proceeds from bond sales and loan repayments); and \$29 million in expenditure limitation from federal funds. The budget supports 743 total positions at the department (722 full-time equivalent employees and 21 non-full-time equivalent) and eliminates 16 long-term vacant positions.

The total funds budgeted for the department include:

- Approximately \$77.4 million in total funds (230.86 FTE) for the Air Quality Division. This includes \$2.5 million in general funds to improve capacity, and purchase equipment, for air quality monitoring; and \$250,000 in general funds for the wood smoke reduction program to help local communities reduce emissions through wood smoke change-outs, education and outreach. (See [HB 2725, Energy & Environment – Passed Bills](#))
- Approximately \$67.3 million in total funds (217.75 FTE) for the Water Quality Division. \$343,729 of the total funds come from the Legislature’s approval of policy option package 120 which increases and implements new stormwater permit fees. The Legislature also approved \$1.5 million in general funds for the Septic Loan Program. Policy Option Package 125 was also approved to implement recommended improvements to the water quality permit program.
- Approximately \$75 million in total funds (181.1 FTE) for the Land Quality Division. This includes \$25 million in other funds for continued implementation of the Materials Management 2050 Vision.
- Approximately \$116 million total funds budget for the Clean Water State Revolving Loan Fund, including \$30 million from federal capitalization grants and \$10 million in bonds to provide state match.
- Approximately \$28.4 million total funds budget for agency management, including approval of \$750,000 in general funds and \$351,685 in other funds to conduct planning and development of an environmental data management system (EDMS). The DEQ anticipates seeking additional funding from the Legislature in 2018 for ongoing EDMS implementation efforts.

HB 2111: Prohibition of Solar Panels for Planned Communities

Effective Date: January 1, 2018

HB 2111 prohibits a planned community from preventing an owner from installing solar panels. Under the legislation, any such prohibition through a planned community’s declarations or bylaws is void and unenforceable. HB 2111 authorizes an owner to file a petition to remove solar panel installation restrictions. However, the bill also authorizes homeowner associations to adopt and enforce reasonable restrictions relating to the size, placement or aesthetics of solar panels.

HB 2132: Local Government Financing for Utility Improvements

Effective Date: October 6, 2017

HB 2132 expands an existing local government financing program, currently used for making energy improvements to qualifying real property, to include other utility improvement projects such as water efficiency, energy storage and smart electric vehicle charging stations. Prior to passage of HB 2132, ORS

223.680 authorized cities and counties to establish a voluntary financing program to assist owners of multifamily residential dwellings, commercial buildings, and industrial buildings, with energy efficiency and renewable energy upgrades. The program authorizes a local government to: make loans to owners from net proceeds and interest earnings of revenue bonds; facilitate private financing by the owners; or use a combination of private financing and loans derived from revenue bonds. Prior to establishing a program, the local government must provide notice to energy, natural gas or water utilities within the program service area.

HB 2134: Low-Income Electric Bill Payment Assistance

Effective Date: January 2, 2018

HB 2134 increases the amount of funds collected each calendar year for the Low-Income Electric Bill Payment Assistance Fund from \$15 million to \$20 million. The fund, which was initially enacted by the Legislature in 2007, is administered through the Oregon Housing and Community Services Department to assist low-income electric customers. The funds collected are generated through the retail electric consumer rates of electric companies including Pacific Power, Portland General Electric and Idaho Power Company.

HB 2268: Underground Storage Tank Fee Increase

Effective Date: January 1, 2018

HB 2268 increases underground storage tank permit fees to maintain existing positions in the Oregon Department of Environmental Quality's Underground Storage Tank Program. The program seeks to minimize leaks from underground tanks that store petroleum or other hazardous substances. Leaks can have significant impacts on the environment including the potential for drinking water contamination. Fees for the program were last increased in 2007.

HB 2343: Biennial Energy Report

Effective Date: January 1, 2018

HB 2343 replaces existing statute that required the Oregon Department of Energy (ODOE) to adopt a comprehensive energy plan, with a new framework and guidance for a state biennial energy report. The requirement for adoption of a comprehensive energy plan was initially enacted in 1975 to produce forecasts for energy demand and resources. However, much of that work is currently being done by other organizations, including utilities and federal agencies. The new report, as outlined in HB 2343, provides information on energy efficiency, consumption, generation, transmission and production, including fuel energy. The report would also look at energy costs, markets, technologies, regulations, effects from energy use on greenhouse gas emissions, and emerging opportunities and challenges. The report must be submitted to the governor and the Legislature in advance of each legislative session in an odd-numbered year.

HB 2748: Woodsmoke Reduction Program Changes

Effective Date: July 1, 2017

HB 2748 expands the allowable uses of the Residential Solid Fuel Heating Air Quality Improvement Fund. The fund was created for controlling, reducing and preventing air pollution from solid fuel burning devices, such as woodstoves. The bill maintains enforcement activities, public education programs, and replacement or removal of uncertified solid fuel burning devices as allowable fund uses. However, it also deletes language that prohibited the Oregon Department of Environmental Quality (DEQ) from using funds for vent-free heating appliances. The bill requires the DEQ to establish a program to reduce emissions from solid fuel burning devices by providing grants, loans, rebates or other subsidies to make

dry wood or cleaner fuel available to communities or individuals. Finally, HB 2748 requires the DEQ to prioritize funding provided for rebate programs, as well as the Community Dry Wood Program, to communities that are non-attainment areas or are at substantial risk of becoming non-attainment areas. While the bill did not appropriate funding, \$250,000 in general fund dollars was allocated through the DEQ budget. (See [SB 5518, Energy & Environment – Passed Bills.](#))

HB 5009: Department of Energy Budget

Effective Date: July 3, 2017

HB 5009 outlines the 2017-19 budget for the Oregon Department of Energy (ODOE). The Legislature approved a \$161 million, a 11.5 percent decrease in total funds from the 2015-17 budget. The ODOE does not receive any general funds from the state; funding comes from a combination of: funds (limited) from the energy supplier assessment and fee-for-service programs; other funds (non-limited) associated with the small-scale energy loan program, including general obligation bond sales, loan repayments and interest income; federal funds from the U.S. Department of Energy; Hanford grants and other federal grants; and lottery funds which, are provided to cover debt service payments for the department.

Following recent scrutiny of various tax credit programs, many of the incentive programs that ODOE has historically administered will sunset January 1, 2018. Those programs include the Energy Incentives Program (which includes Renewable Energy Development (RED) grants); Residential Energy Tax Credit (RETC) Program; and Biomass Tax Credit Program. While a sunset extension for alternative energy system property tax exemptions did pass (see [HB 2760 – Property Tax section](#)), all three tax credit programs for the department, including the RETC, will sunset in 2018. Despite the upcoming sunset, the legislature did increase other funds limitation by \$2 million to accommodate the disbursement of Renewable Energy Development grant in the 2017-19 biennium as projects are completed.

ENERGY & ENVIRONMENT – FAILED BILLS

SB 539: Public Purpose Charge Distribution for Local Governments

SB 539 would have changed the distribution of amounts collected from the public purpose charge. The funds are collected from consumers of PacifiCorp and Portland General Electric, and are currently distributed through a statutorily-specified distribution formula. The bill would have established a new School Energy Conservation Fund, a City Energy Conservation Fund and a County Energy Conservation Fund to receive distribution funds from the public purpose charge. SB 539 would have shifted the current distribution for new cost-effective conservation and new market transformation, which currently receives 63 percent of the public purpose funds, and replaced it with a distribution of 48 percent for schools, 9 percent for cities, and 6 percent for counties. In order to be eligible to receive funds, the school district, city or county would have needed to be served partially or entirely by PacifiCorp or Portland General Electric.

SB 659: Third Party Review for Public Purpose Charge Recipient

SB 659 would have required a nongovernmental entity to be assessed by an independent third party, selected by the Oregon Department of Administrative Services, as a condition of receiving public purpose charge money. The annual assessment would have been at the nongovernmental entity's expense.

SB 748: Carbon Tax

SB 748 would have adjusted Oregon's incremental greenhouse reduction goals while maintaining an overall statewide goal of reducing emissions by 75 percent from 1990 levels by the year 2050. The bill would have required the Environmental Quality Commission (EQC), by administrative rule, to adopt a

carbon pollution market which would cap carbon dioxide emissions for certain entities that exceed 25,000 metric tons of emissions annually. The bill would also have authorized the sale of allowances to entities emitting beyond the cap in addition to the sale of credits from in-state offset projects resulting in the reduction or removal of greenhouse gas emissions. A certain number of allowances would have been set aside for cost-compliance assistance and electric and natural gas utility low-income rate relief. Revenues from the sale of allowances would support two newly-established funds, the Oregon Climate Investment Fund (to be established under the State Highway Fund) and the Just Transition Fund, which would be administered by the Oregon Business Development Department. The programs would have supported various climate resilience and adaptation projects, including transportation projects, in addition to supporting disadvantaged communities through job creation, job training, and other employment and mental health services for those impacted by climate change or climate change policies.

SB 908: Oregon Energy Commission

SB 908 would have established an Oregon Energy Commission to serve as the policymaking body for the Oregon Department of Energy. The commission would have been comprised of five voting members and four ex-officio members, all appointed by the governor and subject to Senate confirmation. In addition, the bill would have required the Department of Energy to develop a statewide strategic plan that would have included: an analysis of long-term energy needs; objectives and actions; plans to address challenges from climate change; provisions to ensure communication and metrics for assessing the performance of the commission; and department in-plan implementation.

SB 909: Renewable Portfolio Standard Changes

SB 909 would have capped the rate of return for public utilities which sell electricity to 4.5 percent. If a nongovernmental entity entered into an agreement with the Public Utility Commission, it would have prohibited officers and directors of that nongovernmental entity from making more than the governor of Oregon. In addition, up to 25 percent of their salaries could be benefits. SB 909 would have held the public purpose charge to 1.5 percent of the revenues collected by the electric company, Oregon Community Power, or an electric supplier. The 1.5 percent was a total set in 2015. This bill would have also required employees of the Public Utility Commission to sign noncompetition agreements with the state so that they could not be subsequently employed by a public utility that sells electricity. The noncompetition agreement would last for two years. Lastly, this bill would have required PacifiCorp to refund and disable the surcharge funding the Klamath Dam removal project, if the project was not started by January 1, 2018. Dam cleanup expenses would be prohibited for use by public utility companies as well.

SB 928: Neonicotinoid Labeling

SB 928 would have required pesticide products and seed containers that contain neonicotinoids to be clearly labeled. Neonicotinoids would have been defined in SB 928 as acetamiprid, clothianidin, dinotefuran, imidacloprid, nithiazine, thiacloprid or thiamethoxam. In addition, the bill would have deemed a food as misbranded if it was a raw commodity that was a product of soil treated either before or after a harvest with neonicotinoids, unless the container is clearly labeled.

SB 952: Oregon Energy Commission

SB 952 would have established an Oregon Energy Commission to serve as the policymaking and rulemaking body for the Oregon Department of Energy. The commission would be comprised of seven voting members and two ex-officio members, all appointed by the governor and subject to Senate confirmation. In addition, the bill would have required the Department of Energy to develop a statewide strategic energy report that would include: an analysis of long-term energy requirements; objectives and actions; provisions to ensure communication with stakeholders; and metrics for assessing the performance

of the commission and department in-plan implementation. SB 952 also proposed changes to the Energy Resource Supplier Assessment, including changes to the definition of “gross operating revenue,” and an exemption for the sale of propane infrastructure by a petroleum supplier. Under the provisions of SB 952, the energy resource supplier assessment would have been reduced from 0.375 percent of gross operating revenue to 0.1 percent. The bill proposed to transfer duties, functions and powers of the small-scale energy loan program from the Department of Energy to the Oregon Business Development Department, and the oil-heated dwellings energy account to the Housing and Community Services Department. In addition, the bill would have authorized government entities to sell, for cash payment, outstanding tax credits back to the Oregon Business Development Department.

SB 971: Clean Diesel Inventory

SB 971 would have allowed grants and loans from the Clean Diesel Engine fund to be used for replacements while making other modifications to provisions for grants and loans from fund for reducing emissions from diesel engines. SB 971 would have authorized the state to receive money pursuant to Volkswagen Environmental Mitigation Trust Agreement, and deposit that money in Clean Diesel Engine Fund. The money would have been used to award grants for reducing emissions from diesel engines. The Oregon Department of Environmental Quality (DEQ) would have been required to hire or contract with third-party organization to complete inventory of nonroad diesel engines used in Oregon. Inventory would have needed to be completed no later than July 1, 2019. The DEQ would have been required to make the aggregate form of the inventory publicly available.

SB 979: Direct Access for Retail Consumers

Current law allows non-residential retail electricity consumers of PacifiCorp and Portland General Electric to purchase electricity directly from a non-distribution entity. The current law, however, does not authorize retail consumers to purchase electricity directly from renewable energy sources. SB 979 would have authorized retail consumers to directly purchase renewable electricity. The bill would create definitions of “standard direct access” and “renewable direct access.”

SB 995: Hazardous Materials Reporting

SB 995 would have expanded requirements under the Oregon Community Right to Know and Protection Act, which was legislatively adopted in 1989 to inform first responders on locations of hazardous substances in their jurisdiction. The current program is administered by the Oregon Office of the State Fire Marshal, which surveys businesses and government facilities to create an inventory of hazardous substance locations in communities. SB 995 proposed additional reporting requirements under the act, including a requirement for employers to submit an annual materials balance report to the Oregon Department of Environmental Quality (DEQ) showing the weight in pounds of each facility's input and output of hazardous substances. The facility would have needed to demonstrate that their input and output of hazardous substances are equal. SB 995 would have permitted the DEQ to adopt rules to implement the new requirements.

HB 2020: ODOE Restructuring

HB 2020 would have expanded the title and mission of the Oregon Department of Energy to the Oregon Department of Energy & Climate. The bill would have abolished the Global Warming Commission and the Energy Advisory Workgroup. HB 2020 would have established a new, seven-member Oregon Energy & Climate Board to advise the Oregon Department of Energy & Climate. The bill would have also established a nine-member Energy Industry Advisory Committee to provide information and recommendations to the board on energy production, distribution, utilization, portfolio resources, infrastructure resiliency, industry trends and department planning and policies. Finally, the bill would have established an Interagency Climate Coordinating Committee consisting of ex-officio members from

13 various state agencies, including the director of the Oregon Department of Transportation, chair of the Public Utility Commission, the director of the Oregon Department of Environmental Quality, the state forester and the director of the Oregon Water Resources Department. The coordinating committee's purpose would have been to make recommendations to the board and Legislature on ways to better coordinate policies and programs to reduce state greenhouse gas emissions.

Several public hearings were held on HB 2020, but the bill did not move out of the Joint Ways and Means Committee.

HB 2135: Greenhouse Gas Cap & Investment Program

HB 2135 would have adjusted Oregon's incremental greenhouse reduction goals while maintaining an overall statewide goal of reducing emissions by 75 percent from 1990 levels by the year 2050. The bill would have required the Environmental Quality Commission (EQC), by administrative rule, to adopt a carbon pollution market which would cap carbon dioxide emissions for certain entities that exceed 25,000 metric tons of emissions annually. The bill would have authorized the sale of allowances to entities emitting beyond the cap in addition to the sale of credits from in-state offset projects resulting in the reduction or removal of greenhouse gas emissions. A certain number of allowances would have been set aside for cost-compliance assistance and electric and natural gas utility low-income rate relief. Revenues from the sale of allowances would have supported two newly-established funds, the Oregon Climate Investment Fund (to be established under the State Highway Fund) and the Just Transition Fund (to be administered by the Oregon Business Development Department). The programs would have supported various climate resilience and adaptation projects, including transportation projects, in addition to supporting disadvantaged communities through job creation, job training, and other employment and mental health services for those impacted by climate change or climate change policies.

HB 2136: Renewable Portfolio Standard Small-Scale Renewable Requirement

In 2016, the Legislature passed SB 1547, which made significant increases to Oregon's renewable portfolio standards to require 50 percent of an electric company's energy to come from qualifying renewable resources by the year 2040. Another provision of the updated renewable portfolio standard requires that at least 8 percent of the aggregate electrical capacity for electric companies with more than 25,000 customers (PaciCorp and Portland General Electric) must be generated from small-scale renewable energy projects. HB 2136 would have created a revised schedule for the mandated use of small-scale renewables. The bill would have phased-in the required usage over time, with a final mandate of 17 percent by the year 2040. The bill included additional requirements and would have authorized compliance through the use of renewable energy certificates for small-scale generation.

HB 2110: Clean Diesel Standards through Rulemaking

HB 2110 would have required the Environmental Quality Commission to create programs and standards for reducing diesel emissions from medium-duty and heavy-duty trucks and nonroad diesel engines by January 1, 2022. The standards and programs would have been adopted through administrative rule.

HB 2124: Solid Fuel Heating Air Quality Fund Rebates

HB 2124 would have allowed the existing Residential Solid Fuel Heating Air Quality Improvement Fund to provide rebates, in addition to the current grants and loans, for replacing or removing uncertified solid fuel burning devices.

HB 2213: Oregon Conservation & Recreation Fund

As introduced, HB 2213 would have established a sunset advisory committee to make recommendations to the Legislature on whether a public need exists for the continuation of any state agency or specific agency function. The bill was amended to delete those provisions, and instead, would have established a new Oregon Conservation and Recreation Fund to be administered through the Oregon Department of Fish and Wildlife. The fund would have promoted healthy ecosystems, fish and wildlife through conservation programs and strategies, and would have: supported public engagement in outdoor recreation opportunities; improved education outreach; and funded research and enforcement activities. The bill would have provided an appropriation of \$11 million dollars in general funds.

HB 2269: Air Discharge Permit Fees

HB 2269 would have implemented a new, one-time “specific activity fee” fee on air quality permits, including both Title V and air contamination discharge permits (ACDPs). The fee would have generated approximately \$1.1 million in anticipated revenue. The fees would have been collected for the period of July 1, 2017 through June 30, 2018. Funds generated would have supported positions to investigate complaints and develop and implement a program and rules to reduce the public health risks of air pollution from industrial sources. HB 2269 also proposed changes to Oregon’s existing Clean Diesel Fund to authorize additional fund uses, including the replacement of diesel engines, and to authorize the fund to accept moneys from the Environmental Mitigation Trust Agreement (Volkswagen Settlement). The Clean Diesel Fund provisions were included in a separate bill that passed (see [SB 1008](#)). Finally, HB 2269 would authorize the Oregon Department of Environmental Quality to assess civil penalties for violations of motor vehicle emission standards. The penalty authority would not apply to vehicle owners or lessees.

HB 2386: Statewide Drug Take-Back Program

HB 2386 was introduced at the request of the League and the Association of Oregon Counties to provide increased access to and collection of unused prescription drugs. The bill would have directed manufacturers of prescription drugs sold in Oregon to fund and participate in an approved drug take-back program. The system would have supported increased access to prescription drug kiosks, many of which would be in pharmacy locations. In 2014, a federal rule change by the U.S. Drug Enforcement Agency resulted in expanded opportunities for collection sites. Prior to the rule change, drug take-back locations were limited primarily to law enforcement agency sites and specific hazardous waste collection events. Along with additional collection site locations, HB 2386 would have allowed funds collected from covered drug manufacturers to pay for the transportation and ultimate disposal, via incineration, of discarded medications. The bill would have also required the program to engage in public education and outreach to inform consumers on the safe and secure storage of medications, the inherent risks of improperly storing or disposing of opioids or opiates, and to discourage disposal of covered drugs in the garbage or sewer system. The provisions of HB 2386 were also included in a separate bill. (See [HB 2645, Energy & Environment – Failed Bills](#))

HB 2468: Greenhouse Gas Emission Limits

Oregon’s current greenhouse reduction goals prescribe that the state should obtain a 10 percent reduction from 1990 baseline emission levels by the year 2020, and a 75 percent reduction from 1990 baseline emission levels by the year 2050. HB 2468 would have required the Environmental Quality Commission (EQC) to adopt, by rule, increased greenhouse reduction goals to be phased in over time. The revised 2050 goal would be a 91 percent reduction from 1990 levels. To meet the goals, the EQC would have been required to adopt, and update every five years, a greenhouse gas limit and action plan for preventing exceedance of the limits.

HB 2471: Municipal Utility RPS Compliance Fix

In 2016, the Legislature made significant changes to Oregon’s Renewable Portfolio Standard (RPS). One of those changes would require a newly-formed, municipally-owned electric utility (MOU) to meet the same RPS requirements as a large, investor-owned utility by the beginning of the calendar year following formation. Since hydropower from the Bonneville Power Administration (BPA) is not considered a “qualifying renewable” under the RPS, this would result in a MOU having to reduce available BPA hydropower as it has a multi-year waiting period for access. The conflicting timelines would result in a newly-formed MOU making significant investments in qualifying renewable energy resources prior to being able to acquire less expensive hydropower that has been set aside for the specific purpose of supporting utilities such as MOUs. HB 2471 would have provided newly-formed MOUs, and consumer-owned utilities, 10 years before they would have been required to comply with the renewable portfolio standard. This would provide them with enough time to phase-in all available BPA hydro. In addition, the bill would have required the use of the Federal Energy Regulatory Commission methodology for determination of whether stranded costs, payable to an electric company, are appropriate as a result of a municipal utility formation.

HB 2645: Prescription Drug Take-Back Program

HB 2645 would have provided increased access to collection sites for unused prescription drugs. The bill would have directed manufacturers of prescription drugs sold in Oregon to fund and participate in an approved drug take-back program. The system would have supported increased access to prescription drug kiosks, many of which would be in pharmacy locations. In 2014, a federal rule change by the U.S. Drug Enforcement Agency resulted in expanded opportunities for collection sites. Prior to the rule change, drug take-back locations were limited primarily to law enforcement agency sites and specific hazardous waste collection events. HB 2645 would have also allowed funds from covered drug manufacturers to pay for the transportation and ultimate disposal, via incineration, of discarded medications. In addition, the bill would have required the program to engage in public education and outreach to inform consumers on the safe and secure storage of medications, the inherent risks of improperly storing or disposing of opioids or opiates, and to discourage disposal of covered drugs in the garbage or sewer system. HB 2645 would have placed a 10-year moratorium on cities and counties to prohibit them from enacting an ordinance requiring, or otherwise establishing a program for, the collection of covered drugs by nongovernmental entities. Many of the provisions of HB 2645 were also included in a separate bill. (See [HB 2386, Energy & Environment – Failed Bills](#))

HB 2680: Renewable Energy Grants for Waste Heat

HB 2680 would have extended the sunset for renewable energy development tax credits until January 1, 2024, and would have added “waste heat” as a qualifying renewable energy production system.

HB 2704: Zero-Emission Incentive Fund & Charge Ahead Oregon Program

HB 2704 would have required the Environmental Quality Commission to hire, or contract with, a third-party to establish a program to provide rebates for the purchase and registration of certain low emission vehicles and zero-emission transit buses. The program would have been funded through a newly established Zero-Emission Incentive Fund, which would have replaced the existing Alternative Fuel Vehicle Revolving Fund and transferred the fund administration from the Oregon Department of Energy to the Department of Environmental Quality. In addition, HB 2704 would have created a new Charge Ahead Oregon Program to provide incentives for low and moderate-income households to voluntarily scrap high-emission passenger vehicles and replace them with light-duty zero-emission vehicles. The program would have been limited to areas highly impacted by air pollution.

HB 2725: Wood Smoke Program Changes

HB 2725 would have appropriated \$1 million in general funds to the Residential Solid Fuel Heating Air Quality Improvement Fund, which was created to help communities reduce emissions from solid fuel burning devices, such as woodstoves. The bill failed to pass, but the Legislature did provide \$250,000 in general funds through the adoption of the budget for the Oregon Department of Environmental Quality. (See [SB 5518, Environment & Energy – Passed Bills](#))

HB 3105: Household Hazardous Waste Product Stewardship Program

HB 3105 would have established a product stewardship program for the collection of household hazardous waste products. The bill would have required manufacturers to support the collection and environmentally-sound management of covered products. Covered products excluded batteries, mercury containing lamps, pharmaceuticals, paint, certain agricultural products, electronics and personal care products. HB 3105 would have banned the sale of covered products in Oregon unless the product is labeled for and included in a plan for an approved stewardship program. In addition, the bill would require manufacturers and retailers to provide, at the time of sale, consumers with information on available collection opportunities for covered products.

HB 3166: ODOE Program & Administrative Changes

HB 3166 proposed substantial changes to the administration and specific functions of the Oregon Department of Energy. The bill would have made changes to the cost recovery formula for energy facility site certificate holders to better recover and apportion costs to the department and Energy Facility Siting Council. The bill would have also transferred administration of the Small-Scale Energy Loan Program to the Oregon Business Development Department (Business Oregon) and require Business Oregon to conduct a study of the commercial needs for loans for small-scale, local energy projects.

HB 3312: Baseline Federal Standard Requirements

HB 3312 would have established baseline federal standards related to environmental law as of January 19, 2017, and would have prevented the Environmental Quality Commission from amending or revising state rules to be less stringent than the baseline standards. In addition, the bill would have required state agencies that have been delegated authority to administer federal environmental laws to submit a report to the Legislature. The report would have identified: the federal laws administered by the agency; the proposed federal changes to those laws; whether proposed changes would diminish environmental protections; and recommendations for legislation or resources needed to maintain baseline federal standards.

HB 3315: Drug Take-Back Education and Local Government Preemption

HB 3315 would have directed the Oregon Health Authority to establish program and oversee the establishment of kiosks for collecting certain drugs from consumers for disposal. The bill also would have preempted local governments from adopting a rule or ordinance creating an additional drug collection and disposal program. HB 3315 was one of many trying to implement a statewide drug take-back program.

HB 3343: Climate Test for Fossil Fuel Projects

HB 3343 would have directed the Oregon Department of Energy (ODOE), in consultation with the Environmental Quality Commission and other interested agencies, to develop a climate test to be used by state permitting agencies for evaluating applications for proposed fossil fuel infrastructure projects in this state. The ODOE would have also been required to adopt rules to establish standards and criteria for administering the test.

HB 3344: Funding Prohibition for Bulk Coal and Oil Terminals

HB 3344 would have required rail carriers to show adequate insurance to cover worst-case oil spills. In addition, state land leases would have been required for the construction of new oil terminals. The bill also would have required an analysis of the public need and risks to public health, safety and the environment for an oil terminal project by the Oregon Department of State Lands.

HB 3386: Low Carbon Fuel Standard Cost Containment

HB 3386 would have required the Environmental Quality Commission to adopt rules to facilitate compliance with Oregon's low carbon fuel standard (Clean Fuels Program). The rules would have needed to include a process by which regulated parties could generate and reconcile deficits, obtain credits and trade credits. Provisions for managing and containing costs of compliance with the Clean Fuels Program would have also been required. The bill stipulated requirements for non-government entities to act as compliance credit generators. Funds generated through the transfer of compliance credits would have been used to provide grants for a variety of purposes, including the establishment of a revolving loan fund for: the manufacturing of products to reduce transportation-related greenhouse gas emissions; researching low carbon intensity transportation technology; and the creation of a rebate program for low-income individuals to purchase alternative fuel or zero-emission vehicles. While the bill failed to pass, similar provisions were included in the final transportation package. (See [HB 2017, Transportation – Passed Bills](#))

FINANCE AND TAXATION

OVERVIEW

As property tax reform continued as a League priority this session, the Senate Finance and Revenue Committee and the House Revenue Committee introduced their own property tax reform bills. Having worked with the Legislative Revenue Office and stakeholders over the interim on these measures, the League chose to support those efforts rather than introduce competing property tax reform legislation. The bills focused on restoring fairness to the property tax system by returning to a real market valuation methodology. Because such changes could increase some property owners' taxes substantially, the Senate would also have provided a partial homestead exemption to mitigate impacts on homeowners. While supporting a return to a real market value system, the League also advocated for broadening the bills to address permanent rate inequities and the Measure 5 caps, which many communities have reached and thus are in compression.

There were several hearings and good discussions of the problems and inequities with the current property tax system. In addition, the Senate Finance and Revenue Committee began modeling numbers and considering amendments to a property tax package and referral. However, a few months into session, the Senate Finance and Revenue Committee began wrestling with imposing a new corporate activities tax (gross receipts) on businesses in an effort to address the state's budget hole. That complex task necessitated pulling property tax reform off the table during the session in order to focus on formulating a corporate activities tax in the newly-created Joint Tax Reform Committee. In the end, no new tax or revenue package was completed. However, there was a commitment by legislative leadership and Governor Brown to continue revenue reform discussions into the interim with recommendations for the 2019 session. Because there was such a focus on increasing state business taxes in a new revenue package that was linked to cost containment legislation (including PERS costs), this year's bill summary includes a state tax section, as the linked conversations are expected to continue. Although cities traditionally have focused largely on local tax revenues, state tax revenues will be very important going forward as the state tackles general revenue reform. State tax credit bill summaries are largely in the economic development section of this report.

Meanwhile, the House Revenue Committee did address the inequities in change property ratio (CPR). This ratio is used to determine the maximum assessed value of newly-built or qualifying improved property in the same property class. A bill ultimately passed that will allow cities in Multnomah County to elect to have assessors compute the CPR based on a city's average rather than the county average. The bill, which is effectively a pilot program, will give cities with some of the most disparate CPRs an option, and is a good first step towards statewide applicability. The bill was a good property tax win, and sets the stage for future property tax reform discussion as legislators have acknowledged the system is very broken and this bill will modestly help only a few communities. Unfortunately, most property tax provisions are in the constitution, and thus require a referral for amendment. The CPR is one of the few items that is in statute.

There were fewer new property tax exemption bills this session. However, there were a number of partial property tax exemption bills for veterans, public safety officers, firefighters and others that would have increased or otherwise expanded existing exemptions. While cities want to support fallen heroes and their surviving spouses, there is also a desire to use revenues wisely. None of these bills advanced, but an

interim work group is expected to consider some standardization of these numerous exemptions and impose an income qualification requirement.

A new trend this session was a large number of bills that would provide more revenues to assist counties. There are a few counties with low property rates that have not recovered economically from the most recent recession, and they are struggling to pay for basic services. Some counties are not funding their property tax assessment departments well, and there are increasing backlogs in appraisals, errors and omitted property from tax rolls. As cities rely so highly on property tax revenues, mistakes and omissions will have long-lasting impacts on city revenue streams. Still, legislation that would shift costs to cities, special districts or school districts instead of counties are inequitable. Oregon counties have long held the primary statutory responsibility for administering and paying for the property tax system, and it is considered a core county function. In addition, based on legislative concessions made in 1989 and 1997, cities already provide the bulk of their revenue from the interest on delinquent property taxes to counties to assist with these costs. The League supported some of the bills, but opposed cost-shifting. None of the bills advanced, but the county funding problem is not going away and work on this issue is expected during the interim.

From the beginning of session to the very end, the League worked to roll back some of the frustrating 2003 preemptions on local lodging taxes and improve lodging tax collections. Cities and counties made a strong case for expanding the permitted use of restricted local lodging tax revenues before both the House Economic Development and Trade Committee and the House Revenue Committee, but in the end, time ran out. The legislation would have allowed for revenues to be used for the maintenance of tourist-related facilities, as well as the costs of tourism activities, tourist events and festivals, sporting events, attractions and tourist amenities. Both public safety costs for special events and tourist amenities are particularly straining on budgets, and the League focused its efforts there rather than asking for more general fund flexibility. In addition, the League sought to revise the definition of “transient lodging intermediary” to ensure all business model types that facilitate the retail sale of rooms or homes for lodging are required to collect, file tax returns, and pay state and local lodging taxes. Presently, some entities are not paying the tax, or only pay a tax to cities with which they have an agreement. While legislators agreed with the notion of tax equity, this issue also came down to the wire and ultimately failed due to its complexity. Bills that will allow the Oregon Department of Revenue (DOR) to collect lodging taxes on a local government’s behalf (local option) and to share state lodging tax information with local governments did pass.

The House Revenue Committee also tried to tackle the problems that have resulted from the large gigabit property tax exemption that was a part of the 2015 central assessment reform bill, SB 611. The committee did pass a deferred billing tax credit bill (HB 2407) to address unfair litigation risks. It also unanimously recommended passage of a gigabit repeal bill, but this legislation did not advance after it was subsequently referred to the Joint Ways and Means Committee. Instead, House Speaker Kotek formed a work group with Comcast representatives, legislators, the DOR and the League to resolve the matter. However, the complexity of the issue prevented a workable solution before adjournment. More work is expected in the interim.

There was a valiant effort to tax vaping products (electronic cigarettes) this session, and numerous hearings and work session were held. However, there was not the three-fifths vote needed in both chambers to pass this new tax. It’s a complex issue to tackle, as the products aren’t regulated well and the industry business practices differ substantially from the tobacco industry. However, there remains no state preemption on taxing vaping products, so cities and counties are permitted to tax them. Should a state vaping tax advance, the League maintains that cities should receive a share of the tax as they are charged with enforcing vaping laws.

A final highlight was the effort to further restrict construction excises taxes this session. The League opposed HB 2939, and it did not advance. In the 2016 session, the ability of cities to impose a construction excise tax was restored, but with revenue use restrictions around affordable housing.

Financial Administration

FINANCIAL ADMINISTRATION – PASSED BILLS

SB 5535: Department of Revenue Budget

Effective Date: July 1, 2017

SB 5535 appropriated funds for the Oregon Department of Revenue’s biennial budget.

HB 2132: Property-Assessed Clean Energy (PACE) Financing

Effective Date: October 6, 2017

Oregon law permits local governments (defined as cities and counties) or the state (in cooperation with a local government) to establish and administer a program to finance energy efficient and renewable energy improvements to qualifying real property. HB 2132 expands improvement purpose authorization to include energy storage, smart electric vehicle charging stations, and water efficiency improvements. In addition, the bill clarifies that any unpaid final assessments are a lien on each lot or parcel of land in favor of local government, and have priority over all other liens and encumbrances. Local government establishment of a financing program remains permissive and a local option. Under this program, the government generally funds the up-front costs and the property owner pays the loan back over time (mechanism similar to a local improvement district).

HB 2278: Local Government Budget Law/Bond Sale Timing

Effective Date: October 6, 2017

This bill fixes a timing issue related to general obligation bonds that are approved by voters during a May election. Taxing districts are required to adopt their budget by June 30 and certify the tax imposed to an assessor by July 15, but often the bond sale occurs after this deadline. Thus, the bill allows for a contingent tax resolution and follow-up resolution after sale for bonds approved in May and sold after July 1. In addition, the bill allows a late certification date to the county assessor of September 15. Second, HB 2278 creates a ghost town exception from local government budget law requirements consistent with existing requirements for other local government entities that generally do not impose property taxes or have relatively small, simple budgets. Lastly, the bill makes several miscellaneous changes to correct statutory references and clarify other areas of local budget law.

HB 3435: Loans from County Road Fund to Other Taxing Districts

Effective Date: October 6, 2017

HB 3435 authorizes three counties (Curry, Klamath and Yamhill) to loan moneys in their county road fund that are from federal sources to other taxing districts (including cities) pursuant to a legally-binding intergovernmental agreement or loan agreement. The bill specifies requirements for such loan agreements, including minimum interest requirements. The borrower taxing district and the lender county must account for the loan and the repayment obligation, including interest, in their annual

budgets for the term of the loan. A county that makes such a loan must also disclose it to the Oregon Municipal Debt Advisory Commission.

FINANCIAL ADMINISTRATION – FAILED BILLS

HB 2086: Local Government Bankruptcy

HB 2086 would have provided a new process for assisting distressed local governments that are insolvent. The bill defined listed circumstances that would meet an insolvency finding. It also provided for various trigger points for state involvement, including a request by the local government or a petition of the people. HB 2086 would have given the governor power to establish a Fiscal Emergency Oversight Board, which would have had the power to act on behalf of the local government. The board would have had the authority to file a petition and seek all relief available to a municipality under federal bankruptcy law. (Present law does not provide bankruptcy authority to cities or counties.) The bill was advanced by the Association of Oregon Counties, but more work, both substantively and politically, is necessary to balance state and local government interests. Unanswered pension liability issues associated with bankruptcy were of particular concern to the Legislature, the League and the state treasurer's office.

HB 2087: Taxpayer Bill of Rights & Debt Collection

The amended bill would have extended the taxpayer bill of rights to provide that a taxpayer may not be contacted by the Oregon Department of Revenue regarding tax collections if the taxpayer has designated a power of attorney for representation and provided notice of that representation and its scope to the department. In addition, the bill would have required that the Oregon Department of Revenue cancel an unpaid tax if at least 20 years have passed since the date of the notice of assessment. That provision would not have applied to property tax or special assessment balances. The bill passed the House but did not advance in the Senate.

HB 3374: County Assistance Fund

Amended HB 3374 would have provided grant assistance to counties that received Secure Rural Schools Program payments in calendar year 2008 equal to at least 30 percent of all moneys deposited into county general fund. This qualifier was meant to capture counties that had previously received significant federal timber payments but are now in fiscal distress. Under the bill, to qualify for a grant, a county would need to partner with another local government to share services or consolidate services. This "carrot" concept was intended to help distressed counties stretch dollars by encouraging collaboration with other governmental entities. The program would have been administered by the Oregon Department of Revenue, and grants would have been capped at \$150,000. As some counties are struggling to pay for property tax assessments and collections, the League followed this bill and other bills aimed at assisting counties closely. The bill was heard but did not receive a vote.

Local Taxation: Property Taxes

PROPERTY TAXES – PASSED BILLS

SB 149: LLC Owned by Nonprofit and Public Body

Effective Date: October 6, 2017

Current statutes were ambiguous on whether an Limited Liability Corporation (LLC) is exempt from property taxes if it is owned by a tax exempt nonprofit corporation and a tax exempt public body. The bill clarifies that adding a tax exempt public body to the ownership of an otherwise tax exempt LLC does not cause the LLC to lose its property tax exemption. The bill was necessary for the Life Flight Network, LLC.

SB 311: Seismic Retrofitting Property Tax Exemption

Effective Date: October 6, 2017

SB 311 authorizes cities and counties to adopt an ordinance or resolution providing for an exemption or partial exemption from all ad valorem property taxes to eligible property that will be seismically retrofitted. The ordinance or resolution must state the percentage of the exemption to be applied to the real market value of the eligible property. The maximum exemption period is 15 years. The exemption eligibility ends at the earlier of the specified period of years or the date on which the dollar amount of the tax benefit of the exemption equals the eligible costs for the property. The bill limits eligible property to that built before January 1, 1993 that constitutes a commercial, industrial or multifamily building that is not centrally assessed or state appraised industrial property. The exemption is optional for cities and counties, but can only be created with agreement from local jurisdictions representing 75 percent of the property tax base and with a limit on exemption amount to be approved. Local programs can prioritize highest risk buildings and impose other limitations. There are numerous additional requirements, including: following accepted national standards for retrofitting; demonstrating progress; reporting and deducting other incentives; and tax claw-back provisions for disqualifying events. The League supported this new local option property tax exemption tool, as it is intended to incentivize important but costly seismic retrofitting that likely would not otherwise be done.

HB 2088: Change Property Ratio

Effective Date: October 6, 2017

HB 2088 gives cities the option of having assessors compute a changed property ratio (CPR) based upon the area of a city rather than using the existing legal framework of the countywide ratio. CPR is used to determine the maximum assessed value of newly-built or qualifying improved property that is in the same property class. The applicability of the bill was ultimately limited to cities in Multnomah County. While the League would have preferred statewide applicability, Multnomah County includes cities with the most disparate CPRs when compared to existing homes, specifically Gresham, Troutdale, Wood Village and Fairview. CPR is one of the few property tax provisions that can be revised in statute and does not require constitutional amendment. Fixing this disparity has been a League priority, and this pilot program is a good first step towards statewide applicability.

HB 2277: Overpayment of Property Taxes

Effective Date: October 6, 2017

Property tax law generally requires overpayment of property taxes to be refunded rather than credited to overall tax account balance due. There is an option for a taxpayer to request a credit rather than a refund in some cases, but not all. For efficiency, the bill amends statute to require crediting against an account balance due before issuing refunds for all overpayment situations, except for “fire or act of God” and “payment on another’s property account” corrections. In those two circumstances, the bill allows the recipient to request a credit rather than a refund.

HB 2280: Certificate of Assessment

Effective Date: October 6, 2017

HB 2280 repeals an obsolete provision, ORS 308.325, that requires assessors to provide official certificates of assessments upon request. A property tax assessment mailed to the taxpayer now fulfills that function.

HB 2281: Forestland Special Assessment

Effective Date: October 6, 2017

HB 2281 makes a technical change to conform statutes to current practice for disqualification of a forestland special assessment. The effective date for disqualification will continue to be January 1.

HB 2407: Deferred Billing Credit

Effective Date: October 6, 2017

HB 2407 removes an incentive for companies to delay paying large property tax bills and prolong litigation. In 2011, the Legislature provided county assessors the authority to issue deferred billing credits to taxpayers when assessments in dispute exceed \$1 million, so as not to subject local governments to the risk of very high interest payments. The deferred billing credit process let taxpayers keep the disputed funds until the litigation concluded, while maintaining their discount and without interest or penalty even if they lose. Under HB 2407, assessors will now collect taxes by the normal method and have disputed assessments placed in a county trust account. If the taxpayer is successful at the close of litigation, taxes will be refunded along with any interest generated by investment in the trust account. This escrow method is more commonly used in other states, and provides a more balanced risk allocation to taxing districts and the taxpayers. HB 2407 passed with the support of the League.

HB 2573: Manufactured Housing Exemption

Effective Date: October 6, 2017

HB 2573 increases the personal property tax statutory exemption from \$12,500 to \$25,000 on manufactured housing in counties where population exceeds 570,000 (Multnomah and Washington counties). Due to annual indexing, this change actually increases the exemption from a current level of \$16,500 to \$33,000 in those counties. Clackamas and Lane counties will retain an exemption level of \$12,500 that is indexed (current level is actually \$16,500). The remaining counties have an exemption of \$12,500 that is not indexed. The three tiers of exemptions help ensure these homes are retained and remain affordable. Manufactured homes often are the first entry point for homeless and the last option available for those at risk of being homeless. The bill also clarifies taxpayer notice provisions relating to personal property.

HB 2760: Alternative Energy System Property Tax Extension

Effective Date: October 6, 2017

Since 1975, Oregon has exempted from property taxation the additional value that comes from installing an alternative energy system (solar, geothermal, wind, water, fuel cell or methane gas energy system) for heating, cooling or generating electricity. The home equipped with an alternative energy system is exempt from ad valorem property taxation in an amount that equals any positive amount obtained by subtracting the real market value of the property as if it were not equipped with an alternative energy system from the real market value of the property as equipped with the alternative energy system. solar or other onsite alternative energy systems. HB 2760 extends this existing law for six more years until 2023.

HB 2873: Local Government Property Tax and Bond Measure Transparency

Effective Date: January 1, 2018

HB 2873 requires public notice of elections involving local option tax measures and general obligation bond measures to be posted on ORESTAR, a state website managed by the secretary of state. The bill requires that a county election officer shall provide the materials to the secretary of state for the posting. No later than the 61st day before the election, the chief elections officer of any city is already required to file with the clerk of the county in which city hall is located a statement of the city measures to be voted on, including the ballot title for each measure. Thus, there is no practical change for cities, but tax and bond information will now be available for all cities on ORESTAR.

HB 2964: Homebuyer Opportunity Limited Tax Exemption

Effective Date: October 6, 2017

HB 2964 expands the authority of cities to create and administer a property tax exemption program for low and moderate-income buyers of single family homes with a 10-year limited property tax exemption on the value of the structure. Present law is applicable only to new construction homes. The bill expands applicability to permit eligibility of existing homes too if the sales price is less than 120 percent of the annually established county median sales price. This is a local option program that to date has only been utilized in Portland. Cities would retain the authority to establish further parameters (geographic limitations, income eligibility, and a lower sales price or assessed value cap) as Portland has done with its current program. A city is required to adopt standards and guidelines to be utilized in considering applications and making qualification determinations. The city approves or denies applications for the exemption and files approvals with the county assessor. The statute provides for a fee to cover the cost incurred by the city and the assessor in administering the program. The program sunsets on January 1, 2025, but those granted an exemption may continue. The exemption is from city imposed property taxes, or all taxing districts, if districts with a combined rate of taxation equal to 51 percent or more agree to the exemption.

HB 3171: Leased Property Disqualification Date

Effective Date: October 6, 2017

HB 3171 clarifies the disqualification date of a property tax exemption for leased public property that is disqualified from special assessment due to the termination of a lease under which the land was assessed. The disqualification date will be the date of the lease termination.

HB 3459: Exemption for Charitable Retail Stores

Effective Date: July 1, 2017

Present law provides a property tax exemption to certain retail stores that are used to support a welfare program. However, the current definition of “welfare” does not include benefiting animals. This bill expands the property tax exemption to include retail stores that operate with substantial support from volunteers and donate all net proceeds to providers of services such as animal rescue, spaying and neutering.

PROPERTY TAXES – FAILED BILLS

SB 118: School District Opt-Out of Property Tax Exemptions

SB 118 would have allowed school districts to collect property taxes on certain exempt properties. For assessors, this would have added great complexity and difficulty to the property tax system. The Senate Finance and Revenue Committee held a hearing on the bill, but it did not advance.

SB 123: Children’s Districts

SB 123 would have authorized the formation of a new special district to provide services for children. Specifically, SB 123 would have given these districts traditional special district powers, including the ability to levy and collect property taxes to pay the costs of services. However, an amendment precluded a children’s districts from imposing a property tax based on a new permanent rate. The League opposed the bill because property tax levies for a new special district would cause or exacerbate compression for cities due to Measure 50. In addition, there would be geographic tax inequities, depending on the borders of the proposed district. The League also opposed SB 123 because it is duplicative and could end up competing with other successful programs. That is, many of the services authorized under SB 123 already exist, or can be provided by school districts and local government taxing districts, including cities, counties and recreation/park districts. The bill originally would have allowed the property tax levy of a children’s district to apply to either or both of the Measure 5 limits for education (\$5 per \$1,000 of value) and local government (\$10 per \$1,000 of value). An amendment prohibited a children’s district from providing education services, but a court order determination on the proper categorization of the district’s services would have been required. The bill passed the Senate, but was still in the House Revenue Committee on adjournment.

SB 151: Property Tax Reform: Homestead Exemption

SB 151 would have allowed a partial homestead exemption from property taxation for a person’s principal place of dwelling. The bill was a placeholder bill that the Senate Finance and Revenue Committee introduced to provide a vehicle for statutory property tax reform provisions. The homestead exemption would decrease property taxes for many home owners. The placeholder exemption value was the first \$10,000 of real market value of the dwelling; however, discussions and modeling showed that the exemption would likely be much higher depending on the desired net effect of property tax reform (revenue neutral or revenue raising). The bill was intended to be coupled with SJR 3 which would have provided for a constitutional amendment that would require property taxes to be imposed on the real market value of a property rather than Measure 50’s complex methodology that utilizes assessed value, maximum assessed value and the 3 percent annual growth limit calculations. The chief goal of the two bills was to restore fairness to the property tax system, which presently places a heavy burden on residential properties and is highly inequitable. Business property would not receive an exemption under SB 151. Hearings were held in the Senate Finance and Revenue Committee but property tax reform was

taken off the table early in the session when a new corporate activities tax (CAT) became the committee's focus.

SB 562: Exemption for Surviving Spouse of Person in Active Military Service

SB 562 would have authorized a county to exempt up to \$250,000 of assessed value of each homestead owned and occupied by a surviving spouse of person in active military service killed in line of duty from ad valorem property taxes imposed by all taxing jurisdictions. The bill received a “do pass” recommendation from the Senate Veterans and Emergency Preparedness Committee, but then was referred to the Senate Finance and Revenue Committee, where it remained at adjournment. The League has continued to advocate for standardization of requirements for such exemptions, including an application with an income needs requirement.

SB 694: Exemption for Veteran with Disability and Surviving Spouse of Veteran

SB 694 would have increased the upper limit of two existing property tax exemptions for disabled veterans and their un-remarried surviving spouses from \$15,000 to \$60,000 or from \$18,000 to \$65,000, and created a third exemption of up to \$150,000 of the assessed value of a homestead or personal property. Presently the exemption amounts vary depending on whether the veteran's disabilities are service-connected or not. The exemption limits also increase by 3 percent each year. The bill received a “do pass” recommendation from the Senate Veterans and Emergency Preparedness Committee, but then was referred to the Senate Finance and Revenue Committee, where it remained until adjournment. The League has continued to advocate for standardization of requirements for such exemptions, including an application with an income needs requirement.

SB 700: Property Tax Limit on Seniors

SB 700 would have frozen property taxes due on homesteads of seniors living on a fixed income. The League opposed the bill due to vagueness and the likelihood of a large revenue loss for local governments. The bill did not advance out of the Senate Finance and Revenue Committee.

SB 756 & SB 987: Land Value Taxation Study

These bills would have directed the Legislative Revenue Officer (LRO) to study land value taxation. “Land value taxation” means, for all taxable real property, a property tax system that imposes a higher uniform rate of tax on land assessments than on improvement assessments. The bills required the LRO to submit a report to the Legislature no later than September 15, 2018. SB 756 had a hearing, but did not advance out of the Senate Finance and Revenue Committee.

SB 787: Distressed County Fee for Property Tax Assessments

SB 787 would have required counties at a higher risk of financial distress to withhold from taxing districts costs to the county of assessing property and collecting property taxes. The amount of withholding would have been limited to 2 percent of tax distributions to each taxing district. The League opposed the bill, as adding such an expense would be a devastating revenue loss to many cities. The bill did not advance after an initial hearing in the Senate Finance and Revenue Committee.

SB 827: Homebuyer Opportunity Limited Tax Exemption

SB 827 would have expanded upon current law that gives cities the authority to administer a program that provides low and moderate-income buyers of single family homes with a 10-year limited property tax exemption on the value of the home. However, the land would continue to be taxed. It is a local option exemption program that can be implemented by the city by ordinance or resolution. Present law is limited to newly-constructed owner occupied single unit housing that has a market value upon completion of no more than 120 percent (or lesser percentage if adopted by city) of median sales price of dwelling units

located within the city. The exemption is for city imposed property taxes, or, all district imposed property taxes if the districts with a combined rate of taxation equal to 51 percent or more agree to the exemption. A city is required to adopt standards and guidelines to be utilized in considering applications and making qualification determinations. SB 827 would have gone beyond new construction homes and allowed newly purchased or rehabilitated property to qualify for the exemption. The new construction home program has been in place in the city of Portland since 2012. The bill received a hearing in the Senate Finance and Revenue Committee but did not advance.

SJR 3: Property Tax Reform

Senate Joint Resolution 3 (SJR 3) would have provided a constitutional amendment that would require property taxes to be imposed on the real market value of a property. That is, it would have repealed the Measure 50 methodology for calculating property taxes. The bill required that the Legislature provide by law an exemption from ad valorem property taxes imposed on a homestead. The homestead exemption placeholder bill was SB 151, and would have decreased property taxes for many home owners. Over several years, the system would transition to real market-value based assessment, addressing tax discount disparities between properties. The bill called for SJR 3 to be submitted to the voters for approval or rejection at the November general election. Hearings were held in the Senate Finance and Revenue Committee, but property tax reform was taken off the table for the session when a new corporate activities tax (CAT) became the committee's focus.

HB 2151: Exemption for Cannabinoid Food Processing Equipment

HB 2151 would have created a new five-year property tax exemption for food processing machinery and equipment newly-acquired by persons engaged in the business of producing cannabinoid edibles, alcoholic beverages or alcoholic liquors. The League testified in opposition to this bill in the House Economic Development and Trade Committee, as the exemptions are not local option exemptions, nor do they have economic development requirements, including minimum investment or job requirements. The bill did not advance past a first hearing.

HB 2047: Exemption for Nonprofit Health Clinics

HB 2047 would have exempted from taxation the real property of nonprofit health clinics that are occupied or used to provide health services or administrative services necessary to such health services. The bill would have applied to federally-qualified health centers and clinics occupied or used to serve specified low-income or needy patients. This bill did not address hospitals, but see [HB 2115](#), which did. Two hearings were held in the House Revenue Committee, but did not advance.

HB 2063: Gigabit Exemption Revision

HB 2063 would have revised the gigabit exemption provided in SB 611 from 2015. The bill would have added specified requirements for gigabit exemption eligibility, including: minimum historical or original cost of the newly-constructed or installed property; maximum monthly charges for gigabit service; and maximum initial fees for the gigabit service. In addition, for companies in which a majority of residential broadband customers reside within the Portland, Salem or Eugene metropolitan areas, the bill would have required those companies to offer symmetrical gigabit service to a majority of their broadband customers residing outside the specified metropolitan areas. HB 2063 received a hearing, but did not advance. The League preferred the bill that would have repealed the gigabit exemption completely, HB 2770. See the summary of [HB 2770](#) for more details.

HB 2115: Exemption for Nonprofit Hospitals and Health Systems

HB 2115 would have provided new requirements for property owned by nonprofit hospitals and nonprofit health systems to be exempt from taxation. Current law regarding nonprofit eligibility has been unclear, and the health care industry has changed significantly in recent years as it relates to charity care. The original bill would have exempted from property taxes all real or personal property owned or being purchased by a nonprofit hospital or a nonprofit health system if: the property is used to provide health services or administrative services necessary to provide the health services; and the Oregon Health Authority (OHA) had issued to the hospital or health system a certification or the hospital is a type A or rural critical access hospital. To receive OHA certification, HB 2115 required the hospital or health system to expend on community services an amount greater than or equal to 5 percent of their gross receipts, or show good cause for spending less than 5 percent. The Legislature spent considerable time trying to define community benefit, including what was not a community benefit. The bill would have required an annual application to be submitted to a county assessor to qualify for the property tax exemption. Hearings and work on amendments for this bill continued throughout the session, but the complexities of the community benefit definition and details surrounding workability of the exemption granting process did not result in consensus. In addition, with the hospital provider tax and related health care cost issues at play during the session, this bill ran out of time in the House Revenue Committee. The League remained concerned with the bill's focus on statewide community benefits, rather than the local community costs and benefits of each of these nonprofit facilities.

HB 2235: Exemption for Veteran or Surviving Spouse of Veteran

HB 2235 would have authorized a county to grant a property tax exemption for the property of an eligible veteran or surviving spouse of a veteran in any amount of assessed value up to 100 percent. The bill would have provided more generous eligibility standards as well. HB 2235 received a "do pass" recommendation from the Senate Veterans and Emergency Preparedness Committee, but then was referred to the Senate Finance and Revenue Committee, where it remained upon adjournment. The League has continued to advocate for standardization of requirements for such exemptions, including an application with an income needs requirement.

HB 2247: Exemption for Surviving Spouse of Corrections Officers

HB 2247 would have granted a county the authority to exempt from property taxes (up to \$250,000 of assessed value) each homestead of a surviving spouse of a corrections officer killed in the line of duty. The League has continued to advocate for standardization of requirements for such exemptions, including an application with an income needs requirement. The bill did not receive a hearing in the House Revenue Committee.

HB 2363: County Charge for Property Tax Assessment

HB 2363 would have required all taxing districts, including cities, to pay up to 2 percent of their property tax revenues to counties to help pay for costs of assessing property and collecting property taxes. The cost-shifting apportionments would have been phased in over 4 years. The League opposed the bill, as adding such an expense would be fiscally devastating to many cities. Two hearings were held on HB 2363, but it remained in the House Revenue Committee on adjournment.

HB 2384: Property Tax Caps for Seniors

HB 2384 would have frozen property taxes due on the homesteads of seniors living on a fixed income. The League opposed the bill due to vagueness and the likelihood of a large revenue loss to local governments. HB 2384 did not advance out of the House Revenue Committee.

HB 2553: Cities with Large Tax Base Owned by State or Public Universities

As amended, HB 2553 would have allowed cities to apply for a state matching grant fund program if at least 25 percent by area of the real property in the city is exempt from property taxation under ORS 307.090, and the property of the state or a public university. The grant program would have been administered by the Oregon Department of Administrative Services, would have required a match, and would have been on a first-come, first-served basis in an amount not to exceed \$50,000 per city. The grant funding was required to be used for economic development and infrastructure projects. The bill received a hearing in the House Revenue Committee but did not advance.

HB 2770: Gigabit Property Tax Exemption Repeal

HB 2770 would have repealed the new gigabit property tax exemption provided to qualified centrally-assessed taxpayers during the 2015 session, and instead created a broadband task force to pursue more appropriate broadband incentives. These incentives could have included grants, loans, tax credits, property tax exemptions, partnerships, etc. The task force would have been staffed by Business Oregon, as broadband is a critical infrastructure necessity for economic development in communities today and Business Oregon is the state's economic development agency. The League supported the gigabit exemption repeal because fiber optic gigabit technology has changed since 2015, and has not provided the intended benefits. The meaning of the exemption provisions is currently being litigated in a suit brought by Comcast against the Oregon Department of Revenue, and disputed property taxes will be held up for years if the gigabit problems are not addressed. If the exemption remains, local governments and schools would lose tens of millions in future property tax revenues without a positive return on investment. HB 2770 received a unanimous "do pass" recommendation from the House Revenue Committee, and was referred to the Joint Ways and Means Committee for funding of the task force. A work group was formed to continue to discuss the central assessment exemptions, but the bill remained in committee upon adjournment. The League was included in the work group, and discussions are expected to continue during the legislative interim.

HB 2774: Centrally Assessed Property Tax Transparency

HB 2774 would have required the Oregon Department of Revenue to make information contained in the centrally-assessment property tax roll available to the general public on the department's website. Required website information would have included: company name; amount of assessed value of centrally assessed property that is exempt from taxation; and total estimated taxes that would have been imposed on property for current property tax year had a property tax exemption not been granted. The amended bill passed the House, but did not receive a hearing in the Senate Finance and Revenue Committee.

HB 2859: Property Tax Exemption Review

HB 2859 would have created or adjusted the sunset dates for most of Oregon's property tax expenditures. The governor, assisted by the Oregon Department of Revenue, is required to prepare in each even-numbered year a tax expenditure report that includes property tax exemptions and their respective revenue impacts. However, there is no legislative systematic review of these exemptions as there is for income tax credits, and this bill would have addressed that gap. In addition, ORS 315.037 requires any tax expenditure enacted by the Legislature on or after January 1, 2014, to apply for a maximum of six tax years unless the Legislature expressly provides for another period of applicability. Thus many of the property tax exemptions are susceptible to unintended expiration. There are approximately 130 property tax expenditures, and most have never been reviewed to determine if they should continue or be adjusted. HB 2859 would have divided up the exemptions and imposed staggered sunsets on them. Several hearings were held on the bill, and putting potential sunset dates on farm and forest related exemptions, even for simple review purposes, drew crowds of opposition. Even when those provisions were removed

from the bill, finding consensus on how to systematically review the remaining exemptions proved difficult, and the bill remained in the House Revenue Committee on adjournment.

HB 2942: Property Tax Assessment of Industrial Rental Equipment

HB 2942 would have imposed a rental tax of 1.75 percent, effective January 1, 2018, on the rental price of construction, mining, earthmoving and industrial equipment that is mobile, owned by a qualified heavy equipment provider, and held primarily for rental. The League participated in a work group prior to session and was supportive of the bill, as this type of personal property is very mobile and often missed in property tax assessment. The industry also worked to make local governments whole with the supplemental tax provisions of the bill.

HB 2978: General Property Tax Exemption Authority

HB 2978 would have allowed a taxing district to adopt an ordinance that, if approved by a majority of the voters in the district, would exempt a stated dollar amount of the assessed value of taxable real property located in the taxing district from operating taxes. The exemption of assessed value would apply against the permanent rate or local option levy of the taxing district which approved the exemption, and not the other taxing districts. HB 2978 was not workable for assessors and left unanswered questions. Taxing districts can already impose less than their permanent rate or lower their local option levy. Thus, using an exemption methodology was viewed as unnecessary. While the bill received a hearing, it did not advance from the House Revenue Committee.

HB 3190: Senior Property Tax Deferral: Reverse Mortgage Eligibility

HB 3190 would have allowed seniors with a reverse mortgage to again participate in the state's senior property tax deferral program. The bill required a tax lien of deferred property taxes to have priority over the lien of the reverse mortgage. The senior deferral program was enacted in 1963, and provides homeowners age 62 and older with the ability to defer payment of property taxes until the owner dies or sells the property. The state pays the tax, and obtains a lien on the property for the tax and accrued interest at the rate of 6 percent per year. The current household income limit is \$43,000 for the 2016-17 tax year. Beginning in 2011, the Legislature made a series of changes to the deferral program, including a prohibition of pledging, as security for a reverse mortgage, a homestead on which amounts deferred are outstanding. Legislation in 2012 and 2013 made the deferral program available to specified previous participants in the deferral program that had a reverse mortgage. The bill had a hearing in the House Revenue Committee but did not advance.

HB 3326: Comcast Central Assessment Litigation Settlement

HB 3326 would have authorized a centrally-assessed company with outstanding property taxes of at least \$174 million for property tax years beginning before July 1, 2016, to satisfy their tax liability by paying 75 percent of the amount due. The only company with such an outstanding balance is Comcast, and the Oregon Department of Revenue (DOR) has been in litigation with Comcast since 2009 over disputed property taxes on behalf of local governments. The DOR won at the Oregon Supreme Court, but the case is still pending before the Oregon Tax Court—where it was remanded in order to address remaining issues. The League opposed the bill, and it did not receive a public hearing, having raised concerns over separation of powers. See also the [HB 2407](#) and [HB 2770](#) bill summaries.

HJR 1: Property Tax Reform

HJR 1 would have referred to voters an amendment to the Oregon Constitution repealing property tax assessment provisions created by Ballot Measure 50 (1997). The bill would have instead required property taxes to be assessed on real market value and authorized local taxing districts to increase their permanent rate limits once every 10 years by submitting the question to voters of a taxing district. HJR 1

would have also directed the Legislature to provide a homestead exemption for owner-occupied principal dwellings. In addition, the bill would have increased the maximum collection rates imposed by Ballot Measure 5 (1990), which have been set at \$5.00 for education and \$10.00 for local governments. Each category would have been raised by \$1.00 per \$1,000 of real market value. The reforms would have been referred to voters at a special election held on the same date as the next primary election. The bill did not receive a hearing, but was discussed in the Senate Finance and Revenue Committee, along with the other property tax reform bills. See also the [SJR 3](#) summary.

Taxation: Excise Taxes

VAPING & TOBACCO TAXES — PASSED BILLS

HB 3461: Distribution by Mail Restriction

Effective Date: On Passage

HB 3461 provides that a person engaged in the business of selling cigarettes or smokeless tobacco products for profit may not ship or transport cigarettes or smokeless tobacco products ordered or purchased by mail, telephone, or through a computer or other electronic network, to any person in Oregon other than a distributor or retailer to ensure the payment of taxes. In addition, the bill provides the Oregon Department of Justice (DOJ) with increased enforcement authority over contraband cigarette sales. The bill allows for sharing of information between the DOJ, the Oregon Department of Revenue, and other federal, state, or local agencies to enforce the Tobacco Master Settlement.

VAPING & TOBACCO TAXES — FAILED BILLS

HB 2024: Vaping & Cigarette Taxes

HB 2024 would have imposed a vaping tax at the point of sale based on the wholesale price of inhalant from nicotine at the rate of 90 percent. The bill would have raised the legal age at which a person may purchase or possess tobacco or vaping products to 21 years. The bill required premises that sell such products in the state to have a state issued license, administered by the Oregon Department of Revenue. HB 2024 would also have increased cigarette taxes, imposed new floor taxes, and removed the per-unit limit on the current cigar tax. This revenue-raising bill required approval by a three-fifths majority of the Legislature and did not advance.

HB 2037: Vaping & Cigarette Taxes

HB 2037 would have imposed a tax on electronic cigarettes and nicotine solution products. Distributions would have gone to the Oregon Health Authority to provide treatment for substance abuse and nontraditional health services, included mental health.

HB 2056: Vaping & Cigarette Taxes: Local Preemption Removal

HB 2056 would have increased tax rates on cigarettes and other tobacco products. During the session, the League advocated for an amendment that would replace the underlying bill with language that would have lifted the statutory prohibition on county or municipal taxes imposed on the sale or use of cigarettes or tobacco products. In addition, the amendment would have allowed the state to enter into agreements to collect and enforce a local tobacco tax on behalf of the local government. Cities must enforce indoor

clean air laws and criminal laws relating to tobacco, and the current city share (2 cents per pack of cigarettes) is unreasonably low. Cities currently receive no state shared revenues for taxes on other tobacco products, including cigars, snuff, chew, etc. A tax preemption lift would have required a majority vote of the Legislature, while a state tax increase requires a three-fifths vote. This bill had multiple hearings in the House Revenue Committee but did not advance.

HB 2062: Vaping Tax

HB 2062 would have imposed a tax based on the wholesale price of vaping liquids and delivery systems. The tax rates would have been 95 and 70 percent, respectively. A hearing was held in the House Revenue Committee, but the bill did not advance.

HB 2084: Out of State Seller of Tobacco and Vaping Products

HB 2084 would have required the Oregon Department of Revenue (DOR) to create and maintain a list of persons that sell or accept orders for cigarettes, vaping or tobacco products, but fail to verify age or to pay taxes on these products. The bill was intended to affect those products transported from outside of Oregon into the state. The DOR would have been required to make the list available to all common carriers transporting property within Oregon, and would have prohibited common carriers from transporting cigarettes, vaping or tobacco products into the state if they are on the DOR's list. However, components of HB 2084 were prohibited by the federal Prevent All Cigarette Trafficking Act, and the bill did not advance after a hearing in the House Revenue Committee.

HB 2221: Cigarette Tax Increase

This bill would have increased the state cigarette taxes. A hearing was held in the House Revenue Committee, but the bill did not advance.

HB 2662: Cigarette and Cigar Tax Increase

HB 2662 would have increased the state cigarette taxes and removed the per-unit limit on the cigar tax. This revenue-raising bill required approval by a three-fifths majority of the Legislature, and did not advance after a hearing in the House Revenue Committee.

HB 3007: Vaping Tax

HB 3007 would have imposed a 95 percent tax on inhalant-form nicotine based on the wholesale price. The bill provided that a person may not make wholesale sales of inhalant-form nicotine unless the premises at which the material is received, stored or delivered is licensed. HB 3007 required the Oregon Department of Revenue to establish a licensing program and the licensing provisions would become operative January 1, 2018. The bill did not receive a hearing but was worked on informally.

HB 3178: Vaping Tax and Licensure Requirements

HB 3178 would have imposed a tax on the nicotine liquids that are intended for vaping products. The Oregon Department of Revenue would have also been required to create a licensure program for all persons selling nicotine liquids intended to be inhaled. The bill would have required a three-fifths majority vote of the Legislature to implement a new tax. A hearing was held in the House Revenue Committee but HB 3178 did not advance.

HB 3296: Tax on Tobacco Substitute

HB 3296 would have amended certain definitions of tobacco products to include tobacco substitutes. It would have also imposed a tax on tobacco substitutes and required distributors of tobacco substitutes to be licensed. A hearing was held in the House Revenue Committee but the bill did not advance.

Miscellaneous

MISCELLANEOUS TAXES — PASSED BILLS

HB 2150: Electronic Tax Filing for Wine, Cider and Beer

Effective Date: October 6, 2017

Beginning on January 1, 2019, HB 2150 requires the Oregon Liquor Control Commission to allow manufacturers or distributors of wine, ciders or malt beverages to file by electronic means: a statement of the quantity of wine, cider or malt beverages produced, purchased or received; and payment of privilege taxes on such activities.

MISCELLANEOUS TAXES — FAILED BILLS

HB 2939: Construction Excise Tax Limitation

HB 2939 would have capped the rate of construction excise taxes imposed by cities or counties on improvements to commercial and industrial real property to no more than 1 percent of the permit valuation for commercial construction permits. The bill would have allowed a city or county that imposed and collected taxes above the 1 percent cap to keep the excess funds. In the 2016 session, the Legislature lifted the preemption on construction excise taxes imposed by cities and counties, but capped the rate of tax on improvements to residential real property at 1 percent. (See SB 1533 (2016)). The League opposed HB 2939 and such a cap on commercial and industrial property taxes. A work group was formed on the bill, but consensus could not be reached.

Lodging Taxes

LODGING TAXES — PASSED BILLS

HB 2400: Authorization of Department of Revenue to Collect Local Lodging Taxes

Effective Date: October 6, 2017

HB 2400 will authorize the Oregon Department of Revenue (DOR) to collect local lodging taxes on behalf of a local government if the local government enters into an intergovernmental agreement (IGA) with the DOR. This is a local option, and would be similar in function to IGAs for local marijuana tax collection. The goal is a one-stop filing and enforcement mechanism in which the state and local lodging taxes can be paid and enforced by the DOR. The department must revise its collections and accounting practices for a one-stop filing to work practically. The League will continue to work with the DOR in the interim so that IGAs with cities and counties can be created.

HB 3101: Notice of Facility Fees Requirement

Effective Date: January 1, 2018

HB 3101 provides that a hotelkeeper or innkeeper may not charge a facility fee in addition to the rental price of a guest room in the hotel or inn, unless the hotelkeeper or innkeeper discloses the facility fee at the time that a guest reserves or rents a guest room, whichever is first. Disclosure is also required by a travel arrangement company that facilitates the reservation or rental of a guest room in a hotel or inn. The bill does not affect state or local transient lodging tax assessments.

HB 3180: Sharing of Lodging Tax Information

Effective Date: October 6, 2017

State statutes currently make state lodging tax information confidential and do not allow the state to share tax information with local governments. This bill fixes that, and authorizes the Oregon Department of Revenue (DOR) to share this information as long as it is for listed reasons and the confidential information continues to be protected (for example, social security numbers). In addition, HB 3180 provides that the DOR can request information from local governments to improve the state's tax collections. Cities do not have to create any new information/reports, and local governments can decline requests from the DOR if they are burdensome. The sharing of confidential tax information between the DOR and local governments was requested by the League to improve lodging tax enforcement. At times, lodging providers have only paid the state and not the local government taxes, and vice versa.

LODGING TAXES—FAILED BILLS

SB 457: Small City Revenue Flexibility

SB 457 would have revised how some local governments use local transient lodging tax revenues. The bill would have applied to cities with populations less than 10,000 that are grandfathered into their 2003 local transient lodging tax revenue restrictions. Under SB 457, such cities could use their net revenues from increased lodging taxes in the same percentages and for the same purposes as the grandfathered taxes. The bill did not receive a hearing in the Senate Finance and Revenue Committee.

SB 745: Ocean Beach Fund

SB 745 would have created an Ocean Beach Fund using a portion of the transient lodging tax revenues collected by the Oregon Department of Parks and Recreation (OPRD) for transient lodging at state recreation areas that are located along the ocean shore. The fund would have been used to pay the OPRD for "managing state recreation areas along the ocean shore." That phrase was defined by the bill to include visitor safety, tourism promotion and beach cleanup.

HB 2049: Transient Lodging Intermediaries

HB 2049 would have revised the tax return filing and tax payment requirements of businesses (defined as intermediaries) that facilitate the retail sale of transient lodging. In addition, HB 2049 would have allowed the Oregon Department of Revenue to hold each transient lodging provider and intermediary liable, jointly and severally, for any lodging tax with respect to a lodging transaction. While supporting this bill's intent of treating all transient lodging intermediaries the same in order to facilitate tax fairness, the League advocated for passage of HB 2064. Amendments to that bill would have addressed the intermediary issues more comprehensively and effectively.

HB 2064: Transient Lodging Tax Omnibus Bill

HB 2064, with amendments, would have allowed for restricted local lodging tax revenues to be used for the maintenance of tourist-related facilities, as well as the costs of tourism activities, events, sporting events, attractions and tourist amenities. Both public safety costs for special events and tourist amenities are particularly straining on budgets, and cities have long requested this revenue flexibility as current law only permits and narrowly defines usage for tourist -related facilities and tourism promotion. In addition, an amendment would have revised the definition of “transient lodging intermediary” to ensure all business model types that facilitate the retail sale of rooms or homes for lodging are required to collect, file tax returns, and pay state and local lodging taxes. Presently, some entities are not paying the tax, or they only pay a tax to cities with which they have an agreement. The issues were discussed at length in the House Revenue Committee, but the committee simply ran out of time to work through the complex and contentious issues. The League will work with stakeholders in the interim in preparation for the 2018 session.

HB 2744: Tourist-Related Facility Definition

HB 2744 would have revised the definition of a “tourism-related facility” by removing the requirement that improvements have a useful life of 10 years, and instead generally cover improvements and maintenance to real property that have a substantial purpose to support, promote or accommodate tourism. This would have allowed local lodging tax revenues to be used with greater flexibility to address tourist-related costs. Though this bill failed, the League continued to pursue other vehicles to improve the local lodging tax.

HB 2768: Expansion of Tourism Promotion

HB 2768 would have expanded the definition of “tourism promotion” to cover more than marketing expenses. Instead, tourism promotion would have included expenses for tourism activities, tourism-generating special events, sporting events and festivals. Public safety costs for such events were intended to be covered. In addition, the bill would have covered expenses for developing or improving the visitor industry by enhancing tourist attractions, tourism-related facilities and special events. This change would have included beautification projects, sidewalk improvements, benches, parking facilities and restrooms.

HB 3260: Coastal Residential Short-Term Vacation Property: Lodging Tax Revenues for Housing

HB 3260 would have allowed, by submitting questions to county electors, coastal counties to implement a local lodging tax for residential short-term rentals. The revenue would have been required to be used for funding housing in coastal counties. A hearing was held in the House Revenue Committee, but the bill did not advance. However, there was great interest in the concept due to the housing crisis on the coast and the belief that short-term rentals have partially led to the housing shortages.

Taxation: Miscellaneous State Taxes

STATE TAXES — PASSED BILLS

SB 28: Market-Based Apportionment

Effective Date: October 6, 2017

SB 28 moves Oregon corporate income tax apportionment from the existing cost-of-performance sourcing method to a market-based sourcing. Cost-of-performance sourcing results in income from intangibles and services being sourced to the jurisdiction where the work that produces the revenue is performed. It can be difficult to determine where work is performed when the underlying services are provided by personnel and servers located in multiple states. A market-based sourcing methodology reduces complexity by requiring a taxpayer to source service receipts to the location of the customer or where the benefit of the service is received. In addition, it is expected to encourage jobs and investments in Oregon. SB 28 generally applies to C-corporations in tax years beginning January 1, 2018, but excludes utilities and financial institutions. The bill is expected to cause a modest net revenue gain.

SB 33: Interest Calculations

Effective Date: October 6, 2017

SB 33 requires the Oregon Department of Revenue to calculate interest on deficiencies or refunds using the standard accounting practice of the annual percentage rate computed daily. The present practice of calculating interest rates on a monthly basis ends on January 1, 2018. The bill also changes the date at which interest begins to accrue on excess payments for the state transient lodging tax and 9-1-1 tax to a period of 45 days after the due date of the return or the date the excess was paid—whichever is later. Cities are encouraged to sync their interest and penalty provisions with the state if the state is or will be collecting taxes for the city.

HB 2066: Omnibus Tax Credit Bill

Effective Date: October 6, 2017

The Joint Committee on Tax Credits let several tax credits sunset and scaled back others in the session's omnibus tax credit bill, HB 2066. The effective cuts were predicted to save roughly \$20 million in foregone revenue over the next biennium. The revenue cost impact of the credits included in the bill is a meager \$1 million for the biennium. Notable tax credits that were not extended include those for residential solar projects (RETC), qualified research activities, e-commerce, biomass, several Oregon Department of Energy-issued tax credits, and wolf predation loss.

The following tax credits were renewed in HB 2066:

- Rural health care provider tax (but generally limited to providers with annual adjusted gross income less than \$300,000 and limits taxpayer usage to 10 years);
- Reservation enterprise zones for federally recognized Indian tribes in the state;
- Affordable housing lenders credit (extended from 2020 expiration to 2026 sunset);
- Bovine manure credit (with a \$5 million cap); and
- Fish screening credit.

HB 2066 will also end the ability of C-corporations that pay only the minimum income tax to use tax credits (Conway fix) to offset their minimum tax.

HB 2273: Apportionment Methodology

Effective Date: October 6, 2017

HB 2273 amends language to align with the Multistate Tax Commission, which recommends that states that adopt a market-based approach and remove the functional test when deciding sales for apportionment purposes. In addition, this bill incorporates some of the Oregon Department of Revenue's administrative rules into statute. This applies to tax years after January 1, 2018. See also [SB 28](#), which adopts the market-based approach for sourcing of sales.

HB 2285: Tax Delinquency Date

Effective Date: October 6, 2017

The measure changes the date of tax assessments to either the due date of the tax return before the extension, or the date that the return is filed, whichever is later.

STATE TAXES — FAILED BILLS

SB 89: State Debt Collection

SB 89 would have modified the provisions governing the collection of delinquent accounts owed to state agencies, thus making the Oregon Department of Revenue more responsible for state debt collection services. The bill would have directed state agencies to assign certain liquidated and delinquent accounts to the DOR for collection. It would have directed the DOR to contract with private collection agencies to collect on accounts under specified circumstances and timelines. Specifically, SB 89 would have eliminated a state agency's choice to offer certain delinquent debts to either the DOR or to private collection companies, and centralized assignment with the DOR. The DOR would have been required to offer the accounts to private collection agencies if they are inactive for six months. The bill would also have provided DOR's collection unit with broader information access. In addition, SB 89 specified taxpayer notice requirements and when state agencies may use a Social Security number for debt collection purposes as well. The League followed the bill because it was intended to improve collections and make them more efficient and less costly; time is often spent locating the same taxpayer by different government entities. There was legislative interest in assisting local governments as well, particularly with garnishing state tax refunds if taxes are owed local governments. Although the bill ultimately died in the Joint Ways and Committee, most of it was put into the omnibus tax containment bill, [SB 1067](#), [found in the PERS-Passed Bills section](#) of this report.

SB 160: Tax Credit for Seniors Triggered by Property Tax Assessment

SB 160 would have created a refundable personal income tax credit for property taxes paid by homeowners who are at least 65 years old and have an income of less than \$40,000. The tax credit would have been 50 percent of the amount due that exceeds 10 percent of their income. If the taxpayer is a participant in the senior property tax deferral program, refundable payments would have been credited to that account. The bill received a hearing in the Senate Finance and Revenue Committee.

SB 165: Nonpassive Income Preferential Rates: Eligibility Changes

SB 165 would have revised the eligibility for using the preferential tax rates for nonpassive income that was a part of HB 3601(2013) and the “grand bargain.” Current law gives taxpayers the option of having certain income from partnerships or S-corporations taxed at these lower marginal rates. To qualify for the lower marginal rates, SB 165 would have added the requirement that the number of employees must increase from the prior year along with no decrease in the employee average hourly wage. There was a hearing and work session on the bill, but it did not move out of the Senate Finance and Revenue Committee.

SB 181: Nonprofit Exemption: Transparency Requirements

SB 181 would have added an annual information reporting requirement for certain nonprofit entities that seek to claim a property tax exemption based on their nonprofit status. The bill required that the annual information be filed with the assessor in the county where the applicable piece of property is located. SB 181 also required the information to be accompanied by the organization’s most recently required and timely filed Form 990 or Form CT-12. In addition, the bill would have imposed a “clawback” for filings that contain inaccurate or misleading information. The filings would have been public records. SB 181 passed the Senate and there were numerous hearings in the House Revenue Committee, but the objections of the non-profit sector could not be overcome. Particular concerns were raised by organizations with properties in multiple counties. In addition, some of the other requirements of the bill may have been burdensome, including tracking how many days the property was used for a purpose unrelated to the organization’s charitable objective. The Legislature sought the information to make more informed decisions in future sessions on how to regarding the nonprofit property tax exemption.

SJR 7: Sales Tax with Property Tax Exemption for Homesteads

SJR 7 was a legislative referral that would have revised the Oregon Constitution to direct the Legislature to adopt a sales tax. The bill required an exemption from the sales tax for necessities, and would have preempted local sales and use taxes not approved on or before November 6, 2018. SJR 7 also would have exempted all owner-occupied primary residences from all property taxation. The sales and use taxes would have been set at a rate determined by Legislative Revenue Officer to be necessary to replace the revenue formerly collected on residential property granted an exemption from property taxes and to pay ongoing administrative costs of the sales tax. SJR 7 would have been referred to the voters at the next primary election. The bill received no hearing.

HB 2019: Corporate Tax Transparency

Under current law, all state tax return information is considered confidential and may not be disclosed to the public except under certain exceptions. The House Revenue Committee held several hearings and work sessions on the topic of tax credit and exemption transparency, and multiple amendments were reviewed. The Legislature is concerned about the revenue impact of tax breaks, a lack of transparency in the budgeting process, and the return on investment of tax incentives. Some of the amendments to HB 2019 would have required corporations to disclose the total amount of all business tax credits claimed, Oregon tax liability, and Oregon property taxes paid. In the end, a tax transparency bill did not advance.

HB 2060: Nonpassive Income Preferential Rates: Eligibility Changes

HB 2060 would have revised the eligibility for using the preferential tax rates for nonpassive income. Current law gives taxpayers the option of having certain income from partnerships or S-corporations taxed at lower marginal rates. HB 2060 required a net increase in the number of employees from 1-10 in order to qualify. The bill would have further limited eligibility for the pass-thru entity tax rates to business operating in one of the following seven economic sectors: agriculture, mining, manufacturing, wholesale trade, transportation and warehousing, information, or accommodation and

food services. HB 2060 also would have raised nearly \$200 million for the 2017-19 biennium but not required a three-fifths vote of the Legislature according to an opinion from Legislative Counsel based on a recent Oregon Supreme Court case. The bill passed the House with 31 votes in the final weeks of the session, but was not considered in the Senate, remaining on Senate President Courtney's desk at adjournment.

HB 2061: Tax Increases

HB 2061 would have changed Oregon's personal income tax connection point from federal taxable income to federal adjusted gross income by eliminating the allowance of itemized deductions or standard deduction. The bill would also have decreased the personal income tax rates. However, amendments to HB 2061 would have: replaced the underlying bill and reduced business expense deductions; created additional requirements for partnerships and S-corporations to qualify for lower rates on pass-through income; and removed the deduction for corporate and personal income tax for employee compensation. The bill had hearings in the House Revenue Committee that were similar to those occurring with HB 2060.

HB 2065: Tax Credits: Applicability to Corporate Minimum Tax

HB 2065 provided that tax credits would have been allowed against the corporate minimum tax unless otherwise provided in statute. This bill failed to advance, but the issue was addressed in [HB 2066](#), the omnibus tax credit bill.

HB 2230: Gross Receipts Tax

This bill was requested by the Oregon School Boards Association and would have imposed a new commercial activity tax of 0.7 percent, to be measured by gross receipts. The bill would have excluded from tax the first \$1 million per year of gross receipts. HB 2230 defined persons exempt from the tax, and would have repealed the corporate excise and income taxes for business. The bill would also have increased the earned income tax credit against personal income taxes and doubled the standard deduction for personal income taxpayers that claim a standard deduction on their federal return. HB 2230 would have taken effect only if a constitutional amendment proposed by HJR 4 (2017) was approved by voters at the next regular general election. The bill was not heard, but components were in discussion with related gross receipts tax bills.

HB 2286: Tax Credits: Uniform Transfer Procedure

HB 2286 would have required that a transfer of tax credits follow uniform transfer procedures. Specifically, the bill would have established uniformity in the tax credit data received by the Oregon Department of Revenue (DOR) from other agencies. This would have improved the analytics of reviewing tax credits. The bill would have established a uniform revocation process for tax credits, and moved all tax credit transfer responsibility to the DOR. It also would have allowed the DOR to collect unpaid taxes in case of suspension or revocation of a transferable credit. Five hearings and work sessions were held, but the bill did not move out of the House Revenue Committee.

HB 2830: Corporate Activities Tax and Corporate Excise Tax Repeal or Corporate Excise Tax Increase

As introduced, HB 2830 would have increased the state's corporate excise tax rates by 1 percent. However, amendments would have replaced the underlying bill by repealing the corporate excise tax altogether and imposing a new corporate activities tax (CAT). The bill was heard in the new Joint Tax Reform Committee, where multiple options and economic models were reviewed. Amendments were proposed that would vary CAT tax rates by industry sector and with a variety of sliding scale rates based

on Oregon sales. The committee also considered amendments that would have made changes to existing business taxes by: increasing the corporate income tax rates (to 8 percent and 9 percent); limiting eligibility for using the non-passive income preferential rates; and doubling the corporate income tax for corporations and partnerships. In the end, the proposals all required a three-fifths majority vote of the Legislature, which wasn't attainable.

HB 2831: Corporate Minimum Tax Increase

HB 2831 would have increased the corporate minimum tax for certain S-corporations. The tax would have grown from \$150 to \$1,000 if Oregon sales exceeded \$25 million. The bill had a hearing, but did not move out of the House Revenue Committee.

HB 2879: Sale to Nonprofit: Affordable Housing Capital Gains Exemption

HB 2879 would have created a tax exemption for capital gains on the sale of multifamily affordable housing properties to nonprofits or housing authorities. Currently, taxpayers may exclude up to \$250,000 of capital gain for single taxpayers, or \$500,000 for joint taxpayers from home sales for their principal residence. However, the exclusion is not allowed for portions of the property used in business activities such as rentals. HB 2879 would have excluded from taxation the capital gain from sales of business properties if they are sold to nonprofits or housing authorities. There was a hearing in the House Revenue Committee, but the bill did not advance.

HJR 20: Sales Tax Imposition and Property Tax Partial Repeal

HJR 20 would have referred to voters a constitutional amendment to impose a 4.5 percent tax on the sale of tangible personal property and services. The measure would have exempted sales taxes on necessities, as that term was defined in the bill. The referral would have preempted local sales and use taxes not approved on or before November 6, 2018. Coupled with the new sales tax would have been a property tax exemption for the first \$500,000 of assessed value of owner-occupied primary residences. The bill provided that the sales tax revenues would be redirected back to local governments to backfill from their respective property tax revenue losses. The bill would have directed remaining revenues to fund state police and unfunded PERS liabilities. It did not receive a hearing; however, the League participated in a legislator work group on the bill.

GENERAL GOVERNMENT

Courts

COURTS – PASSED BILLS

HB 2797: Presumptive Fine Increase

Effective Date: On Passage

HB 2797 increases the presumptive fines for all violation level offenses by \$5 and increases the amount local courts pay per citation by \$5. Monies raised by this measure are dedicated to the state's E-Court program, which provides free access to state court documents to courts, police and other public agencies.

Elections

ELECTIONS – PASSED BILLS

SB 229: Special Election for 2017 Tax Measures

Effective Date: On Passage

SB 229 makes technical changes to elections procedures requested by county clerks. However, it was amended late in the session to include a provision which schedules a special election on January 23, 2018, for tax measures passed by the Legislature in 2017 and referred to the voters by initiative.

HB 2298: SEI Filing for Candidates

Effective Date: January 1, 2018

HB 2298 requires all candidates appearing on a primary or general election ballot to file a Statement of Economic Interest (SEI) with the Oregon Government Ethics Commission. Most candidates already file SEIs, but minor party candidates or others who appear on the general election ballot by means other than a primary election must now meet the same standard.

Marijuana

MARIJUANA – PASSED BILLS

SB 303: Possession of Marijuana

Effective Date: April 21, 2017

SB 303 reduces penalties for a minor who is in simple possession of marijuana to more closely mirror the similar prohibition against minors in possession of alcohol. However, the bill also increases the penalty for a minor who operates a motor vehicle while in possession of marijuana to a Category A violation.

SB 1057: Marijuana Enforcement Reforms

Effective Date: May 30, 2017

SB 1057 gives the Oregon Liquor Control Commission (OLCC) additional authority to prevent the illegal diversion of marijuana from the regulated market to illegal sales, and to prevent illegally produced marijuana from entering the legal market. Additionally, the bill grants district attorneys the same authority to enforce unlicensed marijuana production and sales as they have to address unlicensed liquor sales by imposing liens on a property where illicit commercial marijuana activities take place. For these liens to be lawful, the property owner must knowingly allow sales, production or processing of marijuana or marijuana products in a manner contrary to state law or local ordinance. Other portions of SB 1057 expand both OLCC agent authority and seed-to-sale tracking for medical growers wishing to sell in the recreational market.

HB 3470: State Shared Revenue: Distribution Formula

Effective Date: On Passage

HB 3470 was the session's large program change bill. It ultimately passed containing language originally in SB 845, amended to fix state marijuana tax distribution problems. Prior to passage of HB 3470, cities were to receive 10 percent of the state's marijuana tax revenues. However, the distribution mechanism was faulty and in need of both repair and clarification in order to function. HB 3470 provides that the 10 percent city share of marijuana taxes collected from January of 2016 until July 1, 2017 will be distributed on a per capita basis without limitations (payment is expected in September). Cities that have prohibited premises which require marijuana licenses will receive no distribution for state marijuana tax revenues collected after July 1, 2017. To receive future revenues, cities must certify quarterly with the Oregon Liquor Control Commission (OLCC) that they do not prohibit the establishment of premises for which a marijuana license is required. The OLCC certification process has not been developed, but the League will work with the agency in the upcoming months and cities will be notified of the new requirements. Once certified, distributions to cities will be 75 percent based on population, and 25 percent on licensure numbers in the city compared to the total licenses in all cities. The League supported these marijuana tax distribution provisions throughout the legislative process.

MARIJUANA – FAILED BILLS

SB 301: Marijuana in the Workplace

SB 301 would have prevented employers in Oregon from requiring employees to abstain from legal substances such as marijuana. The bill sought to prevent employers from prohibiting off-duty marijuana use by making such prohibitions an unlawful employment practice. The League and other employer interests opposed the bill on safety and legal grounds.

SB 307: Social Consumption

SB 307 would have granted cities the authority to adopt ordinances allowing the social consumption of marijuana and the permitting of special events where marijuana could be consumed. The bill only applied to inhaled marijuana consumption, and would have required city action only if the city chose to affirmatively pursue it.

SB 845: State Shared Revenue: Distribution Formula

SB 845 would have reformed revenue distributions from state-imposed marijuana taxes, including those to cities and counties (each receive a 10 percent share). Supported by the League, the amended bill

provided that the city share of marijuana taxes collected from January 1, 2016 until July 1, 2017 would be distributed per capita without limitations. Cities that have prohibited premises which require marijuana licenses would have received no distribution for revenues collected after July 1, 2017. For future revenues, the bill required cities to certify each quarter with the Oregon Liquor Control Commission (OLCC) that they do not prohibit the establishment of premises for which a marijuana type license is required in order to receive quarterly distributions. Once certified, the bill provided that distributions to cities would be based 75 percent on population and 25 percent on licensure numbers in the city compared to the total licenses in all cities. SB 845 was approved by the Senate but died in the House Revenue Committee amid disputes over distributions to education. However, the provisions important to cities were amended into HB 3470.

HB 2203: State Shared Revenue: Distribution Formula

HB 2203 would have shifted more state marijuana tax revenues to cities and counties. Under current law, these revenues are allocated with 10 percent going to counties and 10 percent to cities. Remaining revenues are allocated to the state's Common School Fund, the Oregon State Police and to the state for various health and prevention purposes. HB 2203 would have tripled respective revenue share for cities and counties to 30 percent. This increased share anticipated the passage of Measure 97, which would have created significant additional revenues from state business taxes. That measure failed in the November 2016 election.

HB 2204: Local Marijuana Tax: Cap Increase

HB 2204 would have allowed cities with voter-approved marijuana taxes to increase the local tax rate from 3 to 8 percent. There were attempts to require that a share of the increased proceeds go to counties where retail marijuana shops are located, despite the fact that most shops are located within city limits. Currently the state tax is 17 percent. Therefore, in the aggregate, the total tax would have risen to 25 percent—the same as the rate established when marijuana was first legalized. HB 2204 received hearings in the House Revenue Committee, but fears surrounding increased black market sales with a tax increase ultimately prevented the bill from advancing. The League supported the bill and anticipates seeking an increase in future sessions.

Municipal Liability

MUNICIPAL LIABILITY – PASSED BILLS

SB 327: Restoration of Recreational Immunity

Effective Date: June 22, 2017

SB 327 gives employees, volunteers and other agents who are acting at the direction of a land owner immunity from tort liability for injuries sustained by those recreating on the lands such as a park or trail, if access to that land is free of charge. In Oregon, land owners, including cities, who allow recreation to occur on their property and do not charge a fee are granted immunity from civil liability for injuries that occur during a recreational pursuit. However, in 2016 the Oregon Supreme Court concluded in *Johnson v Gibson* that the statute granting this immunity did not include employees. This decision resulted in the closure of approximately 12 parks or park features by cities due to increased insurance risk. Passage of SB 327 simply gives employees and volunteers the same consideration as the land owner.

Public Contracting

PUBLIC CONTRACTING – PASSED BILLS

SB 416: Prevailing Wage Clarifications

Effective Date: June 14, 2017

Current statute prohibits public agencies from dividing public works projects into multiple contracts to avoid compliance with prevailing wage requirements. SB 416 expands the statute by making it applicable to any person, not just public agencies. In addition, the bill clarifies that the commissioner of the Oregon Bureau of Labor and Industries (BOLI) can investigate and determine whether a public works project was divided into more than one contract, without considering if there was intent to avoid compliance with prevailing wage requirements. SB 416 makes clear that a public works bond must be filed with the Construction Contractors Board for every non-exempt subcontract awarded in connection with a public works project. Finally, the bill specifies that a contractor or subcontractor has violated the statute if a person other than the contractor or subcontractor pays or contributes any portion of the prevailing wages that the contractor or subcontractor owes to workers. Those provisions do not prohibit a surety or public agency from paying prevailing wage rates. If a contractor or subcontractor fails to pay prevailing wages, or if a surety or another person paid the amounts owed on the contractor or subcontractors behalf, the contractor may not receive a contract or subcontract for a public works projects for three years.

SB 634: Woody Biomass Alternative for 1.5% Green Energy Technology Requirement

Effective Date: October 6, 2017

Current law requires public contracting agencies to set aside 1.5 percent of the total contract price of a construction, reconstruction or major renovation of a public building to include solar or geothermal generation or passive solar design. SB 634 allows a contracting agency to consider woody biomass energy technology as an alternative to green energy technology requirements. The bill also prohibits the use of certain treated wood pieces or municipal solid waste, and sets forth compliance standards through the Oregon Department of Environmental Quality.

HB 2162: State Apprenticeship Utilization Requirements

Effective Date: October 6, 2017

HB 2162 requires state agencies, except for the Oregon Department of Transportation, to employ apprentices to perform 10 percent of the work hours on public improvement contracts greater than \$5 million. The bill increases the apprenticeship utilization requirements starting January 1, 2022, to a 12 percent utilization rate for public improvement project contracts greater than \$3 million. The requirements also apply to subcontracts if the contract price exceeds the lesser of \$1 million or 25 percent of the total public improvement contract price. Finally, the bill creates an advisory committee through the Oregon Bureau of Labor and Industries that will monitor implementation of and compliance with state apprenticeship utilization requirements. There was an attempt to amend HB 2162 in the Senate to expand the requirements to apply to local government contracting agencies; however, those amendments were not adopted.

HB 3060: State Contractor Prohibition on Sexual Harassment, Assault & Discrimination

Effective Date: October 6, 2017

HB 3060 requires state contracting agencies to verify, as a material term of a public contract with an anticipated price of \$150,000 or more, that a prospective contractor has certified that they have a written policy and practice against sexual harassment, sexual assault and discrimination against employees who are part of a protected class. The bill specifies minimum requirements for certifying practices against harassment, assault and discrimination, including written notice to each employee, a clear process for reporting, and a prohibition against discriminating against employees who experience, witness or report such conduct.

HB 3203: Least-Cost Requirements for Self-Performance on Public Improvements

Effective Date: October 6, 2017

HB 3203 was introduced by a coalition of private contractors who wanted to make substantial changes to current least-cost requirements for public agencies. Local government organizations, including the League, worked throughout the session to address concerns shared among contractors and key legislators, knowing that failure to do so would likely result in legislation being folded into the transportation package, possibly in a manner that would be highly problematic for local government.

Current law, ORS 279C.305, requires every contracting agency to submit a list of all public improvement projects planned for a coming budget year, at least 30 days prior to budget adoption, to the Oregon Bureau of Labor and Industries (BOLI). If the costs to construct a public improvement exceed \$125,000 and the contracting agency plans to perform the work using their own equipment and personnel, the agency must show that self-performance is the least-cost option when compared to contracting out. HB 3203 increases the threshold that triggers least-cost demonstration requirements to \$200,000 for all public improvement projects, except for road resurfacing. For road resurfacing at a depth of more than two inches, the threshold remains at \$125,000. HB 3203 maintains existing statute that road resurfacing at a depth of two inches or less would be considered maintenance and, therefore, not subject least-cost requirements. The bill provides an explicit list of what needs to be included in cost estimates when comparing contracting out with self-performance, and specifies that the requirements do not apply if a contracting agency does not receive a responsive bid or proposal.

Under the provisions of HB 3203, BOLI is required to conduct a review every four years, beginning in 2021, of the costs accounted for in a least-cost analysis to determine whether changes should be made. BOLI must also review the thresholds to determine if adjustments are warranted.

Finally, HB 3203 implements a new enforcement process for alleged violations of the statute that will be administered by BOLI. Complaints for violations of the least-cost requirements can be filed by contractors or contractor trade associations, but must be filed within one year after the contractor or association discovered or should have known a violation occurred. A fee of \$250 is required to file a complaint, but is refundable if the BOLI commissioner finds substantial evidence of a violation. The BOLI commissioner must dismiss a complaint if the contractor or association brings an action in court or initiates another proceeding alleging a similar act or omission. Following an investigation, the commissioner shall notify the contracting agency in writing if there is substantial evidence of a violation. If, in the five years preceding the investigation, the contracting agency had no other violations, BOLI will take no further action. If the contracting agency had violations within the preceding five years, the commissioner will require the agency to negotiate an agreement with the contractor or trade association to remedy the violation and prevent future violations. HB 3203 stipulates additional enforcement provisions for continuing violations or for breaching a negotiated settlement.

HB 3253: Vending Preferences for Public Buildings

Effective Date: October 6, 2017

HB 3253 makes a variety of changes to an existing program that grants priority to persons who are blind for the operation of vending facilities in public buildings. Existing law states that blind persons, licensed through the Commission for the Blind, shall manage vending facilities in or on any public buildings or properties where such vending facilities may properly and satisfactorily operate. HB 3253 makes changes to the notification requirements for certain public agencies, including cities. The bill requires state agencies, departments and local governments to notify the Commission for the Blind when: constructing a new public building or facility; modifying an existing public building or facility; or entering into, or modifying a contract for the procurement or vending products, facilities or services. Upon notification, the commission will determine whether a vending facility manager, licensed through the commission, is able to provide the product or service. The public agency must offer the first right of refusal to the commission for vending products and services, and must procure the product or service if it is offered and meets quality and quantity requirements for the agency. The products and services offered through the commission must also be offered in a bid that is equal to any other bids submitted.

HB 3264: Prompt Payment Requirements for ODOT

Effective Date: October 6, 2017

HB 3264 requires the Oregon Department of Transportation (ODOT) to conduct a pilot program for the prompt payment of certain qualified service contractors with no more than 50 employees. The bill requires ODOT to pay such contracts within the later of 15 days of receipt of either an invoice or demand for payment, or the payment due date. If ODOT fails to pay within the dates specified, the bill would require interest to be paid at a rate of 1.5 percent per month. Qualified service contracts include architectural, engineering, photogrammetric mapping, transportation planning and land surveying. A previous version of HB 3264 would have applied to all contracting agencies, including local governments. However, the bill was later amended to apply only to ODOT as a pilot program.

PUBLIC CONTRACTING – FAILED BILLS

SB 287: Responsible Bidder Health Insurance Requirement

SB 287 would have added a new “responsible bidder” provision under ORS 279C.375, requiring contractors to have provided health insurance to their employees for a period of two years in order to be considered eligible to bid on public improvement work. Two similar bills were introduced as House bills, but none, including SB 287, received a public hearing.

SB 288: Buy American/Buy Oregon

SB 288 would have required contracting agencies to develop and implement certain preference policies for procuring goods and services. The bill would have required preference for bidders, proposers or offerors that are headquartered, or doing a majority of business, in either the United States or Oregon. Preference would also be given to bidders, proposers or offerors that agree to supply goods and services from sources located within Oregon or the United States, or agree to substantially perform all work required in the procurement with personnel or resources obtained within Oregon or the United States. A similar bill was also introduced in the House, but neither bill received a public hearing prior to required deadlines.

SB 291: Prevailing Wage for Enterprise Zones

SB 291 would have defined “funds of a public agency” when applying prevailing wage rates to projects for public works. The definition would have been expanded to include tax credits or tax abatements received from the state by contractors engaged in the project for public works.

SB 294: Judicial Review for Contracting Out of Services

SB 294 would have allowed an employee or representative of an employee’s bargaining unit to seek judicial review of a public contracting agency’s decision to contract out for a service in an amount greater than \$250,000. Current law requires certain public contracting agencies, including cities with a population of more than 15,000, to either demonstrate that procurement of services will cost less than performing the services using the agency’s own personnel and resources, or that performing the services using the agency’s own personnel and resources is not feasible. Proposed amendments would have limited the application of the requirements to school districts or education service districts.

SB 382: Qualification Based Selection for Professional Services

Current law does not allow for the consideration of any pricing information until after a service firm has been selected solely on the basis of qualifications. SB 382 would have made changes to the current statutory mandate for the use of qualification based selection (QBS) of professional services, including architectural, engineering and land surveying. The bill, introduced at the request of the League, would have increased the threshold by which a contracting agency may directly appoint a consultant from \$100,000 to \$500,000.

Following a public hearing, the League worked on amendment language to SB 382 that would allow for the inclusion of pricing information as a factor in selecting a service firm which would provide greater flexibility in balancing qualifications with price to achieve the best value for local governments and their constituents. The proposed amendments would have still required using the formal QBS process for contracts greater than \$500,000, but would allow a local government to consider price for projects less than \$500,000. No more than one-third of the scoring could be weighted on the basis of pricing information. As a result, qualifications would continue to be the primary driver for the selection of professional services contractors. A public hearing was held on SB 382, but the bill did not pass out of a Senate policy committee.

SB 1045: Least Cost Contracting Requirements

Current law, ORS 279C.305, requires every contracting agency to submit a list of all public improvement projects planned for a coming budget year, at least 30 days prior to budget adoption, to the Oregon Bureau of Labor and Industries (BOLI). If the costs to construct a public improvement exceed \$125,000 and the contracting agency plans to perform the work using their own equipment and personnel, the agency must show that self-performance is the least-cost option when compared to contracting out. SB 1045 would have required contracting agencies to complete a detailed cost comparison if the agency self-performs a public improvement project greater than \$125,000. The bill would also have required a cost comparison for any pavement resurfacing project with a depth of more than two inches, regardless of the price. The cost comparison would have required the contracting agency to estimate the cost of self-performing the work and the cost of contracting out for the work. The cost comparison analysis would have been filed with the commissioner of the Oregon Bureau of Labor and Industries (BOLI). SB 1045 would have required the contracting agency to assume costs, including the cost of warranties that are not required for public agencies, on their side of the cost comparison calculation. If a contracting agency would have violated the provisions of SB 1045, they would have had to negotiate an agreement with the contractor or trade association as required by the commissioner of BOLI. Though SB 1045 failed, reform to the least cost requirements were adopted in another bill. (See [HB 3203, Public Contracting – Passed Bills](#))

HB 2148: Retainage Bonds

HB 2148 would have allowed a contractor or subcontractor, prior to commencing a construction project, to post a bond in substitution for withholding, as a retainage, a percentage of the contract price.

HB 2184: Responsible Subcontractor Requirements

HB 2184 would have applied existing “responsible bidder” requirements, under ORS 279C.375, to all subcontractors working on public improvement projects. Currently, those requirements only apply to contractors. The bill would have required public contracting agencies to include, as a material term of a public improvement contract, that a contractor may only award subcontracts to responsible subcontractors and would have required the contractor to submit an affidavit from the subcontractor to the contracting agency to demonstrate subcontractor responsibility.

HB 2670: Contractor Integrity Disclosure

HB 2670 would have required bidders and contractors on public procurements that exceed \$100,000 to disclose violations of labors laws and steps taken to remedy and improve subsequent compliance over the last three years. The contracting agency would have had to determine if the violations disclosed and the description of remedies and improvements in compliance warrant finding the bidder or proposer to have a satisfactory record of integrity. HB 2670 would have also required contractors to require prospective subcontractors to disclose their history of violations. Any violations during the term of the contract would also be required for disclosure. This would have allowed the contracting agency to terminate the contract or demand the contractor remedy the violation.

HB 2914: Contractor Disclosure of Political Contributions

HB 2914 would have required prospective contractors to disclose, as part of a bid for a public contract, the top five individuals or entities that they contributed the most money to in connection with either a ballot measure or election to public office.

Public Health

PUBLIC HEALTH – PASSED BILLS

SB 52: Reporting Ambulance Data

Effective Date: June 6, 2017

SB 52 directs the Oregon Health Authority (OHA) to adopt rules requiring ambulance service providers to report patient encounter data to the OHA's electronic emergency medical services (EMS) data system. The bill also requires ambulance service providers to report patient data to the OHA's EMS data system and grants the OHA rulemaking authority to specify the type of patient outcome data reported based on a specified set of criteria. The OHA is allowed to waive reporting requirements if an ambulance service provider is unable to comply, but this waiver authority sunsets in 2021.

SB 235: Indoor Clean Air Act Changes

Effective Date: January 1, 2018

SB 235 clarifies that the indoor clean air act allows bars to maintain outdoor smoking areas that are partially enclosed. In one iteration, the bill would have preempted local authority to enforce tobacco license ordinances in exchange for a statewide license requirement. The preemption was amended out of the bill before adoption.

HB 2175: Sobering Facilities

Effective Date: January 1, 2018

HB 2175 removes the limitation on the number of sobering facilities that may be registered with the Oregon Health Authority (OHA). In 2015, the Legislature enacted a law requiring the OHA to maintain a registry of sobering facilities, but was allowed to permit only three facilities. To qualify for registration, a sobering facility must partner with a treatment provider.

PUBLIC HEALTH – FAILED BILLS

SB 998: Tobacco License

SB 998 would have created a statewide license program for tobacco and inhalant (“vaping”) retailers. However, the bill would also have preempted local governments from regulating tobacco and inhalant products. The bill was opposed by the League and public health advocates.

Public Records

PUBLIC RECORDS – PASSED BILLS

SB 106: Public Records Advocate

Effective Date: On Passage

SB 106 was introduced at the request of Governor Kate Brown and will establish a public records advocate position to resolve conflicts between public records requestors and state agencies. Cities will also be able to utilize these dispute resolution services offered by the position if they choose to and if the requesting party agrees. The position will be housed within the Office of the State Archivist but will be appointed by the governor. The advocate will also be responsible for providing training to public agencies.

SB 481: Public Records Requests

Effective Date: January 1, 2018

SB 481 was introduced at the request of Oregon Attorney General Ellen Rosenblum and gives an agency receiving a public records request five business days to acknowledge receipt of that request, and an additional 10 business days to fulfill the request or issue a written response estimating how long fulfillment will take. The language in SB 481 includes no hard deadlines, and provides a “safety valve” for: complicated requests; protecting agencies receiving a large volume of requests; or requests involving documents not readily available.

SB 769: Social Security Number Redaction

Effective Date: January 1, 2018

SB 769 requires anyone in possession of another person's social security number to ensure that it is rendered unreadable when a document or other media containing the number is transferred or disposed of.

HB 2101: Public Records Exemption Analysis

Effective Date: October 6, 2017

HB 2101 establishes a subcommittee of the Joint Committee on Legislative Counsel (CLC) that will review potential exemptions from Oregon's public records law. There are more than 500 types of public records that are exempt from disclosure. This subcommittee will make recommendations for possible changes based on a set schedule, which will end in 2026. The subcommittee will not be reviewing certain exemptions related to personal financial information, safety of public employees, or trade secrets.

HB 3464: Immigration Data

Effective Date: On Passage

HB 3464 prohibits public bodies from asking people about their citizenship or immigration status or from disclosing specific information about persons for the enforcement of federal immigration laws, unless required to by state or federal law. Current law also allows cities and other public agencies to request legal advice from the Oregon Department of Justice on compliance with requests for immigration information made by a federal agency. HB 3464 requires the Oregon attorney general to publish guidance on the release of immigration information.

PUBLIC RECORDS – FAILED BILLS

SB 210: Electronic Public Notices

SB 210 would have allowed the electronic posting of public notices on a centralized website that is searchable or available by subscription. This bill was introduced at the request of a coalition of local government associations as a means of reducing public notice costs and improving transparency. It was opposed by the Oregon Newspaper Publishers Association.

SB 637, SB 638, SB 639 & SB 640: Transparency Bills

SB 637 and SB 638 would have required a public official presiding over a meeting that is being audio recorded to cause each participant to say their name before speaking. SB 639 would have required the posting of documents presented at a public meeting on a website within three business days. SB 640 would have required that a recording of any public meeting be of sufficient quality as to be understood by an average person.

HB 3399: Transparency by Design

HB 3399 would have directed the state's chief information officer to require public agencies to ensure that software vendors can export data in an open format, and redact information that a contracting agency may not disclose. The bill would have also required a contractor to supply the contracting agency with a document describing all tables and fields used to construct a database or structured collection of electronically stored data. Contractors would have had to assign all rights to the document to the agency, or execute an irrevocable license to use, allow others to use, and prepare works from the document. The document would have been considered a public record, and could not contain information that personally identified any individual.

Public Safety

PUBLIC SAFETY – PASSED BILLS

SB 323: Drug Lab Arson

Effective Date: January 1, 2018

SB 323 applies the crime of arson in the second degree when a person, in the manufacture of a controlled substance, causes a fire or explosion that damages a building or property. Causing a fire or explosion as a result of the manufacture of methamphetamine or the illicit processing of marijuana items, such as hash oil, is already a criminal offense. SB 323 addresses fires and explosions from other controlled substances, commonly referred to as “exotics.”

SB 373: Urban Deer Control

Effective Date: January 1, 2018

SB 373 directs the Oregon Department of Fish and Wildlife (ODFW) to develop a pilot project on urban deer control. A city wishing to utilize this program must first pass an ordinance declaring urban deer to be a nuisance. If the ODFW agrees with the city declaration, the city may then cull the deer population. To the extent feasible, a city must distribute edible portions of deer meat to charitable organizations and may not retain hides or antlers.

SB 505: Grand Jury Recording

Effective Date: January 1, 2018

SB 505 requires district attorneys ensure that grand jury proceedings are recorded in Multnomah, Jackson and Deschutes counties. The remainder of the state will be subject to this requirement in 2019, if not rescinded during the legislative session. Recordings will be made available to defense attorneys, however some witnesses will be allowed to have their testimony redacted. Grand jury recordings will be exempt from release under public record statutes.

SB 719: Extreme Risk Protective Order

Effective Date: January 1, 2018

SB 719 gives courts the authority to issue an order prohibiting a person from possessing or controlling a deadly weapon if they have been found to be at risk of hurting themselves or others. A deadly weapon is defined in statute as any instrument or substance that is designed to, and is capable of, inflicting death.

SB 743: DXM Prohibition

Effective Date: January 1, 2018

SB 743 makes it a violation for a business to sell dextromethorphan (DXM) to individuals 17 years of age or younger unless they possess a valid prescription. DXM is found in many cough suppressants, and is considered safe when used as recommended on product labels; it is a dangerous intoxicant when consumed at twice the advised dose.

SB 850: Seismic Response and Resilience Committee

Effective Date: June 14, 2017

SB 850 creates a committee under the Seismic Safety Policy Advisory Commission to examine steps that can be taken to maintain residential structures after a major earthquake or tsunami. In addition, the committee is tasked with finding ways to both encourage and determine the impediments to homeowners purchasing earthquake and tsunami insurance. A second committee will examine best practices and any means for the state and local governments to prepare for responding to mass casualties and mass displacement after a major earthquake or tsunami. The committee reports must be completed by September 30, 2018.

HB 2355: Racial Profiling and Sentencing Reform

Effective Date: On Passage

HB 2355 requires police agencies to record data regarding the race, gender, and reason for traffic and pedestrian stops. The requirement will be phased in over time depending on the size of the police agency. Data will be collected and analyzed by the Oregon Criminal Justice Commission to determine if a pattern of racial profiling exists. The Oregon Department of Public Safety Standards and Training will provide advice and support to agencies if a pattern of profiling is established.

HB 2355 also reduces the severity of possessing small amounts of narcotics from a felony to a Class A misdemeanor. The crime reverts to a felony for repeat offenders and circuit courts retain exclusive jurisdiction over these offenses.

HB 2409: Intersection Safety

Effective Date: January 1, 2018

HB 2409, introduced at the request of the city of Beaverton, permits a city to issue a speeding citation from the same camera and sensor system used to enforce red light compliance. Beaverton has documented approximately 90,000 instances of drivers traveling at least 11 miles per hour over the posted speed limit in intersections, creating significant traffic hazards. The “stacking” or issuing of both speeding and red light infractions is allowed under HB 2409, but only when the driver is clocked traveling 20 miles per hour over the posted limit.

HB 3030: Minors and Nitrous Oxide

Effective Date: January 1, 2018

HB 3030 prohibits a retail store from selling inhalable nitrous oxide (N₂O) containers to person under 18 years of age. N₂O is used by dentists to relieve anxiety before procedures and as a propellant in whip cream dispensers. It can also be abused as an inhaled intoxicant and has serious side effects when used without the supervision of a health care professional.

HB 3242: Recording Interviews with Minors in Custody

Effective Date: January 1, 2018

HB 3242 requires police officers to record interviews with minors who are in custody when investigating felonies or crimes that would be felonies if they were committed by an adult.

HUMAN RESOURCES

Overview

As in 2015, most legislation impacting employer obligations considered during the 2017 legislative session was focused on creating workforce-wide benefits and employment policy, and did not focus specifically on public sector employment. Providing additional employment rights, paid family leave and predictable work schedules dominated the schedules of the labor-related legislative policy committees. This trend is expected to continue.

Reform of the Public Employees Retirement System reared its head again in 2017, with the system hovering at a \$22 billion unfunded liability. Due to Oregon Supreme Court decisions, the options for reforms are limited and passage of any changes to benefits or cost sharing were politically linked to state revenue reform, which did not occur.

Collective Bargaining

COLLECTIVE BARGAINING – PASSED BILLS

[HB 2263: Mediation Fees](#)

Effective Date: January 1, 2018

HB 2263 increases the Oregon Employment Relation Board's fees for mediation services from \$500 to \$625 as of January 1, 2018, if the process extends into a third session.

[HB 2265: 150 Day Good Faith Bargaining Commencement](#)

Effective Date: January 1, 2018

HB 2265 requires employers and collective bargaining unit representatives to negotiate in good faith for 150 days prior to requesting a mediator from the Oregon Employment Relations Board (ERB). However, there is some ambiguity as to when the 150 days begins. HB 2265 allows both parties to notify the ERB in writing when the bargaining period begins.

Employment

EMPLOYMENT – PASSED BILLS

SB 92: OSHA Penalties

Effective Date: January 1, 2018

SB 92 restricts the amount of civil penalties the Oregon Department of Consumer and Business Services can assess for violations of state occupational safety or health statutes, or administrative rules. As a result, the agencies will conform to minimum and maximum penalties under the federal Occupational Safety and Health Act of 1970.

SB 398: Earned Income Tax Benefits

Effective Date: October 6, 2017

SB 398 directs the commissioner of the Oregon Bureau of Labor and Industries (BOLI) to adopt rules requiring employers to provide annual written notice to employees regarding the earned income tax credit. Notices must include website addresses for the Internal Revenue Service and the Oregon Department of Revenue. The bill also requires BOLI to include earned income tax credit information on their minimum wage posters.

HB 2005: Equal Pay

Effective Date: October 6, 2017

HB 2005 makes it an unlawful employment practice to discriminate in the payment of wages or other compensation on the basis of an employee's membership in a protected class. However, the bill does not prohibit an employer from paying employees for equivalent work at different rates, if the pay schedule is based on merit, seniority or a bona fide factor such as education, training or experience. HB 2005 also makes screening employees based on salary history an unlawful employment practice, and prohibits basing offers of compensation on a candidate's previous rate of pay. The bill further expands remedies for pay equity violations and retaliation for wage inquiries and wage claims to include the right to compensatory and punitive damages and a jury trial.

HB 3008: False Time Sheets

Effective Date: January 1, 2018

HB 3008 prohibits employers from requiring employees to create, file or sign documents containing information that the employer knows is false, related to hours worked or compensation received by the employee.

EMPLOYMENT – FAILED BILLS

SB 292: Workplace Bullying

SB 292 would have created an unlawful employment practice for an employer to maintain an "abusive workplace." The bill did not move forward, as it may have jeopardized Oregon's exclusive remedy worker's compensation system. The League opposed the bill, pointing out that it did not change collective bargaining laws, thus inhibiting the effective discipline of employees engaging in abusive or bullying behavior.

HB 3087: Paid Family Leave

HB 3087 would have established a paid family leave benefit for all Oregon employees. The benefit would have been funded by a payroll tax of 0.5 percent on employers and employees. Fiscal implications of providing the benefit and actuarial concerns prevented the bill from moving forward. The League anticipates that this issue will be considered in subsequent legislative sessions.

Health Insurance

HEALTH INSURANCE – FAILED BILLS

HB 3428: CCO Mandate

HB 3428 would have mandated the inclusion of public employers in coordinated care organizations (CCO), which provide services to Oregonians who receive health care through the Oregon Health Plan (Medicaid). The bill was written with a phase-in approach that would have first dismantled the state and educator’s health plans and allowed local governments to opt into CCO coverage. At full implementation, all public employers would have been required to provide benefits through CCOs. HB 3428 was opposed by the League as an unfunded mandate, and because of concerns that its impacts had not been sufficiently modeled or researched.

PERS

PERS – PASSED BILLS

SB 1067: Cost Containment

Effective Date: On Passage

SB 1067 primarily deals with state procurement and human resources costs. It does, however, contain two provisions that benefit local government employers. The legislation sets a limit of \$50 million on the amount the Oregon Public Employees Retirement System board may allocate to the contingency reserve account. Any amount above that will be used to reduce liabilities.

SB 1067 also reforms the “side-account” statute that lets employers pre-pay their pension liabilities by allowing more than one account and multiple payments into that account. Under current law and administrative rule, employers may only open a side account with a payment of either \$1 million, or 25 percent of their unfunded liability, and may not add money to their account. While the bill doesn’t reduce liabilities, it does provide additional options for payment of those liabilities.

PERS – FAILED BILLS

SB 559: PERS Reform

SB 559 would have changed the way final average salaries are calculated to include the last five years of a worker's career, as opposed to the final three years. Final average salaries are used to determine an employee's retirement benefit under the defined benefit plan of the Oregon Public Employees Retirement System's (PERS). A number of amendments were proposed to this bill and its companion, SB 560, which would have made significant changes to PERS benefits. However, conversations around the bill remained largely conceptual at the end of the session.

SB 1068: PERS Shared Risk Accounts

SB 1068 would have established a risk-sharing account for each active Public Employees Retirement System (PERS) employee, funded by diverting current employee contributions destined for the system's Individual Account Program (IAP). The IAP is a deferred compensation plan that is in addition to the defined benefit plan offered under PERS. Risk sharing accounts would have been used to fund a 1-4 percent portion of the defined benefit plan depending on the funded status of the PERS system. SB 1068 would not have reduced the system's unfunded liabilities, but it would have reduced a portion of the employer rate by shifting it to employees. The bill's fortunes were tied to agreements on revenue reform which did not materialize.

MISCELLANEOUS PASSED BILLS

SB 828: Predictive Scheduling

Effective Date: January 1, 2018

This bill requires the restaurant and hospitality industries provide their employees with a predictable work schedule. While the requirements do not apply to public employers, a provision within the bill preempts a city's authority to impose a scheduling ordinance of their own.

HB 3350: Office of Outdoor Recreation

Effective Date: January 1, 2018

HB 3350 creates the Office of Outdoor Recreation within the Oregon State Parks Department. This position will be responsible for coordinating with outdoor recreation interests, cities, counties and other local governments to promote quality of life and economic development.

TELECOMMUNICATIONS

OVERVIEW

At the outset, it appeared there would be some intense legislative activity on cities' right-of-way authority, including attempts to restrict franchise fee collections. Although two bills were introduced that would have been serious threats to this authority, and local government revenues, nothing came to pass. Hearings were held on SB 202 and SB 840 (see descriptions below), but no additional actions were taken. As a result, the 2017 session was relatively quiet on pure right-of-way and franchise fee management issues.

TELECOMMUNICATIONS – PASSED BILLS

SB 84: Residential Telecommunications Service Surcharge

Effective Date: January 1, 2018

SB 84 expands the base of customers to whom the residential telecommunications services surcharge applies to include those who have interconnected voice-over-internet-protocol service with access to the Oregon Telecommunications Relay Service. The surcharge revenues help eligible low-income and disabled Oregonians with access to affordable telephone service. The current 7 cent surcharge covers only telephone and wireless customers.

SB 85: Telecommunications Devices Access Program Advisory Committee

Effective Date: January 1, 2018

SB 85 reduces the composition of the Telecommunications Devices Access Program Advisory Committee from 19 to 11 members, stipulating the types of disabilities that must be represented on the committee.

HB 2091: Universal Service Fund

Effective Date: October 6, 2017

HB 2091 expands the Oregon Public Utility Commission's authority to use universal service funds to support both basic telephone service as well as broadband service.

HB 3213: Oregon Broadband Advisory Council Report

Effective Date: January 1, 2018

HB 3213 requires the Oregon Broadband Advisory Council to include the role and use of broadband technology in local, state and regional economic development efforts in their biennial report to the Legislature.

HB 3268: Residential Telecommunications Services – Oregon Lifeline Program

Effective Date: January 1, 2018

HB 3268 extends the sunset on the Oregon Public Utility Commission's administration of programs that provide assistance to low income customers, including Oregon Lifeline. The bill also creates the Oregon Telephone Assistance Program Advisory Committee, which will advise the commission on funding and operation of the assistance programs.

TELECOMMUNICATIONS – FAILED BILLS

SB 202: Franchise Fee Preemption

SB 202 would have preempted cities from charging franchise fees to other public entities occupying a city's public right of way in excess of the city's cost of management. The League testified in opposition to SB 202.

SB 625: Oregon Small County Internet Access Fund

SB 625 would have created the Oregon Small County Internet Access Fund, which would have provided grants for affordable internet access to counties with populations less than 100,000. The Oregon Business Development Department would have continuously appropriated money for the fund.

SB 661: Emergency Communications Account

SB 661 would have prohibited the sweeping of monies from the state's Emergency Communications Account for other purposes, except in the event of a state fiscal emergency.

SB 840: Franchise Fees

SB 840 would have significantly restricted cities' home rule authority to manage public rights of way and receive compensation for that management. In the process, it attempted to nullify numerous court cases upholding city authority. The legislation contained a 5 percent cap on the franchise fees and privilege taxes cities could impose upon utilities occupying streets, roadways or other public property within that city's jurisdiction. SB 840 also limited to cost recovery the amount that cities would be allowed to charge other public jurisdictions for right-of-way occupancy. Similar language was also contained in SB 202. Finally, SB 840 placed other limitations on authorities, charges and fees imposed by cities, including changing the responsibility for payment of costs associated with utility relocation.

The League strongly opposed this legislation, and mounted a strong grass roots effort to defeat it. At the conclusion of the lone hearing on SB 840, the Senate Finance and Revenue Committee chair indicated a preference for letting the bill die and convening a work group in the upcoming interim.

SB 872: Department of Information Technology

SB 872 would have created an Oregon Department of Information Technology, transferring duties and functions relating to information resources, technology and telecommunications from the Oregon Department of Administrative Services.

HB 2092: Retail Telecommunications Services

HB 2092 would have specified that certain services and obligations are not required of telecommunications carriers which operate in service areas that do not receive universal service fund moneys.

HB 2362: County Road Exception

HB 2362 would have conferred upon counties, pursuant to passage of an ordinance or execution of a contract, the authority to charge fees for the construction, maintenance or operation of water, gas, electric or communication service lines, fixtures or other facilities located in county rights of way. In addition, the bill would have prohibited counties from charging such fees of other public bodies.

HB 3396: Service Agreements

HB 3396 would have required telecommunications, internet and television service providers to distribute written confirmation to customers of verbally agreed upon rates, terms or other conditions of service.

TRANSPORTATION

OVERVIEW

One of the major highlights of the 2017 legislative session was passage of HB 2017, a \$5.3 billion, multiyear, multimodal transportation funding package. While several other transportation policy measures were considered, HB 2017 dominated legislative discussions and likely influenced outcomes on other transportation bills this session.

Throughout the session, there was significant pressure on the Legislature to approve a transportation funding package, especially due to its failure to reach a compromise on low carbon fuel standards legislation, which ultimately derailed the 2015 package. A Joint Transportation Committee was appointed by the leaders of both houses to undertake the task. Following months of pre-session field hearings held throughout Oregon and weeks of deliberations during the session, HB 2017 emerged, free of the issues that ended the 2015 effort.

With virtually all transportation stakeholders in support of the package, the possibility of an initiative effort to refer the legislation to the voters appears unlikely, but not impossible. Per SB 229, any initiative referral would occur at a special January 2018 election.

The League was instrumental in both crafting various elements of the package and raising additional revenues that would protect and enhance the transportation prerogatives of cities throughout Oregon.

TRANSPORTATION – PASSED BILLS

SB 27: State Registration of Aircraft Pilots

Effective Date: July 1, 2017

SB 27 eliminates the requirement that aircraft pilots obtain a state certificate of registration and have it in their possession when operating an aircraft in Oregon.

SB 34: Move Over Law

Effective Date: January 1, 2018

SB 34 expands the current “move over law,” which requires motorists to change lanes or slow down when approaching emergency vehicles stopped along a roadside and displaying warning or hazard lights. The bill will expand the law to apply when a motorist approaches any vehicle stopped under such circumstances.

SB 38: Transportation Funding Reallocation

Effective Date: May 31, 2017

SB 38, like previous bills that have come along since passage of the Jobs and Transportation Act in 2009, reallocates unused funds that were dedicated to projects enabled by that act to projects within the same Oregon Department of Transportation region.

SB 256: Willamette Falls Locks

Effective Date: On Passage

SB 256 establishes a Willamette Falls Locks Commission to manage issues relating to the repair, reopening, operation, maintenance and possible future transfer of ownership of the Willamette Falls Locks.

SB 344: Off-Road Vehicles

Effective Date: January 1, 2018

SB 344 first requires snowmobiles and other off-road vehicles to cross a state highway at an intersection, or at a location at least 100 feet from an intersection. The legislation also allows the Oregon Transportation Commission (OTC) to issue a permit to a person for operation of an all-terrain vehicle within a portion of a state highway designated as an all-terrain vehicle access route. Finally, the bill establishes an All-Terrain Vehicle Highway Access Routes Advisory Committee to consult with the OTC on the designation of such access routes. [See also HB 2910 – Transportation Failed Bills.](#)

SB 357: Interfering with Public Transportation

Effective Date: January 1, 2018

SB 357 reduces the penalties from the crime of interfering with public transportation when it involves trespassing on a public transportation vehicle or station.

SB 374: REAL ID

Effective Date: July 7, 2017

SB 374 authorizes the Oregon Department of Transportation to issue identification cards such as a driver's license, a driver's permit or other cards that are compliant with federal requirements under the Federal ID Act of 2005. Previously enacted state legislation had precluded the department from participating in this program. The department anticipates that these "REAL ID" compliant cards will be available July 1, 2020 at the earliest. Oregon is presently operating under a federal extension.

SB 375: Roadside Rest Areas

Effective Date: January 1, 2018

SB 375 directs the Oregon Department of Transportation (ODOT), the Oregon State Parks and Recreation Department, and the Oregon Travel Information Council to receive informational materials about human trafficking and post them in roadside rest areas. The bill also establishes the ODOT Human Trafficking Awareness Fund and the Oregon Department of State Parks and Recreation Human Traffic Awareness Fund.

SB 5504: Oregon Department of Aviation Budget

Effective Date: July 1, 2017

SB 5504 is the Oregon Department of Aviation's biennial operating budget.

SB 5506: Oregon Department of Aviation Budget

Effective Date: July 1, 2017

HB 5506 is the session's bond bill that provides for the various capital construction budget allocations. (For more details, see the [Budget section](#) of this report). The bill contained allocations for the Oregon

Department of Aviation, several airport projects and the Oregon Department of Transportation for a project at the Salem train station.

SB 5540: Oregon Department of Transportation Budget

Effective Date: July 1, 2017

HB 5540 is the Oregon Department of Transportation's general fund budget.

HB 2017: Transportation Package

Effective Date: October 6, 2017

HB 2017 is a \$5.3 billion, multi-year and multimodal transportation package. Over a year in the making, the legislation was the work product of a specially-appointed Joint Transportation Committee. The following are highlights of the bill:

- HB 2017 phases in gas tax increases totaling 10 cents over six years. The city share of those revenue increases, which will also include registration and title fee increases as well as truck weight-mile fees increases, will be approximately \$680 million.
- The bill provides a five-fold increase in the Special City Allotment program – to \$5 million a year, while maintaining the 50 percent contribution from the Oregon Department of Transportation (ODOT) and the city share of the highway trust fund. HB 2017 also creates a small city advisory committee consisting of city officials from each of ODOT's five regions to provide advice and make recommendations for the awarding of grants.
- The bill provides for revenue investments in congestion relief and freight mobility that will specifically include: additional lane capacity on Oregon Highway 217; preliminary engineering on the Interstate 5 Rose Quarter bottleneck; and a requirement for planning the widening of Interstate 205 from Stafford Road to the Abernethy Bridge.
- The Oregon Transportation Commission will be required to investigate and seek federal approval for a value pricing program (tolling) to address congestion mitigation incentives and collect pre-construction revenues for the interstate projects mentioned above.
- HB 2017 provides continued funding for the *ConnectOregon* non-roadway grant program of \$210 million over 10 years.
- The bill provides more than \$100 million in new funding for public transit, including inter-city transit, funded from a new 0.1 percent statewide employee-paid payroll tax.
- The bill includes a \$15 excise tax on the retail sales of certain adult bicycles for dedicated improvements to bicycle and pedestrian commuter paths within *ConnectOregon* is imposed by the bill.
- HB 2017 allocates \$10 million for the Safe Routes to School Program, increasing to \$15 million in 2023.
- The bill allocates \$12 million per year for electric vehicle and other zero emission vehicle rebates funded by a new 0.5 percent privilege tax on the retail sales of new vehicles in Oregon, and an equal usage fee charged on vehicles sold out of state but brought into Oregon for use in the state.
- The bill establishes stronger accountability measures for ODOT, counties and cities. Specifically, cities will be required to work with ODOT in submitting annual pavement condition and highway revenue expenditure reports to the Legislature.

- The bill adjusts the Clean Fuel Program to assure its continuation but with sidebars including cost containment measures.

HB 2100: Oregon Medal of Honor Highway

Effective Date: October 6, 2017

HB 2100 designates Oregon Highway 20 as the Oregon Medal of Honor Highway and authorizes the Oregon Department of Transportation to install memorial markers at roadside rest areas and turnouts in recognition of Oregon's Medal of Honor recipients.

HB 2149: Decreased Vehicle Registration Fees for Former POWs

Effective Date: January 1, 2018

HB 2149 provides for a one-time decrease in vehicle registration fees for former prisoners of war.

HB 2291: Heavy Vehicle Weight Calculation

Effective Date: January 1, 2018

HB 2291 changes how the Oregon Department of Transportation calculates the weights of vehicles weighing in excess of 26,000 pounds.

HB 2292: Rail Fixed Guideway Systems

Effective Date: January 1, 2018

HB 2292 makes changes to safety regulations as they pertain to rail fixed guideway public transportation systems.

HB 2325: Travel Information Council

Effective Date: January 1, 2018

HB 2325 relates to the configuration of the terms of members of the Oregon Travel Information Council and to the appointment of its executive director.

HB 2331: Compressed Natural Gas

Effective Date: January 1, 2018

HB 2331 extends the sunset date for the Oregon Department of Administrative Services to make compressed natural gas available for vehicular use to January 2, 2025.

HB 2462: Maximum Vehicle Weight Limitations

Effective Date: January 1, 2018

HB 2462 increases weight limitations on vehicles equipped with fully functional idle reduction systems designed to reduce fuel use and emissions due to engine idling.

HB 2463: Oregon Department of Transportation Administration

Effective Date: May 25, 2017

HB 2463 authorizes the Oregon Department of Transportation to enter into agreements with persons not employed by the department to conduct business on behalf of the department.

HB 2482: Self-Service Gasoline Dispensaries

Effective Date: January 1, 2018

HB 2482 limits self-service gasoline stations to low population counties in eastern Oregon. The bill further stipulates that such stations must have an attendant available between 6 a.m. and 6 p.m. if the station is located at a site that also includes retail space unrelated to motor vehicle good and services.

HB 2510: Electric Vehicle Charging Stations

Effective Date: June 20, 2017

HB 2510 authorizes commercial tenants to install electric vehicle charging stations on commercial spaces occupied by the tenant.

HB 2511: Electric Vehicle Charging Stations

Effective Date: June 20, 2017

HB 2511 authorizes a residential tenant to install and use an electric vehicle charging station for personal, noncommercial use.

HB 2568: Vehicle Code: Length of Vehicles

Effective Date: June 8, 2017

HB 2568 makes certain vehicles operated by municipalities exempt from vehicle length restrictions. This will facilitate the hauling of utility poles and other structures.

HB 2597: Hands-Free Driving

Effective Date: October 1, 2017

HB 2597 clarifies and makes more stringent laws and penalties for the operation of mobile electronic devices while operating a motor vehicle. The legislation also creates exemptions for specific vehicle operators who are performing work-related duties.

HB 2682: Speed Limits

Effective Date: January 1, 2018

HB 2682 authorizes the city of Portland to reduce posted speed limits by five miles per hour in places where a highway is located in a residential district and when the highway is not an arterial highway.

HB 2745: Intergovernmental Transit

Effective Date: October 6, 2017

HB 2745 allows an intergovernmental entity (as opposed to a municipal transit agency or mass transit district) to provide non-rail public transit service and receive funding for such service through the issuance of bonds and the imposition of property taxes (both local option levies and permanent rates). The bill further allows these intergovernmental entities to divide their territory into zones and impose property taxes at different rates based on the extent of transit service provided. (In contrast, a mass transit district requires the same tax rates in the district.) The bill requires an entity to establish one or more transit advisory councils that are representative of each zone in which ad valorem property taxes are to be imposed, and to maintain adequate levels of communication with affected local governments before ad valorem property taxes may be imposed. The transit service agency must also perform annual reports and audits. The bill was brought by the Central Oregon Intergovernmental Council (COIC), which provides regional transit service in Deschutes, Jefferson, and Crook Counties via Cascades East Transit (CET). The bill was supported by the League as another tool for funding transit.

HB 2750: Bridge Tolling

Effective Date: January 1, 2018

HB 2750 permits the Port of Hood River to enter into agreements for a Hood River bridge project that conforms with Oregon Department of Transportation rules for the Oregon Innovative Partnerships Program. The bill also authorizes tolling in support of the project.

HB 2777: Transit

Effective Date: January 1, 2018

HB 2777 requires mass transit districts to track and report annually to the Legislature on the adjudication of ordinance violations, including the levying of fines or allowing community service in lieu of a fine.

HB 2899: Ports

Effective Date: January 1, 2018

HB 2899 allows ports to enter into intergovernmental agreements for the use and control of water within a port's jurisdiction for promoting erosion control, pollution control or other measures to protect its waters.

HB 2900: Ports

Effective Date: January 1, 2018

HB 2900 authorizes a port to advertise its activities and those of others using port facilities.

HB 2902: Ports

Effective Date: January 1, 2018

HB 2902 authorizes ports to acquire, construct, maintain and operate shipyards.

HB 2922: License Plates

Effective Date: May 17, 2017

HB 2922 increases the surcharge on Crater Lake National Park automobile license plates from \$10 to \$15.

HB 3120: Vehicle Dealers

Effective Date: January 1, 2018

HB 3120 authorizes the Oregon Department of Transportation to designate vehicle dealers to act as agents for the department for limited activities, including issuing winter recreation parking permits and accepting documents and fees pursuant to the titling and registration of motor vehicles.

HB 3125: Autocycles

Effective Date: June 14, 2017

HB 3125 creates the definition of an "autocycle" and provides that such a vehicle may be operated without a motorcycle endorsement on a driver's license.

HB 3202: Southwest Corridor MAX Light Rail Project

Effective Date: On Passage

HB 3202 creates requirements and procedures for the establishment of land use and other criteria for siting of the Southwest Corridor MAX Light Rail Project.

HB 3338: Gasoline Prices

Effective Date: January 1, 2018

HB 3338 requires the Oregon Department of Agriculture to establish rules governing the posting of tax information by gas stations.

HB 3389: Rail Crossings

Effective Date: January 1, 2018

HB 3389 expands the criteria for traffic offenses at a rail crossing to include violations for failing to stop for on-track equipment.

TRANSPORTATION – FAILED BILLS

SB 7: Hazardous Materials Transport

As initially introduced, SB 7 would have directed the Oregon Department of Environmental Quality to promulgate rules for oil spill prevention and emergency response planning on hazardous train routes. A proposed amendment would have modified the state fire marshal's response planning by requiring statewide training involving multiple state agencies, local governments, tribes and railroads.

SB 9 & SB 10: Mass Transit Districts

SB 9 would have required that mass transit district directors be appointed by the governor rather than elected, as is the current practice. The proposed bill would have eliminated financing restrictions on mass transit districts.

SB 121: Tri-Met Light Rail

SB 121 would have directed Tri-Met to study the feasibility of extending its light rail system to the cities of Cornelius and Forest Grove. Findings would have been due to the Legislature by November 30, 2018.

SB 128: Airport Authority

The Port of Portland owns and operates three airports in the Portland metropolitan region: Portland International Airport, Hillsboro Airport, and the Troutdale Airport. SB 128 would have created the Hillsboro Airport Authority and the Troutdale Airport Authority – as independent divisions of the Port of Portland. In creating the two additional authorities, SB 128 also created an independent governance structure and called for the election of nine members from the county in which the airport is located. [See also HB 2715.](#)

SB 156: Motor Vehicle Fuel Taxes

SB 156 would have required corporate taxpayers to separately report amounts of motor vehicle fuel sales on their corporate tax return. The bill also would have established a process for quarterly payments of the corporate minimum tax attributable to such sales.

SB 179: Alternative Fuel Tax Credit

SB 179 would have extended the tax credit for alternative fuel vehicle transportation projects from January 1, 2018 until January 1, 2024.

SB 189: Airport Subsidies Task Force

SB 189 would have created a Task Force on Airport Subsidies to study and report to the Legislature by December 2019, focusing on the benefits the state receives from subsidizing state and local airports.

SB 324: Withdrawal from Tri-Met

SB 324 would have allowed a city or any other local government, by ordinance or resolution, to withdraw their territory fully or partially from Tri-Met. The bill went on to preclude a local government that is withdrawing its territory from Tri-Met from then increasing its payroll tax rate to make up for lost revenue.

SB 335: Increased Funding to Counties

SB 335 would have required the Oregon Department of Transportation to study ways to increase funding received by counties with fewer than 200,000 registered vehicles.

SB 385: Motorcycle Lane-Splitting

SB 385 would have legalized the practice of motorcycle “lane splitting,” the act of traveling between adjacent lanes of traffic moving in the same direction. The bill contained speed limit restrictions, including limiting such activity to; roads with a posted speed limit of 50 miles per hour and higher; where traffic has slowed to 10 miles per hour or less; and where the motorcycle operator is driving at 20 miles per hour or less. See also [SB 680](#).

SB 449: REAL ID Act of 2005

SB 449 would have repealed state statute prohibiting the Oregon Department of Transportation from implementing the REAL ID Act of 2005. See also [HB 2557](#).

SB 454: Columbia River Gorge National Scenic Area

SB 454 would have directed the Oregon Department of Transportation to undertake a highway improvement program in the Columbia River Gorge National Scenic Area.

SB 480: Support Our Troops Plate Program

SB 480 would have established a Support Our Troops license plate program through the Oregon Department of Transportation (ODOT). The annual fee for acquisition of these plates would have been transferred to the Oregon Veterans’ Home Account. General fund revenues would have been appropriated to ODOT to initiate the program.

SB 532: Left Lane Travel

SB 532 would have required that drivers not travel in the left lane of a roadway with two or more lanes proceeding in a single direction, unless passing.

SB 646: Port of Brookings Harbor Improvements

SB 646 would have authorized the issuance of lottery bonds to repair and improve docks and other marine infrastructure and facilities owned by the Port of Brookings Harbor.

SB 680: Motorcycles and Mopeds in Traffic

SB 680 would have allowed motorcycles and mopeds to pass vehicles in the same lane during traffic jams or slowdowns. The bill also would have allowed motorcycles and mopeds to “lane split” during traffic jams or slowdowns. See also [SB 385](#).

SB 778: Outdoor Advertising Signs

SB 778 would have required the Oregon Department of Transportation to design highway work on the state’s highways so as not to block, damage or destroy outdoor highway signs during construction. In instances where that is unavoidable, the legislation requires the agency to pay just compensation.

SB 781: Transferring a Vehicle Title Requirements

SB 781 would have changed requirements for transferring a vehicle title.

SB 782: Motor Vehicle Titling

SB 782 would have required the Oregon Department of Transportation to adopt rules providing that a manufacturer’s certificate of ownership or bill of sale is valid as proof of vehicle ownership.

SB 796: Wounded Warrior Parking Permits

SB 796 would have directed the Oregon Department of Transportation to issue permits allowing Oregon Wounded Warriors to park vehicles in any restricted public parking zone and not be required to pay fees or incur penalties for overtime parking. See also [SB 991](#).

SB 798: State Transportation Donation Fund

SB 798 would have created the State Transportation Donation Fund to receive gifts of moneys for specific purposes or for transportation projects selected by the Oregon Transportation Commission.

SB 958: Removal-Fill Permit for Crude Oil Transportation

SB 958 would have allowed the director of the Oregon Department of State Lands to issue a removal-fill permit for a project that facilitates the transportation of crude oil for public use projects only. A project would have had to satisfy a public need that outweighs harm to navigation, fisheries, and recreation, and meets all other statutory requirements.

SB 959: Crude Oil Restrictions

SB 959 would have required the Oregon Department of State Lands to consider the risks of an oil spill when issuing or amending certain leases. Wharfs would have been prohibited as a place for the receipt and discharge of crude oil.

SB 981: Autonomous Vehicles

SB 981 would have outlined procedures that the manufacturers of automated motor vehicles (AVs) must undertake to receive a compliance certificate from the Oregon Department of Transportation. In addition, the bill would have allowed the operation of an on-demand motor vehicle network.

Section 15 of the bill contained an outright preemption of local government authority to regulate AVs in any manner. See also [HB 2461](#) and [HB 3119](#).

SB 988: Alternative Fuel Corridors

SB 988 would have required the Oregon Department of Transportation to designate segments of highways as alternative fuel corridors, and provide alternative fuel dispensing stations and charging stations for the public.

SB 989: Roadside Rest Areas

SB 989 would have directed the Oregon Travel Information Council to manage certain roadside rest areas along interstate and state highways. A transition plan for the transference of this management authority from the Oregon Department of Transportation to the council was also required. Much of what was contained in SB 989 made its way into HB 2017, the approved transportation package.

SB 991: Wounded Warrior Parking Permits

SB 991 would have directed the Oregon Department of Transportation to issue Oregon Wounded Warrior parking permits to qualified applicants. A person issued an Oregon Wounded Warrior parking permit would have been permitted to park in any public parking spaces with time restrictions without incurring overtime penalties and in public parking spaces with metered parking without being required to pay a fee. See also [SB 796](#).

SB 1020: Lane Transit District

SB 1020 would have required the Oregon Department of Transportation to enter into an agreement with the Lane Transit District to administer a lottery-funded grant program in support of bus rapid transit and other high capacity transit systems.

SJR 45: Constitutional Amendment – Non-Public Road Improvements

SJR 45 would have referred to the voters an amendment to Article IX of the Oregon Constitution, allowing the use of state highway funds for the construction, maintenance, repair and operation of modes of transportation that do not use public highways, roads or streets, but result in a cost savings by reducing the use of public highways, roads and streets.

SJR 48: Constitutional Amendment – Transportation Enhancements

SJR 48 would have referred a constitutional amendment to the voters of Oregon that would have loosened the Article IX restrictions on the use of state highway fund moneys by allowing the use of such funds on projects not directly related to the preservation or maintenance of streets, roads and highways.

HB 2121: Fuel and Motor Carrier Taxes

HB 2121 would have increased all fuel taxes by 5 cents every five years, and adjusted motor carrier taxes accordingly.

HB 2131: Hazardous Material Transportation

HB 2131 would have required the Oregon Department of Transportation to work in cooperation with the state fire marshal and the Oregon Department of Environmental Quality to develop plans and procedures for regulation of the transportation of hazardous material. The bill also would have modified existing statutes and rules relating to interagency responsiveness to oil or other materials spills, and created a High Hazard Train Route Oil Spill Prevention Fund.

During the course of the session, HB 2131 was referred to both the House Rules Committee and later the Joint Ways and Means Committee. When the bill came to the House floor in the waning days of the

session, a motion to re-refer the bill to the Joint Ways and Means Committee passed. About a week later, a motion to bring the bill out of committee and on to the House floor failed.

HB 2287: Vehicle Registration Period

HB 2287 would have clarified the registration period for vehicles initially registered on February 29 (leap day) by stipulating that the expiration in subsequent years would occur on the last day of February.

HB 2288: ConnectOregon Lottery Funding

HB 2288 would have authorized the issuance of lottery bonds to fund *ConnectOregon*.

HB 2289: Fuel Taxes

HB 2289 would have made technical changes to three areas of Oregon motor vehicle fuel and aircraft fuel tax statutes. Currently, the Oregon Department of Transportation requires user fuel licenses for vehicles weighing in excess of 26,000 pounds, regardless of whether they pay a fuel tax to their provider upon purchase. HB 2289 would have extended this exemption to all vehicles. It would have also made changes to the definitions of compressed natural gas and liquid natural gas, making conversions to gallons consistent among states and making it easier for licensees that operate across multiple states. Lastly, the bill would have updated the definition of a motor vehicle eligible to participate in the road usage charge program, OReGO.

HB 2290: Transportation Cost Study

HB 2290 would have directed the Oregon Department of Transportation to conduct a study every two years on driver and motor vehicle service costs, including vehicle registration fees, titling, driving privileges and vehicle business certificates.

HB 2293: Bio-Diesel Tax Waiver

HB 2293 would have moved the sunset of the fuel tax waiver for the sale of bio-diesel derived from cooking oil from 2020 to January 1, 2018. In 2013, HB 2435 waived fuel taxes on bio-diesel that was made at least 20 percent from cooking oils. The fuel waiver was expected to total 12 million gallons of fuel and result in \$4.6 million in reduced state highway fund revenues over the original life span of the waiver. However, in fiscal year 2016, the fuel tax was waived on approximately 17.5 million gallons of fuel and the effect on the state highway fund became substantially greater than was originally estimated.

HB 2320: Nonmotorized Boating Program

HB 2320 would have created the Nonmotorized Boating Program and Nonmotorized Boating Program Fund within the Oregon State Marine Board. The purpose of the legislation was to enhance education about non-motorized boat use and provide greater safety enforcement, including the requirement for life jackets.

HB 2330: Electric Vehicle Chargers

HB 2330 would have permitted, but not required, state agencies to set pricing for all electric vehicle chargers on their premises.

HB 2437: Aircraft Fuel Taxation

HB 2437 would have increased aircraft fuel taxes, with revenues dedicated to aviation-related training and education programs.

HB 2440: Carpool Lanes

HB 2440 would have directed the Oregon Department of Transportation to remove all “carpool” or high occupancy lanes on I-5 in Portland.

HB 2461: Autonomous Vehicles

HB 2461 would have created a process and standards for autonomous vehicle manufacturers to obtain a certificate of approval. See also [SB 981](#) and [HB 3119](#).

HB 2464: Road Usage Charge Program

HB 2464 would have removed the 5,000-vehicle cap on eligibility to participate in the road usage charge program. The Oregon Department of Transportation would have been required to establish a method for light weight vehicle purchasers to register for the program when they purchased their vehicle. Vehicles made in 2026 or later, with an EPA rating at or above 20 MPG, would have been required to be registered in the road usage charge program. Finally, HB 2464 would have required that fuel tax refunds to those participating in the road usage charge program be granted as credits against those per-mile usage charges.

HB 2473: Self-Servicing Dispensaries Grant Program

HB 2473 would have directed the state fire marshal to establish a self-service grant program for fuel stations in low population counties. The bill would have appropriated money from the general fund to the Oregon Department of State Police for the state fire marshal to carry out the program.

HB 2478: Greenhouse Gas Emissions

HB 2478 would have required the Oregon Environmental Quality Commission to create a program to determine the net impact of state policies and programs on reducing greenhouse gas emissions.

HB 2480: Fossil Fuel Preemption

HB 2480 would have preempted city and other local governments from enacting any kind of provision expanding infrastructure to transport or store fossil fuels.

HB 2481: Low Carbon Fuel Standard

HB 2481 would have required gas station owners or operators to print the per gallon cost of the low carbon fuel standard on a customer’s receipt. Also, the bill would have required the Oregon Environmental Quality Commission to develop calculations for determining the cost per gallon of low carbon fuels sold to a retail customer.

HB 2489: Highway 97 Speed Limit

HB 2489 would have increased the speed limit to 65 mph for certain vehicles on the entire length of U.S. Highway 97.

HB 2509: Electric Vehicles

HB 2509 would have allowed those driving electric vehicles to use carpool lanes regardless of the number of occupants in the vehicle.

HB 2514: Electric Vehicles

HB 2514 would have created sales incentives for persons selling or leasing new or used electric vehicles.

HB 2532: Statewide Transportation Program Ranking System

HB 2532 would have required the Oregon Transportation Commission (OTC) to establish a ranking and scoring system for project selection within the Statewide Transportation Program. The guidelines and description of the scoring system would have been required to be posted on the Oregon Department of Transportation's (ODOT) website. ODOT and the OTC would have been directed to use least cost and practical design planning for transportation projects. ODOT would have been required to report to the Legislature by September 15 each year on how they utilized these planning methods. Finally, the bill would have required ODOT, along with an advisory committee, to update the highway design manual to improve cost effectiveness.

HB 2557: REAL ID Act

HB 2557 would have repealed existing statute prohibiting a state agency from implementing the federal REAL ID Act of 2005. See also [SB 449](#).

HB 2585: Formula Based Fees

HB 2585 would have substituted a formula system for passenger vehicle registration fees. The formula would have been based on age, weight, list price and miles per gallon of the vehicle. Currently, registration fees are a flat rate.

HB 2596: Truck Tractor Registration

HB 2596 would have decreased the vehicle registration fee for truck tractors to \$55 for the towing of personal travel trailers. The owner of the vehicle would have had to certify the use of the truck tractor at the initial registration. By rule, the process by which they would certify that information would have been determined by the Oregon Department of Transportation.

HB 2665: Highway Shoulder Travel Regulations

HB 2665 would have allowed motorcyclists and moped operators to travel on highway shoulders, if traffic had slowed to 25 miles per hour or less. The motorcycles and mopeds would have been permitted to travel on the shoulder at 30 miles per hour or less.

HB 2667: Vision Zero Task Force

HB 2667 would have created a Vision Zero Task Force to review the 2016 Oregon Transportation Safety Action Plan in order to get closer to achieving zero traffic crashes, injuries and fatalities. The original bill omitted representation on the task force by any city officials. The League had been working on an amendment to correct that oversight.

HB 2683: Directional Sign Removal

HB 2683 would have allowed the Oregon Department of Transportation to remove the directional sign on the westbound side of Southeast Powell Boulevard between SE 20th Avenue and SE 21st Avenue in Portland.

HB 2715: Airport Authority

The Port of Portland owns and operates three airports in the Portland metropolitan region: Portland International Airport, Hillsboro Airport and the Troutdale Airport. HB 2715 would have created the Hillsboro Airport Authority and the Troutdale Airport Authority – as independent divisions of the Port of Portland. In creating two additional authorities, HB 2715 also would have created an independent governance structure and called for the election of nine members from the county in which the airport is located. See also [SB 128](#).

HB 2749: Hood River Bridge

HB 2749 would have issued \$5 million in lottery bunds to fund a study of the replacement of the Hood River-White Salmon Interstate Bridge by the Port of Hood River.

HB 2877: Older Motor Vehicle Tax

HB 2877 would have required operators of motor vehicles 20 years of age or older to pay a \$1,000 tax every five years, with revenues being allocated to the State Highway Fund.

HB 2889: Pipeline Security

HB 2889 would have established a Task Force on Secure Pipeline and Associated Storage Units and Terminals. The task force would have been required to study issues relating to the safe transportation and storage of petroleum, natural gas and other flammable materials in pipelines.

HB 2910: Off-Road Vehicles

HB 2910 would have: established highway crossing requirements for snowmobiles and other all-terrain vehicles (ATV); instructed the Oregon Transportation Commission to authorize ATV operations within designated portions of the state highway right of way; and established an All-Terrain Vehicle Highway Access Routes Advisory Committee. See also [SB 344](#) under Passed Bills.

HB 2913: Studded Tires

HB 2913 would have imposed a fee on the retail sale and installation of studded tires, with an exclusion for retractable studded tires.

HB 2982: Railroad Track Inspection

HB 2982 would have required quarterly inspections of railroad tracks within the Columbia River Gorge National Scenic Area by the Oregon Department of Transportation.

HB 3019: Transportation Electrification

HB 3019 would have allowed certain moneys collected from electricity customers as a public purpose charge to be used for transportation electrification efforts.

HB 3043: Criminal Background Checks for Transportation Network Companies

HB 3043 would have required transportation network companies and other employers to conduct criminal background checks on individuals who drive vehicles for hire. Any driver having committed a felony or certain misdemeanors would have been prohibited from working with a transportation network company or other employer. The Oregon Department of Transportation would have been permitted to impose civil penalties on transportation network companies or other employers for each instance of violation of this Act.

HB 3045: Insurance Coverage for Transportation Network Companies

HB 3045 would have established insurance coverage requirements for transportation network companies and drivers who are engaged with transportation network companies.

HB 3073: School Bus Safety Belts

HB 3073 would have required safety belts for school buses and school activity vehicles that provide transportation for the state's kindergarten through grade 12 public schools.

HB 3074: ODOT Operating Schedules

HB 3074 would have required the Oregon Department of Transportation to establish extended weekday and Saturday operating schedules for at least half of its field offices.

HB 3093: Transportation Network Company Drug Tests

HB 3093 would have required transportation network companies to conduct drug tests on drivers for hire. The director of the Oregon Department of Transportation would have been allowed to impose civil penalties on transportation network companies who failed to conduct drug tests.

HB 3119: Automated Vehicles

HB 3119 would have outlined procedures that the manufacturers of automated motor vehicles (AVs) must undertake to receive a compliance certificate from the Oregon Department of Transportation. In addition, the bill would have allowed the operation of an on-demand motor vehicle network. Section 15 of the bill contained an outright preemption of local government regulation of AVs in any manner. See also [SB 981](#) and [HB 2461](#).

HB 3121: Mass Transit Districts

HB 3121 would have required the governor to consult with metropolitan planning organizations before appointing directors to the boards of certain mass transit districts. This bill would have also increased the number of directors on boards of directors of certain mass transit districts to 11. Certain knowledge and experience would have been required of the additional directors to be appointed.

HB 3157: ODOT Regulation of Transportation Network Companies

HB 3157 would have directed the Oregon Department of Transportation to regulate virtually all operational facets of transportation network companies (TNC), as well as taxi and limousine services – generally all vehicle-for-hire companies – a responsibility traditionally undertaken by cities. The League opposed this bill because of its exclusion of TNCs and new ridesharing business (i.e. Lyft and Uber) from the local regulatory structure that already applies to providers of vehicle-for-hire services. See also [HB 3246](#).

HB 3182: Breast Cancer Awareness Plate Program

HB 3182 would have initiated a breast cancer awareness license plate program within the Oregon Department of Transportation. Initial funding would have come from the state's general fund, with program proceeds required to repay the general fund.

HB 3199: Public Transit

HB 3199 would have required the Oregon Department of Transportation to identify strategies to increase public transit ridership.

HB 3200: Highway 26 Express Lanes

HB 3200 would have required the Oregon Department of Transportation to investigate and report back to the Legislature on the feasibility of adding express lanes to U.S. Highway 26 between Portland and Glencoe Road in Hillsboro.

HB 3224: City and County Arterial Highway Reimbursement

HB 3224 would have allowed cities and counties to seek reimbursement of up to 20 percent of costs for

maintenance and improvements on arterial highways under certain circumstances.

HB 3230: Safe Routes to Schools

HB 3230 would have appropriated \$12 million of state general fund revenues to the Oregon Department of Transportation for deposit in a Safe Routes to Schools Fund to support an infrastructure grant program. While this legislation did not pass, elements of it are included in the transportation package which did. See also [HB 2017](#).

HB 3231: City and County Special Tolling District

HB 3231 would have allowed cities and counties to form a special district for tolling and providing the means to pay for the construction and acquisition of the tollway. The tollway would have been created to relieve local congestion and provide an alternative north-south route connected to Interstate 5 and Interstate 205.

HB 3246: Transportation Network Company Requirements

HB 3246 would have provided the Oregon Department of Consumer and Business Services (DCBS) with exclusive authority to regulate transportation network companies (TNCs). The bill would have required a TNC to be licensed with DCBS and pay an annual fee of \$5,000. Drivers who signed a written agreement would have been classified as independent contractors. HB 3246 also set minimum insurance coverage levels. It also required the TNC to perform background checks and review the driving history of prospective drivers. The bill would have established offenses that would disqualify a prospective driver from connecting to a TNC's digital network. Drivers would have been prohibited from discriminating based on the rider's protected class or the pick-up location. The measure also would have required the TNC to suspend a driver while investigating a complaint regarding a violation of written policies on discrimination, drug and alcohol use, or compensation. The DCBS would have been allowed to inspect certain records and assess civil penalties. The League opposed this bill because of its exclusion of TNCs and new ridesharing business (i.e. Lyft and Uber) from the local regulatory structure that already applies to providers of vehicle-for-hire services. See also [HB 3157](#).

HB 3339: Oregon Route 138 Speed Limit

HB 3339 would have increased the speed limit to 65 miles per hour on Oregon Route 138 between the cities of Roseburg and Glide.

HB 3346: Student Transportation

HB 3346 would have created a grant program to provide school districts with a percentage of student transportation costs which are not covered by distributions from the State School Fund. It would have also allowed school districts to transport students in grades 9 through 12 using public transit.

HB 3416: ODOT Operating Schedules

HB 3416 would have required the Oregon Department of Transportation to establish extended weekday and Saturday operating schedules for at least half of its field offices. See also [HB 3074](#).

HB 3424: Transportation Network Company Licenses

HB 3424 would have required a person that engages in business as a transportation network company (TNC) in Oregon to obtain a license from and pay an annual fee to the Oregon Department of

Transportation (ODOT). ODOT would have been required to establish a licensing program by rule. TNCs would have been required to provide records without disclosing personally identifiable information about riders or drivers to ODOT each calendar quarter. A Transportation Network Company Driver Transition Fund and grant program would have been created under this measure for drivers who separate from a TNC because it no longer requires the driver's services.

HB 3445: Transportation Network Company Oversight Board

HB 3445 would have directed the commissioner of the Oregon Bureau of Labor and Industries (BOLI) to appoint a Transportation Network Company Oversight Board. The board would have periodically surveyed, collected and compiled information on the operations of transportation network companies and participating drivers. The oversight board would also have had the ability to make recommendations to the commissioner of BOLI about appropriate rules, policies and practices to protect participating drivers and members of public.

WATER

OVERVIEW

There were a number of notable accomplishments for water supply and water quality issues during the 2017 session, including passage of a partial fix to a 2013 Oregon Court of Appeals decision which placed retroactive conditions on water permits issued prior to 1998 (HB 2099). The League supported efforts resulting in additional funding for water projects, including:

- \$1.5 million for the septic loan program (see SB 5518);
- \$20 million for recapitalization of the Special Public Works Fund (see SB 5530); and
- \$20.7 million for the Oregon Water Supply Development Account (see SB 5530).

An issue that was not successful in passing this session, but that the League is likely to reintroduce during a future session, was implementation of and funding for a statewide drug take-back program (see [HB 2386](#) and [HB 2645](#), Energy & Environment Section – Failed Bills).

Water Quality

WATER QUALITY – PASSED BILLS

[SB 812](#): Onsite Septic Loan Program Technical Changes

Effective Date: June 6, 2017

SB 812 makes technical changes to the on-site septic system loan program established during the 2016 session. The bill authorizes funds to be used for regional evaluations of community septic systems to determine whether the repair or replacement of a system is needed. SB 812 also clarifies that funds can be used if a septic system owner is required to connect to an available sewer system. Finally, the bill allows borrowers to request loans that cover less than the complete cost of the repair, replacement or connection to a sewer system.

[SB 5518](#): DEQ Budget

Effective Date: July 19, 2017

SB 5518 contains the approved 2017-19 budget for the Oregon Department of Environmental Quality. The approved budget includes total funds of slightly more than \$383 million with approximately: \$45 million from general funds; \$4.7 from Measure 76 lottery funds; \$173 million in expenditure limitation from other funds (primarily derived from license and permit fees); \$132 million from other funds nonlimited (primarily derived from the Clean Water State Revolving Loan Fund, including proceeds from bond sales and loan repayments); and \$29 million in expenditure limitation from federal funds. The budget supports 743 total positions at the department (722 full-time equivalent employees and 21 non-full-time equivalent) and eliminates 16 long-term vacant positions.

The total funds budget for the department includes:

- Approximately \$77.4 million in total funds (230.86 FTE) for the air quality division. This includes \$2.5 million in general funds to improve capacity and purchase equipment, for air quality monitoring; and \$250,000 in general funds for the wood smoke reduction program to help local communities reduce emissions through wood smoke change-outs, education and outreach. (See [HB 2725, Energy & Environment – Passed Bills](#).)
- Approximately \$67.3 million in total funds (217.75 FTE) for the water quality division. \$343,729 of the total funds come from the legislature’s approval of policy option package 120 which increases and implements new stormwater permit fees. The legislature also approved \$1.5 million in general funds for the septic loan program. Policy option package 125 was also approved to implement recommended improvements to the water quality permit program.
- Approximately \$75 million in total funds (181.1 FTE) for the land quality division. This includes \$25 million in other funds for continued implementation of the Materials Management 2050 Vision.
- Approximately \$116 million total funds budget for the Clean Water State Revolving Loan Fund, including \$30 million from federal capitalization grants and \$10 million in bonds to provide state match.
- Approximately \$28.4 million total funds budget for agency management, including approval of \$750,000 in general funds and \$351,685 in other funds to conduct planning and development of an environmental data management system (EDMS). The DEQ anticipates seeking additional funding from the legislature in 2018 for ongoing EDMS implementation efforts.

HB 2179: Onsite Septage Treatment

Effective Date: May 25, 2017

HB 2179 adds “onsite treatment of septage” as a permitted use in exclusive farm use zones. Current law allows for the application of biosolids on exclusive farm use lands subject to issuance of a license, permit or other approval from the Oregon Department of Environmental Quality. However, the treatment of septage prior to application has not been expressly authorized, meaning that any treatment of septage had to occur at an off-site location. HB 2179 allows onsite treatment, but only if it is done by treatment facilities that are portable, temporary and transportable by truck trailer.

WATER QUALITY – FAILED BILLS

SB 383: Septic Loan Program Funding

SB 383 would have appropriated \$1.5 million in general funds to the state septic loan program. Established by the Legislature in 2016, the program provides loans for the repair and replacement of failing residential or commercial septic systems, or the connection of a system to an available municipal sewer system. While SB 383 did not pass, the funding was included in the approved budget for the Oregon Department of Environmental Quality. (See [SB 5518, Water Quality – Passed Bills](#))

SB 866: Requirements for Inter-Jurisdictional Stormwater Discharge

SB 866 would have prohibited state agencies and local governments from discharging stormwater into canals or other infrastructure of another local government without first obtaining permission in writing from the affected local government. In addition, the bill would have required any state agency or local government to take reasonable steps to ensure that any discharge into another local government’s infrastructure was in compliance with state water quality standards and the federal Clean Water Act. The

League and several cities testified that the bill would create requirements that exceed existing state and federal requirements, and could have potentially created significant costs for compliance.

HB 2703: Ecosystem Services in Public Facility Plans

HB 2703 would have required a city or county to consider the integration of an ecosystem services model when developing a public facility plan. Such a plan would have to include a determination by the city to integrate, or not integrate, ecosystems services, in addition to or in place of a traditional hard infrastructure model. It would have to include rough cost estimates for public projects needed to provide sewer, water and transportation for the land uses contemplated in the comprehensive plan and land use regulations. However, project timing and financing of public facility plans would not be taken into consideration in land use decisions.

Water Supply

WATER SUPPLY – PASSED BILLS

SB 1036: Surface Mining Permit Exemption for Utility Construction

Effective Date: January 1, 2018

SB 1036 adds additional exemptions to surface permit requirements, including for the excavation or movement of materials on site at a landfill for the primary purpose of construction, reconstruction or maintenance of access roads or landfill operations if the activity is covered by a permit issued by the Department of Environmental Quality. The bill also exempts excavation or grading operations necessary for the construction and maintenance of utilities or drainage facilities if the excavated material is used on-site and is not commercially sold as aggregate material.

SB 5542: Water Resources Department Budget

Effective Date: July 19, 2017

SB 5542 is the budget bill for the Oregon Water Resources Department (OWRD). The budget is comprised of \$79.5 million in total funds, supporting 166.59 full-time equivalent positions. The budget includes: \$32.23 million in general funds; \$6.03 million in lottery funds; \$39.36 million of expenditure limitation from other funds; and \$1.8 million from federal funds. The total funds budget is 27.3 percent less than the legislatively-approved budget from 2015-17; however, that difference is largely due to a reduction in anticipated bond proceeds and the removal of debt service for unissued bonds. The OWRD budget supports three additional full-time equivalent positions over 2015-17 levels. It also supports the following programs and services:

- Approximately \$14.5 million in total funds for the Field Services Division, which is responsible for processing water rights transfers and permit amendment applications. In addition, the division provides planning assistance, inspection services for wells and dams, and technical information on surface and groundwater availability.
- Approximately \$14.83 million for the Technical Services Division, which provides scientific data and technical analysis for processing water rights, managing water resources and distribution, and water resources development activities. The division's programs include dam safety, well construction and compliance, information services, and hydrology services. The Legislature

authorized approval of Policy Option Package 102, which funds a permanent, full-time dam safety engineer through a combination of federal funds and dam safety fees.

- Approximately \$8.16 million for the Water Rights Services Division. Existing service levels were sustained through the approval of transactional fee increases. (See [HB 2295, Water Supply – Passed Bills](#).) Without revenues from the fee increases, the department would have reduced staffing levels by 2.5 full-time equivalent positions. The anticipated revenues from the fee increases in HB 2295 restore those positions and should generate sufficient revenue to support the water rights and dam safety programs until 2021.

In addition, SB 5542 carries forward \$26 million in expenditure limitation from other funds, including the following lottery bond-funded programs: basin studies for the Willamette and Deschutes river basins; water supply development grants and loans; feasibility study grants and loans; place-based integrated water resource strategies grants and technical assistance; Umatilla Basin water supply projects; and Mosier Creek area water-well remediation.

A separate bill, SB 5530, included \$15 million in lottery funds for loans and grants through the Water Supply Development Account and \$1.5 million in lottery funds for the water conservation, reuse and storage investment fund (commonly referred to as SB 1069 feasibility grants).

HB 2099: Municipal Water Right Extensions

Effective Date: On Passage

HB 2099 was introduced at the request of the League and the Special Districts Association of Oregon as a legislative fix to a 2013 Oregon Court of Appeals decision in which fish persistence conditions, which were adopted into statute in 2005, were applied retroactively to municipal water permits that were issued prior to 1998. Without a legislative fix, the impact of the court's decision would be a retroactive reduction of existing water supply for approximately 10-15 communities.

Despite efforts to negotiate a bill that would protect existing drinking water supply for all impacted communities, the bill establishes June 29, 2005, as the date by which fish persistence will apply going forward. This means if a community developed water after June 29, 2005, but before the 2013 court decision, that quantity of water developed would be subject to retroactive permit conditions which could reduce the amount of water available to the community during certain times of the year. The amount of reduction would be determined by the Oregon Department of Fish and Wildlife. Because these communities have demonstrated that they currently rely on this water to support their existing population, it is unclear how each community will address the reduction in water supply. For communities that developed water prior to 2005, HB 2099 protects that portion of water supply up until June 29 of that year.

HB 2295: OWRD Fee Increase

Effective Date: July 19, 2017

HB 2295 increases certain fees, including water right transaction and dam safety fees, for the Oregon Water Resources Department (OWRD). The fee increases represent an approximate 15.88 percent increase on average, but vary based on the specific fee. The department anticipates collecting an additional 5.4 percent in revenue because of the increased fees. The increases will maintain existing service levels for the department through 2021. In addition, HB 2295 upholds an agreement between the department and fee payers to fund service levels, using 50 percent from general funds and 50 percent from fee revenue. The bill also eliminates language that would have resulted in current fee levels reverting to 2009 fee levels, which was included in a similar fee increase bill that the Legislature passed in 2013.

HB 2296: Well Construction Fees and Bond Requirement

Effective Date: January 1, 2018

Under current law, individual landowners may construct their own wells without assistance from a licensed well-driller. The fees for landowner-facilitated well construction have not increased since 1981, and the revenues generated no longer cover the costs to the Oregon Water Resources Department for processing applications, reviewing site design, and ensuring wells are constructed in a manner that protects against waste of water and contamination. HB 2296 increases the Landowner Permit Application fee from \$25 to \$500. The bill also increases well construction bond requirements to \$10,000 for landowners and \$20,000 for drillers.

HB 2327: OWEB Liability Coverage Requirements & Technical Changes

Effective Date: January 1, 2018

HB 2327 requires grantees that receive funds from the Oregon Watershed Enhancement Board (OWEB) to obtain liability coverage with limits that are commensurate with the activities supported by the grant. The bill allows for the costs associated with the liability insurance to be included in the grant. In addition, HB 2327: repeals statutory language related to the healthy streams partnership, which has not been functional for many years; adds a non-voting member from U.S. Fish and Wildlife Service to the OWEB Board; and makes changes to certain reporting requirements for watershed councils and for the Oregon Plan biennial report.

HB 2722: Prohibition on Irrigation Requirements for Condominiums & Planned Communities

Effective Date: June 22, 2017

HB 2722 would make lawn irrigation requirements imposed by planned communities or condominium associations temporarily void and unenforceable if a drought is declared or is determined to likely exist by either the governor or the Oregon Water Resources Commission. The prohibition on enforcement of irrigation requirements would also apply if a local ordinance or association rule is adopted that requires conservation or curtailment of water usage. In addition, the legislation authorizes planned community and condominium associations to adopt rules that permit or require the replacement of turf or other landscaping with xeriscape. The provisions of HB 2722 expand upon similar legislation that passed in 2016 (SB 1529) which applied to homeowner associations.

HB 3051: Water Measurement Cost-Share Program Expansion

Effective Date: January 1, 2018

HB 3051 expands eligible uses for the Water Measurement Cost-Share Program to allow funds to be used for the installation of groundwater use measuring devices. The cost-share program was established to assist water users with the costs of installing or replacing water measurement devices to protect in-stream flow or monitor water rights and streamflow. The fund provides up to 75 percent of the total cost for installing, repairing or replacing a measuring device.

HB 3427: High Hazard Dam Emergency Action Plan Requirements

Effective Date: January 1, 2018

HB 3427 requires owners or operators of dams with a high hazard rating to develop emergency actions plans and file those plans with the Oregon Water Resources Department, Office of Emergency Management and local emergency services agencies in the county where the dam is located. The bill specifies what must be included in the emergency action plans, and requires the Oregon Water Resources

Department to inspect dams annually. Dams regulated under a dam safety program of a federal agency are exempt from requirements for plan adoption. The Oregon Water Resources Department currently determines ratings for dams and encourages, but does not require, dam owners and operators to adopt emergency action plans. Of the 75 high hazard dams in Oregon, 58 already have emergency action plans, and 13 of those have early warning systems. A high hazard rating indicates that the department expects loss of human life if a dam fails.

HB 5026: Oregon Health Authority Budget – Medical Marijuana Revenue Replacement

Effective Date: July 3, 2017

The Oregon Health Authority administers a number of programs, including the drinking water services division, which administers and enforces drinking water quality standards for public water systems in the state of Oregon. The approved budget for the Oregon Health Authority includes a series of budget adjustments, including a general fund increase of \$12.1 million, to account for declining medical marijuana fee revenues which have previously helped to support the Safe Drinking Water Program. For the 2017-19 biennium, the general fund increase will fully replace the medical marijuana revenues for a number of programs. The drinking water program will receive \$4.2 million of the general fund increase.

WATER SUPPLY – FAILED BILLS

SB 465: Fees for Nonapplicant Water Right Protests

SB 465 would have required nonapplicants to pay the Oregon Water Resources Department twice the amount of the fee for submitting protest if they had filed a nonapplicant protest within the last twelve months.

SB 474: Elimination of Landscape Contractor Continuing Education

SB 474 would have eliminated continuing education requirements for licensure as a landscape contractor. Currently, a landscape construction professional must complete continuing education requirements in order to renew their license. Those who have been licensed for at least six years must report eight hours of continuing education every two years. Those with less than six years of experience must complete 16 hours of continuing education every two years. The Landscape Contractor Board maintains a list of approved courses. (See also [HB 2206, Water Supply – Failed Bills](#))

SB 477: State Cost Recovery for Unsuccessful Water Right Protests

SB 477 would have required protestants, who have filed three or more unsuccessful protests in a year, to pay the Oregon Water Resources Department reasonable costs and attorney fees.

SB 647: Drought Taskforce Sunset Extension

SB 647 would have retroactively extended the sunset of the Task Force on Drought Emergency Response to December 31, 2018. The bill was one of several placeholder bills that would allow for legislative approval of any recommendations that came from the task force which met during the 2016 interim.

SB 878: Notice of Changes in Fluoridation Practices

SB 878 would have required water suppliers to give notice to any person that is served water through a system if that supplier changes its water fluoridation practice.

HB 2027: Deschutes River Bridge

As introduced, HB 2027 would have authorized the issuance of lottery bonds to finance water storage and distribution projects. However, the bill was substantially amended in the House Agriculture & Natural Resources Committee to prohibit a person, public body or local service district from constructing a bridge within certain segments of the Deschutes River. After receiving substantial public testimony in the Senate Environment & Natural Resources Committee, the bill was further amended to authorize construction of a pedestrian or bicycle bridge over certain river segments while maintaining the construction ban for other segments. HB 2027 died in the Senate Rules Committee.

HB 2076: Fish Screen Tax Credit

HB 2076 would have extended the tax credit for installing a fish screening device to 2024. Without an extension, the tax credit would expire January 1, 2018. Currently, taxpayers are allowed a tax credit for installing a fish screening device to provide for upstream and downstream passage for native migratory fish. Most eligible devices are found on agricultural land to keep fish from entering irrigation canals. The tax credit was initially adopted in 1989 and serves as a voluntary cost-share program. This tax credit extension was also included in SB 172. While neither the House or Senate version passed out of committee, the tax credit was included in passage of the omnibus tax credit extension bill. (See [HB 2066, State Taxes – Passed Bills](#))

HB 2097: Water Resource Target Regions

HB 2097 would have required the Oregon Water Resources Department to establish and administer six target regions within the state to address priorities and achieve goals to improve water resource management and drought resiliency. The department would have been directed to consult with the Oregon Business Development Department, the Regional Solutions Program and the Oregon Watershed Enhancement Board to establish and administer the target regions. A joint agency report regarding opportunities for integrating resources to optimize water development or water supply study resources would have been required to be provided to the Legislature no later than September 15, 2018.

HB 2205: Cannabis Water & Energy Efficiency Standards

HB 2205 would have directed the Oregon Department of Agriculture to solicit proposals from third-party vendors in order to establish energy and water efficiency consumption standards for cannabis producers. The third-party vendors would have been tasked to create protocols and certification processes for producers who meet their efficiency standards.

HB 2206: Elimination of Landscape Contractor Continuing Education

HB 2206 would have eliminated continuing education requirements for licensure as a landscape contractor by the state. (See also [SB 474, Water Supply – Failed Bills](#))

HB 2241: Drought Taskforce Sunset Extension

HB 2241 would have retroactively extended the sunset of the Task Force on Drought Emergency Response to December 31, 2018. The bill was one of several placeholder bills that would allow for legislative approval of any recommendations that came from the task force which met during the 2016 interim.

HB 2297: Drought Taskforce Sunset Extension

HB 2297 would have retroactively extended the sunset of the Task Force on Drought Emergency Response to December 31, 2018. The bill was one of several placeholder bills that would allow for

legislative approval of any recommendations that came from the task force which met during the 2016 interim.

HB 2485: Point of Diversion Pilot Program

HB 2485 would have required the Oregon Water Resource Department to establish a water right pilot program to encourage and facilitate point of diversion changes requested by the Oregon Department of Fish and Wildlife to benefit fish passage. Water right transfers provide a method to change the point of diversion from the place of use for which the right was originally issued. The water right holder must obtain approval of a water right transfer from the Oregon Water Resources Department before making any of these changes.

HB 2705: Water Use Measurement & Reporting Requirements

HB 2705 would require water users to install, operate and maintain water measurement devices to measure the quantity, including rate and duty, of ground or surface water used under a claim of right. The bill would not have directly impacted cities, as certain types of water users, including municipal, are already required to measure and report water use. The bill would have required measurement for each point of diversion or point of appropriation. HB 2704 also would have required reporting of measurement data collected by a water user, including daily maximum rates of diversion or appropriation. Groundwater measurement reports would have needed to include any information, as required by the Oregon Water Resources Department, on ground water levels. In-channel storage reports would have been required to include reservoir inflow and outflow data. HB 2704 l would have required annual reporting but would have authorized the Water Resources Commission to require more frequent reporting. Failure to comply with the measurement or reporting requirements could result in a civil penalty of up to \$500 per day.

HB 2706: Annual Water Right Management Fee

HB 2706 would have implemented a new annual water right management fee for each primary or supplemental water right held under a water right, certificate, decree or groundwater registration. As introduced, the fee would have been \$100 per water right, with an annual cap of \$1,000 per non-municipal water right holder. The cap for municipal water right holders would have been \$2,500. The revenues generated from the fees would have funded field, technical, scientific and administrative activities through the Oregon Water Resources Department, including groundwater investigations in coordination with the U.S. Geological Survey. The bill was later amended to remove references to specific fee and cap amounts for the purpose of continued stakeholder discussions.

HB 2707: Groundwater Study Funding

HB 2707 would have appropriated \$8.2 million in general funds to the Oregon Water Resources Department for conducting ground water studies and investigations, or gathering and analyzing other data needed to assess and manage ground water resources, in priority basins as determined by the department.

HB 3053: Water Infrastructure Task Force

HB 3053 would have established a seven-member Water Infrastructure Investment Task Force. The task force would have reported to the Legislature by September 15, 2018 on the identification of any efficient and practical authorizations, mechanisms and safeguards favorable for promoting private investment in water diversion and delivery infrastructure owned or operated by an irrigation district, drainage district, water improvement district, water control district or other public body.

HB 3159: Subsurface Sewage Disposal

HB 3159 would have required the Environmental Quality Commission to appoint an advisory committee to assist in the creation and adoption of administrative rules to prescribe acceptable levels of contaminant releases from subsurface sewage disposal systems, alternative sewage disposal systems and non-water carried sewage disposal facilities. The rules for acceptable levels could have varied by region but would need to be supported by scientifically-based empirical analysis. HB 3159 would have also required that the commission adopt rules that balance design and construction requirements with the goal of encouraging economic competition among sewage disposal service providers.

HB 3205: Revenue Sharing for Commercial Water Bottlers

HB 3205 would have required a state agency, prior to a transfer of water or issuance of a water right for commercially bottling water, to enter into an agreement with the commercial water bottler. The agreement would have had to stipulate that the state shall receive no less than 75 percent of the gross sales of the water that was made available as a result of the water right issuance or transfer. HB 3205 would have also prohibited a commercial water bottler from using water formerly reserved for an in-stream use.

HB 3337: Landscape Contracting Limited Licensure

HB 3337 would have created a limited license for landscape contractors. The bill would have exempted individuals from licensure requirements for landscape contracting jobs less than \$8,000 in a calendar year, but would have prohibited individuals with a limited license from installing backflow devices and from planning, installing, maintaining or repairing decks or arbors attached to dwellings. Limited license holders would still have been subject to license fees, certain sanctions and possible civil penalties for certain violations. The League opposed HB 3337 because of consumer protection concerns and the impact that the landscape contracting industry has on water supply through irrigation systems.

HB 3421: Historic Use Reservoirs

HB 3421 would have created a definition of “historic use reservoir” and exempted approved historic use reservoirs from requirements to have a water right permit or certificate. Applications to register a reservoir would have been required to be filed with the Oregon Water Resources Department by January 31, 2022. Approved reservoirs would have still been subjected to requirements in statute pertaining to the distribution of water by a water master. In order to be eligible for designation as a historic use reservoir, the applicant would have needed to demonstrate: that the reservoir existed prior to January 1, 2000; is located in an area withdrawn for appropriation; and either stores less than 9.2 acre-feet of water or is less than 10 feet high. The applicant would have also been required to provide information from the Oregon Department of Fish and Wildlife demonstrating that historic use designation would not have a significant detrimental impact on existing fishery resources.

STATE BUDGET

OVERVIEW

The Legislature has one task that it constitutionally must complete each biennium—pass a balanced budget. Due to the booming economy and job growth, the state is projected to have record revenues to work with during the upcoming 2017-19 biennium. However, those revenue increases are still projected to fall \$1.4 billion short of covering rising costs, primarily those from the Oregon Health Plan, the Public Employees Retirement System, the state corrections system, and ballot measures.

The Legislature filled the gap between projected revenues and current service level costs this session largely by raising hospital taxes and imposing a new tax on health plans. Modest cuts, cost-saving measures and bonding generally filled the rest of the state budget gap. The Legislature also attempted the politically challenging task of raising new revenues by pursuing passage of a new gross receipts tax on businesses, but those efforts ultimately failed as there was no path in the Senate to gain the necessary three-fifths vote.

Individual state agency budgets relevant to cities are summarized under their respective subject matter sections of this report. The following bills provided additional funding appropriations, bonding authority for large capital projects, community/local government project expenditures, budget reconciliations and adjustments, and increases in agency budgets over their respective base budget bills.

STATE BUDGET – PASSED BILLS

SB 5505 (authorization) & SB 5506 (allocation): Bond Bills

Effective Date: July 1, 2017

In SB 5505, the Legislature authorized general obligation bonds, revenue bonds, certificates of participation and other financing for various state facilities and programs, including higher education. This bill also authorizes the Oregon Department of Administrative Services to issue bonds for the lottery bond projects listed in HB 5530. Cities will benefit from the focused investment in affordable housing. The project list for the bond authorizations is in SB 5506, and more than \$738 million in bonds was authorized. Bond bill project highlights for cities include:

- Oregon Housing and Community Services:
 - \$81 million (for Local Innovation and Fast Track (LIFT) Housing Program for affordable housing)
 - \$25 million (for financing multi-family housing for the elderly and for disabled persons)
- Oregon Department of Veterans' Affairs:
 - \$120 million (to finance farm and home loans to veterans)
 - \$10 million (for new veterans' home in Roseburg)
- Oregon Business Development Department:
 - \$20 million (for Seismic Rehabilitation Grant Program for emergency services buildings)

- Department of Environmental Quality:
 - \$10 million (to finance pollution control facilities or related activities and provide match for federal Clean Water State Revolving Fund grants)

SB 5529: Lottery Fund/Criminal Fines Account/Marijuana Account Allocations

Effective Date: July 1, 2017

SB 5529 allocates lottery funds and moneys from both the Criminal Fine Account and Oregon Marijuana Account to finance programs approved in the state budget. This includes 10 percent of the state marijuana tax revenues that is allocated to cities (2017-19 biennium allocation is approximately \$20.2 million and includes 2015-17 carryover revenues). Lottery dollars in the Economic Development Fund are allocated in this bill (see details in SB 5530). More lottery dollars are being allocated to education and debt service, leaving less for economic development. The bill also included an allocation of \$32.58 million from the Criminal Fines Account for operations of the Oregon Department of Public Safety Standards and Training (DPSST).

SB 5530: Lottery Bond Authorization

Effective Date: July 1, 2017

The Legislature authorized \$165.1 million in lottery bond projects in SB 5530. The League was pleased the Legislature supported important city infrastructure needs, even during this tight budget session. The League advocated all session for recapitalization of the Special Public Works Fund (SPWF), as it remains the go-to fund for cities for financing costly infrastructure projects that must be financed over a period of years. In addition, the lottery bond bill provided funding for several specific community projects. Lottery bond bill highlights for cities include:

- Department of Transportation: Connect Oregon:
 - \$30 million (non-roadway transportation projects)
- Housing and Community Services Department:
 - \$25 million (affordable housing preservation)
- Oregon Business Development Department:
 - \$20 million [Special Public Works Fund (SPWF) – General Recapitalization]
 - \$10 million [Special Public Works Fund (SPWF) – Levees]
 - \$4 million (Regional Solutions Projects)
- Water Resources Department:
 - \$15 million (Water Supply Development Account)
 - \$1.5 million (Water Resources Department: Water Conservation, Reuse & Storage Investment Fund)
- Parks and Recreation Department:
 - \$5 million (Oregon Main Street Revitalization Grant Program)

HB 3470: Program Change Bill

Effective Date: July 1, 2017

HB 3470 implements several statutory changes necessary to support the 2017-19 legislatively-adopted budget and to clarify the application of statutes. Although it's not an appropriation bill, this legislation is necessary to achieve a balanced budget for the 2017-19 biennium. The key program item addressed in the bill for cities is the distribution of state marijuana tax revenues (see [Marijuana section](#) of this report for details). The bill also allows the Oregon Liquor Control Commission to temporarily borrow from Oregon Liquor Control Commission Account to pay expenses of the Marijuana Control Commission Account

HB 5006: Budget Reconciliation Bill (Christmas Tree Bill)

Effective Date: July 1, 2017

The reconciliation bill, otherwise known as the Christmas tree bill, implements the remaining pieces of the state budget for the 2017-19 biennium. The bill establishes appropriations for the Emergency Board, finalizes the general fund components of the statewide budget, implements budgetary changes tied to other legislation and makes technical adjustments to agency budgets previously approved. The Emergency Board was appropriated \$50 million for general purposes, and will meet as needed during the interim to make adjustments. The bill also contained statewide adjustments to implement cost containment measures, as well as standard adjustments made every biennium that reduce charges to agencies by the Oregon Department of Administrative Services and the Oregon Department of Justice. Lastly, the bill provided numerous appropriations for several specific city and community projects, the "ornaments" of the Christmas tree bill.

Two appropriation highlights that will benefit all cities are:

- Housing and Community Services Department:
 - \$21 million (for Emergency Housing Assistance and State Homeless Assistance program, bringing total to \$41 million for biennium)
- Oregon State Police
 - \$6.2 million (to add 20 new Oregon State Police troopers and drug enforcements officers)

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