



Legislative Bulletin

RAINY DAY FUND

On Tuesday, February 27, the House failed to pass HB 2707, which would have redirected the 2007 corporate kicker, estimated at \$275 million, based on this past December's revenue forecast, to a special rainy day fund. The motion, carried by Rep. David Edwards (D-Cornelius, North Plains) failed on a party line vote of 31-26 (3 Republicans excused). A simple majority (two-thirds or 40 votes) was required to pass the bill. Republicans filed a "minority report" (an alternative measure) that would have shifted the corporate kicker to a rainy day fund, but would have returned \$35 million of the kicker to small businesses in Oregon (those corporate taxpayers with net taxable income of \$500,000 or less). That motion also failed.

However, late Wednesday, a bi-partisan and bi-cameral agreement was reached on suspending the corporate kicker and increasing in the corporate minimum income tax.

The new plan calls for \$275 million from the increase in corporate income taxes less \$25 million that would go back to small businesses in the form of tax credits on taxes owed based on gross sales. This agreement was reached in order that Oregon companies not be taxed twice (through federal and state taxes) on their overall taxable income.

Elements of the plan include:

- Capping the reserve fund at 7.5 percent of the general fund and education stability fund.
- One-time suspension of the corporate kicker; estimated to be \$275 million, minus credits.
- \$24.8 million in tax credits for small businesses based on Oregon gross sales.
- Increase corporate minimum tax from \$10 to a range of \$25 and \$50,000, providing an estimated \$150 million in 2007-2009.
- Increase Inheritance Tax exemption from \$1 million to \$2 million (conforms to federal tax exemption).

The bills are expected to be considered on the House floor next week. For more information

http://www.leg.state.or.us/pressrelease/merkley_022807.pdf

MARCH

\$\$\$\$ REVENUE FORECAST \$\$\$\$

On Thursday, March 1, the Office of Economic Analysis released the Oregon Economic and Revenue Forecast for March 2007. Overall, the forecast predicts a flat rate of growth; this is good news in that Oregon should not experience a decline in the next two biennia.

The highlights of the forecast are:

- A \$34.0 million increase in General Fund revenues from the December forecast;
- For the 2007-09 biennium, General Fund revenues will total approximately \$12.7 million.
- \$1.4 million beginning balance carried forward from 2005-07.
- Total available resources will equal \$14 million.
- A \$34.1 million increase from the prior forecast.
- General Fund revenues will total \$15.7 million in 2009-11, a 23.8 percent increase from 2007-09.
- General Fund revenues will rise 11.9 percent to \$17.5 million in 2011-13.

Lottery Revenue highlights: Contrary to past trends, lottery earnings have actually decreased from the prior forecast.

- Lottery earnings will total \$1.2 million for the 2007-09 biennium, a \$3.8 million decrease from the prior forecast.
- Lottery revenues will total \$1,082.7 million for the 2005-07 biennium.
- A \$4.1 million increase from the December forecast.
- Projected available resources have increased \$154.7 million from the May 2005 forecast.
- Excluding appropriations, the expected ending balance is \$59.2 million.
- A slightly higher balance carried over from the current biennium, as well as higher expected interest earnings, offset the drop in earnings and increase total available resources \$1.8 million to \$1,306.2 million.
- Earnings in 2009-11 will equal \$1,376.6 million, while total resources total \$1,381.1 million.
- Expected video sales growth will push earnings up to \$1,521.9 million in 2011-13, with resources reaching \$1,527.9 million.

For more information on March forecast, go to:

http://www.oregon.gov/DAS/OEA/economic.shtml#Most_Recent_Forecast

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Around the Capitol:

Monday, March 5

ERIC Day @ Capitol
9:00am – 3:00pm

Monday, March 5

OHSU SB 5529
Public testimony day
3:00pm Hearing Rm F

Tuesday, March 6

OSAC HB 5044
Joint W&M Education
Subcommittee
3:00pm Hearing Rm F

NOTE:

Monday, February 26 was the final day for dropping bills. As a result 800 Bills were dropped and are slowly coming in as they are processed.

Oregon Innovation Council (Oregon InC.) Legislation Moving Through Process

SB 579: Allows Oregon Growth Account to be invested in emerging growth businesses that are not in traded sector industries. A vital component to promote the growth of new and emerging businesses in key industries in Oregon is to increase the availability of seed and early stage capital. Currently, a funding gap exists along the business continuum at the early stages of concept development. Senate Bill 579 may help close that gap by granting the Oregon Growth Account (OGA) Board the authority to consider making early stage investments within this gap. This is why Oregon InC recommended this statutory change and supports SB 579. This no-cost statutory change could enable OGA to help bridge the long-standing gap in Oregon's pre-seed and very early stage capital markets.

SB 580: Directs Oregon Innovation Council to establish signature research center focused on renewable energy, biologically based products and other emerging sustainable products or services. Signature Research Centers (SRCs) represent perhaps the state's best opportunity for long-term investment in research and development. The state already enjoys significant success through its first SRC, ONAMI, a nanotechnology and micro technology initiative that has brought together public university, national laboratory and private sector strengths in an unprecedented collaboration supported by federal and state funds. The Bio-Economy and Sustainable Technologies -- or Oregon BEST -- Center is one of two new SRCs being recommended by Oregon InC for funding in the 2007-09 biennium. The 2007 Innovation Plan recognizes BEST as an "emerging" SRC and calls for \$3 million in start-up funding. Another program under this bill, the Oregon Translational Research and Drug Development Institute (OTRADI), is a collaborative effort between Portland State University, the University of Oregon, Oregon State University, Oregon Health & Science University, and several Oregon-based biotechnology companies. OTRADI strengthens the research infrastructure needed to promote interdisciplinary, inter-institutional, public-private partnerships

focused on drug discovery and commercial development in infectious diseases/vaccines. OTRADI will cover all vital steps in the drug development timeline: chemical screens; preclinical models; lead optimization; drug toxicology assays; libraries of promising compounds; and medicinal chemistry. OTRADI's value will be leveraged by the establishment of a separate, privately funded accelerator for commercializing potential products developed by OTRADI into Oregon based startup companies.

SB 581: Allocates moneys from Administrative Services Economic Development Fund to Oregon Innovation Council for Oregon Innovation Fund for specified purposes. Appropriation bill for the initiatives of Oregon InC.

- (a) To accelerate private sector collaboration to promote the international competitiveness of Oregon traded sector industries, \$5 million.
 - (b) To support industry development through production incentives and infrastructure and permitting processes for, and research and development of, ocean wave energy, \$5.2 million.
 - (c) To assist the food processing industry in enhancing the international competitiveness of the industry, \$3.7 million.
 - (d) To enhance economic opportunities for seafood companies, \$900,000.
 - (e) To increase the capacity of the Oregon University System to support the enhancement of training and research and development in value-added manufacturing processes, \$3.372 million.
 - (f) To be distributed to the Oregon Nanoscience and Microtechnologies Institute, \$10 million.
 - (g) To establish a signature research center focused on renewable energy, biologically based products and other emerging sustainable products or services, \$3 million.
 - (h) To establish a signature research center focused on research and commercialization relating to drug development in the areas of infectious disease, vaccines, cancer and neuroscience, \$7 million.
- SB 581** has been referred to Ways and Means.

Honorary Page Program

The Honorary Page Program operates during the legislative session from the middle of January to the first of June in the odd-numbered years. An honorary page may serve for one day. Serving as an Honorary Page is an exciting way to learn about legislative procedures and see firsthand the way the state legislature functions

Page service is a unique honor with a rich history. The first pages were actually apprentice knights. Pages served while they received scholastic, social and military education. Pages that successfully completed their studies then became squires and were allowed to continue their education. Hardworking squires were rewarded with the honor of knighthood. Pages were first associated with lawmaking bodies when they began appearing in royal courts. The term "honorary page" is applied to our guest attendants today because it recalls the honorable status and goals of pages in history.

Minimum age is 12 years old. A typical day for an honorary page is from 8:30 a.m.-3:00 p.m. with a lunch period at noon. The day will begin with a detailed historical tour of the Capitol. During the daily floor session, an honorary page will have the opportunity to meet legislators. Duties for honorary pages in the afternoon vary from such tasks as using a copy machine to filing and running errands. Honorary pages will primarily serve the legislative needs of the legislators while in session, but may also assist the committee staff and legislator's personal staff. For more information, go to <http://www.leg.state.or.us/kids/> and click on the House or Senate link under "Honorary Page Program" or contact:

House Honorary Page Coordinator:
503- 986-1882
Secretary of Senate's Office:
503- 986-1851

Oregon Innovation Council (Oregon InC.) continued...

SB 582: Allows public university to direct affiliated foundation to administer university venture development fund. Supported through SB 853, legislation passed in 2005, the University Venture Fund was established to facilitate the commercialization of university research. This legislation permits each university in the OUS and the OHSU to establish university venture funds by soliciting contributions from donors up to a total of \$10 million (OHSU is permitted to raise up to an additional \$4 million). Donors are then awarded tax credits up to 60 percent of the amount donated. Funds will be used in support of entrepreneurial education, proof-of-concept research, and university-derived start-up companies.

Due to subsequent interpretations involving the Departments of Justice, Treasury and Revenue, major barriers were encountered to the initiation of the programs established by the original University Venture Fund legislation. These include:

- Role of University Foundations- Accepting and Managing Funds
- Policy Governing Reimbursement of State for Tax Credits
- Interpretation of Cap on Tax Credit for an Individual Donor

Oregon InC, in collaboration with the eligible universities and the OUS Research Council, is recommending appropriate changes in the statutory language to better reflect the law's intent and accelerate R & D commercialization in the state. Senate Bill 582 has been introduced to offer such amendments.



COMMUNITY COLLEGES PRESENT INSTITUTION OVERVIEW

On Wednesday, February 28, 2007 the House Higher Education Subcommittee held an informational hearing on Community Colleges. Appearing at the Wednesday hearing were: John Turner, President, Blue Mountain Community College), Gretchen Schuette, President, Chemeketa Community College, Robert Silverman, President, Mount Hood Community College, Rita Cavin, President, Linn Benton Community College, Peter Angstadt, President, Rogue Community College, Judith Hansen, President, Southwestern Oregon Community College, Frank Toda, Columbia Gorge Community College, Mary Spilde, President, Lane Community College, Blaine Nisson, Umpqua Community College, and James Middleton, Central Oregon Community College.

Bills of Interest:

HB 2614: Establishes Oregon Collaborative for Educational Excellence Through the utilization of numerous statewide education stakeholders, including higher education, this bill provides a funded structure to address the ongoing professional development needs of K-12 teachers/administrators. The bill also supports the state's efforts to implement research-based initiatives that will best serve students and aid the retention of educators in the profession. Hearing: Tuesday, March 6, 1:00 p.m., House Education Subcommittee on Education Innovation, HR D, State Capitol.



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OUS LEGISLATIVE NEWSLETTER

The Government Relations office of the Chancellor's Office will be sending you this electronic newsletter about important events of the past week in Salem and things to come in the days ahead. The newsletter will be published every Friday at 4:00 p.m. throughout session. If you wish to suggest items for inclusion or comments on coverage of issues affecting OUS interests at the Legislature, please feel free to e-mail or phone the Salem Government Relations office.
(mary_robinson@ous.edu, 503-373-7490).

BILLWATCH AVAILABLE FOR TRACKING

A comprehensive OUS bill tracking system called BillWatch, has been developed to record information about bills affecting the OUS, and to track their progress through the legislative process. BillWatch is designed to be used by members of the Oregon State Board of Higher Education, Chancellor's Office staff, campus leadership and OUS advocates. BillWatch is a secure system and users must obtain a user name and password from the Office of Government Relations to use this service.

Subscribing to BillWatch allows users to subscribe and designate particular bills of interest or to provide a broader search of all legislation. A second benefit of subscribing is notification: upon subscribing to a particular bill, users will receive automatic email notification when action is taken on the bill, e.g., hearings scheduled, amendments engrossed, etc. To request access, go to <http://billwatch.ous.edu/>. From there, choose *Request an Account*. Your request should be processed within 24 hours. An electronic users guide is available by clicking on HELP at the BillWatch main login menu.

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