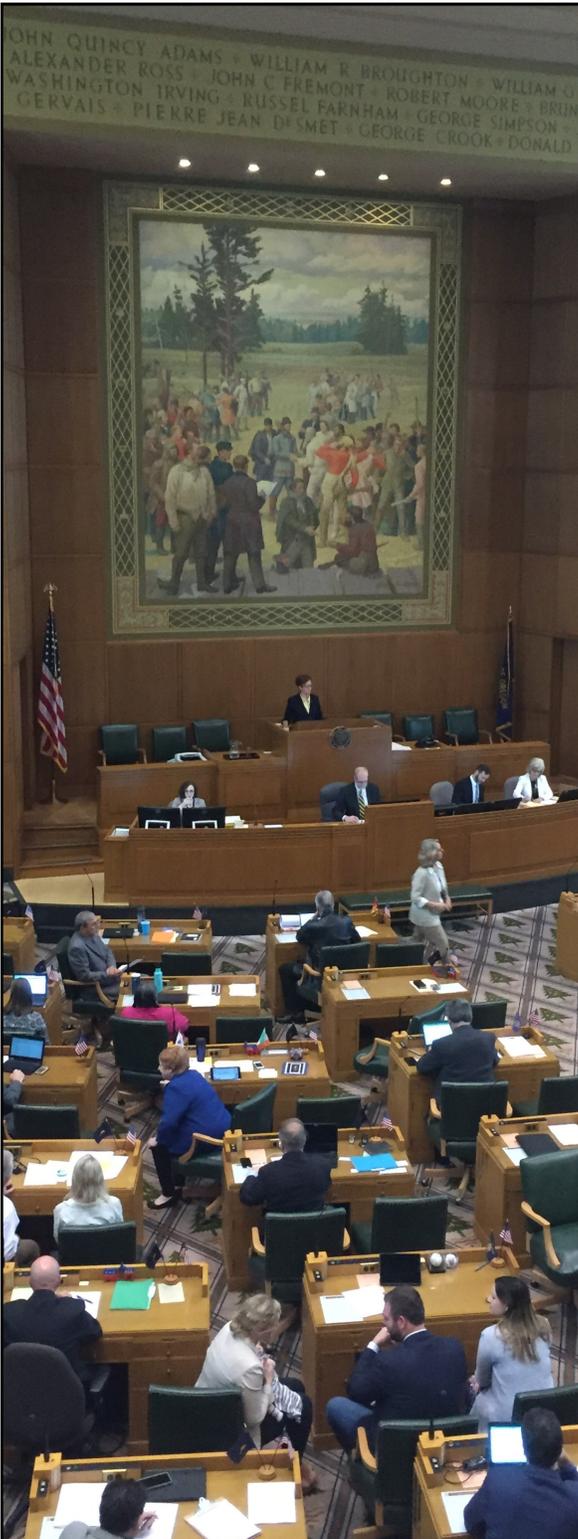


# 2017 Session End Report

Prepared for the Cultural Advocacy Coalition by Craig Campbell, President/Legal Counsel, The Victory Group, inc,

## SESSION SUMMARY



The 2017 Legislative Session began following a rancorous election cycle in which Democrats failed to gain a super majority (3/5ths) in the House of Representatives and lost the super majority in the Senate, meaning that they would have to look to Republican help to pass revenue raising measures. In addition, the election was overshadowed by a high visibility presidential election resulting in a Trump victory. Inter caucus cooperation was at an all-time low and relations between the Speaker of the House and the President of the Senate were heavily strained.

All of the major issues of the session revolved around funding, and most them dealt specifically with the State's 2017-19 budget. Due to significant non-programmatic growth in state budgets due to roll up costs associated with annual upward adjustments in employee salaries, benefit and PERS, the legislature was facing a budget "shortfall" of between \$1.6 and 1.8 billion, including more than \$600 million in needed revenues to pay for the Oregon Health Plan,

To Resolve the budget shortfall, Democrats wanted a budget reform package to change Oregon's corporate tax structure and raise additional revenues, while Republican's wanted to address the underlying cost drivers that were resulting in ongoing significant budgetary increases such as annual public employee salary, benefit and PERS increases. The May budget forecast did little to help address the challenge. The forecast predicted \$400 million more in 2015-17 and \$178 million more to assist with the 2017-19 budget. However, it also reported that \$408 million would likely have to be returned to taxpayers during the 2017 tax year due to Oregon's kicker law which requires that if taxes collected exceed what state forecasters predict by more than 2% then all additional revenues must be returned to Oregon taxpayers.

In the end, the legislature enacted a combination of taxes on hospitals to address the Health Plan shortfall and passed a package of minor cost containment provisions. They failed however to deal with corporate tax reform and to grapple with major budgetary cost drivers including PERS reform. If there was one bright spot in the process, it was the passage of a legislative funding package that took more than two years to develop and while it suffered from process challenges, was the only major issue that evinced partisan cooperation. The package enacted raises more than \$3 billion for Oregon's transportation system, and constitutes the largest tax increase in Oregon history.

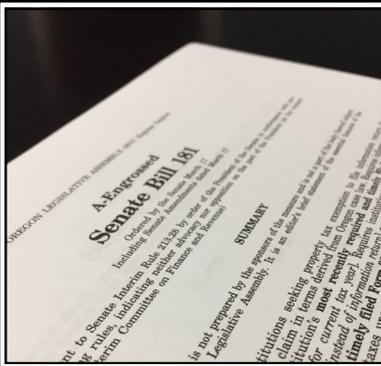
# LEGISLATIVE MEASURES

## Policy Measures

SB 181

NON-PROFIT REPORTING ON TAX EXEMPT PROPERTY

OPPOSE/DEAD

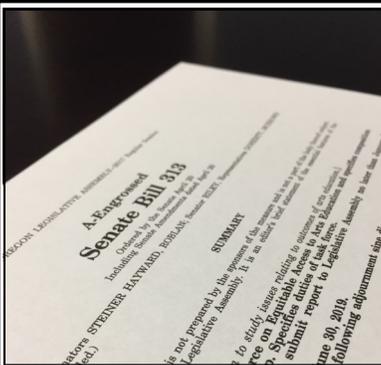


This bill was the result of the work of a legislative interim work group on non-profit property taxation. The work group was tasked to help establish consistent policy and practice for treatment of tax exempt property between the 36 county assessors. The work group believed it did not have sufficient data to achieve its goal. SB 181 was designed to create a database of non-profits so as to allow the legislature to determine whether some activities currently eligible for property tax exempt status should be disallowed. Unfortunately, the bill was poorly worded which created confusion regarding who exactly the bill applied to. In addition the bill would have required 501(c)(3) corporations to file an information return each year that includes the non-profits Form 990 and Form CT-12. The bill imposed a claw back provision if the filing was false or misleading that would result in the non-profit owing property taxes on the disqualified property for the previous five years. The CAC engaged with other non-profit organizations to defeat the bill in favor of a better interim discussion.

SB 313

TASK FORCE ON EQUITABLE ACCESS TO ARTS EDUCATION

SUPPORTED/DEAD

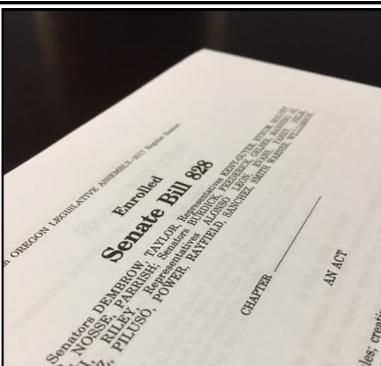


SB 313 was the result of a work group assembled by the Cultural Advocacy Coalition attempting to find a means to engage the education community with the hopes of developing a blue ribbon task force to look at how K-12 could provide an effective well-rounded education to all pre-K-12 students, meet statutory arts education requirements, and achieve statewide education goals. The task force the bill attempted to create would have been charged with quantifying existing access to arts education; researching evidence-based best practices in arts education to improve student outcomes; identifying barriers to equity and recommending structural, statutory and systemic changes needed to achieve equitable access to the arts within a whole-child educational approach. Unfortunately the bill ran afoul of a directive by the Co-Chairs of Ways and Means that indicated that all task force, commission and work group bills would be sent to Ways and Means and that such legislation would not be considered this session as a cost saving measure, unless revenue reform was passed. Although other task force legislation was enacted by the legislature, SB 313 was sent to Ways and Means and was never assigned to a sub-committee for consideration.

SB 828

PREDICTIVE SCHEDULING

WATCH/PASSED

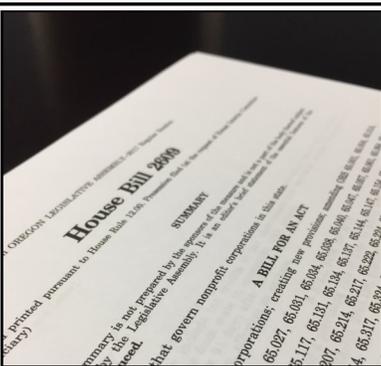


This legislation, the first statewide scheduling law, became a top priority for worker advocates after paid family leave fell off the agenda. Faced with little chance of stopping the bill, DBI worked hard with other employer groups to negotiate an acceptable compromise. The final version requires employers to post schedules seven days in advance, and beginning in 2020, schedules must be posted 14 days in advance. On the positive side, it allows an employer to develop "voluntary standby list" for employees who agree to work on short notice. The bill applies to retail, food service and hospitality employers with more than 500 employees worldwide and includes a narrow private right of action against employers for retaliation with other enforcement left to Bureau of Labor and Industries (BOLI). Collective bargaining agreements are not exempt, and franchisees are not covered unless they have 500 employees of their own. Bill takes effect July 1, 2018; enforcement begins January 1, 2019.

HB 2609

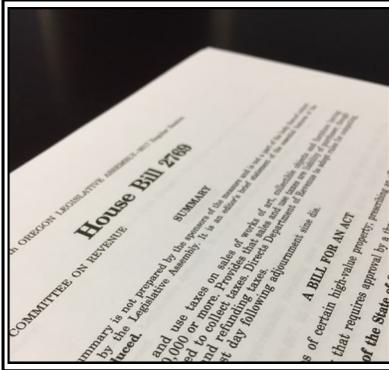
UPDATED LAWS ON NON-PROFITS

WATCH/DEAD



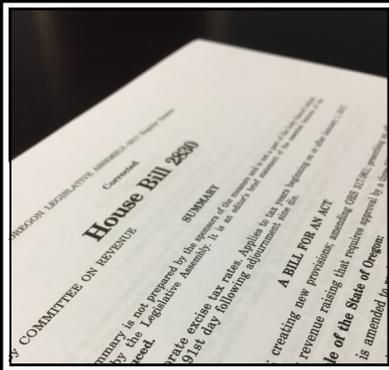
HB 2609 attempted to update the laws governing non-profit corporations. The bill contained several changes that imposed directives regarding how board meetings were to be conducted including such provisions as requiring the ability to engage in electronic discourse on issues before it, granting the Attorney General the ability to petition for an order to call or conduct a meeting when the corporation indicates calling such a meeting is impractical or impossible and adds a series of statutory provisions that are required in non-profit bylaws or that govern how such bylaws must be interpreted. The bill created sufficient concerns in the non-profit community that the Non-Profit Association of Oregon opposed the bill. Their efforts resulted in the bill's defeat. Updates laws that govern nonprofit corporations in this state.

HB 2769	TAX ON ART	OPPOSE/DEAD
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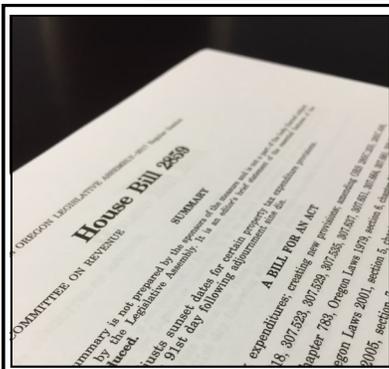
This bill, introduced by the House Revenue Committee at the request of Representative Phil Barnhart would have imposed sales and use taxes on the sales of art, collectable objects and furniture having sales process with a sale value of \$100,000 or more. This is similar to a bill introduced by Representative Barnhart during the 2015 session that would have imposed a tax on the sale, lending or showing of art work. Efforts before and at the beginning of session in opposition to this bill proved effective in keeping the bill from getting a hearing. However, as this issue has become something of a reoccurring theme, we may expect the issue will arise during the 2018 or 2019 sessions as a means of raising revenue, especially if the legislature fails to address state budget shortfalls through either cost containment efforts, large scale revenue reform or both.

HB 2830	REVENUE REFORM PACKAGE	OPPOSE/DEAD
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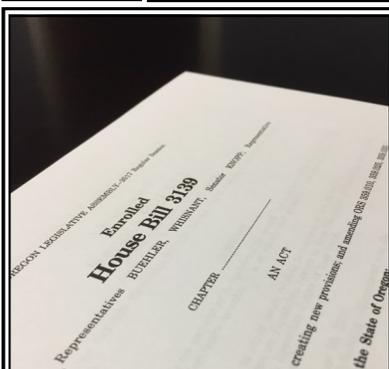
HB 2830 was the vehicle that was intended to carry the revenue reform package. Initially the reform package focused on a replacement of the corporate income tax to a gross receipts tax. That proposal also would have eliminated Corporate tax credits and deductions for corporate charitable contributions. In a final effort to address the budget shortfall amendments were submitted that would have done three things: 1) Increase the corporate tax rates on c-corporations to 8% on the first \$1 million of net income and 9% for net income above that amount. 2) Limit the pass through special rate (on LLPs and S-Corporations) and 3) Double the corporate minimum. This would have increased revenues in the 2017-19 biennium by \$530 million.

HB 2859	PROPERTY TAX EXEMPTION SUNSETS	OPPOSE/DEAD
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This bill sought to sunset a series of property tax exemptions between the years 2022 and 2025. Some of the entities whose exemptions would have sunsetted include Charitable, Literary and Scientific Organizations under ORS 301.130, Religious Organizations under ORS 307.140, Senior Service Centers under ORS 307.147 and Non Profit Housing for the Elderly under 307.242. The idea behind the bill was to create a schedule for the legislature to review and affirm existing charitable eligibility for property tax exemptions, similar to what is being done with tax credits through HB 2067 in 2009. Although the committee held work sessions on the bill, it ultimately died in committee.

HB 3139	MUSEUM ELIGIBILITY FOR ARTS COMMISSION GRANTS	SUPPORTED/PASSED
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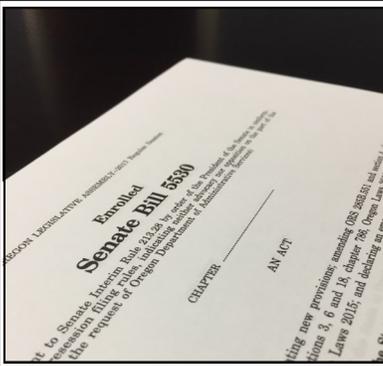
HB 3139 was introduced on behalf of the High Desert Museum after it was disqualified by the Oregon Arts Commission to apply for operating grants. The Museum provides arts and culture programming and was seeking to legislatively overturn the commission's decision. The bill in its final form requires the Oregon Business Development Department to adopt rules that ensure Arts Commission consider regional differences in public access to, or opportunities for engagement in, arts and cultural development when determining eligibility for grant awards and that promote investment in communities where opportunities for engagement in arts and cultural development are limited.

# CULTURE/ARTS CAPITAL CONSTRUCTION PROJECT FUNDING

SB 5530

CAPITAL CONSTRUCTION LOTTERY BOND BILL

SUPPORTED/PASSED



This bill authorized the sale of lottery bonds to fund specific projects including a total of \$8,195,000 for arts and culture capital projects:

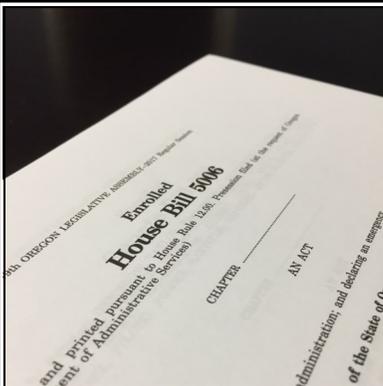
Main Street Preservation Grants	\$5,000,000	Lottery Bond Proceeds through State Historic Preservation Office
Portland Art Museum--New Construction/Expansion	\$1,000,000	Lottery Bond Proceeds through Oregon Arts Commission
Oregon Caves and Chateau--Restoration	\$750,000	Lottery Bond Proceeds through Oregon Arts Commission
The Dalles Civic Auditorium Theater--Restoration	\$745,000	Lottery Bond Proceeds through Department of Administrative Services
Eugene Ballet--New Construction	\$700,000	Lottery Bond Proceeds through Department of Administrative Services

In past sessions CAC's efforts to fund Arts and Culture related capital construction projects were funded entirely out of lottery bonds. In the 2017 session, however, several of these projects were funded directly out of the General Fund instead.

HB 5006

CHRISTMAS TREE BILL

SUPPORTED/PASSED



HB 5006 provided general fund dollars for projects as well as budget rectifications including \$2,400,000 in general funds for arts and culture capital projects:

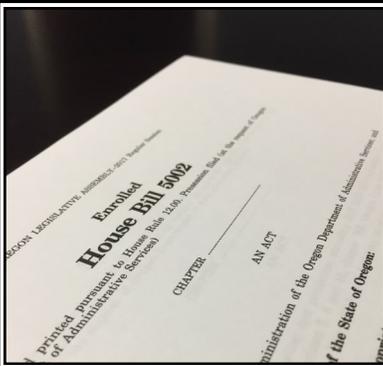
Holly Theater--Restoration	\$1,000,000	General Funds through Department of Administrative Services
Benton County Historical Society--New Construction	\$500,000	General Funds through Oregon Arts Commission
Oregon Coast Council for the Arts--Theater Expansion	\$300,000	General Funds through Oregon Arts Commission
Liberty Theater--Restoration	\$200,000	General Funds through Oregon Arts Commission
The Oregon Historical Society	\$150,000	General Funds through Department of Administrative Services
Cottage Theater--Theater Expansion	\$125,000	General Funds through Oregon Arts Commission
High Desert Museum--Exhibit & Gallery	\$125,000	General Funds through Oregon Arts Commission
PICA--Facility Buildout	\$100,000	General Funds through Oregon Arts Commission
Bag n Baggage--Technology Project	\$50,000	General Funds through Department of Administrative Services

# BUDGETS

HB 5002

DEPARTMENT OF ADMINISTRATIVE SERVICES BUDGET

PASSED



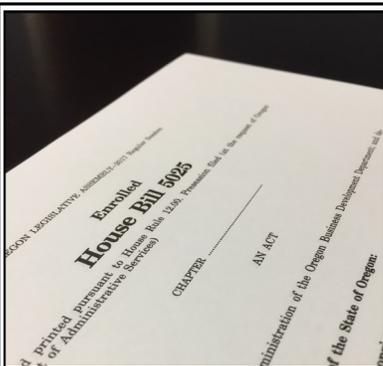
The Department of Administrative Services Budget includes funding for several Cultural Arts Partners. This biennium HB 5002 provided the following funding levels:

Oregon Public Broadcasting:	\$500,000
Oregon Historical Society	\$750,000

HB 5025

OREGON BUSINESS DEVELOPMENT DEPARTMENT BUDGET

PASSED



The Oregon Business Development Department Budget includes the budgets of both the Oregon Arts Commission and the Oregon Cultural Trust. This session saw cuts to the arts agency, with legislative increases to specific projects statewide. The Oregon Arts Commission budget ended at \$3,752,041. This amount represents state general fund only and does not include other funds and federal funds federal. The budget amount includes some odd adjustments including a \$259,282 increase in services and supplies spending, but a reduction of \$14,561 unspecified cuts; \$524,869 in cuts to Operating Support grants and \$82,434 in staff reduction totaling \$621,864. The Executive Director and Assistant Executive Director position move from being fully funded by Arts Commission budgeted general fund to being half funded by the Commission and half funded by the Oregon Cultural Trust. The resulting shift equates to the exact same amount of increase to the Arts Commission increase in Services and Supplies. The reasons behind these changes are still being explored.