

Calls to government waste hotline at a five-year high

By HILLARY BORRUD
Capital Bureau



SALEM — The Oregon Secretary of State's Office is on track to receive more complaints this year to the government waste, fraud and abuse hotline than in any of the previous five years.

As of Nov. 10, the agency had received 235 complaints, according to audit manager V. Dale Bond at the Secretary of State's Audits Division. Employees still have to go back to remove any duplicate complaints, but the highest number of complaints in the last five years was 184 complaints in 2010, according to an email from Bond. The lowest num-

ber of complaints during that period was 145 complaints in 2012.

Molly Woon, a spokeswoman for the Secretary of State's Office, said employees believe the increase in complaints to the hotline might be connected to Gov. Kate Brown's message to state employees in March, in which the governor asked employees to speak up if they observe problems. Brown included a link to the web page for the government waste, fraud and abuse hotline.

"We think this is at least in part due to the governor's introductory email to state employees in March ... and her highlighting the hotline program in her new role," Woon wrote in an email.

Brown's message

In her message to employees in March, Brown highlighted the response of employees at the state data center who questioned a request from a staffer in former Gov. John Kitzhaber's office to delete Kitzhaber's emails.

"I believe the staff members at (Department of Administrative Services) who were not comfortable with what they believed they were being asked to

do by Gov. Kitzhaber's office responded correctly by notifying their supervisors, and the agency's decision to suspend further action was appropriate," Brown wrote. "I appreciate the good judgment these individuals demonstrated as well as the investigative work that is bringing important information regarding these events to light."

Statistics on the outcomes of the complaints were not immediately available, but they can vary widely depending upon the incident.

For example, a 2014 complaint that Oregon Parks and Recreation Department employees had not properly recorded work absences was referred to the parks department

for an internal investigation. The inquiry revealed that two employees specifically identified in the complaint — human resources director Tasha Petersen and human resources analyst Susan Kirschenmann — had recorded on their timesheets that they worked hours when they were actually out of the office for vacation or sick leave.

Investigation into tax credits

Earlier this year, a complaint to the hotline prompted auditors at the Secretary of State's Office to investigate the Department of Energy's handling of renewable energy and efficiency tax credits. Auditors

ultimately concluded that the Department of Energy never publicized a 2012 decision to allow people to ignore price regulations on the sale of energy tax credits, so few finance firms knew they could negotiate such deals. Brown responded to the findings by calling for a review of the Department of Energy.

"Our hotline team works diligently to triage urgent complaints and concerns, forward calls to other state agencies when appropriate, and investigate cases when necessary," Woon wrote in an email.

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Seaside woman dies in U.S. Highway 26 crash

The Daily Astorian

A 53-year-old Seaside woman died after a multiple vehicle crash Sunday afternoon on U.S. Highway 26 at the junction of Highway 103, 25 miles east of Seaside.

Tracy Elaine Rambo was

pronounced dead at the scene.

Rambo was traveling westbound on Highway 26 at about 5 p.m. when she slowed to turn left onto Highway 103, according to Oregon State Police. When she stopped momentarily to turn, a vehicle also traveling westbound

did not stop and crashed into her vehicle, pushing her into the oncoming lane where she collided with another vehicle traveling eastbound.

The drivers of the other two vehicles were transported by Medix to Legacy Emanuel Medical Center in Portland

for non-life threatening injuries.

Roadway conditions do not appear to be a factor in the crash, according to police.

Elsie Fire Department assisted at the scene.

Highway 26 at that location was closed for four hours.

Study scrutinizes nonprofit property tax exemptions

By PARIS ACHEN
Capital Bureau

SALEM — A study underway to scrutinize Oregon's nonprofit property tax exemptions might lead to legislation in 2017 to reform the system.

A legislative work group plans to look at the state's more than 20 nonprofit property tax exemptions to parse out which specific categories of nonprofits are receiving the most exemptions and why. Nonprofit property exemptions equal about \$400 million in unrealized revenue, according to the Oregon Legislative Revenue Office.

State Rep. Ann Lininger, D-Lake Oswego, who is a work group participant, said she hopes the group will be able to come up with a proposal that lawmakers can agree on.

The work group is yet another sign of a national shift toward reevaluating nonprofit property tax exemptions in the wake of the Great Recession, said Kyle

Easton, an economist with the Oregon Legislative Revenue Office.

The study will focus on the property tax exemption for museums, voluntary fire departments or literary, benevolent, charitable and scientific institutions, Easton said.

The state estimates that exemption alone accounts for about half of unrealized revenue from nonprofit property tax exemptions.

Some of the exemptions on the books date back to 1854 before Oregon statehood, Easton said.

"The world has changed; the economic situation has changed a lot," said Rep. Phil Barnhart, D-Springfield, chairman of the Interim House Committee on Revenue. "We take on these old, old common law rules at our peril. At the same time, if we don't talk about them and decide if they continue to make sense or not then we lose a bet."

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Oregon's water demand to grow by 15 percent by 2050

Longer and warmer growing seasons will require more water

By MATEUSZ PERKOWSKI
Capital Press

By 2050, Oregon's annual demand for water will increase by 1.3 million acre feet — enough to fill 650,000 Olympic swimming pools, according to state water regulators.

That's an increase of roughly 15 percent from today's annual usage of about 8.425 million acre feet.

Oregon's agricultural industry, which uses about 85 percent of the state's water,

is expected to need 6 to 9 percent more water over the next 35 years because growing seasons are expected to become longer and warmer, according to the Oregon Water Resources Department.

Due to a projected population increase of 1.5 million people, Oregon's municipal and industrial water use is projected to grow by 20 percent by 2050, according to the agency's findings.

Greatest demand in southeast counties

Based on crop and irrigation trends, the southeastern portion of the state will likely see the greatest increase in water demand, particularly Klamath, Lake and Harney counties, said Rachel Lovellford, a state hydrologist, during a November meeting of the Oregon Water Resources Commission.

As average annual temperatures are expected to rise — between 2 and 8 degrees, according to the department — crops will require more water earlier in the season, Lovellford said.

Farmers of alfalfa, for example, are expected to increase the number of cuttings they harvest each year, she said.

Meanwhile, growers are expected to become more dependent on irrigation, rather than rainfall, Lovellford said.

Rainfall fills 30 percent of need

Currently, rainfall accounts for 30 percent of water needs of Oregon crops, while irrigation provides 70 percent, she said.

That ratio is expected to shift to between 26 and 29 percent rainfall and 71

and 74 percent irrigation by 2050, Lovellford said.

The agency arrived at its conclusions by analyzing several climate scenarios under which the state would experience a range of temperature increases and changes in precipitation, she said.

A full report on Oregon's anticipated water needs in 2050 is undergoing final editing and will soon be made public, she said.

The Oregon Water Resources Department is also planning to address growing water demand by assisting with feasibility studies and other plans for water supply development, Lovellford said.

Earlier this year, the state Legislature authorized roughly \$55 million in water supply development loans and grants.

'B' corps wince at possible corporate gross receipts tax exemption

Execs say avoiding tax could run counter to brand

By HILLARY BORRUD
Capital Bureau

SALEM — Companies that would be exempt from a proposed corporate gross receipts tax say the exemption could undermine the reputation of a movement to encourage environmentally and socially responsible businesses.

The union-backed tax measure planned for the 2016 ballot would require certain corporations to pay a 2.5 percent tax on sales in Oregon greater than \$25 million. The measure exempts companies registered with the state as "benefit companies."

Legislation passed in 2013 allows corporations to register with the state as "benefit companies" in order to put shareholders on notice that the company will not only seek profits, but will also pursue other goals such as sustainability. These companies are supposed to work with a third party, such as the certification nonprofit B Lab, to assess their operations, and then document positive impacts in annual reports. Registering for the corporate status currently does not affect companies' Oregon tax bills.

Socially responsible companies

The proposed tax exemption generated concern among some proponents of the benefit company model, who said it could damage the program's reputation if the designation becomes popular as a strategy to avoid taxes.

"The B corporation movement is about having socially responsible companies, not getting tax breaks," said Tom

Kelly, president and owner of the remodeling and custom home construction company Neil Kelly.

Neil Kelly is a registered benefit company, and Kelly said the exemption could impact "the B corp brand."

"It certainly has the potential to attract companies that will become B corporations whose only intention is to get a tax break, which will dilute the value of the B corp movement pretty significantly," Kelly said.

Nik Blosser, CEO of Celilo Group Media and chairman of the board at Sokol Blosser winery, said he is also concerned about the exemption. Both businesses are registered benefit companies.

"We certainly didn't become a B corp to get tax benefits, and I think that somewhat undermines the point for B corps," said Blosser, who has not yet taken a position on the corporate sales tax proposal. "If the measure passes, I think we would want to advocate that the Legislature modify that part."

Lack of enforcement

Blosser said the current lack of enforcement by the Secretary of State's Business Services Division could make it easy for corporations to register as benefit companies to get the tax exemption, without demonstrating positive social impacts. "There's no one checking to see if you've done that," Blosser said.

Ben Unger, executive director of Our Oregon and a chief petitioner on the tax initiative, dismissed the idea that the exemption could provide a loophole for corporations looking for ways to avoid the corporate sales tax.

"I don't think we are," Unger said. "I guess my point is there's nothing that's going to stop large, global corporations from avoiding taxes."

Unger said Our Oregon included the exemption in the proposed measure to distinguish between huge multinational companies that avoid taxes and companies that are "doing their best to be a good corporate citizen."

"U.S. corporations are hiding \$2.1 trillion overseas that they owe taxes on in the U.S.," Unger said. "But there's a difference between those folks, those corporate boardrooms, and the small businesses in Oregon that fuel our economy and hire our employees."

Tax benefit not intended

Our Oregon is gathering the necessary 88,184 signatures ahead of a July deadline to get the measure on the November ballot.

State Rep. Phil Barnhart, D-Eugene, said he supports the tax measure, even though lawmakers who passed the law to create benefit companies did not intend to create a tax benefit. "Most of the companies I've heard from, or

we've heard from collectively, were not asking for a tax benefit," Barnhart said. "They were trying to deal with this other issue, which is making sure that stockholders know that when you buy shares in this company, they're going to be trying to do some other things in addition to trying to make you money."

Barnhart said it is not yet clear corporations would register as benefit companies to avoid the tax, but "I can assure you that if it matters, we will be acting on it, probably in (2017) is my guess."

There are currently more than 700 corporations registered as benefit companies in Oregon, according to a state database. However, the state has not tracked the amount of taxes paid by these companies, nor analyzed whether the benefit company exemption would cut into anticipated tax revenue.

The Legislative Revenue Office has estimated the tax could generate \$2.6 billion annually.

Robert Manicke, a lawyer at Stoel Rives LLP who specializes in state and local tax law, said companies that sell high volumes of items with low profit margins such

as grocery stores "would be affected strongly" by the tax plan.

Other ways to avoid tax

Oregon is home to New Seasons Market, the first grocery store chain to be certified as a "B Corp" by B Lab. Although the company has already done much of the work necessary to qualify as a "benefit company" in Oregon, the grocer has not registered with the state to become one.

Many existing benefit companies would avoid the corporate sales tax even without the exemption, either because they are too small or because they are not registered as "C" corporations, the only type obligated to pay the tax.

For example, Kelly said his business would not benefit from a corporate sales tax exemption because Neil Kelly is organized as an "S" corporation.

Shareholders of "S" corporation report profits and losses on their personal tax returns, while profits at "C" corporations are taxed both at the corporate level and when distributed as dividends to shareholders.

Celilo Group Media and Sokol Blosser winery would not have to pay the corporate

sales tax, because their annual sales are less than \$25 million, Blosser said.

Kelly, who said he would probably oppose the tax measure even without the exemption for benefit companies, has been trying to meet with Gov. Kate Brown about options to remove the exemption.

"(Brown) was real instrumental in having this thing happen when she was secretary of state," Kelly said. "She's definitely invested in it."

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