

**PUBLIC HEARING: HB 2344, HB 2139**

**INVITED TESTIMONY: BEN CANADA, PORTLAND PUBLIC SCHOOLS**

**TAPES 041, 042 A/B**

## **HOUSE REVENUE COMMITTEE**

**FEBRUARY 10, 1999 ñ 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING**

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Members Present: Rep. Ken Strobeck, Chair

Rep. Anitra Rasmussen, Vice Chair

Rep. Deborah Kafoury

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Lane Shetterly

Rep. Jim Welsh

Rep. Bill Witt

Members absent: Rep. Max Williams

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Colin Sorhus, Fair Tax Committee, Benton County

Dale Crabtree, Fair Tax Committee, Lane County

Matt Evans, Executive Director, Oregon Tax Research

Stephen Kafoury, American Institute of Architects

Pat McAllister, Multnomah County

Ben Canada, Portland Public Schools

James Scherzinger, Portland Public Schools  
Commissioner Steve McClure, Union County  
Commissioner Tony Hyde, Columbia County  
Jerry Hanson, Director of Assessment & Taxation, Washington Co.  
Gil Riddell, Association of Oregon Counties  
Lynn McNamara, League of Oregon Cities  
Hacena Squires, Special Districts Assoc.

**TAPE 041, SIDE A**

005 Chair Strobeck Called meeting to order at 9:35 a.m. Opened public hearing on HB 2344.

**PUBLIC HEARING n HB 2344**

020 Rep. Witt Opening comments on HB 2344.

030 Colin Sorhus Spoke in support of the measure. See written testimony, verbatim **(EXHIBIT 1)**.  
Objected to use of taxes for social engineering.

062 Matthew Evans Spoke in support of the measure. Current historic property program results in relatively small tax expenditure, although it is not insignificant. It cuts into revenues that would otherwise go to local governments and schools, particularly in Portland area. Program contradicts Metrois 20-40 Plan. Program is inefficient and undesirable.

116 Rep. Witt Noted earlier testimony that indicated that 88% of investment go to commercial properties. Was he aware of that?

122 Evans Was not aware of that. This is an opportunity for businesses and individuals to avoid paying taxes.  
  
In response to questions by Chair Strobeck, doesn't know if these buildings would be rehabilitated without tax breaks. Suspects some philanthropists would rehabilitate them anyway.

133 All Discussion and questions concerning Evans testimony.

180 Rep. Witt Asked if he sees the state injecting political considerations into what should be economic decisions.

183 Evans There is a lot of social engineering in the tax code. Question is whether this is an important priority for taxpayers to take on.

203 Stephen Kafoury Spoke in opposition to the measure. Appreciates previous investigations into tax credits, would like to see this one reviewed but not thrown out.

248 Rep. Merkley Questions concerning process on residential properties

282 Rep. Witt Knowing that the program costs \$10 million per year that otherwise would go for schools and etc., do you still think this is a good program?

296 Kafoury There are a lot of other places to cut taxes. Example, pollution tax credits.

325 Pat McAllister Spoke in opposition to the measure. Lives in historic home. At time they purchased it, they did not know it was eligible for historic register. Would probably not be able to pay the regular taxes. Also, Oregonian lists historic tours every month.

431 Rep. Witt Since she purchased her house without knowledge of this program, would she have done the repairs anyway?

446 McAllister Possibly. Housing prices 10 years ago were considerably lower. Tax incentive has helped her to repair and keep the house. \$140,000 of housing cost is tax exempt; she has spent \$150,000 for improvements.

**TAPE 042, SIDE A**

44 Rep. Merkley Asked McAllister to respond to a common belief that this tax break is for the affluent who can already afford housing.

053 McAllister Believes state, neighborhoods, schools benefit from opportunity to see these older buildings.

083 Rep. Witt Questions concerning justification of 88% tax break for commercial enterprises.

088 McAllister Not qualified to answer. Would like to see this reviewed with public input from the various properties.

112 Chair Strobeck Directed members attention to Would Investment In Properties In Historic Districts Have Occurred Without Incentives? (**EXHIBIT 2**); and chart of Historic Names, etc. (**EXHIBIT 3**). Closed public hearing on HB 2344. Announced Invited Testimony for Ben Canada, Portland Public Schools.

**INVITED TESTIMONY: BEN CANADA**

122 Ben Canada Discussed cuts in Portland Public Schools. See Portland Public Schools Message to the 1999 Legislature (**EXHIBIT 9**).

Cost of living in urban area is more expensive than in rural areas. This puts pressure on urban school budgets. Current proposed budget is not enough to maintain current level. Children need a complete, quality education wherever they are.

188 Jim Scherzinger Reviewed exhibit 9, Profile tab: "Portland Public Schools Message to the 1999 Oregon Legislature". This page summarizes the whole book.

Changes tab: Fourth page, "Permanent revenue less than 1992-93". Identifies the problems.

238 Scherzinger Challenges tab: First page, "Portland's Combined Challenges". Past mistakes affect costs today. Antiquated computer system, high building facility support, other challenges.

Major challenge is, urban salaries are higher than rural salaries. Portland has higher living costs, higher poverty ratio.

Referred to graph: "Higher poverty more in common with rural areas"

287 Scherzinger Consequences tab: Page 2, graph "Two year shortfall \$55 million".

294 Scherzinger Pointed out newspaper article (Consequences, page 5) "Canada pledges shake-up of schools"

320 Canada We have refocused and realigned our system, are prepared to make changes. Acknowledged shortfall statewide, asked committee to take leadership role to put children first.

336 Chair Strobeck Recessed committee for five minutes. Reconvened at 9:30 a.m. Opened public hearing on HB 2139.

**PUBLIC HEARING n HB 2139**

359 Steve McClure Gave opening remarks.

381 Jerry Hanson Funding of assessment and taxation is important system that most people take for granted. Funds 1,500 tax districts, is most important funding source for local government including schools. HB 2338 passed in 1989-90 to rescue property tax function. This funding mechanism has worked well. Important to keep it in place.

421 Hanson Oregon probably has the most complicated property tax legal framework in the nation. Three levels: Underlying market value, Measure 5 limit, Measure 50. Much is at risk if state doesn't maintain base funding for system. Taxing districts are beneficiaries, but this is only part of the picture. There are many other smaller programs that would disintegrate without this program. Other important interests are private industries.

**TAPE 041, SIDE B**

047 Hanson Funding of program has increased Assessment and Taxation efficiency. Counties are part-way through projects, need to continue funding program.

063 McClure Counties have lost \$163 million. This presents challenge of how to address programs. Assessment and Taxation is important to districts and to general public. McClure, McNamara, Riddell, and Hanson participated in interim study.

095 McClure Opposes sunset of measure. This would decrease the Assessment and Taxation budget by 20%. At risk would be sheriffs, records, etc. Outcome of interim task force was not to create a new system, but to expand the existing one.

125 McClure First thing to expand: \$20 fee for documents filed with clerk's office.  
  
Proposal is asking counties to give up the real estate transfer. Willing to do that, but with the understanding that it has a value. Also important is delinquent interest issue, take it down to 8%. This is a fairness issue. . \$1.1 billion is collected from schools, \$2 million is not asking too much to help protect major revenue source for schools. Task force is getting close to solution, need long-term permanent fix. HB 2139 does this.

161 Tony Hyde Gave snapshot of condition of Assessment and Taxation in Columbia County. In 1990, 42% of general fund was ONC funds. That amount this year is expected to be 15.3%. Also, suffered 35% loss in forest receipts; 13.5% loss from Measure 50. Budget committee has made staff cuts year after year. Down to bare-bones staff.

184 Hyde Gave examples of impact of these cuts.

221 Gil Riddell Will have a bill with suggested changes, working with Rep. Shetterly. Agreed with interim study to broaden the base. Want to make HB 2049 from 1997 work equitably.

- 244 McClure Summarized, solution works and is stable, builds on existing system. Urged committee to consider this.
- 254 Rep. Witt Asked how much additional revenue these changes would bring into counties.
- 259 Riddell Will provide copies of a chart that explains this.
- 311 Riddell In reply to Strobeckis questioning, noted, the state has assigned this function to counties to perform. It is supposed to be done on consistent basis across the state. Counties have tried innovations, but are subject to state policies.
- 337 Hanson Noted, 1989 legislation said state would enact funding program and counties would comply. This gave assessors the opportunity to sort out what they had to do and didn't have to do. Benefit of the funding program is that it creates partnership. Without it, assessors have to figure out what to do, creates problems. The money is what ties this all together.
- 402 Riddell Discussed element of default. Before adoption of this program in 1989, there were cases where identical houses had distinctly different appraisal values. At that time, only source of state revenue was cigarette taxes. Lane County and Dept. of Revenue asked for emergency appropriation. Result was HB 2388 in 1989, to stop disintegration.
- 436 Rep. Shetterly Expressed support for state assistance. Seems to be a consensus on broadening the base. Are there still discussions on the dollar amount of the fee and the prohibition on local transportation taxes?
- 459 McClure Discussions are not hardened, but they have had discussions. Willing to talk about the transportation transfer, and think the \$20 fee is reasonable.

**TAPE 042, SIDE B**

- 031 Rep. Witt Has there been an effort to estimate the costs associated with these real estate transfers etc. and compare them with the charges being made?
- 035 Riddell Yes, it costs assessors office to change ownership \$26; fee was set up in 1989 at \$20.
- 046 Hanson This fee is very narrow view of what assessors are doing. Would like to look at broader system. Assessors have to give this information away.
- 062 All Additional questions and discussion concerning \$26 cost, additional activities to which fee would be assessed.

- 227 Riddell Spoke to sharing of counties with state fund. Provided chart referenced earlier. **(EXHIBIT 11)**: Property Tax Administration Funding Program: AOC Proposal (11-9-98)
- 234 Lynn McNamara Presented testimony in support of measure. See Testimony of the League of Oregon Cities on HB 2139 **(EXHIBIT 12)**.  
  
The proposed funding approach strengthens Assessment and Taxation because it apportions the cost more broadly. It also creates less competition for other county programs. The approach divides the costs more broadly and the general funding will still come from county general funds and delinquent interest. City and county taxpayers took on greater share of assessment and taxation funding.
- 272 McNamara Referred to chart on page 1 of written testimony dealing with apportionment of costs. Cities do not support Dept. of Revenue's recommendation quid pro quo of preemption of real estate transfer tax.
- 299 Hecena Squires Special Districts Association supports extension of sunset on delinquent interest, and feels it is imperative that \$12 million for delinquent interest and \$3.5 million on processing fee have to be extended.  
  
Generally supports local control efforts.  
  
Association was involved in interim work group discussions on processing fee.
- 360 Chair Strobeck Closed public hearing on HB 2139. Adjourned meeting at 10:23 p.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2344, Sorhus, Testimony of Colin Sorhus before the House Revenue Committee, 1 p.
2. HB 2344, Hamrick, Would Investment in Properties in Historic Districts Have Occurred Without Incentives? 4 pp.
3. HB 2344, Hamrick, Historic Name chart, 1 p.
4. HB 2344, Staff, Old Oregon Hotel Partnership letter to Chair Strobeck committee, staff, 2 pp.
5. HB 2344, Staff, City of Jacksonville letter to Chair Strobeck, committee, staff, 1 p.
6. HB 2344, Staff, Historic Resource Review Committee, Douglas County, letter to Chair Strobeck, 1 p.

7. HB 2344, Staff, Western Office Trust for Historic Preservation letter to Chair Strobeck, 1 p.
8. HB 2344, Staff, Baker County Board of Commissioners letter to Chair Strobeck, 1 p.
9. Informational, Canada/Scherzinger, Portland Public Schools Message to the 1999 Legislature, 70 pp.
10. HB 2139, McClure, Funding of Property Tax Administration Major Points (2-10-99), 3 pp.
11. HB 2139, Riddell, Property Tax Administration Funding Program: AOC Proposal, 1 p.
12. HB 2139, McNamara, Testimony of the League of Oregon Cities on HB 2139, 2 pp.