

PUBLIC HEARING: HB 3405, HB 3406, HB 2982

PUBLIC HEARING & WORK SESSION: HB 3443

TAPES 107 A/B, 108 A

HOUSE REVENUE COMMITTEE

MARCH 29, 1999 ñ 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

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. Max Williams

Rep. Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Steve Meyer, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Gary Conkling, Beaverton and Hillsboro School Districts

Jon Chandler, Oregon Building Industry Association

Bob Ellis, Multnomah County Assessor

Frank McNamara, Confederation of Oregon School Administrators

Rep. Kurt Schrader, District 23

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TAPE 107, SIDE A

005 Chair Strobeck Called meeting to order at 8:40 a.m. Noted, beginning this morning, House Revenue Committee meetings will be broadcast over the Internet. Opened public hearing on HB 3405 ñ school facilities.

PUBLIC HEARING ñ HB 3405

025 Ed Waters Gave brief description of HB 3405. Referred to Staff Measure Summary (**EXHIBIT 1**). Allows subtraction from corporate and personal taxable income for the difference between the fair market value and sale price of land donated or sold to school districts.

034 Gary Conkling Spoke in support of the measure. Refer to Testimony of HBs 3405, 3406 (**EXHIBIT 2**) paraphrased. These bills address the challenge of school facilities for rapidly growing student enrollments. HB 3405 creates incentives for school site donations or sales at discounted prices. HB 3406 recognizes that sometimes it is smarter to lease than build ñ and sometimes it is the only option available.

These two bills, combined with HB 2982, form a useful package of measures to help school districts meet the challenge of providing facilities when faced with rapid student enrollment growth.

072 Jon Chandler Spoke in support of the measure. In parts of Portland Metro Area, land going for \$200,000 per acre is not uncommon. This results in a problem of affordable housing, also affordable schooling. HB 3405 creates an incentive for developers to donate land by expanding an existing income tax deduction.

105 Rep. Witt Asked Chandler to explain current deduction allowed for donation, and how this bill expands it.

109 Chandler Not sure, but believes deduction is up to 50% of value of site.

117 Waters Explained, currently Oregon follows the federal treatment, which allows an itemized deduction subject to income restrictions. This bill would remove those restrictions. This is a deduction, not a credit.

133 All Questions and discussion on how HB 3405 works.

177 Rep. Witt Would there be any reluctance to expanding this bill to include private schools?

180 Conkling Does not represent private schools so cannot say. This is a policy decision for committee.

188	Rep. Shetterly	Suggested amending bill to include limited liability companies.
200	All	Questions and discussion concerning size of lots that would be donated, how much land is needed to build a school. Possibly, several developers would donate adjacent sites.
296	Chair Strobeck	Asked committee for comments on HB 3405.
304	Rep. Witt	This is a good bill. There is value in expanding it to include colleges, universities, and private schools.
316	Rep. Welsh	Could support this expansion.
322	Waters	Revenue impact is unclear.
342	Vice Chair Rasmussen	Supports exploration of this concept, but warned, impact could spread to affect other school districts.
355	Chair Strobeck	Closed public hearing on HB 3405. Opened public hearing on HB 3406.

PUBLIC HEARING n HB 3406

359	Steve Meyer	Gave brief overview of HB 3406. Referred to Revenue Impact of Proposed Legislation (EXHIBIT 3). Adds classroom grant to school distribution formula. Requires significant increase in average daily membership (ADM) for more than one year to be eligible.
389	Meyer	Directed members' attention to ADM Growth Above 1% (EXHIBIT 4).
412	Frank McNamara	Spoke in opposition to the measure. Confederation of Oregon School Administrators opposes any measures that will change the distribution formula. This measure falls in that category. It will spread the cost.

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029	Rep. Witt	Has a study been done to show the relative cost of building facilities as opposed to leasing facilities for school districts?
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033	McNamara	Is not aware of a study. Will look for one.
057	Chair Strobeck	Closed public hearing on HB 3406. Opened public hearing on HB 2982.

PUBLIC HEARING n HB 2982

073	Steve Meyer	HB 2982 deals with exception value. Requires assessor to list exception value separately for K-12 school districts. Exception value is generated primarily from new construction or new personal property added to the tax roll. See School Exception Value and Tax (EXHIBIT 5) .
088	Bob Ellis	Addressed concerns that assessors have about this bill. Section 2 talks about assessed value of property. In other statutes, property was defined as the entire account. This bill addresses exception property, but if it refers to the entire account, it is referring to both old and new property. Entire property becomes exception value. If this refers to exception property only, there is a problem when discussing the assessed value of that portion because assessed value by definition is the lower of real market value or maximum assessed value. Assessors don't have the capability to calculate assessed value for portions of properties.
117	Ellis	Section 2 (2): Asks assessors to track the exception value for nine additional years. Most counties don't have that capability.
143	Rep. Witt	What must counties do to be able to track exceptions for 10 years?
149	Ellis	Counties that are computerized would have to be able to list for each year, the specific dollar amount of exception involved in the calculations, and to identify and track the specific portion of property for 10 years. It would require bigger computer programs than the appraisal system has.
191	Chair Strobeck	Asked Ellis for suggestions for changing bill, based on the intent?
195	Ellis	Suggested looking at exception value generated each year by school district. Allocate a portion of it as a flat amount. Adjust it each year.
235	Rep. Kurt Schrader	Testified in qualified support for the concept of the measure. Is drafting some amendments. This is not a new idea, and is a good in concept. Amendments would: Limit allocation of tax increment dollars raised to school construction; fund would be set aside for capital construction only; return proportional dollars return to school districts.
272	McNamara	Spoke in opposition to the measure on behalf of Confederation of Oregon School

Administrators (COSA). Revenue impact is significant, and is distributed to all other districts. Bill proposes to solve a critical problem, this does not do it. It is a local option without a vote. Straightforward system development charges might be a more fair approach.

- 312 All Questions and discussion on how COSA and Dept. of Revenue arrived at estimated dollar amounts.
- 351 Rep. Witt Asked McNamara whether he believes districts with higher rates of growth have higher costs because of it?
- 359 McNamara Yes.
- 366 Rep. Merkley When new property comes into a district, it should decrease the tax burden for the existing property owners. Is it correct to assume that the bond is spread out to the new properties? Yes.
- Additions and subtractions offset each other, because new properties increase the tax base. Has there been a study on this? No.
- Would like to see an analysis illustrating this problem.
- 412 McNamara State decides on a dollar amount and distributes it through a formula. COSA's concern is that the state would reduce the funding and/or distributing differently among the districts so some districts would get additional funds at the expense of other districts.
- 446 Chair Strobeck In Beaverton District, taxpayers have passed measure after measure to build new schools. This bill doesn't reduce taxes for any school districts; it simply uses the new values to pay for some of the capital costs. This is a way of having the growth that brings the additional students help pay for the additional students. Constituents resent that they have already built schools, then new development occurs and doesn't pay its own way.

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- 043 Rep. Merkley One has to recognize, long after infrastructure is paid for, those additional properties will continue to provide an enriched tax base.
- 065 Chair Strobeck Closed public hearing on HB 2982. Opened public hearing on HB 3443, regarding tax incidence study.

PUBLIC HEARING re HB 3443

072	Chair Strobeck	Directed members attention to email from Bruce Weber (EXHIBIT 7) concerning tax system fairness.
080	Paul Warner	Reviewed HB 3443-1 proposed amendments (EXHIBIT 8). Amendments are based on public testimony. They address a concern that people won't understand what a tax incidence study is. Section 8 describes what should be contained in the study. Line 12 inserts cost amount, "\$300,000."
116	Chair Strobeck	Asked if anyone would like to speak on HB 3443. Seeing no one, closed public hearing on HB 3443. Opened work session on HB 3443.

WORK SESSION n HB 3443

119	Vice Chair Rasmussen	MOVED -1 AMENDMENTS TO HB 3443 BE ADOPTED.
121	Chair Strobeck	ASKED IF ANY OBJECTIONS TO MOVING n1 AMENDMENTS INTO HB 3443. HEARING NO OBJECTIONS, THE CHAIR SO ORDERED.
122	Vice Chair Rasmussen	MOTION: DO PASS HB 3443, AS AMENDED, TO THE COMMITTEE ON WAYS AND MEANS BY PRIOR REFERENCE.
131	VOTE	ROLL CALL VOTE: MOTION PASSES 8-0-1 REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, ROSENBAUM, SHETTERLY, WELSH, WITT, VICE CHAIR RASMUSSEN, CHAIR STROBECK REPRESENTATIVES EXCUSED: WILLIAMS
143	Chair Strobeck	Closed work session on HB 3443. Adjourned meeting at 9:45 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 3405, Waters, Staff Measure Summary, 1 p.
2. HB 3405, Conkling, Testimony on HBs 3405, 3406, 1 p.
3. HB 3406, Meyer, Revenue Impact of Proposed Legislation, 1 p.
4. HB 3406, Meyer, ADM Growth Above 1%, 2 pp.
5. HB 2982, Meyer, School Exception Value and Tax, 4 pp.
6. HB 2982, Strobeck, AGC: Oregon ñ Columbia Chapter, letter to Chair Strobeck, 1 p.
7. HB 3443, Strobeck, Email from Bruce A. Weber to Chair Strobeck concerning tax system fairness, 2 pp.
8. HB 3443, Warner, Proposed Amendments to House Bill 3443 (HB 3443-1), 1 p.