

## HOUSE REVENUE COMMITTEE

APRIL 2, 1999 ñ 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

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Members Present: Rep. Ken Strobeck, Chair

Rep. Jim Welsh

Rep. Max Williams

Rep. Bill Witt

Members Excused: Rep. Anitra Rasmussen, Vice Chair

Rep. Deborah Kafoury

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Lane Shetterly

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Sen. Neil Bryant, District 27

Sen. Mae Yih, District 19

Rep. Jeff Kropf, District 37

Grace Gantt, Lane County

Mark Noakes, Linn County

William Kiewel, National Frozen Foods Corp.

Dave Burright, Linn County

Craig Martin, City of Sweet Home

Hasina Squires, Special Districts

Betsy Earls, Associated Oregon Industries

Grace Crunican, Director, Oregon Dept. of Transportation

Doug Tindall, Oregon Dept. of Transportation

Mike Marsh, Oregon Dept. of Transportation

**TAPE 116, SIDE A**

005 Chair Strobeck Convened in subcommittee at 8:45 a.m. Opened public hearing on SB 123 and SJR 1.

**PUBLIC HEARING ñ SB 123, SJR 1**

012 Sen. Bryant Spoke in support of the measure. Gave brief background of SB 123. Bill repairs a mistake made in 1997 legislative session with Measure 47 (Measure 50). Linn and Deschutes Counties. These counties each had sheriff's levies that were expiring. New levies were voted on in May 1997 at the same time as Measure 50 was voted on. The old sheriff's levy was built into the new base for all taxing districts, in addition to new levies. Result was, these counties didn't get the tax relief that other counties received ñ they got tax increases. The only way to correct this error is through legislation and through a constitutional amendment (SJR-1). Bill will roll back rates for districts within these counties.

040 Sen. Bryant Directed members' attention to SB 123-A7 amendments (**EXHIBIT 1**).  
  
Addresses Deschutes County tax relief for rural fire district. Amendments roll back tax rates and give relief to entire city of Bend. Allows city to voluntarily not collect their entire authority.

103 Chair Strobeck Noted, there was concern that any constitutional change to Measure 50 would open the door to other problems. Asked if drafters are comfortable that this will not happen.

107 Sen. Bryant Yes.

109 Sen. Yih Spoke in support of SB 123. See written testimony (**EXHIBIT 2**) verbatim.

189 Sen. Yih Expressed support for ñA7 amendments. Directed members' attention to SB 123-A9

**(EXHIBIT 3).** Will say that refund money does not have to bear interest.

212	Yih	Spoke in support of SJR-1. See written testimony <b>(EXHIBIT 4)</b> verbatim. Constitutional amendment will affect only three taxing districts.
250	Rep. Kropf	Spoke in support of the measures. Directed members' attention to Value Change Notice <b>(EXHIBIT 5)</b> , City of Sweet Home. Document shows case of homeowner's property taxes that rose \$359. Illustrates the problem with Sweet Home residents paying twice for their sheriff's levy. Concurred with Sens. Bryant and Yih.
293	Bill Kiewel	Spoke in support of the measures. See written testimony <b>(EXHIBIT 6)</b> verbatim. Urged committee to correct oversight in Measure 50 and to pass SB 123 and SJR 1.
374	Grace Gantt	Spoke in support of the measures. See written testimony <b>(EXHIBIT 7)</b> verbatim.
403	Mark Noakes	Spoke in support of the measures. See written testimony <b>(EXHIBIT 8)</b> verbatim.
460	Dave Burright	Spoke in support of the measures. See written testimony <b>(EXHIBIT 9)</b> paraphrased.

**TAPE 117, SIDE A**

030	Burright	This situation has caused a lot of anger and distrust of Linn County Sheriffs. When Measure 47 passed, sheriff's levy was set to expire in June 1997. Linn County Sheriffs had to be on June levy. Legislature was still working on Measure 47, and there was confusion. Sheriffs placed their levy on ballot in March. It passed. However, but failed to reach double majority. Put it on the ballot for June, same time as Measure 50. Everyone believed the existing levy would expire in June. 81% voted yes for serial levy.
085	Burright	Received a call from a constituent telling him the taxpayers were being double taxed. He didn't believe the man, but researched it. Later found out the man was right. Public reaction was outrage, and public trust was gone. Sen. Yih and local media stepped in to help. Permanent fix has to come from legislature, and to the voters. What was done wasn't the intent.
162	Craig Martin	Spoke in support of SB 123 and SJR 1. Same thing that happened in Linn County occurred in Sweet Home. This is an issue of credibility. Sweet Home relies almost entirely on funding to support its police, emergency medical services. City lost trust of constituents.
202	Hasina Squires	Spoke in support of SB 123. Special Districts was involved in implementation language of Measure 50, and did not pick up on oversight. Linn and Deschutes counties have number

of affected districts. Some of these districts don't want to give the money back or reduce their permanent rates. Some districts expressed concern that if they voluntarily reduced their rates, there might be some legislation to require them to reduce their rates again. Some districts just didn't know what to do, and set the money aside.

294 Chair Strobeck Closed public hearing on SB 123 and SJR 1. Opened public hearing on HB 2082, transportation package.

**PUBLIC HEARING re HB 2082**

312 Richard Yates Reviewed bill, section-by-section.

Page 1, Section 1, line 17: Gasoline tax increase to 28 cents

Section 2, line 8: 4 cent increase for diesel fuel tax

Section 3: Single trip, non-divisible load permit. Currently, increase number is blank.

Section 4: Deletes two weight mile tax tables; replaces it with another table

358 Yates Page 5, section 4: Optional flat fee taxes, four categories, number blank

Section 6: Deletes two tables and refers to new table

Section 7: Distribution of new money raised by tax increases re distributions to cities, counties, ODOT

382 Yates Page 7, Section 8: Registration fees

Tables, pages 7-9

Page 10: Fixed load vehicles, specially used trailers

**TAPE 116, SIDE B**

023 Yates Sections 9-13: Deal with changing weight mile tax from monthly reporting to quarterly reporting.

Page 14, section 13: Section reference change

Specifies operative date of tax increases as July 1, 2000

065 Grace Crunican Spoke in support of the measure.

Will do three things:

1. Introduction to accountability measures that Dept. of Transportation (ODOT) has put in place
2. Provide look at statewide highway system and the challenges it faces
3. Perspective on revenue

081	Crunican	<p>Referred to ODOT Listened to the Legislature and Implemented Changes (<b>EXHIBIT 27</b>). 1997 transportation bill that addressed these concerns didn't pass, but Crunican and staff tried to implement the following:</p> <ul style="list-style-type: none"> <li>• Outside Audits (will provide copies)</li> <li>• Efficiency Committee</li> <li>• Improved Productivity</li> <li>• Program Budget</li> </ul>
137	Crunican	<ul style="list-style-type: none"> <li>• Design/Build</li> <li>• Effective Service</li> <li>• Freight Policy</li> </ul>
165	Doug Tindall	<p>See paper copy of ODOT slide presentation (<b>EXHIBIT 28</b>)</p> <p>Page 1: Get Oregon out of the mud</p> <p>State highways carry 60% of traffic</p> <p>Page 2: Oregon Coast Highway ñ 350 miles of rugged terrain</p> <p>South Coast ñ Arizona Slide South of Port Orford</p> <p>Page 3: Otter Crest Scenic Loop, Newport, \$1 million</p> <p>Oregon 6, Wilson River Highway, Feb. 1996</p>
202	Tindall	<p>Page 4: Ore. 229, Siletz River Highway -- \$200,000</p> <p>I-5 sinkhole, Roseburg, \$350,000</p> <p>Page 5: Trunion repair cost ñ nearly \$3 million</p> <p>Crooked River Gorge Bridge ñ replacement costs 100 times original</p>
235	Tindall	<p>Page 6: Historic Bridges Threatened by Salt Air Corrosion</p> <p>Maintenance costs \$5,300/mile/year</p> <p>Page 7: Snow and ice removal Costs \$12.5 million/season</p>

Travel has grown 40% in 10 years

- 270 Tindall Page 8: Incidents cause 60% of urban congestion  
Hazardous Materials Cleanup ñ Part of Incident Response  
Page 9: Information keeps traffic moving  
Traffic cameras help travelers
- 307 Tindall Page 10: ODOT Safety, Accountability, Customer Service, Efficiency
- 312 Mike Marsh Page 10: Three Perspectives on Growth in Fuel Tax Revenue  
Accumulated Revenue  
Revenue with inflation  
Revenue with inflation and VMT
- 378 Rep. Witt In doing chart, why did ODOT use 1969 as comparison?
- 381 Marsh Wanted to use a time period that goes back to before revenue increases over last several years. Before 1973, revenues were stable.
- 392 Rep. Witt Is it correct that gross fuel taxes have tripled since 1985?
- 395 Marsh Correct. Explained.
- 402 Rep. Witt In terms of comparison, one can manipulate this all kinds of ways depending upon where chart is started, isn't that correct?
- 408 Marsh Chart is trying to show most objective portrayal, where there were no increases for a long period of time followed by significant increases.
- 418 Rep. Witt Asked ODOT to prepare similar chart from 1985-1998.
- 420 Marsh Will do so, although has concern that this chart would not reflect period of time when there was significant increase in congestion but no increase in tax rate.

430 Rep. Witt Follow-up questions concerning fixed costs and variable costs (construction costs).

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**TAPE 117, SIDE B**

028 Rep. Witt If roads are 30% under capacity, when vehicle miles traveled increase 20%, that was a fixed cost. State may have to do additional maintenance, but construction cost was fixed.

031 Crunican Gave example of Highway 1822: Highway can handle capacity, but when traffic volumes increase, accidents increase. ODOT is not increasing size of highway, but has added safety concerns which results in safety construction projects. This adds impact on construction budget.

049 Rep. Welsh Concerning 1985-97 time period (slide, page 10) ñ Why wouldn't 200% cover increased in revenues for inflation, as well as make up for 1973-85.

063 Marsh Correct, in period since 1985, corrections would be more than 5% inflation; in 1970s, rates were 13%. Takes long period of time to make up for losses.

078 Crunican Charts started in 1985 because in late 1970s and early 1980s, inflation was high. ODOT hadn't had increases, so had to try to make up for loss. Cost of asphalt increased significantly, condition ratings of roads were going down. Some of these roads only get paved every 15-20 years. Late 1980s, ODOT had to do a lot of catch-up work.

101 Rep. Witt Asked for comparison of current revenues per vehicle mile traveled compared neighboring states.

110 Crunican Will do comparison with Washington and Utah or Colorado.

129 Chair Strobeck Lawmakers must return to their constituents and tell them what they will get for the 4-6 cent increased tax. Asked Crunican to provide that information.

137 Crunican In general terms, adopted highway plan calls for additional \$40 million annually into safety preservation bridge and operations before doing any modernization projects. First \$25-30 million would be to sustain condition ratings and do maintaining of bridges, etc.

169 Crunican In proposal from Sen. Montgomery's district, ODOT would receive 32 of funds, not 50-60%. Total \$50 million first two years.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 123, Bryant, Proposed Amendments to A-Engrossed Senate Bill 123 (SB 123-A7), 2 pp.
2. SB 123, Yih, Oregon State Senate, testimony of Sen. Mae Yih, 3 pp.
3. SB 123, Yih, Proposed Amendments to A-Engrossed Senate Bill 123 (SB 123-A9), 1 p.
4. SJR 1, Yih, Oregon State Senate, testimony of Sen. Mae Yih, 1 p.
5. SB 123, Krepf, Value Change Notice, Richard D. Porter, Sweet Home, 1 p.
6. SB 123, SJR 1, Kiewel, Testimony on SB 123 and SJR 1, 5 pp.
7. SB 123, SJR 1, Gantt, testimony of Grace Gantt, 1 p.
8. SB 123, SJR 1, Noakes, Testimony on Senate Bill 123 and Senate Joint Resolution 1, 1 p.
9. SB 123, SJR 1, Burright, Linn County sheriffs Office, David K. Burright, Sheriff, 4 pp.
10. SB 123, Martin-Mahar, SB 123 ñ Permanent Rate Adjustments, 8 pp.
11. SB 123, Legislative Fiscal Office, no expenditure Fiscal Impact Assessment, 1 p.
12. SB 123, Martin-Mahar, Districts With Local Option Levies in 1997-98, 1 p.
13. SB 123, Martin-Mahar, City of Bend and Bend 2 RFPD, 3 pp.
14. SB 123, Martin-Mahar, chart, SB 123 ñ Effect on Linn County, 4 pp.
15. SB 123, SJR 1, Martin-Mahar, SB 123-Main Points; Senate Joint Resolution 1-Main Points, 2 pp.
16. SB 123, Martin-Mahar, Staff Measure Summary, 2 pp.
17. SB 123, Martin-Mahar, Revenue Impact of Proposed Legislation for SB 123-A, 3 pp.
18. SB 123, Bryant, letter to Sen. Neil Bryant from Wallace J. Smith, 1 p.
19. SB 123, Martin-Mahar, Why Property Taxes Went Up In Linn County, 2 pp.
20. SJR 1, Martin-Mahar, Revenue Impact of Proposed Legislation for SJR 1-A, 2 pp.
21. SJR 1, Martin-Mahar, Staff Measure Summary, 1 p.
22. HB 2082, Yates, Staff Measure Summary, 1 p.
23. HB 2082, Yates, Fiscal Analysis of Proposed Legislation, 2 pp.
24. HB 2082, Yates, Staff Measure Summary, 2 pp.
25. HB 2082, Yates, Oregon Tax Research, letter to Rep. Bob Montgomery, 2 pp.
26. HB 2082, Yates, City of Medford, letter to Chair Strobeck, 3 pp.
27. HB 2082, Crunican, ODOT Listened to the Legislature and Implemented Changes, 1 p.
28. HB 2082, Crunican, ODOT Highway Operation Overview slide presentation, 11 pp.