

## COMMITTEE BUSINESS

# PUBLIC HEARING

**HB 2832,3359,3353,3376,2340,2125**

TAPES 105-106 A-B; 107-108 A

**HOUSE REVENUE COMMITTEE**

**APRIL 11, 2005 1:00 PM STATE CAPITOL BUILDING**

Members Present:

Tom Butler, Chair

Rep. Vicki Berger, Vice-Chair

Rep. Sal Esquivel

Rep. Larry Galizio

Rep. Betty Komp

Rep. Andy Olson

Rep. Chuck Riley

Member Excused: Rep. Brian Boquist  
Rep. Mark Hass

Witnesses Present:

Gil Riddell, Assn. of Oregon Counties (AOC)

Mark Noakes, Assessor, Linn County & Org. of County Assessors

John Phillips, Dept. of Revenue (DOR)



Pat Egan, Port of Portland

Brant Wolf, Oregon Telecommunications Assn. (OTA)

Eileen Benner, Time-Warner Telecommunications & Eschelon  
Telecom, Inc.

Schelly Jenson, Governmental Affairs, Verizon

Brian DeLashmutt, Nextel Communications

David Hagedorn, T-Mobile

Elise Brown, Cingular Wireless

Mike Dewey, Oregon Cable Telecommunications Assn. (OCTA)

David Barenberg, League of Oregon Cities (LOC)

Helen Berg, Mayor, City of Corvallis & President, (LOC)

Kitty Piercy, Mayor, City of Eugene

Shari Anderson, OR Assn. of County Treasurers

William Lewis III, Springfield Public Schools

Michelle Hawkins, Treasurer, Linn County

Tiane Soulatha, U.S. Bank

Tim Martinez, OR Bankers Assn. (OBA)

Genoa Ingram, Oregon Fire District Directors Assn.

Jeff Johnson, Fire Chief, Tualatin Valley Fire & Rescue District

Robert Blackmore, Attorney, Counsel for Tualatin Valley Fire Dist.

Tamara Blackman, Oregon Employment Dept.

Pat Delaval, Oregon Employment Dept.

Staff Present:

Paul Warner, Legislative Revenue Officer

Mazen Malik, Economist



Mary Ayala, Economist

Kristi Bowman, Committee Assistant

**TAPE 105, SIDE A**

002 Chair Butler Calls meeting to order at 1:07 p.m.

OPENS WORK SESSION FOR COMMITTEE BUSINESS

011 Rep. Esquivel MOTION: THE COMMITTEE REQUESTS A BILL BE DRAFTED  
TO COMPLETE THE COMMITTEE'S WORK PLAN.

015 Chair Butler THERE BEING NO OBJECTION, THE CHAIR SO ORDERS.

CLOSES WORK SESSION FOR COMMITTEE BUSINESS

OPENS PUBLIC HEARING FOR HOUSE BILL 2832

030 Mary Ayala



Gives overview of HB 2832 (Exhibit 1). The bill provides a five year special assessment for property tax purposes for certain renovations of residential property. Refers to revenue impact statement (Exhibit 2).

- |     |               |  |
|-----|---------------|--|
| 048 | Gil Riddell   | General comments on HB 2832. Riddell consulted with Noakes for feedback on the assessment and how it would be administered.  |
|     |               |  |
| 057 | Mark Noakes   | Comments that the term “renovation” needs to be further defined. The Org. of County Assessors states that assessors will need increased staff to administer the program. Some counties without historical properties do not have the ability to assess improvement value versus land value. Comments that this is an exemption program, not an assessment program. |
|     |               |  |
| 103 | Chair Butler  | Asks what public purpose is being served by this bill.   |
|     |               |  |
| 113 | Noakes        | Responds that the county assessors do not know the public purpose.   |
|     |               |  |
| 119 | John Phillips | Gives informational testimony for HB 2832. The term “renovation” and other terms used in lines 1-10 in the bill need clarification. Adds that the bill borders on the DOR establishing tax policy on a rule-making level. The bill does not state the amount of renovation needed in order to qualify for the exemption.   |
|     |               |  |
| 135 | Chair Butler  | Comments on terms needing further clarification.   |



CLOSES PUBLIC HEARING FOR HOUSE BILL 2832

OPENS PUBLIC HEARING FOR HOUSE BILL 3359

159 Ayala Gives overview of HB 3359 (Exhibit 3). The bill exempts property tax of aircraft used or held for use by foreign-owned carriers.

180 Pat Egan Submits written testimony (Exhibit 4) in support of HB 3359. Discusses taxation issues of international airlines operating out of Portland International Airport. HB 3359 connects Oregon to federal tax law.

236 Phillips Gives informational testimony on HB 3359. This bill will clarify the current statute to include international airlines.

CLOSES PUBLIC HEARING FOR HOUSE BILL 3359

OPENS PUBLIC HEARING FOR HOUSE BILL 3353

260 Ayala Gives overview of HB 3353 (Exhibit 5). The bill prohibits local governments from imposing fees or taxes, except a privilege tax,



upon telecommunications providers. Refers to the revenue impact statement (Exhibit 6).

297 Brant Wolf Testifies in support of HB 3353. Submits written testimony (Exhibit 7). Discusses various taxes on telecommunications (telecom) providers imposed by different municipalities. States that HB 3353 would clarify what the intent of the original legislation was, which was to cap the fee at 7% that cities can collect. The bill is not intended to preempt the franchise fee. Comments that the length of contracts negotiated with telecom providers should be between 10 and 15 years. Discusses language on page 2, line 28 that needs to be retained instead of deleted as stated in the bill.

399 Eileen Benner Testifies in support of HB 3353. Submits written testimony (Exhibit 8). Comments that the current statute specifies “incumbent” telecom carriers, and does not include competitive carriers that are being taxed at a different rate. This bill would change the statute term “carrier” and replace it with the term “provider.” Discusses other reasons for support outlined in written testimony.

#### **TAPE 106, SIDE A**

040 Benner Finishes testimony in support of HB 3353.

047 Schelly Jensen Testifies in support of HB 3353. Comments that Verizon has no objection to paying for right-of-way, but they don’t want to become tax collectors for cities.

060 Rep. Berger Asks Wolf about language on page 2, section 4 [paragraph 3]. regarding the length of contract.



- 065 Wolf Responds that a longer contract period is preferred because if the franchise fee is at the cap of 7%, a provider does not want to pay for negotiating a new contract. If a provider is under the 7% cap, the company would also want to lock-in the rate for a longer period of time.
- 082 Rep. Berger Because of the vague HB 3353 language “as determined by the Oregon Municipal Debt Advisory Commission,” the length of contract time is indeterminate. Suggests more specific language for this paragraph.
- 093 Chair Butler Comments that cities can tax up to 7% but customers should know what they are paying for. Asks Wolf for more information on the fees.
- 103 Wolf Responds that at one time when a local telephone company was charging the full 7%, 4% was buried in the phone bill charges. Anything over the 4% could be listed on the bill as a franchise fee by the city. The OTA discussed the situation with the Oregon Public Utility Commission (PUC) and now the local phone company can list the full 7% on their bills.
- 121 Chair Butler Comments about local fees imposed by some cities in order to generate revenue. Asks if general fees are ever voted on.
- 130 Wolf Responds that he is not aware of any local ballot measures regarding general fees.



- 134 Rep. Galizio Asks if cities are motivated to prevent certain providers from competing for telecom services. Expresses concerns about monopoly situations.
- 151 Wolf Responds that he does not believe that cities deliberately prohibit competition between telecom carriers.
- 154 Benner Concurs with Wolf's comments. Because of current statute language involving incumbent carriers, cities may have unintentionally become anti-competitive because of the differences in taxation between incumbent and competitive carriers.
- 170 Chair Butler Comments that if cities are using these fees as revenue generators, could people contract with an out-of-state firm for telecom services other than the one contracted by the city.
- 184 Benner Responds that the PUC must certify providers that provide intra-state service, defined as calls placed and terminated within the state. Adds that there are ways to get around the law as written with the use of calling cards, satellite, or wireless.
- 200 Chair Butler Comments about the need to define the scope of the telecom services provided to municipalities and the fees associated with the services.
- 202 Wolf Comments about the impact of wireless and internet phone service.



- 222 Brian DeLashmutt Testifies in support of HB 3353 because of local jurisdictions' use of gross receipts taxes in lieu of franchise fees on traditional hard-wire phone companies. Discusses fees currently paid by wireless companies and the impact of the new taxes imposed on wireless providers.
- 260 David Hagedorn Testifies in support of HB 3353 and concurs with Wolf's testimony.
- 264 Elise Brown Testifies in support of HB 3353. Comments that wireless companies already pay interconnection and real estate fees, which are leasing arrangements on public or private property for cell towers.
- 284 DeLashmutt Discusses other taxes that wireless providers pay in addition to the fees stated by Brown.
- 310 Mike Dewey Testifies in support of HB 3353. Discusses upcoming vote in Springfield pertaining to new fees and taxes. Adds that the telecom industry would like a 15 year contract term in order to recoup costs. Discusses changes in the industry—mergers, wireless companies, and the cable companies entering the telephone industry by using their internet lines. Discusses different fees charged by various Oregon cities. The cable companies support paying for right-of-way. As the cable market share goes down because of satellite competition, cities lose revenue. Comments that satellite programmers do not pay the same fees as cable companies do, and federal law prohibits local governments from taxing satellite providers. The OCTA sees HB 3353 as a competitive issue.



022	Chair Butler	Comments about “bundling” telecom services.
029	Dewey	Discusses the rates paid by various types of providers. HB 3353 provides consistency and uniformity.
049	David Barenberg	Introduces mayors of Corvallis and Eugene. Gives background of issues raised by telecom providers. Testifies against HB 3353 because cities should retain control to charge fees and taxes. Discusses decline of revenues due to wireless use. Refers to page 2, line 34 of the bill that seems to say that providers are not required to pay any “additional tax or fee,” which could refer to property taxes. Recommends a change in that language. Discusses the state’s authority to tax satellite providers. The LOC believes that this bill is unnecessary and that fees should be a local decision.
164	Helen Berg	Testifies against HB 3353 on behalf of the LOC. Comments that it is a city’s responsibility to collect revenues to provide public services not only to local citizens but also to telecom providers. Advocates a level playing field in the charging of fees. Local control provides accountability and voter approval. Franchise fees have been the second highest source of revenue after property taxes. Comments on the proposed SB 1030 that would grandfather franchise fees. Adds that the state should not limit city authority.
245	Kitty Piercy	Testifies against HB 3353 and reads verbatim from written testimony (Exhibit 9).
353	Rep. Galizio	Asks: 1) about the reference source used for the statement that OR has the third-lowest fees; 2) should cities take issue with hidden fees as stated in testimony by Wolf.
369	Barenberg	



Responds that he will supply information to the committee on fees charged by cities. Regarding the hidden fee issue, the PUC made a ruling a number of years ago that 4% was “a cost of doing business” and allowed that amount to be embedded in the phone rates. The PUC now allows the phone company to disclose the full fee amount on the customer’s bill statement.

396 Rep. Esquivel Comments on public hearings pertaining to franchise fees and the benefit of public feedback.

425 Chair Butler Asks about the upcoming ballot issue in Springfield.

431 Barenberg Responds that different communities handle the fee issue differently—some use ballot measures and others use public hearings. Discusses Springfield’s approach on utility fees.

**TAPE 106, SIDE B**

029 Chair Butler General comments pertaining to competition from wireless and satellite providers and the right of voters to vote on fees.

052 Barenberg Responds that changing technology issues will play out in federal legislation and there may eventually be state taxation on wireless and satellite providers.

064 Chair Butler Comments about Springfield’s proposal of a flat 5% fee on all telecom services.



- 066 Barenberg Discussion with Chair Butler on local control issues and telecom fees.
- 100 Chair Butler Comments about the need to define the fee structure and services provided for the benefit of all citizens.
- 111 Rep. Komp Comments that telecom fees are a huge issue. Comments that if cities and businesses do not come up with a solution, then the state may need to step in.

CLOSES PUBLIC HEARING FOR HOUSE BILL 3353

OPENS PUBLIC HEARING FOR HOUSE BILL 3376

- 142 Paul Warner Gives overview of HB 3376 which replaces detailed language with expanded rule-making authority by the Treasury in order to protect public deposits (Exhibit 10). The bill allows the State Treasurer to define “collateral” and establish amounts for the purpose of securing deposits of public funds. There is a fiscal impact and the Treasurer’s office has concerns about some of the drafted language. An amendment will be added to make the necessary corrections.



- 153 Shari Anderson Testifies in support of HB 3376 because it will protect public funds. Submits written testimony (Exhibit 11).
- 220 Chair Butler Questions and answers interspersed with Anderson regarding public fund transfers.
- 262 William Lewis Testifies in support of HB 3376. Discusses problems with compliance issues in the current law. The bill provides the opportunity to have 100% protection of public funds, and it will support the local economy by putting district money into local banking institutions.
- 292 Michelle Hawkins Testifies in support of HB 3376 in order to collateralize 100% of public funds. Testifies on behalf of small county Treasurers and discusses the impact of a potential bank failure in rural areas.
- 371 Tiane Soulatha Testifies in support of HB 3376. Reads verbatim from written testimony (Exhibit 12).

**TAPE 107, SIDE A**

- 050 Soulatha Finishes the verbatim reading of her written testimony.
- 063 Chair Butler Asks Warner about amendments that will bring OR into conformity with federal laws pertaining to telecom taxes.



067 Warner Responds that there are some language inconsistencies in the bill pertaining to definitions and references, and amendments will be drafted to address them.

071 Tim Martinez Testifies in support of HB 3376 on behalf of the OBA. Comments that the OBA assures the committee that public funds are secure. Discusses safety measures currently in place regarding public funds. Discusses issues affecting community banks.

CLOSES PUBLIC HEARING FOR HOUSE BILL 3376

OPENS PUBLIC HEARING FOR HOUSE BILL 2340

141 Ayala Gives overview of HB 2340 (Exhibit 13). The bill authorizes a rural fire district board to create fees for services provided by the fire district. Comments that there is no uniform application of fees. Refers to revenue impact statement (Exhibit 14). Fees that are being considered are for services such as inspections and hazardous-material or CPR classes.

196 Genoa Ingram Testifies in support of HB 2340 and submits written testimony (Exhibit 15). Comments about confusion on the part of rural fire districts regarding liability issues about fees charged. Discusses the types of fees charged: Emergency Medical Technician calls, vehicle inspections, and ambulance transport.



255	Jeff Johnson	Testifies in support of HB 2340 because fees create opportunities to provide incentives for good behavior in the fire community, such as responding to nuisance alarm service calls. Rural districts could maintain a stand-by team in order to satisfy commercial requirements, saving businesses money. Does require adoption by local community.
304	Robert Blackmore	Testifies in support of HB 2340. Explains the fee structure for fire districts. This bill would clarify the authority of rural fire districts to charge fees.
343	Chair Butler	Asks how the fees will not exceed the costs of services provided.
350	Blackmore	Responds that language in section 4 would provide the limitations. The term “cost” is not defined in the bill, but would be determined by general accounting principles or possibly by the courts.
378	Johnson	Adds that costs are not specified in the bill because they differ among rural fire districts. Discusses the “reasonableness factor” regarding the definition of costs discussed during public hearings.
400	Chair Butler	General comments about not specifying “costs” in the bill.
417	Ingram	Comments that rural districts are looking for the same fee structure as charged by neighboring municipal districts.



**TAPE 108, SIDE A**

- 014 Blackmore Adds that municipal districts use home-rule authority which means that those districts can establish their fee structure. For rural districts, there must be public hearings to establish the fee structure.
- 021 Johnson Comments about existing rules and costs regarding different services: Emergency Services, ambulance transport and wildland firefighting.
- 050 Ingram Comments about a survey with other rural fire districts who said they were concerned about their authority to adopt the State Fire Marshall fee schedule. Their main concern was that other special districts like libraries have the ability to charge fees but fire districts do not.

CLOSES PUBLIC HEARING FOR HOUSE BILL 2340

OPENS PUBLIC HEARING FOR HOUSE BILL 2125

- 084 Mazen Malik Gives overview of HB 2125 (Exhibit 16). The bill adds missing language to ORS 657.327, holding Indian tribes to the same standards applied to local governments that pay Unemployment Insurance taxes for extended benefits. Adds that the revenue impact is minimal.
- 120 Tamara Blackman In response to a question from Chair Butler, clarifies that there are nine federally recognized tribes in the state, but there are several different tribal entities, e.g., tribal casinos.



128 Pat Delaval Testifies in support of HB 2125. Submits written testimony (Exhibit 17). Discusses the purpose of the bill, the background, the effects, and other considerations.

163 Chair Butler Asks if there has been previous negative testimony from the General Government Committee or any of the tribes in opposition to HB 2125.

165 Pat Delaval Responds that there has been no negative response received.

173 Blackman Comments that there have been no negative comments or concerns expressed to the Employment Dept.

CLOSES PUBLIC HEARING FOR HOUSE BILL 2125

183 Chair Butler Adjourns meeting at 3:39 p.m.

Tape Log Submitted by:

Reviewed by:



Kristi Bowman, Committee Assistant

Kim Taylor James, Committee  
Coordinator

Exhibit Summary:

1. 1. HB 2832, Staff Measure Summary, Ayala, 1 pg., 04/08/05
2. 2. HB 2832, Revenue Impact Statement, Ayala, 1 pg., 04/08/05
3. 3. HB 3359, Staff Measure Summary, Ayala, 1 pg., 04/08/05
4. 4. HB 3359, Testimony, Egan, 1 pg., 04/11/05
5. 5. HB 3353, Staff Measure Summary, Ayala, 1 pg., 04/08/05
6. 6. HB 3353, Revenue Impact Statement, Ayala, 1 pg., 04/08/05
7. 7. HB 3353, Testimony, Wolf, 1 pg., 04/11/05
8. 8. HB 3353, Testimony, Benner, 1 pg., 04/11/05
9. 9. HB 3353, Testimony and Handouts, Piercy, 11 pp., 04/11/05
10. 10. HB 3376, Staff Measure Summary, Warner, 1 pg., 04/11/05
11. 11. HB 3376, Testimony, Anderson, 1 pg., 04/11/05
12. 12. HB 3376, Testimony, Soulatha, 2 pp., 04/11/05
13. 13. HB 2340, Staff Measure Summary, Ayala, 1 pg., 04/11/05
14. 14. HB 2340, Revenue Impact Statement, Ayala, 1 pg., 04/11/05
15. 15. HB 2340, Testimony and Handouts, Ingram, 9 pp., 04/11/05
16. 16. HB 2125, Staff Measure Summary, Malik, 1 pg., 04/11/05
17. 17. HB 2125, Testimony, Delaval, 2 pp., 04/11/05