

# HOUSE COMMITTEE ON GOVERNMENT EFFICIENCY

February 22, 2001  
8:30 AM

Hearing Room D  
Tapes 21 - 22

**MEMBERS PRESENT:**     Rep. Jerry Krummel, Chair  
                              Rep. Chris Beck, Vice-Chair  
                              Rep. Patti Smith, Vice-Chair  
                              Rep. Alan Brown  
                              Rep. Bill Garrard  
                              Rep. Jim Hill  
                              Rep. Deborah Kafoury  
                              Rep. Jeff Kruse  
                              Rep. Steve March  
                              Rep. Carolyn Tomei  
                              Rep. Kelley Wirth

**STAFF PRESENT:**        Cara Filsinger, Committee Administrator  
                              Patrick Brennan, Committee Assistant

**MEASURE/ISSUES HEARD:**     **HB 2022 Work Session**  
                                  **HB 2734 Public Hearing**  
                                  **SB 283 Public Hearing and Work Session**  
                                  **SB 285A Public Hearing and Work Session**

---

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

---

<u>TAPE/#</u>	<u>Speaker</u>	<u>Comments</u>
<b>TAPE 21, A</b>		
004	Chair Krummel	Calls the meeting to order at 8:36 a.m. Opens a work session on HB 2022.
<b><u>HB 2022 WORK SESSION</u></b>		
008	Chair Krummel	Indicates that the -1 amendments ( <b>EXHIBIT A</b> ) have been provided for the committee's consideration.
014	John Phillips	Oregon Department of Revenue (ODR). Testifies in support of the -1 amendments to HB 2022. Says the amendments are consistent with the discussion that took place at the previous committee meeting.
030	Rep. Beck	<b>MOTION: Moves to ADOPT HB 2022-1 amendments dated 2/15/01.</b>
033		<b>VOTE: 7-0-4</b> <b>EXCUSED: 4 - Hill, Kafoury, Kruse, Wirth</b> <b>Hearing no objection, declares the motion CARRIED.</b>
034	Chair Krummel Rep. Beck	<b>MOTION: Moves HB 2022 to the floor with a DO PASS AS AMENDED recommendation.</b>
036		<b>VOTE: 8-0</b> <b>EXCUSED: 3 - Kafoury, Kruse, Wirth</b> <b>Hearing no objection, declares the motion CARRIED.</b>
038	Chair Krummel Rep. Tomei	<b>MOTION: Moves HB 2022 be placed on the Consent Calendar for floor consideration.</b>
041	Rep. Hill	States that the measure may be controversial enough to warrant floor discussion and should not be placed on the Consent

		Calendar.
<b>043</b>	<b>Rep. Tomei</b>	<b>Withdraws the motion.</b>
<b>044</b>	<b>Chair Krummel</b>	<b>REP. GARRARD will lead discussion on the floor.</b>
045	Chair Krummel	Closes the work session on HB 2022 and opens a public hearing on HB 2734.
<b><u>HB 2734 PUBLIC HEARING</u></b>		
050	Dave Hunnicutt	Oregonians In Action (OIA). Testifies in support of HB 2734 <b>(EXHIBIT B)</b> . Describes the process by which Local Improvement Districts (LIDs) are created. Describes the process by which cost estimates and spreads are estimated.
104	Hunnicutt	Provides a hypothetical example describing the creation of a LID. Explains that spreads vary depending upon the estimated benefit to each landowner. Indicates that landowners can oppose the formation of a LID at the start of the process if they determine that the improvements will not be worth the cost allocated to them.
147	Hunnicutt	States that HB 2734 prevents changing the cost spread for a LID after the objection period has passed. Says that currently city councils have the ability to alter the spread, effectively changing the terms of the original agreement. Clarifies that the bill does not prohibit changing the spread, just makes it more difficult. Asserts that the bill provides reassurance to landowners trying to decide whether to participate in a LID that the assessment will not be changed.
200	Hunnicutt	Continues discussing the bill's limitation on altering the spread assessment, saying that there are rarely sufficient grounds for doing so.
217	Rep. Hill	Requests confirmation that 60 percent of affected landowners must agree to a LID before one can be created. Wonders how drastic a change could occur in a spread. Requests an explanation of the methodology for changing the assessment in the particular case in question.
235	Gordon Martin	Tigard. States that in 1985 the city used a zone method of assessment for the creation of a LID, which assessed the land closer to the road at a higher rate. Indicates that the first assessment was voided, but that a new formula was adopted in 1991, which redistributed the cost on a per-square-foot basis, placing a higher burden on his property.
266	Rep. Hill	Inquires whether Mr. Martin's objection to the process at the beginning would have halted the formation of the LID.
272	Martin	Replies negatively, explaining that his was only a minority interest at the time.
277	Hunnicutt	Mentions that the measure changes other portions of the LID statute, specifically ORS 223.410. Says local governments are given options as to how to adjust assessments. Reiterates that the purpose of the measure is to prevent local governments from changing spreads. Expresses willingness to work out compromise with the bill's opponents and bring back amendments.
331	Rep. Garrard	Remarks that oftentimes when local governments make estimates as to the cost of a project they are inaccurate. Inquires whether HB 2734 limits the ability of local governments to make rough initial estimates regarding the cost of improvements that require formation of a LID.

342	Hunnicutt	Clarifies that the measure deals specifically with the spread of the total cost, not the cost itself. Acknowledges that projects sometimes run into cost overruns that proportionally increase the cost to each landowner in a LID. States that HB 2734 is concerned primarily with preventing a proportional shift from one landowner to another within a LID after its formation.
371	Rep. Brown	Requests confirmation as to whether landowners are given the choice whether to participate in LID formation.
377	Hunnicutt	Replies affirmatively, adding that this measure addresses the ability of local governments to change the initial agreement after landowners have lost the ability to opt out.
<b>TAPE 22, A</b>		
004	Rep. Brown	Concludes that property owners have the potential to get stuck for significantly more than they agreed to.
007	Hunnicutt	Concurs, adding that Mr. Martin saw a cost increase of nearly \$1 million.
011	Rep. Tomei	Inquires how Mr. Martin's case would have been different had HB 2734 been in effect at that time.
014	Hunnicutt	Explains that the city of Tigard would have been required to form a new LID in order to reallocate the cost burden, especially considering that a new allocation formula was being used. Notes that the development in question turned out very different from the one originally planned, which resulted in the burden being shifted. Indicates that lawsuits are the only recourse in cases where the burden was unfairly reallocated.
053	Rep. Wirth	Inquires whether the reallocation in question was made at the request of one of the affected landowners.
061	Martin	Recalls that the first challenge to the Tigard LID was in 1986, resulting in an adjustment using the same zonal method that determined the original spread. Indicates that the second challenge was made in 1990 and incorporated the gross area method of cost determination. Says that the switch from zonal to gross area methods resulted in his spread increasing from 20 percent to 35 percent.
084	Rep. Wirth	Asks whether the city switched to the gross area method because the zonal method was defeated in court.
088	Martin	Replies that the zonal method had been readopted in 1988, but was struck down in a hearing in favor of the gross area method. States that when the Tigard City Council heard the matter they were given the impression that it was a simple choice between two relatively equal allocation methods. Asserts that the change was made on a whim.
109	Rep. Wirth	Asks whether the reassessment was performed at the request of one of the affected landowners, who no doubt benefited from the change.
117	Martin	Responds that one of the affected landowners hired an engineer to perform a new assessment, which was subsequently adopted.
122	Rep. Wirth	Wonders how often such reallocations result in spread changes.
128	Hunnicutt	Replies that no one keeps such statistics.
130	Martin	Says that he spoke to a LID consultant who could not recall a single instance of reallocation after the initial agreement was agreed to in all his years of practice.
146	Rep. Wirth	Says she was not aware of any cases, either. Asks for an example of a substantial public interest or inequity that the

		measure addresses.
155	Hunnicutt	Comments that the Oregon Supreme Court has determined that if a LID exceeds the initial cost estimate by more than 125% the process must be halted. Presumes that similar situations in the future will be determined on a case-by-case basis. Asserts that a LID could be altered if it were clear that the ordinance was drafted improperly, but the affected landowners should still be able to expect that the allocation percentages would remain about the same.
200	Rep. Wirth	Expresses concern that the bill does not give guidance to cities as to what would be a good reason for altering the allocation scheme. Asks how long it usually takes between formation of a LID and completion of a project.
210	Hunnicutt	Replies that in most cases the process moves fairly rapidly, though in the Martin's case it was 14 years.
213	Martin	Mentions that he has heard of the process taking as little as 14 months, though the average is approximately 2 ½ years, depending on the size of the project.
224	Hunnicutt	Concurs that the size and scope of the project is the primary determinant of how long the overall process takes.
226	Rep. Wirth	Says that the only valid reason that comes to mind for changing allocation schemes would be if the land in question were rezoned. Wonders if passage of this measure might preclude such rezoning.
243	Hunnicutt	Replies affirmatively. Says that LIDs are formed based on the facts as they are when the agreement is reached. Asserts that landowners should not be expected to look into the future as to how the development plans might change.
257	Rep. Wirth	Concludes that rezoning would be necessary to justify a change in the allocation.
259	Hunnicutt	Clarifies that rezoning was not an issue in the Martin case.
261	Martin	Indicates that in his case the land in question was zoned for retail throughout the process. Argues there should be a new formation hearing should the rules change, so that landowners can decide whether to use a new methodology.
284	Rep. Wirth	Asks how the infrastructure improvements differed from LID formation to the final result in Mr. Martin's case.
289	Martin	Describes the road improvements in his case and says that there was a change in the design, but asserts that the allocation should not have been changed without forming a new LID.
311	Rep. Garrard	Asks for examples of valid reasons why local governments might want to change an allocation scheme.
315	Hunnicutt	Reiterates that such changes are relatively unprecedented, save for an occasional clerical error in the LID itself.
325	Chair Krummel	Says that since LIDs charge landowners according to the benefit they receive, adding that in most cases a zoning change would not alter the proportional benefit.
337	Rep. Brown	Asserts that landowners should be held only to the terms they agreed to initially.
340	Rep. Beck	Wonders whether there are additional cases where this has been a problem or whether the bill is designed to address a single case.
348	Hunnicutt	Responds that he is unaware of other cases but says that should not necessarily preclude the committee from addressing the problem.

354 Rep. Beck Agrees. Stresses the importance of the committee receiving more factual details from the City of Tigard on why the formula was changed before making a law to prevent it.

390 Michelle Deister League of Oregon Cities (LOC). Testifies in opposition to HB 2734 (**EXHIBIT C**). States that the measure would prevent local governments from making a change to a LID even if it was in the public interest to do so. Says the measure also creates the potential for unnecessary litigation.

**TAPE 21, B**

013 Rep. Garrard Requests a hypothetical example of why an assessment might be changed.

018 Deister Reiterates that such cases are almost totally unprecedented. States that the purpose of LIDs is to assign costs in proportion to the benefits that will be received by a project. Says that Sections 4-7 of the bill speak to the fact that there are currently opportunities to object to a reassessment, but that OIA has taken the position that the adjustments in those cases are not considered reassessment.

034 Rep. Garrard Asks why LOC objects to a law that governs a situation that never occurs.

036 Deister Acknowledges that the scope of the measure is limited, but says that as it places limitations on cities to manage their business LOC has an objection.

054 Chair Krummel Closes the public hearing on HB 2734 and opens a public hearing on SB 283.

**SB 283 PUBLIC HEARING**

060 Carol Rives Administrator, Board of Accountancy. Testifies in support of SB 283 (**EXHIBIT D**). States that the measure allows municipal corporations to develop, install, and revise accounting systems themselves or with the assistance of consultants other than licensed municipal auditors. Indicates the measure has the potential for fiscal impact, but is currently too unpredictable to estimate.

094 Chair Krummel Requests confirmation whether most municipal corporations typically hire accountants to serve as budget manager or chief financial officer (CFO).

099 Rives Answers that the decision to hire a certified accountant is made based upon the size of the municipality. Clarifies that all cities are required to hire an auditor for annual audits, adding that those auditors often provide small municipalities with the resources to perform the duties themselves.

114 Rep. Kafoury Asks what the final Senate floor vote was on the measure.

117 Filsinger Indicates that the vote in the Senate was 28-0, with two members excused.

121 Rep. Wirth Wonders whether there is benefit to using municipal auditors to ensure interface capability between systems.

127 Rives Replies that the auditor is available on an annual basis, so that benefit would not be lost by the change this bill makes.

136 Chair Krummel Closes the public hearing and opens a work session on SB 283.

**SB 283 WORK SESSION**

142 Rep. Beck **MOTION: Moves SB 283 to the floor with a DO PASS recommendation.**

145 **VOTE: 10-0-1**  
**EXCUSED: 1 - Hill**

147 Chair Krummel  
Rep. Tomei **Hearing no objection, declares the motion CARRIED.**  
**MOTION: Moves SB 283 be placed on the Consent Calendar  
for floor consideration.**

153 **VOTE: 10-0-1**  
**EXCUSED: 1 - Hill**

156 Chair Krummel  
Chair Krummel **Hearing no objection, declares the motion CARRIED.**  
Closes the work session on SB 283 and opens a public hearing  
on SB 285A.

**SB 285A PUBLIC HEARING**

158 John Beaulieu Department of Geology and Mineral Industries (DOGAMI).  
Testifies in support of SB 285A (**EXHIBIT E**). States that all  
states and countries have geology departments that provide  
unbiased scientific information in a cost-effective manner. Says  
DOGAMI's board consists of three members who set out the  
strategic plan, pass rulemaking, and provide a conduit for public  
input. Explains that additional board members would allow  
greater service to the public, the ability to form subcommittees,  
and would overcome the inability of two members to discuss  
issues without violating open meeting laws. Expresses interest in  
avoiding statutory requirements for board member selection that  
might limit who can be appointed.

202 Rep. Kruse Acknowledges the need to increase the size of the board to  
overcome the logistical problem presented by the open meeting  
laws.

207 Rep. March Concurs with Rep. Kruse. Asks whether a five-member board  
would represent five specific geographic regions.

213 Beaulieu Responds that different areas of the state become the focus of  
attention for DOGAMI at different times, depending on natural  
occurrences or work projects that may be occurring. Says he  
cannot name five geographic regions, but adds that there is a list  
of people interested in serving and that selections can be made in  
such a way that provides geographic balance.

233 Rep. March Inquires where the three current board members are from.

236 Beaulieu Answers that one is from Northeast Oregon, while the other two  
reside in Salem. Clarifies that the latter two are from Eastern  
Oregon and the Oregon Coast, respectively.

254 Rep. Garrard Says that Klamath Falls has worked a great deal with DOGAMI  
and expresses appreciation for their help in preparing for  
potential disasters.

262 Beaulieu Says that DOGAMI had no connection with Klamath Falls for  
quite some time prior to the recent earthquake.

284 Linda Bye Oregon Concrete and Aggregate Producers Association  
(OCAPA). Testifies in support of SB 285A. Echoes Mr.  
Beaulieu's testimony and acknowledges the problem posed by  
the open meeting laws for a three-member board

298 Chair Krummel Points out that the State Land Board has a similar problem.  
Closes the public hearing and opens a work session on SB 285.

**SB 285A WORK SESSION**

310 Rep. Beck **MOTION: Moves SB 285A to the floor with a DO PASS  
recommendation.**

314 **VOTE: 10-0-1**  
**EXCUSED: 1 - Hill**

Chair Krummel **Hearing no objection, declares the motion CARRIED.**

318	<b>Rep. Tomei</b>	<b>MOTION: Moves SB 285A be placed on the consent calendar for floor consideration.</b>
323	Rep. Beck	Suggests that the measure should receive floor discussion.
<b>330</b>	<b>Rep. Tomei</b>	<b>Withdraws the previous motion.</b>
<b>338</b>	<b>Chair Krummel</b>	<b>REP. BECK will lead discussion on the floor.</b>
340	Chair Krummel	Closes the work session on SB 285A and adjourns the meeting at 9:55 a.m.

Submitted By,

Reviewed By,

Patrick Brennan,  
Committee Assistant

Cara Filsinger,  
Committee Administrator

-  
-  
-  
-

**EXHIBIT SUMMARY**

- A – HB 2022, -1 amendments, staff, 4 pp.**
- B – HB 2734, testimony, Dave Hunnicutt, 3 pp.**
- C – HB 2734, testimony, Michelle Deister, 1 p.**
- D – SB 283, testimony, Carol Rives, 1 p.**
- E – SB 285A, testimony and informational materials, John Beaulieu, 5 pp.**