

HOUSE COMMITTEE ON GOVERNMENT EFFICIENCY

March 6, 2001
8:30 AM

Hearing Room D
Tapes 27 - 28

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

MEMBER EXCUSED: **Rep. Jim Hill**

STAFF PRESENT: **Matt Wingard, Committee Administrator**
 Patrick Brennan, Committee Assistant

MEASURE/ISSUES HEARD: **HB 2850 Public Hearing**
 HB 2055 Work Session
 HB 2856 Public Hearing and Work Session
 HB 2866 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>
TAPE 27, A		
004	Chair Krummel	Calls the meeting to order at 8:38 a.m. Opens a public hearing on HB 2850.
<u>HB 2850 PUBLIC HEARING</u>		
010	Matt Wingard	Committee Administrator. Gives a brief description of HB 2850. States the bill requires the Department of Administrative Services (DAS) to contract to pay for city public safety services provided to state real property if the city so requests. Indicates the bill establishes a formula for payment to be phased in. Mentions that the bill applies to city public safety services provided on or after July 1, 2003. Distributes testimony (EXHIBIT A) submitted for the committee's consideration.
020	Michelle Deister	League of Oregon Cities (LOC). Testifies in support of HB 2850. Discusses state-owned property throughout the state, which is exempt from taxation and therefore limits the amount of revenue cities and counties can raise through property taxes. Says the bill phases in payments and relates them to the assessed value of state property. Comments on the -1 amendments (EXHIBIT B) . Clarifies that the formula for payment should only include property within the incipient city.
064	Paul Evans	Mayor, Monmouth. Testifies in support of HB 2850. Expresses thanks for the state investment in his community and acknowledges the benefits the city accrues due to its presence. States that the bill is a matter of fiscal principle, as those

		receiving services should pay for them. Asserts that nearly half the property in Monmouth is tax-exempt. Lists the services that cities provide to landowners. States that his city has been forced to be creative in its search for funds.
107	Rep. Garrard	Asks whether money raised by the bill, should it become law, would go into the city's general fund.
112	Deister	Responds that each city would make decisions based upon the need of their particular situation. Clarifies that nothing was specified in the bill with regard to the use of the funds raised.
120	Rep. Garrard	Asks whether there was consideration for specifying the funds be used only for public safety.
123	Deister	Presumes there would be no objection to doing so, as that was the purpose of the legislation.
128	Evans	Adds that in Monmouth's case that is what the money would be spent for.
138	Rep. March	Asks whether the Department of Public Safety Standards and Training (DPSST) provides services.
144	Evans	Replies that DPSST does not provide those services, necessarily. Indicates that over time there may be an increased partnership between the agency and cities, but adds that this measure would help that, too.
154	Rep. March	Notes that the bill is not applicable to counties, despite the fact that some state properties and facilities are in unincorporated areas.
159	Deister	Remarks that counties did not express a desire to be included, but says they would be welcome to join the effort.
164	Rep. Brown	Asks if federal buildings would be affected by the measure.
166	Deister	Replies negatively.
170	Rep. Brown	Asks for specific examples of the cost to a city for providing services to protect state buildings and properties.
173	Deister	Explains that costs are calculated according to a percentage formula.
182	Rep. Wirth	Wonders how passage of state-level ballot measures to reduce property taxes has affected Monmouth's ability to provide public safety services.
190	Evans	Replies that revenues are down, costs are up, and the city has not able to maintain previous service levels despite their best efforts. Describes the difficulty in obtaining safety equipment for such a small municipality. States that the limitation on property tax income growth and the increase in demand has strained the city's ability to fund services.
214	Rep. Brown	Inquires whether private property owners will see a reduction in fees should the measure's passage place some of the burden on the state.
218	Evans	Replies negatively, adding that the most likely result will be improved service.
222	Deister	Concurs, adding that more of the city's budget would be available for roads, libraries, and other services.
232	Evans	Asserts that Monmouth will soon reach a point where it will no longer be able to keep up with the increased demand for public safety services.
246	Bob Wells	Manager Pro-Tem, City of Salem.
250	Bill Smalldoan	City of Salem Council President. Testifies in support of HB 2850. Says that Salem has suffered an extended period of budget

		shortfall and is now unable to maintain current service levels. Indicates that many departments have been forced to hold at current levels rather than expand to meet the needs of a growing population. States that the city has been forced to shift general fund dollars to public safety to prevent cutbacks, yet still they are beginning to suffer reduced manpower.
301	Smalldoan	Comments that Salem is in a unique position in that a large amount of the land in its limits is state-owned, and thus exempt from property tax. Estimates the city would receive \$6 million in revenues if those lands were taxable. Says that even if the taxes were prorated it would generate \$2.8 million, which would still be a huge benefit to the city. Says the city's goal was to have 1.5 policemen per 1,000 population, but that the current level is 1.2 officers per 1,000. Adds that it is difficult to maintain personnel when the city cannot offer competitive salaries.
345	Mark Caillier	Lieutenant, Salem Police Department. Utilizes several charts to describe the distribution of services and state government buildings throughout the City of Salem. Mentions that Salem has the second highest institutional rate in the nation.
TAPE 28, A		
022	Rep. Tomei	Requests clarification that no money is received from the state in return for the siting of state facilities, even though one quarter of Salem property is owned by the state.
025	Smalldoan	Replies affirmatively.
030	Chair Krummel	Recalls that the legislature mandated that offenders released from prison be sent back to their home communities. Asks whether that measure was prospective, and whether many offenders remain in the area because it is prospective.
039	Caillier	Describes the effect of the "send-them-home" measure, which was passed primarily to provide relief to Salem. Says that the city is retaining those parolees who are higher risks to the community. Acknowledges the difficulties in returning parolees to their home communities.
064	Rep. Beck	Asks whether there is a policy reason for putting the measure forth, other than simply to satisfy the need for additional funds at the local level.
073	Wells	Replies that this is an issue that has been considered before. States that many communities have been impacted by the presence of state agencies.
082	Walt Myers	Chief of Police, Salem. States that Salem has very high property crime rates, adding that the primary reason for this is the presence of state mental health facilities, group homes, and correctional facilities. Concludes that the presence of state mental and correctional facilities has had a negative impact on the criminality of Salem.
096	Rep. Tomei	Notes that the state holds one-third of the acreage within Salem.
100	Smalldoan	Acknowledges that similar measures have come before the legislature in the past and that the state is in a difficult situation. Asserts that Salem is falling further behind in its ability to provide services as well and is now facing the potential elimination of important services related to fire and police protection.
130	Dave White	Department of Administrative Services (DAS). Testifies to a

position of neutrality on HB 2850 (**EXHIBIT C**). Raises several questions with regard to the effects of the measure. Mentions that the state pays property tax to Salem wherever there is an income-generating structure, but that most state lands within the city are bare and do not even receive fire and police protective services. Indicates that the bill is overly broad and may unintentionally affect other entities, and should therefore be amended before it is passed. Comments that the Oregon State Police (OSP) provide public safety services to Salem.

186 Rep. Kruse Acknowledges that the statement applies to Salem, but not to rural areas of the state where OSP protection is very thin.

193 White Responds that OSP performs all investigating on state property.

196 Rep. Kruse Agrees, but says OSP does not patrol those areas. Asks whether Ballot Measure 50 would apply to the taxation of state property.

205 White Replies he does not know.

210 Rep. Kruse Says that is an important question, as state property has always been treated differently from private property.

217 White States there are 72 cities in Oregon containing state lands or facilities. Says there is no funding source within DAS that could be used to pay for taxes on higher education facilities, correctional facilities, or other state buildings. Assumes that DAS would be collecting and redistributing payments for the affected state agencies, as the measure does not provide detail as to how that would take place. Recalls a previous suggestion that the state pay for fire protection and acknowledges that makes philosophical sense. Proposes that if the payments are to be in the form of grants then perhaps they should be made by General Fund allocation. Concludes that HB 2850 needs work, but says the idea has merit.

270 Chair Krummel Asks what kinds of services local governments receive from the state that they don't pay for.

279 White Says local governments for water and other services and partner with regard to streets, sidewalks, and safety systems. Says it would be difficult to put a value on military services, streets and highways, or economic development. Concludes that the city/state relationship is a partnership, but acknowledges that in this case one partner may be bearing an unnecessary burden.

304 Rep. March Mentions the City of Bend's efforts to secure a state university and asks whether there are many cities seeking to have state facilities sited at their locations.

315 White Replies that with the exception of Salem the state has been invited to bring all sorts of facilities to all corners of the state. Mentions that when state facilities such as Fairview Hospital are closed they are typically replaced by tax-exempt, nonprofit entities, as are public universities. Describes efforts to privatize former state properties in Salem.

351 Deister Acknowledges the need for a workable payment system. Offers to work with the other parties to refine the measure.

368 Chair Krummel Requests that the parties to the bill work on amendments to try and reach a compromise. Closes the public hearing on HB 2850 and opens a work session on HB 2055.

HB 2055 WORK SESSION

395 Matt Wingard Committee Administrator. Gives a brief description of the bill. States the bill repeals special provisions allowing the Oregon

Department of Corrections (ODOC) to quickly site new prisons. Recalls the committee passed the measure previously but that it was brought back to committee to have the emergency clause removed by the -1 amendments (**EXHIBIT D**).

TAPE 27, B

003	Chair Krummel	Explains that the emergency clause is not necessary.
008	Rep. Kruse	MOTION: Moves to ADOPT HB 2055-1 amendments dated 3/5/01.
009		VOTE: 10-0-1
		EXCUSED: 1 - Hill
	Chair Krummel	Hearing no objection, declares the motion CARRIED.
012	Rep. Kruse	MOTION: Moves HB 2055 to the floor with a DO PASS AS AMENDED recommendation.
015	Rep. Beck	Indicates that he will still be voting no on the measure. Opines that the bill is an "after-the-fact" attempt to stop a particular siting process. Asserts the bill does not solve any potential problems, and may in fact complicate the ability to address potential future problems related to prison siting. Acknowledges that super-siting could be given back to the Governor at a later time. Concludes super-siting has served the state well in the past.
032	Rep. Kruse	Agrees that the siting process has done its job well, as there are already enough prison sites for the next decade and perhaps beyond. Says that future legislatures will be able to decide what is the best way to site prisons when it becomes necessary again. Indicates he supports the bill.
052	Chair Krummel	Adds that ODOC does not oppose to the bill, nor does the Governor.
060		VOTE: 8-2-1
		AYE: 8 - Brown, Garrard, Kruse, March, Smith P, Tomei,
		Wirth, Krummel
		NAY: 2 - Beck, Kafoury
		EXCUSED: 1 - Hill
	Chair Krummel	The motion CARRIES.
		REP. KRUMMEL will lead discussion on the floor.
066	Chair Krummel	Closes the work session on HB 2055 and opens a public hearing on HB 2856.
<u>HB 2856 PUBLIC HEARING</u>		
070	Matt Wingard	Committee Administrator. Gives a brief description of the bill. States the bill requires state agencies to turn over delinquent and liquidated accounts to private collection agencies or to the Oregon Department of Revenue (ODR) within 90 days. Says the bill allows a reasonable collection fee to be added to the debt, up to 50 percent of the first \$100,000 of unpaid debt and 35 percent of the unpaid debt above \$100,000. Mentions that the -1 amendments (EXHIBIT E) have been submitted for the committee's consideration.
093	Matt Markee	Oregon Collectors Association. Testifies in support of HB 2856.

		Provides a brief history of the bill. Says that a survey performed found there is approximately \$1.8 billion in unpaid debt owed to the state. Explains the –1 amendments require accounts to be turned over to a private collection agency or ODR if it has been delinquent for a certain period of time. Clarifies that no collection fee shall be greater than the proscribed collection fee rate, adding that the collection fee is discretionary and need not be assessed. Notes a small technical change in the amendments.
140	Rep. Kruse	Expresses concern that the measure keeps support enforcement in a different area.
151	Rep. March	Says that a 50 percent collection fee seems rather large.
153	Markee	Responds that the amendments delete that reference.
161	Jon DuFrene	Statewide Accounts Receivable Manager, DAS. Testifies in support of HB 2856 with the –1 amendments (EXHIBIT F). Emphasizes the need for the technical change to the amendments. Says there has been an increase in unpaid debt referrals to private collection firms. States the measure will act as an incentive to get debts paid before they are referred to private collection agencies.
207	Rep. Wirth	Asks why the 90-day time period was chosen.
211	Markee	Replies that it was chosen so that accounts would not be allowed to sit too long before efforts are made to collect them.
224	Rep. Wirth	Notes that the reduction from a 1-year collection period to a 90-day period is quite substantial. Asks if there is a period referenced in the Oregon Accounting Manual.
229	DuFrene	Replies affirmatively, adding that Washington State also specifies a 90-day collection period.
248	Ronelle Shankle	Division of Child Support, Oregon Department of Justice (DOJ). Testifies to a position of neutrality on HB 2856 (EXHIBIT G). Acknowledges that the bill is a follow-up to HB 3509 (1999). Mentions that child support cases are exempt from this form of collection and requests that they remain so.
282	David Nieboll	Oregon Law Center. Expresses due process concerns regarding the addition of a collection fee on top of debts owed to the state. Objects to the imposition of additional charges upon those who cannot afford to pay the original debt.
303	Rep. Garrard	Responds that the debtor still has the 90-day period to pay without penalty. Acknowledges that he is also concerned about debtors not having the opportunity to respond. Asks whether the appeal period is insufficient.
315	Nieboll	Answers that 90 days is sufficient to contest an amount, but probably not enough time to pay outstanding debts before additional collection fees were levied.
327	Rep. Garrard	Presumes that debts that cannot be paid are written off eventually.
334	Nieboll	Says he does not know at what point the state decides a debt can no longer be collected.
341	Rep. Garrard	Suggests the possibility that the bill could be amended to lengthen the period before collection fees could be assessed.
349	Nieboll	Offers the example of overpayment of welfare benefits and says that if someone refutes the debt then the countdown begins immediately at that point.
386	Rep. March	Even partial payment would restart the clock again and that debtors should be informed of that fact.

TAPE 28, B

005	Rep. Smith	Asks if the fees are similar to those charged on private collections.
008	Nieboll	Replies that in private collection cases the fees are a percentage of the actual amount owed.
017	Chair Krummel	Requests clarification as to the difference between collection fees for state debt and late fees imposed by credit card companies.
021	Nieboll	Responds that in the case of credit cards the late fees are part of the original contract, whereas this will be placing a new stipulation on existing accounts.
037	Chair Krummel	Wonders whether it might be helpful to consumers to have such information provided to them.
044	Nieboll	Replies they could be included as a condition of licensure.
057	Markee	Clarifies that the definition of liquidated and delinquent accounts is such that the countdown would not begin until after all appeals are completed. Mentions that DAS is considering writing a rule requiring that notice be given to all debtors regarding the revised policy, should the bill become law. Reminds the committee that the collection fee is discretionary.
080	Chair Krummel	Closes the public hearing and opens a work session on HB 2856.
<u>HB 2856 WORK SESSION</u>		
076	Chair Krummel	Ponders whether to conceptually amend the –1 amendments.
086	Wingard	Offers to have Legislative Counsel (LC) draft new amendments so that the measure can be brought back for an additional work session.
090	Rep. March	Clarifies the word “and” needs to be replaced with the word “or” on lines 7 and 12.
100	Chair Krummel	Closes the work session on HB 2856 and opens a public hearing on HB 2866.
<u>HB 2866 PUBLIC HEARING</u>		
104	Matt Wingard	Committee Administrator. Gives a brief description of the bill. States the measure allows foresters to assess a \$50 annual fee on property with a structure within a forestland-urban interface area. Mentions that the measure defines the term “structure” as used in the bill.
110	Harlan Levy	Oregon Association of Realtors (OAR). Testifies in support of HB 2866 (EXHIBIT H) and submits –1 amendments (EXHIBIT I). Says the amendments limit the size of the fee that can be assessed by the Oregon Department of Forestry (ODF) to \$25.
140	Rep. March	Notes that there is no difference with regard to the size of a parcel or the presence or size of structures on the parcel.
150	Rep. Beck	Asks as to the current size of the fee.
152	Levy	Replies that there is no fee at this time.
159	Rep. Beck	Submits that the fee could be increased if necessary, but that to do so the matter would need to be brought back before the legislature.
164	Levy	Replies affirmatively.
166	Rep. Beck	Asks if there is a specific problem the bill is meant to address.
170	Levy	Answers that there is no problem, but rather that it is designed to ensure that if someone seeks to exceed the \$25 cap that they first receive legislative approval.

178	Rep. Smith	Comments that ODF does not fight structural fires.
181	Levy	Says that is correct, but adds that this measure applies also to fire prevention.
187	Rep. Beck	Asks whether there have been landowners who have complained about being asked to pay a small fee in return for the privilege of living next to forestland. Opines that a fee for placing dwellings in such locations seems reasonable.
199	Levy	Replies that most already pay for additional fire protection, and that this is in addition to that extra protection.
202	Chair Krummel	Remarks that since there is no fee currently in statute there would seem to be no statutory authority for assessing the additional fire protection fee referenced by Mr. Levy.
205	Levy	Says the authority already exists and that this measure simply caps the fee that can be levied.
220	Rick Gibson	ODF. Testifies in support of the -1 amendments to HB 2866 (EXHIBIT J) . Mentions that the measure will not go into effect until 2003-04. Points out that the assessment may be implemented in some areas but not others, and only in specified interface areas.
259	Rep. Beck	Asks if there is currently a fee structure in place.
262	Gibson	Replies that owners of forestland properties already pay a per-acre assessment for fire protection, as well as a \$38 surcharge for improved lots.
273	Rep. Beck	Requests an example of the fee structure.
276	Gibson	Offers as an example a person who owns a 1/3 acre parcel, for which they would pay \$30 plus the \$38 surcharge.
283	Rep. Garrard	Asks whether the bill will reduce insurance liability.
286	Gibson	Replies he does not know.
292	Chair Krummel	Closes the public hearing and opens a work session on HB 2866.
<u>HB 2866 WORK SESSION</u>		
300	Rep. Smith	MOTION: Moves to ADOPT HB 2866 amendments dated 3/6/01.
308		VOTE: 7-0-4
	Chair Krummel	EXCUSED: 4 - Hill, Kafoury, Tomei, Wirth
		Hearing no objection, declares the motion CARRIED.
310	Rep. Smith	MOTION: Moves HB 2866 to the floor with a DO PASS AS AMENDED recommendation.
313	Rep. Kruse	Mentions that the Committee on Ways and Means as a standing request that all bills related to fees be sent to them.
330	Rep. Beck	Indicates that he will vote no. Asserts that the state wants to improve economy with timber production and expresses concern that the encroachment of dwellings puts timber lands at risk of fire. Submits it is reasonable to grant ODF authority to assess fees and to raise them if necessary.
359	Rep. Kruse	Says he does not know of any fee in state government that is open-ended. Asserts that ODF retains the ability to make a case for increasing fees in the future.
376	Rep. March	Says the bill seeks to address a problem that does not yet exist and that it is premature and unnecessary at this time.
390	Rep. Smith	Says it depends on what area of the state one refers to.
400	Chair Krummel	Says he has no problem capping the fee and requiring ODF to bring to the legislature any future request to increase it.
420		VOTE: 6-1-4

**AYE: 6 - Brown, Garrard, Kruse, March, Smith P,
Krummel**
NAY: 1 - Beck
EXCUSED: 4 - Hill, Kafoury, Tomei, Wirth
The motion CARRIES.
P. SMITH will lead discussion on the floor.
Adjourns the meeting at 10:25 a.m.

Chair Krummel

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Chair Krummel

Submitted By,

Reviewed By,

Patrick Brennan,
Committee Assistant

Matt Wingard,
Committee Administrator

EXHIBIT SUMMARY

- A – HB 2850, testimony, Sara Hamlen, 1 p.**
- B – HB 2850, -1 amendments, staff, 1 p.**
- C – HB 2850, testimony, Dave White, 1 p.**
- D – HB 2055, -1 amendments, staff, 1 p.**
- E – HB 2856, -1 amendments, staff, 1 p.**
- F – HB 2856, testimony, Jon DuFrene, 1 p.**
- G – HB 2856, testimony, Ronelle Shankle, 1 p.**
- H – HB 2866, testimony, Harlan Levy, 1 p.**
- I – HB 2866, -1 amendments, Harlan Levy, 1 p.**
- J – HB 2866, testimony, Richard Gibson, 1 p.**