

PUBLIC HEARING: HB 3127

WORK SESSION: HB 2281, HB 3215

TAPES 131 — 132 A/B

**HOUSE SCHOOL FUNDING AND TAX
FAIRNESS/REVENUE COMMITTEE**

APRIL 16, 2001 — 1:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair

Representative Janet Carlson, Vice Chair

Representative Deborah Kafoury, Vice Chair (1:27 arrived)

Representative Alan Bates (1:16 arrived)

Representative Chris Beck

Representative Alan Brown

Representative Mark Hass (1:16 arrived)

Representative Max Williams (1:25 arrived)

Representative Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Jeff Tashman, Association of Oregon
Redevelopment Agencies

John Brenneman, Idaho Power Company

Cindy Finlayson, Portland General Electric

Steve Vincent, Avista Utilities

Barbara Ross, Citizen

Rep. Kelley Wirth, Legislative House District 35

Linda Modrell, Benton County Commission

Walt Brickwedel, Oregon Short Line Railroad Association

Jim Benz, Portland and Western Railroad, Inc.

Wayne Giesy, Hull-Oakes Lumber Company

Terry Thompson, WCI

Gil Riddell, Association of Oregon Counties

Chris Chandler DiTomee, Economic Development Alliance of Lincoln County

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005 Chair Shetterly Meeting called to order at 1:15 p.m.

OPENED WORK SESSION ON HB 3215

025 Lizbeth Martin- Reviewed HB 3215 and discussed each of the
Mahar three amendments. (Exhibit 1)

055 Chair Shetterly Summarized Martin-Mahar's presentation;
there are primarily three types of urban
renewal (UR) plans:

1. Existing plans that were in effect before the 1996 date.
2. Window plans enacted after the 1996 date, but prior to the effective date of HB 3215.
3. Future plans enacted after the effective dates of HB 3215.

The (-1) amendments don't allow the tax division out of those bonds and special levies above the permanent tax rate, and are applicable only to existing plans and future plans, and would not apply to the approximately nine window plans, (Reference 04/11/2001, Exhibit 7).

- 095 Martin-Mahar Another difference between the (-1) and (-3) amendments is that the window plans need to be adopted, no indebtedness is necessary, (Reference 04/11/2001, Exhibits 7 and 9).
- 101 Vice Chair Carlson What is the logic in treating the window plans differently from the existing plans?
- 105 Chair Shetterly Existing plans can adjust revenue by raising the special levy. New plans will be formed based on the understanding of what the future and ability to retain revenue is. The window plans were formed under the Post-Measure 50 law, which anticipated the ability to draw the division off of the special levies and bonds above the base. There are concerns as to the ability to finish the plan if revenue is impaired.
- 121 Jeff Tashman Concurred with the Chair's statement.
- 124 Chair Shetterly The (-1) and (-2) amendments could be moved today, (Reference 04/11/2001, Exhibits 7-8). The (-3) amendments have technical issues that need to be addressed prior to adoption, (Reference 04/11/2001, Exhibit 9).
- 133 Rep. Beck Noted that prior to taking action he would like a better sense of the impact on school districts, particularly in his district. Requested information as to how the school district would be impacted during the life of a current local option if the amendments were adopted that exempt the window plans.
- 136 Chair Shetterly They would not be affected all as to the current local option.
- 143 Rep. Beck Aren't there five UR plans that Portland's current local option would be able to recognize some revenue from?
- 145 Martin-Mahar Concurred.
- 147 Rep. Beck "Because of those five existing plans the Portland school district would recognize some financial benefit, but there are two window plans in the City of the Portland. I would like to see the potential financial impact to the school district, if we had the authority to impose this legislation on the window plans."
- 174 Tashman There would be no impact on local option and

bond levies that are existing and in effect at this time.

179 Rep. Beck

But the window plans may or may not be affected depending on what is done, correct?

181 Tashman

The (-3) amendments would be affected if there were no outstanding indebtedness, (Reference 04/11/2001, Exhibit 9). None of the amendments would have the effect of changing levies that are currently in place, (Reference 04/11/2001, Exhibits 7-9)

200 Rep. Beck

Stated what he is trying to determine, as he understands the testimony:

1. Is there going to be money from the current public Portland school district local option?
2. How much money is going to go to the school district that wouldn't otherwise go there with this measure?
3. There are two categories of UR areas that this measure affects.
4. There is some benefit in going after the Pre-Measure 50 UR areas, but the City of Portland is going to have some discomfort if the two UR areas in the window period can be affected and there is no net gain to the school district.

218 Tashman

The measure as written and the (-1), (-2) and (-3) amendments, (Reference 04/11/2001, Exhibits 7-9), would not affect the revenues to schools from existing bond levies or local option levies.

All of the UR plans that were dividing taxes in those levies would continue to divide taxes in those levies; the distinction between the different UR plans would be for new bond levies voted in after the effective date of this measure.

241 Rep. Beck

"It is my understanding that by enacting this legislation on the pre-Measure 50 local improvement districts, to which now a local

option in Portland is applied, the Portland School District is not able to recognize local option revenue from those districts under current law. Under this law the Portland School District would be able to recognize \$711,000 for Multnomah County according to the handout titled, "Urban Renewal Taxes by Type of Taxing District" (Reference 04/11/2001, Exhibit 6)."

255 Martin-Mahar The effective date is 2002-03, the handout referenced is for the 2000 year.

261 Rep. Beck This will effect the at least five of the current UR areas won't it?

269 Tashman Concurred:

1. The original measure, when it becomes effective in 2002-03, would affect existing bond levies and local option levies are divided or not divided for UR.
2. The (-1) amendment would have no impact on existing levies, but for prospective levies there would be a difference, (Reference 04/11/2001, Exhibit 7).

307 Chair Shetterly Recessed the meeting at 1:38 p.m.; reconvened at 1:41 p.m.

OPENED WORK SESSION ON HB 2281

313 Paul Warner Described the (-2) amendments and (-2) Revenue Impact statement, which would go to a 100% sales factor on July 1, 2003. (Exhibits 2-3)

Distributed staff measure summary from the Committee on Smart Growth and Commerce and fiscal impact statement. (Exhibit 4)

360 Chair Shetterly The numbers in the Revenue Impact statement are general fund numbers, correct?

362 Warner Concurred. Referenced HB 2558 and the (-2) amendment, which would allow companies to choose an apportionment factor, (Reference 04/12/2001, Exhibit 16). Reviewed the impact of allowing that option, which would have a static net effect of about minus \$41 million

using the 1998 returns. Described how that number was derived.

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- 008 John Brenneman Described the (-1) amendments, which would exempt public utilities as defined in ORS 757.005 and ORS 759.005. (Exhibit 5)
- 039 Chair Shetterly What makes this amendment, (Exhibit 5), different from the (-2) amendments to HB 2558, (Reference 04/12/2001, Exhibit 16)?
- 045 Brenneman Public utilities customers in the State are more directly impacted.
- 048 Rep. Witt Are taxes a cost the Public Utilities Commission (PUC) recognizes when it comes to setting rates?
- 050 Brenneman Yes.
- 055 Rep. Witt Specifically why should utilities have an exception to the policy?
- 057 Brenneman Idaho Power takes pride in keeping costs down.
- 058 Rep. Witt Are all utilities impacted in a negative way?
- 060 Brenneman "The ones I have talked to are impacted negatively."
- 075 Cindy Finlayson This measure would result in additional \$1.5 million/year additional taxes, which are passed on to the customers.
- 062 Rep. Witt Questions and discussion regarding if this measure wouldn't incent the location of new facilities in Oregon; explained how some of the disincentives would be removed with this measure.
- 102 Steve Vincent Spoke to extenuating circumstances encountered by natural gas and electrical providers in the last year and argued for the (-1) amendments, (Exhibit 5).
- 124 Rep. Witt "What makes your particular situation different from food processors?"
- 127 Vincent "Utility customers cannot go elsewhere for the service, we are a monopoly and customers must come to us. In other industries and market places there are choices. Public policy

ought to attempt to keep the cost of utility services to a minimum, to best serve the customers."

- 136 Rep. Witt "Based on that why shouldn't a measure be passed exempting utilities from paying taxes?"
- 142 Chair Shetterly Spoke to the macro impact vs. the impacts on individual industries and the trickle down to consumers and the policy choices before the Committee.
- 163 Rep. Witt Spoke to current law and how taxes increase when additional people are hired or investment in plants/equipment is made in Oregon and how that would not be the case with HB 2281.
- 174 Rep. Bates Questioned how the feedback would work with a fluid market.
- 182 Warner Explained how the Oregon Tax Incidence Model (OTIM) would work with the change in tax policy and the restoration period for a long-term equilibrium for a change in tax policy is based on five years. Described the feedback effect built into the revenue estimate.
- 214 Vice Chair Carlson "If certain sectors were excluded wouldn't that affect the revenue impact? "
- 216 Warner Reviewed the 1998 corporate returns and the numbers, (Reference Senate Minutes for 04/09/2001, Page 3, Exhibit 1).
- 253 Vice Chair Carlson Spoke to conflicts between the (-1) and the (-2) amendments and requested clarification, (Exhibits 3 and 5). Lines 11-17 the (-1) amendment doesn't seem necessary, (Exhibit 5).
- Questions and discussion regarding the effect of the (-1) amendment, (Exhibit 5), in relation to the (-2) amendment, (Exhibit 3) and the printed measure.
- 296 Rep. Witt **MOTION: MOVED LC (-2) AMENDMENTS DATED 04 16/ 2001 TO HB 2281 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT REP. WILLIAMS, EXCUSED)**
- 302 Rep. Witt **MOTION: MOVED HB 2281 TO THE**

HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.

- 311 Chair Shetterly Noted that the Governor's office has not commented directly on this measure, but referenced letter distributed by the Economic and Community Development Department, (Reference Senate Minutes for 04/09/2001, Page 3, Exhibit 15).
- 318 Rep. Hass Spoke to the motion.
- 347 Rep. Witt Spoke in support of the motion.
- 381 Rep. Beck Spoke to the motion and the lack of integration of tax policy measures.
- 410 Rep. Bates Spoke to the motion and concurred with prior speakers.
- 432 Vice Chair Spoke to the motion.
Carlson

450 **ROLL CALL VOTE: MOTION PASSED 9-0-0**

REPRESENTATIVES VOTING AYE: Bates, Beck, Brown, Hass, Williams, Witt, Carlson, Kafoury, Chair Shetterly

Rep. Witt will carry the bill.

TAPE 131, SIDE A

OPENED PUBLIC HEARING ON HB 3127

- 037 Lizbeth Martin- Reviewed the (-1) Staff Measure Summary
Mahar and (-1) Revenue Impact statement and the (-1) amendment, which will replace the measure. (Exhibits 6-7)
- LRO Staff Distributed Fiscal impact statement to the original measure and testimony from League of Oregon Cities. (Exhibits 8-9)
- 093 Chair Shetterly Questioned who submitted the (-2) amendments and what they do? (Exhibit 10)
- 095 Barbara Ross Referenced the (-2) amendments; line 12 is the pertinent piece and the intent was to clarify that it was Class II and Class III railroads who would receive the tax benefit.

(Exhibit 13)

Some of the properties owned by Class I railroads is leased to Class II and Class III railroads, who operate and pay the property taxes.

- 110 Chair Shetterly It is for clarification only?
- 111 Ross Concurred.
- 120 Rep. Kelly Wirth Presented testimony in support of measure and the (-2) amendments. (Exhibits 12-13)
- 152 Linda Modrell Spoke in support of the measure.
- 214 Ross Submitted testimony in support of measure and concluded testimony:
1. Commenting on possible funding from the federal level.
 2. Noted county commissioners who are supportive of this legislation and distributed testimony from Coos County Commissioner, Nikki Whitty. (Exhibit 11)
 3. The Association of Oregon Counties is neutral on the measure.
 4. Possible work group to address technical issues.
 5. Submitted her written testimony. (Exhibit 10)
- 251 Vice Chair Questions and discussion regarding the revenue impact.
Carlson
- 271 Rep. Witt Questions and discussion regarding why the measure was not introduced as a local option?
- Chair Shetterly Left at 2:34 p.m., passed gavel to Vice Chair Carlson.
- Chair Shetterly Returned at 2:37 p.m.; resumed gavel.
- 343 Rep. Bates Questions and discussion regarding the lines crossing county lines and jurisdictions would that necessitate each local government requesting an exemption independently.

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- 002 Walt Brickwedel Presented testimony in support of measure. (Exhibit 14)
- 079 James Benz Presented testimony in support of measure. (Exhibit 16)
- 081 Wayne Giesy Presented testimony in support of measure. (Exhibit 15)
- 100 Chair Shetterly What kind of incentive is there to the short line railroads; will this measure result in improvement and investment?
- 114 Brickwedel Yes.
- 140 Giesy Questioned if a resolution could be sent to Congress on HB 1020; spoke to his reasons for the request.
- 146 Terry Thompson Spoke in support of the measure.
- 168 Gil Riddell Spoke to the measure and provided testimony regarding issues raised by HB 3127 and the (-1) amendments. (Exhibits 6 and 17)
- 210 Chris Chandler Spoke in support of the measure.
DiTomee
- 250 John Phillips Spoke to the measure and made the following points:
1. This kind of an exemption can sometimes be forgiven, not just postponed.
- 258 Chair Shetterly Does that answer the question raised by Riddell in point 5 of his testimony, (Exhibit 17)?
- 262 Phillips Yes; continued with testimony and listing of points:
- Another technical issue is in §2 — provided alternative language for that section; this could be addressed in work group.
 - Some short lines operate strictly in a maintenance capacity; §2 (1) would possibly exempt all maintenance cars.
 - This amends ORS 308.505 to 308.665 and does not use the word exemption. Voiced

concerns of what could happen at the end of the ten years, if it is not clarified as an exemption or special assessment

The Department of Revenue values these properties centrally, as with all utilities and they are valued under unitary value.

318 Chair Shetterly Requested interested parties meet to address the technicalities. Meeting adjourned at 3:04 p.m.

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 3215, Explanation of Amendments, Martin-Mahar, 1 page
2. HB 2281, (-2) Revenue Impact Statement, Warner, 2 pages
3. HB 2281, (-2) amendment, (DJ/ps) 04/16/01, Chair Shetterly, 1 page
4. HB 2281, Staff Measure Summary and Fiscal statement, LRO Staff, 2 pages
5. HB 2281, (-1) amendment, (DJ/hm/ps) 03/21/01, Brenneman, 1 page
6. HB 3127, (-1) Staff Measure Summary and Revenue statement, Martin-Mahar, 2 pages
7. HB 3127, (-1) amendment, (DJ/ps) 04/02/01, Rep. Wirth, 2 pages
8. HB 3127, Fiscal Impact Statement, LRO Staff, 1 page
9. HB 3127, Submitted testimony, Deister, 1 page
10. HB 3127, Testimony, Ross, 1 page
11. HB 3127, Submitted Testimony, Whitty, 1 page
12. HB 3127, Testimony, Rep. Wirth, 2 pages
13. HB 3127, (-2) amendment, (DJ/ps) 04/16/01, Rep. Wirth, 2 pages
14. HB 3127, Testimony, Brickwedel, 14 pages
15. HB 3127, Testimony, Giesy, 1 page
16. HB 3127, Testimony, Benz, 1 page
17. HB 3127, Testimony, Riddell, 1 page