

PUBLIC HEARING: HB 3105

WORK SESSION: HB 2863, HB 2869, HB 3215, HB 3942

TAPES 146 — 147 A/B

TAPE 148 A

HOUSE SCHOOL FUNDING AND TAX FAIRNESS/REVENUE COMMITTEE

APRIL 23, 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 (1:18 arrived)

Representative Alan Bates (1:18 arrived)

Representative Chris Beck

Representative Alan Brown

Representative Mark Hass

Representative Max Williams (1:29 arrived)

Representative Bill Witt (1:22 arrived)

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Arthur Ebelmesser, Department of Justice

Rep. Jeff Kropf, Legislative House District 37

Dexter Johnson, Legislative Counsel

Don Schellenberg, Oregon Farm Bureau

Hasina Squires, Special Districts Association

John Phillips, Department of Revenue

Karen Williams, Portland Development Commission

Jeff Tashman, Association of Oregon Redevelopment Agencies

Laurie Wimmer Whelan, Oregon Education Association

Marcia Kelley, Women's Rights Coalition

TAPE 146, SIDE A

006 Chair Shetterly Meeting called to order at 1:16 p.m.

OPENED WORK SESSION ON HB 2863

020 Ed Waters Reviewed prior discussion on the measure; described the (-1) Revenue Impact statement and the (-1) amendments and (-2) amendments, which resolve a technical error in the original measure regarding the allocation of the tax credit. (Exhibits 1-3)

Distributed the fiscal impact statement. (Exhibit 4)

040 Vice Chair Spoke in support of the measure and the (-1) and (-2) amendments. (Exhibits 1-2)

048 Chair Shetterly The (-2) amendments specify that the credit is not refundable, there is no carry forward, correct? (Exhibit 2)

050 Waters "The (-2) amendments specify that the credit in any given tax year, if the ownership group existed when the sale was completed, the tax credit must be divided. The language in the original bill was inconsistent with that kind of mechanism." (Exhibit 2)

063 Vice Chair **MOTION: MOVED LC (-1) AMENDMENTS DATED 03/27/2001 TO HB 2863 BE ADOPTED. (ALL MEMBERS PRESENT EXCEPT Rep. Witt, Rep. Williams, EXCUSED)**

- 068 Vice Chair **MOTION: MOVED LC (-2) AMENDMENTS DATED 04/19/2001 TO HB 2863 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Rep. Witt, Rep. Williams, EXCUSED)**
Carlson
- 070 Vice Chair **MOTION: MOVED HB 2863 TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION. (ALL MEMBERS PRESENT EXCEPT Rep. Witt, Rep. Williams, EXCUSED)**
Carlson
- 075 Rep. Beck Questions and discussion regarding how the credit will work.
- 098 Rep. Witt Clarified the amount of the tax credit in relationship to the sale of the property and expressed reservations about the measure.
- 122 Chair Shetterly Noted that the tax policy is directed more to the purchasers of the parks, not the sellers.
- 133 Vice Chair Concurred with the Chair's comments and provided history regarding the introduction of the measure.
Carlson
- 141 Rep. Witt Questions and discussion regarding whether this measure wouldn't have the inverse effect and increase the cost of parks.

Questions and discussion regarding whether the buyer is really benefited.
- 228 Chair Shetterly Noted that the benefit is on the margin to tenant associations and the Revenue impact is indeterminate; probably because there will not be a large number of sales taking advantage of this. (Exhibit 3)
- 236 Rep. Witt Questioned why the measure was written to provide the tax credit as 9% of the sale price instead of some percentage of the gain of the sale.
- 242 Arthur Spoke to two measures introduced that concern this particular issue. The Department of Justice felt a tax credit was more flexible and would provide a greater incentive to sell to a tenants group rather than an outside buyer. Explained why the Task Force chose a percent of the sale price.
Ebelmesser

- 288 Rep. Witt Presented scenario and questioned if that is how this measure would work in that given scenario.
- 301 Ebelmesser Concurred that Rep. Witt's scenario would work in the way described, as he reads the measure.
- 302 Rep. Witt Explained that this measure would provide for a tax credit that could be worth several million dollars that could offset taxes for other earnings and investments that would be taxable and questioned if this is the logical approach to this dilemma.
- 317 Ebelmesser Countered Rep. Witt's argument that provides the "powerful" incentive to sell to a tenant's association rather than a third party.
- 322 Vice Chair
Carlson Currently there is no incentive to sell to a tenant's organization.
- 329 Vice Chair
Kafoury Were park owners asked what would most incent them to sell to a tenants group?
- 342 Ebelmesser Spoke to Task Force deliberations and recommendations.
- 353 Rep. Witt Wouldn't the more logical approach be to allow the seller of the property to limit the tax credit specifically to the gain on the sale of the property.
- 379 Rep. Bates Spoke in support of the policy that Vice Chair Carlson's measure is trying to address, but noted that a sunset on the measure might be appropriate.
- 409 Rep. Witt The tax credit could also be limited over a biennium.
- TAPE 147, SIDE A**
- 002 Rep. Hass Questioned if capping the tax credit would be another option.
- 005 Rep. Brown Concurred with Rep. Witt's comments.
- 012 Chair Shetterly Requested that the motion to send the measure to the floor be withdrawn and amendments be

drafted to address the concerns raised today.

019 Vice Chair **MOTION: REQUESTED UNANIMOUS
Carlson CONSENT TO WITHDRAW MOTION
WHEREBY HB 2863 WAS MOVED TO
THE HOUSE FLOOR WITH A DO PASS
AS AMENDED RECOMMENDATION.**

OPENED PUBLIC HEARING ON hb 3105

031 Ed Waters Provided a description of the measure and discussed the background and described the (-1) amendments. (Exhibit 5)

040 Rep. Jeff Kropf Spoke in support of the measure and proposed an amendment to make the effective date after January 1, 2004 and add a subsection that provides for "cash rent" in addition to "share renting". Noted that the (-1) amendments deal with a property tax issue that resulted from Measure 50. (Exhibit 5)

121 Rep. Bates Have you considered adding grazing to this measure?

125 Rep. Kropf Will take that recommendation under advisement.

131 Chair Shetterly Questions and discussion regarding whether "share rent agreement" needs to be defined in the measure.

136 Chair Shetterly Who would the credit go to; is it prorated?

140 Rep. Kropf It is my intention that the entirety of the tax credit goes to the individual leasing the ground.

153 Rep. Beck Questions and discussion regarding whether it would be more cost effective to encourage farmers to sell their riparian land to Oregon Watershed Enhancement Board (OWEB).

169 Rep. Witt Questions and discussion regarding:

1. Whether the credit is figured on the value of the crop for a particular year or the value of the land over a period of time.
2. Clarified that the credit would vary year by year depending on the value of the

crop foregone.

3. Calculation of costs - fixed vs. variable.
4. Does the 75% provide a strong economic incentive not to farm the land or is it a reasonable number.
5. How does the measure address the cash value of a crop, which can vary year by year.

- 305 Rep. Bates Spoke to fixed costs for range-land and cattle.
- 374 Rep. Beck Spoke to the many incentives at the federal level and questioned what the Oregon representative to National Conference of State Legislatures (NCSL) might have to offer. Concerned that this approach may be too narrow.
- 427 Rep. Kropf Noted that he believes each of the programs mentioned by Rep. Beck is for landowners, not renters, but will contact NCSL.
- 442 Chair Shetterly Are crops defined in the measure; referenced lines 10-12 of the printed measure, which uses the term "crops"?

TAPE 146, SIDE B

- 023 Don Schellenberg The better term might be commodity. Spoke in support of the measure.
- 048 Waters Referenced §2, lines 5-6 of the printed measure, would "other natural water course" include a natural drainage basin or ditch?
- 053 Rep. Kropf Yes.
- 057 Dexter Johnson Spoke to the (-1) amendments, which are within the subject of the measure, but deal specifically with maximum assessed value for land that is specially assessed for farm use. (Exhibit 5)
- 086 Chair Shetterly The (-1) amendments are technical in nature? (Exhibit 5)
- 089 Schellenberg Concurred.

OPENED WORK SESSION ON HB 2869

- 097 Lizbeth Martin- Discussed the (-1) amendments and reviewed

- Mahar testimony heard at prior hearing. (Exhibits 6-7)
- 127 Hasina Squires Spoke to the (-1) amendments and the effort to narrow the measure while addressing Rep. Knopp's concerns. (Exhibit 7)
- 143 John Phillips The (-1) amendments address concerns the Department of Revenue had with the original measure. (Exhibit 7)
- 146 Chair Shetterly **MOTION: MOVED LC (-1) AMENDMENTS DATED 04/10/2001 TO HB 2869 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Rep. Williams and Vice Chair Kafoury, EXCUSED)**
- 156 Chair Shetterly **MOTION: MOVED HB 2869 TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**
- ROLL CALL VOTE: MOTION PASSED 7-0-2* (Tape 148, Side A, 084 —Williams and Kafoury vote aye. VOTE 9-0-0)**
- REPRESENTATIVES VOTING AYE: Bates, Beck, Brown, Hass, Witt, Carlson, Chair Shetterly**
- REPRESENTATIVES EXCUSED: Williams, Kafoury,**
- Rep. Knopp will carry the bill.**

OPENED WORK SESSION ON Hb 3215

- 193 Karen Williams Spoke to the following issues:
1. Drew a flowchart for the Committee of Urban Renewal (UR) taxation.
 2. Discussed a potential unintended impact on school funding with some of the proposed treatment.
 3. Addressed Rep. Beck's question regarding the school differential for "window plans".
 4. Addressed a discussion regarding the Fire and Police Disability and

Retirement (FPDR) issue for the City of
Portland.

- 336 Williams Continued with chalk drawing and description of Option #3 UR plans and the impact to Portland and its taxing entities.
- The (-6) amendments propose that Option 3 plans be excluded from the effect of HB 3215, (Exhibit 9). If the reduction were applied to those Option 3 plans in Portland it would result in an approximately \$2.2 million reduction to schools and a reduction of approximately \$6.2 million to all the other taxing entities.
- Questions and discussion regarding the intent of HB 3215.
- 349 Chair Shetterly "Are the (-6) alternate amendments, (Exhibit 9), or do they work in conjunction with the (-1) amendments, (Reference 04/11/2001, Exhibit 7)?"
- 350 Williams They work together, described what the (-6) amendments would do to the printed measure, (Exhibit 9).
- 352 Chair Shetterly Do the (-6) amendments, (Exhibit 9), work with the (-2) amendments, (Reference 04/11/2001, Exhibit 8)?
- 381 Williams Yes, spoke in support of the (-2) amendments, (Exhibit 9).
- 359 Chair Shetterly How do the (-6) amendments relate to the FPDR, (Exhibit 9)?
- 361 Williams The mechanics would be similar for the FPDR levy as the one described for the schools, if the FPDR levy were not specifically exempted; that exclusion is requested in the (-6) amendments. (Exhibit 9)
- 411 Williams Addressed Rep. Beck's questions regarding the school differential for "window plans" and the impact of HB 3215 to "window plans" in the City of Portland.
- Distributed a paper titled "Discussion of HB 3215 Fiscal Impacts: Portland Option #3 Districts". (Exhibit 8)

- 025 Rep. Beck Clarified how many "window plans" there currently are in Portland and questioned how many have actually issued debt.
- 029 Williams "Two of them have issued bonds, which pledged tax increment, as provided in ORS 457.440; two have not, but they have received funds from the City of Portland that are the result of a general fund line-of-credit."
- 050 Rep. Beck It was not my intention to have other than school local option levies exempted from this legislation, is that reflected in the calculation of the numbers, (Exhibit 8)?
- 060 Jeff Tashman The figures analyze the difference of removing all local options and bonds from the rate, (Exhibit 8).
- 061 Rep. Beck My intent was to measure the effect of exemption the local option for K-12 schools.
- 066 Chair Shetterly It was not my intent to limit it to those.
- 069 Rep. Beck Questions and discussion regarding narrowing the window, for purposes of the analysis, to local bond levies for public K-12 school districts for both "window plans" and Option 3 plans, (Exhibit 8).
- 108 Chair Shetterly Summarized his understanding of the measure with the (-6) amendments, (Exhibit 9), and the (-2) amendments, (Reference 04/11/2001, Exhibit 8); is this about as much as can be done without creating a plethora of other issues for assessors, other taxing districts and UR plans, correct?
- 110 Tashman Concurred.
- 112 John Phillips Concurred.
- 122 Vice Chair Carlson What is the impact of the (-6) amendments, (Exhibit 9), does anyone gain much?
- 123 Chair Shetterly Urban Renewal plans established after the effective date for the measure and existing plans with a date prior to 1996, unless additional authority is levied, gain from this

- measure with the (-6) amendments, (Exhibit 9).
- 124 Tashman Explained the effect of the (-2) amendments, (Reference 04/11/2001, Exhibit 8), and the (-6) amendments, (Exhibit 9).
- 143 Martin-Mahar Noted that the (-6) amendments would exclude the seven out of the 156 statewide UR plans that are Option 3, (Exhibit 9).
- 148 Williams Described the effect of exempting those Option 3 plans.
- 165 Chair Shetterly **MOTION: MOVED LC (-2) AMENDMENTS DATED 04/09/01 TO HB 3215 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Rep. Williams, Rep. Witt, EXCUSED)**
- 170 Chair Shetterly **MOTION: MOVED LC (-6) AMENDMENTS DATED 04/23/2002 TO HB 3215 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Rep. Williams, Rep. Witt, EXCUSED)**
- 176 Chair Shetterly **MOTION: MOVED HB 3215 TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**
- 177 Rep. Beck Spoke to ambivalence with the measure.
- 198 Rep. Bates Will vote to move the measure to the floor but may change vote on the floor.
- 207 **ROLL CALL VOTE: MOTION PASSED 7-0-2* (Tape 148, Side A, 094 Williams votes aye. VOTE 8-0-1)**
- REPRESENTATIVES VOTING AYE: Bates, Beck, Brown, Hass, Carlson, Kafoury, Chair Shetterly**
- REPRESENTATIVES EXCUSED: Williams, Witt**

Chair Shetterly will carry the bill.

OPENED WORK SESSION ON HB 3942

236 Paul Warner Reviewed the (-1) amendments, which create and describe the charge of an Interim Task Force. (Exhibit 10)

Distributed LRO Research Brief #4-98 and Spreadsheet on Total State and Local Tax Collection. (Exhibit 11)

Questions and discussion regarding additions or clarification to the (-1) amendments, (Exhibit 10):

1. Legislative representation should be specified.
2. Specify the number of members and provide a breakdown of membership representing different economic interests.
3. Request periodic reports to the interim Revenue Committee(s).
4. Include in the goals:
 - Tax relief for low income Oregonians.
 - Tax proposals that will be more conducive to investment in the State of Oregon.

TAPE 148, SIDE A

032 Laurie Wimmer Noted additional goals could include
Whelan "adequacy" be one of the values weighed against the others. The Oregon Education Association would welcome the opportunity to participate in the process.

046 Vice Chair Requested senior homeowners be added to the
Carlson charge.

053 Marcia Kelley Noted that other people need to be included in
the framework of tax restructuring; spoke to the education of the public and the importance of buy-in.

075 Chair Shetterly Noted that the blank appropriation in the (-1)

amendments is at Rep. Westlund's request,
(Exhibit 10).

***REOPENED WORK SESSION ON HB 2869**

084 Chair Shetterly **THE CHAIR REQUESTED UNANIMOUS CONSENT TO SUSPEND THE RULES TO REOPEN THE WORK SESSION ON HB 2869 FOR THE PURPOSE OF ALLOWING Rep. Williams and Vice Chair Kafoury TO VOTE. HEARING NO OBJECTION, THE CHAIR SO ORDERED.**

Rep. Williams and Vice Chair Kafoury BEING EXCUSED WHEN THE ROLL WAS CALLED, WERE GRANTED UNANIMOUS CONSENT TO BE RECORDED AS VOTING AYE ON HB 2869.

***REOPENED WORK SESSION ON HB 3215**

094 Chair Shetterly **THE CHAIR REQUESTED UNANIMOUS CONSENT TO SUSPEND THE RULES TO REOPEN THE WORK SESSION ON HB 3215 FOR THE PURPOSE OF ALLOWING Rep. Williams TO VOTE. HEARING NO OBJECTION, THE CHAIR SO ORDERED.**

Rep. Williams BEING EXCUSED WHEN THE ROLL WAS CALLED, WAS GRANTED UNANIMOUS CONSENT TO BE RECORDED AS VOTING AYE ON HB 3215

100 Chair Shetterly Meeting adjourned at 3:10 p.m.

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2863, (-1) amendment, (DJ/ps) 03/27/01, Vice Chair Carlson, 1 page
2. HB 2863, (-2) amendment, (DJ/ps) 04/19/01, LRO Staff, 1 page
3. HB 2863, (-1) Revenue Impact statement, Waters, 1 page
4. HB 2863, Fiscal statement, LRO Staff, 1 page
5. HB 3105, (-1) amendment, (DJ/ps) 04/03/01, Legislative Counsel, 2 pages
6. HB 2869, (-1) Staff Measure Summary and Revenue statement, Martin-Mahar, 2 pages
7. HB 2869, (-1) amendment, (DJ/ps) 04/10/01, Squires, 3 pages
8. HB 3215, Handout titled "Fiscal Impacts: Portland Option #3 Districts", Williams, 1 page
9. HB 3215, (-6) amendment, (DJ/ps) 04/23/01, City of Portland, 1 page
10. HB 3942, (-1) amendment, (DJ/ps) 04/20/01, Chair Shetterly, 3 pages
11. HB 3942, Research Brief #4-98 and Spreadsheet on Total State and Local Tax Collection, Warner, 3 pages