

## HOUSE SCHOOL FUNDING AND TAX FAIRNESS/REVENUE COMMITTEE

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MAY 22, 2001 — 1:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

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Members Present: Representative Lane Shetterly, Chair

Representative Janet Carlson, Vice Chair

Representative Deborah Kafoury, Vice Chair (1:50 arrived)

Representative Alan Bates (1:23 arrived)

Representative Chris Beck

Representative Alan Brown

Representative Mark Hass (1:36 arrived)

Representative Max Williams

Members Excused: Representative Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

James Jensen, LRO Intern from Willamette University

Joan Green, Committee Assistant

Witnesses: Rep. Jeff Merkley, Legislative House  
District 16

Rep. Jeff Kropf, Legislative House District 37

Don Schellenberg, Oregon Farm Bureau  
Debra Buchanan, Department of Revenue  
John Phillips, Department of Revenue  
Hasina Squires, Special Districts of Oregon  
Gil Riddell, Association of Oregon Counties  
Mark Knoakes, Linn County Assessors Office  
Kevin Wells, Rep. Morrisette's Office

**TAPE 191, SIDE A**

005 Chair Shetterly Meeting called to order at 1:19 p.m.

**OPENED WORK SESSION ON HB 2848**

011 Ed Waters Summarized what the measure does, as described at the April 23 hearing and described the (-1) amendment, which would allow the Oregon Veterans' Home to qualify for potential listing under the charitable checkoffs program, (Reference 04/23/2001, Exhibit 5)

022 Rep. Jeff Spoke in support of the (-1) amendment with a conceptual change to modify the language to read "collect 10,000 or more signatures" instead of "collect 2,500 or more signatures", making it more consistent with current law, (Reference 04/23/2001, Line 5, Exhibit 5).

The only substantive change would be to allow the Oregon Veterans' Home to participate in this program without being a 501 (c) (3) nonprofit; spoke to the reasons why a 501 (c) (3) is not an option for the Oregon Veteran's Home.

059 Vice Chair **MOTION: MOVED THE RULES BE SUSPENDED FOR THE PURPOSE OF CONCEPTUALLY AMENDING THE (-1) AMENDMENTS, (Reference 04/23/2001, Exhibit 5). HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Hass, Witt, Kafoury, EXCUSED)**

063 Vice Chair **MOTION: MOVED TO CONCEPTUALLY**

Carlson **AMEND THE (-1) AMENDMENTS, (Reference 04/23/2001, Exhibit 5) BY DELETING "2,500" AND INSERTING "10,000" ON PAGE 1, LINE 5. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Hass, Witt, Kafoury, EXCUSED)**

069 Vice Chair **MOTION: MOVED LC (-1) Carlson AMENDMENTS DATED 03/21/2001 TO HB 2848, AS CONCEPTUALLY AMENDED, BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Hass, Witt, Kafoury, EXCUSED)**

073 Vice Chair **MOTION: MOVED HB 2848 TO THE Carlson HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**

080 **ROLL CALL VOTE: MOTION PASSED 6-0-3**

**REPRESENTATIVES VOTING AYE: Bates, Beck, Brown, Williams, Carlson, Chair Shetterly**

**REPRESENTATIVES EXCUSED: Hass, Witt, Kafoury**

**Rep. Merkley will carry the bill.**

098 Paul Warner Reviewed current status of General Fund Revenue impact bills and the Local Revenue Impact bills. (Exhibit 1)

Questions and discussion regarding the coordination with the Governor's office and the Ways and Means Co-chairs.

**OPENED WORK SESSION ON HB 3105**

150 Rep. Jeff Kropf Presented testimony in support of measure. (Exhibit 2)

191 Chair Shetterly Spoke to a minimal fiscal impact and an indeterminate revenue impact. (Exhibit 3)

- 214 Rep. Beck           What provisions in the measure assure compliance in landowners management of the property?
- 219 Rep. Kropf           Management of the property to qualify for the tax credit was not an issue that we wanted to address in this measure; that needs to be addressed through another vehicle.
- 238 Don Schellenberg       Spoke to the (-2) amendments, which deal with the definition of crop and share rent agreement. (Exhibit 4)
- 254 Vice Chair Carlson     If there is no oversight agency than it would be up to the Department of Revenue to certify or monitor this and how would that work?
- 256 Chair Shetterly       Referenced the printed measure, page 2, lines 30-31, which directs the Department of Revenue's to adopt rules.
- 259 Debra Buchanan     It would be a rules process and than ensuring compliance, as a normal part of our audit process.
- 270 Chair Shetterly     Questions and discussion regarding April 23 testimony and the 75% of market value being too high of a figure, as it relates to fixed costs.
- 292 Rep. Kropf           Rep. Bates contended that my example in the April 23 testimony was too low and 75% in most crops represents the cost of production only. Provided additional information explaining the variance of costs among farmers, dependant on conditions they operate under.
- 320 Chair Shetterly     Referenced the printed measure, page 1, line 14, and is the issue of a taxpayer owning the riparian land going to be addressed.
- 323 Rep. Kropf           The (-2) amendment addresses that, (Page 1, Lines 13-15, Exhibit 4); it is also referenced in the printed measure, §5, (5), page 1, line 31 and page 2, lines 1-7.
- 333 Chair Shetterly     Asked if Department of Revenue has any technical comments.
- 339 Buchanan           Needs to review the (-2) amendments, but

believes everything is okay.

- 346 Rep. Bates Spoke in support of the measure; my biggest concern is that measure does not far enough; is grazing not included?
- 358 Rep. Kropf Concurred and discussed the difficulties to determine a value for grazing, referenced the (-2) amendments, (Page 1, Lines 2-3, Exhibit 4).
- 374 Rep. Bates Believes a formula could be found to determine value.
- 380 Rep. Kropf Would be open to an amendment on the Senate side if the mechanics can be worked out.
- 387 Rep. Bates This measure is strictly voluntary and if there is any other federal, state or local law requiring maintenance of a riparian area compensation would not be made; are there other laws that compensate or is this the only one that does? Spoke to his concerns in mandated riparian areas without compensation.
- 394 Rep. Kropf Not aware of any other provision allowing outright compensation based on a federal government ruling of that type.
- 405 Schellenberg To date no language in the Ballot Measure 7 issue addresses a riparian area.

**TAPE 192, SIDE A**

- 007 Rep. Bates Questions and discussion regarding why, if someone complied with this measure voluntarily they would qualify for a tax credit, if compliance of maintaining a riparian zone was involuntary on the part of a landowner/farmer it would not be compensated.
- 021 Rep. Brown Questions and discussion regarding how the credit would be calculated and apply to farmers that lease land, would it be on a year-to-year basis.
- 050 Rep. Kropf Noted that the (-2) amendments delay any fiscal impact until January 2004.
- 057 Vice Chair Questions and discussion regarding the year; in

Carlson the printed measure on page 2, lines 32-33, states that §2 applies to 2002; the (-2) amendments change that to 2004, (Page 1, Line 20, Exhibit 4), but the (-1) amendments apply to §4 in 2002, (Reference 04/23/2001, Exhibit 5). Do you want §4 to be 2004 or not?

062 Buchanan The (-1) amendments were brought by Legislative Counsel to fix maximum assessed value so §4 needs to apply in 2002.

073 Vice Chair MOTION: MOVED LC (-2)  
Carlson AMENDMENTS DATED 05/10/2001 TO HB 3105 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Witt, EXCUSED)

077 Vice Chair MOTION: MOVED LC (-1)  
Carlson AMENDMENTS DATED 04/03/2001 TO HB 3105 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Witt, EXCUSED)

083 Vice Chair MOTION: MOVED HB 3105 TO THE  
Carlson HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.

085 Rep. Beck Spoke in support of the motion.

098 **ROLL CALL VOTE: MOTION PASSED 8-0-1**

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

**REPRESENTATIVES EXCUSED: Witt**

**Rep. Kropf will carry the bill.**

#### **OPENED WORK SESSION ON HB 2876**

110 Lizbeth Martin- Reviewed the (-4) amendments, (Exhibits 5-6),  
Mahar which are similar to the (-3) amendments, (Reference 04/24/2001, Exhibit 38); highlighted differences between the two amendments.

Referenced the (-4) amendment, (Page 5, Line 12, Exhibit 6), and noted a blank for the appropriation from the General Fund to the

Department of Revenue and directed members attention to the revenue estimates to help in addressing that blank, (Reference 04/24/2001, Exhibit 32).

- 182 Don Schellenberg Noted that this measure provides many variations; having a wide range of appeal and provided various examples of how this measure could be utilized.
- 242 Chair Shetterly Would suggest ten years for the blank in §3; the Farm Bureau would support a ten-year prohibition on division, (Page 3, Line 14, Exhibit 6).
- 243 Schellenberg Ten years after the last year of the exemption for basically a twenty year period?
- 245 Rep. Beck Concurred.
- 298 Vice Chair Carlson Questions and discussion regarding why would two parcels that are in an exclusive farm-use zone (EFU) both get tax deferral.
- 309 John Phillips Questions and discussion regarding mechanics of how the measure would be implemented.
- 323 Chair Shetterly Described the process that would be used by the Department of Revenue and the timeframes involved.
- 330 Phillips Questioned if the (-4) amendments have any mechanical issues for the Department of Revenue, (Exhibit 6).
- 364 Chair Shetterly Noted that the (-3) amendments, (Reference 04/24/2001, Exhibit 38), and the (-4) amendments are similar, (Exhibit 6). The choice is a policy issue of being lumped into the unsegregated account or distribution at the county level.
- 366 Phillips Clarified that for the Department of Revenue there is not much difference between the two amendments. The (-3) amendments are administratively easier at the county level, (Reference 04/24/2001, Exhibit 38)?
- 378 Rep. Hass Concurred.
- 378 Rep. Hass If you consolidate a property which one is exempt from the property tax, both or one; how would that work?

380 Phillips Referenced submitted testimony Linhares testimony; it is our belief that the smaller parcel is identified as the parcel that is exempt, (Reference 04/24/2001, Exhibit 39).

The (-4) amendments specify the following, which earlier address concerns:

1. The language now reads "lot or parcel", which clarifies it is various sizes of land.
2. It clarifies that it is the smaller of the two.
3. It clarifies that it is land only, not land and improvements.

387 Rep. Hass What would happen if someone had multiple partitions in properties — checkerboard style?

390 Schellenberg This provides for only the smaller parcel to qualify for the property tax exemption.

401 Phillips Provided an example that might address the question, but does not know if that would ever be done.

413 Chair Shetterly Are the (-1) and/or the (-2) amendments needed, (Reference 04/24/2001, Exhibits 34 and 38) or will the (-3) amendments work if all the Committee wants to do is go into the unsegregated account?

General concurrence.

### **TAPE 191, SIDE B**

012 Hasina Squires Spoke in support of the (-4) amendment; which would have the exempted money returned back to the people who actually loss the value. (Exhibit 6)

The (-3) amendment could potentially have the scenario with the money going out of the unsegregated account being distributed to cities that may not have the EFU land within their boundaries, (Reference 04/24/2001, Exhibit 38).

027 Chair Shetterly The (-4) amendments affect only the distribution of the money, not the landowner, (Exhibit 6)?

029 Squires Yes and would strongly urged adoption of the (-4) amendment if this measure is moved, (Exhibit 6).



- 038 Gil Riddell Spoke in support of the measure as a funding mechanism, but spoke to concerns from legislation (HB 2039) from the 1999 session that continues to be unfunded. Directed Committee's attention to language in the (-4) amendments requiring commitment by the Legislature, for as long as this program is in place, to fully comply with the intention of the (-4) amendments, (Page 5, Lines 1-3, Exhibit 6).
- Would recommend twenty as the number for the blank in the (-4) amendments, if the idea is to encourage these consolidations they should be consolidated for a long period of time and not subdivided, (Page 3, Line 4, Exhibit 6).
- 056 Chair Shetterly Noted that twenty would actually translate into thirty in the (-4) amendments because there is the ten years of exemption plus the number in the blank from the end of the exemption, is that the intent, (Page 3, Line 4, Exhibit 6)?
- 057 Riddell "That would be fine."
- 060 Chair Shetterly According to Phillips the (-3) amendments, (Reference 04/24/2001, Exhibit 38), were proposed to ease the counties administrative burden. The Special Districts prefer segregating it so that the monies go back to the districts foregoing these taxes, can the counties live with the (-4) amendments, (Exhibit 6). Is there disagreement or can the counties live with the (-4) amendments, (Exhibit 6)?
- 066 Riddell The (-4) amendments make sense, (Exhibit 6).
- 068 Mark Knoakes Spoke in support of the (-4) amendments and noted Linhare's concerns have been addressed by the amendments, (Exhibit 6).
- 083 Rep. Bates Spoke to concern of the size of parcels, how is "smaller" defined?
- 089 Schellenberg The minimum is the "applicable minimum lot size"; for cropland that is generally 80 acres for rangeland 160 acres, there are exceptions in some counties and those counties zoning criteria would apply.
- 101 Chair Shetterly Referencing the (-4) amendments; the blank on page 5 can be filled in by the Ways and Means Committee, but the blank on page 3 should be

filled in here, (Exhibit 6).

106 Rep. Beck

**MOTION: MOVED THE RULES BE SUSPENDED FOR THE PURPOSE OF CONCEPTUALLY AMENDING THE (-4) AMENDMENTS, (Exhibit 6). HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Williams and Witt, EXCUSED)**

109 Rep. Beck

**MOTION: MOVED TO CONCEPTUALLY AMEND THE (-4) AMENDMENTS, (Exhibit 6) BY INSERTING "TWENTY" IN THE BLANK ON PAGE 3, LINE 14.**

111 Rep. Beck

Spoke to motion.

114

**HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Williams and Witt, EXCUSED)**

130 Rep. Beck

**MOTION: MOVED LC (-4) AMENDMENTS DATED 05/07/2001 TO HB 2876, AS CONCEPTUALLY AMENDED, BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Williams and Witt, EXCUSED)**

135 Rep. Beck

**MOTION: MOVED HB 2876 TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION AND THE BILL BE REFERRED TO THE JOINT COMMITTEE ON WAYS AND MEANS.**

150

**ROLL CALL VOTE: MOTION PASSED 7-0-2**

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

**REPRESENTATIVES EXCUSED: Williams, Witt**

#### **OPENED WORK SESSION ON HB 3629**

169 James Jensen

Described what the measure does and provided background material. (Exhibit 7)

Distributed tables providing examples of the effect of the measure and estimates per county. (Exhibits 8-9)

- 185 Kevin Wells Spoke in support of the measure.
- 203 Gil Riddell The local option is one that is appreciated but the assessors have administrative issues with the measure.
- 208 Mark Knoakes Spoke in opposition to the measure and addressed the administrative difficulties that would be created under this proposal.
- 249 Chair Shetterly Suggested that Rep. Morrisette work with the county people to address the administrative issues and the measure can be brought back.
- 257 Vice Chair Kafoury Questions and discussion regarding concerns of setting a limit of real market value at a \$150,000; would prefer a step-down and spoke to reasons why.
- 287 Rep. Bates Questions and discussion regarding giving an exemption for the primary residence only.
- 308 Chair Shetterly Meeting adjourned at 2:34 p.m.

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. Informational, Status of measures with Revenue impacts, Warner, page
2. HB 3105, Testimony, Rep. Kropf, 2 pages
3. HB 3105, Revenue Impact and Fiscal statements, Waters, 2 pages
4. HB 3105, (-2) amendment, (DJ/hm/ps) 05/10/01, Schellenberg, 1 page
5. HB 2876, (-4) Staff Measure Summary, Martin-Mahar, 2 pages
6. HB 2876, (-4) amendment, (DJ/ps) 05/07/01, Squires, 5 pages
7. HB 3629, Staff Measure Summary and Revenue Impact statement, Jensen, 2 pages

8. HB 3629, Table of Example of Senior Homeowner Partial Property Tax Exemption, Martin-Mahar, 1 page
9. Table of Senior Homeowners by County, Martin-Mahar, 1 page