

WORK SESSION: HB 2135

PUBLIC HEARING: HB 2129

TAPES 122 A/B, 123 A

HOUSE REVENUE COMMITTEE

APRIL 7, 1999 ñ 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Rep. Ken Strobeck, Chair

Rep. Anitra Rasmussen, Vice Chair

Rep. Deborah Kafoury

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Lane Shetterly

Rep. Jim Welsh

Rep. Max Williams

Rep. Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Kathy Rodeman, Corvallis School District

Jim Manary, Oregon Dept. of Revenue

Pat Simpson, Bandon

Dexter Johnson, Legislative Counsel

Jeffrey Tashman, Association of Redevelopment Agencies (AORA)

Linda Meng, Portland City Attorney

Marge Kafoury, City of Portland

Greg Kreitz, Professional Land Surveyors of Oregon

Diana Madarieta, Professional Land Surveyors of Oregon

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005 Chair Strobeck Called meeting to order at 8:35 a.m. Committee will not hear HB 3323. Will be rescheduled for Monday when Gov. Kitzhaber can testify.

WORK SESSION n̄ HB 2135

032 Ed Waters Committee will consider HB 2135-1 (February 25, exhibit 9) and HB 1239-3 amendments (April 5, exhibit 6) in order to move bill out.

Bill exempts disclosure of identifying information for public employees who use official pseudonyms for safety or security reasons. Allows disclosure of confidential information to law enforcement agencies and to U.S. Postal Inspection Service.

054 Rep. Shetterly **MOVED n̄1 AMENDMENTS TO HB 2135 BE ADOPTED.**

055 Chair Strobeck **ASKED FOR OBJECTIONS TO MOVING n̄1 AMENDMENTS INTO HB 2135. HEARING NO OBJECTION, THE CHAIR SO ORDERED.**

057 Rep. Shetterly **MOVED n̄3 AMENDMENTS TO HB 2135 BE ADOPTED.**

059 Chair Strobeck **ASKED FOR OBJECTIONS TO MOVING n̄3 AMENDMENTS INTO HB 2135. HEARING NO OBJECTION, THE CHAIR SO ORDERED.**

061 Rep. Shetterly **MOTION: MOVED HB 2135, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**

064 **VOTE** **ROLL CALL VOTE: MOTION PASSES 6-0-3**

REPRESENTATIVES VOTING AYE: MERKLEY, ROSENBAUM, SHETTERLY, WITT, VICE CHAIR RASMUSSEN, CHAIR STROBECK

REPRESENTATIVES EXCUSED: KAFOURY, WELSH, WILLIAMS

REP. SHETTERLY WILL CARRY THE BILL.

077 Chair Strobeck Closed work session on HB 2135. Opened public hearing on HB 2129. Suspended public hearing on HB 2129. Invited testimony for HB 2753.

INVITED TESTIMONY re HB 2753

088 Kathy Rodeman

On behalf of Corvallis School board, spoke in support HB 2753, local option bill. See written testimony (**EXHIBIT 1**). Asked committee to delay further action on HB 2753 until more is known about public school funding situation.

111 Chair Strobeck

Positions change. Two sessions ago, public supported local option for any reason. Now districts are afraid local option would decrease education funding.

145 Rodeman

Corvallis voters would support a local option. Concern is that this might be an easy solution for funding difficulties, and unless all schools get adequate funding, a local option would be unfair. Local option can be done in a way fair to all districts, but only if all districts have adequate school funding. Asked committee to hold off passing this bill.

165 Rep. Shetterly

Doesn't view local option as a substitute for adequate state funding. Some districts would do well with local option; others wouldn't.

181 Rep. Witt

If delaying this bill could risk the local option, would she still oppose committee passing local option?

186 Rodeman

Coupled with that risk is one of better adequate funding for all schools. That is a risk that Corvallis School Board would be willing to take.

191 Chair Strobeck

Would be an unfortunate mistake to miss this window of opportunity.

211 Rep. Merkley

Expressed appreciation of Rodeman's concerns with statewide adequate funding.

233 Chair Strobeck

Reopened public hearing on HB 2129.

PUBLIC HEARING re HB 2129

248 Lizbeth Martin-Mahar

Gave overview of HB 2129-6 and 7 amendments. See Revenue Impact of Proposed Legislation (**EXHIBIT 2**).

Discussed HB 2129-6 amendments (**EXHIBIT 3**). Changes section 23. Introduced by City of Portland, urban renewal taxes will be subject to compression. Discussed chart, 1997-98 UR Excess, Total and Excess Value as % of Total Value (**EXHIBIT 4**).

295	Vice Chair Rasmussen	Asked for clarification of revenue impact statement, which parts address ñ6 and which parts address ñ7.
307	Martin-Mahar	<p>Summarized, -6 amendments deal with urban renewal compression components only ñ section 23.</p> <p>Discussed HB 2129-7 amendments (EXHIBIT 5): Deal with more technical issues. Section 14 deals with lien date. Adds manufactured structures and floating homes as exceptions to change in lien date. Only personal property will have lien dates changed.</p>
330	Martin-Mahar	<p>Section 28: Deals with Court of Appeals. Clarifies how value can change.</p> <p>Section 29: Implemented on or after effective date of 1999 act.</p> <p>Section 30: Deletes a comma.</p> <p>Sections 15-17 have been deleted.</p>
365	Chair Strobeck	Asked committee and audience for input about ñ7 amendments.
376	Jim Manary	Spoke in support of deletion of sections 15-17. Dept. of Revenue will work with manufacturers in interim to find a solution.
395	Pat Simpson	<p>See written testimony (EXHIBIT 6) paraphrased.</p> <p>Asked Chair Strobeck to be aware of urban renewal discussion between Portland and Association of Redevelopment Agencies (AORA). Favors Portland method because it more accurately assigns cost of compression to the area that causes it instead of assigning total cost for whole taxing district.</p>
450	Martin-Mahar	Clarified questions concerning ñ6 amendments.

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032	Simpson	<p>Requested amendments to return two items that were inadvertently omitted from Measure 50, having to do with compression (see written testimony, page 2:</p> <ol style="list-style-type: none"> 1. Requested breaking out hidden urban renewal costs on tax bill regarding fixed costs, increments, timber offsets. Urban renewal and timber offset costs are hidden. Effects would be slightly less compression in education, and compliance with intent of Measure 5. This does not have to do with special levies, it has to do with division of taxes.
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122	Simpson	Half of renewal dollars in Bandon come from outside the city. These people don't know they are paying urban renewal taxes.
135	Simpson	<ul style="list-style-type: none"> • Analysis of the impact, if any, of carrying out the urban renewal plan on tax collections <i>and tax rates</i> for the preceding year.
162	Dexter Johnson	Testified concerning meaning of parenthetical language in ¶6 amendments. Clarifies that Measure 5 compression calculation is done first, then taxes are allocated between urban renewal agencies and other taxing districts. Effect is that compression is done first, then taxes are allocated based on ratio of incremental value over total assessed value.
197	Jeffrey Tashman	<p>See written testimony (EXHIBIT 7) paraphrased. The Association of Oregon Redevelopment Agencies (AORA) favors sharing of revenues after compression between taxing districts and urban renewal agencies. Proposing ¶5 amendments (see March 25, exhibit 13) as an alternative to</p> <p>¶6 amendments. Shares losses by allocating compression losses within an urban renewal area to the taxing district and the urban renewal agency.</p> <p>Bill would set a method that is now done by Dept. of Revenue as the correct way in statutes to do this. AORA believes this is the correct approach because, costs and benefits all occur on taxing district-wide basis.</p>
282	Tashman	Summarized, March 25 proposal is a method that can be consistently and fairly applied the right way. Urged committee to consider ¶5 amendments as preferable alternative to bill as written, and to ¶6 amendments.
305	Chair Strobeck	Asked Tashman to describe benefit of Coos Countians who don't live in Bandon
307	Tashman	All will get better services because Bandon is doing better. While urban renewal is in place in Bandon, none of the taxing districts that levy taxes in Bandon collect taxes from the growth and assessed value in the urban renewal area. That affects counties, school districts, City of Bandon, county. Urban renewal is used to address blight, where values are depressed.
334	Tashman	When plan is completed, all property value within urban renewal area becomes taxable by all taxing districts. Districts will have bigger tax base, so all districts will receive more tax revenue.
350	Chair Strobeck	At some point, this theory will exceed the bounds of reason in terms of who will do well. Follow-up questions.

- 355 Tashman Addressed when districts benefit
- 436 Tashman As of 1998 there were 39 cities and counties with urban renewal districts, total of 54 districts. Not every successful downtown project uses urban renewal, but many do.

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- 020 Marge Kafoury City of Portland and its urban renewal agency, Portland Development Commission, support adoption of ñ6 amendments to HB 2129.
- 028 Linda Meng Difference between ñ5 and ñ6 amendments is language. They tend to do the same thing. ñ5 were written to apportion compression losses. Dept. of Revenue's preference was to compress the revenues which makes more sense, so language was rewritten to do that. Compression takes place on property-by-property basis. ñ6 amendments apportions those compressed revenues according to proportion of frozen base to increment in urban renewal area. Both amendments were intended to do the same thing.
- 043 Meng City of Portland does not disagree with AORA on philosophical basis. Decision was based on impact to city's general fund.
- 049 Diana Madarieta Professional Land Surveyors of Oregon supports HB 2129-7 amendments.
- 056 Greg Kreitz Spoke in support of the ñ7 amendments on behalf of Professional Land Surveyors of Oregon, particularly deletion of sections 15-17 of the bill. This addresses issues of convenience in terms of recording issues.
- 071 Simpson Does not fully understand any of the three options. Asked Tashman if it is correct that option 2 says an urban renewal area will not take any of the division of taxes, only the special levy. If they aren't getting taxes but are already benefiting taxing districts, tax rates are raised with anticipation that there will be additional taxes. Option 2 only allows special levy. Taxing districts benefit from this, but only because taxpayers are paying increased rates without knowing it. This is not fair.
- 097 Simpson Downtown Bandon urban renewal area is not a blighted area. Urban renewal doesn't cure blight. Asked, how does option 2 automatically benefit taxing districts when they haven't done anything?
- 126 Chair Strobeck That is an unanswerable question.
- 135 Manary Testified concerning ñ6 and ñ7 amendments. ñ6 deals with policy choice on how to treat urban renewal. Some of the items that Ms. Simpson suggested as amendments were required before Measure 50; legislature made a choice to remove them.

- 161 Chair Strobeck Concerning page 15 of bill, lines 8-11 does the added language accomplish the intent of Dept. of Revenue? Issue concerned historic property. Was intended to talk about land use change. John Di Lorenzo, Portland attorney, interpreted language to mean that any partial exemption or special assessment would be cancelled if land were put into a new program. He feared he would lose his historic assessment.
- 187 Manary Has reviewed this. Lines 4-7 is existing law. Changes a property from one special assessment program to another. Language says that property is moved over, Measure 50 limit is recalculated based on the way the new program calculates it.
- 247 Rep. Witt Suggested narrowing language to avoid unintended consequences.
- Section 14: Asked Manary why lien date on personal property would be moved from July 1 to January 1?
- 258 Manary Initial interest has to do with whom the assessment is made against. With Measure 5, assessment date and lien dates were moved to July 1. Measure 50 moved assessment date back to January 1. Now, if ownership changes, the tax bill goes to the previous owner. Dept. of Revenue wants to make these dates the same again.
- Discussion and questions interspersed.
- 343 Chair Strobeck Committee will not move this bill today. Prefers language of ¶6 amendments and ¶7 amendments. Asked Manary to research section 21, lines 8-11 to clarify. Asked staff to prepare Ms. Simpson's suggested amendments for consideration. Believes issue needs further examination and study. Would like interested parties during interim to study this and come to resolution for the 2001 session.
- 390 Manary Dept. of Revenue will facilitate this.
- 396 Chair Strobeck Adjourned meeting at 9:55 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2753, Rodeman, testimony of Kathy Rodeman, Business Manager, Corvallis School District, 1 p.
2. HB 2129, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2129-6, -7, 2 pp.
3. HB 2129, Martin-Mahar, Proposed Amendments to House Bill 2129 (HB 2129-6), 1 p.
4. HB 2129, Martin-Mahar, 97-98 UR Excess, Total and Excess Value as % of Total Value, 1 p.
5. HB 2129, Martin-Mahar, Proposed Amendments to House Bill 2129 (HB 2129-7), 4 pp.
6. HB 2129, Simpson, HB 2129, Testimony by Pat Simpson, 2 pp.
7. HB 2129, Tashman, Testimony to House Revenue Committee by the Association of Oregon Redevelopment Agencies (AORA), 1 p.