

WORK SESSION: HB 2048-A

TAPES 240, 241 A/B

HOUSE REVENUE COMMITTEE

JUNE 26, 1997 1:00 PM HEARING ROOM A STATE CAPITOL BUILDING

MEMBERS PRESENT: Rep. Lee Beyer, Vice-Chair

Rep. Tony Corcoran

Rep. Anita Rasmussen

Rep. Lane Shetterly

Rep. Mark Simmons

Rep. Ken Strobeck

MEMBERS EXCUSED: Rep. Tom Brian, Chair

Rep. Randall Edwards

Rep. Leslie Lewis

WITNESSES PRESENT: Rep. Ron Sunseri, State Representative, District 22

Bernie Guisto, Chief of Police, City of Gresham

Joe Parrott, Fire Chief, City of Gresham

Sharon Timko, Multnomah County

Dave Warren, Multnomah County

David Lawrence, City of Hillsboro

Bob Cantine, Association of Oregon Counties

Carol Samuels, League of Oregon Cities

STAFF PRESENT: Jim Scherzinger, Legislative Revenue Officer

Steve Wermuth, Committee Assistant

Barbara Guardino, Committee Assistant

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006 Vice-Chair Beyer Calls meeting to order at 1:21 p.m. Opens work session on HB 2048.

**HB 2048 -
WORK
SESSION**

007 Scherzinger Explains three types of anomalies: 1)expired levy, 2)rapid growth, and 3)high compression. Examples are 1) Gresham, 2) Hillsboro, 3) Heppner. Anomalies 1 & 2 are Measure 47 issues, 3 is a Measure 50 issue.

057 Scherzinger Discusses and explains allocations of taxes. Explains Gresham's expired serial levy.

107 Scherzinger Continues discussing districts and allocation of taxes and rates.

154 Scherzinger Discusses and explains SB 1215 -25 amendments **[EXHIBIT A]**.

171 Rep. Corcoran Asks about Gresham amendments and issues. Asks about analysis that is being misunderstood.

183 Rep. Ron Sunseri District 22. Introduces Bernie Guisto, Chief of Police, City of Gresham; and Joe Parrott, Fire Chief, City of Gresham.

195 Rep. Corcoran Believes there was a difference of fact between Scherzinger and City of Gresham.

199 Joe Parrott States that it may possibly be a difference of perspective of how issues are stated.

201 Rep. Sunseri Questions the shifting of funds and wonders if citizens of Gresham knew what they were voting for with the passing of Measure 47.

212 Rep. Corcoran Asks if Gresham voted in Measure 47.

214 Rep. Sunseri Responds yes.

214 Bernie Guisto States that the majority of Gresham voters voted against Measure 50.

221 Rep. Sunseri Reads from written testimony **[EXHIBIT B]**, and explains that Gresham has lowest ratio of police and fire services in the state.

271 Rep. Sunseri Continues reading from written testimony.

282 Rep. Strobeck Asks about written testimony, and asks for clarification.

288 Parrott Explains that Gresham is caught between Measure 47 and Measure 50.

296 Rep. Strobeck Asks if it is the opinion that Measure 50 changed amounts.

297 Parrott Responds that the rate from 1995-96 minus 10% is caught between Measure 47 and Measure 50.

305 Rep. Strobeck Asks about language of Measure 50.

310 Parrott Responds that it was understood that the taxing from 1997-98 was from Measure 50, and is not available otherwise.

314 Rep. Shetterly States that there are components of both.

320 Scherzinger Clarifies confusion and misunderstandings.

353 Rep. Strobeck Asks that when Gresham says 100% of property taxes are used for police and fire services, that is not 100% of your budget is it?

355 Parrott Responds no, that it amounts to 70% of the general fund.

358 Rep. Strobeck Asks is there is a limit.

364 Parrott Responds no.

365 Rep. Strobeck Clarifies that it is just a benchmark.

367 Parrott Responds no. Explains that 100% of property taxes are applied to police and fire services.

375 Rep. Sunseri States that Gresham has never reached 100% of the requirement.

377 Rep. Strobeck Asks if Gresham is currently taxing at \$10 per \$1,000.

381 Parrott Explains that Gresham is at a rate of about \$4 per \$1,000.

383 Scherzinger Explains effect on Gresham with and without the -25 amendments, and submits spreadsheet **[EXHIBIT C]**.

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002 Scherzinger Continues explaining figures from **[EXHIBIT C]**. Explains that the \$195,000 left over is a statewide revenue reduction. Comments that total rate goes up from \$13.01 to \$13.18.

- 033 Rep. Strobeck Asks for history of Gresham levy renewal.
- 035 Parrott Responds that Gresham did not ask for a serial levy renewal, but for a taxed-based increase to make serial levy permanent.
- 041 Rep. Sunseri Explains that it was a tax based levy rather than a renewal.
- 057 Sharon Timko Introduces Dave Warren, Multnomah County.
- 058 Dave Warren Explains that Gresham asks that change in the permanent tax rate in Gresham be institutionalized.
- 083 Scherzinger Explains that Hillsboro's situation is different in that it is caused by rapid growth in both value and new construction, and explains Hillsboro's situation. Explains rapid growth anomaly.
- 133 Scherzinger Continues explaining the rapid growth anomaly. Explains effects of the SB 1215 -26 amendments [EXHIBIT D]. Amendments create an artificial calculation for new construction.
- 165 Scherzinger Continues explanation of SB 1215 -26 amendments. Additional revenue that goes to Hillsboro will be balanced by loss of revenue statewide.
- 212 Rep. Shetterly Asks, is this another case of shifting winners and losers around?
- 219 Scherzinger Yes, revenue is being shifted around in order to create a 17 % reduction statewide. Refers to packet of charts "Measure 50" (EXHIBIT E)
- 231 David Lawrence Discusses Exhibit 1: "Growth Due To New Construction"
- Lower part of chart "Estimated Measure 50 Reduction" shows the cut. Hillsboro's assessed value has doubled, growth 26%, and inflation 26%.
- Discusses Exhibit 2: "City of Hillsboro Estimated Tax Levy for 1997-98 With and Without Reported Growth"
- 293 Lawrence Discusses Exhibit 3: "City of Hillsbro Tax Rates". Largest concern is the long-term decrease in tax rate.
- Discusses Exhibit 4: "Option # 1," "Option # 2"
- Exhibit 5: Pie charts, "Property Tax paid by the Average Home in The City of Hillsboro." Shift in share, radical shift in amount of money paid.
- 326 Lawrence Supports SB 1215 -26 amendments.
- 368 Rep. Strobeck Last city talked about tying property tax to amount of budget that went to essential services, police and fire. Asked for ratio for Hillsboro.
- 374 Lawrence Last time Hillsboro had tax base increase was November 1994, 2/3 yes vote. City spends 120 % of its property taxes on police and fire.
- 417 Bob Cantine Hillsboro solution spreads to all jurisdictions in the state. Needs to be sure that there is a valid reason for creating new set of winners and losers, and that it is explainable and understandable.

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- 020 Cantine Discusses a question unique to high growth counties: How was growth treated in terms of adding it back? Concept of both M47 and M50 is jurisdiction gets to benefit by its growth, offsets some of the losses. Questioned where part of methodology, if high growth area got cut off.
- 044 Scherzinger Discusses third issue, high compression. See City of Heppner (Morrow County) **(EXHIBIT F)** City gets less under M50 than under M47. The reason it happens is a M50 problem.
- 069 Scherzinger (Draws diagram on white board). Heppner is under very high compression. Under M5 measure is at \$16 for non-schools, way over \$10 limitation, so under heavy compression. This compression lowers county rate within Heppner's code area. County rate is much lower under M5 than in rest of county. City rate compresses. Under M47, further compression occurred. This drives county rates down even further. Heppner passed local option levy which in effect gave all of M47 reduction as a local option levy. Heppner ended up with more revenue than under M5. Heppner ended up with 15 % increase.
- 119 Scherzinger Under M50, state gives Heppner same authority as it had under M47 (for county and all other districts) then add authority up by code area to get total county authority. City wants a permanent rate across county. State reimposes authority evenly across the county, which throws Heppner back into compression, Heppner ends up with less than if under M47 or M5.
- 142 Scherzinger Heppner is only 3 % value of Morrow County, 70 % residential. Backwash effect is large. Difficult problem to resolve. Only way to give them some gain is to restore permanent taxing authority that was being compressed. This reduces county and other district revenues.
- 186 Scherzinger Notes, only five code areas in state that would be in compression under M50 after this process is done. Working on set of amendments to deal with this.
- 205 Rep. Rasmussen Asks attempt to pull all three anomalies into one state-wide solution.
- 211 Scherzinger Does not think there is a way to do this in one amendment.
- 217 Carol Samuels Asks committee to help Heppner and Morrow City
- 233 Rep. Shetterly Asks, does League of Oregon Cities have position on Gresham/Hillsboro amendments?
- 235 Samuels No position.
- 242 Rep. Strobeck Committee will not take action until more members present.
- 248 Rep. Rasmussen Requests Scherzinger create some amendments for Gresham that would also be statewide solution.
- 253 Scherzinger Those amendments already exist.
- 269 Rep. Simmons Asks, would rest of state subsidize Heppner?
- 270 Scherzinger Explains, rest of state would have revenue reductions, which is not the same as subsidy. Must separate question of shifting revenues with how taxes are shifting.

- 298 Scherzinger Turns to other issues on list (See June 12, Exhibit U, "HB 2048 - Measure 50 Implementing Draft"): Discusses County Trust Forest Land Distribution (**EXHIBIT G**) and severance tax distribution. These are not as large as once thought. Discusses how these tax rates work. M50 changes tax rates and reduces school tax rates. Reduces school revenues about \$1.5 million a year. Much bigger lag in effect of severance tax distribution.
- 365 Scherzinger Many of remaining issues on June 12 exhibit will have amendments. Two biggest are special assessments and partial exemptions in Sections 40-45.

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- 014 Scherzinger Refers to SB 1215. Way bill written (Sections 40-45) is general provisions that deal with partially exempt or specially assessed property. No way to deal with them in separate sections. Senate Revenue is getting rid of those sections and going into each special assessment program and creating specific provisions. In M50, special assessments and partial exemptions have to get same treatment as regular property-- 10% reduction and 3% growth limit.
- 034 Scherzinger e assessment. Under current law, within each county, assessor develops table of values....based on calculation....committee of farmers. Discusses treatment of farm use and forestland assessment in bill.
- 066 Scherzinger Discusses Veterans Exemptions (**EXHIBIT H**) \$100,000 house, in 95-96, exemption was only \$10,000. Real Market Value (RMV), Maximum Assessed Value (MAV). Uses current veterans exemption, \$11,000, to explain exemption. RMV would be reduced by \$11,000 annually. Following M50 constitutional requirements, MAV would be \$81,000.
- 104 Scherzinger With bill, instead of making \$11,000 reduction in RMV, makes \$11,000 assessed value exemption. This causes growth rate to be more than 3 %. HB 2048 and SB 1215 change this to an assessed value exemption, so M5 limits will be based on RMV.
- 144 Rep. Shetterly Asks, if MAV growing at 3% every year and \$11,000 plus 3 % is applied, does this give a broader divergence?
- 148 Scherzinger Yes, by 3% per year. Discusses Single Family House in Higher Use Zone (**EXHIBIT I**).
- 154 Scherzinger Under current law, single family residence in industrial/commercial zone, resident can apply as residential property, and will receive land value on property that reflects residential use. Senate Revenue Committee repealed this, put in provisions to keep people at current lower value, repealed penalties for moving out of special assessment.
- 194 Scherzinger Discusses Down-Zoned Property (**EXHIBIT J**). Under current law, if property is down-zoned and value reduced, owner can apply for five-year double reduction in value.
- 204 Scherzinger Refers to chart example. Nobody in the state is on this exemption, unclear how it would work under M50. Senate repealed it, put in grandfather provision. Discusses Historic Property (**EXHIBIT K**). Discusses example chart. Question, what

- 247 Scherzinger to do about this property in relation to M50? Go back to specially assessed value in 1995-6 less 10 %. Bill freezes maximum special assessed value.
- 294 Scherzinger Problem is what to do about properties as they enter the program. Senate version will freeze property at current assessed value for 15-year period. Problem, how to deal with 1996-97 (amendments not available yet).
- 391 Rep. Shetterly Asked, is anyone doing amendment on elections issue.
- 393 Scherzinger Yes, this is being written.
- 417 Vice-Chair Beyer Adjourned meeting at 3:05 p.m.

Submitted by, Reviewed by,

Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

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EXHIBIT SUMMARY:

- A. HB 2048, Scherzinger, Proposed Amendments to SB 1215: SB 1215 -25, 1 p.
- B. HB 2048, Rep. Sunseri, Testimony of Representative Ron Sunseri Before the House Revenue Committee, 3 pp.
- E. HB 2048, Scherzinger, Gresham spreadsheet, 2 pp.
- D. SB 2048, Scherzinger, Proposed Amendments to SB 1215: SB 1215 -26, 2 pp.
- E. HB 2048, Lawrence, Measure 50, 6 pp.
- K. SB 1215, Scherzinger, Heppner chart, 1 p.
- M. HB 2048, Scherzinger, County Trust Forest Land Distribution, 2 pp.
- H. HB 2048, Scherzinger, War Veterans and Their Spouses, 3 pp.

I. HB 2048, Scherzinger, Single Family House in Higher Use Zone, 2 pp.

J. HB 2048, Scherzinger, Down-Zoned Property, 3 pp.

U. HB 2048, Scherzinger, Historic Property, 3 pp.