

PUBLIC HEARING & WORK SESSION: HB 2047, HB 2048

BONDING ISSUES

TAPES 62, 63 A/B

HOUSE REVENUE COMMITTEE

FEBRUARY 26, 1997 8:30 AM HEARING ROOM B STATE CAPITOL BUILDING

MEMBERS PRESENT: Rep. Tom Brian, Chair

Rep. Lee Beyer, Vice-Chair (Arrived 8:50 a.m.)

Rep. Tony Corcoran (Arrived 9:00 a.m.)

Rep. Randall Edwards (Arrived 8:50 a.m.; absent 9:45 - 10:15 a.m.)

Rep. Leslie Lewis (Arrived 9:00 a.m.; absent 9:10 - 9:58 a.m.)

Rep. Anitra Rasmussen (Arrived 8:50 a.m.)

Rep. Lane Shetterly

Rep. Mark Simmons

Rep. Ken Strobeck

WITNESSES PRESENT: Carol Samuels, League of Oregon Cities

Jeffrey Tashman, Association of Oregon Redevelopment Agencies (AORA)

Chuck Smith, Oregon State Treasury

Pat Simpson, Bandon

STAFF PRESENT: James Scherzinger, Legislative Revenue Officer

Barbara Guardino, Committee Assistant

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008 Chair Brian Called meeting to order at 8:47 a.m. Will focus on bonding issues.

PUBLIC HEARING - BONDING ISSUES

Refer to testimony, Oregon State Treasury, verbatim (EXHIBIT A).

026 Chuck
Smith

Briefly discussed characteristics of the state's general obligation bonds.

Attorney General opinion regarding M47 released Feb. 24 is encouraging.

Bond market participants will be watching actions of the legislature.

081 Rep.
Strobeck

Questioned Smith concerning page 2, paragraph 3. What does he mean by "the state's general obligation bonds would not be new or additional taxes because such taxes were approved by Constitutional amendments ..."

091 Smith

The statement refers only to the state's general obligation bonds, and all of these amendments were passed before M47.

117 Rep.
Edwards

Questioned Smith concerning Oregon's credit rating. What are credit rating agencies saying about M47 and the Attorney General opinion?

123 Smith

Agencies focus more on local government. They are also interested in how legislature meets demands for local governments for replacement funds.

Refer to testimony by Carol Samuels, verbatim (EXHIBIT B).

Reviewed bonds prior to M47:

* Bonded indebtedness

149 Carol
Samuels

* Capital Construction and Improvements

* Voting Requirements

Reviewed bonds after M47

Local Government Proposals:

Referred to flow chart at end of written testimony, Determining Project Eligibility.

217 Samuels First question in putting together implementing language: Is it capital construction and improvements? If yes, which of three categories does item fit into - maintenance and repairs, supplies and equipment, other.

Continued testimony, page 3: " Given this methodology, we propose the following definitions:"

262 Samuels * Ordinary maintenance and repairs

* Intrinsic supplies and repairs

* Public safety vehicles

315 All Questions and discussion concerning what is meant by "intrinsic supplies and repairs," what is considered to be supplies and equipment.

363 Samuels Explained testimony was attempting to cover situations such as prison facilities and public safety vehicles.

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037 Samuels Defined equipment as freestanding machinery and non-public safety vehicles.

044 Rep. Shetterly Referred to M47 Section 3 (C) concerning maintenance and repairs, supplies and equipment., law enforcement vehicles. Could not figure out "other" category.

050 All Questions and discussion concerning capital construction improvements.
Resumed review of written testimony:

122 Samuels (Refundings

("Gap Bonds"

152 All Questions and discussion on Samuels testimony concerning gap bonds, public safety vehicles, maintenance.

211 Vice Chair Beyer Noted existing ORS law in relation to distinctions between furnishings and other items.

BONDING ISSUES (URBAN RENEWAL)

234 Brian Shifted discussion to urban renewal.

Refer to written testimony, paraphrased (EXHIBIT C).

Main principles: At what point are tax increment revenues imposed?

Jeff * When an Urban Renewal Plan is adopted; or

235 Tashman * When amendments are approved that expand the use of tax increment financing in an existing plan.

Continued review of written testimony, "HB 2047 implements these principles as follows:"

Section 36 (2)

290 Tashman Section 36 (3)

Section 37

Section 38

353 All Questions and discussion concerning Tashman testimony.

411 Tashman Concerning Attorney General opinion of Feb. 24, 1997, AORA believes opinion basically supports analysis, especially in regard to when urban renewal taxes are levied. Supports analysis of taxes collected for bonds. Questions definition of bonded indebtedness.

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Refer to written testimony, UR (Urban Renewal) & Measure 47 (EXHIBIT D), verbatim .

035 Pat Simpson Taxpayers did not approve by voting for most urban renewal areas, but they pay for them. This type of situation is why people voted in M47.

Section 36 (3)

Section 37

097 Simpson Section 38

Urban renewal - need termination rules

Need debt caps

Taxation without representation

131 Simpson Need honest tax statements

Cities should pay for their own urban renewal

Refer to "Exempt Bonded indebtedness" (EXHIBIT E)

162 Simpson HB 2047 Section 31

194 Jim Scherzinger Responded to Simpson questions listed on Exhibit

WORK SESSION - URBAN RENEWAL

Urban Renewal diagrams (EXHIBIT F)

220 Scherzinger Original Law (before Measure 5), Seaside School District - Tax on base value goes to school district; increase in value goes to urban renewal district.

Instructed committee to draw line across middle of chart 1, which becomes \$5 rate limit for schools. Tax on base is below \$5; tax on excess that is below line can no

297 Scherzinger longer go toward urban renewal.

Option 1 chart: Instead of spreading tax only within urban renewal district, spread it across entire district.

351 Scherzinger

Under this scheme, people who don't live in district pay for urban renewal.

420 Scherzinger Current law chart: Spread urban renewal across school district only within city.

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For purposes of M47, some taxes are for bonded indebtedness, some are not. Attorney General opinion said some urban renewal taxes would be outside the limits of M47, and other taxes not. Constitution authorizes only expenses for indebtedness.

035 Scherzinger

072 Scherzinger Debate is who is really paying the urban renewal taxes. Would this growth have occurred, had the urban renewal district not been there?

087 Vice Chair Beyer Keep in mind is that urban renewal was authorized by voters through Constitutional amendment.

In M47, there will be inequities in every tax district, not just urban renewal.

114 Chair Brian Adjourned meeting at 10:14 a.m.

Submitted by, Reviewed by,

Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

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EXHIBIT SUMMARY:

A. HB 2047, Smith, Oregon State Treasury testimony, 2 pp

B. HB 2047, Samuels, Testimony by Carol Samuels, 5 pp.

C. HB 2047, Tashman, Association of Oregon Redevelopment Agencies (AORA), 1 p.

D. HB 2047, Simpson, UR & Measure 47, 6 pp.

E. HB 2047, Simpson, Exempt bonded indebtedness, 1 p.

F. HB 2047, Scherzinger, Urban Renewal, 3 pp.