

WORK SESSION

HJR 85, HB 3511

TAPES 074 A/B, 075 A/B, 076 A/B 077 A/B

HOUSE REVENUE COMMITTEE

MARCH 11, 1997 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

MEMBERS PRESENT: Rep. Tom Brian, Chair

Rep. Lee Beyer, Vice-Chair

Rep. Tony Corcoran

Rep. Randall Edwards

Rep. Leslie Lewis

Rep. Anitra Rasmussen

Rep. Lane Shetterly

Rep. Mark Simmons

Rep. Ken Strobeck

MEMBERS PRESENT: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair

Sen. Joan Dukes

Sen. Vern Duncan

Sen. Tom Hartung

Sen. Randy Leonard

WITNESSES PRESENT: Bill Sizemore, Oregon Taxpayers United

Dexter Johnson, Legislative Counsel

STAFF PRESENT: James Scherzinger, Legislative Revenue Officer

Barbara Guardino, Committee Assistant

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WORK SESSION

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Called meeting to order at 9:07 a.m.

007 Chair Brian Allocation of loss will be done statutorily. Real issue is limited to what constitutional guidance the committee will give to the legislature.

021 Jim Refer to HJR 85-16 (EXHIBIT A), Section 11 (3) (a), concerning 17 % cut.
Scherzinger Statewide reduction, there is no formula to indicate how allocation will be made.
Distribution of revenue reduction could be different under this measure than under M47.

Refer to two charts (EXHIBIT B) Page 3:

043 Scherzinger Calculations begin with different years and create differences.

Three basic things could happen:

1) Tax based on different values

2) Recognition of new levy approvals

3) Different rates of new construction.

078 Scherzinger Discussed M47 chart based on 1995-96 levies.

117 Scherzinger Discussed HJR 85 chart based on 1997-98 levies.

- If cut 17 % tax, then 1997-98 tax imposed is a cut from the levy.
M47 begins with 1995-96 levies; HJR 85 begins with 1996-97.
- 169 Scherzinger Distribution will be significantly different among districts.
- 186 Vice Chair Beyer Is it possible to merge the two charts?
- 189 Scherzinger Two ways to go about this: Go back and do a M5 - M47 calculation, building in recognition of the levies. Or, reflect new construction in the distribution formula. Problem is, there is no data on new construction, so he cannot do any runs to see the differences in districts.
- 263 Scherzinger Referred to HJR 85 -21 Amendments (EXHIBITC): Deals with levies approved for 1996-97 or 1997-98, after M47 passed, providing double majority was obtained or levy was passed during general election. Exempts levies from cut but not cap.
- 338 Bill Sizemore Questions and discussion interspersed.
Concerning whether -21 meets spirit of M47 in relation to the double majority: When M47 was drafted, there was no intent to include a local option. Since it has been discovered, to be consistent with logic that the local option contains double majority, it is reasonable to allow those levies that were approved for a double majority or a general election to come in with 100 % of what was levied. The voters have spoken.
- 402 Sizemore Questions and discussion interspersed.
Warned that if statewide reduction is considerably less than what voters thought they voted for, there will be problems at the polls.

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- 038 Sizemore Continued testimony. A 17 % statewide reduction is not acceptable to Taxpayers United. That will be an average that will be distributed as M47 had it.
- 068 Sen. Dukes Questions and discussion interspersed.
Expressed concern with different parts of the state having significantly different tax relief.
- 078 Sizemore Does not have a problem with this. Wants to be able to go back to voters and tell them this is what they really passed with M47 and M5. That does not mean everyone gets the same tax cut, based on voters' decisions at the polls.
- 108 Sizemore Committee says, if current elections are only replacing existing levies, they don't need a 50 % voter turnout. Must not add bonded levies to the base. Drafting oversight on HJR 85 -21 Amendments - need to clarify bonded levies are not being added to the base.
Added up \$100 million in levies approved since March 1996 with double majority for a general election. Under -21 amendments, these would be exempt from the 17 %

reduction.

134 Scherzinger

158 Rep. Lewis Asked Scherzinger to explain how he arrived at the figure, \$873 million, as the statewide tax reduction.

163 Scherzinger Explained, he based this number on the 17 % reduction figure in the original \$1.1 billion reduction. The 17 % figure came from discussions with various interests. Will bring in some calculations for afternoon session to further explain this.

210 Rep. Lewis Requested comparison of 1996-97 figures to M47 reductions.

225 Chair Brian Expressed doubt that the committee can complete its work on the M47 rewrite in time for the May 20 election deadline.

263 Vice Chair Beyer In terms of approving levies that have been approved, there is a basic equity question. Voters should be held to the standards of the laws that were in effect at the time.

280 Chair Brian That is not what M47 does. It says to calculate 1995-96 taxes minus 10 % to take off of the 1997-98 taxes.

290 Vice Chair Beyer Either approve everything in the bill or exclude it all. Can't have it both ways.

315 Chair Brian Advised committee to be clear on what data they want from Scherzinger for afternoon continuation of meeting. Need comparison between M47 and HJR 85; also a list of the elections that are currently being considered as validated at 100 % and at 83 %.

353 Scherzinger Referred to HJR 85 -16 (3) (a) (C): "Laws enacted under this paragraph shall distribute the reductions required by this paragraph so as to recognize the revenue-raising potential of new construction."

410 Rep. Corcoran The 17 % is statewide. This gives a direction to recognize in the distribution, the revenue raising potential of instruction (D), saying to prioritize while minimizing loss of local control.

420 Chair Brian Asked, wouldn't local jurisdictions see a greater loss if lawmakers factored for new construction?

Construction would work for them, but the 17 % reduction would work against them. M47 recognizes growth, although the 17 % cut across the board eliminates the value of that growth, thus shifting the winners and losers.

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033 Rep. Corcoran Then, this language does not impact the intent of M47. Can lawmakers still, in distribution formula, allow for new construction and mimic M47?

037 Scherzinger Cannot do an across the board 17 % reduction. Must recognize revenue raising potential of new construction. This will create differences.

- 051 Vice Chair Beyer Referred to HJR 85 - 16 (3) (a) (C): Concerning 17 % reduction. This does not appear to address taking out the levies. Is additional language needed?
The 17 % won't change, but the overall amount of revenue reduction will drop.
- 054 Scherzinger Referred to HJR 85 - 16 (3) (a) (D) (b) " ... the ad valorem property taxes that were reduced under paragraph (a) ..."
- The more things that are pulled out of a reduction, the more the dollar amount of the reduction drops. Committee may need to change a reference to make that clear.
Suggested committee work on HJR 85 -16 for remainder of morning.
- 080 Chair Brian Afternoon issue will be data and distribution formula.
- 090 Rep. Lewis Requested more data, to compare M47 versus HJR 85 in terms of percent reductions.
Reviewed HJR 85 -16 Section 11 language amendments beginning on page 2, line 6, "lot line adjustment ..."
- 131 Scherzinger Page 3
- Page 4, line 6: Allows rounding.
- 176 Scherzinger Line 9: (f) Reference to urban renewal levies.
- (4) (a) Line 11: Local option.
Concerning HJR 85 -16, Section 11. (4) (a) page 4, line 11: "The Legislative Assembly may enact laws permitting a taxing district to impose a local option ad valorem property tax ..." Objected that the change from "shall" to "may" is a major change, and is not acceptable. It takes away the right of local governments, other than schools, to have a local option.
- 199 Vice Chair Beyer Questions and discussion on "may" or "shall."
- 265 Chair Brian Sent for legal counsel to address this issue. Committee will stand at ease.
- 360 Chair Brian Called meeting back to order.
Concerning page 4, line 11, the effect of "may" versus "shall." Distinction is that, "shall" is a stronger directive than "may." But, unless General Assembly enacts legislation, a district could not impose a local option tax. There would be no way to force the legislature to do this.
- 365 Dexter Johnson Taxing district could ask voters to authorize local option based on constitution without implementing legislation.
- 410 Vice Chair Beyer Asked if there is a way to put limitation on schools.

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- 025 Johnson The legislature could create different authority for taxing districts other than school districts. Taxing districts could impose option tax based on the constitution, with the provision: the legislative assembly may enact laws permitting school district.
- 030 All Questions and discussion concerning "may" and "shall" in relation to school and non-school taxing districts, local option.
- 060 Rep. Shetterly Suggested using "shall" concerning non-schools; and "may" concerning schools.
- 115 Chair Brian Question and discussion on word choice, local option.
- 115 Chair Brian Recessed meeting at 10:35 a.m.

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- Reconvened meeting at 4:23 p.m.
- 122 Chair Brian Apologized for delay in reconvening the meeting.
- 157 Scherzinger Introduced amendments related to HJR 85 -16: HJR 85 -24 (EXHIBIT D); HJR 85 -23 (EXHIBIT E); and HJR 85 -22 (EXHIBIT F).
- Document, "Revenue Effects of HJR 85 and Measure 47" (EXHIBIT G), addresses earlier questions concerning how reduction became 17 %. Estimates of M47 in 1997-98 were a 20 % reduction in the operating levy. That equals about \$50 million for the biennium. Then talked about what situations will be fixed - levy approvals, hospital districts, etc.
- Wrote explanation on blackboard of how Legislative Revenue Office arrived at 17 % figure.
- 229 Rep. Lewis Understood there would be an attempt to keep rural hospitals whole. Doesn't see this in language of HJR 85.
- Committee needs to specify this. HJR 85 -23 Amendments: Statement of policy as to how distribution would be made. Says they will reflect calculation close to M47 requirements. Could add something about hospital districts to this.
- 239 Scherzinger Questions and discussion concerning exempting rural hospitals from the cut. They would still fall under the 3 % cap.
- 303 Chair Brian **ASKED MEMBER IF THERE IS ANY OBJECTION TO EXEMPTING HOSPITALS FROM THE REDUCTIONS. HEARING NO OBJECTION, THE CHAIR SO ORDERED.**
- 312 Scherzinger Returned to Exhibit G - Summary
- Summarized issue with regard to hospitals: Exempt them from the cut versus leave

364 Vice Chair them in as a shift, which would shift hospital burden onto somebody else.
Beyer

394 Scherzinger \$865 million reduction figure assumes all normal bonds are out, all urban renewal is
out, and there but there are no other reductions.

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026 Scherzinger Explained comparison chart: Effect of M47 and HJR 85 on Taxing District
Operating Revenue (EXHIBIT H). Corrected dates on columns 5 and 7.

081 Chair Brian M47 estimates don't reflect differential rates of new construction so figures will
look closer than they are.

103 Scherzinger Again referred committee to HJR 85 -16 amendments (Exhibit A).
Continuation of read-through from morning.
Substitute language in HJR 85 -24 amendments (Exhibit D) for language in
HJR 85 -16 Page 4, line 11: "... may impose a local option ..." For the next
biennium, schools will not have a local option.

175 Chair Brian Questions and discussion concerning school districts and local options.
**ASKED IF MEMBERS HAD ANY OBJECTION TO ADOPTION OF
THE HJR 85 -24 AMENDMENTS.**

185 Rep. Corcoran and **RESERVED THE RIGHT TO DEBATE HJR 85 -24 AT A LATER
Rep. Edwards DATE, BUT DID NOT OBJECT TO ADOPTION.**

190 Chair Brian **NOTING NO OBJECTION, CHAIR SO ORDERED.**
Continued explanation of HJR 85 -16:

191 Scherzinger Subsection 5(a): Defines gap bonds.

258 Scherzinger Subsection 5 (a) (C) (c): New language: "If the levy described in this
subsection was a tax base ..."

272 Scherzinger (d): Allows an election. "If this subsection would apply to a levy described in
paragraph (c) ..."

311 Chair Brian Subsection (6): "Notwithstanding any other existing or former provision of this
constitution ..." Validates the elections are taking place today and in May.
(Elections held after Dec. 4, 1996.)
Refer to HJR 85 -21 Amendments (EXHIBIT C)

Questions and discussion on whether -21 amendments are necessary.

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024 Rep. Lewis In regard to whether HJR -21 Amendments are necessary, pointed out that Attorney General said, if a levy passed in November 1996, it should be outside the M47 cut.

037 Rep. Shetterly Only voters that had passed levies with the double majority would feel the impact. Discussed issue of fairness of 17 %, in moving money from one district to another.

050 Rep. Strobeck Believes those levies passed before M47 should be subject to the cut; those passed in November 1996 should not.

058 Shetterly **MADE MOTION TO INCLUDE HJR85 -21 AMENDMENTS INTO THE HJR 85 -16 AMENDMENTS.**

059 Rep. Strobeck **MADE MOTION TO AMEND IN CONCEPT, THE MOTION TO SAY, IN LINE 3 AFTER THE WORD "ANY" TO SAY "NON-BOND" LEVY.**
ASKED IF ANY OBJECTION TO MOTION TO INCLUDE -21 AMENDMENTS IN THE -16 AMENDMENTS, AFTER ADDING THE WORD "NON-BOND" IN LINE THREE .

063 Chair Brian

079 Rep. Rasmussen **OBJECTED TO REP. STROBECK'S CONCEPTUAL AMENEMENT.**
8 - 1

125 Vote **IN A ROLL CALL VOTE, MEMBERS VOTING AYE:**
REPS. CORCORAN, EDWARDS, LEWIS, RASMUSSEN, SHETTERLY, SIMMONS, STROBECK; VICE CHAIR BEYER. MEMBERS VOTING NO: CHAIR BRIAN.
Refer to HJR 85 -16 Subsection 8 (b), Page 6, line 17: "New property" definition.

145 Scherzinger Subsection 9 (d): Shift restriction Change is to add 10 % page 7, lines 10-14.

228 Scherzinger Section 11a.: Concerning Measure 5. One change, Subsection (3) clarifies that grandfathered levies for urban renewal are subject to M5 limitations.
Refer to HJR 85 -18 Amendments, urban renewal (EXHIBIT I): Substitute language on grandfather clause. Allowing by statute, existing plans to pay indebtedness outside normal increments.

265 Scherzinger

304 Chair Brian **ASKED MEMBERS FOR ANY OBJECTIONS TO ADOPTING HJR 85 -18 AMENDMENTS. HEARING NO OBJECTION, CHAIR SO ORDERED.**
Refer to HJR 85 -16 Subsection (4) Page 8: Proportionality language concerning compression.

314 Scherzinger Subsection (5): Public school system and real market value
Subsection (6): "Legislative Assembly shall enact laws ..."

332 Scherzinger HJR 85 - 16 Section 11b. (1) Bonded debt, local government pension and disability plan obligations. Defines bonded debt. One change on page 9, line 24 (c) Furnishings that are not related to the initial construction of a structure. More restrictive than M47.

373 Sen. Duncan Objected to making this more restrictive.

380 Scherzinger Reviewed committee's prior discussion that furnishings related to initial construction would be capital improvements. Those not related are not.

401 Rep. Shetterly Suggested expanding to say "furnishings that are not related to the initial construction or major renovation," or take it out.

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027 Vice Chair Beyer **MOVED TO STRIKE LINES 24-25 ON PAGE 9, HJR 85 -16.**

030 Rep. Corcoran Suggested committee state sentence in affirmative to say in line 8: "incurred for capital construction or capital improvements or renovations."

5 - 4

IN A ROLL CALL VOTE, MEMBERS VOTING AYE:

050 Vote **REPS. CORCORAN, EDWARDS, RASMUSSEN, SHETTERLY, VICE CHAIR BEYER.**

MEMBERS VOTING NO:

080 Rep. Edwards **REPS. LEWIS, SIMMONS, STROBECK, CHAIR BRIAN.**
HJR 85 -16 page 9, lines 21-22, concerning maintenance and repairs. Suggested amend to read "ongoing maintenance and repairs."

146 Scherzinger Questions and discussion with no motion to amend line 9.
Continued discussion on pages 9-10, Subsection (5), clarifying ad valorem property taxes on assessed value.
Other proposed amendments:

159 Scherzinger HJR 85 -22 (Exhibit F): Deals with consolidations or mergers.

240 Chair Brian Questions and discussion.
ASKED MEMBERS FOR ANY OBJECTION TO ADOPTING HJR 85 -22 AS A CONCEPTUAL CHANGE. HEARING NO OBJECTION, CHAIR SO ORDERED.

255 Scherzinger Directed members' attention to HJR 85 - 19 (EXHIBIT J) concerning new district formations. Amends language in HJR 85 -16, page 3.

280 Chair Brian **ASKED MEMBERS FOR ANY OBJECTIONS TO ADOPTING HJR 85 -19 AMENDMENTS. HEARING NO OBJECTION, THE CHAIR SO ORDERED.**

Discussed HJR 85 -23 amendments (Exhibit E), concerning how to distribute 17 % reduction. Page 3, lines 12-14.

290 Scherzinger

Questions and discussion concerning inserting a policy statement to exempt hospitals.

412 Chair Brian

ASKED IF ANY OBJECTIONS CONCEPTUAL INCLUSION OF NON-PROFIT MUNICIPAL HOSPITAL DISTRICTS IN HJR 85 -23, THEREBY EXEMPTING THEM FROM THE M47 TAX REDUCTION. HEARING NO OBJECTIONS, THE CHAIR SO ORDERED.

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033 Scherzinger

Directed members' attention to HJR 85 -20 Amendments (EXHIBIT K): Real market value, for purposes of HJR 85 Section 11, would be a special assessed value.

This is closer to M47 than the HJR 85 -16 amendments.

097 Rep.
Shetterly

Supported constitutional protection for farmers. Rep. Lewis agreed.

104 Brian Chair

ASKED MEMBERS FOR ANY OBJECTION TO THE ADOPTION OF HJR 85 -20 AMENDMENTS INTO HJR 85 -16.

107 Rep.
Rasmussen

OBJECTED.

117 Rep. Lewis

DECLARED FOR RECORD A POSSIBLE CONFLICT OF INTEREST. SHE OWNS SPECIALLY ASSESSED PROPERTY.

119 Chair Brian

NOTING THE OBJECTION OF REP. RASMUSSEN, AND A POSSIBLE CONFLICT OF INTEREST OF REP. LEWIS, THE CHAIR SO ORDERED.

120 Scherzinger

Directed members' attention to HJR 85 -5 Amendments (EXHIBIT L) (page 3 of printed bill, or page 7 of HJR 85 -16). Consists of statement that assembly shall replace from general fund revenue lost to state school system.

Questions and discussion.

147 Chair Brian

Intent of legislation is more than to replace reduction from M47. In future years, General Assembly can replace funds.

169 Rep.
Edwards

Public expects legislature to fill gaps to schools. It is important to put this commitment into the constitution.

199 Chair Brian

ASKED IF ANY OBJECTIONS TO ADOPTING HJR 85 -5 AMENDMENTS. HEARING NO OBJECTIONS, THE CHAIR SO ORDERED.

201 Chair Brian

Directed members' attention to HJR 85 -17 Amendments (EXHIBIT M), timber related issues. Chair expressed intent not to take action at this time. Can be inserted into -16 without amendments or delays.

HJR 85 -21 (see -16 on line 8) in order to not cause shifting, need to calculate reduction without regard to exempted levies.

211 Rep. Shetterly Committee should define "taxing district" or make all references "local taxing district".

265 Scherzinger Will incorporate amendments into a summary.

290 Chair Brian Adjourned meeting at 6:17 p.m.

Submitted by, Reviewed by,

Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

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EXHIBIT SUMMARY:

A. HJR 85, Scherzinger, HJR 85 -16 Amendments, 11 pp.

B. HJR 85, Scherzinger, Measure 47 chart, 3 pp.

E. HJR 85, Scherzinger, HJR 85 -21 Amendments, 1 p.

D. HJR 85, Chair Brian, HJR 85 -24 Amendments, 1 p.

E. HJR 85, Chair Brian, HJR 85 -23 Amendments, 1 p.

F. HJR 85, Chair Brian, HJR 85 -22 Amendments, 1 p.

G. HJR 85, Scherzinger, Revenue Effects of HJR 85 and Measure 47, 1 p.

H. HJR 85, Scherzinger, Effect of Measure 47 and HJR85 on Taxing District Operating Revenue, 30 pp.

I. HJR 85, Scherzinger, HJR 85 -18 Amendments, 1 p.

J. HJR 85, Scherzinger, HJR 85 -19 Amendments, 1 p.

K. HJR 85, Scherzinger, HJR 85 -20 Amendments, 1 p.

L. HJR 85, Scherzinger, HJR 85 -5 Amendments, 1 p.

M. HJR 85, Chair Brian, HJR 85 -17 Amendments, 1 p.

N. HJR 85, Scherzinger, Effect of Measure 47 and HJR 85 on Hospital District Operating Revenue, 5 pp.

O. HJR 85, Scherzinger, Effect of Measure 47 and HJR 85 on the Largest Code Area in Each City, 13 pp.