

WORK SESSION:

HB 3710, HB 2048

TAPES 162 A/B, 163 A

HOUSE REVENUE COMMITTEE

MAY 7, 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. Lane Shetterly

MEMBERS EXCUSED: Rep. Anita Rasmussen

Rep. Mark Simmons

Rep. Ken Strobeck

WITNESSES PRESENT: Gary Marks, Heppner City Manager

John Edison, Heppner

STAFF PRESENT: Jim Scherzinger, Legislative Revenue Officer

Barbara Guardino, Committee Assistant

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007 Chair Brian Called meeting to order at 8:52 a.m.

Appealing to committee for help in allowing city of Heppner to honor its special levy in March. This would replace funding loss under M47 and provide funding for a police officer. Heppner's tax base will be cut more extensively under M50 than under M47. This issue has already been discussed at the capital, and some adjustment may occur.

014 Gary Marks Wants to discuss amount between M47 and M50 levels and the amount of the levy to support a police officer. Remedy does not fund police officer. Introduced Officer Michael Sweek. Three years ago, gang activities began. Because of this officer, gangs have disappeared.

Voters voiced their approval to retain Officer Sweek. Under M50, he will be cut out anyway. That would leave Heppner with only two police officers. Community in 1990 voted 2-1 against M5, yet were forced to cut 45 % of its tax base. Heppner lost its third police officer. Last fall, Heppner qualified for a federal grant to hire Officer Sweek. Heppner voted 2-1 against M47. City Council gave voters opportunity to replace lost funding and retain Sweek's position. Voters approved it. On behalf of city and voters, requested be allowed to maintain this levy.

058 Marks

Refer to newsletter "Heppner City Hall Newsletter" (EXHIBIT A) Voters in Heppner knew what they were voting for.

Under M50, money for Officer Sweek could end up going to the county. Requested preservation of local control for Heppner.

116 Marks

Refer to (EXHIBIT B), "City of Heppner" comparing effects of M47 and M50.

120 Rep.

Corcoran

Asked Scherzinger to explain why, since Heppner met double majority in its election, it cannot utilize its full levy authority.

125 Jim

Scherzinger

Explained, under M47, Heppner gained revenue because of local option levy. Under M50, it would do worse than under M47, based on the distribution formula. Heppner would like M50 to do what M47 does.

162 Rep. Lewis

Does not understand, since M50 allows for local option, why does Heppner do worse?

176 Scherzinger

Explained, Heppner is in unique circumstance in that it is in very heavy compression. The community comprises 3 % of county tax roll. M47 reduces taxes of all districts within Heppner code area. Heppner passed a local option levy to pick up lowered taxes from itself plus from other districts, so gained revenue back up to M5 level.

Under M50, because Heppner was under heavy compression, county rate in Heppner is lower than everywhere else. M50 equalizes tax rate across the county to one tax rate. Because Heppner is so small, that equalization doesn't lower the county rate much. County competes better for funds under M50.

228 Scherzinger Ways to deal with this: Taxpayers will pay the full M5 rates. Question is, who gets the money (a distribution question).

238 Rep. Shetterly Is this similar to the situation in Tualitan?

242 Scherzinger Tualitan is reverse situation. Tualitan taxpayers less relief because of a high base due to an old levy. 1995-6 taxes were abnormally high, so tax reduction was lower than elsewhere. Taxpayers there ended up paying more county taxes under M47. M50 equalizes county rates, so Tualitan rates went down, but rest of county got less relief.

281 Scherzinger Remedy: Only way to get Heppner more money is to lower county rate, which would throw them into more compression. Recommended recognizing more levying authority for City of Heppner. This is the only place that this combination of events have occurred. Once permanent rates are set, situation will be remedied. This will have small effect on other areas of the county. This will set the first year amount.

Questions and discussion interspersed concerning Scherzinger's explanation.

375 Chair Brian Asked, would other taxing districts in Morrow County object if there was a statutory offset for Heppner.

384 Marks Believes other districts are supportive of Heppner. County would lose less than 1 %. Voters have spoken in favor of Heppner. Heppner is 1/6 of county population, with 9,000 citizens and 3 % of assessed property value. Small commercial sector, no industry, half of homes are older. City is value-poor, yet citizens consistently vote for full service.

434 Chair Brian Requested written approval from other Morrow County taxing jurisdictions to work with Heppner.

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039 Marks Voters in city and county have both encouraged this. Asked committee to focus on what voters want.

048 Vice Chair Beyer Suggested Heppner change taxing mechanisms. Instead of property tax, why not a utility tax, or something of this nature.

065 Marks After M5, Heppner did make some tax adjustments. Approved transient room tax, raised franchise fees.

HB 2048-3 (distribution amendments): This represents a draft of putting on paper distribution that was earlier in outline form. (Refer to EXHIBIT C)

095 Scherzinger Sections 1 - 11: Deal with distribution formula

Section 2: Defines local option tax outside permanent rate (passed after effective date)

- 137 Vice Chair Beyer Flagged issue: Be clear local option taxes passed after Dec. 5, 1997.
- Section 2 (a): Policy question, whether to allow a district to certify a lower amount for actual taxation than the permanent rate
- 149 Scherzinger Section 3: Determines what taxes imposed in M5 would have been in district, in each code area and on each tax payer
- Section 4 (Subsections 2 - 5): M47 calculation of taxes (page 4).
- 202 Scherzinger Section 4 (Subsections 6 - 7): Add on for new construction -- taxes imposed on new property based on M47 tax rate
- Section 4 (Subsection 8) (page 5): Defines M47 comparison taxes. Take how much is collectible under M47 and proportion that each taxing district's share of M47 comparison taxes bears to the total??
- 249 Scherzinger Lines 23-24 should say M5.
- 291 Scherzinger If a district is eligible for hospital exemption, subtract out allocated portion from the result. Figuring out M47 taxes from M50 results.
- Section 5 (page 6): Calculates M50 pre-reduction taxes. Compares the M50 pre-reduction taxes with M47 taxes after 100 % levies are taken out and finds gap
- 307 Scherzinger between two. Adjust this gap to 17 %.
- Starts with M5 taxes and takes out all items not subject to reduction.
- 376 Rep. Lewis Flagged 17 %, language: Thought if reduction turned out more than 17 % it was okay. Concerned that this language changes a reduction greater than 17 %.
- 411 Chair Brian Constitution says "there shall be 17 %" reduction. This guarantees a 17 % reduction, no less and no more. That is what lawmakers have been telling people, and that is what people expect.

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- Section 8a (page 8): If total amount of additions to value certified through department from assessors' calculations exceeds 4 % of 1997-98 value, then 17 % is adjusted.
- 033 Scherzinger Section 9: Computes actual taxes for each district in 1997-98.
- Subsection (3): Adds back 100 % levies
- Subsection (4): To calculate the operating tax rate, divide by assessed value of property, calculate permanent rate, add back other levies
- Section 10 (page 10): After adding back all levies, put entire formula through compression

- Subsection (4): Compress local option levies first
- 074 Scherzinger Subsection (5): Compress remaining levies
- Subsection (6): Compute consolidated rate for exempt bonded indebtedness
- Section 10(a) (page 12): Compute total M50 taxes
- 092 Scherzinger Section 11: Multiply consolidated rates by increment value of urban renewal area;
- Subsection (3): Compare revenue with amount of urban renewal levies certified for existing plan with amount certified for 1997-98
- 110 Rep. Lewis Flagged section 3, requested diagram to explain section
- 117 Scherzinger Add back grandfather levies. If compression occurs, run through formula again.
- Section 12 (page 14): Defines minor construction for purposes of new construction additions where cost is less than \$10,000
- 125 Scherzinger
- Section 13: Ballot title for local option tax
- 133 Vice Chair
Beyer Concerning Section 12, should "less than \$10,000 per year" be added?
- 136 Scherzinger Normally, law applies on year-to- year basis, so this is not necessary.
- Concerning Section 12, defining minor construction with reference to \$10,000 cost, but it doesn't seem to reference back to addition to improvements to property that appears under Section 4 of this bill. Suggested flagging this.
- 154 Rep.
Shetterly Also, is there anything in this statute that says assessor will not re-value property for purpose of calculating real market value as of 1995-95?
- 164 Scherzinger If distribution is done as separate bill, the two will have to come together as one, to avoid replication.
- 177 Vice Chair
Beyer Concerning home construction under \$10,000, doesn't say one building.
- 188 Scherzinger Bill specifies "unit of property," which means \$10,000 improvement per property tax account.
- Questions and discussion on unit of property.
- 247 Chair Brian Adjourned meeting at 10:03 a.m.

Submitted by, Reviewed by,

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Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

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EXHIBIT SUMMARY:

A. HB 2048, Marks, Heppner City Hall Newsletter, 4 pp.

B. HB 2048, Marks, City of Heppner Ballot Measure 5 and 47/50 Computation Details, 2 pp.

C. HB 2048, Scherzinger, Proposed Amendments to House Bill 2048, 15 pp.