

WORK SESSION HB 3710

TAPES 170, 171 A/B; 172, 173 A

HOUSE REVENUE COMMITTEE

MAY 15, 1997 3:00 P.M. HEARING ROOM 50 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

WITNESSES PRESENT: Tom Linhares, Columbia County Assessor

John DiLorenzo, Oregon Taxpayers United

Carol Samuels, League of Oregon Cities

Linda Meng, City of Portland

Tim Nesbitt, Oregon Public Employees Union

Gil Riddell, Association of Oregon Counties

STAFF PRESENT: Jim Scherzinger, Legislative Revenue Officer

Barbara Guardino, Committee Assistant

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CONTINUED FROM A.M. JOINT MEETING - SEE MAY 15, 1997 SENATE REVENUE COMMITTEE MINUTES.

- 009 Vice Chair Beyer Called meeting to order at 3:30 p.m.
Directed members' attention to HB 3710 -20 (EXHIBIT A)
- 011 Jim Scherzinger These amendments were originally the -16 amendments, but add words "error correction or addition of omitted property" as exceptions to prohibition on altering real market value.
- 033 Tom Linhares -20 amendments take care of problems he brought up earlier. Another correction to be addressed is "acts of God" (destruction of property).
Expressed concern with existing language, whether assessors can change the tax rolls in such cases. Amendments speak to May 14 discussion, although county assessors' original position is, there are statutes that say the assessor shall not change the value unless otherwise provided by law.
- 053 Linhares
Questioned need for -20 amendments, although did not object to them.
Questions and discussion.
- .083 Rep. Lewis **MOVED HB 3710 -20 AMENDMENTS INTO HB 3710 -4 AMENDMENTS.**
- 87 Vice Chair Beyer **ASKED MEMBERS FOR ANY OBJECTIONS TO MOVING HB 3710 -20 AMENDMENTS INTO THE HB 3710 -4 AMENDMENTS. HEARING NO OBJECTIONS, CHAIR SO ORDERED**
- 091 Scherzinger Directed members' attention to HB 3710-7 (Refer to May 14 EXHIBIT D) Under current -4 amendments, Maximum Assessed Value (MAV) of property grows at 3 % per year. If market value rises above MAV, it continues to grow at 3 % per year; if market value falls below MAV, assessed value drops to market value. -7 states that, if market value drops below MAV, then MAV stops growing until market value rises again.
Refer to written testimony (EXHIBIT B) Asked committee to oppose HB 3710 -7

amendments. This approach will create an inequity between properties of similar types because of momentary fluctuations in value.

117 Carol
Samuels

These amendments would not benefit residential properties, they would benefit industrial and commercial properties.

145 John
DiLorenzo

Rebutted Samuels' testimony. Earlier proposal had to do with Real Market Value (RMV) dropping. It is correct that under M50, taxpayers cannot be taxed greater than rate based on Fair Market Value (FMV). If FMV is below MAV, that becomes the MAV. However, under HB 3710 -4 amendments, a calculation keeps multiplying by 1.03. If property value levels off, the fourth or fifth year out, a property can experience an increase much greater than 3 %. Purpose of -7 was to address this situation.

172 Rep. Lewis

Preferred concept that, if RMV fell below MAV, start over. This is a middle ground to what Lewis wanted to do. Favored this amendment.

209 Rep.
Corcoran

Noted, there is a fairness problem with HB 3710 -7 amendments. Example: Commercial properties such as the Hyundai site in Eugene that probably are stable or dropping value. If market value is lower than MAV, it is market value upon which millage is determined. If value spikes, where is the fairness of allowing a lower rate? Expressed belief that M47 and M50 make tax system very unfair. Cities and counties present compelling case, that impact on will be on personal property. Commercial property much different situation

237 Rep.
Strobeck

While in Coos Bay, he talked about MAV not going up more than 3 % per year. People said they were not concerned because their property tax values were not rising more than 3 % per year. Eye-opener for him to be in a place where home values are flat.

257 Rep. Lewis

In Coos Bay scenario, property owners will reach point where MAV is more than RMV. There could eventually become a 20 % gap between them. Then, suppose a big industry builds there. Because MAV is 20 % above RMV, people would have a 20 % increase.

291 Rep.
Corcoran

Noted, Rep. Lewis pointed out the very inequity that exists. Example: Comparison between Oakridge and Bend. Bend's property tax rate skyrocketing. As a ratio, property owners in Oakridge will pay more of their market value than property owners in Bend because of artificially set 3 % standard. That is where the inequity begins. Different phenomenon in commercial property.

Gave chalkboard explanation of HB 3710-7 amendments.

321 Scherzinger

MAV grows at 3 % per year, no matter what RMV does. If RMV drops below MAV, currently MAV would continue to grow at 3 %. With the -7 amendments, in a year when RMV drops below MAV, the MAV would not grow. It does not grow until RMV rises above MAV.

355 Rep.
Shetterly

Asked, how would this look under M47?

M47 does not deal with value. It deals with tax. Tax would always take off from the

- 357 Scherzinger prior year.
- 383 Vice Chair Beyer Noted, spikes are not likely to happen with residential property, but with industrial or commercial property.
If M47 was the tax bill, a property owner would be locked into tax bill plus 3 %.
- 412 Rep. Rasmussen When would the tax bill go down?
- 421 Scherzinger If RMV dropped to point where existing levying authority was not enough to impose the M47 tax limit, next year's tax could only grow 3 % from the lower tax. This is a less likely circumstance under M47 than a drop in value under M50.

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- 035 Scherzinger If property value drops, for example, 20 %, under M47 that does not mean taxes will drop. It is a question of how much authority districts have.
- 048 Vice Chair Beyer Example: A half empty commercial building, would taxes go down under M47?
They might. The drop in value could force taxes down.
- 051 Scherzinger Under M47, a 20 % drop in value does not necessarily mean a 20 % drop in tax. New version is not as complicated.
Believes HB 3710 -7 is a good compromise because between constant incline proposal and yearly reset. Some residential communities do not mimic top real estate markets as seen in portions of Willamette Valley.
This new proposal would benefit commercial and residential neighborhoods.
- 061 DiLorenzo Suppose, in a flat market, a big industry decides to build in a small community, and a housing shortage occurs. Residents could suddenly experience a 25 % assessed value increase due to this constant slow incline. HB 3710 -7 does not reset rate, it just flattens it out.
- 092 Rep. Rasmussen Believes that, to have real property tax reform, residential, industrial, and commercial should be dealt with differently.
There are ways to do this, although this moves closer to a split roll system. Unless
- 105 DiLorenzo lawmakers are willing to do this, it is difficult not to have a system that treats all classes equally.
- 109 Rep. Rasmussen Argued, the state already has a split roll system. Can a tax law be written like this?
Is trying to eliminate what he believes is an inequity within framework he has been presented, and that is the framework of a non-split roll to treat all properties equally.
- 119 DiLorenzo Within those parameters, he does not know how to do it without abandoning a philosophical position.

123 Rep. Lewis Referred to an earlier assessors report, "Oregon Association of County Assessors" (Refer to HB 3710. April 16 EXHIBIT B). Attached is an Oregon Dept. of Revenue study. The issue that the committee addressed that day is whether it is necessary to maintain RMV: Report shows, much of the state will be susceptible to 3 % adjustment because RMV is not growing. Report shows, in 1995, areas increasing at 3 % or less is 35 %; areas with declining values, 30 %. These figures were worse in 1996. Based on this conclusion, she does not believe the committee is just talking about commercial or industrial property values. Residential are included in these figures.

153 Rep. Edwards Therefore, there will be a huge jump in the year when the RMV goes back up. The only inequity is, should there be a time where there is a huge spike in RMV.

161 Rep. Corcoran Referred to Scherzinger's chalkboard chart: If this is changed from MAV and assume property grows at 3 % rate, and another property whose RMV is fluctuating, at the point that one decreases, one will pay less. Why shouldn't both property owners pay same when their values cross?

177 Rep. Lewis Referred to chart: If one house remained on MAV line, its RMV would steadily grow. Two properties with very different RMV's would pay same MAV.

185 Rep. Simmons Expressed approval for HB 3710 -7 amendments. Fluctuations in residential property need to be addressed.

199 Chair Brian **ASKED MEMBERS IF ANY OBJECTION TO ADOPTING HB 3710 -7 AMENDMENTS INTO HB 3710 -4 AMENDMENTS. HEARING OBJECTIONS, CHAIR ORDERED ROLL CALL VOTE.**
VOTE: 5-4

MEMBERS VOTING AYE: REPS. LEWIS, SIMMONS, SHETTERLY, STROBECK, CHAIR BRIAN.

202 VOTE **MEMBERS VOTING NO: REPS. CORCORAN, EDWARDS, RASMUSSEN, VICE CHAIR BEYER**

MOTION CARRIED. FLOOR DISCUSSION LEADER WILL BE CHOSEN AT A LATER DATE.

223 Scherzinger Directed members' attention to HB 3710 -9 amendments (Refer to May 14 EXHIBIT F). Taxing district cannot sue in tax court or other court to claim that any part of M50 or the legislation implementing M50 is unconstitutional. It does not prevent a petition to interpret provisions of M50. It states conditions on petition to interpret M50.

252 DiLorenzo Concerning HB 3710 -9: There is a crisis in confidence in government. These amendments are designed to address this confidence issue. They prohibit government from using government money (taxpayer dollars) to sue the government over constitutionality of what voters vote for. Plenty people willing to go to court to test M 47 or M50. If segments of society believe what the legislature or the people have done violates constitution, they should go to court with their own money. But to have the government sue itself is outlandish.

If committee adopts -9 amendments, that will not be the determining factor whether someone challenges constitutionality of M50.

Believes, at times taxing authorities should have standing to sue. But, not when they are functioning as a political subdivision of the state. City of Portland is suing, using government funds.

374 Rep. Shetterly Asked, concerning local proprietary rights, isn't the power to levy and collect taxes a local power?

387 DiLorenzo The only reason a taxing authority has any rights is that either the Constitution or the legislature would give them the right. If M50 is adopted, the people will control the parameters of those powers. For a municipal corporation to sue over the legislature's authority to impose those parameters seems damaging to credibility. People don't make distinction between branches of government. To them, it's "the government".

420 Samuels Disagreed with DiLorenzo. This is horrendous public policy. It flies in face of precept of not messing with local control. Asked committee to oppose amendment.

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033 Linda Meng Disagreed with DiLorenzo's view of "crisis in government." Amendment sends message that legislature wants to be able to have an unconstitutional provision that cannot be challenged. Taxpayers of local governments are lowest level of elected officials. They file suits in different situations, are responsible to local taxpayers for their decisions. Not everyone can bring a suit on their own.

Supreme Court has held that local governments are separate entities from the state. Suits between levels of government happen all the time.

060 Chair Brian Concluded that these amendments have another constitutional problem. Pulled amendments and moved onto HB 3710 -14 amendments.

063 Scherzinger Reviewed HB 3710 -14 amendments (Refer to May 14, EXHIBIT M). Under the -4 amendments, implementation of M5 limitations are done on a code area by code area basis. The -14 amendments change this to property-by-property basis to determine whether M5 limits are exceeded.

079 Rep. Lewis Expressed concern that committee has told the public that it maintained the M5 limits. Most taxpayers assume that is on their individual property. This code area limit will put people above the \$5 and \$10 limits on their own property well before the code area hits that limit. Believes it is important to keep property-by-property basis in order to keep faith with public.

087 Chair Brian Concurred, commenting that all these months he has tried to focus on two things: a statewide 17 % average reduction off 1997-98 taxes; and retaining the limits of M5 (\$5 and \$10). Approved of this amendment.

094 Vice Chair Beyer Asked Scherzinger to explain again, the shift formula and who pays.

In a chart presentation:

Used example of school limit of \$5 tax per \$1,000 of property value. Three properties in a code area. School rate under M50 is \$5.50 . Value reductions under M50 are greater than levy reductions, so the rate tends to go up.

A second and third property pay different tax rates. All properties have RMV of \$100,000; and assessed values of \$60,000; \$180,000; and \$100,000 (assessed value equals real market value). Under -4 amendments, the M5 limits would be imposed on a code area basis. Add up taxes of all three properties and find whether it exceeds \$5 rate limit. Total does not exceed \$5 limit.

097 Scherzinger

If taxes for these same properties are implemented on a property-by-property basis, one home will be over the \$5 limit.

Under -14 amendments, some properties will go over the limit. Other option is to raise M50 rates to, say, \$5.60, which will boost tax on all properties. This would shift taxes onto other taxpayers.

In order to prevent this, lawmakers would have to create a feedback loop after the calculation of 17 % cuts, so assessor can adjust rate to raise the full amount of a district's allocated levy.

166 Scherzinger

This could have an effect on permanent rates. This increases the cut. If lawmakers build it in, they can affect the permanent rates. This will likely happen commonly in schools.

179 Vice Chair
Beyer

Summarized, unless legislators build feedback, they will be reducing the amount of money from property taxes that will be available to fund schools. This means, more income tax must be appropriated to replace property tax losses.

188 Rep.
Shetterly

Asked Scherzinger to review May 14 discussion of ongoing recalculation.

191 Scherzinger

Loop decreases each time and will converge quickly.

Committee could accomplish this as a one-time reset.

197 Chair Brian

Asked, what is involved in estimating the back-fill loss.

210 Scherzinger

It would be hard to figure, because it would be necessary to have property-by-property data.

220 Rep.
Corcoran

Asked, how would -14 affect prioritizing of public safety.

230 Chair Brian

Requirement of prioritizing public safety and public education doesn't change. But, without feedback and rate reset, there would be less revenue.

238 Tim Nesbitt

Refer to written testimony (May 14, EXHIBIT Q) Objected to -14 amendments as not the same M50 that voters are currently voting upon. M50, Subsection 11(b) says the \$5 and \$10 limits on property taxes "shall be determined on the basis of property imposed in each geographic area taxed by the same local taxing districts." Oregon Public Employees Union (OPEU) understands this to be area-by-area application of M5 limits, not property-by-property. This would mean a loss of revenue. Confidence of voters is important. Urged committee to stay with intent of M50.

- 275 Chair Brian Does not believe it was members' intent to go beyond \$5 and \$10 limits.
- 285 Rep. Shetterly Members did not realize the effect of area-by-area was to go beyond these limits. Concerned, if taxpayer in code area where tax burden is shifted, would that trigger a constitutional challenge.
- 350 DiLorenzo M50 has a check and balance system that provides that once taxes are figured they cannot exceed \$5 or \$10 per \$1,000 depending on category in a geographic area. Question is, if legislature provided for -14 amendments, might there be a legal challenge based on departure from this. He cannot guarantee this would not happen, but believes -14 would provide for two levels of checks. Geographic area cannot exceed these limits; but if geographic area is the only limit, individual properties could exceed limits. -14 amendments address this.
- 360 Rep. Shetterly Referred to HB 3710-B, page 7: Says this \$5 and \$10 limit "shall be determined on the basis of taxes imposed in code area. This suggests a method of calculation.
- 370 DiLorenzo Views this language as another check and balance. Does not see a prohibition to go beyond it.
- 413 Rep. Shetterly Concerned that lawmakers be able to enact statutorily, a different methodology of \$5 and \$10.
- 429 DiLorenzo M50 Section 11 says, \$5 public school system and \$10 other government limits per \$1,000 of RMV "shall be determined on the basis of property taxes imposed in each geographic area taxed by the same local taxing districts." If each property is treated each way, that is compliance.

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- 015 Nesbitt Disagreed lawmakers could go beyond M50 to implement property tax relief. That is not what voters are voting upon; so it is not appropriate for implementation legislation. Asked committee to keep faith with language of M50 as submitted to voters, and address what is required to implement M50 in its implementing legislation.
- 024 Vice Chair Beyer Asked, if, providing more property tax relief causes a shift, whether the properties that pick up the shift can challenge it constitutionally.
- 031 Rep. Lewis -14 amendments do not cause a shift. They put property in compression and revenue is lost.
- Repeated her determination is to keep faith with voters. Expressed surprise that Nesbitt is on other side of issue. Lawmakers wrote M50 quickly. Had she known this was what they wrote into M50, she would have raised a huge ruckus. It is not right to take away something the voters already have now. Her constituents tell her they can't understand M50. She has been telling them M5 is intact. She thought it was until recently. It is terrible to learn about this weeks after bill was passed.
- 068 Samuels Sympathized with Lewis, although commented that this is what League of Oregon Cities understood would occur. There will be a shift onto residential taxpayers.
- 080 Rep. Lewis Referred to Dept. of Revenue data: 65 - 76 % of state is growing at less than 3 % or is declining in value. This is largely residential property. Fears residential taxes will go

up.

Disagreed, does not believe many residential properties will be affected.

090 Vice Chair
Beyer Believes industrial properties will be effected.

099 Scherzinger Properties that have declined or haven't grown in value would go over the \$5 rate. More likely to be industrial because of depreciation. Although overall property value is growing, base property is declining. Residential properties, because of rollback, largely won't fall under this circumstance.

110 Rep. Lewis When Dept. of Revenue says 30 % areas in state have declining property values that includes residential as well as commercial.
April 16 ratio adjustment study that Lewis referred to includes residential, commercial, light industrial and rural tracts. Assessors looked at ratio study areas and categorized them by increases greater than 3 %, and declining values. Dept. did not address the effect of the rollback.

139 Scherzinger Summary says: 1995 - Accounts increasing at 3 % or less, 25 %; accounts with no increase or declining values, 20 % in 1995

1996 - Accounts with values increasing at less than 3 % is 37 %; no increase or decline is 29 %.

This summary included all different kinds of properties, no breakdown for residential.

175 Rep. Lewis Expressed irritation that, in final hours, committee has changed M5 considerably. Wants to stick with \$5 and \$10 limit on property-by-property basis. Simmons concurred.

Residential properties that are decreasing in value, 20 %

195 Linhares Increasing greater than 3 %, 26.5 %

210 Scherzinger Asked, didn't county assessors do a study that showed how many properties would be affected by rollback.

215 Linhares Is not aware of it.

230 Rep. Lewis At least 20 % of residential property is in decline. This is a big number.

241 Vice Chair
Beyer Asked, is it the committee's intent for a shift to occur?

That would require new amendments. Would agree to having one.

248 Chair Brian

Lawmakers have an obligation to replace lost school funding. Asked whether

committee is doing this.

263 Vice Chair
Beyer

Summed, committee seems to agree to adjust formula so there is no loss of revenue, just shifts as to who pays.

295 Rep.
Strobeck

M5 limits should still be intact, whether shift occurs or not.

306 Rep. Lewis

MOVED TO ADOPT HB 3710 -14 AMENDMENTS INTO HB 3710 -4 AMENDMENTS

311 Rep.
Corcoran

Objected, because shift is unfair, and he is uneasy with changes made in last couple of days. These adjustments are from Bill Sizemore, and committee has not given them careful analysis.

324 Rep. Lewis

Has never discussed this issue (-14) with Mr. Sizemore.

339 Rep.
Edwards

Expressed concern that committee has not discussed issue enough to understand implications.

357 Rep.
Rasmussen

Remains deeply concerned about shortfall in education budget. If -14 is adopted, urged committee to find a way to make up education shortfall.

370 Chair Brian

Agreed, there is a sense of rush. His intent was to address key items to assure voters the legislators are keeping faith with M5. He has always favored retaining \$5 and \$10 limits, and is disturbed that this tax code area language does not do that.

It is important for him to maintain integrity with the voters.

435 Vice Chair
Beyer

Expressed reluctant support for -14 amendments. Committee must fix the hole in the school budget made by this. Beneficiaries will be commercial and industrial properties and utilities.

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040 VOTE

IN A ROLL CALL VOTE, MEMBERS VOTING AYE: REPS. EDWARDS, LEWIS, SHETTERLY, SIMMONS, STROBECK; VICE CHAIR BEYER, CHAIR BRIAN

VOTING NO: REP. CORCORAN, RASMUSSEN

HB 3710 -14 AMENDMENTS ARE ADOPTED INTO HB 3710 -4 AMENDMENTS.

065 Scherzinger

Directed members' attention to HB 3710 -12 amendments (Refer to May 14, EXHIBIT I).

Explained, under -4 amendments, 17 % reductions are applied only to levies that are subject to reduction under M50 constitutional provisions. HB 3710 -12 amendments require that levies that are subject to reduction be reduced an additional amount so overall reduction of operating levies achieve a 17 % reduction.

This includes Portland police and fire pension, urban renewal taxes, hospital facility taxes, and 100 % levies approved by double majority. Levies that are subject to reduction are reduced an additional amount so total in aggregate are reduced by 17 %. M47 and M50 reductions will adjust to a different figure. Cuts will be larger, so overall average cut is 17 %

- 085 Chair Brian Summarized issue: Is the property tax reduction from 1997-98 to be 17 % statewide average across the board, or start at 17 % and reduce it further by the exceptions.
Diagram chart presentation:
- 098 Scherzinger M50 and -4 amendments say, levies subject to reduction shall be reduced 17 % statewide. The -12 amendments say, overall total reduction of all five types of levies is 17 %. Not included are gap bonds, exempt bonds, or local option taxes.
Expressed distress about the way M50 was written. Unintended consequences got into M50. Remembers asking Scherzinger how he arrived at 17 % number. Recalls, he said because M47 reduction was 20 %, and pension, police, etc. would only lower the reduction 17 %. She has been telling constituents 17 %, and now she finds it might be 13 %. This committee meant to exempt things that would change the reduction from 20 % to 17 %. Hopes -12 amendments will do this.
- 125 Rep. Lewis Referred to May 14, EXHIBIT J report, "The Effect of Measure 47 and Measure 50 on Taxpayers and Taxing Districts.". Report has a print-out that lists effect on each of taxing jurisdictions. Aggregate of these is a 17.5 % reduction. Asked, does -12 change this?
Yes, it will reduce tax revenue that is received by districts on the report, and increase the cuts. Levies that are subject to reduction are 17 %. Certain levies cannot be reduced, according to Constitution. To achieve a certain reduction, the levies that are subject to reduction must be reduced. To achieve overall 17 % average reduction is to reduce levies that are subject to reduction by more than 17 %.
- 154 Vice Chair Beyer Committee talked about reduction from \$1 billion to \$800 million. This report represents that \$800 million figure (a \$200 million difference). So, -12 amendments will get closer to \$1 billion figure.
Asked Scherzinger, where in the May 14 report does total say \$200 million. Referred to page 1, instead of minus 20 % as under M47, it is only minus 15 %.
- 169 Scherzinger
- 189 Vice Chair Beyer
- 194 Rep. Lewis
- 209 Scherzinger Two issues: These runs were made after the estimates. Committee still needs to look at totals because they differ slightly from before. Overall numbers are reasonable in the sense that "total covered taxes" are included under M50 that are exempt from cuts. That is why total is less than 17 %. Included in covered taxes are 100 % taxes, gap bonds, local option taxes. Although overall average is 17 % on reduced levies, there are some levies mixed in that are not reduced. The exceptions lower the average.
- 243 Rep. Lewis Asked, M47 supposed to cut taxes about 20 %. If 17 % is achieved from allowable cuts, add back in the taxes that will not be cut, what will the end percentage be?
- 252 Scherzinger Depends on the starting base.

- 259 Rep. Lewis If items that can be cut, are cut by 17 %, will the cut only be about 13 %?
Yes, but that is overall effect including all levies and bonds outside M5. When
- 269 Scherzinger legislators voted on the floor for Revenue Impact Statement, it said 13.2 % was the reduction under HJR 85 (M50) including bond levies. M47 was 16.7%.
Noted, M50 statements in voter pamphlet. Explanatory statement says M50 directs the Legislative Assembly to generally reduce property tax levies by an average of 17 % for 1997-98 year. Statement of legislative committee (Sen. Baker, Rep. Beyer, Rep.
- 306 Chair Brian Brian) say M50 produces a tax reduction statewide of approximately 17 % on operational levies. House and Senate Revenue committee signed statement saying M50 delivers what M47 promised: "A large property tax cut averaging 17 % reduction from 1997-98 tax bills."
- 350 Rep. Strobeck Believes committee's intention was to reduce overall average of reducible levies by 17 %. What is different is, now members are recognizing other levies at 100 % and exempting them.
- 373 Chair Brian Agreed, if return to 1995-96 minus 10 % assessed value; take all valid levies, add most of them back in, the cut would be about 18.5 %. M50 starts at 17 % then subtracts exemptions, so reduction is only about 14 %.
- 420 Vice Chair Beyer Senses that -12 amendments move away from M50 and closer to M47.
- 435 Rep. Rasmussen Asked, if committee moves -12 amendments, would Portland area have to decrease its tax break in order to make room for police, fire and bond?

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- 028 Scherzinger Explained, under -12 amendments, levies would be reduced across the state for those levies subject to reduction for an overall average of 17 % and allow 100 % funded levies to be funded at 100 %. It wouldn't just be those in Portland area.
- 046 Rep. Rasmussen Does this mean people around the entire state are paying for Portland police and fire?
- 047 Scherzinger Levies are being reduced and taxpayers are paying less.
- 049 Rep. Rasmussen So, for instance, Cottage Grove would have less money because of this?
- 050 Scherzinger Shift will be on the basis of who receives revenue and who pays. Local taxpayers will still pay for their local service. Cottage Grove revenue will be lower, and taxpayers will pay less.
- 052 Vice Chair Beyer Taxes are not being shifted, taxes are being artificially reduced deeper in one jurisdiction so the taxes in another jurisdiction can stay higher.
- 054 Rep. Lewis Assumed when committee passed M50 that if a person didn't live in a district with urban renewal or other bond, he would get the same reduction under M47.
- 065 Vice Chair Beyer Most of big bonds in question are in Portland (pensions). To be exempted, the relief will be less in Portland. Springfield, with no bonds, would have to cut its services more in order for Portland to keep its bonds. Small communities will have to take deeper proportional cuts.
- 073 Rep. Lewis Asked, where is it shown that cut is \$1 billion under M47 and \$800 million under M50?

080 Scherzinger It won't add up that way because this is new data. 1997-98, difference between M5 and M47: M47 = \$1.060 billion. Without urban renewal: M50 = \$815 million; with urban renewal: M50 = \$800 million; and M47 = \$1.060 billion.

119 Vice Chair Beyer Concluded, issue isn't more, issue is where it is shifted to. Only \$100 million difference rather than \$200 million. Asked, who pays shift?

130 Scherzinger It grants relief to areas with levies that are subject to reduction, and reduces the revenues of districts in those areas. In communities without 100% levy, levy will be reduced further and relief will be greater.

153 Samuels In voters pamphlet, committee spoke clearly about \$200 million reduction. This would take away half of that. Asked committee to vote against -12 amendments.

167 Gil Riddell Association of Oregon Counties supports M50. This amendment will change it. Asked committee to consider people who have already voted. To change estimates now would be disservice to them.

174 Nesbitt This is not the M50 that OPEU endorsed, or has campaigned for. Called members' attention to M50 Subsection 3(a)B: Says these levies will not require a further reduction in taxes to be received for other jurisdictions whose levies have not been approved. A revenue impact as large as \$85 million is far more than amount committee talked about during previous discussions of code area versus property-by-property. Expressed concern about changing the nature of a measure that voters have voted on and OPEU endorsed. Urged committee to keep faith with language of M50.

196 Rep. Shetterly Concerning discussion on \$5 and \$10 and how that section is interpreted, there is ambiguity to give leeway to make corrections. He cannot find ambiguity in how the 17 % figure is calculated.

224 Rep. Strobeck Trying to resolve that HJR 85 (M50) says, "17 % average statewide reduction." That is what committee ought to do.

243 Scherzinger The -4 amendments reduce on average, statewide 17 %, all levies that are subject to reduction under the Constitution. It is an average of levies that are subject to reduction, not an average total of levies.

253 Rep. Strobeck 1995-96 less 10 % except bonds and 100% levies. Asked, does this produce an average 17 % reduction statewide?

260 Scherzinger That would give 20 % reduction. This the M47 model.

264 Rep. Lewis Noted, Scherzinger told committee that this is how they achieve the 17 % reduction. He said all the levies that were exempt would equal a 17 % reduction. Now he's saying it will be more like 15.5 %. Her told her the number was arrived at due to exemptions.

294 Scherzinger Does not recall this discussion. Was not present when 17 % was worked out. Someone else did that calculation. Will go back to the record to figure it out.

301 Rep. Lewis Will attempt to find a document that accompanied Scherzinger's discussion of how the 17 % decrease was arrived at.

308 Rep. Edwards Noted, committee is arguing over looking at M50 from a single taxpayer's point of view. Long-term is a cut and cap with significant changes to how cap will work. Given long-term perspective, and the fact that the committee has talked about M50 versus M47 he does not see how committee can go back on it. Have to keep this in long-term perspective. This is a one-time tax cut. Doesn't believe -12 amendments are necessary.

Attempted to telephone her staff in order to find information in question

341 Rep. Lewis (Refer to HJR 85, March 11, 1997, "Revenue Effects of HJR 85 and Measure 47," EXHIBIT G).

351 Rep. Strobeck Committee will stand at ease until further notice.

375 Chair Brian Adjourned meeting at 6:00 p.m.

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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 3710, Scherzinger, Proposed Amendments: HB 3710 -20, 1 p.

B. HB 3710, Samuels, Testimony Presented to the House Revenue Committee by Carol Samuels on Behalf of The League of Oregon Cities, 2 pp.