

WORK SESSION ON SB 1215 TAPES 224-225 A/B, 226-227 A/B

**SENATE REVENUE COMMITTEE**

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**JUNE 27, 1997 - 9:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING**

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Members Present: Sen. Neil Bryant, Vice Chair

Sen. Joan Dukes

Sen. Verne Duncan

Sen. Randy Leonard

Members Excused: Sen. Ken Baker, Chair

Sen. Tom Hartung

Invited Testimony: Carol Samuels, League of Oregon Cities

Gil Riddell, Association of Oregon Counties

David Hooper, Public Affairs Manager, Oregon Lottery

Sen. Bob Kintigh, District 22, Springfield

Dave Babits, Oregon Small Woodlands Association

Ray Craig, Asst. State Forester, Oregon Department of Forestry

Tom Linhares, Columbia County Assessor

Jerry Hanson, Washington County Assessor

Linda Burtlehaus, Department of Revenue

Carol Samuels, League of Oregon Cities

Cindy Hunt, Legislative Counsel

Ozzie Rose, Confederation of Oregon School Administrators

Staff: Jim Scherzinger, Legislative Revenue Officer

Ed Waters, Economist

Steve Meyer, Economist

Carol Phillips, Committee Assistant

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**TAPE 224, SIDE A**

005 Vice Chair Bryant Opened meeting at 9:37 a.m.

OPENED WORK SESSION ON SB 1215

021 Scherzinger Discussed computer run exhibit from 6/26/97 regarding high growth in Hillsboro area. Do not have new construction estimates for every county yet, only the 20 largest ones. These figures could contain data errors because the figures are based on estimates only. Discussion and questions interspersed.

064 Vice Chair Bryant Stated that the House may end up taking up SB 1215 rather than HB 3710 because the Senate has done more work on its bill.

069 Vice Chair Bryant General discussion regarding Gresham, Hillsboro, and Heppner situations and how they may or may not be handled. Questions and discussion interspersed.

105 Scherzinger Quickly listed all the Amendments yet to be discussed regarding SB 1215.

135 Scherzinger Exhibit A - Heppner figures. Heppner is under heavy compression because of Measure 5. Under Measure 47 they actually get more money than they will get under normal formula under Measure 50. Because under compression now, the county rate is lower in Heppner than it is in other places. Under Measure 47 that situation is preserved. But under Measure 50 we take the Measure 47 authority, add it all up countywide, and then redistribute it back to get a Permanent Rate. When that it is done it makes an equal code area rate, but it crowds out Heppner's local option levy. The bottom line is they end of with less money than they would have under Measure 47 because of the operation of the equalizing of the rate under Measure 50.

Detailed discussion of Heppner taxing districts, rates, moneys derived, how losses

165 Scherzinger would be made up, etc. Added that Heppner is not the only small town in this situation; there may be several others (Moro City in Sherman County is a possibility). There are other districts which would end up with less under Measure 50 than under Measure 47. Questions and discussion interspersed.

317 Scherzinger Exhibit B - (-34) Amendments regarding Heppner situation. Said this is particularly difficult to deal with. After all calculations are made, someone has to go through them all and identify some anomalous effect that cannot be identified up front. All the calculations must be run, examined, and then problems must be discovered. Adjustments must then be made and everything recalculated in order to make it work. Detailed discussion of what these Amendments do. Questions and discussion interspersed.

#### **TAPE 225, SIDE A**

025 Carol Samuels Added that Measure 47 would have produced approximately \$240,000. They are asking for \$228,000 to cover three police positions.

045 Gil Riddell Said the county has not seen the figures in Exhibit A which allocate the \$228,000 and cannot agree to that figure until he talks with them.

049 Vice Chair Bryant Told Riddell to make a phone call to the county and get their approval of the \$228,000.

055 Scherzinger Continued discussion of (-34) Amendments with questions and comments interspersed.

112 Scherzinger Exhibit C - (-31) Amendments. Discussed forest home sites, forest land, farm home sites, farm land, open space lands, and historic property valuation. Questions and discussion interspersed.

#### **TAPE 224, SIDE B**

003 Scherzinger Continued discussion of (-31) Amendments and valuation of historic properties. Drew chart on the board to illustrate points. More questions and discussion interspersed.

147 Tom Linhares Said that the (-31) Amendments take farm and forest land special assessments, but do not address the question of Western Oregon Small Tract Optional Tax ("WOSTOT").

152 Scherzinger Agreed that WOSTOT was omitted from the (-31) Amendments, but it will be added. It would get the same treatment by a statutory calculation of values, so it would be determined the same way as other forest land. With the timber bill that is going through the legislature, the problem gets adjusted anyway.

167 Vice Chair Bryant Recapred previously discussed Amendments: (-32) Amendments address consolidation/merger in which the legislature rather than local government makes the decision as far as what happens, i.e. if the merger fails, everything fails. (-33) replaces (-24) which deals with calculations.

- 183 Riddell Thanked the Committee for its indulgence in allowing him to call Heppner to approve the \$228,00 figure. Also asked the Committee to consider the issue in the framework on the scale of economies in Eastern Oregon where every dollar matters. There are apparently north and south county issues; one part of the county feels Heppner is favored by the county, resulting in a cultural complication. The Morrow County situation is not good either in that they have laid off five full-time positions. Regarding the (-34) Amendments, the county asked, however, that the one-half of one percent post-reduction tax rate be changed to one-quarter of one percent, which they can more easily afford.
- 229 Vice Chair Bryant Proposed going ahead with Hillsboro and Heppner "fixes". The Gresham situation has already been discussed and approved, so all three anomalies would be covered.
- 235 Sen. Dukes Indicated she is not comfortable with Hillsboro amendment. Does not mind fixing a small situation like Heppner where it is "peanuts" statewide and actually gives them a police officer 24 hours a day. But there is too much going on in the Hillsboro situation and it is not all attributable to high growth.
- 263 Scherzinger Discussed one other change in (-21) conflict Amendments. It repeals a section of a bill that has already been passed (HB 2792 dealing with local budget law). It repeals a section which deals with dedication of serial levies. Measure 50 converts what was dedicated serial levies in many cases into a Permanent Rate limit for a district, which raises questions on the dedication of those levies.
- 319 Vice Chair Bryant MOVES (-12) AMENDMENTS TO SB 1215 BE ADOPTED. HEARING NO OBJECTION, THE VICE CHAIR SO ORDERED.
- 337 Vice Chair Bryant MOVES THE (-26) AMENDMENTS TO SB 1215 BE ADOPTED. HEARING NO OBJECTION, THE VICE CHAIR SO ORDERED.
- 347 Vice Chair Bryant MOVES THE (-32) AMENDMENTS TO SB 1215 BE ADOPTED. HEARING NO OBJECTION, THE VICE CHAIR SO ORDERED.
- 381 Vice Chair Bryant MOVES THE (-33) AMENDMENTS TO SB 1215 BE ADOPTED. HEARING NO OBJECTION, THE VICE CHAIR SO ORDERED.
- 383 Vice Chair Bryant MOVES THE (-34) AMENDMENTS TO SB 1215 AS AMENDED BE ADOPTED. HEARING NO OBJECTION, THE VICE CHAIR SO ORDERED.
- 403 Vice Chair Bryant MOVES THE (-35) AMENDMENTS TO SB 1215 BE ADOPTED. HEARING NO OBJECTION, THE VICE CHAIR SO ORDERED.
- 410 Vice Chair Meeting recessed at 11:00 a.m. and reconvened at 2:10 p.m.

Bryant

OPENED PUBLIC HEARING ON HB 3709

450 David Hooper Exhibit K - Written testimony. Exhibit L - Written testimony. HB 3709 is a bill which proposes to impose a tax on Lottery winnings in excess of \$600. If the legislature proceeds with this policy, the Lottery recommends making technical changes to the bill; the (-A4) Amendments would resolve the issues. Lottery tickets constitute a contract between the state and the purchaser, so there are legal ramifications. HB 3709 contains withholding requirements that do not coincide with federal requirements. The (-A4) enables the Lottery and its players to act along the same procedures and polices when withholding federal tax on prizes.

**TAPE 225, SIDE B**

CLOSED PUBLIC HEARING ON HB 3709

OPENED WORK SESSION ON HB 3709

040 Vice Chair Bryant MOVES (-A4) AMENDMENTS TO HB 3709 BE ADOPTED. HEARING NO OBJECTION, THE VICE CHAIR SO ORDERED.

MOVES HB 3709 TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

044 Vice Chair Bryant ROLL CALL VOTE: MOTION PASSES: 4 - 0 - 2  
SENATORS VOTING AYE: DUKES, DUNCAN, LEONARD, BRYANT.

SENATORS ABSENT: HARTUNG, BAKER.

Sen. Leonard will carry the bill on the Senate Floor.

CLOSED WORK SESSION ON HB 3709

OPENED PUBLIC HEARING ON HB 5053

CLOSED PUBLIC HEARING ON HB 5053

OPENED WORK SESSION ON HB 5053

055 Vice Chair Bryant Stated this is the bill that provides an early payment by a few days on the SAIF contract of \$80 million. That money will come out of this biennium's funds rather than next biennium. Questions and discussion.

081 Vice Chair Bryant MOVES (-A2) AMENDMENTS TO HB 5053 BE ADOPTED. HEARING NO OBJECTION, THE VICE CHAIR SO ORDERED.

MOVES HB 5053 AS AMENDED TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

086 Vice Chair Bryant ROLL CALL VOTE: MOTION PASSES: 4 - 0 - 2  
SENATORS VOTING AYE: DUKES, DUNCAN, LEONARD, BRYANT.

SENATORS ABSENT: HARTUNG, BAKER.

Sen. Bryant will carry the bill on the Senate Floor.

CLOSED WORK SESSION ON HB 5053

197 Vice Chair Bryant Recessed meeting at 2:20 p.m. and reconvened at 2:48 p.m.

OPENED PUBLIC HEARING ON HB 2129

206 Sen. Bob Kintigh Supports HB 2129. Said this bill is needed to continue funding for the WOSTOT program. Also supports the (-A4) Amendments which establish land class values comparable to site class values now used in existing act.

221 Dave Babits Added that the Small Woodlands Association strongly supports the program; there are approximately 3,000 people in it.

230 Ray Craig Exhibit T - Written testimony. Said this bill was introduced on behalf of the Board of Forestry. The bill extends until 7/1/99 the WOSTOT program. The funds would be used to administer this tax law and a tax credit for people who convert under-producing forest lands. The bill also extends funding into Eastern Oregon which allows the Department of Forestry to improve forest health by working with non-industrial private forest land owners. Exhibit U - (-A4) Amendments converts Site Class listings to Land Class listings which is necessary because there are more Land Classes than there are Site Classes.

331 Tom Linhares Supports (-A4) Amendments to this bill.

CLOSED PUBLIC HEARING ON HB 2129

OPENED WORK SESSION ON HB 2129

387 Vice Chair      MOVES (-A4) AMENDMENTS TO HB 2129 BE ADOPTED. HEARING NO  
Bryant              OBJECTION, THE VICE CHAIR SO ORDERED.

MOVES HB 2129 AS AMENDED TO THE SENATE FLOOR WITH DO PASS  
RECOMMENDATION.

ROLL CALL VOTE: MOTION PASSES: 4 - 0 - 2

399 Vice Chair      SENATORS VOTING AYE: DUKES, DUNCAN, LEONARD, BRYANT.  
Bryant

SENATORS ABSENT: HARTUNG, BAKER.

Sen. Kintigh will carry the bill on the Senate Floor.

CLOSED WORK SESSION ON HB 2129

OPENED WORK SESSION ON SB 1215

417 Scherzinger      Exhibit V - (-36) Amendments. These address conflicts with local budget law  
changes in HB 2752. Repeal of serial levies issue has been removed from the (-36)  
Amendments.

428 Sen. Duncan      MOVES (-36) AMENDMENTS TO SB 1215 BE ADOPTED. HEARING NO  
OBJECTION, THE VICE CHAIR SO ORDERED.

444 Scherzinger      Exhibit W - (-37) Amendments relating to Special Assessments which supersede  
the (-30) Amendments.

473 Vice Chair      MOVES (-37) AMENDMENTS TO SB 1215 BE ADOPTED. HEARING NO  
Bryant              OBJECTION, THE VICE CHAIR SO ORDERED.

477 Scherzinger      Exhibit X - (-38) Amendments relating to definition of minor construction.

**TAPE 226, SIDE A**

002                      Asked if wording in the (-38) Amendments could go back to (-5) Amendments  
wording of "repair, reconstruction, or replacement of real property improvements."  
Jerry                    Said there will be concern about having new building constructed under the other  
definition of under \$25,000 in value and seen as a problem, especially in Eastern  
Oregon. Questions and discussion interspersed. Trying to eliminate exemptions for

Hanson separate new buildings like farm buildings constructed under \$10,000 to \$25,000 in a two-year period. Pole barns and other out building are significant in Eastern Oregon in terms of value. Questions and discussion regarding difference between repair and reconstruction.

070 Sen. Leonard MOVES (-38) AMENDMENTS TO SB 1215 BE ADOPTED. HEARING NO OBJECTION, THE VICE CHAIR SO ORDERED.

073 Scherzinger Exhibit Y - (-39) Amendments relating to discussion of the 50% voter turnout and potential challenge to that. Amendments say if a challenge has been filed, any tax authorized by that election shall not be extended on the role until the challenge has been resolved. If a challenge is resolved so the contested election is determined valid, the tax authorized by the election shall be extended on the role the first year following the date of resolution and shall be extended for the same number of years as it would have been imposed had the challenge not occurred. Questions and discussion.

138 Vice Chair Bryant MOVES (-39) AMENDMENTS TO SB 1215 BE ADOPTED. HEARING NO OBJECTION, THE VICE CHAIR SO ORDERED.

MOVES SB 1215 AS AMENDED TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

ROLL CALL VOTE: MOTION PASSES: 4 - 0 - 2

140 Vice Chair Bryant SENATORS VOTING AYE: DUKES, DUNCAN, LEONARD, BRYANT.

SENATORS ABSENT: HARTUNG, BAKER.

Sen. Baker will carry the bill on the Senate Floor.

CLOSED WORK SESSION ON SB 1215

155 Vice Chair Bryant Recessed meeting at 3:15 p.m. and reconvened at 5:40 p.m.

OPENED WORK SESSION ON HB 2192

166 Vice Chair Bryant Exhibit Z - (-B14) Amendments relating to State School Fund. Questions and discussion.

186 Steve Meyer Continued discussion of (-B14) deal with school districts being able to take an advance against what they would receive in the second year of the biennium. This requires estimates made for the second year of the biennium and if that is higher than the estimate for the school district, in the first year they can request they be given the difference in the first year. That amount would be deducted from what they would receive in the second year. Questions and discussion interspersed.



254 Sen. Dukes MOVES THAT THE SENATE COMMITTEE ON REVENUE RECONSIDER THE MOTION BY WHICH IT PASSED SB 2192 TO THE SENATE FLOOR.

261 Vice Chair  
Bryant HEARING NO OBJECTION, THE VICE CHAIR SO ORDERED.

273 Meyer Exhibit AA - (-B15) Amendments relating to one-time classroom needs. This was in SB 2192 as it came to Senate Revenue from the House in the A version. In the B version this language was removed. (-B15) restores the language and applies to the \$50 million that would be appropriated in HB 5519 (appropriations bill) and tells how to distribute those funds and what the funds may be used for. The funds will be distributed to school districts based on extended ADMw and for the count in the year prior to the distribution year. Questions and discussion interspersed.

320 Meyer Exhibit BB - (-B16) Amendments relating to facility grant language. Questions and discussion interspersed.

368 Meyer Discussed Amendments yet to be distributed to Members. One deals with local option proposal and another fills in blanks left in the bill as it was passed out of Committee to the Senate Floor.

375 Scherzinger Discussed forthcoming Amendments not completed for distribution to Members. One relates to K-12 local option for five-year authority, but if a five-year levy gets approved in the fifth year it could be a five-year levy, so it would run another four years, or in effect into the ninth year. If a local option is used, it will create "have" and "have not" school districts because many of them are at compression and would not be able to levy. Questions and discussion interspersed.

#### **TAPE 227, SIDE A**

028 Vice Chair  
Bryant Continuation of comments regarding forthcoming amendments. Questions and discussion interspersed.

041 Cindy Hunt Exhibit CC - (-B17) Amendments. Explained how the subject act is repealed only if the State Education Lottery Bond Program is approved by the voters. A mechanism exists to determine if something is approved, but do not have on to determine if something is disapproved.

054 Scherzinger Added that the way these Amendments are worded is slightly different from the way he explained them to Legislative Counsel, but they still work.

062 Meyer Exhibit DD - (-B18) Amendments fills in several blanks which were in the B-Engrossed bill as sent to the Senate Floor. Discussion and questions interspersed.

105 All Questions and discussion regarding Amendments (-B16),(-B17), and (-B18).

- 149 Vice Chair Bryant MOVES (-B14) AMENDMENTS TO HB 2192 BE ADOPTED. HEARING NO OBJECTION, THE VICE CHAIR SO ORDERED.
- 157 Ozzie Rose Asked regarding local option proposal, if it is to be a fallback position if a bond election is unsuccessful, why do ESDs get a local option? The bonds are for local school districts, not ESDs.
- 167 Vice Chair Bryant Agreed that language providing local option to ESDs should be eliminated from the (-B17) Amendments.
- 174 Vice Chair Bryant MOVES (-B15) AMENDMENTS TO HB 2192 BE ADOPTED. HEARING NO OBJECTION, THE VICE CHAIR SO ORDERED.
- 178 Vice Chair Bryant MOVES (-B16) AMENDMENTS TO HB 2192 BE ADOPTED. HEARING NO OBJECTION, THE VICE CHAIR SO ORDERED.
- 180 Vice Chair Bryant MOVES TO DELETE FROM (-B17) AMENDMENTS TO HB 2192 LINE 5 THE WORDS "OR AN EDUCATION SERVICE DISTRICT". HEARING NO OBJECTION, THE VICE CHAIR SO ORDERED.
- 183 Vice Chair Bryant MOVES (-B17) AMENDMENTS AS AMENDED BE ADOPTED. HEARING NO OBJECTION, THE VICE CHAIR SO ORDERED.
- 187 Vice Chair Bryant MOVES (-B18) AMENDMENTS TO HB 2192 WITH CONCEPTUAL AMENDMENT TO REFLECT THE DELETION OF SECTION 19. SEN. LEONARD OBJECTS TO DELETION OF SECTION 19.
- 192 All Comments and questions regarding disposition of (-B18) Amendments. It was determined not to delete Section 19 at this time.
- 219 Vice Chair Bryant MOVES (-B18) AMENDMENTS TO HB 2192 BE ADOPTED. HEARING NO OBJECTION, THE VICE CHAIR SO ORDERED.
- 220 Vice Chair Bryant MOVES HB 2192 TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.
- ROLL CALL VOTE: MOTION PASSES: 4 - 0 - 2
- SENATORS VOTING AYE: PRESIDENT ADAMS, DUNCAN, LEONARD, BRYANT.
- SENATORS ABSENT: HARTUNG, BAKER.

Senators Baker and Bryant will carry the bill on the Senate Floor.

283 Vice Chair  
Bryant Recessed at 6:10 p.m.. Reconvened and immediately adjourned at 6:50 p.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

- A. SB 1215, Scherzinger, Heppner figures, 1 page
- B. SB 1215, Scherzinger, (-34) Amendments, (DJ/ps) 6/27/97, 2 pages
- C. SB 1215, Scherzinger, (-31) Amendments, (DJ/ps) 6/27/97, 19 pages
- D. SB 1215, Scherzinger, (-12) Amendments, (DJ/ps) 6/23/97, 1 page
- E. SB 1215, Scherzinger, (-32) Amendments, (DJ/ps) 6/27/97, 5 pages
- F. SB 1215, Scherzinger, (-33) Amendments, (DJ/ps) 6/27/97, 28 pages
- G. SB 1215, Scherzinger, (-35) Amendments, (DJ/ps) 6/27/97, 1 page
- H. HB 3709A, Waters, Staff Measure Summary, 1 page
- I. HB 3709A, Waters, Revenue Impact Statement, 1 page
- J. HB 3709A, Waters, Fiscal Impact Statement, 1 page

K. HB 3709A, Hooper, Written testimony, 1 page

L. HB 3709A, Hooper, Written testimony dated 6/9/97, 3 pages

M. HB 3709A, Waters, (-A4) Amendments, (DJ/ps) 6/27/97, 2 pages

N. HB 5053A, Waters, Revenue Impact Statement, 1 page

O. HB 5053A, Waters, Budget Report and Measure Summary, 1 page

P. HB 5053A, Waters, (-A2) Amendments, (DH/ps) 6/27/97, 1 page

Q. HB 2129, Yates, Fiscal Impact Statement, 1 page

R. HB 2129, Yates, Revenue Impact Statement, 1 page

S. HB 2129, Yates, Staff Measure Summary, 1 page

T. HB 2129A, Craig, Written testimony dated 6/27/97, 3 pages

U. HB 2129A, Yates, (-A4) Amendments, (DJ/ps) 6/25/97, 1 page

V. SB 1215, Scherzinger, (-36) Amendments, (DJ/ps) 6/27/97, 18 pages

W. SB 1215, Scherzinger, (-37) Amendments, (DJ/ps) 6/27/97, 21 pages

X. SB 1215, Scherzinger, (-38) Amendments, (DJ/ps) 6/27/97, 1 page

Y. SB 1215, Scherzinger, (-39) Amendments, (DJ/ps) 6/27/97, 1 page

A@. HB 2192, Meyer, (-B14) Amendments, (CH/ps) 6/27/97, 1 page

AA. HB 2192, Meyer, (-B15) Amendments, (CH/ps) 6/27/97, 2 pages

AB. HB 2192, Meyer, (-B16) Amendments, (CH/ps) 6/27/97, 1 page

AC. HB 2192, Meyer, (-B17) Amendments, (CH/ps) 6/27/97, 1 page

AD. HB 2192, Meyer, (-B18) Amendments, (CH/ps) 6/27/97, 1 page