

WORK SESSION ON HJR 85

AND HB 3511 TAPES 072-073 A/B, 074-75 A/B

SENATE REVENUE COMMITTEE

MARCH 10, 1997 - 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair

Sen. Joan Dukes

Sen. Verne Duncan

Sen. Tom Hartung

Sen. Randy Leonard (3:35 to 3:45 p.m. absence)

Members Present: Rep. Lee Beyer, Vice Chair

Rep. Tom Brian, Chair

Rep. Tony Corcoran

Rep. Rep. Randall Edwards

Rep. Leslie Lewis

Rep. Lane Shetterly

Rep. Mark Simmons

Rep. Ken Strobeck

Rep. Anitra Rasmussen

Staff: Jim Scherzinger, Legislative Revenue Officer

Carol Phillips, Committee Assistant

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TAPE 072, SIDE A

005 Chair Brian Opened meeting at 9:07 a.m.

OPENED WORK SESSION ON HJR 85 AND SB 3511

015 Jim Scherzinger Exhibit A - (-12) Amendment. Exhibit B - Summary of HJR 85 Issues.

Description of one-roll value limit:

Limit each property's value in 1997-98 to its 1995-96 market value less 10%:

Applies to all property.

No reappraisal of 1995-96 market value.

Limit each property's growth of value in subsequent years to 3% per year.

Exceptions to limit:

New property and improvements.

Partition or subdivision.

Rezoned property.

Omitted property.

Loss of full exemption.

New property and improvements:

Includes real and personal property.

Includes property placed on the tax roll in the state for the first time.

Improvements include new construction, reconstruction, major additions, remodeling, renovation, and rehabilitation, including installation, but does

not include minor construction or ongoing maintenance and repair.

Exceptions valued in first year at ratio of average maximum assessed value to average market value of property in the same class and area.

Classes and areas provided by statute.

Partially exempt and specially assessed values determined by law, but cannot exceed maximum assessed value.

Assessed value cannot exceed real market value.

012 Scherzinger Proceeded to read and explain each line of the (-12) amendment. Questions and discussion interspersed.

035 Scherzinger Described wording in Section 11 of the (-12) amendment starting with page 1 line 9. Limits each property's value in 1997-98 to its 1995-96 market value less 10% and applies to all properties (residential, non-residential) with no distinction. Provision included stating not going back to reappraise property from 1995-96 to re-determine market value. After first year, it limits each property's growth in value in subsequent years to 3% a year. There are some exceptions to the limit, i.e. new property and improvements, partitions or subdivisions, rezoned, omitted property, and loss of full exemption. Defines new property and improvements to include both real and personal, includes property placed on the tax roll in the state for the first time. Improvements include new construction, reconstruction, major additions, remodeling, renovation, relocation, but not minor construction or ongoing maintenance and repairs. Basically the same definition as is in Measure 47.

075 Scherzinger Partially exempt and specially assessed values would be determined by law, not to exceed the maximum assessed value. Assessed value cannot exceed real market value. Questions and discussion interspersed.

188 Scherzinger Read Section 11(1) (a) (b) (c) and (A) (B) (C) (D) (E) and (F) on pages 1 and 2. Questions and discussion.

441 Scherzinger Read line 7 (d) (e) (f) (g) page 2. Questions and discussion.

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002 Scherzinger Continued questions and discussion.

057 Scherzinger Read Subsection (2) line 20 page 2 describing the cut. This requires a statewide reduction of 17% from the operating levies of taxing districts. It leaves the distribution of that reduction in the statute.

082 Scherzinger Read (B) line 29 page 2. Questions and discussion.

151 Scherzinger Read (b) (c) beginning on line 3 page 3. Questions and discussion.

423 Scherzinger Read (d) (e) beginning on line 15 page 3. Questions and discussion.

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031 Scherzinger Read (3) (a) (b) (c) -- local option provision - beginning on line 20 page 3. Questions and discussion.

076 Scherzinger Read (4) beginning on line 31 page 3, then (5) (a) (A) (B) (b) and (c) beginning on line 4 page 4. Questions and discussion.

288 Scherzinger Read (6) beginning on line 25 page 4. Urban renewal is not part of this calculation at all and will be determined elsewhere. Questions and discussion.

337 Scherzinger Read (7) (a) and (b) beginning on line 28 page 4. If replacing a serial levy, a double majority not needed. Questions and discussion interspersed.

415 Scherzinger Read (8) (a) and (b) beginning on line 10 page 4. Questions and discussion.

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029 Various Continuation of questions and discussion.

038 Scherzinger Read (9) (a) and (b) beginning on line 15 page 4. Questions and discussion.

135 Scherzinger Read (10) (a) (b) (A) (B) (C) (D) (E) (d) and (e) beginning on line 22 page 4. Discussed Exhibit C - (-13) amendment. Questions and discussion.

263 Chair Brian Recessed meeting at 10:45 a.m. until 3:00 p.m. this afternoon and reconvened meeting at 3:35 p.m.

300 Various Questions and discussion.

354 Chair Brian Asked for objections to using 10% on line 15 page 6 of the (-12). It was determined to use 10% until and unless further research dictates a different number be used.

389 Scherzinger Read (e) line 19 page 6. It makes it clear that a double majority does not apply to a shift restriction election.

394 Scherzinger Read Section 11a. line 22 page 6 (Measure 5 limits), which are the same as the previous wording. Subsection 2 addresses urban renewal, where urban renewal is changed back to the old system of imposing taxes on the excess value.

418 Scherzinger Subsection (3) line 6 page 7 is a replaced subsection added on 3/08/97. This provision says laws shall be enacted to temporarily allow collection of ad valorem property taxes to pay indebtedness incurred to carry out urban renewal plans existing on the effective date of this section according to the terms of the indebtedness.

440 Scherzinger Subsection (4) line 10 page 7 addresses a mandated proportional compression of any levies which might reach Measure 5 limits. Allows separate compression for schools and non-schools.

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038 Scherzinger Subsection (5)(a) beginning on line 18 page 7 defines public school system, and (b) defines real market value.

048 Scherzinger Section 11b. beginning on line 27 page 7 is outside both rate limits and Measure 5. This does not apply to bonded debt and to ad valorem taxes to pay principal and interest on bonded debt, or to local government pension and disability obligations that commit ad valorem property taxes. This deals with Portland police and fire pensions. (2) deals with the definition of bonded indebtedness.

066 Scherzinger (B) beginning line 9 page 8 clarifies that for bonds issued between passage of Measure 5 and passage of this measure, majority of voters qualifies this to be a bond. Those that fall between Measure 5 and this Measure, majority suffices. For those issued after this Section and on into the future, a double majority would be needed.

090 Scherzinger Described contents of Subsections 4, 5, and 6 beginning on line 18 page 8. Questions and discussion interspersed.

128 Scherzinger Described Section 11c and 11d beginning on line 5 page 9, followed by three sections of the existing constitution (beginning on line 12 page 9) which have conforming amendments. Questions and discussion.

167 Rep. Shetterly Asked Scherzinger if he found a definitive answer to what a "local taxing district" is. Scherzinger replied he would ask Counsel to define it.

185 Various Further questions and discussion.

277 Scherzinger Reiterated flagged items in the (-12) amendment to be clarified for 3/11/97 meeting. Questions and discussion interspersed.

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002 Various Continued questions and discussion.

Continued reiteration of items to be clarified for 3/11/97 meeting. Questions and

100 Scherzinger discussion interspersed.

TAPE 074, SIDE B

080 Scherzinger Continued reiteration of items to be clarified for 3/11/97 meeting. Further questions and discussion interspersed.

100 Various Questions and discussion.

251 Scherzinger Finished walk-through of HJR - 85 (-12) amendments.

267 Scherzinger Introduced subject of the 17% cut, how it might be distributed, and possible difficulties. It was determined to discuss this subject at tomorrow's meeting.

278 Chair Brian Noting the time and the possible length of discussion, suggested the members review the (-12) amendments and be prepared to discuss the issue at tomorrow's meeting. Questions and discussion.

310 Scherzinger Explained the primary differences between Measure 47 and HJR 85. One of them recognizes levies that have passed since 1995-96, and the computer runs reflect that. The other difference is that differential rates of growth of new construction in a district will affect the revenue the district gets under HJR 85. There is no data on this yet.

342 Rep. Beyer Asked what the computer runs the members have now show, and Scherzinger replied that they assume 17% reduction across the board on every district's operating levy. HJR 85 says an overall 17% is to be distributed any way the districts want it. The second assumption is a 2% growth in new construction everywhere. However, some counties have dramatically higher or lower rates than 2%. Those growth differential rates have a different effect under Measure 47 than they do under HJR 85 unless in HJR 85 you mimic what Measure 47 would do. Questions and discussion.

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001 Shetterly Stated that the (-15) amendments would acknowledge a distribution of losses but mitigate that to some extent. Instead of a spread between 2% to 30% depending on districts statewide, the purpose of the (-15) amendments would be to limit that distribution between not less than 10% nor more than 17%.

012 Scherzinger Clarifies the (-15) amendments would mimic Measure 47, but try to recognize differential growth rates at the district level. Questions and discussion interspersed.

024 Rep. Simmons Agrees with any effort to mimic Measure 47 with the winners and losers around the state. But concerned that less than 10% and no more than 17% would reduce the total amount of property tax relief statewide to an unacceptable level.

050 Various Questions and discussion regarding computer runs illustrating a variety of scenarios.

094 Rep. Strobeck Believes main issue is to start with Measure 47 and proceed from that point.

114 Chair Brian Discussed options for continuing this meeting or continuing tomorrow morning. Members agreed to meet tomorrow morning.

157 Chair Brian Adjourned the meeting at 6:15 p.m.

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Carol Phillips

Committee Assistant

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Kim James

Office Manager

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Exhibit Summary:

A. HJR 85, Scherzinger, (-12) Amendments, (DJ/ps) 3/10/97, 10 pages

B. HJR 85, Scherzinger, HJR 85 Issues, 5 pages

C. HJR 85, Scherzinger, (-13) Amendments, (DJ/ps) 3/10/97, 1 page

D. HJR 85, Robinson, Written testimony dated 3/8/97, 2 pages

E. HJR 85, Scherzinger, (-14) Amendments, (DJ/ps) 3/10/97, 1 page

F. HJR 85, Scherzinger, (-15) Amendments, (DJ/ps) 3/10/97, 2 pages

G. HJR 85, Scherzinger, Fiscal Impact Statement, 1 page

H. HJR 85, Scherzinger, Measure 47/HJR 85 flow charts, 3 pages