

WORK SESSION ON

PROPERTY TAX REWRITE

HJR 85, HB 3511 TAPES 076 - 077 A/B

**SENATE REVENUE COMMITTEE**

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**MARCH 12, 1997 - 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING**

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Members Present: Sen. Ken Baker, Chair (Only Senator present A.M.)

Sen. Neil Bryant, Vice Chair (left at 5:50 p.m.)

Sen. Joan Dukes

Sen. Verne Duncan

Sen. Tom Hartung (excused)

Sen. Randy Leonard

Members Present: Rep. Lee Beyer, Vice Chair (Only Representative present A.M.)

Rep. Tom Brian, Chair

Rep. Tony Corcoran

Rep. Randall Edwards

Rep. Leslie Lewis

Rep. Anitra Rasmussen

Rep. Lane Shetterly

Rep. Mark Simmons

Rep. Ken Strobeck

Invited Witnesses: Noel Klein, Special Districts Association

Staff: Jim Scherzinger, Legislative Revenue Officer

Carol Phillips, Committee Assistant

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**TAPE 076, SIDE A**

- 005 Chair Brian Opened meeting at 8:34 a.m. and declared the joint committees were in recess until 3:00 p.m. this afternoon.
- 011 Chair Brian Reconvened meeting at 5:37 p.m.

OPENED WORK SESSION

- 012 Chair Brian Outlined items to be covered in this meeting. The following items will be addressed: HB 3511-2 and Proposed Estimate of Financial Impact. Also HJR 85-30 primary bill incorporating everything discussed to this point, plus amendments and HJR 85-29.
- 033 Jim Scherzinger Exhibit A - HB 3511 (-2). HB 3511 is the elections bill. Most of the original bill is retained, but there is the (-2) amendments and proposed estimate of financial impact. What the Committee did was write the ballot title and write the estimate of financial impact itself rather than go through the normal process. The Committee provided for the voters pamphlet a window in Section 6 for arguments relating to the Measure. Arguments relating to the Measure will be filed with the Secretary of State within ten calendar days after the effective date of this act.
- 080 Rep. Shetterly Had a question regarding lines 16 and 17 on page 2 of HB 3511(-2). Scherzinger replied that the wording as printed was correct.
- 104 Rep. Lewis MOVES (-2) AMENDMENTS TO HB 3511 BE ADOPTED.  
HEARING NO OBJECTION, THE CHAIR SO ORDERED.
- 109 Scherzinger Referred to Exhibit B - Proposed Estimate of Financial Impact.
- 113 Rep. Edwards Had a question about lines 16 and 17 on page 2 of HB 3511 (-2). The wording seemed vague to him and suggested inserting something with a floor number.

- 130 Rep. Strobeck Agreed with Rep. Edwards that it was an interesting point. However, depending on what portion of Measure 47 could or could not be upheld, it would be difficult to quantify a number without endless footnotes for determining the figure. Further questions and discussion.
- 153 Chair Brian Could read "as much as or as little as X per year based on a recent Attorney General's opinion." Further questions, comments, and discussion interspersed. "However, this reduction under Measure 47 could be as little as" was suggested by Rep. Strobeck.
- 190 Chair Brian Asked for objections to that language, and heard none.
- 242 Chair Brian Stated that Rep. Beyer suggested changing the language in the last paragraph of the Proposed Estimate of Financial Impact to strike words "due to" and insert "by allowing". Heard no objection to that suggestion.
- 268 Chair Brian Asked everyone to turn their attention to Exhibit C - HJR 85 (-30) and for Scherzinger to walk everyone through the changes.
- 273 Scherzinger In (-30) amendments, beginning on page 1, main point is not repealing Measure 5. Biggest change is leaving Measure 5 intact and dealing with only specific things in Measure 5 that are necessary to accomplish its purpose. In Section 11 are value limits that are the same as before. Relatively minor changes but retains substance. Questions and discussion interspersed.
- 307 Scherzinger The first change from what was discussed previously is on line 4 page 2. It continues down to the bottom of that page correcting some problems in the original language that dealt with special assessments. Questions and discussion interspersed.
- 344 Scherzinger Lines 19-21 page 3 are more reflective of Measure 47 than before.
- 362 Scherzinger (D) line 26 page 3 is the section which creates the permanent rates for taxing districts after the 17% cut.
- 380 Scherzinger (d) line 17 page 4 makes it clear that the rate which produces the same revenue must be found, and that is the rate that is used. Language was added about divisions.
- 401 Scherzinger (g) lines 30 and 31 page 4 is urban renewal language. Questions and discussion.

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- 021 Scherzinger (5) line 22 page 5 refers to gap bonds. The difference is in lines 7 through 9 on page 6 where now these amendments are putting the police and fire pension systems in the gap between the rate limits and Measure 5. It is also in lines 18 to 23 page 6.

031 Chair Brian This is a change from yesterday's discussion. This moves treatment of police and firefighters' pensions rather than outside Measure 47 and outside Measure 5 to outside Measure 47 but under Measure 5 limit.

037 Sen. Leonard Asked that language be restored up to the original language up through the (-27) amendments so that the effect would be that the police and fire pension be outside the Measure 47 limits and outside the Measure 5 limits. Pensions promised to retired policemen and firefighters is a contract in the constitutional sense. In no case should the state do anything that would break that contract. Being inside the Measure 5 limits has the potential, if property values decrease, of compressing the levy so the effect would be that those retirees would not receive their promised retirement checks. Portland's firefighters and policemen do not receive Social Security or Medicare. When they retire, they depend on their retirement checks exclusively for their support. They must buy their own medical insurance at age 65.

The Portland system is non-funded, i.e. "pay as you go". The levy pays for current obligations to those retirees who are police officers and firefighters. It does not, as the PERS system does, set money aside for future benefits for currently working police and fire personnel. Most people agree that system must be funded. There is a bill to be placed before voters to allow the use of the unused portion of levy to fund the fire and police system. As a result of Measure 47, effective July 1 there will be 48 fewer firefighters and 100 fewer police officers.

In Sen. Leonard's opinion HJR 85 (-30) is unconstitutional and creates a disincentive to fund the plan. Asked the Committee to restore the language in HJR 85 (-27).

095 Chair Brian Agreed that the points made by Sen. Leonard were very good. By excluding pension out of Measure 47 it, in fact, protects the pension from approximately 20% reduction. Chair Brian hopes that City of Portland's budget decisions reflect the public safety priority. Asked for objections to the language as stated in HJR 85 (-30).

123 Rep. Edwards Objects to language as stated in HJR 85 (-30) as appearing on page 6.

VOTE AYE IF THE LANGUAGE APPEARING ON PAGE 6 OF HJR 85 (-30) IS TO BE RETAINED. VOTE NO IF LANGUAGE IS TO BE REMOVED AND REPLACED BY LANGUAGE THAT WOULD ALLOW THE PENSIONS OUT OF MEASURE 47 AND MEASURE 5.

124 Chair Brian

ROLL CALL VOTE: 5 - 4

REPRESENTATIVES VOTING AYE: LEWIS, SHETTERLY, SIMMONS, STROBECK, BRIAN.

REPRESENTATIVES VOTING NO: CORCORAN, EDWARDS, RASMUSSEN, BEYER.

LANGUAGE AS APPEARING ON PAGE 6 OF HJR 85 (-30) WILL BE RETAINED.

- 142 Scherzinger Referred to lines 16 and 17 of page 6. This section clarifies that all the gap levies, including gap bonds and pension systems, shall be subject to the Measure 5 limits. Questions and discussion.
- 150 Scherzinger Referred to Subsection 6 beginning line 8 page 7. This is the addition of the exemption for hospital districts. Clarifies that the taxes under this subsection as well are subject to the Measure 5 limits. Questions and discussion.
- 190 Chair Brian Asked Noel Klein, who was present at the meeting, if he knew of any taxing districts that levy and collect taxes for hospitals and do so for other entities in districts other than hospitals.
- 195 Noel Klein Recalled there may be some health districts (Columbia Health District in Columbia County as an example) that run a public health clinic but also supports the local hospital. Thinks this language would limit for that purpose. No district which would be caught up in language other than a health district or a hospital district. Questions and discussion.
- 229 Scherzinger Referred to Subsection 7 beginning line 18 page 7. This is the ratification of levies and recognition and 100% funding of levies that passed for 1996-97 and 1997-98.
- 240 Scherzinger Change in lines 5 and 6 page 8 referring to serial levies to replace an existing levy. Intended to permit districts to try to replace their existing serial levy for 1997-98 for conversion into its rate limit at the September election.
- 256 Scherzinger Lines 14 - 17 page 8 is obligation to replace.
- 265 Scherzinger Referred to Subsection 11 beginning on line 27 page 8. Intent is to leave Measure 5 alone and to make specific changes only to make this Measure take effect.
- 284 Scherzinger Incorporated into this language are bonded debt definitions beginning on line 12 page 9.
- 295 Scherzinger Lines 19 - 21 page 9 refers to the period between effective date of Measure 5 and prior to effective date of Measure 47, bonds must be approved by a majority of voters. If approved after the effective date of Measure 47, bonds must be approved by a double

majority. Questions and discussion.

332 Scherzinger Briefly described Subsections (12), (13), (14), (15), (16), (17), (18), and (19).

382 Chair Brian Asked if further discussion was necessary on the ( -30) amendment.

388 Chair Brian Exhibit D - HJR 85 (-29). Purpose of this amendment is to correct an omission. Per Measure 47 add in new construction and any specific bases or levies validated through language just covered. This acknowledges new construction and growth per Measure 47, and avoids offsets or redistributions.

**TAPE 076, SIDE B**

MOVES (-29) AMENDMENTS TO HJR 85 BE ADOPTED.

037 Rep. Strobeck HEARING NO OBJECTION, ASKED FOR OBJECTIONS TO MOVING (-29) AMENDMENTS INTO HJR 85 (-30).

HEARING NONE, THE CHAIR SO ORDERED.

041 Rep. Strobeck MOVES (-30) AMENDMENTS AS AMENDED BY (-29) AND BY CONCEPTUAL AMENDMENT ON LINE 26 PAGE 2 OF (-30).

HEARING NO OBJECTION, THE CHAIR SO ORDERED.

063 Vice Chair Beyer MOVES HJR 85 AS AMENDED TO THE HOUSE FLOOR WITH DO PASS RECOMMENDATION.

067 Rep. Corcoran Will support this but he is concerned where this will lead in terms of services which will be eliminated. Saw some of that in elections which failed yesterday not because a majority of the people did not vote for a specific issue, but because a majority of the people did not vote.

088 Chair Brian Commented that this Measure is not everyone's choice. Believes HJR 85 as amended works to streamline and simplify the existing system. It brings certainty to tax reductions, retains the limits of Measure 5 and Measure 47, validates a number of levies and bases that prevent some situations which would be very regrettable to a number of communities around the state, etc. It is a better law for Oregon. Sincerely appreciates work of the Committee on this.

109 Rep. Strobeck Commended the Chair and the staff for their late hours and outstanding work in helping negotiate the many issues involved in this Measure.

119 Rep. Beyer This rewrite does a good job of giving voters what they thought they voted for. This is not tax reform. This does not substantially reduce property taxes. Not a bad law as

written and should be approved by voters.

- 136 Rep. Edwards Sees an improvement in the tax code, the importance of which should not be underestimated. See definitive answer to what will be done with schools. Language is there to make sure public schools are protected and state will commit to backfilling loss.
- 147 Rasmussen Thanked Chair for being willing to rewrite Measure 47. Appreciates opportunity to avoid some of the damage that would have been done under Measure 47.  
ROLL CALL VOTE: MOTION PASSES 9 - 0
- 163 Chair Brian REPRESENTATIVES VOTING AYE: CORCORAN, EDWARDS, LEWIS, RASMUSSEN, SHETTERLY, SIMMONS, STROBECK, BEYER, BRIAN.  
  
Co-carriers will be Beyer and Brian. Members will address specific parts.
- 176 Chair Brian Reminded the Committee the meeting was still in Work Session and awaiting revised version of Proposed Estimate of Financial Impact so everyone will be clear.
- 238 Chair Brian Declared recess at 6:35 until impact statements arrive. Reconvened 6:42 p.m.
- 257 Chair Brian Now have Exhibit E - HB 3511 (-3) before Members. It incorporates language changes to the Proposed Estimate of Financial Impact.
- 270 Scherzinger Discussed changes.
- 276 Rep. Lewis MOVES (-3) AMENDMENTS TO HB 3511 BE ADOPTED.  
  
HEARING NO OBJECTION, THE CHAIR SO ORDERED.
- 284 Vice Chair Beyer MOVES HB 3511 AS AMENDED BY THE (-3) AMENDMENT TO THE HOUSE FLOOR WITH DO PASS RECOMMENDATION.  
  
ROLL CALL VOTE: 9 - 0
- 290 Chair Brian REPRESENTATIVES VOTING AYE: CORCORAN, EDWARDS, LEWIS, RASMUSSEN, SHETTERLY, SIMMONS, STROBECK, BEYER, BRIAN.  
  
Co-carriers will be Beyer and Brian. Members will address specific parts.
- 311 Chair Brian Adjourned at 6:46 p.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

- A. HB 3511, Scherzinger, (-2) Proposed Amendments, 3/12/97 (DJ/ps), 3 pages
- B. HB 3511, Scherzinger, Proposed Estimate of Financial Impact, 1 page
- C. HJR 85, Scherzinger, (-30) Proposed Amendments, 3/12/97 (DJ/ps), 13 pages
- D. HJR 85, Scherzinger, (-29) Proposed Amendments, 3/12/97 (DJ/ps), 1 page
- E. HB 3511, Scherzinger, (-3) Proposed Amendments, 3/12/97 (DJ/ps), 4 pages
- F. HJR 85, Scherzinger, Revenue Impact Statement, 3/11/97, 2 pages