

PUBLIC HEARING ON SCR 10,  
SB 291, SB 298, SB 873, SB 1012,  
SB 1056, SB 1103, AND SB 1158  
WORK SESSION ON SB 286 AND  
SB 287 TAPES 126 - 127 A/B

**SENATE REVENUE COMMITTEE**

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**APRIL 25, 1997 - 9:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING**

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Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair (arrived at 9:26 a.m.)

Sen. Joan Dukes

Sen. Verne Duncan

Sen. Randy Leonard

Members Excused: Sen. Tom Hartung

Witnesses: Sen. Veral Tarno, District 24, Coquille

Sen. Bob Kintigh, District 22, Springfield

Sen. Bill Fisher, District 23, Roseburg

Rod Johnson, Former State Senator, Medford

Bob Cantine, Association of Oregon Counties

Jerry Bieberle, Association of Community Development Organizations

Bill Linden, Oregon Historic Properties Association

Mother Francine Cardeu, Founding Administrator of Franciscan

Montessori Earth School

Tom Linhares, Oregon State Association of County Assessors

Stacy Chamberlain, Legislative Aide to Sen. Leonard

Jim Sterk, Director of Athletics, Portland State University

Joe Schaeffer, Vice President of PSU Student Body

Grattan Kerans, Oregon State System of Higher Education

Staff: Brian Reeder, Economist

Ed Waters, Economist

Richard Yates, Economist

Carol Phillips, Committee Assistant

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**TAPE 126, SIDE A**

005 Chair Baker Opened meeting at 9:05 a.m.

**OPENED PUBLIC HEARING ON SCR 10**

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| 018 | Sen.<br>Veral<br>Tarno | Speaking for this Senate Concurrent Resolution at the request of a situation in his district. A family has 2000 acres of timber and livestock on land passed down through generations. When the current owner's father passed away he had to pay a large tax amount because of federal mandate. When this man wants to pass the land on to his children, the children will have to pay a further large tax amount, and so on. This is unreasonable because the land is still in the same family. |
| 029 | Chair<br>Baker         | As he understands current law, the federal limit without tax is \$600,000 and anything above that is taxed at 34%.   |
| 032 | Sen.<br>Dukes          | Asked if federal estate tax on businesses and farms is different from that on residences.  |

038 Chair Baker Believes the tax is on any estate over \$600,000 and does not make a distinction between business or personal property.

Sen. 046 Bob Kintigh This is a subject he is involved with and concerned about. This situation is very critical to small woodland owners because raising timber is a very capital intensive business. These people work hard all their lives growing trees, then the trees are ready to harvest just about the time the owners die. Over the years quite an asset has been built up. There is a saying among woodland owners, "They live poor and die rich." They struggle for years while growing the trees. Then the next generation has to cut more trees than they normally would plan to just to pay the tax bill.

071 Kintigh The situation is similar in conventional agriculture or other small businesses. Men and women work a lifetime to build up a business, then when they die it has to be liquidated off to pay taxes or sold to large corporations who have cash, because Uncle Sam demands cash to pay the tax due. Because of this a lot of small businesses are acquired by large corporations. Urges passage of SCR 10.

#### CLOSED PUBLIC HEARING ON SCR 10

#### OPENED PUBLIC HEARING ON SB 1012

091 Sen. Fisher Here in support of SB 1012 and the (-1) Amendments thereto. Would like to see the problem corrected and allow small co-generators who primarily burn wood waste or other biomass to elect against the income approach just as other industrial plants do.

100 Rod Johnson Exhibit D - Written testimony. The State of Oregon made a policy decision in the early 1980s that small industrial plants should be able to have their property tax based on the actual value of their physical property and not on the money they make on the property, because Oregon has an income tax to tax their income. If the property tax is adjusted based on their income, Oregon would be double-taxing the fact they are good managers or good operators or whatever. Two identical physical plants side by side should be taxed the same on a property tax basis.

111 Johnson It is an election which has worked well, but there is an anomaly regarding a certain kind of industrial plan that deals with people that produce and sell electricity burning wood waste. The original bill was not limited in size. Have come to understand there are some 300 MW gas facilities which are utility-type facilities and should not be included in this bill because it gets into the realm of utilities and intangible property, etc. The (-1) Amendments limit this bill to co-generators under 20 MW and which burn biomass fuel, which in this state is mostly wood waste. Johnson represents two family-owned co-generation plants which are 7.5 MW and should not be treated like big utilities.

Bob Wants to express concern with this shift when this is not a good economic time to be

132 Cantine taking properties off tax roles.

CLOSED PUBLIC HEARING ON SB 1012

OPENED WORK SESSION ON SB 286 AND SB 287

158 Sen. Dukes Explained that the law is limited to existing or new low income housing and would allow local government to allow tax deferrals for land to be used for low income housing. There are specific requirements for submitting a plan in order to get the deferral. The proponents made a good argument for a need to be able to secure property which might otherwise be lost to them and to plan for low income housing. Questions and discussion.

192 Jerry Bieberle SB 286 allows local jurisdictions, if they choose, to use foreclosed properties for activities in addition to housing on a discretionary basis. SB 287 has to do with vacant land. Right now the local government may not, even if it wanted to, allow a tax deferral on land to be developed for low income housing. If it does not get used for low income housing later on, then back taxes must be paid. Both bills are optional for local governments.

MOVES SB 286 TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

208 Chair Baker ROLL CALL VOTE: MOTION PASSES: 4 - 0 - 2  
SENATORS VOTING AYE: DUKES, DUNCAN, LEONARD, BAKER.  
MEMBERS EXCUSED: BRYANT, HARTUNG  
Sen. Duncan will carry the bill on the Senate Floor.

MOVES SB 287 TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

215 Chair Baker ROLL CALL VOTE: MOTION PASSES: 4 - 0 - 2  
SENATORS VOTING AYE: DUKES, DUNCAN, LEONARD, BAKER.  
MEMBERS EXCUSED: BRYANT, HARTUNG  
Sen. Duncan will carry the bill on the Senate Floor.

OPENED PUBLIC HEARING ON SB 291, SB 873, AND SB 1158

CLOSED PUBLIC HEARING ON SB 291, SB 873, AND SB 1158

OPENED PUBLIC HEARING ON SB 1103

250 Bill Linden SB 1103 is a bill which affects designation of historic properties in Oregon. . SB 1103 refines some of the details of how the application process works and removes a sunset clause existing on the exemption. Currently in discussion with the State Office of Historic Preservation and expect details on remaining issues to be concluded in near future. Hope to have consensus amendments before the Committee very soon.

CLOSED PUBLIC HEARING ON SB 1103

OPENED PUBLIC HEARING ON SB 298

287 Mother Francine Asked the Committee to consider SB 298. Montessori Earth School is a small religious school which, through their ignorance, did not file for exemption from property tax payments. The school meets the criteria for exemption and would ask the Committee to consider forgiving the 1995 to 1996 tax assessment. The school now has the proper status in place.

301 Chair Baker Confirmed that the request is for just the 1995-1996 tax bill.

303 Mother Francine Moved into new school building during the 1995-1996 tax year and were under the impression the property tax situation had been taken care of, but it had not. Centennial School District is the owner of the building. Were not aware it was the responsibility of the Montessori Earth School to take care of the tax exemption request.

309 Sen. Leonard Stated the Montessori School is in his district. Under the circumstances, said that "We should forgive them."

324 Tom Linhares In this situation, the tax statement went to Centennial School District with an incorrect address. When Centennial received the tax statement they did not make the connection that it was referring to the Montessori School building and should have been forwarded to them. Believes SB 298 should be passed. SB 298 would forgive about \$37, 255 in taxes plus the late filing fee of \$2,241.

373 Chair Baker Because this bill is scheduled only for public hearing today, it will be brought back in the near future for a work session to pass the bill.

CLOSED PUBLIC HEARING ON SB 298

OPENED PUBLIC HEARING ON SB 1056

386 Sen. Leonard SB 1056 takes the Sports Action Lottery money currently distributed by a convoluted formula weighted heavily in favor of University of Oregon ("U of O") and Oregon State, and changes it to a formula based on full-time equivalent in students. The net effect of changing the distribution formula is that Portland State University ("PSU") would get \$75,287 more dollars than they do currently, Western Oregon University would get \$107,669 more dollars, and Southern Oregon University would get in excess of \$112,000 more dollars.

414 Sen. Leonard U of O and Oregon State currently get 33 1/3%, Portland State currently gets 17 1/3%, and the other universities in Oregon get 4%. With the proposed changes in SB 1056, U of O would drop to 32%, Oregon State 25% of the total Sports Action Lottery money, and PSU would rise to 21%. Southern and Western Oregon Universities would rise to 7% each.

434 Sen. Leonard Portland State has a struggling athletic program. Sen. Leonard has always felt that PSU should be funded at a level which allows them to attract first class athletes. PSU is now part of the Big Sky Conference and provides a major sporting draw in the Portland area. This bill would allow them the resources to expand and attract even better athletes, both men and women.

**TAPE 127, SIDE A**

025 Stacy Chamberlain SB 1056 takes the FTE rate made up of all undergraduate credits, graduate credits, and doctoral credits taken at each of the universities and divides that figure by 45 for undergraduates, 27 for doctoral, and 36 for graduate students to arrive at a total combination of how many students would be at each university, and then distribute the lottery money from that. Questions and discussion.

048 Jim Sterk Appreciates Sen. Leonard's efforts to more equitably split Sports Lottery funds. PSU tries to make athletic programs go as far as possible with available funds. At present PSU offer 14 different sports for 300 student athletes.

059 Joe Schaeffer Exhibit M - Written testimony. Have first-hand knowledge of athletic department financial situation at PSU. Almost lost wrestling program due to lack of funds this year. SB 1056 would make a tremendous difference for PSU.

070 Grattan Kerans Opposes SB 1056. When Sports Action Lottery was devised it was aimed at supporting athletics based on the conference that the school was in and the level of effort being made there and the general cost of the athletic department. In original discussions, PSU asked for one-third, one-third, one-third. The two downstate universities objected. They proposed a lagging average of athletic departments' expenses. PSU objected to that. If it was to be determined by percentage of athletic budget, PSU would be significantly worse off. They would be getting about 5% or 6% of the Sports Action instead of the 12% they get now.

If the program were to change to an FTE model, criteria such as level of effort,

- 104 Kerans amount of athletic budgets, applicable Conference, etc. would have no meaning. In order to maintain "peace in the family" would suggest leaving a settled matter where it is.
- 132 Chair Baker Stated that Sen. Leonard's bill makes for very good policy discussion. Will come back to this bill in a week or two. Asked Kerrans to provide a one or two-page letter listing the points he just spoke about for further consideration of the bill.
- 137 Sen. Leonard PSU's program is last in line in terms of funding through State Board of Higher Education. Asked how PSU could be anything but a notch below the programs of U of O and Oregon State if the State Board of Higher Education refused to pump money into, recognizing its geographic place in the state and the large population to draw from to fill the stadium and gyms.
- 153 Kerans Asked if Sen. Leonard was speaking strictly in terms of athletics. In fact, PSU receives funds at approximately twice the rate of level of effort. Clearly PAC 10 schools have broader donor base, a longer history, and other advantages that come with playing at a higher level. Would disagree that the state board has been "chintzy" in its distribution of Sports Action Lottery funds to PSU.
- 211 Sterk Knows that different institutions have different levels of support. PSU has struggled with funding as a whole, so its funding of athletics in general would be at a lower level than U of O or Oregon State's.
- 228 Kerans State system of higher education in its allocation model and its recent history, particularly under Measure 5, has continually taken action in order to protect PSU from budgetary problems in the last six or seven years. Resources available to state system were transferred to PSU in order to soften the blow under Measure 5 and which transferred revenues gained by other campuses to PSU. Need to dispense with the idea that PSU has been treated unfairly in Sports Action funding.
- 373 Sen. Leonard Believes the issue here is that the reason PSU exists and the kinds of people it attracts and who can go to PSU are people who would otherwise probably not even be able to go to college at all. PSU always has a second-rate athletic program because no one recognizes it for what it is and which should be viewed as the gem of Portland and a major attraction for the metropolitan area. Does not feel the State Board of Higher Education has any place in this discussion.
- 310 Sen. Dukes Appreciates Kerans' being here today. Feels this type of discussion will occur more often as term limits kick in and the historical perspective is lost. Sports Action Lottery was devised by alumni from OSU and U of O. Without those two groups, Oregon would have no Sports Action Lottery, which was greatly opposed by professional athletics. There is a bill now in the Trade & Economic Development Committee under consideration to eliminate Sports Action Lottery in Oregon altogether. May become a supporter of that bill if Higher Education wants to argue this one out. Would advise great thought in this and not upset present balance.

CLOSED PUBLIC HEARING ON SB 1056

REOPENED WORK SESSION ON SB 286 AND SB 287

376 Sen. Bryant Seven years ago in Deschutes County citizens from the Children's Foundation purchased a former church and turned it into what they call their "Kids Center". The church was purchased with private funds and runs their Head Start program, runs Family Resource Center, etc. Have invested in addition to the initial mortgage another \$500,000. The mortgage is now paid in full. Deschutes County would like to give the deed to the Children's Foundation, which is a non-profit tax-exempt organization that runs all these community projects.

**TAPE 126, SIDE B**

035 Sen. Bryant Because of questions in wording and in light of the Deschutes County Children's Foundation transaction, asked that the Committee reconsider SB 286 and SB 287.

037 Sen. Dukes Believes there may be many potential controversies in the language as stated in SB 286 and SB 287, not the least of which is you could have a city giving a large and valuable piece of property to a non-profit organization which otherwise might have been sold and placed on the tax rolls. If it were only hurting the city that would be one thing, but it would affect community colleges, port districts, and many other county-wide entities.

052 Chair Baker THE CHAIR MOVES THE RULES BE SUSPENDED TO RECONSIDER THE VOTE WITH WHICH SB 286 AND SB 287 WERE SENT OUT.

HEARING NO OBJECTION, THE CHAIR SO ORDERED.

067 Chair Baker Adjourned meeting at 10:04 a.m.

Carol Phillips

Committee Assistant



Kim James

Office Manager

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Exhibit Summary:

- A. SCR 10, Waters, Fiscal Impact Assessment, 1 page
- B. SCR 10, Babits, Written testimony dated 4/25/97, 1 page
- C. SB 1012, Reeder, (-1) Amendments, (DJ/ps) 4/18/97, 1 page
- D. SB 1012, Johnson, Written testimony dated 4/24/97, 4 pages
- E. SB 287, Reeder, Revenue Impact Statement, 1 page
- F. SB 1103, Reeder, Revenue Impact Statement, 1 page
- G. SB 298, Reeder, Fiscal Impact Assessment, 1 page
- H. SB 298, Reeder, Revenue Impact Statement, 1 page
- I. SB 298, Linhares, Written testimony dated 4/25/97, 3 pages
- J. SB 1056, Leonard, (-1) Amendments, (JB/ps) 4/24/97, 1 page
- K. SB 1056, Leonard, Sports Action Lottery Redistribution, 2 pages
- L. SB 1056, Leonard, SB 1056 Impact, 1 page
- M. SB 1056, Schaeffer, Written testimony dated 4/25/97, 1 page
- N. SCR 10, Glerum, Written testimony dated 4/25/97, 1 page