

INVITED TESTIMONY AND

WORK SESSION ON SB 1215 TAPES 173-174 A/B, 175-176 A/B

**SENATE REVENUE COMMITTEE**

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**JUNE 6, 1997 - 8:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING**

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Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair (absent AM)(arrived 1:35 p.m.)(left 2:45)

Sen. Verne Duncan

Sen. Tom Hartung

Sen. Randy Leonard (absent AM)(arrived 2:40 p.m.)

Members Excused: Sen. Joan Dukes

Invited Testimony: Carol Samuels, League of Oregon Cities

Jeff Tashman, Association of Oregon Redevelopment Agencies

Gil Riddell, Association of Oregon Counties

Tom Linhares, Columbia County Assessor

Gary Carlson, Associated Oregon Industries

Staff: Jim Scherzinger, Legislative Revenue Officer

Carol Phillips, Committee Assistant

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**TAPE 173, SIDE A**

005 Chair Baker Opened meeting at 8:15 a.m.

**OPENED INVITED TESTIMONY AND WORK SESSION ON SB 1215**

006 Scherzinger Referred to Exhibit A - Measure 50 Implementing Draft from 6/2/97. Continued discussion on Bonding issues, specifically the refunding of bonds. For example, an entity has issued bonds and the market interest rate has dropped. The entity wants to refund the bonds in order to save money, so they issue new bonds to pay off the old ones. The House Revenue Committee had requested a statement to clarify that refunding cannot produce a net increase in revenue to the entity.

045 Carol Samuels Stated there is a question whether under federal law an entity could issue more bonds than the entity is authorized to issue for purposes of receiving tax exemption. To the extent the entity would save on interest expense, current state law requires that the money be given back to the taxpayer. Questions and discussion interspersed.

083 Scherzinger Said language is being redrafted in Section 366(a) of SB 1215 to clarify the above issue. In 366(b) is a section on what happens if bonds are issued but spent on things not allowed under the Constitution. The language permits the court, if it finds proceeds were misspent, to order entity to replace misspent proceeds from other sources or taxes would be imposed within the gap below Measure 5. Detailed questions and discussion interspersed.

173 Scherzinger Continued with discussion of local option taxes. Limited in constitution to five years for operations and ten years for capital projects or the useful life of the project. This does not apply to schools. Rate-based levy can go up to five years. Definition of capital project: 1) Purchase of furnishings and equipment 2) Calculation of useful life. Use of local option levy for bonds. Questions and discussion interspersed.

278 Chair Baker Stated Oregon should achieve equity in two years. Asked Scherzinger to have language drafted to sunset the exception clause regarding schools. Discussion and comments interspersed.

415 Scherzinger Continued with Elections: 1) Statement that tax would exceed limits and 2) Red letters on mail ballot. Questions and discussion interspersed.

**TAPE 174, SIDE A**

026 Scherzinger Continuation of discussion of Elections issues.

066 Scherzinger Discussed Elections Generally: 1) Cast a ballot includes uncountables 2) 50% turnout notice 3) Increased word count on statement. Discussion and comments interspersed.

121 Scherzinger Discussed issues which the House Revenue Committee has not covered yet: Local Budget Law: 1) Mostly conforming changes. 2) Can expend without budget until 10/1/97. 3) Can correct errors in 1997-98. New districts, mergers, and divisions. Urban renewal. Shift restrictions. Effective dates and emergency clause. Questions and discussion interspersed.

224 Chair Baker Recessed meeting at 9:00 a.m. and reconvened at 1:25 p.m.

228 Scherzinger Discussed Exhibit C - Urban Renewal handout from 6/5/97. Purpose of discussion is to show how Urban Renewal has changed under Measure 5, i.e. what the old system was before Measure 5, what Measure 5 did to it, and then what Measure 50 will do to it. Under the constitution it is authorized to be handled in a way different from property taxes. Detailed discussion and questions interspersed.

### **TAPE 173, SIDE B**

010 Scherzinger Continuation of Exhibit C - Urban Renewal discussion. More questions and discussion interspersed. There are some issues in the bill regarding calculation of Urban Renewal funding which still need to be addressed.

266 Jeff Tashman Regarding Urban Renewal there was a case that went to the Supreme Court that decided the issue of whether taxes collected for Urban Renewal bonds could be collected outside the Measure 5 limits, and the Supreme Court decided no they could not. Ballot Measure 1 in 1993 said that the proposal would have given communities the right to vote to choose to collect for bonds outside the Measure 5 limit, but was defeated.

297 Scherzinger Discussed Issues Not Yet in the Bill: 1) Adjustments for errors in calculating permanent rates, 2) County trust forest land distribution, and 3) Severance tax distribution. Questions and discussion interspersed.

415 Scherzinger Started discussion of Shift Restrictions, which is an issue the House Revenue Committee has not yet reviewed in full. Questions and discussion interspersed.

### **TAPE 174, SIDE B**

010 Scherzinger Continued Shift Restrictions discussion with questions interspersed.

145 Chair Baker Said he is not inclined to go back and review Sections 455 through 462 again. No one in attendance at hearing was opposed to this decision.

184 Scherzinger Stated that the main point about Shift Restrictions is that it is for a one-year period. Further questions and discussion.

OPENED PUBLIC HEARING ON SB 1215

- 243 Gill Riddell Association of Oregon Counties has nine or ten issues they want to raise with the Committee.
- 252 Sen. Leonard Asked if anyone present had information regarding the City of Gresham and its public safety levy.
- 258 Chair Baker Added that the City of Gresham had a public safety levy to which 100% of the funds were going to public safety. The levy failed, and the City of Gresham wants to change the dates to revive the levy.
- 267 Samuels Responded that there are a number of anomalous situations where various communities have been unusually affected by Measure 50 that would like to present their specific situations to the legislature. One of the specific situations is with the town of Heppner, and they need travel time to get here.
- 282 Chair Baker Decided that Wednesday 6/11/97 at 1:00 p.m. would be specified for out-of-town anomalies to be discussed. Hillsboro, Gresham, Morrow County, and Heppner were invited to state their cases at that time.
- 323 Riddell Exhibit A - Measure 50 Priorities for the Association of Oregon Counties, League of Oregon Cities, and Special Districts Association of Oregon. Discussed the issues listed in detail. Questions and discussion interspersed.
- 365 Linhares Stated that one of the most important parts of Measure 50 to county assessors is what they call the "Black Box", which is all the calculations necessary in 1997 to convert from the old levy-based system to the new rate-based system. Included in that is the 17% statewide cut. All 36 counties have to calculate both Measure 47 and Measure 50 rates this year to calculate the actual tax due, plus Measure 5 compression twice. In House Revenue Committee discussions of HB 3710, they talked about doing Measure 5 compression a third, fourth, or fifth time to eliminate revenue losses to the districts. This is not currently in HB 3710, however. Questions and discussion interspersed.

**TAPE 175, SIDE A**

- 030 Scherzinger Drew a chart on the board to try to illustrate Linhares' comments. Questions and discussion interspersed.
- 128 Sen. Hartung Asked what is best in terms of tax policy to eliminate potential errors and be able to explain to the legislature and taxpayers which is the most forthright way to value property.
- 137 Samuels Responded that the best way to do it is on a tax code by tax code basis. Questions and discussion.
- Stated that the slower a property's value was growing, the more benefit the owner got from Measure 5. Measure 47 or Measure 50 work just the opposite. The faster a

160 Tom Linhares property's value is growing, the bigger benefit the owner will get from Measure 47 or Measure 50. The reason for the second tax revolt was that taxpayers did not see any relief under Measure 5 because residential property values were "going through the roof". Under Measure 47 or Measure 50 the properties going up the fastest will get the biggest relief; those which have stable values will get less relief because of the 3% cap. Questions and discussion interspersed.

190 Gary Carlson Supports House version of the implementation of Measure 50. With passage of Measure 50 did not intend to endorse a situation where certain properties would be denied protections of Measure 5. Statute changes on the House side are completely appropriate and support that version, which advocates a property-by-property valuation approach. Disagrees with Linhares' characterization of Measure 5's impact on tax burden.

216 Sen. Leonard Wanted to be on record as pointing out to Carlson that Measure 50 clearly indicates the \$5.00 and \$10.00 limits "shall be determined on the basis of property taxes imposed in each geographic area taxed by the same local taxing districts." That implies taxing by code area, not property-by-property.

226 Carlson Rebutted that he believes he is not the only one who did not completely understand what the Measure meant. This was a concern from the beginning when the House Revenue Committee took on the task of rewriting the property tax constitutional provisions in a ten-day period. Comments and discussion followed.

243 Scherzinger Stated that if values were established on a property-by-property basis, it would achieve the same end result as if established by code area. Questions and discussion.

269 Carlson Stated that a property that has enjoyed the greatest growth in value under Measure 50 will enjoy the greatest relief under Measure 50. A property that has not had a decline in assessed value against which a tax rate is applied will experience, if using code area by code area, an increase. Questions and discussion interspersed.

307 Scherzinger Added that in addition to the above, the question of whether Measure 5 limits apply on a property by property or code area basis is an issue of significance, both in the first year and future years. The first year (1997-98) determines the Permanent Rate, but in future years there will be properties with assessed values very close to or the same as their market value. They will tend to be over the school limit most of the time. Also, if local option levies are approved, how those levies are spread will be affected by this. Questions and discussion interspersed.

#### **TAPE 176, SIDE A**

033 Scherzinger Continuation of comments, questions, and discussion.

052 Chair Baker Adjourned meeting at 3:00 p.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

A. SB 1215, Riddell, Measure 50 Priorities, 2 pages