

WORK SESSION ON SB 1215 & HB 2488

INFORMATIONAL MEETING-HB 3163 B

TAPES 189-192 A/B, 193-194 A

**SENATE REVENUE COMMITTEE**

---

**JUNE 12, 1997 - 8:00 A.M. - HEARING ROOM B - 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

Invited Testimony: Rob Masser, Director of Finance, City of Hillsboro

Noel Klein, Special Districts Association of Oregon

Carol Samuels, League of Oregon Cities

Rep. Patti Milne, District 38

Rep. Peter Courtney, District 33

Rep. Bill Markham, District 46

Grace Crunican, Director, Department of Transportation

Henry Hewitt, Chairman, Oregon Transportation Commission

Laura Pryor, Assoc. Oregon Counties (AOC)

& Judge Gilliam County

Ed Lindquist, AOC & Clackamas County Commissioner

Jon Oshel, Tillamook County Direction of Public Works

Criag, Lomnicki, League of Oregon Cities, Milwaukie Mayor

Terry Smith, Acting Airport Manager, City of Eugene

Charlie Hales, City of Portland & League of Oregon Cities

Dave Kleger, Board of Directors on Lane Transit District

Russ Mathews, Eugene Resident and Ride Source User

Phyllis Rand, Chair, Governor's Commission on Senior Services

Mary Lou Ritter, Oregon Assoc. of Area Agencies on Aging

Josephine Claflin, Columbia County Transportation

Candace Gottenberg, Co-Chair Advocacy Coalition of Seniors and

Persons With Disabilities

Capt. Jim Stevenson, Director of Patrol Services Dvsn., Oregon

State Police

Craig Campbell, AAA Oregon/Idaho

Richard Angstrom, Oregon Concrete & Aggregate Producers Assn.

Staff: Jim Scherzinger, Legislative Revenue Officer

Richard Yates, Legislative Revenue Office Economist

Carol Phillips, Committee Assistant

**TAPE 189, SIDE A**

005 Chair Baker Called the meeting to order at 8:20 a.m.

**WORK SESSION ON SB 1215**

007 Jim            Began discussion of SB 1215 noting two types of special cases had been previously

Scherzinger discussed and this meeting was a continuation with the third type of special case.

010 CHAIR  
BAKER Recessed at 8:22 a.m. and reconvened at 8:34 a.m.

047 Rob Masser Masser asserted there is an anomaly in the current Measure 50 reduction model that does not appropriately recognize new growth in high growth cities (20-50%).  
Reviewed charts illustrating Growth Due to New Construction and Estimated Measure 50 Reduction (Exhibit A) for high growth cities including Hillsboro (which he represents), Happy Valley, Fairview, Scappoose, Lafayette City, Albany, Portland, Gladstone, Lake Oswego, Pendleton, and Milwaukie. Masser termed the end result is that high population growth cities experience a larger service demand ..

107 Masser Questions and discussion interspersed  
Clarified what is in Measure 50 is a requirement that Measure 47 be mimicked The understanding at the time was that one thing that would effect Measure 47 loss would be the amount of new construction. In a manner that is written into the Constitution is a policy that distribution of the reduction reflects the Measure 47 calculation which contains a part that recognizes new construction that occurs over the two-year period after the effective date of Measure 47. Scherzinger felt the testimony would be that because of the way Measure 47 works, and the way the proportional Measure 47 allocation is done, in some cases the cities don't get much benefit from that new construction. Scherzinger term this as basically a Measure 47 allocation issue. LRO computer runs assume a proportional allocation to 1997-98 levies of the Measure 47 loss. That is a Measure 47 policy choice that could be changed that would change the Measure 50 distribution.

139 Scherzinger Questions and discussion interspersed.  
195 Masser The way the model tends to work with high growth areas the anomaly comes out and tends to distribute the taxes developed by the new growth to much larger overlapping districts which he noted as one of the issues.

210 Masser Questions and discussion interspersed.  
There are several ways to approach this issue.  
225 Chair Baker Questioned if there is growth, isn't there also development charges and building fees that go to the city that offset the property tax reduction on when it first comes on the roll which does help out initially. .

230 Masser Responds that is correct, but charges are meant to increase capacity of systems.  
Questions and discussion

310 Scherzinger What happens under Measure 47, under a proportional allocation when the 1997-98 levy is used, is that when there is high growth the school taxes are rate-based. There is high growth that drives up the school taxes in proportion to that growth so in effect the taxing authority grows at the same rate as new construction plus the other normal value growth. The city taxing authority is restricted to 6% of the tax base or what ever restrictions apply per year because that is all the tax base can grow.

410 Scherzinger Questions and discussion interspersed.  
In the first year reductions are distributed based on the difference between what Measure 47 would have done and what Measure 50 is anticipated to do. Thereafter it is a permanent rate. That is the concern of these high growth cities.  
Questions and discussion interspersed.

445 Scherzinger Reviewed a computer simulation entitled Effect of Reduced Cuts for Non-Schools with High New Construction - Tax Year 1997-98. Exhibit D, 6/11/97

**TAPE 190, SIDE A**

010 Scherzinger Continued review noting the simulation contains new construction data on only 20 counties. The data for the other counties is estimated. The purpose of the simulation is to identify other places this anomaly has occurred. The run also reflects a proposal made by Hillsboro that would single out non-school districts where the growth rate was greater than 10% -- all it does is reduce the loss by the amount that growth exceeds 10%.

026 Scherzinger Explained further that it does that in the Measure 47 simulation by adding to the M47 authority resulting in a gap then making the 17% adjustment. The adjustment is made before the 17% adjustment. That means any authority given to high-growth districts has to come out of some other district. Cautioned there may be data problems in the simulation.

Questions and discussion interspersed. Direction to staff.

075 Scherzinger The way the proposal is , different numbers could be used. - a higher threshold, lower threshold, or adjust to get to what ever effect wanted. In actual fact, there would probably be more special districts that could qualify.

Questions and discussion

143 Scherzinger Summarized the issue before members is there are three different kinds of cases to look at, and then decide if each case is an adjustment members want and then which particular method to use to accomplish that.

Discussion.

190 Scherzinger Another method is to go back to the 35% in the base year and add language that a high-growth area for a city or a limited type district might receive a larger share in the 1995-96 base year - use that share instead of the one in 1997-98. Others within those code areas would have to adjust to a smaller share.

Discussion

246 Scherzinger Explained to the extent it is schools that loose, there is equalization through the formula.

Questions and discussion

270 Sen. Hartung Is this in any way connected with discussion on whether to use tax code district or property by property.

276 Scherzinger They are separate issues, but there are interactions.

Discussion

375 Noel Klein Read his testimony entitled Reflecting Public Safety Priority in Implementing Ballot Measure 50. Explained he has been working with House and Ways and Means to reflect public safety as a priority. Exhibit B.

**TAPE 189, SIDE B**

004 Chair Baker "We concur".

006 Chair Baker Requested special districts work out their own priorities and return with budget notes or something like that.

Discussion

Moved on to revisiting the issues outline under Bonding discussion. . One of the issue

- 025 Scherzinger discussed earlier was a "glitch" where some districts got caught by a change the wording from "approved" to "issued." Directed members attention to a list of those districts. Exhibits C
- 040 Scherzinger Refers members to Measure 50, Subsection 13 language.
- 071 Carol Samuels Proposing two amendments. 1) draft language meant to provide a potential "fix" for Beaverton and Corvallis school districts to "suggest that issued for purposes of these two districts means the date at which the first issue of bonds was in fact sold." Exhibit D
- 071 Carol Samuels Questions and discussion
- 071 Carol Samuels 2) draft language to amend the proposed definition of maintenance and repairs section of SB 1215. The federal tax code on which SB 1215 relies would exclude street overlays. Proposed language would add a provision for street overlays. This applies to a Lake Oswego bond issue. Exhibit E
- 184 Chair Baker Questions and discussion interspersed.
- 184 Chair Baker Stated the Beaverton and Corvallis situation is pretty easy to deal with. Asked Scherzinger to work with Legislative Counsel. Does not know what to do with Lake Oswego.
- 192 Scherzinger Questions and discussion
- 192 Scherzinger The way the bill is now it does not include overlays as capital construction. Outside of M50 and subject to M5. If language is added to change the definition to say overlays are capital construction or improvements, then they would be able to issue the bonds and impose a tax outside of M5.
- 225 Scherzinger Discussion
- 225 Scherzinger Began discussion on the issue of misspent proceeds of the bonds, what the district's limits and remedies are. SB 1215 states what the court can do, i.e., replace from other sources, or levy inside Measure 5 limits, etc.
- 264 Scherzinger Discussion
- 264 Scherzinger Regarding red letters on ballot. SB 1215 (under local option) contains language that there must be red letters on a mail ballot that indicate there is a tax issue inside on a local option, but not on a bond election. It should be all one way or the other.
- 281 Chair Baker Favors leaving it red for all. General agreement.
- 295 Chair Baker Discussion
- 295 Chair Baker Recess at 9:49 a.m. and reconvened at 1:42 p.m.

### **WORK SESSION ON HB 2488**

- 307 Chair Brian Opens work session on HB 2488. Refer to Exhibits F,G,H
- 308 Rep. Milne Summarized previous day's (June 11) testimony on what bill does. HB 2488 establishes tax deductible medical savings accounts (MSA), in effect follows up on SB 347, and allows an opportunity on the Oregon tax return to take this deduction. Concerned that there is not a lot of interest in getting MSA up and running. On contrary, as word gets out and more companies offer them they will be utilized more. Her interest in this bill is to make sure Oregonians have the opportunity to participate.
- 334 Sen. Hartung MOTION: MOVES HB 2488 TO THE FLOOR WITH A DO PASS RECOMMENDATION..
- VOTE: IN A ROLL CALL VOTE THE MOTION PASSED 4-0-2. SENTORS VOTING

AYE: DUNCAN, HARTUNG, BRYANT, BAKER. SENATORS EXCUSED: DUKES, LEONARD:

335 Chair  
Baker

Senator Hartung to carry the bill

340 Chair  
Baker

Closed work session on HB 2488

### **HB 2403 POSTPONED**

349 Rep. Courtney & Rep. Markham Will return to testify on HB 2403 when rescheduled.

### **INFORMATION HEARING HB 3163**

371 Chair  
Baker

Opened an informational hearing on HB 3163 which is the transportation package from the House. (Refer to Exhibit I)

380 Grace  
Crunican

Presented in outline form a discussion of Oregon's Transportation System including how big the system is, age, cost impact of delaying improvements, future demand, congestion economics, future scenarios, model funding, airport needs, public transportation needs, safety inter-city rail, comparison of auto related taxes, effect of inflation, and Oregon Department of Transportation (ODOT) efficiencies. Exhibit J -

### **TAPE 190, SIDE B**

001 Crunican Continuation of comments regarding Exhibit J.

Widespread need across state for increased funding in maintenance and improvement of state roads. Currently there is under-investing in state's transportation system in general. Key factor is in how people measure growth management. Bill deserves full support.

222 Henry  
Hewitt

There are groups which oppose virtually every aspect. Principle dollars are focused on roads and highways. Highways 205 and 17 among others need major attention. Nine cent increase is at least a start. A system based on highways alone will fail. All forms of transportation including rail need attention now. Urged consideration and favorable support of entire package.

### **TAPE 191, SIDE A**

Note: the beginning portion of this testimony was not recorder due to tape recorder malfunction

001 Laura  
Pryor

Reviewed written testimony in support of HB 3163. Pryor emphasized just funding the road or asphalt system is not the answer, all systems need funding.. Exhibit K

Questions and discussion interspersed

010 Ed  
Lindquist

Testified in favor of HB 3163. Oregon Transportation Initiative was a process that occurred throughout Oregon in the last few months bringing together business leaders and elected officials to come up with priorities in transportation. Findings reached was that transportation infrastructure needs are a priority, including: maintenance and preservation of roads and bridges, coordination of planning of road improvements, improvement in freight movement, access to regional centers, need for basic public transit service, and attention to road safety. Emphasized the partnership between cities, counties, and state. Discussed the dependence on forest proceeds to fund county road work. Those funds are less each year . Discussed impact of population increases. Discussed funding gap. Economy depends on transportation system working; without it will fall.

Questions and discussion interspersed.

Testified in support of HB 3163. Offered a resolution from the Oregon Association of County Engineers and Surveyors "strongly urging the Legislative Assembly to take the

138 Jon Oshel necessary action to increase transportation funding, to provide flexible transportation revenues, and adopt the comprehensive plan" in HB 3163. Refer to written testimony for remaining discussion. Exhibits L & M

225 Craig Lomnicki Testified in support of HB 3163. Refer to written testimony. Exhibit N

311 Terry Smith Testified in support of HB 3163. Discussed a series of charts and graphs illustrating "Why cities Support HB 3163" Exhibit O

#### **TAPE 192, SIDE A**

056 Charlie Hales Testified in support of HB 3163. Discussed three examples of road needs situations illustrating roads and growth issues: 1) Have 9,820 blocks of city roadways that need paving. 2) Foster Road typical street farm to market, along which are industrial areas, shopping centers, and residential areas need about \$15 million of work now. City of Portland unable to make these repairs without funding from this package. 3) Bus transit needs for commuters, seniors and disabled

118 Dave Kleger Testified in support of HB 3163. Concerned with transit system accessibility funding for senior and disabled. People getting older, using services longer. State needs to provide transportation services. The average citizen has no idea how much services or anything costs. But no one wants to pay for it.

Questions and discussion interspersed.

222 Russ Mathews Testified in support of HB 3163. Utilizes transportation in Eugene and is active in community. Here to support access portion of HB 3163 because he relies on service and knows many other people who do. Ride Source is absolutely vital to quality of his life and that of others. Demand increases but revenues decrease. Urges consideration of access fee in HB 3163.

276 Phyllis Rand Testified in support of HB 3163. The Governor's Commission on Senior Services supports the entire bill, however, is most concerned with the need for senior and disabled persons transportation.

312 Mary Lou Ritter Testified in support of HB 3163. Urged transportation bill be kept intact. Exhibit P

379 Josephine Claflin Very proud of how far their transportation system has come, largely with volunteer help. Many of their vehicles are too old and not safe for much longer, and they need help to keep the Columbia County Transportation system going. Her organization assists the elderly in remaining in their homes by providing transportation and also deliver meals on wheels. Urged keeping the transportation bill intact.

415 Candace Gottenberg Testified in support of the entire package of HB 3163. She emphasized how important transportation is to the quality of life.

#### **TAPE 191, SIDE B**

030 Capt. Jim Stevenson A portion of HB 3163 will fund Additional Oregon State Police Troopers. The structure of the funding in HB 3163 B would fund approximately 80 additional troopers. Currently they are at 56% staffing level according to the Personnel Allocation Model. There are some sections of state highways that are not patrolled by state police at all. The State Police used to take pride that motorists in trouble could rely on a trooper coming by in a short amount of time. That is impossible now. Need more troopers now for a variety of reasons. Compared Oregon and Washington figures. Exhibit Q -

Questions and discussion interspersed.

265 Richard Yates Discussed a compilation of tables and outlines entitled "What HB 3163B Does," and the corresponding section of HB 3163 B itself. Exhibit I,

**TAPE 192, SIDE B**

001 Yates Continues review of tables and outlines. Exhibit I & HB 3183 B

Questions and discussion interspersed

**TAPE 193, SIDE A**

001 Yates Continues review of tables and outlines. Exhibit I & HB 3183 B

Questions and discussion interspersed

Craig Campbell

230 (with Richard

Testified AAA of Oregon/Idaho and OCAPA are firmly in support of increased funding for highways largely because of the condition of Oregon's roads and the impact of good roads on Oregon's economy. Both organizations support the Weight Mile Tax. Exhibit R

Angstrom)

249 Richard Angstrom

Discussed the benefits of the weight-mile tax system. It maintains cost responsibility between cars and trucks, and between weight classifications of trucks, and within weight classes based on how many miles. Angstrom termed it unfortunate from a OCAPA perspective that session time was spent talking about diesel fuel registration fees instead of the cost responsibility ratios between cars and trucks.

Questions and discussion interspersed.

377 Angstrom

Continued with a discussion of the weight mile tax as a user-based system. HB 3163B moves from to a 10,000 lb. increment from a 2,000 lb. increment. Change was adopted before numbers were generated. Will set up a scenario where there is a normal curve with winners and losers within the 10,000 group. Most Oregon truck traffic is in 80,000 lb., 30,000 mile group or lower (about 73%). He requested ODOT to run these numbers. The cost before 1 cent of tax is assessed on all the concrete trucks in Oregon is a 20.6% increase. Testimony is that a 3+3 will increase the truck taxes by 20.1% which caused a 40.7% increase in taxes of which \_ is from the move to 10,000 increments.

Questions and discussion

480 Campbell

Notes if there is a 2,000 distribution between weight classes more care must be taken when moving from one weight class to another. The result is a move away from cost responsibility. Another adverse effect is as trucks move to higher weights, especially 70,000-80,000 truck because under weight mile the curve starts to raise as that point, a shift from a 2,000 difference to a 10,000 lb. difference the lighter trucks have to make up a much steeper incline.

**TAPE 194, SIDE A**

Questions and discussion interspersed

055 Angstrom

Clarifies OCAPA supports the Access Fee terming it the Elderly, Disabled, State Police Fee. OCAPA's position as a trucking industry is there are two user groups now - the trucks and the cars paying for highway needs. Others benefit and there are other demands on the system. Because the Constitution locks in the money that is generated for the highway fund for road construction, nothing is left for the others. OCAPA's supports broadening the funding base and the access fee.

Weight/Mile tax goes on assumption those who cause most of the road damage should



- 070 Campbell pay for that damage. Continued discussion with concerns of modernization funding. .  
Repeated his testimony. The amount of money brought in from cars is fixed. The \$40 registration fee increase will either be 85% of total amount received for modernization or it will be 63.4% which is what the true cost responsibility share would be. The fixed
- 158 Campbell amount is at 85%. Not very much will be brought in from 15% the trucking industry paying through weight mile tax. If the \$40 equates to the 63.4% then trucks would pay 34%. The amount leveraging is different if the new cost responsibility for modernization.  
Questions and discussion interspersed.  
To a large extent the cost responsibility in Oregon may seem different from other states.
- 180 Campbell Among the reasons for that is that cost responsibility distribution between cars and trucks is related to the expenditures made that benefit cars and trucks. Discussed Arizona example.  
Questions and discussion interspersed.
- 220 Campbell Clarified AAA's position is if there is to be a truly cost responsible system of allocating a responsibility for the highways, that is not just between cars and trucks, it is between different weight classes of trucks as well.  
Questions and discussion
- 244 Chair Baker Notes staff will provide a computer simulation of those numbers.  
Discussion regarding using some other methodology in another increment.
- 280 Chair Baker Adjourned meeting at 4:55 p.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

-

Exhibit Summary:

A. SB 1215, Masser, Growth Due to New Construction, 1 p.

- B. SB 1215, Klein, Reflecting Public Safety Priority in Implementing Ballot Measure 50, 1 p.
- C. SB 1215, Samuels, table, 1p.
- D. SB 1215, Samuels, Proposed Beaverton School District amendment, 1p.
- E. SB 1215, Schmitz, Street Bond Measure, 2/28/97, 2 p.
- F. HB 2488, Waters, Staff Measure Summary HB 2488, 5/28/97, 1 p.
- G. HB 2488, Waters, Revenue Impact Statement HB 2488, 5/27/97, 1 p.
- H. HB 2488, Waters, Fiscal Impact Statement HB 2488, 5/27/97, 1 p.
- I. HB 3163, Yates, What HB 3163B Does, 6/12/97, 10 p.
- J. HB 3163, Crunican, Oregon Transportation - How Big Is The Big Picture, 15 p.
- K. HB 3163, Pryor/Lindquist, Presentation in Support of B-Engrossed HB 3163, 6/12/97, 8 p.
- L. HB 3163, Oshel for Boldt, Resolution, 6/4/97, 1 p.
- M. HB 3163, Oshel, HB 3163 Transportation Finance, 2 p.
- N. HB 3163, Lomnicki, Written Testimony, 2 p.
- O. HB 3163, Smith, Why Cities Support HB 3163, 9 p
- P. HB 3163, Ritter, Transportation: What's the Gap?, 4 p.
- Q. HB 3163, Stevenson, Written Testimony, 11 p.
- R. HB 3163, Campbell, Exhibits for Testimony By AAA Oregon/Idaho on HB 3163, 13 p.