

PUBLIC HEARING AND

WORK SESSION ON HB 2066A

AND HB 2411

WORK SESSION ON HB 2192A,

SB 1215, AND HB 3710A TAPES 207-208A/B, 209-210 A

**SENATE REVENUE COMMITTEE**

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**JUNE 18, 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

Sen. Joan Dukes (arrived at 8:25 a.m.)

Sen. Verne Duncan (arrived at 8:45 a.m.)

Sen. Tom Hartung

Sen. Randy Leonard (arrived at 8:35 a.m.)

Invited Testimony: Linda Burtlehaus, Department of Revenue

Tom Linhares, Columbia County Assessor

Gil Riddell, Council of Forest Trust Land Counties

Walter Kosher, Department of Education

Bob Seeward, Supervisor, Office of Special Education, Department  
of Education

Bob Cantine, Association of Oregon Counties

Lee Hazlewood, Liaison for Governor's Commission

Staff: Jim Scherzinger, Legislative Revenue Officer

Steve Meyer, Economist

Richard Yates, Economist

Carol Phillips, Committee Assistant

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**TAPE 207, SIDE A**

005 Chair Baker Opened meeting at 8:20 a.m.

OPENED WORK SESSION ON SB 1215

- 014 Scherzinger Referred to Exhibit A - Measure 50 Implementing Draft Outline from 6/2/97. Discussed Page 4 Local Budget Law (Mostly conforming changes, Expending without budget until 10/1/97, and Correction of errors in 1997-98 rates). Another bill has already passed the legislature that revises local budget law.
- 043 Linda Burglehaus Said that the group which worked on the local budget law rewrite was comprised of many types of taxing districts within the state, i.e. schools, ESDs, special districts, cities, counties, etc. Felt the present system was adequate rather than formalize a process and take away their continuous communication between assessors and taxing districts. Added a provision enabling a district to un-adopt a budget then readopt it if critical error was discovered because of constitutional limit. In the past there was no provision to correct certain types of errors without coming to the legislature when it was in session. Wanted to make sure districts did not un-adopt a budget without the Department of Revenue's ("DOR") approval.
- 103 Scherzinger Added that this section was very critical because of the necessity to establish correct Permanent Rate. Afraid that many districts will certify incorrectly.
- 119 Burglehaus Added that after percentage reduction has been determined by the DOR, the Department will notify the assessor and the taxing districts. Discussion and comments interspersed.
- 158 Tom Linhares Said there has been discussion regarding when tax bills go out. As yet it is not possible to set a date, but the bills will go out as soon as is practicable. All assessors are in general agreement on this.

Continued discussion with new districts, mergers, and divisions. Ultimately these are important sections. The constitution under Measure 50 says that if property is annexed, the rate of the existing district is extended on the new property. Specific provisions deal with newly taxing districts, mergers, consolidations, and divisions. Questions about how to establish a new district, etc. will ultimately be important questions for the legislature to deal with. Under Measure 50 the only way to vote for a new Permanent Rate is to establish a new district. But this bill does not deal with that. It removes all references to tax bases and replaces them with Permanent Rates.

178 Scherzinger

Added that some technical amendments need to be made which will probably be ready for discussion 6/19/97. Technical change is needed in Section 56, which deals with consolidation of two cities to form a new city. It provides calculation for Permanent Rate of the new city. To do this a rate is established based on the combined revenues. If an unincorporated area is to be brought into the new city, the combined rate would be extended out over annexed area. Language unclear now but will be rewritten as an Amendment.

222 Scherzinger

Next change is in Section 358 dealing with consolidation of cities. Written in bill as if creating new city with Permanent Rate that could be higher than old one, so it had double majority vote. But constitution says it should be written as a consolidation and no double majority provision. Amount of Permanent Rate would be limited to combined totals of prior cities. Questions and discussion.

262 Scherzinger

282 Sen. Bryant Asked the difference between consolidation and annexation.

285 Scherzinger Answered that consolidation means you delete original entities and create a new one. Merger means one entity is extinguished and one survives.

290 All Questions and discussion regarding consolidation and annexation.

CLOSED WORK SESSION ON SB 1215

OPENED WORK SESSION ON HB 2192A

Exhibit A - (-A3) Amendments to HB 2192. This Amendment replaces language in the (-A11) section 23 page 22. The (-A3) calculates distribution as it exists with current tax rate and old tax rates to calculate a difference based on those two rates. This applies only to Clatsop, Columbia, Tillamook, and Washington Counties in the Northwest Regional ESD.

457 Steve Meyer

### **TAPE 208, SIDE A**

Continued discussion of (-A3) Amendments. Once transferred to the school districts, those funds would not be counted as local revenue against the district in the school distribution formula. Wording in the (-A11) is slightly different in the distribution process the funds are transferred to the County School Fund and then transferred to the

031 Meyer

County General Fund. Intergovernmental agreements that would use the money credited to the County General Fund for special education for the school districts in the county. Both versions will be repealed 4/01/99. Questions and discussion interspersed.

053 Gil Riddell Stated that the Council of Forest Trust Land Counties represents the 15 counties that have a direct stake in sharing revenues. These lands were once county lands turned over to the state under this agreement. Issues arise when there is an Amendment to distribution formula. The Supreme Court stated in County of Tillamook vs. State of Oregon (known as the Crabtree Valley Case) in December 1986 that the counties have agreed to every change of that statute. This is more in the nature of a contract than a statute. The (-A3) Amendments do not affect the counties. Questions and discussion regarding Crabtree case.

123 Sen. Dukes MOVES (-A3) AMENDMENTS TO SB 1215 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED.

128 Steve Meyer Exhibit B - (-A11) Amendments to HB 2192. Intent of language is state and local dollars estimated for distribution is the blank amount; if less than that a percent reduction would be calculated and each school district's amount based on the estimated amount would be reduced to what is actually available. The percent would then be applied for each school district so both equalization districts and flat grant and stop loss districts would all have the same percentage reduction applied to their dollar amounts. This is based on both state and local dollars. Questions and discussion interspersed.

165 Meyer Discussed ESD \$1 million technology fund set aside each fiscal year for technology-based opportunities for Oregon classrooms. Ten million dollars per year in facility grants is included. Counties no longer required to make contributions to County School Fund. The County School Funds will eventually go to zero because no additional funds going in but billings going out. Questions and discussion interspersed.

218 Walter Kosher Explained that the Department of Education processes billings based on county of residence of students in about 20 to 30 special education programs such as Children's Farm Home, Perry Center, Rosemont, etc. The billing is to the ESD based on the county of residency of the student. Specific language exists directing the Department to reduce the State School Fund amount of the district of residency, not the county, if the County School Funds are inadequate to pay for that billing. If a county has no students in any of these programs, there is no billing. Questions and discussion interspersed.

264 Sen. Duncan Asked Kosher if Committee should rethink decision to eliminate County School Fund. Would this action jeopardize some school programs?

268 Kosher Stated it would certainly reduce the amount of money available to the school districts. Money would have to come from the State School Fund to cover expenses. Questions and discussion.

298 Chair Baker Added that special needs students receive funding from many different sources, so elimination of one source would not be disastrous.

357 Bob Seeward Said that children and young adults served long-term treatment and care programs and hospital programs may or may not have IEPs, but the majority of them do. Funding for these programs is a special fund set up by the legislature that has several revenue streams including County School Fund, federal IDEA funds, and General Fund. The Department is required to contract with local school districts or ESDs to operate those programs for the Department, which issues contracts for a number of long-term treatment and care programs and hospital programs. Questions and discussion.

CLOSED WORK SESSION ON HB 2192A

OPENED WORK SESSION ON SB 1215

452 Scherzinger Stated that another section of the outline deals with special assessments and partial exemptions. Measure 50 has a provision where special assessments and partial exemptions should get same treatment as regular property, i.e. rollback to 1995-96 less 10% plus 3% per year.

**TAPE 207, SIDE B**

029 Scherzinger Continued discussion. The biggest special assessment programs are farm use assessment and forest land assessment. For those programs the requirement can be met by publishing tables like under current law as to what the farm use value per acre is depending in soil class and location. Anticipated that under Measure 50 a new table would be published showing new rates. Whichever is the lower of the two would be applied to any particular parcel of property.

087 Scherzinger Exhibit C - War Veterans and Their Spouses. Exhibit D - Veterans. Gave example of how it works. Gave examples of both the \$8,250 regular exemption and the \$11,000 service-connected injury exemption. What the bill does is convert the \$11,000 into an assessed value exemption rather than a market value one. Questions and discussion interspersed.

362 Scherzinger Exhibit E - Historic Property. Gave detailed example with discussion and questions interspersed.

**TAPE 208, SIDE B**

002 Scherzinger Continued discussion of Historic Property valuation. Further questions and discussion interspersed.

CLOSED WORK SESSION ON SB 1215

OPENED WORK SESSION ON HB 2192

090 Bob Cantine Stated that there is probably close to \$30 million in the County School Fund which comes from forest revenues, county contributions, etc. The special education payments have first claim on those funds. Questions and discussion interspersed.

132 Chair Baker MOVES (-A11) AMENDMENTS AS AMENDED TO HB 2192 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED.

MOVES HB 2192 AS AMENDED TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

ROLL CALL VOTE: MOTION PASSES: 5 - 1 - 0

140 Chair Baker SENATORS VOTING AYE: DUNCAN, HARTUNG, LEONARD, BRYANT, BAKER.

SENATOR VOTING NAY: DUKES.

Sen. Baker will carry the bill on the Senate Floor.

CLOSED WORK SESSION ON HB 2192

170 Chair Baker Recessed meeting at 9:55 a.m. and reconvened at 1:20 p.m.

OPENED PUBLIC HEARING ON HB 2411A

182 Lee Hazlewood Said he is in favor of HB 2411; but when it was first introduced the 10 cents was in perpetuity, and now the new bill sunsets in 2000.

CLOSED PUBLIC HEARING ON HB 2411A

OPENED WORK SESSION ON HB 2411A

193 Yates Explained that since the passage of Ballot Measure 44, there is a 58 cent permanent cigarette tax and a 65% of wholesale price permanent tax on other tobacco products. In addition to that there is currently a 10 cent temporary tax passed originally in 1991 and re-passed in 1993 and 1995 as temporary taxes which is dedicated to Oregon Health Plan. That tax expires 1/01/98. This bill continues the dedication to the Oregon Health Plan and extend the sunset to the year 2000.

MOVES HB 2411A TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

ROLL CALL VOTE: MOTION PASSES: 4 - 0 - 2

SENATORS VOTING AYE: DUNCAN, HARTUNG, BRYANT, BAKER.

211 Sen.  
Hartung SENATORS ABSENT: DUKES, LEONARD.

Sen. Hartung will carry the bill on the Senate Floor.

CLOSED WORK SESSION ON HB 2411 A

OPENED PUBLIC HEARING ON HB 2066A

245 Brian  
Reeder Exhibit M (-A6) Amendments. Explained what the bill does. The only substantive change is for personal property taxes it raises the cancellation amount from \$3,000 to \$10,000 for each taxpayer. It changes some filing dates to be consistent with new assessment dates under Measure 50. It establishes separate penalties on personal property returns and real property returns when they are delinquent. It exempts from property taxes the value of mineral interests where those mines are not being worked, typically owned by individuals who are not working them. Revenue impact is minimal.

323 Tom  
Linhares Exhibits N - Severed Mineral Rights Accounts Survey and O - Key Provisions of HB 2066. Said HB 2066 in one of five bills introduced at the request of the Oregon State Association of County Assessors this year, all dealing with streamlining the property tax system, making it more efficient, eliminating non-cost effective practices, etc.

CLOSED PUBLIC HEARING ON HB 2066A

OPENED WORK SESSION ON HB 2066A

377 Chair  
Baker MOVES (-A6) AMENDMENTS TO HB 2066A BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED.

MOVES HB 2066A AS AMENDED TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

ROLL CALL VOTE: MOTION PASSES: 4 - 0 - 2

384 Chair  
Baker SENATORS VOTING AYE: DUNCAN, HARTUNG, BRYANT, BAKER.

SENATORS ABSENT: DUKES, LEONARD.

Sen. Baker will carry the bill on the Senate Floor.

CLOSED WORK SESSION ON HB 2066A

OPENED WORK SESSION ON SB 1215

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**TAPE 209, SIDE A**

- 002 Scherzinger Continued discussion of Historic Property exemption. Questions and discussion interspersed.
- 211 Sen. Exhibit P - (-3) Amendments to SB 1215. What it does is remove community college  
Leonard districts from local option exemption..
- 244 Chair Baker MOVES (-3) AMENDMENTS TO SB 1215 BE ADOPTED. HEARING NO  
OBJECTION, THE CHAIR SO ORDERED.
- 245 Sen. Wanted to discuss (-2) Amendments, but Members have not received them.  
Leonard

CLOSED WORK SESSION ON SB 1215

OPENED WORK SESSION ON HB 3710

- 265 Chair Stated that the Senate Revenue Committee has made some tentative decisions on 17%  
Baker statewide reduction and on the code area matter. Both of those subjects are in  
disagreement with the House. The proposal is that this Committee would pass out HB  
3710 in the Senate version, and Sen. Bryant and Sen. Hartung would do a Minority  
Report, which would substantially be the House version of the bill. This would go to  
the floor with a Majority Report and a Minority Report and battle it out on the Floor  
which has a wider audience. Chair's feeling is this Committee is taking a different tack  
from that which the Majority Party of the Senate will. Detailed questions and  
discussion.
- 427 Scherzinger Said that HB 3710 is a House Bill on the Senate side. It deals with big picture issues  
but it cannot stand by itself. It sets out first year formula but does not impose taxes.  
This bill if it goes anywhere after this would go to a Conference Committee. Either  
HB 2048 or SB 1215 will have to pass to implement HB 3710. Questions and  
discussion interspersed.

**TAPE 210, SIDE A**

Exhibit Q - (-A28) Amendments. Calculates 17% statewide reduction on all levies subject to reduction. Applies \$5.00 school and \$10.00 non-school Measure 5 limits on each code area Allows maximum assessed value to grow by 3% a year. Distributes Measure 50 tax cuts in a manner similar to Measure 47. Removes offsets from



calculating the Measure 50 pre-reduction taxes. Prohibits assessor from revaluing property before applying Measure 50 limits. Addresses minor construction provisions.  
030 Scherzinger Requires red letters on mail ballots. Differences between (-A26) and (-A28) Amendments are technical changes in calculation and removal of certification dates in first year calculations because they are essentially unknown.

066 Chair Baker MOVES (-A28) AMENDMENTS TO HB 3710 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED.

MOVES HB 3710 AS AMENDED TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

068 Chair Baker ROLL CALL VOTE: MOTION PASSES: 4 - 2 - 0  
SENATORS VOTING AYE: DUKES, DUNCAN, LEONARD, BAKER.

SENATORS VOTING NAY: HARTUNG, BRYANT.

Sen. Bryant and Sen. Hartung serve notice of Minority Report.

085 Chair Baker Adjourned meeting at 2:08 p.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

- A. HB 2192A, Meyer, (-A3) Amendments, (CH/ps) 6/12/97, 1 page
- B. HB 2192A, Meyer, (-A11) Amendments, (CH/ps) 6/18/97, 27 pages
- C. SB 1215, Scherzinger, War Veterans and Their Spouses, 2 pages
- D. SB 1215, Scherzinger, Veterans, 1 page
- E. SB 1215, Scherzinger, Historic Property, 1 page
- F. HB 2192A, Meyer, State School Fund and Total K-12 Distribution, 10 pages
- G. HB 2411A, Yates, Staff Measure Summary, 1 page
- H. HB 2411A, Yates, Revenue Impact Statement, 1 page
- I. HB 2411A, Yates, Is Tobacco Products Tax Comparable to Cigarette Tax?, 1 page
- J. HB 2066A, Reeder, Staff Measure Summary, 1 page
- K. HB 2066A, Reeder, Revenue Impact Statement, 1 page
- L. HB 2066A, Reeder, Fiscal Impact Assessment, 1 page
- M. HB 2066A, Reeder, (-A6) Amendments, (DJ/ps) 6/19/97, 1 page
- N. HB 2066A, Linhares, Severed Mineral Rights Accounts Survey, 1 page
- O. HB 2066A, Linhares, Key Provisions of HB 2066, 1 page
- P. SB 1215, Leonard, (-3) Amendments, (DJ/ps) 6/16/97, 1 page
- Q. HB 3710A, Scherzinger, (-A28) Amendments, (DJ/ps) 6/17/97, 8 pages