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WORK SESSIONS: HB 2275A, SB 101,
SB 337 & SB 684
TAPES 109-110, A/B AND 111A

SENATE COMMITTEE ON GOVERNMENT
FINANCE AND TAX POLICY

MAY 04, 1995 - 1:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Sen. Paul Phillips, Chair
Sen. Tom Hartung
Sen. Cliff Trow
Sen. Greg Walden (excused 1:40 - 2:21 pm)

Excused: Sen. Shirley Gold, Vice Chair

Witnesses: Mike Byrnes, representing Sen. Lenn Hannon
B.J. Smith, League of Oregon Cities
Walter Koscher, Oregon Department of Education
Marge Kafoury, City of Portland
Jimmie M. Gleason, PacifiCorp

Staff: James Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Terry Drake, Legislative Revenue Office
Steve Meyer, Legislative Revenue Office
Janice DeVito, Committee Assistant

TAPE 109 SIDE A
005 Chair Phillips -calls the meeting to order at 1:11 pm
SB 684 WORK SESSION
010 Mike Byrnes -representing Senator Lenn Hannon
-refers to Proposed (-2) and (-3) amendments presented respectively as
Exhibits A and B at the committee meeting of 4/27/95
-explains Proposed (-4) Amendments (Exhibit A) and Proposed (-5) Amendments
(Exhibit B)
037 -cites conversations with representatives of local government and Mayors
of some cities who are interested in balancing the incentive program
between both local and state governments
058 B.J. Smith -League of Oregon Cities
-states that she has not reviewed the Proposed (-5) Amendments or their
relationship to SB 588
-League of Oregon Cities has no position on this bill, but is interested in
looking at revenue impact analysis

080 -questions and discussion regarding fiscal impact of the measure and amendments
(short meeting recess 1:18-1:20 pm)

135 Byrnes -reviews four proposed amendments
-discussion about seismic tax credit, education program, and goals of proposed legislation

192 Steve Bender -provides staff clarification of revenue impact
-explains impact of rehabilitation tax credit from Proposed (-5) Amendments

(Exhibit B)

239 Sen. Hartung -questions about fiscal impact, what will happen if there is no bill this session, and the Proposed (-5) Amendments

280 Chair Phillips -instructs staff and Mr. Byrnes to coordinate efforts on the amendments, and to report back to committee when hearing on SB 684
continues at the end of today's agenda
-recesses hearing on SB 684

312 -discusses committee administrative matters

HB 2275A AND SB 101 WORK SESSION

365 Chair Phillips -outlines committee work plan for HB 2275A and SB 101

384 Terry Drake -presents brief staff overview of HB 2275A
-states policy options before the committee:

1. continuation of policy to flat fund higher spending districts with the balance going toward equalization
2. continuation of policy for 71.33% funding for ESDs
3. new remote school formula as recommended by the Interim Committee

450 -illustrates HB 2275A Issues on marker board (Exhibit G)

TAPE 110 SIDE A

-questions and discussion interspersed

144 Drake -continues explanation of poverty factor (Exhibit G)

195 Chair Phillips -states that poverty factor "as it exists right now really deserves to be fixed"

-poses alternatives to be considered and asks whether risk analysis has been done by staff

246 -questions and discussion about how balance could be achieved and why the poverty factor is not now working correctly,

287 Drake -explains Option #5 of Exhibit G regarding Base Increase

340 Chair Phillips -directs staff to draft amendments for committee consideration
-discussion continues

TAPE 109 SIDE B

004 Drake -presents additional information about effect of amendment options on equalization

086 -discussion of move toward equity, net gain versus net loss, suggestion for input from school boards, and further suggestions for amendments

164 Walter Koscher -Oregon Department of Education
-presents information about impact of the poverty factor

180 -cites example of shifts between districts using either the census count or the lunch program count in poverty factor calculation
-discussion continues

268 Chair Phillips -clarifies issues to be addressed in amendments and directs staff to prepare "a better explanation of the mechanical application of the poverty factor"

SB 337 WORK SESSION

300 Marge Kafoury -City of Portland
-distributes Forecast Utility Assessed Value - Multnomah County (Exhibit H)

based on a five year phase-out
-explains Forecast which shows loss of revenue which would result from amendments to SB 337
-referring to page two of Exhibit H, notes that removal of value from the tax rolls would result in an overall tax loss to the City of Portland of \$7.6 million (\$1.5 million annually)

356 -questions and discussion about estimate of loss to Multnomah County and consideration of the 5% growth rate factor

394 Kafoury -refers to chart on page two of Exhibit H regarding residential tax burden
-summarizes concern about revenue loss and shift in tax burden, and asks committee to consider long term effect of tax shifts

TAPE 110 SIDE B

023 -questions and discussion about SB 337's impact on jurisdictions other than Portland and possible effect of measure on compression districts
049 Jimmie M. Gleason -PacifiCorp, Director of Tax Policy
-explains hand-engrossed Proposed (-7) Amendments (Exhibit I)
-reports progress toward calculating revenue impact using 1-1/2% base on all centrally-assessed properties (totaling \$7.9 billion)
101 Jim Manary -Oregon Department of Revenue
-"I have concerns with the way this is drafted - the mechanics of it"
-gives example to illustrate how exemption of intangibles would result in almost immediate litigation
141 Gleason -"I doubt seriously that there would ever be a court case with this type of legislation"
159 Chair Phillips -states the question "how do we treat centrally assessed and industrial properties on intangibles the same...how do you treat intangibles (from a tax policy) equally?"
-discussion
215 Meyer -in response to question by Chair Phillips, explains 1991 legislation which directed the Department of Revenue to set up a task force, outlined representation, required a work plan, and required group report periodically to the interim committee and required final report to be presented to interim committee before session
-suggests additional parameters of the interim committee
244 Sen. Trow -makes suggestion about task force and questions whether inequity actually exists for centrally-assessed utilities
255 Chair Phillips -MOVES CONCEPTUAL AMENDMENT ABOUT DEPARTMENT OF REVENUE ESTABLISHING A TASK FORCE COMMITTEE DURING THE INTERIM TO EXAMINE TAX POLICIES BETWEEN INDUSTRIAL AND CENTRALLY ASSESSED PROPERTIES RELATING TO THE ISSUE OF INTANGIBLES
304 -discussion about intent of conceptual motion regarding perceived inequity
359 Chair Phillips -HEARING NO OBJECTION TO THE MOTION FOR CONCEPTUAL AMENDMENT, THE CHAIR SO ORDERS
405 Chair Phillips -MOVES DELETION OF ALL OTHER REMAINING ASPECTS OF SB 337 AND ANY OTHER AMENDMENTS WHICH MAY HAVE BEEN CONSIDERED
-HEARING NO OBJECTION, THE CHAIR SO ORDERS
412 Chair Phillips -MOVES SB 337 WITH TWO CONCEPTUAL AMENDMENTS TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION MOTION PASSES 3-1
-SENATORS VOTING AYE: HARTUNG, WALDEN & PHILLIPS
NAY: TROW EXCUSED: GOLD
Chair Phillips -will carry measure on the Senate floor

SB 684 WORK SESSION (CONTINUATION)

TAPE 111 SIDE A

003 Steve Bender -presents staff information about general fund impact for the income tax credit (Steve Meyer later explains property tax impact to local governments)
-refers to Exhibit E - Rehabilitation Tax Credit
-explains revenue impact of an alternative conceptual amendment to allow a limited income tax credit for residential historic structures (no tax credit for commercial) and which is restricted only to residential rehabilitation cost
043 -questions and discussion
050 B.J. Smith -League of Oregon Cities
-states interest in fiscal analysis of the Proposed (-5) Amendments with respect to property tax exemption which were "fairly moderate in size"
074 Steve Meyer -explains that fiscal impact depends upon participation in this program, with costs expected to grow geometrically over time
101 -discussion and questions
112 Chair Phillips -states consensus of the committee to consider this measure in the interim and the next legislative session
-adjourns meeting at 3:11 pm

Janice DeVito
Committee Assistant

Kimberly Taylor James
Office Manager

Exhibits Summary:

- A. SB 684, Meyer, Proposed (-4) Amendments to SB 684 (BPS/dj/ng) 5/4/95
- B. SB 684, Meyer, Proposed (-5) Amendments to SB 684 (BPS/dj/ng) 5/4/95
- C. SB 684, Gerrard, testimony re: SB 684 pertaining to incentives for restoring historic homes and historic commercial buildings
- D. SB 684, Harrison, testimony from City of Aurora, 3/29/95
- E. SB 684, Meyer, SB 684 Rehabilitation Tax Credit, 5/4/95
- F. HB 2275A, Drake, memorandum from Reynolds, Assistant Solicitor General, 4/27/95
- G. HB 2275A, Drake, HB 2275A Issues
- H. SB 337, Kafoury, Forecast Utility Assessed Values - Multnomah County, 5/1/95
- I. SB 337, Meyer, hand-engrossed Proposed (-7) Amendments to SB 337 (BPS/dj/hk)