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Work Session HJR 26, SB 251
Tapes 221-222, A & B

House Committee on
State and School Finance
May 10, 1995 Page

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HOUSE STATE AND SCHOOL FINANCE COMMITTEE

MAY 10, 1995 8:00 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Rep. John Schoon, Chair
Rep. Lee Beyer (8:45 a.m. excused late arrival, excused at 9:30 a.m.)
Rep. Tony Federici, Vice Chair
Rep. Tim Josi
Rep. Jane Lokan (excused at 8:15 a.m., returns at 9:19 a.m.)
Rep. Anita Rasmussen
Rep. Ken Strobeck
Rep. John Watt (excused at 9:15 a.m.)
Rep. Jim Welsh

Members Excused: Rep Josi

Witnesses Present: Bob Cantine, Associated Oregon Counties
Bill Sizemore, Oregon Taxpayers United

Staff: James Scherzinger, Legislative Revenue Officer
Rhonda Wehler, Committee Assistant
Steve Meyer, Legislative Revenue Office

TAPE 221 SIDE A

004 Chair Schoon -calls the meeting to order at 8:00 a.m.
-OPENS WORK SESSION ON HJR 26
HJR 26
012 All -discussion on ideas for property tax cap
039 Chair Schoon -refers to Exhibit A, HB 3032, homestead proposals
-refers to Exhibit B, HJR 26-1 Proposed Amendments
-establish cap on taxes paid rather than cap on assessment itself
060 Jim Scherzinger -further explains amendments provide for tax cap of 6%
on growth of property
-when property is added to roll or comes off exemption it would be taxed at

real market value times average effective tax rate in area
-bonded debt is exempt
-effective date July 1997, so no impact on next biennium
073 Chair Schoon -explains bonds exempt or no one could ever pass a bond
levy
082 Jim Scherzinger -summarizes history of adding new construction to role:
-under current law, non-school tax base can grow by 6% per year
Scherzinger -number of additions permitted above that 6% (annexed property
into district, tax base grows proportionately to amount of value annexed)
-amendments say property that is already in district also would
proportionately add to tax base of district in same manner as annexations
094 Chair Schoon -adds that provision is rate-based system rather than a levy

system with property tax caps
-adding new construction is appropriate, so new property would pay share of

taxes at same rate before new houses were built
108 Rep Strobeck -summarizes valuation would be true market value
-notes valuation limit is unworkable if it doesn't reflect market value
-adjacent property inequities should not be allowed, such as is allowed in

California
130 Chair Schoon -stresses amendments allieviate those problems
-property put at value when built would reduce assessment
139 Jim Scherzinger -informs three issues would have to be examined to
determine overall impact: tax cap, rate limits of Measure 5, levy limits of
districts

167 Chair Schoon -bill addresses considerations for equity since commercial properties haven't increased in value as much as residential properties
 -residential properties would benefit from this legislation and would be self-monitoring
 214 Jim Scherzinger -notes revenue impact effective in 1996 = \$32 million school loss, and \$41 million non-school loss
 -school taxes growing \$75 million per year, so would grow \$43 million that year instead
 -will have cumulative affect, since values currently are increasing 9% per year
 -average growth on each property will be about 5%
 291 Chair Schoon -suggests reviewing values every 10 years to stay current and to update rolls
 317 All -questions and discussion
 353 Rep Lokan -explains alternative plan, HJR 46, would increase property taxes no more than 3% based on value, with roll back
 -refers to Exhibit G, Summary of Property Tax Cut and Cap Initiative
 385 Bill Sizemore -explains initiative HJR 46 is constitutional amendment, non-assessment cap
 TAPE 222, SIDE A
 008 -bond indebtedness can only be placed on property in an election of 50% voter turnout or at general elections in even numbered years
 048 -15% reduction from 1995-96 tax level would result in reduction of revenue
 -legislature would allocate reduced funds to prioritize public safety, encourage local control
 071 Rep Strobeck -asks if motivation is to reduce the size of government or reduce amount of property tax
 076 Sizemore-responds intent is to protect taxes from increasing faster than income
 111 -informs 3% property tax limit was chosen because average retiree income increases 2% per year, for average worker increases 4.9%, and middle ground was chosen
 175 -suggests placing this issue before voters to determine if they can cut property taxes and still maintain services, rather than legislature making this a law
 215 Rep Watt-notes by limiting increase in property taxation, investment growth is also limited
 243 Sizemore-responds measure notes value of property doesn't reflect cost of services
 -home shouldn't be valued as stock investment
 291 -asserts property values or investment in value will not be decreased by this measure
 330 -artificial market exists due to limited supply
 -asserts there would be little resistance to sales tax if it replaced property tax
 384 Rep Beyer -comments HJR 46 is attempting to find state-wide solution to community-by-community problem
 -stresses letting locals decide what services they want
 TAPE 221 SIDE B
 017 Sizemore-responds state-wide initiative is not preferable, but people in state want legislature to deal with this issue
 -public displeasure is not income taxes, but rather property taxes
 056 Rep Strobeck -identifies two principles can't be reconciled with current taxing system:
 -property tax should be based on ability to pay
 -home is sacred
 -notes property taxes not based on income
 077 Sizemore-responds tax systems are not easily changed
 -measure is not final solution to property tax problem, but merely a step, albeit, the best property tax limitation measure in the country
 -best solution is to abolish property taxes altogether
 114 Rep Strobeck -responds to point 5, Exhibit G (50% mandatory voter turn-out) isn't necessary
 -states "if voters don't turn out to vote, it is their tough luck"
 129 Sizemore-defends need for provision since small minority of people often make decisions for whole community
 -real distortion of electoral process is re-submitting of proposals that voters have already voted on
 153 Vice Chair Federici -notes flaw of Measure 5 was shift from commercial property to residential
 159 Sizemore-answers Measure 5 did not cause shift, but rather fluctuation in real estate market
 166 Rep Beyer -notes local voters should have option to expand services
 252 Sizemore- expresses government tends to use \$ elsewhere that could be shifted to public safety
 267 Chair Schoon -CLOSES WORK SESSION ON HJR 26
 269 -OPENS WORK SESSION ON SB 251
 SB 251
 300 -recognizes that revenue impact for veterans tax exemption is too high, suggests reduction from 50% to 10%
 336 Steve Meyer -notes SB 251-1 amendments (Exhibit D) are drafted using 50% increase
 367 Chair Schoon -MOVES ADOPTION OF SB 251-1 AMENDMENTS WITH MODIFICATION THAT PAGE 1, LINE 7 BE CHANGED TO \$8,250, AND PAGE 2, LINE 12 BE CHANGED TO \$11,000, SECTION 4 BE CHANGED TO COMPLY WITH SAME NUMBERS, AND SECTION 5, LINE 18, BE CHANGED TO JULY 1, 1997
 TAPE 222 SIDE B
 004 All -questions and discussion
 -THERE BEING NO OBJECTION THE CHAIR SO ORDERS
 017 Chair Schoon -MOVES CONCEPTUAL AMENDMENTS, EXHIBIT E, SB 719-A2, INTO SB 251, WHICH REQUIRES GOVERNOR TO MAKE RECOMMENDATION ON FULL OR PARTIAL SUNSET

-informs Governor would not have to file a separate report, but rather
include in budget
060 Vice Chair Federici -informs amendment combines several ideas requested
by previous legislatures
067 Rep Strobeck -approves addition of amendments
-THERE BEING NO OBJECTION THE CHAIR SO ORDERS
110 Chair Schoon -recesses meeting at 9:45 a.m. until call of the Chair
112 -reconvenes meeting at 3:15 p.m.
122 -informs majority and minority reports cannot be filed at the same time
on homestead issues, must be presented as two separate bills
-caucuses can discuss ideas and bring back to committee on Friday
160 All -discuss concerns about HJR 46 proposals
273 Chair Schoon -adjourns meeting at 3:30 a.m.

Rhonda Wehler, Committee Assistant

Kimberly Taylor James, Office Manager

Exhibit Summary

- A. HJR 26, Scherzinger, HB 3032
- B. HJR 26, Scherzinger, -1 Proposed Amendments, 5/9/95
- C. HJR 26, Scherzinger, HJR 2
- D. SB 251, Meyer, -1 Proposed Amendments, 5/9/95
- E. SB 251, Meyer, SB 719-A2 Proposed Amendments, 5/9/95
- F. SB 251, Meyer, Revenue Impact, 5/9/95
- G. HJR 26, Sizemore, Summary of Property Tax Cut and Cap Initiative
- H. HB 2134, Penhollow, Written Testimony, 5/5/95