

Public Hearing: HB 3100
HB 2920
HB 2883
HB 3322
Tapes 62-
63 A/B

HOUSE COMMITTEE ON
HOUSE REVENUE AND SCHOOL FINANCE
PROPERTY TAX SUBCOMMITTEE

MARCH 30, 1993 8:00 AM HEARING ROOM A STATE CAPITOL
BUILDING

Members Present: Representative Tom Brian, Chair
Representative Mike Burton
Representative Margaret Carter
Representative Fred Girod
Representative Delna Jones
Representative Jim Whitty
Witnesses Present: Mike McCallum, Director of
Government
Relations, Oregon Restaurant Association
Michael Donovan, Restaurant Owner, Ashland
Jim Sisler, Restaurant Owner, Eugene
Bill Morrisette, Mayor, City of Springfield,
President, Oregon Mayor's Association
Charles Vars, Mayor, Corvallis, Vice President,
League of Oregon Cities
Catherine Golden, Mayor, City of Ashland
Pat Adams, Chair, Ashland Park and Recreation
Commission
Terry Blackwell, Mayor, City of Bend
Brett Evert, President, Oregon Lodging
Association
Representative Ted Calouri, District 7
Mike Lindberg, Commissioner, City of Portland
Staff: James Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 62 SIDE A

010 CHAIR BRIAN called the meeting to order at 9:11.
012 CHAIR BRIAN opened the Public Hearings on HB 2920, HB 2883, HB 3100,
and HB 3322. He conducted administrative business.

These minutes paraphrase and/or summarize statements made during this
meeting. Text enclosed in quotation marks reports the speaker's exact
words. For complete context of proceedings, please refer to the tape
recording.

House Committee
on

Revenue and School Finance Property Tax Subcommittee March 30, 1993 Page 2

028 MIKE MCCALLUM testified in support of HB 2920, which
would preempt industry-specific sales taxes at the local
level-in Oregon. He talked about the difficult position the

state is in to find additional revenue sources since the passage of Measure 5, but he believed the right approach was for the state to formulate a state-wide policy rather than attempting to resolve revenue issues on the local level. He stressed that the preemption in HB 2920 did not have to exist forever, but should last at least until the time of a general sales tax election or a general replacement issue of some sort. He pointed out that HB 2920 does not prohibit local districts from imposing a general retail sales tax, and it does not take away existing revenue sources on the local level (from before 1/1/93). He explained how industries are currently effected by industry-specific taxes (transient lodging, car rentals, transfer fees on property, gas taxes) and where these taxes already exist in Oregon. Exhibit 1

Questions and discussion

076 MIKE MCCALLUM believed that several other local jurisdictions were considering local industry-specific sales tax measures, which he mentioned. Many of these measures can be enacted merely by the vote of Commissioners or City Councils, although most are sent to the voters.

Questions and discussion

132 MIKE MCCALLUM believed that restaurants were already "a huge part of the funding sources in Oregon." Restaurants are either the second or third largest industry in tourism, and all kinds of taxes and fees are imposed on restaurants. He believed this was inequitable.

150 MIKE MCCALLUM concluded by stressing that Oregon should have a central tax system, and not allow local governments to impose industry-specific sales taxes or other local taxes, which create disadvantages and inequities for businesses in Oregon. He emphasized that local taxes can cause businesses to fail and end jobs. He discussed the impact of Measure 5 on local governments, and the reaction of local government to financial difficulties. He also believed that the rise of local taxes would cause people to vote negatively in elections for state taxes.

Questions and discussion

interspersed

284 MICHAEL DONOVAN testified in support of HB 2920, as an owner

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House Committee on

Revenue and School Finance Property Tax Subcommittee March 30, 1993 Page 3

of a restaurant business that has industry-specific taxes imposed against it. He spoke about his business and community. He explored the issue of how industry-specific taxes are bad for small businesses in Oregon, and he supported a general sales tax as a far more acceptable method of taxation. He mentioned other taxes that are currently being considered in his community, and the inequities between his business and other retail businesses in his community.

Questions and discussion

TAPE 63 SIDE A

002 MICHAEL DONOVAN continued his testimony in support of HB 2920 and against local governments being able to initiate industryspecific taxes. He encouraged the members to find a statewide solution to financing state

government. He wanted to "pay his share" but not in an unfair system.

Questions and discussion

035 JIM SISLER began by discussing how his community responded to a proposed industry-specific (restaurants) tax in Eugene on restaurants, which he stressed created an incredible amount of longlasting divisiveness and conflict. This measure was put on the ballot by the Eugene City Council to resolve its perceived budget deficit.

Questions and discussion

070 JIM SISLER mentioned a variety of projects Eugene had proposed to be funded with the revenue from the proposed tax, which he discussed above. He favored, as a citizen, the projects that would be done to enhance his community, but he did not believe only one industry should be responsible for all the revenue, or even for a larger share of the revenue.

104 MAYOR BILL MORRISSETTE stated that his main concern was that local options continue to be available related to taxation. He expressed opposition to HB 2920 and HB 3100. He gave a brief history of past tax measures that effected hotels in Lane County, and how the industry had actually requested the increases. Some of this revenue was used to fund community projects that would provide incentives for groups to come to the area.~ He discussed different situations in Ashland and Eugene in relation to the restaurant taxes. He stressed that the local option was essential, especially

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House Committee

on

Revenue and School Finance Property Tax Subcommittee March 30, 1993 Page 4

for communities that faced revenue short falls.

Exhibit 2

165 CHARLES VARS testified in opposition to HB 2883, HB 2920, HB 3100, and HB 3322. He explained that there are eight counties that would be effected by one or more of the bills. He realized that a broader approach to state revenue had to be addressed, and he offered the services of his organization. He also mentioned a study his organization had done on transient room taxes, which he was willing to share. He believed all four bills were just more restrictions and regulations in a post-ballot Measure 5 /environment. He gave his perspective of the four bills, which he believed were as follows: The bills would remove a prior grant of authority, and they would place limits on what local government can do with no known compensation to the local government. He believed the bills "mocked the principles of self-determination and local control," and they would provide only a piecemeal approach to a serious funding issues in the state. Also the bills would restrict local government's ability to adjust to changing and local circumstances.

Questions and

discussion

261 CHARLES VARS continued his testimony in opposition to the bills before the Committee. He reiterated that passage of these bills would not be supportive of local control, which is what citizens value. Particular local taxes support local economic development, which creates a healthy environment on that level. He also talked about how some of the revenue goes into local general funds for fire and police protection.

301 CATHERINE GOLDEN introduced PAT ADAMS, and stated she was in opposition to HB 2920, HB 3100, and HB 3322. She explained that HB 2920 would preempt

city charters and their statutory authority to preclude them from imposing privileged or excise sales taxes. She discussed a special election on March 23, 1993 during which Ashland voters approved a prepared food and beverage tax, which will be used for park land acquisition and upgrading of the sewage treatment plant (mandated by state and federal requirements).

Exhibits 3 and 4

328 PAT ADAMS talked about previous special elections in Ashland related to the "open space park acquisition element of the comprehensive plan." Eventually the City Council reached the conclusion that any funding source should have a clear tourism component, and the latest special election (March 23, 1993 mentioned above) succeeded in implementing new taxes.

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House Committee on
Revenue and School
Finance

Property Tax
Subcommittee

March 30, 1993 Page 5

355 PAT ADAMS believed Ashland had a lot of citizen involvement in the decision making of what should be taxed to fulfill community needs. She said local districts need to depend on local taxes and that tourism will continue to play an important role in the funding of local projects, especially those mandated by the state (like sewage treatment).

Questions and discussion

395 CATHERINE GOLDEN discussed how recently-passed taxes in Ashland have been allocated, and how they were derived.

TAPE 62 SIDE B

002 CATHERINE GOLDEN continued her testimony about local taxes in Ashland. She also stressed that tourism taxes help low income residents in Ashland, and she compared the resources used by residents to those used by tourists.

Questions and discussion

050 CATHERINE GOLDEN stressed that the industry-specific tax passed in Ashland for a specified purpose and for a fixed amount. Additionally, the tax has a sunset clause. She discussed how local sales tax measures had been adopted by nearly every city charter in California before the State Legislature passed a uniform sales tax for the entire state in the 1950's. She believed the adoption of these local taxes would enhance the changes of Oregon passing a state-wide tax.

Questions and discussion with PAT ADAMS AND CATHERINE GOLDEN

081 CATHERINE GOLDEN discussed HB 3100 and HB 3322, both of which would also effect the local option. Two-thirds of the hotel/motel tax in Ashland currently goes toward the local general fund, and this pays for police and fire protection. She gave a brief history of the growth of tourism in her city, and the role industry-specific taxes have played in that tourism.

Exhibit 4

104 CATHERINE GOLDEN spoke against HB 2883, which would extend the moratorium on the real estate transfer tax.

128 TERRY BLACKWELL asked members to keep an open mind to other industry-specific taxes than the ones mentioned in HB 2920, HB 3100, and HB 332 2. He discussed taxes that have been levied and

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House Committee on

Revenue and School Finance Property Tax Subcommittee March 30, 1993 Page 6

used in Bend. He believed local governments should be given control over their use of taxation as tests for other local areas, and also for state government. Local taxes allow cities to be creative. Exhibit 5-7
182 BRETT EVERT testified in support of HB 3322. He believed that industry-specific taxes do hinder the state's effort to solve wider revenue problems, because citizens will look at what they are already paying on a local basis. He stressed that a large proportion of tourists in Oregon are Oregon residents (over 60%), not people from out of state. He believed the taxing of the lodging industry should be capped, and that it was too convenient for local government to tax specific industries. He wanted to work with the existing dollars and the natural growth of any area, rather than to continue to allow local government to target individual industries. Questions and discussion

284 BRETT EVERT also expressed support for HB 3100.

292 REP. TED CALOURI testified in support of HB 3322. He discussed the history of imposing industry-specific taxes, which he believed raised significant revenue locally (estimated \$59 million for the current biennium) and was originally used to promote tourism. What motivated HB 332 2 was the following: (1) tourism is a major Oregon industry, and (2) there are inconsistencies across local districts as to how the room tax had been used, and (3) the lottery dollars, which have been dedicated specifically to tourism-related activities in various areas of the state, are now in jeopardy. He discussed specifics of the bill and how they would apply to local governments. He believed the industry could find its own creative ways to benefit local communities, which would also benefit the industry itself.

397 MIKE LINDBERG stressed that the local governments in the City of Portland know that state-wide revenue reform needs to be accomplished. He believed Portland operated "considerable caution and restraint in exercising local authority in terms of increasing different types of taxes." However, he asked to members to reject the bills that would take away the local option (HB 2920, HB 3100, and HB 3322). He believed the arguments favoring these bills were shortsighted, ignored the real problems, and falsely self-serving. He gave an example of how these bills could be devastating to Portland.

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House Committee on

Revenue and School Finance Property Tax Subcommittee March 30, 1993 Page 7

TAPE 63 SIDE B

002 MIKE LINDBERG continued his testimony in opposition to the bills before the Committee. He stressed that passage of the bills would bind the hands of local communities.

Questions and discussion

024 CHAIR BRIAN closed the Public Hearings

025 CHAIR BRIAN adjourned the meeting at 10:32.

Paula K. McBride, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Testimony of Mike McCallum, Oregon Restaurant Association, 3/30/1993.
2. Testimony of Mayor Bill Morrisette, Springfield, and President of the Oregon Mayor's Association.
3. Testimony by Major Catherine Golden Before the House Revenue and School Finance Subcommittee on Property Taxation on HB 2920, 3/30/93.
4. Testimony by Major Catherine Golden Before the House Revenue and School Finance Subcommittee on Property Taxation on HB 3100 and 3322, 3/30/93.
5. Testimony of Terry Blackwell, on HB 2920, Mayor, City of Bend.
6. Testimony of Terry Blackwell, on HB 3100, Mayor, City of Bend.
7. Testimony of Terry Blackwell, on HB 3322, Mayor, City of Bend.
8. Handout from Mike Lindberg, Commissioner, City of Portland.

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