

Public Hearing: HB 2825
HB 2568
HB 2626
HB 2676
Work Session: SB 14A
HB 2922
HB 277A
Tapes 79-80 A/B
81-82 A

HOUSE COMMITTEE ON
HOUSE REVENUE AND SCHOOL FINANCE
PROPERTY TAX SUBCOMMITTEE

APRIL 16, 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: Jim Manary, Department of Revenue
Cindy Ziel, Oregon Amusement & Music Operators
Association
Jerry Johnson, Amusement Unlimited, Eugene
Bob Ledbetter, Quality Amusement Company,
Portland
Cheryl McCown, Charley's Recreation and
Vending, Eugene
Mike McWilliams, Vice President of Amusement
Sales for General Coin Distributing
Becky Eklund, Director, Oregon Youth
Conservation Corps
Dennis Maloney, Director, Department of
Community Corrections, Deschutes County;
Member of Board, Oregon Youth Conservation
Corps
Jim Manary, Department of Revenue
Gil Riddell, Association of Oregon Counties
James Gorter, Director of Outdoor Education and Special Student Services,
Washington County Educational Service District

Staff: James Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Terry Drake, Legislative Revenue Office

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Steve Meyer, Legislative Revenue Office Paula McBride, Committee Assistant

TAPE 79 SIDE

A

011 CHAIR BRIAN called the meeting to order at 8:17.

013 CHAIR BRIAN opened the Work Session on SB 14A.

016 JIM SCHERZINGER discussed amendments to SB 14, SB 14A15, which contained an language to limit the scope of the election that would occur if SJR10 passed. In regard to new debt, the language would require either to authorize debt subject to both a date and bonded indebtedness limit, or to authorize a date and a tax rate limit. He explained these choices. There was also new language in SB 14-A15 related to debt previously issued (prior to June 30, 1993). He discussed changes the members might want to make in the language depending on their intent for SB 14A. Exhibit 1

140 REP. WHITTY wanted a provision in SB 14A that would ensure free public access to any project constructed with the public money.

Questions and discussion, specifically relating to putting language in SB 14A that would ensure free public access to any project paid for by bonded indebtedness outside the Measure 5 limit.

198 Questions and discussion about the intent of SB 14A and members' concerns with the bill.

244 JIM SCHERZINGER discussed the "date" in SB 14A, which was for the issuance of the debt, not a sunset; however, he related that members could define "date" to be something different. He believed that there was wording currently in the statute that made it mandatory to put property back on the property tax roll once that debt was paid off, but that was for debt inside the cap. SB 14A dealt with debt outside the cap.

287 CHAIR BRIAN clarified that SB 14A was drafted to determine what information would be required for the ballot for urban renewal debt outside the Measure 5 limit or cap. He discussed his intent for the bill.

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Questions and discussion

371 REP. BURTON read ORS 457.075, relating to urban renewal agencies and their limitations and responsibilities.

TAPE 80 SIDE A

002 Questions and discussion continued concerning the meaning of a potential sunset date in SB 14A.

008 CHAIR BRIAN closed the Work Session on SB 14A.

010 CHAIR BRIAN opened the Work Session on SB 277A, and he mentioned previous action by the subcommittee on the bill.

030 STEVE MEYER talked about amendments previously introduced per the direction of the subcommittee (SB 277-A3) that removed the issue of third-party subpoenas for determination of property taxes from SB 277A. (see Exhibit 5, 4/7/93)

042 MOTION REP. WHITTY moved the amendments
SB 277-A3 to SB 277A.

NO DISCUSSION

048 ORDER There being no objection, CHAIR
BRIAN so ordered.

049 MOTION REP. WHITTY moved SB 277A as -
amended to the full Committee

with a do-pass recommendation.

NO DISCUSSION

052 ORDER There being no objection, CHAIR
 BRIAN so ordered.

053 CHAIR BRIAN closed the Work Session on SB 277A.

056 CHAIR BRIAN opened the Work Session on HB 2922.

058 STEVE MEYER related that HB 2922 was a low-income housing bill. He mentioned amendments suggested when this bill was last heard, which have been put into Legislative Counsel form and are HB 29221. These amendments make minor changes to the language,

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primarily to the farm-labor camp and housing exemption, and he explained these changes. Exhibit 2

099 MOTION REP. BURTON moved the
amendments

 HB 2922-1 to HB 2922.

NO DISCUSSION

103 ORDER There being no objection,

CHAIR

 BRIAN so ordered.

105 MOTION REP. BURTON moved HB 2922 as
 amended to the full Committee
 with a do-pass recommendation.

DISCUSSION

107 REP. GIROD noted he would vote HB 2922 to the full
Committee
but that he might not vote for the bill in the House
Floor.

109 ORDER There being no objection, CHAIR BRIAN so ordered.

107 STEVE MEYER stated there was no revenue impact statement yet prepared for HB 2922, and he discussed the difficulty of estimating the impact.

Questions and
discussion

129 CHAIR BRIAN closed the Work Session on HB 2922

131 CHAIR BRIAN opened the Public Hearing on HB 2825.

142 STEVE MEYER explained HB 2825, which related to owners of mobile homes or manufactured dwellings who rent land in mobile home parks. HB 2825 would give a property tax refund, under the Elderly Rental Assistance Program (ERA), under certain conditions. He informed members that they would have to decide the exemption level before a revenue impact analysis was completed. He cited the qualifications of the ERA Program.

160 JIM MANARY questioned language in HB 2825, page 1, lines 2223, that read "conclusively presumed that the gross rent will be in the amount of \$2100." This meant that if the rent was less than \$2100, the mobile home owner would still be able to claim \$2100 in rent, and he asked if this was the members' intention.

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Questions and discussion

236 STEVE MEYER said a rough estimate of the financial impact of HB 2825, depending on the parameters decided by the subcommittee, could be around \$2.5 million/year.

Questions and discussion

250 STEVE MEYER described the HARRP program, which was no longer in effect. He believed the same processes would apply to the ERA Program in relation to the situation of the request exceeding the amount of the appropriation, in which case there would be a prorated amount refunded.

Questions and discussion

265 STEVE MEYER related that the EPA Program fund was around \$6.5 to 7 million/year.

Questions and discussion about the affordability of HB 2825.

340 CHAIR BRIAN asked members to give him suggestions for additional information they would want for HB 2825.

Questions and discussion

378 CHAIR BRIAN noted that members were interested in pursuing HB 2825 but wanted concerns about the financial impact alleviated.

Discussion

390 CHAIR BRIAN closed the Public Hearing on HB 2825

403 CHAIR BRIAN opened the Public Hearings on HB 2568, HB 2626, HB 2676, and conducted administrative business.

TAPE 79 SIDE B

002 STEVE BENDER pointed out that HB 2568, HB 2626, and HB 2676 related to the Amusement Device Tax, which he explained using a handout given to members. The first table showed how the Amusement Device Tax was currently being levied, and the different rates of the tax for a variety of devices.

Exhibit 4

Questions and discussion

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039 STEVE BENDER explained the highest rate of the Amusement Device Tax and to what machines it was applied.

Discussion

052 STEVE BENDER related that the second group of categories on his handout relate to the "Disposition of Proceeds" from the Amusement Device Tax.

Exhibit 4

Questions and

discussion

062 STEVE BENDER continued his discussion of how proceeds from the Amusement Device Tax are distributed. Exhibit 4

Questions and

discussion

095 STEVE BENDER explained how video poker terminals were taxed, given the fact that the Lottery doesn't own the machines.

Questions and discussion

114 Questions and discussion of the distinctions between video poker machines and "amusement devices." Exhibit 4

120 STEVE BENDER gave an historical perspective of legislative action on the Amusement Tax in Oregon.

Questions and discussion

157 STEVE BENDER noted that many local areas have their own Amusement Device taxes. He cited the revenues that the Amusement Device Tax raises state-wide.

165 STEVE BENDER pointed out a description of what the three bills, HB 256 8, HB 2626, and HB 2676, would accomplish. Exhibit 4, page 2

194 STEVE BENDER related that HB 2676 alone would reduce revenues by \$2.52 million.

216 CINDY ZIEL testified in support of HB 2676, and she gave a background on it. She believed the intent of both the 1989 and the 1991 legislatures, when they extended the Amusement Device Tax, was that the industry could afford the new provisions, but she believed this was not true today, especially because of the impact of video poker in Oregon. She mentioned other factors that have influenced

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the down-turn with this industry. She presented members with a letter from a person unable to testify who advocated eliminating the taxes on amusement devices.

281 JERRY JOHNSON described his business in Eugene, Oregon, and factors that have caused a fall-off in his industry, including the doubling of the tax in 1989. He believed that 10-15% of his industry, and its employees, were lost each year; and after the legalization of video poker, there was a drop of 4000 amusement machines throughout Oregon. He stressed that more machines would be lost in the near future, and that there might be fewer than 9000 machines left to license (from high of more than 20,000). He will provide members with an income comparison between amusement device owners and establishments that have video poker machines, and he gave an example of this. He emphasized that he has to pay property taxes on his machines. He mentioned other ways he was compelled to compete against the lottery, which he stressed was unfair especially because the state doesn't have to pay property taxes on their machines.

Questions and discussion

393 JERRY JOHNSON spoke about the people who use his amusement device machines.

Questions and discussion

TAPE 80 SIDE B

002 Questions and discussion continued with JERRY JOHNSON.

044 JERRY JOHNSON concluded by saying that the smaller the area and population, the more the tax on amusement devices hurts business.

054 BOB LEDBETTER testified in support of HB 2676. He gave a brief history of his involvement with amusement devices, specifically related to the impact of video poker during the last year. He believed video poker has devastated the coin machine business, and he asked for relief from the Amusement Tax Device. His testimony was based on a letter given to the members. Exhibit 6

115 CHERYL MCCOWN testified in support of HB 2676, and she gave a

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brief history of legislative action on the amusement tax that has effected her business. She related that because of the tax she was forced to diversify, by buying taverns and installing video poker machines. She stressed that she could afford to have taxes imposed on the video machines, but not on the amusement devices. Additionally, she represented the Oregon Amusement and Music Association, whose membership has dropped 25% in two years because of the devastation caused by video poker machines. She urged members to give her industry relieve from the taxes on amusement devices.

168 MIKE MCWILLIAMS testified in support of HB 2676. His testimony was verbatim. Exhibit 7

Questions and discussion with CHERYL MCCOWN and MIKE MCWILLIAMS

330 CINDY ZIEL added that most of the members she represented had "family wage" jobs, not minimum wage jobs.

325 BECKY EKLUND discussed the Oregon Youth Conservation Corps and how the Corps benefits from the Amusement Device Tax. She believed HB 2676 would eliminate approximately half of the funding for the Corps. Her testimony was based on a handout given to the members. Exhibit 8

Questions and discussion

TAPE 81 SIDE

A

002 Questions and discussion continued with BECKY EKLUND.

009 DENNIS MALONEY talked about his work in Corrections, specifically stressing the benefits of the Youth Conservation Corps as a mechanism to help young people. He mentioned influential people in his community who also support the Youth Corps. He was one of the original authors of the Amusement Device Tax, and he mentioned the intent of the initial legislation. He gave statistics on how the youth corps has benefitted all Oregonians in two ways: (1) youth corp activities kept children out of further trouble with the law, and (2) the Corps provided help to local communities during specific times of need. He mentioned projects planned for the summer ahead, and how the passage of HB 2676 would negatively effect these plans. He concluded by stating that possible Federal funds could be lost if the "host program" in

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Oregon (the Youth Corps) was decimated by the lack of funds.

Questions and discussion

131 REP. WHITTY believed the legislature must deal with the revenue problems resulting from state-supported video poker industry.

Questions and discussion

155 BECKY EKLUND explained how people were chosen for Youth Corps projects.

Discussion

177 CHAIR BRIAN talked about the relating clause in HB ~ 6 where language changed could be made that would delete "amusement device" and increase the "chance device."

175 JIM MANARY directed his testimony to HB 2568 and ~6~26, noting that administration for enforcement and compliance of the current Amusement Device Tax was very easy. He described how enforcement might become more difficult if these two bills passed.

Questions and discussion

259 CHAIR BRIAN related for the record from Cindy Weeldreyer in support of HB 2626 and HB 2568. Exhibit 9

275 GIL RIDDELL testified in opposition to HB 2626 and HB 2568, but he said the counties would be open to a "revenue neutral strategy" and would like to be included in discussions. He said the "fee" on amusement devices had been in existence for 50 year. The fee was reduced in 1991, and the property taxes on the devices were being lessened because of Measure 5. County revenues by the fee went to the General Fund and were used for essential county services and were partial recognition of state mandates. He related that counties have no other fees on these devices. In comparison, video poker machine proceeds were dedicated.

Questions and discussion specifically related to what counties do with video poker proceeds

3 JAMES GORTER testified in opposition to HB 2676, HB 2568, and HB 2626. He spoke about his organization's use of funds from the Amusement Device Tax for youth in his community, and he stressed

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that the Youth Corps was an important program in Oregon. He also supported efforts to find different funding, but he stressed that any new funding should first be established so the Youth Corps would not be effected negatively.

Questions and
discussion

TAPE 82 SIDE A

003 CHAIR BRIAN closed the Public Hearing on HB 2568, HB 2626, and HB 2676 and conducted administrative business.

015 REP. CARTER asked the Chair to return to SB 14A.

Discussio

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034 REP. GIROD felt strongly that there needed to be a specific time frame established for each urban renewal plan, and that this information should be included in the ballot information being proposed in SB 14A.

Discussion specifically about REP. GIROD'S concerns with the ballot information in SB 14A on bonds issued for urban renewal.

120 CHAIR BRIAN clarified that REP. GIROD'S concern "wasn't bond specific" but related to the urban renewal district itself and its specific nature. These districts keep property value off tax rolls and drives up other rates, and this process is irrespective of whether or not a district has sold bonds.

Questions and discussion

152 CHAIR BRIAN opened the Work Session on SB 14A.

156 CHAIR BRIAN discussed proposed language changes in the amendments SB 14-A15, as follows: Line 6, page 2,, the word "the" should be "and;" Line 8, page 2, the second "the" should be "and;" Line 8, page 2, "area or" should be deleted; Line 8, page 2, after the word "area" add "of the agency" (Line 8 would read "and the electors of any portion of an urban renewal plan area of the agency.")

177 ORDER There being no objection, CHAIR BRIAN order the amendments to SB 14-A15.

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178 CHAIR BRIAN mentioned additional suggested changes to SB 14A15, as follows: Line 10, page 2, after the word "indebtedness" insert the word "previously;" Line 10, page 2, insert a period after the word "issued" and delete the rest of the line (Line 10 would read "paying bonded indebtedness previously issued.")

Discussion

202 CHAIR BRIAN proposed more changes to SB 14-A15, as follows: Line 13, page 2, would read "221.230" and the rest of the line would be deleted; Line 14, page 2, delete "indebtedness was issued before July 29, 1993;" Line 13, after the "221.230," insert a period and the Language "A ballot title shall contain an estimate of the outstanding bonded indebtedness previously issued that will be payable from taxes on property or property ownership not subject to Section lib, Article 11 Oregon Constitution."

Discussion

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223 ORDER There being no objection,
CHAIR

BRIAN ordered the
amendments to

SB 14-A15.

Discussion

252 JIM SCHERZINGER explained the proposed language on retroactivity and what it would mean for SB 14A. This language has not yet been drafted by Legislative Counsel.

Discussion

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268 CHAIR BRIAN suggested a "Section 83" in SB 14A that would effect the "tax year 1994."

273 ORDER There being no objection, CHAIR BRIAN ordered the amendments on retroactivity to SB 14-A15.

270 CHAIR BRIAN related that language in Section 84 would read as follows: "If Senate Joint Resolution 10(1993 regular session) is not approved by the electors before the effective date of this Act, then sections 81 and 82 and the amendments to ORS 457.085, 457.120, 457.190 and 457.220 by sections 83 to 86 of this Act are repealed on their effective date."

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297 ORDER There being no objection, CHAIR
 BRIAN ordered the amendments
 adding Section 84 to SB 14-A15.

301 MOTION REP. BURTON moved the amendments
 SB 14-A15, as conceptually
 amended to SB 14A.

NO DISCUSSION

310 ORDER There being no objection, CHAIR
 BRIAN so ordered.

315 REP. GIROD said he was not yet ready to move SB 14A to the full Committee, and he cited his reasons.

Discussion

402 MOTION REP. CARTER moved SB 14A as
 amended to the full Committee
 with a do-pass recommendation.

NO DISCUSSION

410 VOTEThe motion passed 4-1. Ayes:
 REPS. WHITTY, CARTER, BURTON,
 and CHAIR BRIAN. Nays: REP.
 GIROD.

416 CHAIR BRIAN closed the Work Session on SB 14A.

417 CHAIR BRIAN adjourned the meeting at 11:02.

Paula K. McBride, Committee Assistant

Kimberly Taylor, Office Manager

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EXHIBIT SUMMARY

1. SB 14-A15, Jim Scherzinger, Legislative Revenue Officer.
2. HB 2922-1, Steve Meyer, Legislative Revenue Office.
3. Letter to Rep. Delna Jones, from John Brenneman, Manufactured Housing Communities of Oregon.
4. Amusement Device Tax: Current Law, Steve Bender, Legislative Revenue Office.
5. Letter advocating the elimination of state taxes on amusement devices, Michael Dantew, Dunis Distributing Company, 4/15/93.
6. Letter, Robert E. Ledbetter, Quality Amusement Company, 4/15/93.
7. Testimony of Mike McWilliams, Amusement Sales, General Coin Distribution.
8. Testimony of Becky Eklund, Oregon Youth Conservation Corps.
9. Letter from cindy Weeldreyer, Executive Director, Greater Cottage Grove community Center, 4/13/93.
10. Testimony of James Gorter, Outdoor Education and Special Student Services, Washington County ESD.

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