

Public Hearing: SB 270
HB 3171
Work Session: 2443
Tapes 22-23 A/B

HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
SMALL BUSINESS SUBCOMMITTEE

MARCH 18, 1993 8:00 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Representative Greg Walden, Chair
Representative Ron Adams
Representative Margaret Carter
Representative Delna Jones
Witnesses Present: Dr. Yvonne Katz, Superintendent, Beaverton
School District
Bruce Anderson, Oregon Home Builders'
Association
Representative Mike Burton, District 17
Ozzie Rose, Confederation of School
Administrators
Kathy Berning, Tax Manager, Sequent Computer
Systems, Inc.
Gary Conkling, Sequent computer Systems, Inc.
Jim Craven, American Electronics Association
Larry Large, Vice Chancellor, Oregon Higher
Education
Gary Andeen, Executive Director, Oregon
Independent College Association
Bob Ellis, Multnomah County Assessor

Staff: James Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Dick Yates, Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 22 SIDE A

007 CHAIR WALDEN called the meeting to order at 10:33.

008 CHAIR WALDEN opened the Public Hearing on HB 3171.

015 STEVE BENDER said HB 3171 would establish a fund, the School
Construction Fund, with money that would be used to match funds

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words. For complete context of proceedings, please refer to the tape
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with school districts for the construction and maintenance of "public

school facilities", which are defined in Section 1 of HB 3171. For this biennium, \$30 million would be allocated, \$15 of which would be from General Fund and \$15 would come from the Economic Development Fund (lottery money). He talked about restrictions in Section 5 regarding distribution of funds. HB 3171 has a subsequent referral to House Appropriations (formerly Ways and Means). Exhibit 1

052 REP. JONES wanted members to consider the following issues: how lottery dollars are used, how to address the growing needs of construction in schools, what kind of participation should be asked of local districts in terms of providing matching funds, and the long-term funding issues for schools.

072 YVONNE KATZ related HB 3171 was at the request of the Beaverton School District. She talked about "tiger teams" in the greater Portland/Tri-County area, people who look at how to do public school business differently in the future. She stressed that superintendents of Oregon schools are attempting to downsize, restructure, and look at new ways of doing business. She testified in support of HB 3171, based verbatim on a handout given the members. Exhibit 2

Questions and discussion

218 YVONNE KATZ mentioned the language in HB 3171 (line 24, page 2) that related to "priority to two or more school districts that propose to buy and operate school facilities cooperatively." She talked about a project in the Washington county area that is attempting to bring school districts together, the ESD, higher education, the community college, and the business community. These are the "players" she believed must come together all over the state to look at new models of schools for children.

Discussion

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273 BRUCE ANDERSON testified in support of HB 3171, stressing that the quality and adequacy of schools in Oregon is very important to the housing industry. He expressed support for a sales tax with the proceeds dedicated to education. His concern was that if lottery money was used for education that people would come to depend on this funding source, which he believed was not stable. He did express one concern with the bill, in Section 5, line 17, having to do with "forcing" districts into providing the matching

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funding and how this would impact housing affordability in various areas. His testimony was based on a handout. Exhibit 3

Questions and discussion

350 REP. JONES discussed with BRUCE ANDERSON the issues of other states that use lottery funds for capital construction, and of his primary concern about the matching of local funds, specifically the hardship this would place on some districts.

TAPE 23 SIDE A

015 Questions and discussion continued between members and BRUCE ANDERSON.

031 REP. BURTON testified in support of HB 3171. He believed it raised

important issues surrounding how to spend lottery money in the state to the best advantage. He spoke about previous legislation and current legislation he has submitted on what to do with lottery money. He explained why he supported HB 3171. One reason for his support was that capital construction will create good family-wage jobs.

098 REP. BURTON spoke about Section 5 in HB 3171, concerning the dollar-to-dollar match and how this might effect various districts, especially those where the resources are not able to keep up with the growth. Other districts simply have no resources because of a very poor economic basis. Additionally, some districts just repeatedly turn down school district levies. He believed that there would be some districts that wouldn't be able to find matching dollars, and he thought HB 3171 could be amended to resolve this issue.

133 REP. BURTON discussed the concept "innovative school programs" in HB 317 1. He wanted the priority to go to construction not educational programs. He thought all \$30 million could come from the Lottery, not just \$15 million.

Questions and
discussion

231 REP. JONES said some language modifications could be done to HB 3171, specifically on Line 26 "to involve business and structure work experience associated with the programs." She thought maybe it was possible to set aside a portion of the funds without a

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matching amount, which could then be used for those "innovative" programs, some of which are already in place.

Discussion

272 Questions and discussion continued with REP. MIKE BURTON concerning lottery money and HB 3171.

329 REP. BURTON said as a policy matter he doesn't like to dedicate funds, but the realities of funding in Oregon make this necessary at times. He believed caution should be used if the members were going to establish long-term funding for schools with lottery money in any manner.

Questions and discussion interspersed

379 OZZIE ROSE testified in support of HB 3171. He thought lottery money should not be spent for schools other than what is proposed in HB 3171: that is, for on-time capital projects. He spoke about the need for school construction in the state. He cautioned members about using the matching funds provision in HB 3171, and gave an example of how this had worked poorly in one Oregon county.

TAPE 22 SIDE B

002 OZZIE ROSE continued his testimony. He spoke about another issue in HR 317 1, relating to districts to do things together, especially because there will not be enough resources in the state in the foreseeable future to do everything that should be done. He mentioned language in HB 3565 that related to this.

Questions and discussion

052 OZZIE ROSE believed districts should match funds; but with those

districts with low wealth should have different consideration (discussed as an "equity" issue). Another issue about which he talked was regional cooperation in regard to school capital construction. He believed that in most districts once the physical problems are resolved, people begin to open their minds to those "innovative" changes that benefit the children. 078 CHAIR WALDEN asked OZZIE ROSE to provide information about the equity issue.

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Questions and discussion interspersed

118 OZZIE ROSE reiterated that lottery dollars should not be used for school operation, but he thought it was appropriate to use this money for capital construction.

128 CHAIR WALDEN closed the Public Hearing on HB 3171 and opened the Public Hearing on SB 270.

133 DICK YATES said SB 270 deals with an existing tax credit which allows corporations that make contributions of computers or scientific equipment to colleges or full secondary schools take a credit of for 10% of the value of those contribution. Currently, the related statute does not provide for a carry-forward, and SB 270 would put into the law a five-year carry-forward.

151 KATHY BEANING testified in support of SB 270. She gave a background of the issue in Oregon, talked about her business, and why she supported SB 270 . Her testimony was based on a handout given to members.

Questions and discussion

185 GARY CONKLING did not testify, but he presented a memorandum from the Oregon Community College Association its statement of support for SB 270 . Exhibit 5

189 JIM CRAVEN related that his organization sponsored the original legislation in 1985 and that they support SB 270 as a technical correction to the tax credit. He believed SB 270 would enable companies to smooth out their donation schedules, rather than being subject to the profits and/or losses of an individual year for a company.

Questions and discussion

208 CHAIR WALDEN discussed the revenue and fiscal impacts of SB 270. Exhibit 6-8

229 LARRY LARGE testified in support of SB 270, and he explained how the tax credit benefits higher education. The equipment helps both teaching and research functions, and the alternative costs for securing the equipment would be enormous. The technology transfer also works in reverse, in that higher education has integration with companies. Exhibits 9-11

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244 GARY ANDEEN supported SB 270. In regard to the Revenue Impact, he believed the \$50,000 impact would leverage hundreds of thousands, if not millions, of dollars of contributions to educational facilities in Oregon. He urged passage of SB 270.

256 CHAIR WALDEN closed the Public Hearing on SB 270 and opened the Work Session on SB 270.

257 MOTION REP. CARTER moved SB 270 to the full Committee with a do-pass recommendation.

NO DISCUSSION

261 ORDER There being no objection, CHAIR WALDEN so ordered.

263 CHAIR WALDEN closed the Work Session on SB 270 and opened the Work Session on HB 2443.

277 BOB ELLIS appeared for JERRY HANSON (who had previously testified on this matter). The first handout he gave to members was a sample of a form entitled "Low Value Personal Property Return (ORS 000.000), and the second was a sample of the current form for "...Confidential Personal Property Return (ORS 308.290)." He expressed some concern about the assessor's office having to list the prior year's real market value in the upper right-hand corner of the form, which creates unnecessary additional work. Exhibits 12 and 13

Questions and discussion

327 BOB ELLIS explained the current process on assessment of personal property. The Department of Revenue (DOR) produces the form. Exhibits 12 and 13

360 CHAIR WALDEN said there were two questions with this bill: (1) whether or not to create a simplified form, and (2) what amount should be set for the minimum amount of excused personal property taxes (currently \$2000, proposed for \$10,000 in HB 2443).

370 BOB ELLIS said the consensus of the assessors was that the word "shall" should be used in HB 2443, which would create consistency between the counties. He mentioned that currently mobile homes and houseboats are assessed as personal property and

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benefit from general services such as fire and police protection. He thought that maybe these two classes of personal property shouldn't be considered for the exemption. A Department of Revenue Administrative Rule excludes mobile homes from the cancellation under the \$2000 exemption limit. Exhibits 12 and 13

Questions and discussion

394 BOB ELLIS said the reaction from his group was that a level of around \$4000 should be established and that \$10,000 was too high. He believed that

assessors of rural counties agreed with this. Exhibits 12 and 13
Questions and discussion
interspersed

TAPE 23 SIDE B

002 Questions and discussion continued with BOB ELLIS.

015 CHAIR WALDEN pointed out that on the back of the form given to the members by BOB ELLIS there was a list of personal property items that are assessed. Exhibit 13

Questions and
discussion

052 CHAIR WALDEN recapped the testimony, stating it was the consensus of the assessors that the exemption in HB 2443 should be mandatory for all counties and that the optimum level would be \$4000. He discussed the example personal property tax form. Exhibit 12

Questions and discussion
interspersed

093 BOB ELLIS related that an alternative to setting a limit for the exemption might be to make it mandatory that all counties use the current form for the \$2000 personal property tax exemption form.

108 Questions and discussion concerning the process of assessing personal property taxes with BOB ELLIS and how this process might be changed.

190 STEVE BENDER referred to reference material on SB 57, which has a similar intent as HB 2443 (the threshold is \$5,000 in this

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bill). Along with SB 57 was a set of amendments, SB 57-3, which contained language that might also be applicable to HB 2443 that would allow for the tax payer to file a low value return in lieu of filing a regular return (like Exhibits 12 and 13, respectively). He pointed out the Oregon Revised Statute (ORS) that had to be changed.

222 CHAIR WALDEN believed the committee had consensus on the following issues relating to HB 2443: (1) a \$4000 minimum cancellation, (2) provide in the statute that houseboats, boat houses, mobile homes (and other properties exempted by rule) not qualify as personal property for this exemption, and (3) that a simplified return be created that showed amount against which the tax would be paid.

240 BOB ELLIS said tax collectors might have concern about being able to identify personal property when seizure of that property occurs (if the simplified form was adopted).

Questions and discussion
interspersed

379 CHAIR WALDEN closed the Work Session on HB 2443.

380 CHAIR WALDEN adjourned the meeting at 12:22.

Paula K. McBride, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Fiscal Analysis of Proposed Legislation, Robin LaMonte, Legislative Fiscal Office.

2. Testimony of Dr. Yvonne Katz, for HB 3151, Superintendent, Beaverton School District, 3/18/93.
3. Memorandum, from Fred VanNatta, presented by Bruce Anderson, Oregon State Home Builders Association.
4. Testimony of Kathy Berning, for SB 270.
5. Memorandum from Karen Garst, in support of SB 270, Executive Director, Oregon Community College Association.
6. Staff Measure Summary, SB 270, Dick Yates, Legislative

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EXHIBIT SUMMARY (continued)

Revenue Office.

7. Revenue Analysis of Proposed Legislation, Dick Yates, Legislative Revenue Office.
8. Fiscal Analysis of Proposed Legislation, Roz Shirack, Legislative Fiscal Office.
9. Memorandum from Karen Garst, for SB 270, Executive Director, Oregon Community College Association.
10. Letter from S.J.T. Owen, Dean of Engineering, Oregon State University, and H. Chik. M. Erzurumlu, Dean of Engineering, Portland State University, for SB 270.
11. Letter from Garn Andeen, for SB 270, Executive Director, Oregon Independent Colleges Association.
12. Low Value Personal Property Return (ORS 000.000), sample form, Bob Ellis, Multnomah County Assessor.
13. 1992 Confidential Personal Property Return (ORS 308.290), Bob Ellis, Multnomah County Assessor.

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