

January 23, 1991 8:00 AM Hearing Room A State Capitol Building

Members Present: Representative Delna Jones, Chair Representative Carl Hosticka, Vice-Chair Representative Mike Burton (arrived 8:08) Representative Kelly Clark (arrived 8:03) Representative Bev Clarno Representative Mike Nelson Representative Fred Parkinson (arrived 8:06) Representative John Schoon Representative Jim Whitty Staff Present: Steve Meyer, Legislative Revenue Office Terry Drake, Legislative Revenue Office Linda Leach, Committee Assistant - Witnesses: Jim Brown, Department of Revenue TAPE 19 SIDE A 005 CHAIR JONES called the meeting to order at 8:01 and conducted administrative business. PROPERTY TAXATION 020 STEVE MEYER presented information on property taxation and began with renter relief. He explained the history of property tax relief in Oregon which can be traced back to 1929. He summarized an income test and an asset test for determining eligibility for renter relief and noted a difference between household income and taxable income. Steve Meyer reviewed a table entitled HARRP refund tables. Exhibit 1, page 12 076 STEVE MEYER pointed out 1990 Household Assets checklist which provides an example of included assets. Exhibit 1, page 13 096 CHAIR JONES commented on the asset test and a scaled down proposal of renter relief in the Governor's proposed budget. 107 Questions and discussion regarding future committee discussions regarding renter relief. 140 STEVE MEYER explained Property Taxes, Rent, and Refunds by Household Income which summarizes HARRP returns for 1988. He pointed out that 1988 returns are prior to the asset test. Exhibit 1, page 14

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205 Questions and discussion regarding mobile homes. 215 STEVE MEYER reviewed Property Tax Relief Homeowner's and Renter's Refund Data which provides a historical view of renter refunds. Exhibit 1, page 15 233 Questions and discussion regarding county detail regarding mobile home numbers. 251 STEVE MEYER explained a senior deferral program with a minimum age requirement of 62 with a household income less than \$19,500. He explained that an annual adjusted gross income of less than \$24,000 is required to remain in the program. Property taxes are paid by the state with a lien placed on the property for eligible participants. 275 Questions and discussion regarding the senior deferral program. 308 STEVE MEYER explained a program of elderly rental assistance and noted a small participation in this program. He pointed out that the elderly rental assistance program is not in addition to a HARRP refund. 360 Questions and discussion regarding number of participants in elderly rental assistance program. 370 STEVE MEYER commented on General Fund Expenditures For Property Tax Relief and pointed out a decline in senior deferral and property tax relief costs. Exhibit 1, page 16 375 Questions and discussion regarding a correlation between Oregon's income tax structure with renter relief program participants. 407 REP. HOSTICKA called the members attention to a handout from the Multistate Tax Commission regarding a problem of federal income tax avoidance. Exhibit 2 TAPE 20 SIDE A 006 CHAIR JONES added a need to insure a federal audit process on corporations and individuals. 016 JIM BROWN explained the Department of Revenue's process for an income tax audit

which goes beyond a federal audit. 030 Questions and discussion regarding definition of "arms length". 048 JIM BROWN explained an expanded program for income tax audits and collections which was funded during the 1987 Legislative Session. He pointed out that the Department of Revenue exceeded collection goals. 083 Questions and discussion regarding coordination between federal and state audits.

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111 Questions and discussion. SCHOOL FINANCE 130 TERRY DRAKE explained that his presentation will be a general overview of Oregon's school finance system and that a more detailed presentation will take place at future committee meetings. He referred to Oregon's School Finance System and Changing the Way Oregon Pays For Public Schools. Exhibits 3,4 164 TERRY DRAKE reviewed the history of Oregon's school finance system. Exhibit 3 236 Questions and discussion regarding Oregon's Constitutional language of providing a "uniform system of common schools". 300 TERRY DRAKE interjected information on a recent court ruling in Texas. 324 TERRY DRAKE continued with his presentation of school finance and referred to a pie chart showing how schools are currently financed. Exhibit 3, page 2 363 Questions and discussion regarding cost of federal mandated school programs. TAPE 19 SIDE B 007 Questions and discussion regarding revenues for schools from local taxing districts. Exhibit 3, page 2 034 TERRY DRAKE continued with a review of Oregon's range of expenditures and range of tax rates in individual school districts. He pointed out a chart entitled School Operating Tax Rate. Exhibit 4, page 3 097 TERRY DRAKE referred to a table of Basic School Support History and noted a decreased percentage in the 1970's. Exhibit 3, page 3 140 Questions and discussion regarding history of percentage comparisons. 206 TERRY DRAKE explained that a discussion of special education is linked to distribution which will be discussed at a future committee meeting. 213 TERRY DRAKE reviewed Oregon School Rankings and noted that Oregon is near the national average in the ranking areas. Exhibit 3, page 6

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance January 23, 1991 Page 4 257 CHAIR JONES mentioned an Oregon School Finance research report by T.K. Olson. (T.K. Olson, Oregon Tax Research, A Dollars & Sense Look at Oregon School Finance, December 1990) 260 Questions and discussion regarding accuracies of state comparisons. 307 TERRY DRAKE explained a chart which depicts dependence on local, state and federal funds for school support in other states. He pointed out Oregon's high dependence on local taxes for schools. Exhibit 3, page 6 325 TERRY DRAKE referred to Recent School Finance/Tax Reform Votes. Exhibit 4, page 3 378 TERRY DRAKE reviewed an historical look at School District Tax Bases. Exhibit 3, page 5 400 Questions and discussion. TAPE 20 SIDE B 001 Questions and discussion regarding safety net procedures in relationship to Measure 5. 030 CHAIR JONES commented that Measure 5 did not change the local budget process or the safety net process. 044 TERRY DRAKE continued his review of historical school district tax bases. 063 Questions and discussion regarding school tax base stability in correlation to the safety net program. 082 Questions and discussion

regarding adequacy of tax bases. 097 CHAIR JONES recessed the meeting at 9:34 and reconvened the meeting at 9:52. She conducted administrative business. 105 TERRY DRAKE commented on expenditures per student compared to per capita rankings. 119 CHAIR JONES referred to a handout which provides HARRP information by county. Exhibit 5 123 TERRY DRAKE commented on his preparation of data for committee meetings covering distribution and special education. 146 Questions and discussion.

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154 TERRY DRAKE explained the current basic school support formula is a system that is designed to provide three types of support to local schools (transportation, basic and growth/decline, and equalization). He explained transportation as a separate category which is expenditure driven and is a lag calculation. Exhibit 3, page 4 186 Questions and discussion regarding transportation costs in the basic school support formula. 265 TERRY DRAKE continued to review the basic school support formula and explained that equalization funding is relative to property wealth. 320 TERRY DRAKE explained ADM (average daily membership) is a measure of students in attendance and includes excused absences. He pointed out that some districts do not receive equalization grants from basic school support. He explained a process for determining equalization grants to school districts. 393 Questions and discussion regarding federal forest receipts. TAPE 21 SIDE A 010 Questions and discussion regarding equalization grants based on ability v. effort of a local taxing district. 022 CHAIR JONES clarified that local effort is required in order to receive equalization grants. 025 Questions and discussion regarding local districts taxing effort. 038 REP. WHITTY pointed out a number of different factors which influence how local voters will tax themselves. 040 CHAIR JONES summarized historical effort of local voters. 056 CHAIR JONES discussed the committee's schedule in dealing with Measure 5 implementation and distribution of school support. 076 TERRY DRAKE cautioned the committee regarding a number of school districts which are "at risk" prior to any effects from Measure 5. 123 CHAIR JONES discussed policy issues regarding the distribution formula which this committee must deal with because of Measure 5. 160 CHAIR JONES adjourned the meeting at 10:23.

Linda Leach Committee Assistant Kimberly Taylor, Office Manager

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EXHIBIT SUMMARY 1. Property Taxation Packet, LRO, 1/23/91 (see Exhibit 7 from 1/22/91 meeting) - Orientation 2. Legislative Update Hearings on Transfer Pricing, Multistate Tax Commission, 7/10/90 - Miscellaneous 3. Oregon's School Finance System, LRO, 1/23/91 - Orientation 4. Changing the Way Oregon Pays For Public Schools, LRO, 3/90 Orientation 5. Property Taxes, Rent and Refunds by County, LRO, 1/23/91 Orientation

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