

Tapes 30-31 (A/B) Public Testimony/Work Session/Measure 5 Implementation  
HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE

January 29, 1991 8:00 AM Hearing Room A State Capitol Building

Members Present: Representative Delna Jones, Chair Representative Carl Hosticka, Vice-Chair Representative Mike Burton Representative Kelly Clark Representative Bev Clarno Representative Mike Nelson Representative Fred Parkinson Representative John Schoon Representative Jim Whitty

Staff Present: Jim Scherzinger, Legislative Revenue Officer Steve Meyer, Legislative Revenue Office Linda Leach, Committee Assistant

Witnesses Present: Gil Riddell, Association of Oregon Counties Richard Townsend, League of Oregon Cities Glenn Klein, City of Eugene, Attorney John Marshall, Oregon School Board Association -Ozzie Rose, Oregon Confederation of School Administrators Noel Klein, Special Districts Association TAPE 30 SIDE A

005 CHAIR JONES called the meeting to order at 8:04 and conducted administrative business.

PUBLIC HEARING - MEASURE 5 IMPLEMENTATION

035 GIL RIDDELL explained that counties are committed to working for a stable and successful transition into Measure 5. He outlined why counties have a large stake in the committee's deliberations: 1) Direct ad valorem losses caused by Measure 5. 2) Non-ad valorem losses. 3) Cost to counties to administer Measure 5 (creating a new assessment and taxation system). 4) Measure 5 amounts to an unfunded state mandate on counties. 5) The erosion of a state/county partnership developed from HB 2338 (1989). He requested the committee minimize the shock to the existing assessment and taxation system, consider the costs of proposals, review definitions in detail, review exemptions and special assessments and

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 January 29, 1991 Page 2 provide a new state revenue source for the state/county assessment and taxation funding partnership. 104 GIL RIDDELL will provide his testimony in writing (see House Revenue 1/30/91 meeting, Exhibit 4, HB 2550). 115 GIL RIDDELL commented on a group consisting of counties, cities, school boards and special districts which will review proposed legislation regarding competition for tax dollars. He pointed out that proposed legislation regarding the competition issue will be introduced from the Senate Revenue Committee. 131 GIL RIDDELL interjected that the cost of Measure 5 implementation is in addition to an amount that counties will spend on the assessment process. 138 CHAIR JONES clarified that the counties will add one additional board under Measure 5 (a total of two boards). 141 Questions and discussion regarding a six year cycle requirement for county assessors. 160 RICHARD TOWNSEND summarized issues affecting Oregon cities because of Measure 5. He reviewed the process the cities have taken in providing input to the Department of Revenue. He predicted the first eighteen months of implementation to be the most difficult and he provided an example using the local budget law. He explained a coalition group consisting of cities, counties, school boards, and special districts

which is working on Measure 5 issues. 234 Questions and discussion regarding timelines for local budgets. 260 CHAIR JONES noted her concern with timing of the local governments budget process and that a recommendation has not been presented to this committee. 263 Questions and discussion regarding the first eighteen months of Measure 5 implementation as described by Richard Townsend. 293 REP. HOSTICKA suggested a possible supplemental budget process to deal with the timing issue for local government budgets. 310 RICHARD TOWNSEND continued his review of issues affecting Oregon cities. He explained a detailed ongoing discussion regarding competition for funds among local government units. He related that the coalition would prefer the taxing districts decide how to split the \$10 limit and that a formula may not work. He reviewed a coalition discussion regarding a high priority be placed on assessment taxation function. 345 Questions and discussion regarding a possible freeze relating to

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the local governments competition issue. 376 RICHARD TOWNSEND explained that of the 242 total Oregon Cities approximately 90 cities (majority are large population cities) currently exceed the \$10 limit under Measure 5. 402 RICHARD TOWNSEND concluded his presentation by emphasizing that the definition of capital construction and bonded debt, urban renewal issues, and fees/charges are areas of concerns. ,TAPE 31 SIDE A 005 CHAIR JONES suggested that Richard Townsend and the local government coalition group review the report presented by State Treasurer Tony Meeker from the Municipal Debt Advisory Commission which recommended definition changes among other recommendations. (see January 28, 1991 House Revenue meeting, Exhibit 2, Measure 5) 020 RICHARD TOWNSEND added that the cities would prefer to "launch out into a risk factor than to be conservative". 036 Questions and discussion regarding examples of possible risk factors. 046 GLENN KLEIN reviewed four major areas of concerns to cities: 1) Definitions. 2) Urban renewal impact from Measure 5. 3) Appeals for remedies with respect to definitions. 4) Timing issue (local governments finalizing budgets). 075 GLENN KLEIN commented on a need to rewrite some ordinances to insure they are excluded from the definition of taxes under Measure 5. 153 Questions and discussion regarding systems development fees in Eugene. 166 Questions and discussion regarding procedures for dealing with Measure 5 implementation. 194 JOHN MARSHALL testified in support of HB 2550 on behalf of Oregon School Boards Association. He reviewed the input that the School Board Association provided to the Department of Revenue in preparing bill drafts for Measure 5 implementation. He commented on concerns with collection dates, appeal process and a review of a 3% property tax discount. 234 Questions and discussion regarding school budget making process and reality checks (actual money expected to be received v. authorized to receive). 264 REP. BURTON clarified that the certification of budget amounts are

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required by law. 281 JOHN MARSHALL explained a statute requirement that

an amount be added to a budget to account for two facts: some people don't pay their taxes and a 3% available property tax discount. 274 OZZIE ROSE commented on the school budget process with regard to a required added amount. He suggested a review of special treatments of property and assessments. 307 CHAIR JONES added that a review of exemptions would be appropriate. 311 Questions and discussion. 320 REP. BURTON commented on a relationship between certification requirements and budgets. This is not only an accounting procedure, but relates to certification requirements and the kind of services (quality of education) a district can deliver. He emphasized that this is a binding requirement. 340 OZZIE ROSE agreed with Rep. Burton. 356 CHAIR JONES commented on the need for clear information regarding the process for school budgets. 363 Questions and discussion. 400 STEVE MEYER noted that the estimate for uncollected taxes has to be within the levy authority of a particular district. 410 JOHN MARSHALL expressed interest in the local budget law and language to allow flexibility which is in the Measure 5 implementation bill. He supported the definition of capital construction and improvements in HB 2550. TAPE 30 SIDE B 013 Questions and discussion regarding the combination or separation of amounts from the state (basic amount and replacement amount). 053 JOHN MARSHALL supported the language in HB 2550 relating to a change of severance tax to a privilege tax. 065 Questions and discussion regarding collection of severance taxes and amounts. 070 Questions and discussion regarding the exclusion of severance taxes from the property tax category in HB 2550. 096 REP. SCHOON noted his concern regarding John Marshall's and Ozzie

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Rose's support of severance tax language in HB 2550 without advice from their attorneys. 104 Questions and discussion regarding revenue losses and a offset from timber taxes. 121 Questions and discussion regarding distribution of timber taxes. 140 OZZIE ROSE supported a proposal to reverse a current split of timber revenue to 75% for schools and 25% for roads. 143 CHAIR JONES noted that the total timber issue will be addressed in future committee meetings. 156 Questions and discussion regarding management of HB 2550. 172 Questions and discussion regarding amount of current severance taxes returned to schools. 196 OZZIE ROSE added a desire for review of current exemptions and special treatment of properties. 210 Questions and discussion regarding a process for a school distribution formula. 254 CHAIR JONES emphasized that this committee must make decisions after reviewing testimony from interested parties. 278 REP. HOSTICKA agreed with Chair Jones and pointed out that some people will not be happy with decisions made by this committee. 282 Questions and discussion regarding a definition of equity. 303 OZZIE ROSE commented on school classroom sizes. 314 JOHN MARSHALL added that Measure 5 imposes on the school system equal effort, but the difficult definition of an equal program is not resolved. 335 CHAIR JONES reminded the committee to look at the opportunity of all Oregon's children rather than individual district formation. She recessed the meeting at 9:25 and reconvened the meeting at 9:48. 361 NOEL KLEIN reviewed the special districts involvement with the development of HB 2550. He expressed support with the definition language in HB 2550. He commented on the effort of a local government coalition group working together on the competition issue. He concluded with his concerns regarding minimum fees or charges relating to water and sewer charges.

TAPE 31 SIDE B

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 29, 1991 Page 6 003 CHAIR JONES suggested that special districts review definitions in a report from the Municipal Debt Advisory Commission and provide feedback to this committee. 023 NOEL KLEIN did not support a mathematical mandated formula for dealing with the competition issue between local taxing districts. 030 Discussion regarding a fire district becoming a private district. 040 NOEL KLEIN explained that there are approximately 1000 special ,districts in Oregon which include water, sewer, vector control, parks and recreation, non-city and non-county units outside of schools, and irrigation districts. 050 Questions and discussion pertaining to irrigation districts. 058 CHAIR JONES referred to a handout regarding comparative federal tax burdens. Exhibit 1 061 JIM SCHERZINGER explained the expenditures of the federal government by state and how Oregon compares to other states. According to the charts in the handout (source: Tax Foundation), Oregon is sending more money to the federal government than the amount Oregon receives from the federal government. He reviewed Oregon's rankings for federal expenditures. Exhibit 1, page 3 125 Questions and discussion. 133 REP. BURTON commented on a shift which will cause more money to be sent to the federal government because of lower property taxes which will result in less deductions for individuals. 152 CHAIR JONES conducted administrative business and adjourned the meeting at 10:06.

Linda Leach, Committee Assistant

Kimberly Taylor, Office Manager EXHIBIT SUMMARY 1. Federal Expenditures by State, LRO, 1/29/91 - Miscellaneous

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