

February 4, 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: Linda Lynch, League of Oregon Cities Gil Riddell, Association of Oregon Counties Kim Worrell, Association of Oregon Counties Julie Brandis, Association of Oregon Industries Sam Eazor, Association of Oregon Industries Gary Wilhelms, U.S. West Communications Jim Coleman, League of Oregon Cities Glenn Klein, League of Oregon Cities Denise McPhail, Portland General Electric TAPE 39 SIDE A 005
CHAIR JONES called the meeting to order at 8:04 and conducted administrative business. She referred the members attention to Measure 5 Implementation Issues (as of 2/2/91). Exhibit 1 PUBLIC HEARING - HB 2550 0 046 LINDA LYNCH explained the City of Eugene's work to modify the requirements of the supplemental budget process in local budget law. She suggested substitute language (replace portion of Section 9 in HB 2550) provided by the League of Oregon Cities regarding a supplemental budget. Exhibit 2 088 Questions and discussion.

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 February4,1991 Page 2 145 CHAIR JONES clarified that the suggested language regarding a supplemental budget removes the ability of ten or more taxpayers to request in writing the referral of the supplemental budget to the budget committee. 156 Questions and discussion regarding the City of Eugene's current supplemental budget process. 186 LINDA LYNCH believed that a 20% threshold would probably eliminate the need for convening the entire budget committee with a few ,exceptions (she provided an example). 190 Questions and discussion. 195 GIL RIDDELL commented that the Association of Oregon Counties supports budget document publication requirements in Section 7 in HB 2550. 226 GIL RIDDELL supported Section 9 in HB 2550 regarding supplemental budgets. 245 GIL RIDDELL pointed out that reports of increased assessed valuation in metropolitan areas are in line with estimates from the Legislative Revenue Office predictions of an overall increase of 9%. He explained that the property tax system is shrinking even as assessed valuations increase. Counties believe that the Legislature can create a fair property tax system under Measure 5. 290 GIL RIDDELL commented on converting offsets to revenue sources and explained that the counties support the elimination of offsets. He supported a new system where all property taxpayers contribute directly to the delivery of local services. He reviewed a process where local units submit levy amounts to the assessor and pointed out that offsets are revenues paid by taxpayers which are used to reduce the overall tax rate in a district. 300 KIM WORRELL reviewed the tax roll assessment and levy calculation process and pointed out that HB 2550 uses offsets as direct revenue to a particular district. 331 Questions and discussion regarding offsets. 382 KIM WORRELL explained that tax rates would be higher if certain revenues are not used as offsets. 400 REP. SCHOON noted his concern with the impact on

tax rates for districts which would be affected by changing offsets to a revenue source.

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TAPE 40 SIDE A 001 Questions and discussion regarding offsets used as a revenue source. 031 REP. CLARK questioned how a change from an offset to a revenue source is connected to the implementation of Ballot Measure 5. 040 GIL RIDDELL explained that the change from an offset to a revenue is not required by Measure 5. He explained a philosophy behind the proposed change. Since there will be a reduction in property tax rates, then some of the current vehicles used to provide property tax rate reductions should be reviewed. 054 Questions and discussion regarding separation of implementation issues and policy issues in HB 2550. 060 Questions and discussion. 073 Questions and discussion regarding a supplemental budget section of HB 255 0. 090 GIL RIDDELL explained that the counties supported the use of current offsets as revenue sources which includes severance taxes. 098 Discussion regarding change to the severance tax in HB 2550. 114 REP. SCHOON noted his concern regarding the intent behind changing the severance tax in HB 2550. 120 CHAIR JONES reminded the committee that timber and severance tax will be a separate category for discussion. 124 GIL RIDDELL supported the phase out of the 3% property tax discount and trimester property tax payments. 158 REP. SCHOON expressed concern for families with limited income and their inability to pay lump some property taxes. He suggested to review a system which maintains the installment system but would charge interest (for late payment) instead of providing a discount for early payment. 193 Questions and discussion. 200 REP. SCHOON pointed out a revenue gain to the counties if the 3% discount and trimester payments are eliminated. 218 Questions and discussion. 239 KIM WORRELL interjected that most districts are currently budgeting 10% to 12% anticipated noncollected tax.

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250 REP. HOSTICKA questioned if counties are currently meeting the needs of citizens and the effects of Measure 5 on those needs. 254 GIL RIDDELL estimated a loss for the ad valorem property tax system of approximately \$24 million for counties (first year of Ballot Measure 5). Ballot Measure 5 will impact services and will slow down implementation of HB 2338 (1989 Legislative Session). He reviewed the major services that counties provide. 300 Questions and discussion regarding direct losses to the ad valorem property tax system under Ballot Measure 5. 322 Questions and discussion regarding taxpayer reactions to reports of higher assessed property valuations. 353 Questions and discussion regarding a public perception that taxpayers are being forced to vote for a sales tax. TAPE 39 SIDE B 001 Questions and discussion regarding a six year assessment cycle (HB 233 8). 036 REP. JONES pointed out previous testimony from Gil Riddell regarding the six year assessment cycle. (see Exhibit 5 from January 31, 1991 House Revenue Meeting) 060 REP. CLARK recognized the short term needs of counties. He emphasized

that this committee must have integrity in dealing with the implementation of Measure 5. 083 GIL RIDDELL emphasized that county officials are sensitive to issues raised by Rep. Clark. 102 GIL RIDDELL was concerned with language in Section 214, lines 7 and 8, page 108 of HB 2550. The listings of exclusions of "Educational services" may need to be clarified by adding "not sponsored by schools". 117 CHAIR JONES was also concerned with the section as pointed out by Gil Riddell. 121 GIL RIDDELL supported Section 216 of HB 2550 which provides a definition of property unit. 140 KIM WORRELL commented on language of "dollars and cents" in Sections 221 through 223 of HB 2550. He will provide the committee with preferred language. He suggested the addition of "contiguous" in Section 215, line 11 of HB 2550.

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180 CHAIR JONES recessed the meeting at 9:14 and reconvened the meeting at 9:30. 193 JULIE BRANDIS and SAM EAZOR commented on issues in HB 2550. (see Exhibit 16 from February 8, 1991 House Revenue meeting) Questions and discussion interspersed. TAPE 40 SIDE B ,005 JULIE BRANDIS and SAM EAZOR continued with their testimony. Questions and discussion interspersed. 153 GARY WILHELMS commented on concerns in relationship to HB 2550 and the implementation of Ballot Measure 5: - Definition of unit of property. - Reference to "or any other law" that is contained in Section 215 and 216. - Elimination of 3% property tax discount (represents about \$1 million per year for US West). - Limitations of Measure 5 involve more than ad valorem taxes and the impact on US West regarding what other taxes may come under the limits of Ballot Measure 5. - Possible taxation on utilities by state and local government to recover loss caused by Measure 5. - Discussions of possible utility windfall profits. 230 GARY WILHELMS discussed the total valuation of US West property. 240 Questions and discussion. 295 JIM COLEMAN referred to a handout from the League of Oregon Cities and reviewed the definition sections of HB 2550. He explained the nonbonded debt definitions as supported by the League of Oregon Cities. Exhibit 3 360 Questions and discussion interspersed. TAPE 41 SIDE A 001 Questions and discussion continued regarding suggested definitions from the League of Oregon Cities. 031 JIM COLEMAN continued with the League's suggested definition of Actual Cost. Exhibit 3 069 Questions and discussion regarding language of "reasonable program delinquencies".

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090 JIM COLEMAN pointed out that the League differs with the Attorney General's office pertaining to "specific request" definition - no. 6, iii. Exhibit 3 143 Questions and discussion regarding examples of "specific request", no. 6, iii. Exhibit 3 Questions and discussion interspersed. 237 Questions and discussion regarding health hazard (forced) ,annexations. 124 JIM COLEMAN clarified that the League is providing definitions in order to define circumstances related to the provisions of utility type services (to verify if within Measure 5 limit). 130 Discussion regarding service related areas. 180 Questions and discussion. 250 JIM COLEMAN reviewed suggested definitions of

"local improvement", "single assessment" and "special benefit only to specific properties". Exhibit 3 352 JIM COLEMAN discussed suggested definitions of "structure", "capital improvement" and "facility". Exhibit 3 Questions and discussion interspersed. TAPE 42 SIDE A ~ 006 GLENN KLEIN reviewed suggested bonded debt definitions from the League of Oregon Cities. He summarized his written testimony. Exhibit 4 108 Questions and discussion regarding "general obligation limited" recommendations from the Municipal Debt Advisory Commission report. (see Exhibit 2 from House Revenue January 28, 1991 meeting - Measure 5) 136 Questions and discussion regarding language of "one year later" in HB 255 0 relating to- bonded indebtedness authorized by a specific provision of the Constitution. 163 DENISE McPHAIL commented on predicted savings for PGE under Ballot Measure 5. She explained POE's overall tax rate and a freeze on valuation for calculation of savings. 224 Questions and discussion. 234 DENISE MCPHAIL commented on the language of "penalty" assigned to additional taxes and back taxes in HB 2550.

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Linda Leach, Committee Assistant . - Kimberly Taylor , Office Manager

EXHIBIT SUMMARY 1. Measure 5 Implementation Issues, LRO, 2/2/91 - HB 2550 2. Testimony from Linda Lynch, City of Eugene, 2/5/91 - HB 2550 3. Testimony from Jim Coleman, League of Oregon Cities, 2/1/91 - HB 2550 4. Testimony from Glenn Klein, League of Oregon Cities, 2/4/91 - HB 2550

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