

February 8, 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: Senator Shirley Gold, Senate District 7 Elizabeth Stockdale, Department of Justice Jim Coleman, League of Oregon Cities Glenn Klein, League of Oregon Cities Peter Xasting, City of Portland John Marshall, Oregon School Boards Association

TAPE 51 SIDE A 005 CHAIR JONES called the meeting to order at 8:05 and conducted administrative business. BILL INTRODUCTION 010 SENATOR GOLD presented LC Draft 1871-5 which changes the amount of the personal income tax rates, increases a personal exemption credit, increases a standard deduction, and eliminates federal and foreign tax deductions. She represented Legislators for Tax Justice and Heart of Oregon Coalition. She referred to two relating Senate Bills, SB 437 and SB 438 and pointed out a handout entitled What LC 1981 Does. Exhibits 1, 2 059 SENATOR GOLD pointed out LC Draft 1871-5 is designed to be revenue neutral. 066 MOTION Rep. Hosticka moved introduction of LC Draft 18715 as a committee bill. . . 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 February 8, 1991 Page 2 070 ORDER There being no objection, Chair Jones so ordered. 071 JIM SCHERZINGER referred to two drafts at the request of the Executive Department. Draft LC 1106 increases an aircraft fuel tax rate and Draft LC 200 4 increases timber harvest tax rates which supports a forest research lab at Oregon State. Exhibits 3,4,5 089 MOTION Chair Jones moved introduction of Draft LC 1106 and Draft LC 200 4 as committee bills. 091 ORDER There being no objection, Chair Jones so ordered. 090 JIM SCHERZINGER explained Draft LC 2284 allows a tax credit to people who have withdrawn money from an IRA, who made contributions to that IRA from another state where a deduction was not allowed. He provided an example. Exhibit 6 105 CHAIR JONES pointed out LC Draft 2284 is at the request of Edna Walker. 116 MOTION Chair Jones moved introduction of Draft LC 2284 as a committee bill at the request of Edna Walker. 117 ORDER There being no objection, Chair Jones so ordered. 120 JIM SCHERZINGER explained Draft LC 1437 imposes a fee on the retail sale of studded tires and dedicates the proceeds for maintenance and repair of highways. Exhibit 7 124 CHAIR JONES pointed out Draft LC 1437 is at the request of Gerald Webking. 130 MOTION Chair Jones moved introduction of Draft LC 1437 as a committee bill at the request of Gerald Webking. 133 ORDER There being no objection, Chair Jones so ordered. WORK SESSION - HB 2550 140 STEVE MEYER referred the members to Section 210, page 105 of HB 2550 (definitions). He pointed out Proposed Amendments to HB 2550 and Hand Engrossed HB 2550 from Elizabeth Stockdale. He referred to a handout from the City of Portland. Exhibits 8, 9 and 10 156 ELIZABETH STOCKDALE reviewed her handouts. Exhibit 8,9 170 Questions and discussion regarding committee schedule.

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190 ELIZABETH STOCKDALE reviewed an attempt to integrate into Section 210 of HB 2550 the definitions the committee discussed during previous Revenue meetings. She interjected the League of Oregon Cities has reviewed amendments. Exhibit 9 210 Questions and discussion regarding committee procedure. 230 ELIZABETH STOCKDALE started with the definition of property on line 5 of Hand Engrossed HB 2550. Exhibit 9 250 Questions and discussion regarding why intangible property was not included in the definition of property. 284 ELIZABETH STOCKDALE clarified there is no intent by the definition of property to preclude the application of Ballot Measure 5 to a property tax on intangibles, if a tax on intangibles were enacted in the future. 218 Questions and discussion. 230 ELIZABETH STOCKDALE reviewed a definition of direct consequence of ownership. She reminded the committee of a ongoing reconsideration by the Attorney General regarding direct consequence of ownership. 312 ELIZABETH STOCKDALE reviewed changes regarding controlled or avoided and direct control within the definition of incurred charge. She referred to paragraphs 4 and 5 of Hand Engrossed HB 2550. Exhibit 9 344 ELIZABETH STOCKDALE pointed out paragraphs 4, 5, 6, and 7 of Hand Engrossed HB 2550 relate to elements within the incurred charge definition. Exhibit 9 380 Questions and discussion regarding examples of direct control. 410 Questions and discussion regarding examples of utilities and flat rates. 420 ELIZABETH STOCKDALE provided three exception" under incurred charge. TAPE 52 SIDE A 002 Questions and discussion regarding examples using sewer rates. 012 ELIZABETH STOCKDALE reviewed specific request definition and pointed out subsection (a) and (b) were two concepts from the League of Oregon Cities which the committee accepted. The third concept provided by the League was not accepted by the committee. 040 Discussion pertaining to action and inaction by a property owner.

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051 Discussion regarding language of legal consequence in specific request (b). Exhibit 9 060 Questions and discussion regarding examples of specific request. 081 Discussion regarding examples of affirmative action by an individual. 090 ELIZABETH STOCKDALE summarized an attempt to clarify definitions which come under incurred charge and a relationship to the limits of Measure 5. 123 ELIZABETH STOCKDALE reviewed a revised definition of routine obligations of ownership which was proposed by the League of Oregon Cities. Exhibit 9 146 ELIZABETH STOCKDALE commented on a definition of local improvement which reflects the recommendation from the League of Oregon Cities. Exhibit 9, line 23 163 ELIZABETH STOCKDALE pointed out line 25 was corrected to conform with language in the Constitution. Exhibit 9 170 ELIZABETH STOCKDALE explained paragraph (10) regarding the status of a capital construction project reflects the proposal by the League of Oregon Cities. 182 Questions and discussion regarding any relationship between local improvement and systems development charges. 202 REP. HOSTICKA was concerned with an impact on citizens because of costs associated with projects (relating to the language of general benefit). 216 CHAIR JONES

related an existing statute which clarifies how a systems development charge can be used. She questioned how the existing statute relates to definitions under capital construction. 226 JIM COLEMEN pointed out the definitions provided for systems development charges are designed to come within the incurred charge exception. 250 GLENN KLEIN clarified the systems development charge would come under the definition of incurred charge depending on how a local systems development ordinance is written. He related that a charge may not be on property and therefore would not be necessary to bring into incurred cost. 263 CHAIR JONES clarified this committee is not changing the current system regarding systems development charge.

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 February 8, 1991 Page 5 285 ELIZABETH STOCKDALE emphasized a systems development charge relating to Ballot Measure 5 was an issue of function (how a local ordinance is written exercising existing authority). She explained two ways a systems development charge would not be within the limits of Measure 5. 300 ELIZABETH STOCKDALE reviewed a definition of single assessment in Hand Engrossed HB 2550. Exhibit 9, paragraph 11 320 ELIZABETH STOCKDALE reviewed paragraph 12 regarding the definition of special benefit only to specific properties. She pointed out the definition was recommended by the League of Oregon Cities and reflects current practice.- A correction was needed to switch the order of "peculiar and special benefit" to "special and peculiar benefit" in order to correspond with current statute. 342 ELIZABETH STOCKDALE reviewed a definition of actual cost in paragraph 13 of Hand Engrossed HB 2550. Exhibit 9 370 CHAIR JONES questioned if the language in actual cost meets the intent of Measure 5. 375 ELIZABETH STOCKDALE discussed the interpretation of Measure 5 intent if a local government unit is imposing a charge that qualifies as an incurred charge. She explained a delivery cost as part of a service. TAPE 51 SIDE B 006 ELIZABETH STOCKDALE pointed out the phrase of actual cost is not used in connection with bond exceptions. 013 GLENN KLEIN commented on the language of "fixed or variable amount" under definition of actual cost. 028 Questions and discussion regarding variable amount and cost of maintenance. 043 ELIZABETH STOCKDALE pointed out three exceptions which must be met for a charge or service (tax on property) not to come under the limits of Ballot Measure 5. 060 Questions and discussion regarding return on investment factors. 075 ELIZABETH STOCKDALE continued her review of definition of actual cost. Exhibit 9 100 Questions and discussion regarding a flat charge by a utility.

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121 ELIZABETH STOCKDALE discussed a definition of capital construction and pointed out a correction needed to eliminate reference to "buildings" and replace with "structure". Exhibit 11, page 3 183 Questions and discussion regarding definition of structure. 204 Discussion regarding a timeframe between acquisition of property and construction. 268 Questions and discussion regarding the purchase of

water rights. 300 CHAIR JONES recessed the meeting at 9:24 and reconvened the meeting at 9:37 as a subcommittee until a quorum was reached at 9:40. 320 PETE KASTINGS referred to proposed amendments to Sections 210 and 213 of HB 2550. He explained a City of Portland benefit package for Police and Fire Fighters. He reviewed a feature of this plan for funding the benefit package and explained the reasons for the requested amendments. Exhibit 10 413 Questions and discussion regarding comparing contract obligations. TAPE 52 SIDE B 003 Questions and discussion regarding impairment of contract and funding of the benefit plan as described by City of Portland. 034 Questions and discussion regarding current funding rate for the City of Portland benefit plan. 048 PETER KASTING interjected that a law suit has not been filed. 054 PETER KASTING pointed out differences between other government contracts and the City of Portland Police and Fire Fighter benefit plan. 068 Questions and discussion regarding source of funding for City of Portland benefit plan. 076 PETER KASTING discussed possible problems relating to funding and a shortfall. 100 Questions and discussion regarding court cases similar to issues as described by Peter Kasting. 106 Questions and discussion regarding budget cuts to City of Portland Police Department. 115 Discussion regarding a possible impairment decision from the courts.

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 February 8, 1991 Page 7 150 REP. HOSTICKA clarified that the City of Portland is not requesting this committee decide if the situation described by Peter Kasting is an impairment of contract or is covered by Measure 5. 152 PETER KASTING agreed with Rep. Hosticka's clarification. 150 PETER KASTING requested a statutory provision which would allow the City of Portland to implement a favorable court ruling without creating disruption in a tax collection process. 153 REP. HOSTICKA supported the request from the City of Portland. 157 JIM SCHERZINGER pointed out a possible policy decision within the request from the City of Portland relating to the limits of Ballot Measure 5. 180 REP. CLARNO noted her concern of setting a precedent regarding items considered outside the limits of Ballot Measure 5. 180 REP. CLARK commented usually public health, safety and welfare is narrowly defined. 187 REP. BURTON suggested a possible LC Draft reflecting the request of City of Portland could be written broader. 195 Questions and discussion. 230 ELIZABETH STOCKDALE commented on the proposed amendments offered by the City of Portland and two possible issues the courts would deal with. 285 Questions and discussion. 334 PETER KASTING pointed out the requested amendment would provide a procedure for the county assessors to follow. 352 Questions and discussion. 372 CHAIR JONES suggested the City of Portland provide language to Legislative Counsel for draft preparation. 383 CHAIR JONES requested input from schools regarding what is included in capital improvement definition. 390 JOHN MARSHALL provided a notice of measure election for Beaverton School District. He noted the purpose for requested bonds are consistent with statutory authority contained in ORS 328.205 which provides school districts specific authority to issue general obligation bonds for specific purposes. Exhibit 11

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TAPE 53 SIDE A 001 JOHN MARSHALL explained the school districts' interest in the definition of capital construction and improvements in HB 2550 was for the school districts' authority to submit questions to voters and have the debt service outside the limits of Ballot Measure 5. He supported the amendments as presented by Elizabeth Stockdale regarding capital construction and improvement definitions. He noted these definitions conform to current practice. p18 CHAIR JONES supported sections in HB 2550 be identified which do not relate to implementation of Ballot Measure 5 and address those issues separately. She was concerned with public perception that the Legislature is trying to circumvent the passage of Ballot Measure 5. 042 REP. CLARK and REP. WHITTY agreed with Chair Jones. 060 Questions and discussion regarding committee procedures for dealing with Ballot Measure 5 implementation and other policy issues. 075 REP. SCHOON supported the separation of implementation and policy issues and requested identification of the sponsors relating to policy issues. 093 REP. HOSTICKA commented on three issues which require decisions: 1) Changes required by Ballot Measure 5. 2) Clarification needed on issues raised because of Ballot Measure 5. 3) Deal with issues impacted by Measure 5. 107 REP. BURTON commented on replacing the current property tax system and a need to clarify questions. He agreed with Rep. Hosticka. 142 CHAIR JONES clarified her desire for local governments to understand the intent of the Legislature. 153 Discussion regarding committee procedure. 177 JIM SCHERZINGER reviewed Measure 5 Implementation Issues as of 2/5/91. He identified areas not directly required by Measure 5 as pointed out previously by the committee. Exhibit 12 311 CHAIR JONES clarified issues related to Ballot Measure 5. 303 REP. HOSTICKA clarified that this committee is not establishing Legislative intent. 339 REP. SCHOON explained his support to deal with policy issues outside of HB 2550 in relationship to changing law. 327 REP. HOSTICKA compared changing a law with interpreting a law.

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 February 8, 1991 Page 9 337 REP. BURTON agreed with Rep. Hosticka. 367 CHAIR JONES clarified her intent to review certain policy issues separate from HB 2550. She conducted administrative business and adjourned the meeting at 10:37.

Linda Leach, Committee Assistant

. Kimberly Taylor, Office Manager EXHIBIT SUMMARY 1. LC Draft 1871-5, Sen. Gold, 2/1/91 - LC Drafts 2. What LC 1871 Does, LRO, 2/7/91 - LC Drafts 3. Letter from Michael Marsh, Executive Department, LC 2204, LC 1006, 1/30/91 - LC Drafts 4. LC Draft 1106, Executive Department, 11/20/90 - LC Drafts 5. LC Draft 2004, Executive Department, 11/30/90 - LC Drafts 6. LC Draft 2284, Edna Walker, 1/4/91 - LC Drafts 7. LC Draft 1427, Gerald Webking, 9/10/90 - LC Drafts 8. Proposed Amendments to House Bill 2550, Elizabeth Stockdale, 2/8/91 - HB 2550 9. Hand Engrossed HB 2550 - DOR-2 Amendments, Elizabeth Stockdale, 2/8/91 - HB 2550 10. Testimony from the City of Portland, Peter Kasting, 2/7/91 - HB 2550 11. Example of Capital Improvements, John Marshall, Oregon School Boards Association, 8/14/90 - HB 2550 12. Measure 5 Implementation Issues as of 2/5/91, LRO - HB 2550 13. Additional testimony regarding Governor's budget overview, Executive Department, 2/4/91 - 1991-93

Budget 14. Testimony from Associated Oregon Industries (verbally presented on 2/4/91) - HB 2550

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