

Tapes83-84(A/B) Tapes85-86 (A) Public Hearing: HB 2550 HOUSE COMMITTEE
ON REVENUE AND SCHOOL FINANCE

February 25, 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: Ray Wilkeson, Oregon Forest
Industries Council (OFIC) Gary Carlson, Oregon Small Woodlands
Association Gerald Bennett, Superintendent, Linn-Benton ESD Ron
Chastain, Economist Bill Hampton, Superintendent, Sweet Home Chuck
Jackson, Superintendent, Philomath John Danielson, Oregon Education
Association Jerry Hanson, Washington County Greg Sweek, Morrow County
Jim Kenney, Department of Revenue Tom Linhares, Oregon State Association
of County Assessors TAPE 83 SIDE A 005 CHAIR JONES called the meeting
to order at 8:08 as subcommittee until a quorum was reached at 8:12. She
conducted administrative business. PUBLIC HEARING - HB 255 0 029 RAY
WILKESON supported amendments to HB 2550 regarding timber severance
taxes. He reviewed areas of the tax and the tax rate, the sunset
provision, the offset, and the revenue comparison. The objective of
equivalency was addressed. Exhibits 1, 2 070 Questions and discussion
regarding Proposed Amendments HB 2550-2. Exhibit 2

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 25,
1991 Page 2 104 Questions and discussion regarding bonding included in
the proposed rate by OFIC. 111 RAY WILKESON continued his testimony.
165 RAY WILKESON explained how severance tax currently works as an
offset and how severance tax is proposed under HB 2550 (change to a
privilege tax). An example was provided. 180 CHAIR JONES summarized the
difference between using the timber severance tax as an offset and as a
revenue source. 206 RAY WILKESON referred to Attachment 1 of his
testimony and compared revenues from current offsets to estimated
revenues under a privilege tax. Exhibit 1 252 CHAIR JONES summarized
revenue reduction based on the proposal from OFIC. 265 Questions and
discussion follow regarding the reduction under Measure 5. It was
clarified that this refers only to severance tax and not property tax.
278 GARY CARLSON read his prepared testimony and supported the
equivalent relief proposal as presented by the Oregon Forest Industries
Council. Exhibit 3 341 Questions and discussion. 352 Questions and
discussion regarding acreage of farms considered small under forest land
statutes. 376 Questions and discussion regarding christmas tree farming
and taxation. 410 GERALD BENNETT provided history of the Western Oregon
Severance Tax (WOST) Consortium and summarized his prepared testimony.
Exhibit 4 TAPE 84 SIDE A 010 GERALD BENNETT continued with the
historical outlook of the WOST Consortium. Exhibit 4 045 GERALD BENNETT
provided a chart titled WOST OFFSETS listing school districts in Linn
Benton depicting problems for timber based school districts. Exhibits 5,
6 075 GERALD BENNETT emphasized four areas of requested support from the
Revenue Committee. Exhibit 4, Page 2

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 25,

1991 Page 3 143 Questions and discussion regarding maintaining existing distribution formula as suggested by Gerald Bennett. Exhibit 4, Page 3 (5) 191 Questions and discussion regarding a proposal to exclude federal timber. Exhibit 4, Page 2 (4) 221 Questions and discussion regarding timber based school districts. 245 GERALD BENNETT emphasized school districts need to know as soon as possible the amount of replacement revenue. 267 REP. SCHOON did not agree with testimony from Gerald Bennett and discussed the reasons for establishing a severance tax in 1977. 285 GERALD BENNETT interjected that timber can operate on sustained yield and the severance tax was implemented for a profit basis and not to help school districts. 321 REP. SCHOON did not want to return to an ad valorem system for timber taxation. 340 Questions and discussion concerning distribution of severance tax. 368 BILL HAMPTON addressed testimony from OFIC and explained how Sweet Home currently receives the largest share of WOST. Reference is made to the tax report on the Sweet Home School District. Exhibit 7 TAPE 83 SIDE B 011 BILL HAMPTON urged the committee support the following: 1) Severance tax considered a privilege tax. 2) Revenue from privilege tax be considered direct resource to local government budgets. 3) Distribution rate under privilege tax maintained at 75 percent of the property tax resource. 4) Provide reforestation the status of ad valorem instead of privilege tax. 030 Discussion and questions follow regarding the authorized levy and the relation to distribution. 073 RON CHASTAIN reviewed the reforestation tax and noted it is a separate law enacted in the 1920's. 135 Discussion and questions addressing two tax rates. 146 CHAIR JONES clarified the Legislature has authority to decide how money should be distributed either by authorized levy as compared to the cap imposed.

. 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 25, 1991 Page 4

155 Questions and discussion regarding reforestation.tax. 178 REP. WHITTY referred to the low millage rate for Sweet Home in 197981. Exhibit 7 190 Discussion follows regarding stumpage value and cost of timber. 216 BILL HAMPTON supported a proposal to change timber severance tax to a privilege tax. ,227 Questions and discussion follow regarding Ron Chastain's background with reference to severance tax. 235 REP. HOSTICKA questioned an equivalency rate and the original definition. 255 CHUCK JACKSON testified in support of HB 2550 relating to the Western Oregon Severance Tax. Prepared testimony was read. Exhibit 8 340 Questions and discussion regarding tax rate, stability and growth rate in Philomath. 377 Questions and discussion regarding growth of school districts. TAPE 84 SIDE B 001 GERALD BENNETT referred to, the Oregon Forest Industries Council (OFIC) proposal's impact on local districts and how that compares with the proposal in HB 2550. 007 CHAIR JONES recessed the meeting at 9:32 and reconvened at 9:56 as subcommittee until a quorum was reached at 9:58. 010 BILL HAMPTON requested an opportunity to review the proposal from OFIC. 021 Questions and discussion regarding a balance of views and a need to consider the future of schools (not only immediate future). 038 JOHN DANIELSON identified major decision points before the committee in reference to timber severance tax and summarized his prepared testimony. Exhibit 9 111 Questions and discussion. 128 JOHN DANIELSON interjected that Ballot Measure 5 was not intended for timber severance tax windfalls. 181 Questions and discussion regarding replacement revenue. Exhibit 9 (3)

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 25, 1991 Page 5

234 Questions and discussion regarding a state-wide distribution formula. 280 REP. WHITTY interjected he voted against the safety net bill during a prior Legislative Session. 310 JERRY HANSON supported timeline entitled HB 2550 as changed by the committee (dated 2/22/91). He explained advantages comparing the current system to a prior proposed timeline. Exhibit 10 TAPE 85 SIDE A 001 JERRY HANSON continued with his testimony in support of proposed timeline and provided examples. Exhibit 10 030 GREG SWEEK urged the committee to support SB 550 and explained a need from the counties to have the assessor's process validated. 041 Questions and discussion follow regarding declining value appeals. 068 Questions and discussion regarding new construction tax proration. 093 JERRY HANSON commented on Association of Oregon Industries (AOI) opposition to SB 550. The assessment date is comprised of the discovery date and the valuation date. He pointed out a problem of forecasting the values and dealing with the real market value concept. 112 Questions and discussion regarding possible hardships on retailers because of a December tax due date. 138 GREG SWEEK noted some disagreement as to the timeline from various county assessors but as an association supported the general timeline as proposed by the Revenue Committee. 160 JIM KENNEY clarified declining value as proposed in HB 2550 and addressed difficulty involved for determining when a loss occurred. 189 Questions and discussion follow regarding declining value appeals. 200 Discussion continued regarding hardship to retailers. 260 TOM LINHARES reviewed possible impacts from Measure 5 on farm use assessment and forest use assessment. The Oregon State Association of County Assessors supported back taxes collected as a penalty (instead of a tax) as proposed in HB 2550. 304 Questions and discussion regarding property assessment. 355 Questions and discussion regarding farm assessment and impact on lands currently not in the urban growth boundary.

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 25, 1991 Page 6 TAPE 86 SIDE A 001 TOM LINHARES explained an attempt to develop inventory lands for farm activity. 006 Questions and discussion regarding farm use assessment calculation. 050 CHAIR JONES conducted administrative business and adjourned the meeting at 10:56. ~

Linda Leach, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY 1. Testimony from Oregon Forest Industries Council (OFIC), 2/25/91 - HB 255 0 2. Proposed Amendments HB 2550-2, OFIC, 2/21/91 - HB 2550 3. Testimony from Oregon Small Woodlands Association, 2/25/91 - HB 2550 4. Testimony from Gerald Bennett, 2/25/91 - HB 2550 5. MOST Offsets, Gerald Bennett, 2/25/91 - HB 2550 6. MOST Offsets for Selected Education Districts, Gerald Bennett, 2/25/91 - HB 2550 7. Mini-Tax Report on Sweet Home School District, Bill Hampton, 2/25/91 - HB 2550 8. Testimony from Chuck Jackson, 2/25/91 - HB 2550 9. Testimony from OEA, 2/22/91 - HB 2550 10. Timeline HB 2550, LRO, 2/22/91 - HB 2550 (see Exhibit 3 from 2/22/91 House Revenue meeting) - HB 2550

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.