

Tapes 158-161 (A/B) Tapes 162-163 (A) Public Hearing: HB 3050 Work
Session: HB 3030 SB 815A HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE

April 15, 1991 8:00 AN 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 Terry
Drake, Legislative Revenue Office Steve Meyer, Legislative Revenue
Office Linda Leach, Committee Assistant

Witnesses Present: Gary Carlson, Association of Oregon Industries David
Canary, Attorney, Association of Oregon Industries Dale MacHaffie, Tax
Manager, ESCO Gary Pape, Pape Brothers Greg Sweek, Morrow County
Assessor Jerry Hanson, Washington County Assessor Jim Gangle, Lane
County Assessor Pete Christensen, Dallas School District Superintendent
Dale Nees, Alsea School District, Superintendent Ozzie Rose,
Confederation of School Administrators Mike Holland, Community College
Commissioner

TAPE 158 SIDE A 005 CHAIR JONES called the meeting to order at 8:12 as
a subcommittee until a quorum was reached at 8 13. She conducted
administrative business.

, 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 April 15, 1991
Page 2 WORK SESSION - HB 3030 022 TERRY DRAKE reviewed HB 3030 which
originally proposed an increase of \$1 to the drivers license fee which
would be distributed to four various traffic safety related programs.
The committee requested amendments for an increase of 25 cents for
dedicated funding of OSSOM (Oregon Student Safety on the Move). He
reviewed Proposed Amendments to HB 3030-2, 4/11/91. Exhibit 1 Questions
and discussion interspersed. 075 TERRY DRAKE explained Proposed
Amendments to HB 3030-1 are moot. Exhibit 2 080 MOTION REP. PARKINSON
moved adoption of Proposed Amendments to HB 3030-2 dated 4/11/91. 084
DISCUSSION 089 ORDER There being no objection, Chair Jones so
ordered. 090 MOTION REP. PARKINSON moved HB 3030 as amended to Ways
and Means Committee. 095 VOTE In a roll call vote, the motion was
adopted (7-0). AYES: Rep. Clarno, Rep. Nelson, Rep. Parkinson, Rep.
Whitty, Rep. Burton, Rep. Hosticka, Rep. Jones. EXCUSED: Rep. Clark,
Rep. Schoon. PUBLIC HEARING - HB 3050 133 STEVE MEYER provided an
overview of HB 3050 which is titled Oregon Taxpayer Bill of Rights. - HB
3030 provides a specific limit on setting real market value. - Requires
an appraiser be appointed to serve as property tax ombudsman. - Tax
court and supreme court shall award attorney fees if the taxpayer
prevails in an appeal. - Limits authority of Department of Revenue to
issue third party subpoenas. - Requires that appeal of tax matter to the
Department of Revenue be determined within 12 months or be considered
granted. - Definition of intangible personal property exempt from tax.
Addresses determination of industrial plant values. - Requires parties
to property value appeal to exchange appraisal reports prior to hearing.
- Limits lien on personal property to property assessed. Questions and

discussion interspersed.

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 April 15, 1991 Page 3 238 GARY CARLSON testified in support of HB 3050. He read his prepared testimony. Exhibit 4 TAPE 159 SIDE A 001 GARY CARLSON continued with his prepared testimony. 067 DAVID CANARY provided his background and supported a "level playing field" to all taxpayers and referred to the taxpayer's bill of rights. He addressed Section 8 of HB 3050 relating to the Department of Revenue's subpoena powers in relationship to property tax. 142 DAVID CANARY reviewed Section 13 relating to intangibles and the Department of Revenue's procedures for assessing real and tangible personal property. HB 3050 attempts to clarify and limit that intangible assets should not be assessed as real property. 199 DAVID CANARY reviewed Section 3 of HB 3050 relating to an adjudicated value cannot exceed the first value. 216 DAVID CANARY commented on Section 12 which deals with a problem of the length of time the Department of Revenue takes to process appeals. 236 DALE MAC HAFFIE supported HB 3050 and read his prepared testimony. Exhibit 16 276 Questions and discussion regarding Section 4 of HB 3050 relating to a depreciation schedule for personal property appraised amount. 300 GARY CARLSON pointed out that valuation is not the purpose of Section 4. 338 Questions and discussion regarding role of proposed ombudsman. 357 Questions and discussion regarding value approach v. income approach for appraised value. TAPE 158 SIDE B 004 Questions and discussion regarding Section 12 regarding an appeal granted to a taxpayer (if Department of Revenue has not made a ruling within twelve months). 020 Questions and discussion regarding Section 15 of HB 3050. 036 GARY PAPE provided examples regarding repossessed and resold property and property liens. 050 REP. NELSON was concerned for counties which could not afford an ombudsman as proposed in Section 5. He commented on assessor's helpful assistance to taxpayers.

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061 GARY CARLSON believed the language in Section 5 would not cause additional burden on the assessor's office. 085 Questions and discussion regarding election of most tax assessor's.

114 REP. CLARNO suggested language in Section 5 to allow the county assessor take the place of the ombudsman. 127 Questions and discussion regarding economic obsolescence relating to Section 4 and how to calculate value by cost approach and income approach. 145 GARY CARLSON believed language in HB 3050 is consistent. 206 Questions and discussion regarding attorney fees relating to taxpayer appeals (contingency fee). 218 Questions and discussion regarding proposed 12 month required decision from the Department of Revenue and effect if amendments are filed. 246 Questions and discussion regarding a fiscal impact from proposed ombudsman and attorneys fees. 283 DAVID CANARY indicated most sections in HB 3050 deal with utility properties, except if amended statutes specifically exclude utility properties (he provided examples). He noted that the intangible section would not apply to

utilities. 320 GREG SWEEK testified in opposition to HB 3050. He reviewed his prepared testimony. Exhibit 5 Questions and discussion interspersed (depreciation of personal property value, cost approach v. income approach). TAPE 159 SIDE B 014 JERRY HANSON commented on market value approach regarding property appraisals. 036 GREG SWEEK continued with his prepared testimony. Exhibit 5 088 Questions and discussion regarding Association of County Assessors opposition to HB 3050. 101 JERRY HANSON commented on motivation of assessment personnel which is to find a fair property value. 141 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 April 15, 1991 Pages 162 JERRY HANSON was interested in a fair tax system and believed HB 3050 is an industrial taxpayer bill of rights. 183 Questions and discussion regarding industrial taxpayer bill of rights v. general taxpayer bill of rights. 205 JERRY HANSON reviewed his concerns with HB 3050 beginning with Section 4. He continued with his concerns regarding Sections 2, 5, 12, 6, 7. 310 Questions and discussion regarding moving equipment out of a county. 332 JERRY HANSON continued with his concerns regarding intangibles. 355 Questions and discussion. TAPE 160 SIDE A 001 Questions and discussion continued. 017 Discussion regarding comments relating to taxpayer bill vs. industrial bill (income approach v. cost approach). 047 REP. BURTON commented that residential taxpayers (from large counties) are concerned with accessibility to information and clarity relating to property tax appeal process. Policy question of an ombudsman for certain situations may be legitimate. 059 JIM GANGLE was concerned with cost and time for the proposed ombudsman. 083 CHAIR JONES conducted administrative business and recessed the meeting at 10:12. She reconvened the meeting at 10:32. WORK SESSION - SB 815 A 106 TERRY DRAKE reviewed SB 815A with coalition amendments and urban renewal blackboard summary. Exhibit 7 Questions and discussion interspersed. 200 TERRY DRAKE referred to May 1991 School District Levy Elections with hand engrossed percentages as requested by Rep. Hosticka. Exhibit 8 250 Questions and discussion regarding Exhibit 8. 350 Questions regarding Harney County.

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360 JIM SCHERZINGER reviewed School Finance Simulation-Coalition D-1. Exhibit 9 Questions and discussion interspersed regarding Coalition D-1 simulation. TAPE 161 SIDE A 001 Questions and discussion regarding value growth, urban renewal, and WOST reflected in School Finance Simulations. 038 PETE CHRISTENSEN summarized his prepared testimony and commented on competing school needs, May elections, and state tax replacement dollars (should balance educational opportunity). Exhibit 10 084 DALE NEES agreed with testimony from Pete Christensen and pointed out special issues relating to small school districts. He requested higher consideration of revenue replacement for safety net districts. 110 Questions and discussion (Alsea and Dallas School District's current tax rate, growing v. declining enrollment and cost per student). 120 DALE NEES noted concern with replacement dollar change as proposed by Education First Coalition. 130 Questions and discussion regarding May elections for school districts. 146 Questions and discussion regarding costs for recommendations B, C or D from Pete Christensen.

Exhibit 10 162 JIM SCHERZINGER reviewed Proposed Amendments to A-Engrossed Senate Bill 815 , SB 815-A10 (work copy 4/15/91). Exhibit 11 Questions and discussion interspersed. 390 Questions and discussion regarding a 6% proration calculation for appropriations (Section 3). Exhibit 11 TAPE 160 SIDE B 001 Discussion continued. 019 JIM SCHERZINGER continued his review of Proposed Amendments to SB 815 A-A10 (Section 4 - Equity Fund). Questions and discussion interspersed.

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 April 15, 1991 Page 7 074 MIKE HOLLAND explained SB 815A is for replacement only and appropriations would come out of Ways and Means Committee (for community college support). 087 MIKE HOLLAND explained a method of distribution for community college funds through a replacement fund based on 1990/91 plus 6%, and an allocation for a few districts with special concerns (Clackamas and Lane). 094 REP. HOSTICKA questioned if community colleges are departing from ,a philosophy of not recognizing any elections since 1990/91. 102 MIKE HOLLAND answered if the allocation is sufficient, it is the intent of the community colleges to recognize the additional levy authority of Lane Community College which was secured in November. The Community Colleges would not, under proposed rules, be recognizing any later elections that would occur this spring. 104 JIM SCHERZINGER continued his review of Proposed Amendments to SB 815 -A10 (Section 6 - State obligation). 232 TERRY DRAKE pointed out an error in the School Finance Simulation relating only to Linn County which should not affect totals. Exhibit

268 Questions and discussion. 319 REP. HOSTICKA interjected that some districts will receive less than 199 0/91 revenues for operations, because of high tax rates and loss under Measure 5, the proration proposed will take those districts even lower. 326 OZZIE ROSE believed all elections will not be successful and assessed values are conservative. 340 Questions and discussion regarding May elections and safety net districts. 347 REP. SCHOON was concerned about school districts which will be cut because of their high tax rate. 358 REP. NELSON was concerned with districts losing money under the proposed first year formula. 375 OZZIE ROSE addressed issues affecting requirement of proration. 410 CHAIR JONES questioned if the committee supports the Coalition plan. She discussed committee procedures.

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TAPE 161 SIDE B 001 CHAIR JONES acknowledged that the process for the first year formula is not the equity needed for the long term. However, the proposal from the Coalition is the best compromise. 020 MOTION REP. PARKINSON moved adoption of Proposed Amendments to AEngrossed SB 815-A10. Exhibit 11 025 REP. CLARK will support the motion and acknowledged that the first year formula is a difficult issue. 042 REP. WHITTY questioned when the committee will deal with school transportation. 045 Questions and discussion regarding lack of school

transportation for seven school districts and the possibility of another bill (second year). 069 REP. WHITTY commented on a problem if he supports SB 815A. He supported restoration of school transportation. 088 REP. NELSON opposed Rep. Parkinson's motion and discussed poor school districts receiving less than current funding. 092 REP. HOSTICKA questioned the dynamics of the proposal which makes the most difficult position placed on those districts with high tax rates. 109 OZZIE ROSE addressed the proration of replacement dollars and noted the more dollars a district has above \$15 in relationship to the total budget will receive a bigger hit. 123 Questions and discussion regarding equities and inequities (Pleasant Hill, Corbett and Condon used as examples). 170 VOTE In a roll call vote, the motion was adopted (6-3). AYES: Rep. Parkinson, Rep. Whitty, Rep. Burton, Rep. Clark, Rep. Clarno, Rep. Jones. NAYS: Rep. Nelson, Rep. Schoon, Rep. Hosticka. 184 CHAIR JONES conducted administrative business and recessed the meeting at 12:04. 185 CHAIR JONES reconvened the meeting at 5:12 and conducted administrative business. 206 JIM SCHERZINGER reviewed proposed amendments to Sections 12 and 13 to SB 815A. Section 12 relates to a co-borrowing provision. Exhibit 12

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 April 15, 1991 Page 9 248 OZZIE ROSE explained why the dates were chosen in Proposed Amendments to Section 12. Exhibit 12 Questions and discussion interspersed. 339 REP. HOSTICKA questioned a possible cash flow problem and a policy of borrowing against the future instead of dealing with a problem now. 377 CHAIR JONES pointed out cash flow management can be addressed in SB 814 . 386 Questions and discussion regarding cash flow management and transportation costs. TAPE 162 SIDE A 001 REP. WHITTY supported proposed amendments to Section 12 and discussed transportation issues. 007 REP. HOSTICKA acknowledged the need for school transportation, but did not want to borrow against the future for transportation. 014 Questions and discussion regarding costs involved with proposed amendments to Section 12. Exhibit 12 020 OZZIE ROSE estimated the cost for seven districts for transportation would be \$5 million. 036 MOTION REP. PARKINSON moved adoption of Proposed Amendments (new Section 12 and 13) and old Section 12 (from SB 815-A10 amendments) would become a new Section 14. Exhibit 12 058 REP. HOSTICKA requested the amount of money which would be available if the committee limits the extra 6% on May elections to districts in the safety net. 066 REP. PARKINSON discussed previous testimony from school districts regarding a "self-imposed" safety net. 071 TERRY DRAKE provided estimates in responding to Rep. Hosticka which would drive replacement percentage to 89% (about \$8.3 million would be available). 089 OZZIE ROSE explained the suggestion from Rep. Hosticka would create another set of problems for other districts. 110 CHAIR JONES clarified another forthcoming amendment which would hold harmless the total for 1991/92 as compared to the total for 1990/91.

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115 REP. HOSTICKA wanted to find a principal for dealing with May elections because the impact is big. 139 CHAIR JONES summarized Rep.

Parkinson's motion. 144 VOTE In a roll call vote, the motion was adopted (9-0). AYES: Rep. Parkinson, Rep. Schoon, Rep. Whitty, Rep. Burton, Rep. Clark, Rep. Clarno, Rep. Nelson, Rep. Hosticka, Rep. Jones. 145 MOTION REP. HOSTICKA moved to limit the extra 6% that is available from the May election to the school districts which are in the safety net for 1990/91. 146 CHAIR JONES clarified Rep. Hosticka's motion as May elections would receive the 6% additional money only if those districts were in the safety net for 1990/91 (assuming May elections are successful). 169 Questions and discussion regarding additional revenue available for distribution as a result from Rep. Hosticka's proposal. 171 Questions and discussion regarding Rep. Hosticka's motion and reflection in SB 815-A10 (page 2, line 3). Exhibit 11 195 REP. SCHOON preferred additional revenue as a result of proposal from Rep. Hosticka to go to replacement fund. 220 Questions and discussion clarifying Rep. Hosticka's motion. 260 Questions and discussion regarding number of safety net districts. 280 REP. CLARNO was concerned for school districts which have been in the safety net (but are out in 1990/91). 322 CHAIR JONES recessed the meeting at 5:50 and reconvened at 5:55. 330 CHAIR JONES restated Rep. Hosticka's motion. 342 REP. HOSTICKA questioned Salem/Keizer School District situation in relationship to a May election. Salem should not be impacted by the motion because Salem is not going out for a levy in May. 350 Questions and discussion regarding Salem/Keizer School District situation. 390 TERRY DRAKE explained his estimates of savings (from Rep. Hosticka's proposal) assumed any elections through May (included 1990 March and May elections). He estimated \$3 million change (lower) from his previous estimate using only May elections (1991).

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TAPE 163 SIDE A 001 CHAIR JONES clarified Rep. Hosticka's motion. 016 REP. HOSTICKA was concerned about school districts going out for a May election (after knowing about Legislature's work) which are not in the safety net and will receive extra money which will reduce the amount of money available to other districts (causes proration number to be low). He emphasized the motion is intended to address the May election. The estimated amount of savings (even lowered by \$3 million) ,is better than currently proposed. 022 CHAIR JONES interjected numbers from staff are estimates. 026 REP. SCHOON wanted clarification regarding impact on Salem. 037 CHAIR JONES clarified Rep. Hosticka's motion. 042 REP. SCHOON supported an increased proration, as long as other districts are not hurt. 060 REP. HOSTICKA restated his motion as not to allow the extra 6% to districts which are going for May elections which are not in the safety net or only allow the 6% in May elections to districts which are in the safety net. 066 CHAIR JONES clarified that any districts which have received a levy authority prior to May would use the same formula (6% plus 6%). 074 VOTE In a roll call vote, the motion failed (3-6). AYES: Rep. Schoon, Rep. Nelson, Rep. Hosticka. NAYS: Rep. Whitty, Rep. Burton, Rep. Clark, Rep. Clarno, Rep. Parkinson, Rep. Jones. 080 CHAIR JONES referred to a Proposed Amendment to Section 14 (hold harmless). Exhibit 13 084 JIM SCHERZINGER reviewed Proposed Amendment to Section 14 which is intended to guarantee districts not receive less in 1991/92 than in 199 0/91. Exhibit 13 100 TERRY DRAKE explained the cost for the hold harmless proposal is approximately \$62,000 for seven

districts (assuming level of proration, value growth, etc.). 115 CHAIR JONES pointed out School Finance Simulation D-1 reflecting corrections to Linn County. Exhibit 14 120 MOTION REP. PARKINSON moved adoption of Section 14 proposed amendments and renumber emergency clause to Section 15. Exhibit 13

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Linda Leach, Committee Assistant

Kimberly Taylor, Office Manager EXHIBIT SUMMARY 1. Proposed Amendments to HB 3030-2, LRO, 4/11/91 - HB 3030 2. Proposed Amendments to HB 3030-1, ODOT (Oregon Department of Transportation), 4/3/91 - HB 3030 3. Testimony from Nicole M DeSmet, 4/3/91 - HB 3030 4. Testimony from Association of Oregon Industries, 4/15/91 - HB 3050 5. Testimony from Oregon State Association of County Assessors, 4/15/91 - HB 3050 6. Notice of Possible Revenue Impact, LRO, 3/7/91 - HB 3050 7. Blackboard Illustration, SB 815A With Coalition Amendments and Urban Renewal, LRO, 4/15/91 - SB 815 8. May 1991 School District Levy Elections (with percentages), LRO, 4/15/91 - SB 815 9. School Finance simulation Coalition D-1, LRO, 4/14/91 - SB 815 10. Testimony from Pete Christensen, 4/15/91 - SB 815 11. Proposed Amendments to A-Engrossed SB 815-A10 (work copy), 4/15/91, LRO - SB 815

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EXHIBIT SUMMARY (cont.) 12. Proposed Amendments Section 12 and Section 13, 4/15/91, LRO - SB 815 13. Proposed Amendments Section 14, 4/15/91, LRO - SB 815 14. School Finance Simulation Coalition D-1, corrected for Linn County, LRO, 4/14/91 - SB 815 15. Proposed Amendments to A-Engrossed Senate Bill 815, SB 815-A10, 4/15/91 (final), LRO - SB 815 16. Testimony from Dale MacHaffie, 4/15/91 - HB 3050 17. Testimony from Alex Pierce, 3/1/91 - Measure 5 18. Testimony from Stuart Mockford, 2/17/91 - Measure 5

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