

Tapes 7-8 (A/B)

Tape 9 (A)

Work Session: HB 2550

HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE

SUBCOMMITTEE ON PROPERTY TAXATION

March 12, 1991 8:00 AM Hearing Room 357 State Capitol Building

Members Present: Representative Fred Parkinson, Chair

Representative Kelly Clark

Representative Carl Hosticka

Representative Delna Jones

Representative Jim Whitty

Staff Present: Jim Scherzinger, Legislative Revenue Officer

Steve Meyer, Legislative Revenue Office

Linda Leach, Committee Assistant

Witnesses Present: Elizabeth Stockdale, Department of Justice

Kip Lombard, Oregon Water Resources Congress

Jim Kenney, Department of Revenue

Don Schellenberg, Oregon Farm Bureau

Oliver Norville, Attorney, Portland, Oregon

Kim Worrell, Association of Oregon Counties

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005 CHAIR PARKINSON called the meeting to order at 8:24 and conducted administrative business.

WORR SESSION - HB 2550 - DEFINITIONS

019 JIM SCHERZINGER referred to proposed Revised Definitions House Bill 255 0, March 12, 1991, which deal with direct consequence of ownership and the definition of bonded indebtedness and exempt bonded indebtedness. The definition of direct consequence of ownership is based on a forthcoming opinion from the Attorney General. Exhibit 1

DIRECT CONSEQUENCE OF OWNERSHIP

030 ELIZABETH STOCKDALE reviewed the definition of direct consequence of ownership which relates to the definition of what is a tax on property. Under Measure 5 a tax that is subject to the limits is a tax upon property or upon a property owner as a direct consequence of that ownership. The elements of what the tax on property ownership apply to are: 1) It is the obligation of a property owner (a person rather than property). 2) Obligation to pay tax arises because a person owns property. 3) Direct consequence is an immediate and necessary result of the ownership.

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060 ELIZABETH STOCKDALE explained a forthcoming Attorney General opinion which will state the definition of direct consequence of ownership and apply it to some fees and charges at the state level.

She pointed out uncertainties with an interpretation because of a new constitutional provision.

089 Questions and discussion.

120 MOTION REP. CLARK moved to adopt definition of

direct

consequence of ownership as defined in

Revised

Definitions HB 2550, March 12, 1991.

125 ORDER There being no objection, CHAIR PARKINSON so ordered.

BONDED INDEBTEDNESS AND EXEMPT BONDED INDEBTEDNESS

130 ELIZABETH STOCKDALE referred to explanation of revisions for bonded indebtedness and exempt bonded indebtedness. She pointed out in order for bonded indebtedness to be outside the limits of Measure 5, one of three conditions must be met. Exhibit 1, page 2

169 Questions and discussion regarding capital construction outside the limits of Measure 5. Exhibit 1, page 2 - Exhibit 2, page 4

197 ELIZABETH STOCKDALE related a previous concern from Kip Lombard, Irrigation Districts, regarding language of "certificate" in the definition of bonded indebtedness. She referred to Explanation of Revisions and suggested language of "written agreement" in place of "certificate". Exhibit 1, page 2

248 ELIZABETH STOCKDALE related changes in the definition of exempt bonded indebtedness reflect more accurately the language of Measure 5 (incurred or to be incurred for capital construction or capital improvements). Exhibit 1, page 1

258 Questions and discussion regarding broad definition of bonded indebtedness.

323 REP. CLARK was concerned with the definition of bonded indebtedness.

327 Questions and discussion regarding elements of bonded indebtedness.

357 ELIZABETH STOCKDALE explained how Certificates of Participation (COPS) function and how the Measure 5 limit applies to COPS.

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007 Questions and discussion regarding urban renewal exception from bonded indebtedness.

015 REP. PARKINSON referred to testimony from City of Union regarding treatment of levies for capital leases. Exhibit 3

022 KIP LOMBARD commented that he was comfortable with "written agreement".

048 Questions and discussion regarding committee procedure.

060 MOTION REP. WHITTY moved adoption of Revised Definitions House Bill 2550, March 12, 1991 and House Bill 2550 Definitions Section 210 and Section 214. Exhibits 1,2

077 REP. CLARK noted his continued interest in bonded indebtedness definition relating to the issue of urban renewal.

086 Questions and discussion.

066 ORDER There being no objection, CHAIR PARKINSON so ordered.

IRRIGATION DISTRICTS

097 JIM SCHERZINGER referred to amendments dated March 7, 1991 from Oregon Water Resources Congress for the purpose of removing irrigation districts from the limits of Measure 5. Exhibit 4

114 JIM SCHERZINGER pointed out new amendments from Oregon Water Resources Congress which extend the same treatment (from previous amendments) to drainage districts, drainage and irrigation districts, water improvement districts, and water control districts. Exhibit 5

118 JIM SCHERZINGER reviewed three questions to Kip Lombard regarding amendments dated March 7, 1991. He questioned the language removed in subsection 1 on page 4, ORS Chapters 545.482 - 545.508. Exhibit 4

126 KIP LOMBARD related the intent of proposed changes on page 4 was to make direct collection and billing available to all districts regardless if a district has a federal contract.

145 JIM SCHERZINGER questioned language to remove requirement that payments be made for the purposes of debt repayment to the county treasurer. Exhibit 4, page 12

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155 KIP LOMBARD explained a situation regarding the trustee and mechanics for contractual agreements.

178 JIM SCHERZINGER questioned a proposed deletion of petitions to be excluded from a district. Exhibit 4, page 15

187 KIP LOMBARD explained why he believed this language was not necessary relating to an equity issue.

210 KIP LOMBARD reviewed proposed amendments to HB 2550 dealing with ORS Chapters 547, 548, 552, and 553. Exhibit 4

354 Questions and discussion interspersed.

391 KIP LOMBARD continued his review of proposed amendments. Exhibit 5
TAPE 7 SIDE B

012 KIP LOMBARD continued with his testimony.

021 REP. CLARK asked for an argument one would make that irrigation districts, etc. should come under the limits of Ballot Measure 5.

025 KIP LOMBARD commented even if an argument could be made, irrigation districts, etc. would probably come under incurred charges.

043 Questions and discussion interspersed.

074 MOTION REP. CLARK moved conceptual adoption of proposed amendments from Oregon Water Resources Congress dated March 7, 1991 and March 12, 1991 and incorporate into HB 2550.

082 ORDER There being no objection, CHAIR PARKINSON so ordered.

087 Questions and discussion regarding concerns raised by City of Union. Exhibit 3

SPECIAL ASSESSMENTS AND PARTIAL EXEMPTIONS

128 JIM SCHERZINGER referred to Proposed Amendments to HB 2550 (DOR 14) which implement what the committee reviewed regarding farm and forest assessment to create a statutory limitation on farm, forest and open space taxes (assessed value as opposed to the real market value). He noted the proposed amendment is related to Section 216, page 108 of HB 2550. Exhibit 6

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154 Questions and discussion regarding a prior concern of Oregon Farm Bureau.

173 MOTION REP. WHITTY moved adoption of Proposed Amendments to House Bill 2550, DOR-14.

180 ORDER There being no objection, CHAIR PARKINSON so ordered.

182 JIM SCHERZINGER pointed out two sections in HB 2550 which deal with farm and forest assessment which are repealed (proposed). He reviewed ORS 308.340 and 308.371. Exhibit 7

206 Questions and discussion.

278 JIM SCHERZINGER referred to Measure 5 Implementation Issues (exemptions) and explained in HB 2550 there is a general treatment for farm, forest land and open space and special assessments (assessed land valuation used for purposes of limitation). He explained for partial exemptions, the limitation on veterans exemption, homes in commercial zone and historic property will be calculated at market value (although assessed at a lower value). He pointed out two exceptions of downzoned property and distressed area housing which are drafted as real market value exemption. Exhibit 8

332 JIM SCHERZINGER reviewed the general treatment in HB 2550 of specially assessed property, partial exemptions and exemptions.

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003 Questions and discussion regarding property with full tax exemption.

062 REP. JONES commented with the exception of farm property, HB 2550 will calculate the limit on specially assessed property based on real market value. She favored this treatment because she has not heard convincing testimony to the contrary.

074 Questions and discussion.

080 Questions and discussion regarding value determination for partial exempt properties and calculation of tax under Measure 5 limit.

199 REP. JONES pointed out an exception for down-zoned property and distressed area housing.

213 Questions and discussion.

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232 REP. JONES supported a review of exempt properties during the interim.

256 JIM KENNEY reviewed Section 216, page 108 of HB 2550 regarding specially assessed or partial exempt properties which provides for the limit to be applied to the real market value (except farm, forest and open space - which the committee has removed).

278 JIM KENNEY commented on down-zoned property and distressed area housing in HB 2550 which should be treated the same as other exempt properties.

300 Questions and discussion regarding language intent for down-zoned property and distressed area housing in HB 2550.

336 CHAIR PARKINSON recessed the meeting at 10:10 and reconvened the meeting at 10:35.

URBAN

RENEWAL

340 JIM SCHERZINGER referred to Urban Renewal Options, Statutes relating to Urban Renewal, Tax Increment Financing (Urban Renewal) Areas. Exhibits 9, 10, 11

362 JIM SCHERZINGER reviewed two issues before the subcommittee: 1) Which option (1, 2, or 3) will the subcommittee use to determine the effect of Measure 5 on urban renewal? 2) What limitation might the subcommittee place

on urban renewal districts and/or their ability to levy property taxes.
380 Questions and discussion.

TAPE 9 SIDE

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005 JIM SCHERZINGER reviewed Urban Renewal Options and started with basic concepts of a plan (adopted by ordinance) and a report (accompanies plan, not adopted by ordinance). He referred to Urban Renewal Statutes. Exhibits 9, 10

022 JIM SCHERZINGER reviewed three types of limitations under existing limits. Exhibit 9

024 Questions and discussion regarding contents of an urban renewal plan.

054 REP. WHITTY was concerned with a absence of a lifetime clause for an urban renewal district.

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090 JIM SCHERZINGER reviewed existing limits and referred to Urban Renewal ORS chapters. Exhibits 9, 10

Questions and discussion interspersed.

136 JIM SCHERZINGER continued with his review of Urban Renewal Options. Exhibit 9

,174 REP. WHITTY was concerned about membership (elected officials) of urban renewal boards and timelines for urban renewal districts.

184 Questions and discussion.

220 REP. WHITTY related an example of an urban renewal district.

248 Questions and discussion regarding subcommittee process for dealing with urban renewal.

360 MOTION REP. WHITTY moved to delete all sections in HB 2550 which deal with urban renewal (deal with separately in another bill).

370 ORDER There being no objection, CHAIR PARKINSON so ordered.

390 CHAIR PARKINSON conducted administrative business and adjourned the meeting at 11:04.

Linda Leach, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Revised Definitions House Bill 2550, March 12, 1991, DOR - HB 2550

2. House Bill 2550 Definitions Section 210, Section 214, DOR -2, 3/12/91, DOR, HB 2550

3. Testimony from City of Union, 3/7/91 - Measure 5

4. Proposed Amendments from Oregon Water Resources Congress, Kip Lombard, 3/7/91 - (see Exhibit 2 from Subcommittee on Property Taxation 3/7/91 meeting) - HB 2550

5. Proposed Amendments from Oregon Water Resources Congress, Kip Lombard, 3/12/91 - HB 2550

6. Proposed Amendments to House Bill 2550, DOR-14, 3/12/91 - HB 2550

7. ORS 308.340 and 308.371, 3/12/91, LRO - HB 2550

8. Measure 5 Implementation Issues (as of 2/16/91), LRO - HB 2550

9. Urban Renewal Options, 3/11/91, LRO - HB 2550

10. Urban Renewal ORS, 3/12/91, LRO - HB 2550

11. Tax Increment Financing Areas, 2/21/91, LRO - HB 2550

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