

Tapes 19-20, (A/B)
Public Hearing -
Measure 5 Overview
SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

January 28, 1991:00 PM Hearing Room A State Capitol Building

Members Present: Senator Jane Cease, Chair
Senator Joah Dukes, Vice-Chair
Senator John Brenneman
Senator Shirley Gold
Senator Ron Grensky
Senator Bill McCoy
Senator Tricia Smith

Staff Present: Jim Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Steve Meyer, Legislative Revenue Office
Mary Ann Zimmermann, Committee Assistant

Witnesses Present: Jim Kenney, Department of Revenue
Elizabeth Stockdale, Department of Justice
Tony Meeker, State Treasurer
Jim Shannon, Chair of Municipal Debt Advisory Commission (MDAC)

TAPE 19 SIDE A

005 CHAIR CEASE called the meeting to order at 1:07 P.M. as a subcommittee until a quorum was present at 1:15 P.M. Administrative business was conducted.

016 JIM SCHERZINGER presented the request from members for an analysis of tax shifts from Measure 5. A fifty-fifty split is shown in the impact between renters and landlords. EXHIBIT 1

075 STEVE BENDER reviewed Exhibit 1 and answered questions.

MEASURE 5 - PUBLIC HEARING - INVITED

TESTIMONY

106 JIM KENNEY continued the Measure 5 overview referring to the major changes of the current property tax system to implement Measure 5 as seen in HB 2550. Reference was made to an outline of these changes beginning with Chapter 310 (Levy of Property Taxes) which is considered the definition section and provides guidance in reading the bill. EXHIBIT 2, Page 8

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140 JIM KENNEY presented the changes in Chapter 311 dealing with Collection of Taxes including tax roll, offsets, the tax statement, distribution, and refund. Exhibit 2, Page 9

215 ELIZABETH STOCKDALE explained the change to a refund situation because of the change in the appeals process. Discussion continued regarding the Refund Reserve Accounts.

225 CHAIR CEASE welcomed Rep. Carter and a constituent.

232 Discussion and questions follow regarding decisions on the refund process including problems that may arise if courts are involved in the decisions.

320 JIM KENNEY continued with changes in Chapter 311 with reference to roll collections-(errors and omissions) and also omitted property.

352 JIM KENNEY referred to Chapter 312 on Foreclosure which contains no changes at this time.

356 JIM KENNEY described the changes in Chapter 321 dealing with Timber Tax.

365 JIM KENNEY explained the desire to repeal the Targeted Tax Relief seen in Chapter 327.

372 JIM KENNEY explained the majority of Chapter 328 deals with defining school and non-school taxes. This definition has been moved to Chapter 310.
TAPE 20 SIDE

A

010 Discussion and questions regarding definitions of educational services and the need to look at these definitions carefully.

245 JIM KENNEY referred to the outline on EXHIBIT 2, Page 10 concerning changes in Chapter 457 which deal with urban/renewal.

258 SEN. SMITH asked how the committee would deal with the process of determining the implementation of Measure 5.

275 JIM KENNEY responded that's why HB 2550 is broken down into subject areas.

293 ELIZABETH STOCKDALE clarified how the bill has the chapters grouped under a subject causing some of the chapters to be out of order. Discussion and questions are interspersed.

MEASURE 5 - PUBLIC HEARING - INVITED

TESTIMONY

319 TONY MEEKER reviewed the history of the Municipal Debt Advisory

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Commission (MDAC) beginning the day after Ballot Measure 5 was passed. A moratorium was placed on the issuance of debt by the state of Oregon. The statute provides for MDAC to advise the Legislature on potential change in the law dealing with the issuance of debt by local governing bodies. MDAC has come up with several recommendations relative to debt. MDAC chose to take a broad look at the tools available for local government in the areas of debt.

TAKE 19 SIDE

B

013 Discussion and questions regarding the presentation process of the report of the State Municipal Debt Advisory Commission.

048 JIM SHANNON explained how the MDAC received testimony from four areas around the state to determine if Measure 5 has any impact on the local debt issuance by local governments and what those problems might be.

064 JIM SHANNON made reference to EXHIBIT 3, Page iii summarizing the fourteen recommendations of the MDAC. An explanation was made of who makes up MDAC. EXHIBIT 3

081 JIM SHANNON explained the first recommendation.

090 JIM SHANNON presented the second recommendation of the MDAC clarifying the phrase "capital construction or improvements".

125 Discussion and questions follow regarding the clarification of the definition of the phrase "capital construction or improvements."

205 JIM SHANNON explained the third recommendation of MDAC dealing with limited tax obligations.

245 Questions and discussion follow regarding issuance of the limited tax obligations. Reference was made to the Measure 5 Ballot showing the exclusion from the limitation. EXHIBIT 4

263 JIM SHANNON described the MDAC fourth recommendation dealing with the current law being modified to extend the authority to negotiate bond sales to all General Obligation, Limited Tax Obligation and Special Assessment

debt.

325 JIM SHANNON described the fifth recommendation clarifying and defining "actual cost" to the existing practice prior to enactment of Measure 5.
400 Questions and discussion follow regarding the definition of "actual cost".

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TAPE 20 SIDE B

000 Discussion continues dealing with the fifth recommendation of MDAC regarding the definition of "actual cost".

046 JIM SHANNON continued explaining the recommendations of MDAC with reference to number six dealing with the Systems Development Charges be considered "incurred charges".

084 Discussion and questions follow regarding the incurred charges in relation to the Systems Development Charges.

114 SEN. BRENNEMAN asked if the systems development charges are limited by state law.

122 JIM SCHERZINGER responded with reference to a bill passed on system development charges containing general language on how they're limited.

137 JIM SHANNON discussed the seventh recommendation of MDAC dealing with the "minimum charges" or "standby charges".

161 JIM SHANNON explained the eighth recommendation dealing with modifying Revenue Bonds with questions and discussion interspersed.

187 JIM SHANNON described the ninth recommendation modifying to allow local governments to pledge additional resources to pay the debt service on Special Assessment Bonds.

210 JIM SHANNON explained the tenth recommendation dealing with Refunding Bonds.

236 JIM SHANNON described the eleventh recommendation dealing with allowing local governments to enter into lines of credit or loan agreements with local banks to avoid the expense of issuing a bond or note.

260 Discussion and questions follow regarding authority for issuance of bonds or notes.

297 JIM SHANNON explained the twelfth recommendation dealing with the Oregon Supreme Court to exercise original jurisdiction for Measure 5 related legal challenges.

325 JIM SHANNON described recommendation number thirteen dealing with ORS 33.710 be expanded to permit a judicial examination of Measure 5 related issues.

350 JIM SHANNON described the fourteenth recommendation dealing with modifying current law to allow entities created pursuant to ORS Chapter 190 intergovernmental agreements to issue revenue debt secured by

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payments from its participants.

400 SEN. DUKES asked how Measure 5 will impact local government's ability to borrow from the local bank.

412 JIM SHANNON responded hopefully answers to this question will be dealt with by the legislature before Measure 5 goes into effect on July 1.

425 CHAIR CEASE adjourned the meeting at 3:00 P.M.

Mary Ann Zimmerman, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Measure 5 Tax Shifts, LRO, 1/24/91 - Measure 5
2. Overview of HB 2550, DOR, 1/15/91 - Measure 5
3. Impact of Ballot Measure 5 on Local Government Debt Management, State Treasurer, 1/28/91 - Measure 5
4. Ballot Measure 5, LRO, 1/28/91 - Measure 5

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