

Public Hearing and
Work Session: HB 2550-A
SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

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April 11, 1991 1:00 PM Hearing Room A State Capitol Building
Members Present: Senator Jane Cease, Chair
Senator Joan Dukes, Vice Chair (arrived 1:15, departed 2:25)
Senator Shirley Gold (arrived 1:12, departed 1:55, returned 2:30)
Senator Ron Grensky (arrived 1:07, departed 2:52)
Senator Bill McCoy
Senator Tricia Smith (arrived 1:18)
Members Excused: Senator John Brennehan

Staff Present: Jim Scherzinger, Legislative Revenue Officer
Mary Ann Zimmermann, Committee Assistant

Witnesses Present: Gary Carlson, Association of Oregon Industries & Oregon
Small Woodland Association
Jan Boettcher, Oregon Water Resources Congress
Sara Baker-Sifford, Oregon Rural Electric Cooperative Association
Ray Wilkeson, Oregon Forest Industries Council (OFIC)
John Danielson, Oregon Education Association
Gerald Bennett, Western Oregon Severance Tax Consortium

TAPE 108. SIDE A

005 CHAIR CEASE called the meeting to order at 1:04 as a subcommittee until
a quorum was reached at 1:12. Administrative business was conducted.

PUBLIC HEARING - HB 2550-A (INVITED TESTIMONY)

015 GARY CARLSON read prepared testimony. EXHIBIT 1

130 CHAIR CEASE questioned the assessment date.

139 GARY CARLSON referred to Page 9, Exhibit 1 with a recommendation to
change the date. Discussion follows.

153 CHAIR CEASE discussed the decision of Legislative Counsel to keep the
July 1 date.

These minutes paraphrase and/or summarize statements made during this
meetings. Text enclosed in quotation marks reports the speakers exact
words. For complete context of proceedings, please refer to the tape
recording.

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169 JIM SCHERZINGER explained there was agreement that a minimum value was
needed during the current year with an assessment identification date being
January 1. The Department of Revenue felt separating the two dates was not
practical therefore changed the date back to July 1.

206 SEN. DUKES asked if the identification could be prior to July and then
on July 1 decide if any changes have taken place.

222 JIM SCHERZINGER explained that forecasting would happen anyway but the
farther back the date is moved meant more forecasting into the future which
could cause more appeals.

242 SEN. DUKES clarified that the recommended solution on Page 9, EXHIBIT 1
was a constitutional change. Asked how AOI felt about changing the date.

265 GARY CARLSON discussed the decision of sending the notification bills after the general elections.

284 Discussion follows regarding taxpayers receiving tax bills prior to the general election.

330 JAN BOETTCHER testified on proposed amendments illustrated in EXHIBIT 2.

422 CHAIR CEASE commented on getting any proposed amendments to the staff so they can be drafted by Legislative Counsel.

TAPE 109 SIDE

A

015 SEN. DUKES questioned diking districts.

019 JAN BOETTCHER explained diking districts are outside of the Oregon Water Resource Congress because they do not provide irrigation related services. Diking districts are not currently in HB 2550-A.

042 SARA BAKER-SIFFORD read prepared testimony. EXHIBIT 3

091 SEN. DUKES questioned the county tax rate for bonded indebtedness.

098 JIM SCHERZINGER explained every district will have a bonded indebtedness. The money from in leu tax are going to the County and that is why the County bonded indebtedness is outside of the cap. HB 2550-A needs to be addressed because the County bonded indebtedness would not mean exempt bonded indebtedness.

113 JIM SCHERZINGER referred to Page 84, Line 18 in HB 2550-A which deals with bonded indebtedness. Reference is made to having a rate for exempt bonded indebtedness.

119 SEN. SMITH clarified each district will be a rate from exempt bonded indebtedness. The question was asked if the cities would receive a portion of the in leu of tax from the coop:

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126 SARA BAKER-SIFFORD responded that the cities would not receive a piece of the gross revenue tax but they receive a franchise fee which the counties do not.

135 SARA BAKER-SIFFORD continued reading testimony. EXHIBIT 3

170 RAY WILKESON presented and discussed written testimony.

EXHIBIT 4

242 SEN. SMITH questioned how the forest district would pay a fair share of an alternative revenue source, would it be by paying a gross receipt tax, rise in corporate income tax, or pay higher severance tax.

255 RAY WILKESON responded the forest district does not have a position on any replacement tax. Reference is made to a sales tax.

264 SEN. SMITH asked what the impact would be to eliminate severance tax and have forest land pay property tax.

277 GARY CARLSON commented on the bare land value for forest land is based on a statutory formula because of assessing difficulty.

322 RAY WILKESON anticipates and welcomes a way to assess forest land.

353 CHAIR CEASE commented on the cost responsibility of the taxpayer.

384 RAY WILKESON continued addressing prepared testimony. Reference is made to the calculation of equivalent relief for Western and Eastern Oregon timber severance taxes. EXHIBIT 4

TAPE 108 SIDE

B

014 SEN. SMITH pointed out there are residential taxpayers who will receive no tax relief under Ballot Measure 5. Discussion follows.

037 RAY WILKESON advocated changing the name of the severance tax to a privilege tax avoiding Measure 5.

043 CHAIR CEASE questioned the methodology of the calculation of equivalent relief for WOST and EOST. EXHIBIT 4, Page 4

045 RAY WILKESON explained the methodology in the calculation of relief addressing the following points: The WOST and EOST are calculated differently because the rates are different; Bonded indebtedness was excluded from the calculation because of not being subject to the rate cap; The school and nonschool were figured differently because they are different under Measure 5; and Large city and school levies were excluded.

060 JIM SCHERZINGER clarified OFIC used figures listing the loss of revenue in the first year by all the districts in the state and excluded certain districts calculating an average reduction of taxes for Western and Eastern Oregon. The calculated reduction was applied first year with a percentage reduction for the subsequent years.

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089 Discussion follows regarding the OFIC methodology.

115 RAY WILKESON commented that the sunset change was suggested by Legislative Counsel which will allow for evaluation and if something is not done before the sunset date then WOST and EOST will fall back under Measure 5.

136 RAY WILKESON addressed the issue of revenue versus offset. The purpose of the offset is to reduce the property tax burden on other tax payers and eliminating the offset would have an opposite affect. The second consequence of changing the severance tax to the resource side means school districts at or above the cap would increase the state's responsibility for replacement revenue. Finally the table in Exhibit 4, Page 4 depicts the affect of HB 2550-A which raises timber taxes.

195 GARY CARLSON read prepared testimony. Questions are interspersed. Reference is made to a letter from the State Board of Forestry regarding setting aside 70 acres of private land around each spotted owl site.
EXHIBIT 5

285 SEN. GRENSKY commented on the Oregon Small Woodland Association support of phasing out the severance tax and asked how to explain the loss of revenue to taxpayers owning small wooded areas.

301 GARY CARLSON referred to Western Oregon having the best timber land which should be preserved for forestry.

317 Discussion follows regarding the elimination of the severance tax and the improvement of the tax climate for private small woodland owners. Reference is made to the size of a small woodland.

365 GARY CARLSON explained a severance tax or placing a growing commodity of the ground on the tax rolls is a disincentive and inconsistent with the way other resource land is taxed and the natural consequence is less production of that commodity. The forest industry is subsidizing other taxpayers.

399 RAY WILKESON commented on the history of the effect of the severance tax. The OFIC would like the opportunity to provide a different perspective on the restoration of the historical effect of the severance tax. Printed material will be provided to the committee.

430 CHAIR CEASE conducted administrative business.
TAPE 109 SIDE

B

007 JOHN DANIELSON presented written testimony. Discussion and questions are interspersed. EXHIBIT 6

162 SEN. GRENSKY referred to Mr. Danielson's testimony pointing out the inaccurate referral to no reduction in taxes. Only the school portion of taxes will not be reduced but many of the county and city taxes will see a reduction under Measure 5.

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188 SEN. GRENSKY commented on the timber industry wanting reduction of the severance tax but an alternative source of revenue will increase their tax burden.

195 JOHN DANIELSON pointed out everyone will be facing an increase in taxes at some point in time to allow for replacement revenue. The state is a long way from having a sales tax implemented.

215 SEN. GRENSKY commented on the concern of the timber industry being disproportionately effected without some sort of revenue decrease if another tax source is implemented.

230 JOHN DANIELSON pointed out the sunset date of the proposed issue dealing with severance tax.

235 SEN. GRENSKY referred to statements in the newspaper dealing with the OEA punishing citizens exercising the right to the initiative with Ballot Measure 5 and asking if that is correct then OEA should reconsider their position.

241 JOHN DANIELSON explained the OEA wants to establish a boycott against those businesses that participated financially in the Ballot Measure 5 effort.

250 CHAIR CEASE conducted administrative business.

285 GERALD BENNETT testified in support of returning to the ad valorem system of taxation instead of severance tax producing more revenue for Oregon Schools. Written testimony was presented requesting removal of the WOST out of the Measure 5 confinement. School districts should receive the money as resource rather than offsets. Reference is made to keeping the severance tax rate in tact. EXHIBIT 7

410 CHAIR CEASE conducted administrative business and adjourned the meeting at 2:57.

Mary Ann Zimmermann, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Written Testimony, AOI, 4/11/91 - HB 2550-A
2. Written Testimony, OWRC, 4/11/91 - HB 2550-A
3. Written Testimony, ORECA, 4/11/91 - HB 2550-A
4. Written Testimony, OFIC, 4/11/91 - HB 2550-A
5. Written Testimony, Oregon Small Woodlands Association, 4/11/91 - HB 2550-A
6. Written Testimony, OEA, 4/11/91 - HB 2550-A
7. Written Testimony, WOST Consortium, 4/11/91 - HB 2550-A

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