

Tapes 143 (A\B), 144 (A)

WorkSession:HB 2152B

SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

May 7, 1991 1:00 PM Hearing Room A State Capitol Building

Members Present: Senator Jane Cease, Chair

Senator Joan Dukes, Vice Chair

Senator John Brenneman (departed 1:40)

Senator Shirley Gold (arrived 1:33)

Senator Ron Grensky

Senator Bill McCoy

Senator Tricia Smith

Staff Present: Steve Meyer, Legislative Revenue Office

Mary Ann Zimmermann, Committee Assistant

Witnesses Present: Steve Smith, Department of Treasury

Mike Quint, Executive Department

Barbara Seymour, Legislative Counsel

Bill Nessler, Department of Justice

Jim Brown, Department of Revenue (DOR)

TAPE 143 SIDE A

005 CHAIR CEASE called the meeting to order at 1:20.

WORK SESSION - HB 2152-

B

010 CHAIR CEASE discussed a proposed amendment to HB 2152B.

018 STEVE MEYER presented proposed amendment HB 2152-B5. EXHIBIT 1

022 SEN. SMITH recapped the amendment would not allow the General Fund appropriations to be reduced for the bond program. The debt service would remain and be excluded from the reduction of general fund appropriations. The reason for the change was addressed.

030 STEVE SMITH clarified the overview by Sen. Smith was correct.

045 CONSENSUS CHAIR CEASE asked if there was any objection to the proposed amendments HB 2152-B5 dated 5/3/91.

048 CHAIR CEASE directed the committee to "stand as ease" from 1:22 until 1:24. -

055 STEVE MEYER presented proposed amendments to HB 2152-B6. EXHIBIT 2

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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060 MIKE QUINT discussed changes to HB 2152B proposed by the Executive Department dealing with general obligation bonds.

090 SEN. DUKES asked if bonds can be issued for other reasons than General Obligation (GO) bonds.

103 STEVE SMITH explained the removal of Section 8 from HB 2152B because of the Constitutional mandate, there is a question in applying higher education to the statute.

115 BARBARA SEYMOUR discussed the amendment and both bond programs in the bill are funded by GO bonds and the ad valorem taxing power is a backup if there is a shortfall. The Attorney General's office wants to leave the determination of whether a state levy would be made for a bond with the State Board of Higher Education and not leave the levying authority with the Executive Department.

134 SEN. DUKES clarified there will be a shift of authority from the DOR to the Board of Higher Education.

140 BARBARA SEYMOUR addressed the intent of HB 2152 is to transfer the responsibility of determining when a state levy should be certified in May for the payment of state bonds. Discussion follows regarding the original

bill and the proposed changes.

158 SEN. DUKES asked if the Department of Higher Education could determine if there would be a state property tax levy.

161 Discussion follows regarding the changes in levying power from the bill.

183 STEVE MEYER pointed out there are more state agencies listed in the bill on Page 3 with bonding authority that would be certifying to the Executive Department.

189 SEN. DUKES voiced concern in an agency other than the Department of Revenue determining a statewide property tax as a result of a bond that did not have enough revenue.

204 BARBARA SEYMOUR explained the other agencies will determine the need and the DOR does not have the knowledge to make that determination.

210 SEN. DUKES suggested the Treasury Department be the one to determine the need.

212 STEVE SMITH clarified the decision for a property tax is still in the hands of the legislature. HB 2152B does not remove that but the State Board of Higher Education will make the recommendation directly.

229 SEN. SMITH referred to Page 3 of HB 2152B and asserted the bill does not say the decision to certify a state wide property tax will be taken back to the legislature.

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257 BILL NESSLY explained the basic policy behind the language in Page 3, Line 37 is to allow an automatic imposition of a state-wide property tax in the event of a shortfall of a GO bond. The feature currently exists in the certification process of existing law. The justification is the legislature may not be in session.

276 SEN. SMITH used an example to explain what HB 2152B could do if colleges experienced a shortfall and no replacement revenue was found by 199 3.

290 BARBARA SEYMOUR clarified the ad valorem taxing authority is in statute to provide for the payment of bonds.

300 Discussion and questions follow regarding the impact of the passage of the proposed amendments in EXHIBIT 2. Reference is made to the process involved in determining the statewide property tax levy.

362 JIM BROWN felt more time was needed by the DOR to study the bill.

368 SEN. DUKES questioned the intent of the original bill.

373 MIKE QUINT addressed the original procedure with the Executive Department attempting to develop a streamlined procedure for determining a need to cover the GO bonds. The various agencies already have the information in their budgetary process.

412 SEN. DUKES asked if there would be a problem if the shift was from the DOR to the Treasury Department.

443 CHAIR CEASE recapped the DOR would like more time to address the amendment.

450 CHAIR CEASE clarified HB 2152B is being reconsidered by the Senate Revenue Committee after being sent back from the Senate floor.

TAPE 144 SIDE

A

017 SEN. SMITH asked if a special legislative session could be called if the state could not meet the payments of a GO bond.

030 STEVE SMITH responded the state legislature is always ready to deal with fiscal problems that may arise in the various agencies.

042 SEN. SMITH clarified the bill would give the state agencies the authority to levy a statewide property tax in an off session year.

051 SEN. SMITH addressed the best course of action to meet the bonding obligation is with the legislature and voiced concern with the language in the proposed amendment giving the taxing authority to state agencies.

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060 Discussion and questions follow regarding the statewide property taxing authority.

108 BILL NESSLY referred to Lines 11-20 in the proposed amendments to explain the DOR makes the determination for the statewide levy. The idea behind segregating the agencies was to insure each agency is dependent for the repayment of the bonds. The DOR currently has the authority and the amendments shift the responsibility to the agency.

148 BILL NESSLY explained the certifications are made to the director of the Executive Department under HB 2152B which offers some source of control of the levying authority.

157 Discussion and questions follow regarding having an overseer that is outside of the agency needing the money.

188 SEN. SMITH questioned amending HB 2152B to draw the legislature into the process should the event occur for payment of GO bonds.

211 Discussion follows regarding the legislature having the final say.

224 BILL NESSLY pointed out there is the immediate legal action on behalf of the bond holders which would involve the judicial interference with what might be a legislative process to address the problem. It was clarified that HB 2152B has the same mechanism but different agencies pulling the same trigger.

241 SEN. DUKES clarified that currently the numbers are given to the DOR who then issue the report.

251 JIM BROWN addressed the confusion in HB 2152B, Page 2, Line 19 is the agencies certify to the Executive Department a lack of sufficient funds and the Executive Department decides on a statewide property tax. The proposed amendments do not allow the agencies to certify to the Executive Department but can authorize the levy themselves.

275 Discussion and questions follow regarding the agency making the determination and have the intent refer back to the Executive Department rather than the DOR.

305 BARBARA SEYMOUR referred to the proposed amendment explaining the State Board of Higher Education wants to retain the right to make the determination of needing a levy rather than the Executive Department.

EXHIBIT 2

324 Discussion and questions follow regarding the interpretation of language in HB 2152-B6 amendments as well as the language in HB 2152B.

387 SEN. SMITH clarified Section 8 in the amendment determines how much revenue is coming in and the amount of taxes that should be levied to make up the deficit. The Executive Department will then certify under Section 1 the amount of revenue coming in.

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TAPE 143 SIDE B

013 BARBARA SEYMOUR clarified the Executive will determine whether the amount of revenue is sufficient and determine the amount that is needed to pay the bonds.

026 SEN. DUKES pointed out that ORS 291.344 is the beginning of the collection mechanism in which the Executive Department does the paperwork. The proposed changes have the Board of Commission doing the collection rather than the Executive Department.

034 BARBARA SEYMOUR presented an historical overview of ORS 291.344.

069 SEN. DUKES asked if the Department of Veteran Affairs have the authority to certify a statewide property tax. It was clarified that the DOR is suppose to determine whether the Veterans will have a levy.

079 Discussion follows regarding the Executive Department making the certification to determine a levy for bond payment.

082 STEVE SMITH clarified the system is not built to issue a statewide property tax and the check and balance system was addressed.

106 CHAIR CEASE suggested the drafting of additional amendments for HB 215 2B.

114 Discussion follows regarding the amendments to include an efficient system.

135 CHAIR CEASE conducted administrative business and adjourned the meeting at 2:25.

Mary Ann Zimmermann, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Proposed Amendments HB 2152-B5 (LC 826), 5/3/91 - HB 2152B
2. Proposed Amendments HB 2152-B6 (LC 826), 5/7/91 - HB 2152B

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