

Tapes 195-196 (A-B)
197 (A), 198 (A)
Public Hearing & Work Session:
HB 2148, HB 2166, HB 2222A
HB 2883A, HB 3064, SB 925
HB 3065A
Work Session HB 2164A, SB 857A
SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

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June 12, 1991 1:00 PM Hearing Room A State Capitol Building

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

Staff Present: Dick Yates, Legislative Revenue Office
Steve Meyer, Legislative Revenue Office
Steve Bender, Legislative Revenue Office
Betty Shuholm, Committee Assistant

Witnesses Present: Pat Fawcett, Oregon Public Utility Commission
Jack R. Cassell, Oregon Public Utility Commission
Allen Willis, Boise Cascade
Joe Misek, Oregon State Forestry Dept.
Jim Brown, Department of Revenue
William Voelker, Oregon State Forestry Dept.
Diane Luther, Multnomah County
Mickey Clay, Oregon Housing NOW
Peter Grundfossen, Assoc. Ore. Housing Authorities
Jackie Bloom, City of Portland
Marcus Berlin, Salem, Oregon
Gary Conkling, Beaverton School District
Pam Edens, Beaverton, Oregon
Fred Van Natta, Assoc. Home Builders
B. J. Smith, League of Oregon Cities
Fred Neal, Multnomah County
Leonard Powers, Oregon Society of CPA
TAPE 195 SIDE A

005 CHAIR CEASE called the meeting to order at 1:30 p.m. and

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conducted administrative business.
PUBLIC HEARING - HB 2222
016 PAT FAWCETT presented historical background to HB 2222A, and testified

in support of this legislation. Both OTAP and TDAP were created to meet the need of customers and were funded by a subsidy on phone bills. HB 2222A made three changes, expanding the definition of "low income customer", a proposed change in the surcharge level, and extends the date of sunset to January 1, 1998. Exhibit 1

118 SEN. MCCOY clarified that the customer must apply for the aid after they were notified of the program.

131 JACK CASELL testified with the assistance of a sign language interpreter, Nancy Ward, stating that continuation of the Oregon Relay Service and the TDD distribution program would ensure that the legislative policy of providing an adequate, accessible and affordable telephone service to all citizens would be maintained. Exhibit 2

240 STEVE BENDER stated that the chart only referred to maximum fees. Exhibit 3

250 PAT FAWCETT clarified that the suggested funding was adequate, but requests could be made from the Emergency Board.

WORK SESSION - HB

222 2A

259 MOTION: SEN. SMITH moved HB 2222A to the floor with a do pass recommendation.

265 VOTE: In a roll call vote, the motion passed 6-0. AYES: SENATORS Gold, Grensky, McCoy, Smith, Dukes, Cease. Members excused: Senator Brenneman.

PUBLIC HEARING - HB 2148

285 WILLIAM VOELKER testified in support of HB 2148 as it allowed the Oregon Dept. of Forestry to recover land acquisition costs where accounts were greater than five years old and reduced the administration costs in carrying those accounts. Exhibit 9

341 SENATOR DUKES stated interest in presenting conflict amendments.

PUBLIC HEARING - HB 2883

363 ALAN WILLIS testified in support of ~B 2883_ Eng. permitting Boise Cascade to begin pursuing the lease and purchase of agriculture lands in E. Oregon on which to grow highB red cottonwood species. These trees represented a new sources of fiber to supply their papermill in Wallula, Washington. There was a need for the exemption from the E. Oregon severance tax. Exhibit 12

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426 SENATOR DUKES noted through questioning that Boise Cascade would continue to receive the agriculture exemption as well as the exemption from the severance tax.

TAPE 196. SIDE

A

003 Discussion followed regarding the revenue impact of the growth and harvest of the cottonwood trees.

036 WILLIS stated there was no revenue impact at the time and it would not likely generate revenue because the tax rate on cottonwoods at a low age rotation would not create a high revenue.

048 WILLIS stated Oregon would derive income from the sale of chips to the mill in Wallula. The land was highly managed and the process was highly mechanized. The irrigation system for E. Oregon would be a drip system which could be monitored to control fertilizers and pesticides to increase

the growth of the species.

089 JOE MISEK testified in support of HB 2883A, stating the State Forestry Dept. was supportive of equal tax treatment for both E. and W. Oregon.
Exhibit 13

111 STEVE BENDER reviewed technical language in the bill.

PUBLIC HEARING - HB

216 6

125 JIM BROWN referred to HB 2883 and clarified the taxation policy, that corporations doing business in more than one state pay tax on a portion of their income, using payroll, property and sales factors to apportion the total income.

149 JIM BROWN referred to HB 2166 which was filed at the request of the Dept. of Revenue, explaining the action of each section and the problem with which it was designed to deal.

Discussion followed.

WORR SESSION - HB

216 6

280 MOTION: SEN. GRENSKY moved HB 2166 to the floor with a dopass recommendation.

286 VOTE: In a roll call vote, the motion passed 4-0. Members voting aye: SENATORS Grensky, Gold, Dukes, Cease. Members excused: McCoy, Smith, Brenneman.

PUBLIC HEARING - HB

306 4

313 DIANE LUTHER testified in support of both HB 3064 and HB 3065, stating the purpose was to make better use of county inventories of tax foreclosed properties. Exhibit 20

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365 DIANE LUTHER explained a technical amendment to HB 3064.

TAPE 195. SIDE B

027 DIANE LUTHER stated there was a need to turn properties over to agencies providing social services such as child care and there was a need for the emergency clause. LUTHER further clarified that low income was defined by statute, and HB 3064 should give the counties the flexibility to use the definition they needed.

051 JACKIE BLOOM testified in support of both HB 3064 and HB 3065,
stating HB 3064 would clarify the authority given to the county.-

Exhibit 21

093 PETER GRUNDFOSSEN testified in support of both HB 3064 and HB 3065, as the Assoc. Oregon Housing Authorities would be potential recipients of the property in both bills.

068 MICKEY CLAY stated both HB 3064 and HB 3065 should pass at the same time as there was a real concern about the abandoned houses which should be rehabilitated.

102 SEN. GRENSKY observed that the owners could receive a tax benefit by donating this type of property.

108 DIANE LUTHER replied that if HB 3065 passed and a nonprofit applied for relief of back taxes, there would be an incentive to contact the previous owner for the donation of the land.

WORR SESSION - HB 3064

179 MOTION: SEN. GRENSKY moved acceptance of HB 3064-1
amendments.

181 ORDER: There being no objection, CHAIR CEASE so ordered.

185 MOTION: SEN. GRENSKY moved HB 3064 as amended to the floor with a do-pass recommendation.

187 VOTE: In a roll call vote, the motion passed 4-0. Those members voting aye: SENATORS Brenneman, Gold, Grensky, Cease. Members excused: McCoy, Smith, Dukes.

PUBLIC HEARING - HB 3065A

191 DIANE LUTHER testified that when a property was donated to a nonprofit agency backtaxes could not be foregiven by the county, thereby rendering any rehabilitation projects financially unfeasible. HB 3065 provided the correct language to allow this action.

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238 STEVE MEYER stated that amendments HB 3065-A3 were based on SB 575, where if property was destroyed in the last six months of 1990, the owner could ask for reappraisal before July 1, 1992, and the value found to be less, there would be a refund of the property taxes that had been paid.

266 FRED NEAL testified the application should be narrowed by limiting the benefit to an area being declared a natural disaster area.

273 SEN. GRENSKY questioned the appropriateness of the narrow application. Questions and discussion followed.

309 JIM BROWN stated HB 2550 contained a special provision for properties destroyed during a tax year.

345 MOTION: SEN. CEASE moved adoption of HB 3065-A3 with the conceptual wording to add 'the property that was destroyed or damaged ' in an area declared by the Governor to be a disaster area.

349 ORDER: There being no objection, CHAIR CEASE so ordered.

356 MOTION: SEN. MCCOY moved HB 3065 as amended to the floor with a do-pass recommendation.

358 VOTE: The motion passed with a roll call vote 6-0. Those members voting aye: SENATORS Smith, Brenneman, Gold, Grensky, McCoy, Cease. Excused: Senator Dukes.

PUBLIC HEARING - SB 925

381 MARCUS BERLIN testified in support of this bill as it would avoid any property tax limitation.

TAPE 196 SIDE B

001 MARCUS BERLIN continued testifying in support of SB 925 which dealt with the authorization of system development charges.

028 GARY CONKLING testified in support of SB 925. Exhibit 30

033 GARY CONKLING also presented testimony from the Tigard-Tualatin School District in support of SB 925. Exhibit 31

090 GARY CONKLING presented a proposed amendment SB 925-1 which would authorize school districts to impose a system development charge. Exhibit 30, Page 3

108 SEN. GRENSKY questioned the use of urban growth boundaries in Beaverton.

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110 GARY CONKLING responded with reference to schools not being on the list of critical public facilities. Developments were approved and built, after which schools were bonded and built.

136 SEN. GRENSKY stated the community of Beaverton was unprepared for the population growth and questioned the time factor of the proposed amendment and asked how it would facilitate the negotiation between the contractor, the developer and the community.

159 GARY CONKLING responded regarding the community involvement and the SDC.

209 PAM EDENS urged support of SB 925, stating Beaverton, as well as the State of Oregon, faced a large increase of numbers by the year 2000 and SB 925 would help solve the problem. Exhibit 32

250 FRED VAN NATTA testified in opposition to SB 925, stating a special front end fee for schools was a terrible tax policy, stating the tax would add more value to the property tax and to the insurance costs of the house. Exhibit 33

377 SEN. GRENSKY expressed concern with current methods of building new schools.

TAPE 197, SIDE A

003 FRED VAN NATTA replied a school differed because schools must follow development, but sewers and services need to be in place when the development occurred. People who have lived in a community have already paid the charge for the schools. VAN NATTA questioned the provision of homes for the younger generations, as well as the proper planning for schools to serve those communities. Increasing the cost of a new dwelling inflated the cost of the homes already in the community.

069 SEN. GRENSKY observed that SB 925 would reflect accurately the increased cost of housing because of growth and would help control growth.

079 FRED VAN NATTA further testified regarding the cost of housing, the cost of rents, and contemplated growth service fees in other areas. SB 925 was a bad school development policy.

124 SEN. GRENSKY questioned having system development charges for streets, lights and sewers and not for schools.

141 FRED VAN NATTA responded for the record that the purpose of legislation on system development charges was to limit government ability to impose them.

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144 B. J. SMITH testified the League of Oregon Cities was not opposing or supporting SB 925. However, caution was given that any language drawn not interfere with language regarding the infrastructure area. Systems development charges do not become operative until July 1, 1991. SDC were passed not as a limitation but a uniform framework for them. SB 925 would extend it so local government would have the authority to do SDC. There was concern about methodology requirements of SB 925. The new legislation would place fees on areas outside of that receiving benefit from the taxation. Other provisions that were questionable in SB 925 were discussed.

238 SEN. CEASE stated for the record that Sen. Shoemaker expressed support

for SB 925.

WORK SESSION - SB 857

261 DICK YATES stated that in SB 857-A5 there were three groups: The lender's credit, whether or not the housing project was in compliance, and requiring the person who sought the loan certify to the lending institution that upon completion the housing would comply with all safety or health laws and standards applicable for farm worker housing. The lender's credit dealt with the interest charged, and a separate credit was offered up to 50% of the value of construction.

337 MOTION: SEN. GRENSKY moved adoption of SB 857-A5 amendments.

339 ORDER: There being no objection, CHAIR CEASE so ordered.

343 MOTION: SEN. GRENSKY moved SB 857 as amended to the floor with a do pass recommendation.

352 VOTE: In a roll call vote, the motion passed 5-0. Members voting aye: SENATORS Brenneman, Gold, Grensky, McCoy, Cease. Members excused:

Smith,

Dukes.

WORK SESSION - HB 2164A

384 DICK YATES stated HB 2164-A19 forgave interest and penalties on underpayment of estimated tax because of uncertainty with respect to retirement benefits. Exhibit 36

401 MOTION: CHAIR CEASE moved adoption of HB 2164-A19 amendments.

405 ORDER: There being no objection, CHAIR CEASE so ordered.

TAPE 198. SIDE A

025 RICHARD FEENEY and HENRY BREITHAUPT appeared before the committee. Exhibit 38

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026 HENRY BREITHAUPT explained the amendments offered by Tri-Met HB 2164-A23, which addressed ministers who were employed by churches, but because of federal law were viewed as self-employed for Tri-Met purposes. Section 3 would clarify that these ministers were not selfemployed for Tri-Met purposes. Section 4 would include private or public deferred compensation in the Tri-Met payroll tax base.

Exhibits 37, 42

048 MOTION: SEN. GRENSKY moved adoption of proposed HB 2164-A23 amendments.

049 ORDER: There being no objection, CHAIR CEASE so ordered.

068 DICK YATES referred to proposed amendments, HB 2164-A25 from the Dept. of Justice which dealt with non recognition of gains of property which referred to a facility that had been destroyed and replaced. The purpose of these amendments was to expand the ability to S corporations and partnerships, to have the gain deferred and be treated the same as a resident. Exhibit 41

130 JIM BROWN stated there were two jurisdictions to tax, one being the resident, and the second being the location of the earned income.

151 LEONARD POWERS reported the HB 2164-A25 amendment was at the recommendation of the Oregon Certified Public Accountants. The purpose of the amendment was to not cause people that own property jointly, in a partnership or S corporation, to be penalized by the form of ownership as opposed to direct ownership.

171 MOTION: CHAIR CEASE moved adoption of HB 2164-A25 proposed amendments.
173 ORDER: There being no objection, CHAIR CEASE so ordered.
186 CHAIR JANE CEASE adjourned the meeting at 4:02 p.m.

Betty Shuholm, Committee Assistant

Kimberly Taylor, Office Manager

Exhibit Summary:

1. Testimony, Pat Fawcett, PUC - HB 2222A
2. Testimony, Jack Cassell, PUC - HB 2222A
3. Impact of HB 2222A, LRO - HB 2222A
4. Fiscal Analysis of HB 2222 - HB 2222A
5. OTAP and TDAP Phone Surcharges - HB 2222A
6. Revenue Analysis of HB 2222A - HB 2222A
7. Staff Measure Summary - HB 2222A
8. Testimony, Eugene Organ - HB 2222A

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9. Testimony, William Voelker - HB 2148
 10. Staff Measure Summary - HB 2148
 11. Revenue Analysis - HB 2148
 12. Testimony, Allen Willis - HB 2883A
 13. Testimony, Joseph Misek - HB 2883A
 14. Staff Measure Summary - HB 2883A
 15. Fiscal Impact - HB 2883A
 16. Revenue Analysis - HB 2883A
 17. Staff Measure Summary - HB 2166
 18. Revenue Analysis - HB 2166
 19. Fiscal Impact - HB 2166
 20. Testimony, Diane Luther - HB 3064
 21. Testimony, Gretchen Kafoury - HB 3064
 22. Proposed Amendments, HB 3064-1
 23. Staff Measure Summary - HB 3064
 24. Revenue Analysis - HB 3064
 25. Fiscal Impact - HB 3064
 26. Staff Measure Summary - HB 3065A
 27. Revenue Analysis - HB 3065A
 28. Fiscal Impact - HB 3065A
 29. Proposed Amendments - HB 3065-A3
 30. Testimony, Gary L. Conkling - SB 925
 31. Testimony, Dr. Russell Joki - SB 925
 32. Testimony, Pam Edens - SB 925
 33. Testimony, Fred Van Natta - SB 925
 34. Proposed Amendments - SB 857-A5
 35. Farm Worker Housing - SB 857-A
 36. Proposed Amendments - HB 2164-A19
 37. Proposed Amendments - HB 2164-A23
 38. Testimony, Richard Feeney - HB 2164
 39. Policy Issues - HB 2164A
 40. Proposed Amendments - HB 2164-A22
 41. Proposed Amendments - HB 2164-A25
 42. Explanation of Proposed Amendments to ORS 267.380 - HB 2164A
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