

COUNCIL POLICY NO. A-8

TITLE: 1997 LEGISLATIVE POLICIES

POLICY: See attachment.

REFERENCE: April 14, 1997 Council Agenda Item 9.2.1.

MEASURE 47

Measure 47, approved by voters during the 1996 General Election, rolls back property taxes and limits annual growth to 3%. The impact on Salem is a projected \$7 million loss in property tax revenues. After weeks of wrestling with how to interpret the value language in the Measure, the Legislature chose to re-write it in an attempt to create a more workable measure that will be less open to legal challenges and that also fixes some unintended consequences. This cleaned up version, now known as Measure 50, will be voted on May 20th. How the Legislature implements Measure 47 or to a slightly lesser extent Measure 50 (if approved by voters), will significantly affect how the city conducts its businesses.

Objective: The city has identified the following issues as its main concerns with Measure 47

1. Calculating the Cut. Salem believes that the reduction formula for determining the Measure 47 cut should include bonded debt. Measure 47 clearly states that the reduction shall not exceed the lesser of “the valorem property tax” for the year ending June 30, 1996, reduced by 10%, or “the ad valorem property tax” ending June 30, 1995. The term “ad valorem property tax” literally means the total tax bill, including both levy authority and debt.
2. Allocation Method for Revenue Losses. How the losses are apportioned is a key issue for the city. Some feel that local control should be maintained as much as possible and, therefore, it should be up to local jurisdictions to determine apportionment through a local negotiation model. The city is concerned that without strict time lines and some type of default method, agreement among local jurisdictions is not likely to be worked out in a timely manner. Salem feels the best method for determining loss would be a pro rata allocation method with an option that allows local governments to negotiate their regional priorities if they so choose.
3. Time lines for Enactment. Salem is in the middle of its budget process and is preparing to make \$9.3 million worth in cuts, largely due to Measure 47. It is essential to have legislative decisions worked out as quickly as possible since the new fiscal year for local governments begins July 1. Therefore, Salem supports using emergency clauses wherever legally possible and legislative authority to appeal directly to the Oregon Supreme Court.
4. Electoral Options. We support legislation that preserves a local option which will help protect a certain amount of self-determination and local control for our community. It has been interpreted that Measure 47 allows local governments the option of going to the voters for additional or increased levy authority as long as there is at least a 50% voter turnout (or super majority) approving the increase.
5. Reinstate June Election. The June election was eliminated during the 1993 Legislature as unnecessary since there are four other elections during the year. With the passage of Measure 47 and the requirement that local governments must obtain voter approval on certain types of fee increases, the importance of the June election is once again an issue. Because of the timing of our budget process and the three months that are required to prepare for an election, Salem believes that an annual June election should be reinstated as an important budgeting tool.

6. Narrow Definition of Public Safety. Salem supports maintaining a narrow definition of “public safety” as currently written in the ORS to apply to law enforcement, fire protection, emergency medical services, corrections, and emergency dispatch. The state should not dictate how local governments prioritize public safety. Rather each agency, as part of its budget process, should explain how they have prioritized public safety.
7. Fees and Charges. Salem agrees with the interpretation that fees requiring voter approval are those which apply to products and services principally provided by government which were previously funded by property taxes and which cannot be obtained elsewhere. We believe the intent of the measure is not to require a public vote to increase each type of fee, but to prevent governments from collecting property taxes in a different way or fees in lieu of taxes. Where alternative products or services are available, it should be the market place and not the ballot box that determines the amount of the fee.

STATE SHARED REVENUES

State cigarette and liquor excise taxes are shared revenues with cities. These revenues help provide necessary services to the community such as police and fire protection. There is a direct link between alcohol and tobacco use and a majority of the problems to which police and fire must respond. These are vital services necessary to the public safety and welfare of our community.

In its 1996-97 budget, Salem received approximately \$1,835,650 in state-shared revenues from the taxes on alcohol and cigarettes. At the same time, the city budgeted \$30,603,515 for the police and fire services. Salem recognizes the importance of a city-state partnership in providing services to the public and believes there are shared financial responsibilities as well.

Objective: Oppose reductions in or eliminations of state-shared revenues to cities.

FRANCHISING AUTHORITY

Cities are authorized to charge for the investment and management costs associated with maintaining and safely operating public rights-of-way. Five utilities pay fees to Salem including electricity, telephone, natural gas, garbage and cable.

Objective: Support continuation of cities’ franchising authority and oppose proposals that would restrict franchise revenues or impair a city’s ability to negotiate agreements that meet the particular needs and circumstances of that city.

TRANSIENT ROOM TAXES

Transient room taxes or hotel/motel taxes are used by over 60 cities and 13 counties. In past sessions, bills have been introduced to preempt or modify local authority to impose transient room taxes, or dedicate their proceeds for specific purposes such as tourism projects.

Objective: Support the LOC position that flexibility is needed by communities to decided on a local basis how to best provide services and infrastructure to support tourism.

SYSTEM DEVELOPMENT CHARGES

System development charges (SDCs) are an effective tool used to help finance a growth-related infrastructure. Such tools are important as Salem continues to experience a significant rate of growth. Under the current or pre-Measure 47 system, growth does not add to a local government's tax base. In fact it causes existing resources to be stretched further to cover an expanding need for services. There are legislative bills which would limit or modify portions of the SDC law this session.

Objective: Oppose efforts to change or weaken existing SDC law.

PROPERTY TAX EXEMPTIONS

Every session there is a legislation which would add to the list of property tax exemptions, deferrals, credits, etc. While the intended benefit of such exemptions may be worthwhile, the cumulative impact could be significant for cities, counties, and other local governments which rely on the property tax as a primary source of revenue. Property tax expenditures result in tax losses to schools and local governments under compression and tax shifts and increased tax rates for local governments not under compression.

Objective: Oppose large tax exemptions unless such proposals are part of a larger tax overhaul. Carefully examine legislation which adds or extends additional property tax exemptions or deferrals. Weigh the costs and benefits to the public on a case by case basis.

POTENTIAL STATE BUDGET IMPACTS

Even after the full implementation of Measure 5, there is still intense pressure on the state budget to increase spending on education, corrections, parks, human resources and salmon restoration. The resulting impacts on local government are not fully known. Possibilities include reduction in state shared revenues, increases in fees, cut-backs in services that would increase the burdens on local communities, losses to lottery-funded economic development projects, etc.

Objective: The city will oppose any cost shifting in services from the state to local governments. However, we will support maintaining flexibility to provide services in partnership with other governmental entities by creating intergovernmental agreements to fit our own regional circumstances.

LOTTERY FUNDS

See Community Development

PREEMPTIONS ON CITIES' REVENUE RAISING AUTHORITY

Legislation has again been introduced to preempt specific and collective methods for cities to raise revenue. These efforts undermine local control and the ability for a community to manage itself given its unique individual circumstances.

Objective: Oppose state legislation which preempts local control or erodes cities' revenue raising authority. It is important for local governments to maintain as many potential revenue options as possible in light of Measure 47.

REAL ESTATE TRANSFER TAX

Every session there is legislation to ban local governments' ability to enact a real estate transfer tax. For the past two sessions, these proposals have been vetoed by the Governor. This session a proposal may be considered to adopt a statewide real estate transfer tax, the proceeds of which would be dedicated to affordable housing, infrastructure, and county assessors.

Objective: Salem has consistently opposed efforts to pre-empt our ability to adopt a real estate transfer tax. We would like the ability to retain the flexibility to decide on a real estate transfer tax as a potential source of local revenue to meet the particular needs of our community.

COMMUNITY DEVELOPMENT

LOTTERY FUNDS

There are a number of infrastructure programs that benefit cities from lottery funding such as the Special Public Works Program, the Community Facilities Program, and the Water Fund. Special projects in Salem that could receive funding include Willamette Valley Rail Improvements, the AMTRAK station, the Salem Area Mass Transit District's Downtown Transfer Facility, and the Elsinore Theater. Lottery funds will become increasingly scarce as lottery sales are projected to fall off and lottery money traditionally available only for "economic development" is now also available for education.

Objective: The Council feels that cities should receive a formula allocation of lottery proceeds as a revenue sharing opportunity, which would be especially critical in light of Measure 47 losses. Lottery dollars allow for economic development projects that otherwise are not affordable. These projects provide jobs, improve the economy, and increase the livability of our communities.

DLDC BUDGET

Within the proposed budget for DLDC, there is approximately \$3 million in financial assistance to local governments in the form of planning assistance grants and demonstration project grants. These grants have helped local governments undertake a variety of planning projects to help develop and implement their comprehensive plans. For example, Salem received a \$15,000 planning assistance grant to help conduct the mandated periodic review of the Salem Area Comprehensive Plan.

Objective: Support funds to help provide technical planning assistance to meet state mandates

BUILDING CODES - CERTIFICATION FOR INSPECTORS

Under current law and administrative rules, the Building Codes Division adopts education, training and experience requirements for plans examiners and building inspectors. These requirements must be met before an applicant may sit for an Oregon exam. This means that building inspectors with national certifications and experience in other states are excluded from working in Oregon. This situation has fueled the shortage of available personnel, especially in rapid growth communities such as Salem.

Objective: Support legislation which would modify certification requirements, while assuring public safety, and which would relieve the shortage of building inspection personnel.

BUILDING CODES - LOCAL ENFORCEMENT

Legislation may be introduced to restrict municipalities' ability to administer building code programs or require that counties be given primary responsibility for building inspection services.

Objective: Oppose bills which may restrict cities' ability to offer local building inspection programs.

BUILDING CODES - DEDICATION OF TRAINING & EDUCATION SURCHARGE

Under current law, a 1% surcharge is levied on building permit fees to fund training and education programs administered by the Department of Consumer and Business Services. There is concern that these funds are not being used for the intended purpose of training and education building code staff. Legislation will be introduced to statutorily dedicate the 1% surcharge.

Objective: Support dedicating surcharge revenues to fund education and training programs for building officials and inspectors.

BUILDING PERMIT FEE INCREASES

Under new rules adopted by the Building Codes Division, the state must approve and possibly hold a hearing for all permit fee increase requests. There is no time limit placed on BCD to set a hearing. There is great concern that the process is unreasonable and will unnecessarily delay approval of fee increases.

Objective: Support efforts to allow building permit fee increases to be processed more efficiently.

GENERAL GOVERNMENT

TELECOMMUNICATIONS AND ENERGY DEREGULATION

There will be tremendous change over the next several years with the passage of federal legislation deregulating the telecommunications and power industries. No longer will there be clear distinctions between services provided by your telephone, cable and electric companies. This new structure

coupled with rapid changes in technology means new competitive providers will be entering the market with new products and services. In addition, traditional providers will be offering nontraditional services. Competition is expected to be fierce.

Cities have historically been responsible for the management of public streets and rights-of-way for the benefit to the public. Cities are also responsible for determining the appropriate uses of public streets and for charging a fair rate of return for the direct and indirect use of the rights-of-way for the delivery of electricity, natural gas, or telecommunication services. Currently, utilities and some telecommunication service providers compensate cities for use of the public rights-of-way with franchise fees or privilege taxes. This compensation is calculated as a percentage of gross revenues collected by the utility within the jurisdiction of the city charging the fee.

Cities support competition and the provision of new services to our citizens and businesses. In this new era of deregulation, some new providers entering the field will be by-passing the established fee system. For most cities, franchise fees are a significant contribution to their general fund. In Salem last year, the city received approximately \$6 million in franchise fees from public utilities for the use of the public's rights-of-way. Unless legislation changes the method for collecting franchise fees this amount is expected to drop off as utilities divide themselves up on the power side and the significant portion of the telecommunications providers by-pass the current franchise system.

To help analyze the various legislative concepts, the city has identified the following policy statements:

Objectives:

1. Cities must continue to have authority to manage and coordinate out rights-of-way to maintain and protect the public's investment and also the public's access and safety.
8. Cities should continue to have the authority to charge fair compensation for utilities' rent of the public rights-of-way and assess fees for the city services provided at the utility's request.
9. The compensation should be collected locally. State administration would be duplicative and unnecessary **because the level of compensation will vary across the state and some communities may choose not to seek compensation at all.**
10. Any change to the franchise fee system in terms of how compensation may be collected should not result in a redistribution of who pays or cost-shifting within classes of ratepayers.
11. The city supports competition and the provisions of new services for our citizens. The city does not want in any way to inhibit competition for new providers and therefore believes that all providers should pay for the direct and indirect uses of the public's right-of-way.

PUBLIC CONTRACTING

The city of Salem is committed to delivering city services in the most efficient and cost-effective manner possible. Currently, the city contracts out many of its services where it is cost-effective. In past sessions, there have been efforts to require contracting of public services.

Objective: Oppose legislation that does not allow for local decision making and flexibility in public contracting.

QUALITY BASED SELECTION

The professional associations representing architects and engineers have introduced legislation which would require that local governments treat the personal service contracts for architects, engineers, and land surveyors differently than all other contracts. For these contracts, local governments would not be allowed to consider the price of a proposal until after the consultant is selected. Salem currently uses a weighted combination of criteria that includes qualifications, experience, and price among other factors for judging proposals for professional design projects.

Salem fees including a price component up front helps ensure a better return on the public's dollar.

Objective: Oppose legislation that would prohibit local governments from using price as a consideration in the local decision-making process.

MUNICIPAL LIENS

During the 1995 session, legislation was introduced and approved by the Oregon Land Title Association that changed the filing requirements for municipal liens. The intent was to require cities to give notice of liens for local improvement districts and payment contracts for Bancrofted system development charge agreements to title companies. The new law also requires cities to provide notice of final payment of these liens. There are some unintended consequences of this legislation that needs to be fixed. The main issue for Salem is to clarify that cities providing on-line computer access to municipal liens are exempt from the new county filing requirements.

Objective: Support changes to the municipal lien law to clearly exempt those cities with on-line access from also having to file these liens with the county.

PUBLIC RECORDS

Current law allows for an exemption for disclosure of home addresses and phone numbers only if it would constitute a danger to personal safety. Currently, exemptions to disclosure happen only on a case by case basis and have to be proven with supportive documentation. Employees feel the release of their personal information is an invasion of their privacy and they fear for their personal safety.

Objective: Support legislation that exempts from public disclosure the home address, phone number, and performance evaluation (including disciplinary actions) of public employees so long as the performance evaluations are available through the court.

LITTLE DAVIS BACON

Under the current method for determining prevailing wage scales for public works contracts there is no relation to the true market value for the region. The result has been an inflated wage scale.

Objective: Support legislation that connects the prevailing wage with the true market wage for the local area.

HOUSING

HOUSING TRUST FUND

The Housing Trust Fund, initially started in 1991, provides an ongoing subsidy for construction of new or rehabilitated affordable housing units. The program leverages other public and private resources and has worked very well. The Housing Lobby Coalition is looking for additional funding to increase the benefits of the Housing Trust Fund. One possibility includes tapping into lottery dollars.

Objective: Support the concept of increasing the investment in the Housing Trust Fund. Analyze each proposal in a case by case basis.

OREGON LOW INCOME HOUSING TAX CREDIT

Formerly known as the Lender's Tax Credit, this program offers lenders a formula based tax credit reflecting the difference in interest rates in loans made to low and very low income borrowers. Legislation has been introduced to increase the annual cap on the amount of tax credit for lending institution loans.

Objective: Support increasing the cap.

SALEM SPECIFIC ISSUES

PAYMENT IN LIEU OF PROPERTY TAXES

Because we are the seat of state government, Salem contains a large amount of tax-exempt properties which do not contribute to the cost of providing public safety and other city services. It is estimated that over 40% of the land in Salem is tax exempt and the state's share of tax exempt property in Salem is estimated at 28%.

Objective: Support efforts to obtain compensation or other types of contributions from the state in lieu of paying property taxes for city services

STATE INSTITUTION IMPACTS

The city is concerned with the potential impacts from budget decisions made by the Legislature that would have the effect of increasing institutional impacts on the Salem community. Salem houses nine state institutions within our borders. The impact from these institutions on public safety and social service systems in Salem and the surrounding mid-valley communities are well documented.

The city would be particularly concerned with budget decisions for the Department of Corrections that either increase capacity or transfer other programs to Sale facilities. We would also be concerned with legislative decisions that would delay the construction of new prisons, and downsize Fairview or consolidate the schools for deaf and blind without the adequate consultation with the city.

Objective: Salem will continue to support efforts to maintain balance in the institutional population here in the Willamette Valley.

PRISON SITING

The effort to locate more prisons through a supersiting process may be in jeopardy. In December of last year, the Governor delayed a final decision on two recommended sites where alternatives were proposed too late to be considered by the siting process. The Governor instructed the Department of Corrections to go back out in search of new sites in the two specific regions to ensure the best site available would be chosen.

Legislation has been introduced to change the siting criteria and alter the siting process. Since Salem was nominated and has successfully avoided being chosen for another prison, we are concerned about proposals that would change the rules mid-stream and that might also result in the Department of Corrections having to start over. Overcrowding and associated problems in existing institutions will only get worse as construction on new facilities is delayed.

Objective: Carefully examine any legislation that alters the prison siting process. Oppose legislation that would cause unnecessary delays or unfairly subject Salem to housing more prison facilities.

SEND 'EM HOME LEGISLATION

The "Send 'Em Home" legislation was passed in 1989 so that inmates would be sent back to the county of conviction rather than released out of prison into Salem and the surrounding communities. Prior to this legislation, for every felon Salem admitted into the state prison system, we received two back into our community. The law did work to reduce the number of inmates being released into Marion County. However, because of a loophole and a large number of exemptions, the Mid-Willamette Valley is still receiving a disproportionate share of inmate releases.

Objective: Support legislation which would require inmates convicted of a crime while in prison to be released in the county where the original conviction took place.

CLOSURE OF FAIRVIEW TRAINING CENTER

Mental health officials with the state are planning to close the Fairview Training Center in July of 2000. The institution houses people who are mentally retarded or have developmental disabilities. Fairview currently houses about 350 residents and employs 1,550 staff. Those who favor closure say that it would make economic sense and enable the state to provide mental health services to more people. Those who are opposed to the closure are concerned that the population remaining in Fairview are those with the most severe disabilities and they could not be cared for in a group home. Closure will have economic impact on Salem. One projection estimated the value if take-home pay and health benefits that would be spent in the community at approximately \$27.6 million annually.

Objective: Support closure of Fairview only if there is adequate resources available to transition and house the remaining residents without diminishing their quality of care. Require

that the city be an active participant in all discussions about ultimate disposition of the property.

TRANSPORTATION

TRANSPORTATION FINANCE

Our transportation funding needs are reaching a critical level. Inflation has reduced the buying power of existing funding at a time when the state's population is experiencing unprecedented growth. Without additional funding, not only will we lose our investment in the existing system, but we will be unable to address the other critical transportation needs such as public transit and seismic retrofits. To fully implement the perpetual life maintenance goal, the City of Salem needs an increase of \$2.1 million per year in street maintenance funding.

The House of Transportation Committee has passed out a proposal that would increase the gas tax by \$.03 per year for the next three years. Plus it would increase the vehicle registration fee by \$20.00 per year. One of the most significant pieces of the proposal is the redistribution of the gas tax. It is currently split 60 % to the state, 24 % to the counties and 14 % to the cities. The new proposal calls for a 50/30/20 split which begins to move the distribution formula towards a more equitable formula.

Objective: Strongly support the transportation finance package for the 1997 session.

COST RESPONSIBILITY

Since 1925, Oregon has had a road user finance system based on the principle that road users should pay for their fair share of road costs. To determine responsibility, the Oregon Department of Transportation (ODOT) looks at the type of vehicles that are using the roads and the maintenance, rehabilitation, and modernization work that is being performed on the roads. ODOT then assigns a share of those costs to the vehicles in proportion to the wear caused by each type of vehicle.

The largest source of street revenues comes from the gas tax for cars and the weight-mile tax for heavy trucks. National trucking firms have been advocating for the repeal of the weight-mile system claiming that is one of the highest taxes in the nation.

Objective: Salem supports continuation of the principle that users of the road system should pay their fair share.

ODOT BUDGET

Within the proposed budget for the Oregon Department of Transportation (ODOT) are funds for the Transportation/Growth Management (TGM) program. This program provides technical assistance and project grants to local governments to help them comply with the Transportation Planning Rules, ISTEA, and also to demonstrate the implementation of a number of growth management planning tools.

Under the TGM program Salem has received approximately \$177,000 to fund six projects. ODOT's budget also contains financial assistance to large cities to develop transportation demand management

programs. Both of these programs will benefit Salem with regard to air quality, reduced traffic congestion, and economic development.

Objective: Support continuation of technical assistance grants to local governments in the ODOT budget.