4-13-1962

Charter Chapter 1: General Powers , Annexation (City Measure No. 51); Report on Salaries of State Legislators (State Measure No.2); Report on Six Percent Limitation Amendment (State Measure No.1)

City Club of Portland (Portland, Or.)

REPORT ON

CHARTER CHAPTER 1: GENERAL POWERS, ANNEXATION

(City Measure No. 51)

To the Board of Governors,

The City Club of Portland:

You have requested that this Committee examine the above city measure which will be on the May primary ballot. This proposed amendment is substantially the same as that part of the charter revision amendment which was before the voters at the general election in November, 1960, relating to Chapter I. That amendment, however, contained proposed revisions of Chapter III, Chapter V and Chapter VI, as well as Chapter I. The present amendment is limited only to changes in Chapter I.

We have compared the changes in the proposed amendment with the present Charter and find that they are as follows:

1. Present Section 1-101 relating to definitions is deleted as unnecessary.

2. Present Sections 1-102, 1-104 and 1-106 are combined in a new Section 1-101 which continues the corporate powers heretofore possessed by the City, with no substantive changes. Such changes as are made, in our opinion, merely make express the powers of the City which are already implied, such as adding the power to reject as well as to accept bequests, etc., of money as well as other property.

3. Present Section 1-103 is renumbered Section 1-102 with no substantive changes. It provides explicity that the powers of the City may be exercised over property held outside the city limits—authority the City undoubtedly had without such expression.

4. Present Section 1-105 has been renumbered Section 1-103 with no substantive change. It continues the City's power to bring legal proceedings and makes clear that this power extends to both criminal and civil proceedings.

5. Present Sections 1-107, 1-108, and 1-109 are combined into a new Section 1-104. The new provision alters the present limitations on the right of the City to divest or alienate its rights in public property within 2,000 feet of the meander lines of navigable waters or 1,000 feet from railroad depots or terminal yards. The change permits the City to alienate such property by ordinance adopted by a vote of four-fifths of all members of the Council. The City is permitted to vacate unneeded street areas by a similar vote.

The new section deletes the present requirement that the sale of city-owned buildings must be by auction. It further permits the City to lease property with only statutory restriction as to length of time (99 years).

These changes are not objectionable and may be helpful.

6. Present Section 1-110 is renumbered Section 1-105 with no substantive changes.

7. Present Section 1-111 is renumbered Section 1-106. The provision that damage claims against the City are barred unless presented to the Council within six months has been construed heretofore to apply only to tort claims. The proposed

measure makes that provision applicable to damage claims arising out of implied contract as well as tort and authorizes the Council to permit filing after six months upon proof of good excuse for delay.

8. Present Section 1-112 is renumbered Section 1-107 with no substantive changes.

9. Present Section 1-201 is amended to delete 13 pages of boundary description now contained in the Charter. The measure provides instead that the present description of the boundary be embodied in a resolution filed by the City Auditor with the Secretary of State and such other officials as may be required by statute.

10. Present Sections 1-202, 1-203, 1-204 and 1-205 and 1-207 are replaced by new Section 1-202 which provides for annexation, consolidation and merger in "any manner permitted by statute." Special procedures for annexation in the old sections which are eliminated have not been followed in the past. However, a vote of the people within the City has to date been required. Under the amendment, while the requirements for a vote of those living in the area to be annexed are not affected, a vote of the people within the City becomes unnecessary in most cases. There will be sixteen annexation measures on the May ballot in the City of Portland, all of which would be unnecessary if Section 1-202 of the proposed measure had been in effect.

11. Present Section 1-206 is renumbered Section 1-203 and altered to provide that boundary changes be filed with the persons indicated in new Section 1-201 rather than be made as revisions to the boundary descriptions in the Charter.

CONCLUSIONS

The changes which are proposed in the Charter amendment are essentially housekeeping in nature and help to clarify the powers of the City. The changes concerning annexation do not substantially affect any powers with respect to annexation but do simplify mechanics.

RECOMMENDATION

Your Committee recommends a "yes" vote on this proposed Charter amendment which is City Measure No. 51.

Respectfully submitted,

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REPORT ON

SALARIES OF STATE LEGISLATORS

(State Measure No. 2)

PURPOSE: To amend Constitution by providing that legislators' salaries shall be established and paid in the same manner as the salaries of other elected state officers.

To the Board of Governors,
The City Club of Portland:

Your Committee was appointed to study and report on a proposed amendment, which will appear on the state ballot at the primary election on May 18, 1962, to remove the present constitutional restriction on compensation of legislators, and to permit the Legislature hereafter to fix the compensation of its members by statute.

The amendment would revise Section 29, Article IV of the Constitution of the State of Oregon to read as follows:

> "Sec. 29. The members of the Legislative Assembly shall receive for their services a salary to be established and paid in the same manner as the salaries of other elected state officers and employes."

This would replace and supersede the present constitutional provision which reads as follows:

> "Section 29. The members of the Legislative Assembly shall receive for their services a salary of six hundred dollars ($600) per annum, payable as provided by law. For each session of the legislature, they shall also receive the sum of 10 cents for every mile they shall travel in going to and returning from their place of meeting, on the most usual route, and no other personal expenses. The presiding officers of the assembly shall, in virtue of their office, receive an additional compensation equal to one third of their annual allowance as members."

HISTORY

Committees of The City Club of Portland have studied and reported on eleven previous proposals to increase the salaries of state legislators, and in 1954, one proposal to remove the constitutional restriction on legislative compensation. Without exception, the City Club has voted in favor of every such proposed increase in legislators' salaries, including three ballot measures since the last actual increase for legislators was passed in 1950. Also favored was one in 1954 to allow salaries to be established by statute.

The original Oregon Constitution of 1859 set a maximum of $3.00 per day for legislators while in session. The same Constitution provided that the Governor and Secretary of State would receive an annual salary of $1500 each, and the State Treasurer, $800.

Over the past century, elective officers' salaries have been raised substantially (except those of legislators). Since 1950, Oregon legislators have been paid $600 per annum. The Governor now receives $20,000 a year, and the Secretary of State and State Treasurer $15,000 each. During this same period, all constitutional salary limitations have been removed except those for legislators.

SCOPE OF RESEARCH

Your Committee has reviewed the history of legislators' salaries and previous measures on the subject, and has investigated the following areas:

1. The advisability of removing salary limits from the Constitution.

2. The effect of such removal on the probability of increase in salaries, and the advisability of an increase.

The Committee studied past City Club reports, the Model State Constitution prepared by National Municipal League, investigations by the League of Women Voters, reports of past legislative interim committees, and *The Book of States*, an official publication of the Council of State Governments. Opinions were requested and studied from the following sources:

House and Senate leaders of both parties.

State and county Democratic and Republican central committee chairmen.

All members, Commission on Constitutional Revision.

Gubernatorial candidates.

Representative labor and business groups.

Representative civic groups.

Of more than fifty questionnaires sent to individuals and groups, your Committee received responses from eighty percent, either by letter or personal interview.

DISCUSSION

1. Advisability of Removing Salary Limitations from the State Constitution

The National Legislative Conference Committee on Legislative Processes in its 1959 report dealing with compensation capsuled the thinking of most recent observers on the subject of legislative pay: ". . . Actual amounts of salary and expense money should be provided by statute rather than specified in the constitution."

Twenty-five states set salaries by statute alone, and seven states have a dual constitution-statute procedure. Only eighteen states, including Oregon, have constitutional restrictions on salaries of legislators.

No instances of abuse were found in states without constitutional restrictions. A majority of the states with constitutional restrictions do not have the initiative, referendum, or recall as checks against excessive salaries, as we do in Oregon.

Ninety percent of the responses from the representative groups surveyed by your Committee, as mentioned previously, favor the removal of all salary limitations from the Constitution.

Among opinions expressed to the Committee was that of a prominent state legislator, who said:

> "It has been my opinion for many years . . . that the Constitution should set forth the organic law, leaving to the people—expressing themselves through the initiative or through the legislative assembly—details which are properly the subject of statutory enactment."

In opposition, one legislator felt:

> "Legislators should not set their own salaries, as I believe that when the job becomes a full-time salaried job, the membership will be made up of professional politicians rather than public-spirited individuals."

A constitutional lawyer and professor stated:

> "Whatever might have been expected of politicians in the 19th Century, I do not believe that under modern conditions legislators need be expected to conduct a 'raid' on the public treasury for their own benefit. . . . It should not be forgotten, moreover, that these political controls include the power of referring salary legislation to popular vote."

One tax-minded individual commented:

> "Legislative salaries should be put to the voters in a dollars-and-cents value. This is the taxpayers' surest protection."

A political reporter replied to our survey as follows:

> "Some provisions of the Oregon Constitution seem to reflect an effort to contrive a governmental machine that will run itself while the people go fishing or watch television. The constitutional limitation on legislative salaries is one of these. . . . The people would have a wealth of protection in the initiative and recall, if they even need these. The people should have to face up to the responsibility for culling legislative aspirants, and of eliminating the bad ones that get in. They should not be encouraged to believe that the problem can be solved by putting a live body in a cast . . ."

2. Probability and Advisability of an Increase in Legislators' Salaries

The Committee's research strongly indicates that the passage of this amendment will result in increased legislative salaries. With one exception, all those surveyed by your Committee were in favor of increasing the salaries of Oregon state legislators. One legislative leader replied:

> "I have served in the Legislature since 1950, but I will never run again unless something is done about the pay schedule . . ."

Another legislator said:

> ". . . Legislative salaries should be large enough to eliminate much of the present sacrifice on the part of the legislators, but not high enough to encourage candidates simply as a means of getting a job."

The Secretary of State expressed his opinion to the Committee as follows:

> "As you may know, it costs the average legislator approximately $2500 during his term in out-of-pocket expenses to participate in a legislative session. It seems to me that simple justice demands that we at least reimburse them for their necessary living expenses while in attendance at the legislative session and in work on interim committees. I know of no logic that supports the present requirement that a citizen not only contribute his time to public service but pay his own expenses while doing it."

In comparison with other states, Oregon at $1200 per biennium ranks in the bottom one-tenth in the rate of compensation paid to legislators. The median salary

of all states *per biennium* is $3,600, ranging from a high of $15,000 in New York to a low of $200 in New Hampshire. (However, New Hampshire, which has a constitutional restriction, also has 424 legislators.)

Thirty-three of the states have increased their legislators' salaries since Oregon's last modification in 1950, and of the other sixteen beside Oregon, twelve already have higher salaries than Oregon.

The Bureau of Labor Statistics reports that the cost of living in this area has increased some 30 percent since we last gave legislators a raise, and during this same period, the average hourly wage increased over 37 percent.

The personal consensus of those surveyed by your Committee was that Oregon has had a good Legislature, but that an increase in salary would reduce turnover and expand the base of potential candidates.

CONCLUSIONS

Your Committee agrees upon the following conclusions:

1. The nature of the matter of salaries is properly statutory and not constitutional. In its research your Committee found this to be the overwhelming weight of opinion.

2. Removal of the salary limitation from the Constitution will almost certainly result in higher salaries.

3. The Committee has found no references to instances of abuse in the 32 states where salaries are established all or in part by statute.

4. The right to refuse election to legislators is buttressed in Oregon by the initiative, referendum and recall as additional safeguards against abuse.

5. Adoption of this measure and a raise in salaries are necessary to guarantee more continuity in the Legislature. Compensation presently is substandard. Many members are unable to present themselves as candidates again because of the present low level of compensation. Many otherwise qualified persons are unable to run because they cannot afford even a first term.

RECOMMENDATION

Your Committee unanimously recommends that the City Club go on record in favor of this constitutional amendment, and urges a vote of "yes" on State Ballot No. 2.

Respectfully submitted,

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REPORT ON

SIX PERCENT LIMITATION AMENDMENT

(State Measure No. 1)

* * *

PURPOSE: Revises constitutional provision governing 6 percent limitation. Prevents loss of tax base by taxing bodies. Permits first year levy without election. Fixes election dates.

* * *

To the Board of Governors,
The City Club of Portland:

Your Committee authorized to study the proposed amendment to Section 11, Article XI of the Constitution of the State of Oregon, relating to the 6 percent tax limitation, reports and recommends as follows:

I. History of the 6 percent tax limitation

In 1916, Section 11 was enacted in its first form, to provide in substance that the annual increase in property taxes levied by any taxing unit would be limited to six percent of the total property taxes levied in the preceding year. Levies for payments of bonded indebtedness or special levies approved by ballot were defined as being "outside" the limitation and had no effect on its application.

In 1932, an amendment to Section 11 permitted the six percent increase to be computed on the basis of the tax levy made by the taxing unit in any one of the three preceding years.

In 1952, an amendment authorized a special alternative to the six percent limitation. The amount of tax permitted under the existing six percent rule was redefined as the "tax base" of the particular taxing unit beyond which it might not levy except for purposes of bonded indebtedness or by a specially voted levy in excess of the tax base. As an alternative, the voters of the taxing unit could have submitted to them by ballot the question of establishing a new tax base of any specified amount. If the voters approve the new tax base, the taxing unit can levy up to the amount of such tax base for the fiscal year following its adoption. Levies for subsequent years would be subject to application of the six percent limitation starting from the new tax base.

II. The Proposed Amendment

Senate Joint Resolution No. 33 was adopted by both houses of the 1961 Legislature. It provides for two separate ballot measures, the second of which is to be submitted to the voters at the coming November general election only if the first measure, submitted to the voters in May, fails. The only difference between the two amendments is that the May primary measure contains the three substantive changes discussed in this report, and the November measure contains only the first substantive change discussed, omitting the second and third substantive changes. The appendix contains in parallel columns the present Constitutional provision, the May primary measure, and the November general election measure.

III. Analysis of the Proposed Amendment

Although Section 11 is rewritten in its entirety by the amendment, there are only three substantive changes. The key words are underlined in the excerpts from the measure quoted below. The other changes are made for increased clarity and precision.

The first substantive change is:

"Subsection (2) The tax base of each taxing unit in a given year shall be one of the following:

(a) The amount obtained by adding six percent to the total amount of tax lawfully levied by the taxing unit . . . in any one of the last three years in which such a tax was levied by the unit . . ."

Under present law, in order to retain a tax base, a levy must be made in one of the three years immediately preceding the year of the current levy. With the proposed change, a unit does not lose its established tax base.

The second substantive change is:

"Subsection (3). The limitation provided . . . shall not apply to:

(a) The first levy of a newly created taxing unit."

Present law requires that in order to establish a tax base, a taxing unit must establish such base by submitting it for voter approval at a primary or general election. The proposed change would permit a taxing unit to use its first levy as its first established tax base.

The third substantive change is:

"Subsection (5). . . . the question of establishing a new tax base . . . (as provided for in Subsection (2) (b)) . . . shall be submitted at either the regular periodic election of the taxing unit or at a regular statewide general or primary election."

Present law requires the question to be submitted at a regular primary or general election.

IV. Scope of Committee Research

The Committee interviewed Senator Donald Husband, member of the Senate Taxation Committee and sponsor of the resolution on the Senate floor; Representative Victor Atiyeh, vice-chairman of the House Taxation Committee and sponsor of the resolution to the House of Representatives; Mr. Myron Katz, consultant to the House Taxation Committee in the 1961 Legislature; Mrs. Louise Humphrey, Executive Associate, Oregon Tax Research; Mr. Kenneth Tollenaar, Executive Secretary, Association of Oregon Counties. Representatives of the Committee also discussed the measure with Herman Kehrli, Executive Secretary, League of Oregon Cities and Senator Ben Musa, chairman of the Senate Taxation Committee.

In addition, the Committee studied material obtained from the State Tax Commission, the State Legislative Counsel, Reports of the Legislative Interim Tax Study Committees, and other sources.

V. Arguments in Favor of the Amendment

1. Argument in favor of first substantive change:

A tax levy should not have to be made every three years in order for a taxing unit to preserve its existing tax base. Some taxing units do not need tax revenues every year, due to receipt of funds from other sources, such as participation in proceeds of timber sales from Federal lands, and therefore do not levy a tax. In such cases the amendment will protect them from losing their tax base for failure to levy taxes by allowing the taxing units to reach back any number of years for a tax base.

Taxpayers in these units would thereby be spared the payment of taxes which the unit does not need when other funds are available.

2. Argument in favor of second substantive change:

The present requirement that a new taxing unit establish its first tax base by an election is unnecessarily burdensome and time-consuming. Newly created units must be approved by a vote of the people; therefore, it is reasonable to assume that the

first year's operating budget is an appropriate tax base. Prior to the 1952 amendment, a new taxing unit could make a levy in its first year of operation which would then become the tax base. In 1957 the Attorney General held that the provisions of the 1952 amendment providing for voting a new tax base applied also to new taxing units. This amendment would legalize the practice apparently still being followed in some areas and would conform to the procedure which was legal prior to the 1952 amendment.

3. Argument in favor of third substantive change:

(a) To permit the question of a new tax base (for an established taxing unit) to be voted on at the regular periodic election of the taxing unit instead of at a regular primary or general election would simplify and expedite the approval process. Taxing unit boundaries do not always coincide with precinct boundaries, and confusion has frequently resulted during the issuance of ballots at general and primary elections. To permit the taxing unit to submit a proposed tax base at its regular periodic election would eliminate a possible delay of as much as two years in establishing a tax base.

(b) At a taxing unit's periodic election, a ballot measure will receive more consideration than at a general or primary election, when attention must be divided among a large number of issues on the ballot.

General arguments in favor of the measure:

1. The rewriting of the whole section will result in clarity of interpretation.

2. To those who believe that the 6 percent limitation is fundamentally wrong, the amendment appears desirable because it liberalizes the operation of this law.

VI. Arguments Opposed to the Amendment

1. Argument against the first substantive change:

Your committee has found no opposition to the first substantive change.

2. Arguments against the second substantive change:

(a) The voters should have the right to approve the amount of the first tax base of a new taxing unit. The new unit can operate successfully with a special levy voted at the election at which the unit is first approved until a tax base election can be held at the next general or primary election.

(b) The present law acts as an incentive to the establishment of a realistic budget to be presented to the voters at the time that they vote on the establishment of the service for which they will be taxed.

(c) The law now permits an election to approve the formation of a new taxing unit without advising the voters of the amount of the resulting tax. If the first tax base of a new unit can be set by its directors, the taxpayer will have no control over the amount of such tax base.

3. Arguments against the third substantive change:

(a) Only at a general or primary election can a large percentage of voters be assured; therefore, the question of a new tax base for an established taxing unit should be voted on at that time. When the 1952 amendment providing for establishing a new tax base was passed, it was argued that restricting the voting to a general or primary election would insure a representative vote. Opponents of this change consider that this argument is as valid today as it was when the 1952 amendment was passed.

(b) The meaning of the term "regular periodic election of the taxing units" is not clear. It may mean more often than once a year. In any event it is doubtful whether such election will attract enough voters to obtain a representative opinion of the taxpayers.

VII. Conclusions

1. Your Committee agrees that the argument in favor of the first substantive change is valid. Even though relatively few taxing units would be affected by this

amendment, the fact that it would result in avoiding some unnecessary taxation is sufficient reason for the Committee to favor the portion of the amendment that will permit the preserving of a tax base without requiring a levy for one of the three preceding years.

2. Regarding the second substantive change, your Committee believes the establishment of a tax base without submission to the voters is not consistent with good government. The voters should have an opportunity to approve the cost of services before those services are instituted. It is your Committee's opinion that a most important factor in the establishment of any new taxing unit is a clear appraisal of the cost. Article XI in its present state requires that the proponents of a new unit accurately determine such cost and submit the levy or a tax base to the voters before the unit can begin operation. The fact that some new units now cause assessments to be made without prior voter consent—in contravention of the Constitution—is not persuasive that such practice be legalized.

A new taxing unit may obtain operating funds by special levy; therefore, the proposed service can be provided pending the approval of a unit's tax base at the first general or primary election. Your Committee believes that no delays in providing needed public services thus need arise due to the present requirement that the proposed taxing unit's tax base must be approved at a general or primary election.

Your Committee concludes that the present requirements for submission of a new tax base to the voters should be retained.

3. Regarding the third substantive change, the members of your Committee believe that the mechanics of ballot issuance and control in taxing units which encompass parts of different voting precincts are not insurmountable or unduly burdensome. Your Committee believes that the largest representative vote can be achieved at either a general or primary election, because this is usually the time of greatest voter interest in all political matters. Periodic elections of taxing units usually receive little publicity and therefore tend to attract a small vote, and often a non-representative vote. Accordingly, the advantage of increased voter consideration of tax base matters at a general or primary election outweighs possible mechanical difficulties caused by including such an issue on the general or primary ballot.

Your Committee concludes that the present requirement for the submission of a new tax base measure of an established taxing unit only at a regular general or primary election should be retained.

If the amendment is defeated in May, the alternative amendment should be approved in November because of the desirability of the first substantive change. One of the reasons this Committee recommends a negative vote in May is that there will be a second opportunity to approve the first substantive change.

RECOMMENDATION

Your Committee recommends that the City Club oppose the adoption of the amendment to Section 11 of Article XI of the Constitution of the State of Oregon which will be submitted to the voters at the May primary election and urge a "no" vote on State Measure No. 1.

Respectfully submitted,
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TIMOTHY MAGINNIS, *Chairman*

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ARTICLE XI, SECTION 11, State of Oregon Constitution

Appendix A

The Constitution presently provides:	May primary amendment provides:	November general amendment provides:
1. Unless specifically authorized by a majority of the legal voters voting upon the question, no taxing unit, whether it be the state, any county, municipality, district or body to which the power to levy a tax shall have been delegated, shall in any year so exercise that power as to raise a greater amount of revenue for purposes other than the payment of bonded indebtedness or interest thereon than its tax base, as hereinafter defined. The tax base of each said taxing unit for any given year shall be: (a) The total amount of tax lawfully levied by it in any of the three years immediately preceding for purposes other than the payment of bonded indebtedness or the interest thereon and exclusive of any levy specifically authorized as aforesaid in excess of the tax base, plus six percentum of said total amount; or, (b) an amount approved by a majority of the legal voters voting upon the question of establishing a tax base.	1. Except as provided in subsection (3) of this section, no taxing unit whether it be the state, any county, municipality, district or other body to which the power to levy a tax has been delegated, shall in any year so exercise that power to raise a greater amount of revenue than its tax base as defined in subsection (2) of this section. The portion of any tax levied in excess of any limitation imposed by this section shall be void.	1. Except as provided in subsection (3) of this section, no taxing unit, whether it be the state, any county, municipality, district or other body to which the power to levy a tax has been delegated, shall in any year so exercise that power to raise a greater amount of revenue than its tax base as defined in subsection (2) of this section. The portion of any tax levied in excess of any limitation imposed by this section shall be void.
2. The question of establishing a tax base shall be submitted at a regular general or primary election. Every such measure shall specify in dollars and cents the amount of the tax base in effect and the amount of the tax base sought to be established, and the new tax base, if adopted, shall first apply to the levy for the next fiscal year following its adoption.	2. The tax base of each taxing unit in a given year shall be one of the following: (a) The amount obtained by adding six percent to the total amount of tax lawfully levied by the taxing unit, exclusive of amounts described in paragraphs (b) and (c) of subsection (3) of this section, in any one of the last three years in which such a tax was levied by the unit; or (b) An amount approved as a new tax base by a majority of the legal voters of the taxing unit voting on the question submitted to them in a form specifying in dollars and cents the amount of the tax base in effect and the amount of the tax base submitted for approval. The new tax base, if approved, shall first apply to the levy for the fiscal year next following its approval.	2. The tax base of each taxing unit in a given year shall be one of the following: (a) The amount obtained by adding six percent to the total amount of tax lawfully levied by the taxing unit, exclusive of amounts described in paragraphs (b) and (c) of subsection (3) of this section, in any one of the last three years in which such a tax was levied by the unit; or (b) An amount approved as a new tax base by a majority of the legal voters of the taxing unit voting on the question submitted to them in a form specifying in dollars and cents the amount of the tax base in effect and the amount of the tax base submited for approval. The new tax base, if approved, shall first apply to the levy for the fiscal year next following its approval.
3. Whenever any new taxing unit shall be created and shall include property in whole or in part theretofore included in another like taxing unit, no greater amount of taxes shall be levied in the first year by either the old or the new taxing unit upon any property included therein than the amount	3. The limitation provided in subsection (1) of this section shall not apply to: (a) The first levy of a newly created taxing unit. (b) That portion of any tax levied	3. The limitation provided in subsection (1) of this section shall not apply to: (a) That portion of any tax levied which is for the payment of bonded indebtedness or interest thereon.

levied thereon in any one of the three years immediately preceding by taxing unit on which it was then included, plus six percentum thereof.

4. When the boundaries of a taxing unit have been expanded through annexation of territory, the tax base of said taxing unit for the fiscal year next following the annexation shall be increased by an amount equal to the equalized assessed valuation of the taxable property in the annexed territory for the fiscal year of the annexation multiplied by the millage rate within the tax base of the annexing unit for the fiscal year of the annexation, plus six percentum of said amount.

5. The prohibition against the creation of debts by counties prescribed in Section 10 of Article XI of this constitution shall apply and extend to debts hereafter created in the performance of any duties or obligations imposed upon counties by the constitution or laws of the state, and any indebtedness created by any county in violation of such prohibition and any warrants for or other evidences of any such indebtedness and any part of any levy of taxes made by any taxing unit which shall exceed the limitations fixed hereby, shall be void.

which is for the payment of bonded indebtedness or interest thereon.

(c) That portion of any tax levied which is specifically voted outside the limitation imposed by subsection (1) of this section by a majority of the legal voters of the taxing unit voting on the question.

4. Notwithstanding the provisions of subsections (1) to (3) of this section, the following special rules shall apply during the periods indicated:

(a) During the fiscal year following the creation of a new taxing unit which includes property previously included in a similar taxing unit, the new taxing unit and the old taxing unit may not levy amounts on the portions of property received or retained greater than the amount obtained by adding six percent to the total amount of tax lawfully levied by the old taxing unit on the portion received or retained, exclusive of amounts described in paragraphs (b) and (c) of subsection (3) of this section, in any one of the last three years in which such a tax was levied.

(b) During the fiscal year following the annexation of additional property to an existing taxing unit, the tax base of the annexing unit established under subsection (2) of this section shall be increased by an amount equal to the equalized assessed valuation of the taxable property in the annexed territory for the fiscal year of annexation multiplied by the millage rate within the tax base of the annexing unit for the fiscal year of annexation, plus six percent of such amount.

5. The Legislative Assembly may provide for the time and manner of calling and holding elections authorized under this section. However, the question of establishing a new tax base by a taxing unit other than the state shall be submitted at either the regular periodic election of the taxing unit or at a regular state-wide general or primary election.

(b) That portion of any tax levied which is specifically voted outside the limitation imposed by subsection (1) of this section by a majority of the legal voters of the taxing unit voting on the question.

4. Notwithstanding the provisions of subsections (1) to (3) of this section, the following special rules shall apply during the periods indicated:

(a) During the fiscal year following the creation of a new taxing unit which includes property previously included in a similar taxing unit, the new taxing unit and the old taxing unit may not levy amounts on the portions of property received or retained greater than the amount obtained by adding six percent to the total amount of tax lawfully levied by the old taxing unit on the portion received or retained, exclusive of amounts described in paragraphs (a) and (b) of subsection (3) of this section, in any one of the last three years in which such a tax was levied.

(b) During the fiscal year following the annexation of additional property to an existing taxing unit, the tax base of the annexing unit established under subsection (2) of this section shall be increased by an amount equal to the equalized assessed valuation of the taxable property in the annexed territory for the fiscal year of annexation multiplied by the millage rate within the tax base of the annexing unit for the fiscal year of annexation, plus six percent of such amount.

5. The Legislative Assembly may provide for the time and manner of calling and holding elections authorized under this section. However, the question of establishing a new tax base by a taxing unit other than the state shall be submitted at a regular statewide general or primary election.