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PORTLAND
City Club
BULLETIN

Grand Ballroom **Masonic Temple**
Friday . . . 11:30 A.M.

PORTLAND, OREGON - Oct. 25, 1968 - Vol. 49, No. 21

The City Club of Portland is pleased to present

A JOINT APPEARANCE

of U. S. Senatorial Candidates

Democratic Candidate

WAYNE L. MORSE

(Incumbent)

Republican Candidate

ROBERT W. PACKWOOD

Senator Morse and Mr. Packwood will each present ten-minute statements. This will be followed by the traditional question and answer period. Only members may ask questions, and they may be addressed to either candidate, or to both. Members are limited to 30 seconds for the question; candidates are limited to two minutes each for their answers.

The Board of Governors has arranged for space up to 800 persons. Members may bring one (male) guest each. It is anticipated there is ample seating. Doors will open at 11:30 a.m. Tickets are \$3.00 each and can be purchased only at the Ballroom entrances. Elevators from the lobby of the Masonic Temple, at 1119 S.W. Park Avenue, will carry luncheon guests to the third floor.

It is intended that all luncheon service can be completed by 12:25 p.m. so that the meeting can open promptly at 12:30 p.m., after preliminary introductions are made. The entire program is being telecast and broadcast by most local media and will cover the hour from 12:30 to 1:30 p.m.

Members are requested to bring the addressed portion of their Bulletin cover, dated this week, October 25th, for identification at the door. Members' guests must accompany them; seating cannot be held for latecomers.

*Printed in this issue for presentation, discussion and action on November 1:
Report on 1½ % Tax Limitation State Initiative Measure.*

ELECTED TO MEMBERSHIP

Dr. George Diel, Director, Communications, Oregon State System of Higher Education. Sponsored by Dr. Ralph Steetle.

Morton Y. Jacobs, Associate Professor of English, Lewis and Clark College. Sponsored by Dr. Raphael B. Durfee.

Alfred G. Mansfield, Insurance Broker, Mansfield & Co. Sponsored by Paul R. Meyer and R. Evan Kennedy.

Harold Pollin, Builder and Real Estate Investor. Sponsored by Arden Shenker.

Clayton Strain, Corporate Secretary-Treasurer, Electro-Scientific Industries. Sponsored by Douglas C. Strain (Sustaining).

Lauren M. Underwood, Attorney. Associate, Herschiser & Mitchell. Sponsored by Donald W. Varnes.

PROPOSED FOR MEMBERSHIP AND APPROVED BY THE BOARD OF GOVERNORS

If no objections are received by the Executive Secretary prior to November 8, 1968, the following applicants will be accepted for membership:

Richard E. Feeney, Congressional Assistant to The Honorable Edith Green. Proposed by Stan Swan.

J. Henry Helsel, investment manager. President, J. Henry Helsel & Co. Proposed by S. Edward Bye.

Stephen Kafoury, teacher, Project B.O.O.S.T., Portland State College. Proposed by Robert S. Ball.

Charles E. McGinnis, attorney, Phillips, Coughlin, Buell and Phillips. Proposed by Donald C. McClain.

A. C. McPhail, Director, Planning and Development, Omark Industries, Inc. Proposed by Gilbert Meigs.

Frank L. Palm, Industrial Distributor. Owner, Palm Abrasive and Tool Co. (Sustaining). Proposed by Robert G. Lindstedt.

PORTLAND CITY CLUB BULLETIN

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CITY CLUB DUES: Senior, members over 65 with 35 years membership, or over 70 with 15 years membership, \$5.00 per year; Regular, age 28 and over, \$30.00 per year; Junior, age 27 and under, \$15.00 per year; Non-Resident, \$6.00 per year; Sustaining, those who contribute \$10.00 or more per year over and above the dues in their category for the Portland City Club Foundation, Inc. The regular **FRIDAY LUNCHEON MEETINGS** are held in the Mayfair Room of the Benson Hotel.

O. R. KROGSTAD BECOMES SENIOR MEMBER

Mr. O. R. Krogstad, retired Portland Traction executive, has been granted Senior membership in The City Club of Portland by action of the Board of Governors this week.

Mr. Krogstad, born in 1886, held active membership from 1935 through 1961 and rejoined the Club in 1963.

ARLINGTON CLUB PRESENTS BOOK TO CITY CLUB

A handsome centennial-commemorating history of the Arlington Club has been received for the City Club library from W. Burns Hoffman, Arlington Club president.

In return, a copy of the City Club's history was sent to the Arlington Club for its archives.

Members may view the volume at the City Club office.

CLUB PROGRAMS AIRED

As a public service, KOIN Radio tapes all programs of the City Club Friday luncheon meetings for broadcast each Friday evening at 10:25 p.m.

REPORT
ON
CONSTITUTIONAL AMENDMENT
CHANGING PROPERTY TAX LIMITATION
(State Measure No. 7)
(Initiative Petition)

Purpose: Repeals 6% limitation. Limits property taxes to 1½ market value.
Exempts: (1) Existing bonded indebtedness; (2) Levies approved in November by majority equaling 20% of registered voters.

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

I. ASSIGNMENT

Your Committee was appointed to study and report on a proposed constitutional amendment, placed on the state ballot for the general election on November 5, 1968 by initiative petition, appearing as State Ballot Measure No. 7.

II. PROPOSED CONSTITUTIONAL AMENDMENT

For an Act to amend the Constitution of the State of Oregon by repealing the entire text of Section 11 of ARTICLE XI thereof relating to the six percent limitation of the ad valorem tax on property and substituting therefor provisions for limiting the ad valorem tax on both real property and personal property to one and one-half percent of the market value thereof and providing for the implementation thereof.

BE IT ENACTED by the people of the State of Oregon:

That the entire text of Section 11 of ARTICLE XI of the Constitution of the State of Oregon be, and hereby is, repealed and the following new matter substituted therefor:

Section 11. TAX LIMITATION.

(1) *The total amount of taxes which may be levied against any real or personal property in any year shall be limited to one and one-half percent of the true cash value of such property.*

(2) *The limitation provided in subsection (1) of this section shall not apply to that portion of any tax levied which is for the payment of bonded indebtedness or the interest thereon, if the indebtedness existed prior to November 5, 1968.*

(3) *The limitation provided in subsection (1) of this section shall not apply to any tax levy when submitted by a taxing unit to the voters therein on the first Tuesday after the first Monday in November of any year and approved by a majority of the voters voting thereon which majority must also be not less than 20% of the registered voters entitled to vote thereon at said election.*

(4) *The Legislative Assembly may enact legislation to carry out the provisions of subsection (1) and (2).*

III. BRIEF ANALYSIS OF THE MEASURE

In essence, the proposed constitutional amendment deletes all of Article XI, section 2 which establishes the existing property system with a tax base and a six percent limitation, and substitutes a 1½ percent tax limitation on true cash value⁽¹⁾ of all property.

Significant features of the measure are:

1. As the statement of purpose indicates, property taxes would be limited to 1½ percent of TCV, as compared to the present average, (as of July 1, 1968) of 2.3 percent statewide, and of 2.8 percent in Multnomah County.

2. The six percent limitation would be eliminated.

3. Tax levies in excess of 1½ percent of TCV would be permissible provided (a) the election thereon is held on the first Tuesday after the first Monday in November, and (b) the proposed levy is approved by a majority of those voting and that majority is not less than 20 percent of the registered voters entitled to vote on the levy.

IV. FISCAL EFFECTS IF THE MEASURE PASSES

Projected results of its passage are:

1. Local governments, e.g. counties, cities, school districts, fire districts, etc., would suffer a tax revenue loss each year, estimated by persons interviewed to be from \$105 to \$150 million⁽²⁾ based on current assessments. Budgets for 1968-69 total about \$47 million.

2. Taxing districts of Multnomah County would experience a 1969 revenue loss of \$50,749,000, which amounts to 42 percent of tax revenues for 1968-69.

3. The City of Portland would sustain a revenue loss of about \$9,735,000, or about 30 percent of the yearly general fund revenues.

4. School District No. 1 would lose between \$13 and \$20 million for the year.

V. SOURCES OF INFORMATION

The following persons were interviewed, either by the committee as a whole or by individuals of the committee:

George Annala, Manager, Oregon Tax Research;

William Bade, Fiscal Officer, School District No. 1;

Clyde V. Brummel, Oregon Home Owners Association;

Kermit M. Carson, Deputy Director of Finance, Multnomah County;

Ward Cook, real estate and mortgage broker, and member,
Oregon State Senate;

Jay Gould, Legislative Fiscal Officer, State of Oregon;

A. F. Gildemeister, sponsor of the measure;

Ray C. Hallberg, builder and land developer;

Harry Loggan, Director, Property Tax Division, State Tax Commission;

Richard H. Lucke, realtor;

Craig Kelley, Secretary, Portland Association of Building Owners and
Managers;

Chester A. Klink, Chairman, Taxation Committee, Oregon Apartment
House Association;

John Mosser, attorney, former legislator and chairman, Interim Tax Com-
mittee, 1965 Oregon State Legislature;

⁽¹⁾True Cash Value is hereinafter frequently referred to as TCV.

⁽²⁾The exact figure is in doubt because a serious question exists as to how the limitation will be applied.

Herbert Perry, Director, Department of Finance, Multnomah County;
Howard Rankin, bonding issue examining attorney;
James Setterberg, Deputy City Auditor, City of Portland;
Samuel B. Stewart, attorney, and member, Multnomah County Tax Super-
vising and Conservation Commission;
Roy N. Vernstrom, Campaign Director, Governor's Committee on "Keep
Firemen, Police and Teachers on the Job".

VI. ARGUMENTS ADVANCED IN SUPPORT OF THE MEASURE

The proponents of the measure make the following claims:

1. Property taxes are excessively high, particularly for the homeowner who bears an unfair share.
2. Property, except homes and apartments, is underappraised and if appraised at true market value, even with 1½ percent tax limitation, no loss in revenue would result.
3. Too much property is exempt from taxes and passage will force elimination of unjustified exemptions.
4. Local governments are inefficient and overlapping. Efficiencies and consolidation would result in substantial savings.
5. Repeal of the six percent limitation is necessary since otherwise taxes could be doubled in 12 years without vote of taxpayer.
6. Minimum voter requirement and time of vote is justified to obtain a more representative vote.
7. Passage will force other sources of revenue to be utilized and cause the burden to be distributed more equitably.

VII. ARGUMENTS ADVANCED AGAINST MEASURE

The opponents of the measure make the following claims:

1. Passage would result in an immediate loss of substantial revenues to local government and schools, with no likelihood of sufficiently immediate replacement of them. This will cause a serious crisis, particularly in schools.
2. Property tax levels are not unduly high and no valid reason exists for a roll-back to 1½ percent.
3. The authority to control budgets would be shifted from local governmental units to the State Legislature.
4. The appraisal system in Oregon is excellent and there is no evidence that reappraisals would raise any significant part of the money lost by imposing a 1½ percent limitation on current appraisals.
5. Limiting vote on levies to November elections precludes effective budgeting before July 1, the beginning of fiscal year.
6. The requirement of a majority vote equal to 20 percent of registered voters is unrealistic for off-year elections and would "reward non-voters".
7. The measure will create serious legal and political problems in determining formulas for applying limitation and distributing funds raised.
8. Much of the benefit of this immediate tax reduction will be lost to individuals through higher federal and state income taxes because of reduced deductions.
9. There is no assurance that any substituted tax will not be as great or an even greater burden upon the persons for whom relief is sought.
10. Because two-thirds of property taxes are paid by business and industry and only one-third by homeowners, homeowners will receive only one-third of the tax relief provided by the proposed amendment.
11. A tax limitation of 1½ percent will not prevent taxes from increasing as property values increase.

VIII. BACKGROUND

Historically, local governmental units in Oregon have derived their revenue principally by levying taxes on property. For residential property this has meant levying taxes only against the real property, but for business and farm properties, business equipment and inventories and farm livestock and equipment have been subject to tax along with real property. Other sources of revenues for local governmental units have included user charges, business license taxes, highway fund distributions and basic school support funds. However, property taxes have been the source of income of counties, cities, schools and other districts.

There is no question but that property taxes have been increasing because of inflation of costs, use of allowable increases within the 6 percent limitation and voter approval of special levies and tax base increases for more services such as higher expenditures for schools. In 1966, efforts were made to place a measure on the ballot which would limit the maximum property tax to 1½ percent of true cash value. The measure was ruled off the ballot by the Oregon Supreme Court on the ground that the required number of signatures had not been validated before the deadline. After certain revisions, petitions were again circulated for the measure under consideration, this time successfully.

IX. PRESENT SYSTEM OF DETERMINING OR ASSESSING TAX ON A PROPERTY

The tax which an individual property owner pays today is the result of the total of levies imposed by various governmental units having power to levy on that property. These will ordinarily include a county, perhaps a city, a school district, and in many cases water, lighting, fire, sewer, or other service districts capable of levying taxes. At present each of these units determines its own budget needs and the administrators are, of course, directly subject to control of the voters of the district.

After the amount of the budget is determined, the county assessor is advised of the amount of revenue which must come from the tax levies. The assessor then divides the budget by the total true cash value of all taxable property within a district as determined by him. The result is the taxing rate to be applied against all property in the district is determined, and the levy against each property can then be computed. All properties which are subject to the same group of levies are classed as a code area. In Multnomah County there are about 180 code areas and over the state there are about 2,700. Neighboring pieces of property having the identical true cash value may be subject to different amounts of taxes because they lie in different code areas. Example I which supposes three adjacent pieces of property but positioned in different code areas, shows this.

EXAMPLE I

	Property A Code Area 1	Property B Code Area 2	Property C Code Area 3
True Cash Value: (TCV)	\$10,000	\$10,000	\$20,000
Taxes Assessed By:			
County	40	40	80
School District	150	150	300
Lighting District	5	—	10
Sewer District	—	6	12
Library District	—	—	3
Fire District	—	3	6
TOTAL TAX	\$ 195	\$ 199	\$ 411
Tax Rate	1.95%	1.99%	2.06%

Within the code areas in Multnomah County the total tax rate varies tremendously. In Code Area 175 (Lynch) the tax rate is equivalent to 3.851 percent of true cash value. The lowest rate, 1.62 percent, is in Code Area 49 (Sauvies Island).

X. PROPERTY TAX RATES BY COUNTIES

The present tax rates in the various counties are shown in Table I.

TABLE I
EFFECTIVE PROPERTY TAX RATE IN OREGON, 1967-68. BY COUNTY

COUNTY	True Cash Value	% of State Total	GROSS TAX LEVY ¹			Population by County	% of State Total
			Amount of Tax Levy	% of T.C.V.	% of State Total		
Multnomah	\$ 3,810,186,088	25.310	\$107,416,103	2.82	555,700	30.15	27,697
Yamhill	208,908,736	1.388	5,700,671	2.73	41,000	1.60	2,044
Deschutes	201,399,452	1.338	5,440,252	2.70	27,630	1.53	2,044
Clackamas	1,022,065,548	6.789	26,316,335	2.57	142,000	7.39	7,077
Lane	1,461,779,672	9.710	36,853,195	2.52	204,000	10.34	10,168
Cook	393,827,384	2.616	9,890,365	2.51	52,200	2.78	2,602
Washington	927,633,688	6.162	23,295,354	2.51	128,000	6.54	6,380
Columbia	185,297,096	1.231	4,583,745	2.47	25,000	1.29	1,246
Benton	286,798,372	1.905	7,024,573	2.45	47,000	1.97	2,342
Hood River	101,584,220	.675	2,406,382	2.37	14,300	.69	.713
Clatsop	237,956,168	1.581	5,578,296	2.34	27,800	1.57	1,386
Marion	905,854,280	6.017	20,805,523	2.30	149,500	5.84	7,451
Grant	63,148,800	.419	1,442,226	2.28	7,350	.40	.366
Polk	216,601,572	1.439	4,947,286	2.28	33,700	1.39	1,680
Jackson	650,990,068	4.324	14,715,941	2.26	95,000	4.13	4,735
Umatilla	408,457,912	2.713	9,080,246	2.22	43,800	2.55	2,183
Wasco	207,809,772	1.380	4,430,959	2.13	23,400	1.24	1,166
Malheur	201,095,860	1.336	4,157,187	2.07	25,800	1.17	1,286
Tillamook	131,360,600	.873	2,701,771	2.06	16,000	.76	.797
Harney	83,333,792	.554	1,683,887	2.02	7,180	.47	.358
Linn	585,316,984	3.888	11,715,973	2.00	67,000	3.29	3,339
Union	152,290,700	1.012	3,047,049	2.00	17,900	.86	.892
Josephine	228,767,664	1.520	4,462,545	1.95	36,500	1.25	1,819
Lincoln	251,952,712	1.670	4,473,211	1.78	23,550	1.26	1,174
Curry	118,458,404	.787	2,105,358	1.78	12,500	.59	.623
Douglas	647,163,292	4.299	11,033,426	1.70	75,000	3.10	3,738
Klamath	440,840,572	2.928	7,279,745	1.65	48,000	2.04	2,392
Crook	84,285,236	.560	1,382,530	1.64	8,900	.39	.444
Lake	85,838,968	.570	1,388,306	1.62	6,200	.39	.309
Jefferson	181,365,082	1.205	2,856,719	1.56	10,200	.80	.508
Morrow	98,339,688	.653	1,525,916	1.55	4,570	.43	.228
Wheeler	22,716,140	.151	350,235	1.54	1,730	.10	.086
Baker	207,283,712	1.377	3,023,025	1.46	15,800	.85	.787
Gilliam	65,811,412	.437	926,454	1.40	3,050	.26	.152
Sherman	68,639,032	.456	942,144	1.37	3,100	.26	.155
Wallowa	109,485,141	.727	1,257,827	1.15	6,000	.35	.299
Total	\$15,054,023,819	100.000	\$356,241,560	2.36	2,006,360	100.00	99,997

¹Gross levy is total of property taxes, before property tax relief, inventory tax relief and senior citizens' homestead exemption. Excludes special assessments.

XI. THE EFFECT OF PASSAGE OF MEASURE NO. 7 ON CODE AREAS

Some of the problems facing the tax assessing authorities can be readily seen. Since Measure No. 7 would require that the maximum tax rate upon a piece of property be 1½ percent of true cash value, the budgets of the various taxing units within the Code Area will have to be adjusted so that the total levy does not exceed 1½ percent of true cash value of any single piece of property.

This raises the first critical and as yet unanswered question: *Who is going to have the authority to adjust the various budgets so as to stay within the 1½ percent limitation?* One could answer that the various units involved could make their own adjustment. It is unrealistic to believe each would willingly give up revenues.

It is true that Measure No. 7 would give the Legislature power to implement the application of the 1½ percent limitation. How it would go about it, or how it practicably could go about it, could not be explained to this Committee by anyone interviewed. It has been suggested this could be done by fixing a maximum permissible millage rate⁽³⁾ for each class of taxing unit. For example, it could permit school districts to levy up to 9 mills, counties up to 3 mills, cities to 2 mills, etc., provided that the total levy would not exceed 1½ percent of true cash value. This is a job it obviously would not want, nor does your Committee believe the voters want it to have. Your Committee suspects the proponents of this Measure had little realization of the centralization of government which could follow from its passage.

XII. THE DILEMMA CAUSED BY ARTICLE I, SECTION 32

Article I, Section 32 requires that "all taxation shall be uniform in the same class of subjects within the territorial limits of the taxing authority." If taxing authority is left by the Legislature in the various districts, it will be necessary to start with the Code Area of highest rate in a county and work down in order to adjust the various budgets. As shown in Example I, Property C is taxed at a rate over 2 percent of true cash value. If the maximum rate of 1½ percent is to be applied, the levies against Property C will have to be adjusted so as to total no more than \$300. If it is assumed this is done by cutting the school district's levy by \$100, the county levy by \$10, and the library levy by \$1, the applicable taxes against Property A and Property B must be reduced so that they are paying taxes at the same rate to like taxing units. The result is shown in Example II.

EXAMPLE II

	Property A	Property B	Property C
TCV	\$10,000	\$10,000	\$20,000
County	\$ 35	\$ 35	\$70
School District	100	100	200
Lighting District	5	5	10
Sewer District	—	6	12
Library District	—	—	2
Fire District	—	3	6
TOTAL TAX	\$ 145	\$ 149	\$ 300
Tax Rate	1.45%	1.49%	1.50%

Thus while Property C's tax levy is 1½ percent of TCV, Property B's is slightly less, and Property A's levy is still less.

The final cumulative effect of these adjustments cannot be determined until all budgets and assessments have been adjusted. Earlier it was indicated that the estimates of the amount to be lost from passage of Measure No. 7 varied from \$105 to \$150 million. The estimates vary for many reasons among them the inability

⁽³⁾Taxes are sometimes expressed by mills per dollar of assessed value. (For example the 2.8 percent of TCV Multnomah County levy for 1968 is 28.2 mills).

to determine the ultimate result of the adjusting required by Article I, Section 32. As is apparent, only the properties in a county in the highest rate code area would pay 1½ percent. All other properties would pay less.

It has been suggested that part of the problem imposed by the requirements of Article I, Section 32, could be alleviated by making each county sheriff the taxing authority for the county, or the Legislature could create a statewide authority or delegate such authority to the State Tax Commission. By such means it may be possible to tax all property at 1½ percent but the serious political problem of determining how much revenue each district shall receive still remains.

XIII. REVENUE LOSS COULD NOT BE MADE UP

Your Committee heard of no solution for making up lost tax revenues rapidly enough to avoid the creation of chaotic conditions in local governments. The political problem in securing new revenues is too great to expect their availability in time.

Some of the proponents of the Measure wave off the problem by stating that real property over the state as a whole is assessed at only 75 percent of the T.C.V.; that instead of an assessed valuation of about \$16 billion, the figure should be about \$21 billion. Thus, they say, simply by raising all property to its T.C.V. another \$5 billion of taxable property could be produced, and application of the 1½ percent limitation would provide about the same amount of revenue as now available.

Measure No. 7 would be effective upon the taxes for the fiscal year commencing July 1, 1969. Budgets for that year would have to be based upon the anticipated reduced revenues. Although the measure provides for exceeding the 1½ percent limitation, a school district or other unit could not hold an election before November, 1969 and any levy approved would not be effective until July, 1970.

Your Committee found no authority on taxes who supports the conclusion that properties are generally underappraised and those who have suggested this have been unable to support their contentions with any data.

Assuming, arguendo, that property on the average is assessed at only 75 percent, no one has been able to advise us how, overnight, all of the property in the State can be reappraised to bring assessments up to what it is asserted they should be.

The State Tax Commission is, in fact, charged by law to see that local assessing authorities keep their assessment ratios within 90 percent of the T.C.V. Only Coos County at 89 percent is below 90 percent. As of January 1, 1968, assessments over the state as a whole averaged 95 percent of T.C.V. Because of the lag in reappraising property and because of inflationary forces, a ratio of 95 percent hardly seems to be out of line. Thus, it seems clear that reassessment of all property to T.C.V. will not permit the deficiency to be made up.

If Measure No. 7 passes, the Legislature will be faced in January, 1969 with two major problems: First, to determine distribution formulas for any monies raised, and second, to determine how to raise the lost revenues. The latter is more important and undoubtedly more difficult. Sales taxes, higher income taxes, or a gross receipts tax have been suggested, among others. But past experience seems to assure that any tax measure will be referred by petition under Article IV, Section 1, if the Legislature itself did not refer it. The Legislature could call a special election and would probably have to, since otherwise the election could not be held until November, 1970.

It is estimated that a sales tax of four percent would be necessary to make up the tax revenue loss. As alternatives, a gross receipts tax would have to be 2½ percent; an increase in the income tax rates would have to be about 80 percent to make up the loss. Some combination of these could also be worked out. Obviously, whatever is done will require a substantial change in our tax system. It is submitted no such drastic change should be undertaken in a pistol-to-the-head situation.

Property tax limitations are not new. But those who have had occasion to study the effects, unanimously condemn them. The proponents of Measure No. 7 frequently quote Dr. John F. Sly, a recognized tax authority who at one time studied Oregon's tax structure, as stating that when property taxes reached 3 percent other

sources should be looked to. That same Dr. Sly also characterized tax limitation as a "fiscal nightmare."⁽⁴⁾

West Virginia passed a property tax limitation in 1932. The effects have been summarized as follows:⁽⁵⁾

"Although other causes have been present, the Tax-Limitation Amendment has contributed to the heavy dependence on sales and gross-receipts taxes. Principally, it has done so by encouraging the transfer of local functions and financial responsibilities to the State. Faced with a growing need for revenue, the State has relied increasingly on productive, but regressive, consumption taxes. The decline in property-tax receipts caused by the combination of rate limitation and inadequate assessments had led several municipalities to adopt similar taxes. These taxes are less in accord with the ability-to-pay concept than the property taxes which they have replaced.

"Property-tax limitation has frequently been defended on the grounds that it forces a broadening of the tax base, thus creating a more equitable system of state and local taxation. Critics of tax limitation reply that constructive tax reform is much more likely to result from positive legislative action than from the negative, indirect method of forcing changes in the tax structure by limiting property-tax rates. Instead of creating a more equitable tax system, these critics claim that tax limitation encourages resort to other types of taxation which may be viciously inequitable and more burdensome than the property tax.

"In this State, the gap in the revenue system which resulted from property-tax limitation has been filled, principally by consumer-and selective-sales taxes, and increases in gross-receipts business taxes. Although these changes have reduced the proportion of the tax burden borne by real estate, they have not contributed to a more equitable tax system. In the first place, the share of the tax burden falling upon lower-income groups has been increased by this shift from property to consumption taxes. Furthermore, the small property owner has not benefited, for his savings as a real-estate owner have been offset by heavy increases in the taxes which are shifted to him as a consumer."

XIV. NEED FOR PROPERTY TAX RELIEF

The proponents of the Measure claim property tax levels are an excessive burden upon the low income group and particularly upon those of fixed income, such as retirees. This may be true, but any tax system will have its inequities, and if a sales tax is adopted as some proponents of Measure No. 7 urge, it too could hit these very same people. Tax relief measures for those for whom the property tax may be unduly burdensome would appear to be a better way of lifting their burden rather than plunging the state into chaos.

It should be noted that even a 1½ percent tax limitation will not stop taxes from increasing as long as property values increase. For example, the average tax rate in Multnomah County is the same now as ten years ago, but taxes paid have increased as the appraised value has increased. They likewise could do so if the measure passes. It simply will not, in the long run, achieve what its proponents hop for. Long, careful study will be necessary to formulate taxing programs that will be productive of revenues needed but will, in reality, spare those who, it is contended, are presently paying an unfair share.

XV. CONCLUSION

Your Committee has considered all the arguments advanced for and against the measure as herein set forth, and has reached the conclusion that the administrative and fiscal problems created by passage of Measure No. 7 are, alone, sufficient basis for recommending opposition to it.

(4) "The Operation of the Tax-Limitation Amendment in West Virginia", Bureau of Business Research and Bureau of Government Research, West Virginia University, Vol 1, No. 2 (1959).

(5) Supra.

XVI. RECOMMENDATION

Your Committee recommends that the City Club go on record as opposing the constitutional amendment changing property tax limitation and urges a vote of "No" on State Measure No. 7.

Respectfully submitted,

Harry J. Beeman

Carl H. Bryan

Jace C. Budlong

Charles M. Chase

Alexander N. Davidson

Justin N. Reinhardt

Clifford E. Zollinger, *and*

Kenneth S. Klarquist, *Chairman*

Approved by the Research Board October 11, 1968 and submitted to the Board of Governors.

Received by the Board of Governors October 17, 1968 and ordered printed and submitted to the membership.

MEMBERSHIP SUPPORTS COMMITTEES ON FOUR BALLOT MEASURES

The City Club membership present and voting at the Friday, October 18, 1968 meeting unanimously supported the recommendations of four ballot measure study committees reporting on that date.

State ballot measures presented and adopted included: No. 1 — Broadening Veterans Loan Eligibility (Yes); No. 2— Constitutional Amendment for Removal of Judges (Yes); No. 3—Constitutional Amendment Empowering Legislature to Extend Ocean Boundaries (Yes); and No. 5—Constitutional Amendment permitting Government Consolidation City-County Over 300,000 (No).

Presenting the reports for the various measures were William Keller on Veterans Loans, Thomas Tongue on Removal of Judges, Leigh Stephenson on Ocean Boundaries, and Dr. George Casterline on City-County Consolidation.

The "No" vote on the consolidation measure has been met with surprise in the community, since the City Club has many decades of support for government simplification movements. However, it was the finding of the research committee that State Measure No. 5 was not the appropriate tool to accomplish coordination of local governments and, indeed, might prove a hindering factor especially in this metropolitan area. The legislative referral also did not take into consideration the comprehensive three years of study done to date by the Legislature-created Metropolitan Study Commission whose proposals for improvements for interrelation of local governments will be presented to the 1969 Oregon Legislative Assembly for consideration. No proponents for the measure were found and even the sponsor would not appear to testify in its behalf, the committee reported. Further, the Metropolitan Study Commission, feeling it could not support the measure, took no stand on the issue.

Reports on the remaining five measures appearing on the November 5th ballot will be presented for discussion and action on November 1st. The 1.5 percent tax limitation initiative measure is printed in this issue of the Bulletin, and those which will appear in the Nov. 1 Bulletin include: County Debt Limit (State); Community College Tax Base), Area Education District); \$4,000,000 bond issue for Government Center (County); and Beach Acquisition Bond Issue (State Initiative.)

SALEM, EUGENE CLUBS BOTH RECOMMEND "NO" ON 1.5% TAX LIMIT

Civic organizations similar to Portland City Club, located in the Eugene-Springfield area, and in Salem, have both published research committee reports which recommend "No" votes on the initiative to change the constitutional amendment to limit property taxes to 1.5% of market value.

The Metropolitan Civic Club in Eugene is debating its report before its membership on Tuesday, October 22, 1968. The Salem City Club approved its Committee's report on October 11, 1968.

Both civic groups have been recently established and patterned somewhat after the Portland City Club. The Salem Club is holding its first anniversary dinner on Friday, October 25th, with Drew Middleton, eminent journalist, as guest speaker. Carlisle Roberts, who is also a non-resident member of the Portland City Club, has served as Salem's first president this past year. President and Mrs. John P. Bledsoe and Mrs. W. E. Naylor, Executive Secretary, plan to attend the Salem event. Members interested in attending may inquire from City Club staff about arrangements for reservations.

COMMUNITY COLLEGE TAX BASE COMMITTEE APPOINTED

Robert W. McMenamin, chairman of the committee to study and report on the Area Community College Tax Base proposal, has named the following members to his committee:

Donald D. Casey, finance executive; Donald B. Kane, CPA; Neil Meagher, hospitalization field representative; John F. Mower, advertising agency owner; Fritz H. Neisser, industrial executive; and Robert M. York, architectural designer.

Research Advisor is Walter Pendergrass.

The Committee's report will be presented November 1.

ADDRESS, PHONE CHANGES REQUESTED FOR RECORDS

Members are urged to keep the City Club staff posted on any changes in home or business phone or address, as well as occupation, so that the membership punch-card system can be as up to date as possible. Phone changes to 228-7231.