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NEWSPAPER SECOND CLASS POSTAGE PAID AT PORTLAND, OREGON

City Club of Portland

BULLETIN

Portland, Oregon

Vol. 59, No. 22

Benson Hotel, Crystal Room

12:00 Noon

Friday, Oct. 20, 1978

THE PROGRAM:

PRESENTATION, DISCUSSION AND VOTE ON NOVEMBER 1978 BALLOT MEASURE REPORTS

**PRINTED HEREIN FOR DISCUSSION AND VOTE ON FRIDAY,
OCTOBER 20, 1978**

REPORT ON

MULTNOMAH COUNTY MEASURES NOS. 26-15, 26-16, 26-17, 26-18 AND 26-19 — CHARTER AMENDMENTS

*The Committee: John Clinton Geil, Gary D. Kurtz, Helen Riordan, Robert Weil
and Peter A. Plumridge, Chairman*

AND

REPORT ON

STATE MEASURE NO. 6

LIMITATIONS ON AD VALOREM PROPERTY TAXES

and

STATE MEASURE NO. 11

REDUCES PROPERTY TAX PAYABLE BY HOMEOWNER AND RENTER

*For the Majority: Daniel Herborn, Charles Hinkle, Lloyd T. Keefe, Douglas McCulley,
Don C. Weege, James A. Nelson, Chairman*

For the Minority: Alex B. Pierce

For the Minority: Tim Fulbright

For the Minority: Richard S. Pope

PROPOSED FOR MEMBERSHIP

If no objections are received by the Executive Secretary prior to November 3, 1978, the following applicants will be accepted for membership:

Robert E. Harold, CPA, Audit Manager, Price Waterhouse & Co. Sponsored by Norman R. Walker.

Richard Baird, Research Analyst, Oregon Legislature. Sponsored by Christy Muller.

Stephen D. Crouch, P.E., Senior Project Coordinating Engineer, Oregon Department of Transportation. Sponsored by Maurice Jacobs-Jacobi.

Barbara J. Thompson, Owner, Pariel, Inc. Sponsored by John W. Records.

IT'S TIME TO VOTE

City Club members have two opportunities to vote on ballot issues this year—one at the November 7 election, and one at the City Club meetings where

committee reports and recommendations will be presented.

This Friday, October 20, marks the first of three meetings at which ballot measure reports will be considered. The reports on the Multnomah County Charter Amendments and the two property tax measures (State Measures 6 and 11) are printed herein.

Next week, October 27, the membership will vote on recommendations on State Measure No. 1 (Missouri Plan for Judges); No. 2 (Senate Confirmation of Governor's Appointments); No. 4 (PUD Formation Procedures) and No. 8 (Death Penalty).

The following week, November 3, Measure No. 7 (Prohibits State Funding of Abortion), No. 9 (Utility Rate Bases) and No. 10 (Repeal LCDC Goals and Guidelines) will be presented for discussion and vote.

Voting Procedure Described

Many members may not realize the importance of City Club recommendations on ballot issues. Some may not be familiar with voting procedures at Friday meetings. So, for the benefit of new members, and to remind those who may have forgotten, here's how it works.

The committee chairman will summarize the findings and conclusions of the committee and move the adoption of the committee's recommendation of a yes or no vote. If there is a minority report, the minority representative will present that recommendation as a substitution for the main motion. The floor is then open to debate by the membership on the merits of either recommendation. Many members consider the floor debate as among the most stimulating and interesting of City Club activities. It is an opportunity for members to state their feelings about an issue and attempt to persuade the audience or "sway the vote." A well-organized floor debate will be talked about for years.

This year's ballot contains some of the most volatile issues facing Oregon voters in recent memory. Make a point to attend these meetings and vote! It's a privilege of City Club membership!

CITY CLUB OF PORTLAND BULLETIN

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CHRISTINE A. TOBKIN, *Editor
and Executive Secretary*

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REPORT

**COUNTY MEASURES NOS. 26-15, 26-16, 26-17, 26-18
AND 26-19 — CHARTER AMENDMENTS**

Purpose: Reorganizes county commission by creating single-member districts, separating executive and legislative functions, providing for veto power, placing cost limitation in 1979-80, and providing for filling vacancies; adopts state law relating to discrimination; provides for charter review in 1984; makes county elected officials nonpartisan; and authorizes revenue bonds without voter approval.

To the Board of Governors,
City Club of Portland:

I. INTRODUCTION

Multnomah County has been in existence since 1854. In 1959, the Oregon legislature passed legislation providing authority for counties to adopt the home rule form of government. The Multnomah County Home Rule Charter was adopted by Multnomah County voters in 1966 and had been in effect since January 1, 1967, in its original form, until the changes approved by the voters in November of 1976. The 1976 measure resulted from an initiative petition sponsored by Vern Cook and Glenn Otto, State legislators from the eastern portion of Multnomah County.

In 1977, another initiative petition was circulated to repeal the amendments made to the Charter and to establish a Charter Review Committee to make a comprehensive study of the entire Charter. This measure was approved by the voters in November of 1977 at a special election, and the Charter in its original unchanged form was thus re-instated.

The Charter Review Committee authorized by the 1977 measure consisted of 16 members. Two members were appointed from each of the eight state senate districts in Multnomah County by the senator and two representatives elected by the district. The two electors appointed from each district could not be registered in the same political party, and persons who were state senators, representatives or county commissioners at the time the 1977 measure was adopted were not eligible for appointment to this committee.

The Charter Review Committee was charged with considering four specific issues relating to reorganization of the county commission. The 1977 measure also authorized the Charter Review Committee to consider "any other issue relating to the Charter."

The Committee was duly appointed in early 1978, and from January through July 1978 it held 18 working sessions, 11 public hearings in different parts of the county and numerous subcommittee meetings. (A list of the Committee members is attached as Appendix A.) All meetings were open and members of the public were permitted to comment at work sessions as well as at the hearings. The Committee issued a preliminary report on May 31, and final action was taken on July 31. The final report included certain findings and conclusions and recommended that certain matters be placed on the ballot for November 1978 election. The Board of County Commissioners approved the placement of the five recommended measures on the ballot, by action taken August 11, 1978.

Aside from the matters which are included in the recommended changes, the Charter Review Committee concluded that commissioners should continue to be elected for four-year terms and that there should be no limitation on number of terms.

The Committee proposed five separate amendments to the Charter, and the Committee stated in its concluding report that "the measures have been drafted so that any

combination of one or more may pass without disruption or inconsistency. The voters may choose which they like and dislike."

Your City Club committee commenced its study of the five measures on August 14, 1978, and a list of witnesses interviewed and sources consulted is attached as Appendix B.

II. SUMMARY OF PROPOSED CHARTER CHANGES

The following summary compares the proposed changes to the charter with the existing provisions.

A. Measure 26-15: Reorganization

The measure incorporates several changes which must be accepted or rejected in total:

1. *Separation of Powers:* The County Commission is now composed of four Commissioners and a Chairman. They exercise all the legislative authority of the County. The Chairman also exercises all the administrative and executive authority of the County. Under the present charter, the Chairman is both the chief executive officer and chairman of the legislative body. This amendment creates a separate County Executive who will exercise all the administrative and executive powers of the present Chairman, and vests sole legislative power in the Board of Commissioners. The Executive will no longer participate in the legislative functions, except that the Executive may veto legislative ordinances that are adopted by the Commission. The Commission, composed of five Commissioners, will elect their own Presiding Officer and may over-ride the executive veto by a vote of four of the Commissioners.

The Board of Commissioners would be responsible for formulating policy while the County Executive would be responsible for execution of such policy. The County Executive would be responsible for preparing the county budget for submission to the Commissioners for approval. The County Executive would have sole responsibility for appointing county administrative officers and employees, but the appointment of department heads would be subject to the consent of the Board.

2. *Districting:* At the present time the Commissioners are elected at large, as are the Chairman and the Auditor. This amendment establishes five districts of approximately 115,000 people each, in North, South, East, West and Central areas of the County. (See attached map, Appendix C). Commissioners are elected from the districts for four-year terms. A candidate for a district position must have lived in the district for a period of 18 months prior to the date the candidate assumes office. There is, however, a "grandfather clause" allowing the present commissioners to run in the next election even if they have not met the residency requirements.

The County Executive would be elected at large for a four year term.

The transition provisions of this amendment make the person elected County Chairman this November the County Executive under the reorganized government, and assign other elected Commissioners to the North, South, West and Central districts. A special election will be held prior to June 28, 1979 to elect the Commissioner from the East District.

3. Other Provisions:

(a) The notice required before Board meetings would be increased from 3 to 24 hours.

(b) The charter presently requires the concurrence of a majority of the Board members for Board action; this would be lessened to a majority *present* at a meeting.

(c) The existing charter provides for appointments by the Board to fill vacancies on the Board. The revised charter would provide for appointment by the Board, but would prevent the appointee from running for election to that position at the next election. (This prohibition does not apply to an appointee to fill the vacancy of County Executive.) The 18-month district residence requirement also applies to appointees to fill vacancies on the Board.

(d) As noted from the above changes, the total number of elected representatives will increase from the present number of five to a new Board of five members plus the County Executive, or a total of six.

The measure limits the amount of money that can be spent to pay for the salary and operations of the Commissioners, the Executive, and their staffs. In fiscal year 1979-80, the Commissioners and Executive will be limited to the same budget appropriations that the Commissioners and Chairman had in fiscal year 1978-79. Annual increases thereafter shall be only such as are "necessary and consistent with economical management."

(e) The measure, if approved, will be effective July 1, 1979, except that the election on November 7, 1978, shall determine the County Executive, Commissioner districts and allow an election to fill the East District.

B. Measure 26-16: Prohibits Discrimination

The existing charter prohibits discrimination based on race, religion, color, or national origin. This provision would be changed to prohibit discrimination "contrary to state law," which would add discrimination based on age, sex, physical handicap, and marital status.

The measure would also eliminate all masculine gender references in the charter.

C. Measure 26-17: Charter Review

This measure would provide for appointment of a Charter Review Committee in 1983 to consider possible Charter amendments to be voted on at the 1984 general election. The Committee members would be appointed by the State Senator and State Representatives from each senatorial district which has a majority of its voters residing within Multnomah County. The Committee's review will specifically include study of the Auditor's office.

D. Measure 26-18: Non Partisan Elections

This amendment would change the present partisan-based county election system to a non-partisan system, such as is now used for electing Circuit Court judges. If there were two or less candidates for a position, the primary election would be eliminated with only a November general election for that position. If more than two candidates file for an office, there would be a nonpartisan primary election for that office in the spring; the two candidates with the most votes would run in the fall general election.

E. Measure 26-19: Revenue Bonds

At present the Board has no authority to issue revenue bonds to build or buy a public-purpose facility without specific voter approval. This measure would allow issuance and sale of revenue bonds by the Board without specific voter approval, subject to the limitation that the bonds be supported by revenues produced by the facility for which the bond is issued, or by similar facilities. The bonds would not be repayable in any manner from general taxes and the ordinance authorizing issuance and sale of a particular bond issue would be subject to referendum election procedures.

III. DISCUSSION OF ARGUMENTS FOR AND AGAINST EACH MEASURE

A. Measure 26-15: Reorganization

1. Arguments advanced in favor of the measure

(a) Distinct and separate executive and legislative responsibilities will provide a system of checks and balances in county government that will enhance the policy making function and efficiency of management.

(b) The present system inhibits an independent evaluation of county management and county spending—responsibility is not pin-pointed. Under the amendment, the appropriation body will be separate from the spending arm.

(c) The veto power granted to the County Executive and the ability to override the veto granted to the Board will of necessity bring all major policy disputes to the attention of the public.

(d) Single-member subdistricts for the Board members with a residency requirement will force incumbents to be more responsive to local issues within the district of each; the voters will clearly understand who on the board represents their interests.

(e) Districting will insure full representation on the Board from all parts of the County, including the eastern portion which has traditionally claimed to be ignored during Board deliberations.

(f) Under a districting system, campaigns will not require heavy financing, the impact of name familiarity will be lessened, and volunteer citizen groups will have greater effect on election results, all due to creation of manageable districts.

(g) District representation has proven successful in the state legislature.

(h) The manner of filling vacancies on the Board is improved; since an appointee cannot succeed himself/herself in that position, the voters at the next election will have full opportunity to select a commissioner without the appointee having a "leg up."

2. Arguments advanced against the measure

(a) These changes are not needed—county government is working fine under the present system.

(b) The only tangible result which will flow from this change is the addition of a sixth member to the top echelon of county government. The present number do not have sufficient activity to occupy their time. Adding a sixth member will of necessity result in added cost to the taxpayers after the first year moratorium on any increase in cost.

(c) Under a districting arrangement, ward politics and "log rolling" will take the place of sound, logical decisions made on a county-wide basis. The freedom from pressure and the objectivity necessary for long-range county planning would be lost.

(d) Districting will not accomplish the objective of giving East County some degree of influence on the Board; the "urban coalition" will assure continued dominance by the commissioners residing within the city.

(e) Voters in the entire county should have the opportunity to vote on all county commissioners.

(f) Under a districting arrangement, more staff and more expense than that presently projected will be required to handle the constituent contacts that will be needed to assure full service to the district voters (and thus assure re-election of the incumbent).

(g) City government has operated successfully for many years without a districting system.

(h) The manner of filling vacancies will not be improved over the present method; good quality candidates will not accept appointment if not afforded the opportunity to run for election in that position in the next election.

3. Discussion

The Charter Review Committee, during the course of its hearings, reported that it found a significant measure of dissatisfaction with the present structure of county government. It concluded that there was a significant number of county residents who felt that county government was not responsive to their needs, and that this number, while strong in East County, was not limited to this area. The passage of both the 1976 Cook-Otto amendments and the close vote on the 1977 repeal could both be attributed to this feeling of voter unrest.

The organizational changes included in this measure were, according to the Charter Review Committee, designed to enhance the ability of county government to operate with more efficiency, economy, creativity and responsiveness. It is also obvious that the

changes were designed to satisfy the East County dissidents and perhaps head off another round of more radical proposed changes.

Most impartial observers agree that a separation of the administrative executive arm from the legislative body will tighten up management and budget procedures. Under the present system, it is too easy for allocation of responsibilities to be made based upon personality rather than organizational structure, which results in diffusion of accountability.

The single-member subdistrict change has generated the most intense argument, both pro and con. It was the opinion of both City Club committees that studied the Cook-Otto amendments of 1976 and the repeal measure of 1977 that the single-member district idea was the only portion of the previous change that had merit, and your present committee concurs with this view. We agree that there are matters of county-wide concern that need the undivided attention of all county commissioners, but we do not feel that the districting concept will cause any serious diminution of attention to county-wide matters.

Multnomah County does not have a history of ward politics or ethnic divisions that give rise to the "log-rolling" fears expressed by some. And the extent of discretionary county funds is not so great as to induce sharp divisions of district opinions on the spending of funds within given districts. We cannot comment on how successful districting has been with the state legislature or how more efficient City government might be with a districting arrangement. But your committee feels strongly that electing county commissioners on a district basis will make the incumbents more responsive to the residents of the district of each and will make it easier for a challenger to overcome the built-in advantage of being an incumbent.

Less campaign funding needs, more volunteer citizen and neighborhood organization activity, and more voter interest should all flow from narrowing down of the arena to a manageable district of 115,000 people.

The drafting of the districts was accomplished, we are told, by the County Elections Division, with only minimal guidance from the Charter Review Committee. The East County and minority residential area in North Portland, were kept intact. In our judgment, the districting was made in as fair a manner as could be done.

The residences of the incumbent commissioners and those of the nominees thought likely to be elected in November all fall conveniently into the districts into which each has been assigned, except for Commissioner Mosee. Mr. Mosee will be able to run once again in 1980 for his present district seat, but will thereafter either have to move into his assigned district or challenge an incumbent in the district in which he is resident. The "sixth" commissioner will be elected from the East district, which is also a convenient arrangement to satisfy East county residents.

The County Executive under the revised charter (a position which will automatically be filled by the winner of the November election for Chairman) will continue to be elected on a county-wide basis. Vacancies on the Board will be filled by appointment, but the appointee will not be able to run for election to succeed him/herself at the next election for that position. He or she can of course run for some other position, assuming that the residency requirement is met; or he or she can sit out one election and run for the same position the following time. This should provide sufficient incentive for quality persons to accept appointment to fill vacancies on the Board.

In conclusion, your Committee believes that the organizational changes herein proposed are good and will improve county government. The loss of the right to vote on all commissioner races and the cost of an additional commissioner and attendant staff are small prices to pay for the advantages of stability, efficiency, responsibility and responsiveness.

B. Measure 26-16: Prohibits Discrimination

The only argument that was presented against this measure was that it was unnecessary—that state law already governs in the area of non-discrimination in the specified categories. But the drafters of this measure thought it would be better to clarify this pro-

vision in the Charter itself and eliminate even the appearance of any form of discrimination in county employment. Likewise, the elimination of masculine pronouns in the Charter, which some think petty and unnecessary, is necessary to further instill in the reader of the Charter a full commitment to non-discrimination on the basis of sex.

C. Measure 27-17: Charter Review

This measure is non-controversial, and provides for the first step in what could be a periodic review of the Charter at regular intervals. The Committee is to be appointed in 1983, following the procedures used to select the present Committee, and will be expected to report in time for any proposed amendments to appear on the November 1984 ballot. Despite the Orwellian overtones of such a time frame, it seems like a reasonable length of time to judge the merits of the present changes, if passed, and to examine any further changes needed. There was some criticism of the method of selection of the new Committee members, especially if the county becomes non-partisan in its elections hereafter, but the present method would seem to be the best way to assure independence from any courthouse influence. The new Committee will be specifically directed to re-examine the role of the County Auditor in county government. Some other areas that may be examined are a limitation on terms for county commissioner and the issue of part-time versus full-time county commissioners.

D. Measure 26-18: Non-Partisan Elections

1. Arguments advanced in favor of the measure

(a) Party politics should not play a role in the election of county officials—local issues generally do not reflect any difference in political philosophies.

(b) Due to the heavy Democratic registration majority in the county, all contested races are usually decided in the Democratic primary election, and Republican and independent voters are thereby precluded from any significant voice in the selection of their county officials.

(c) The City operates successfully on a non-partisan basis.

(d) Non-partisan races will attract better quality candidates—candidates free from influence of party “bosses.”

(e) The proposed amendment is so structured that if only one or two candidates run for an office, there will be no primary election, thus creating a saving of election and campaign costs.

2. Arguments advanced against the measure

(a) Non-partisan elections at the county level would accentuate a trend towards ending the two-party system—a system that has kept democracy alive and well for 200 years.

(b) Non-partisan candidates would be dependent upon powerful financial interests in the county for campaign financing, without the discipline of a party organization controlled by a wide spectrum of the community.

(c) Party labels are necessary to educate the voter as to the philosophical leanings of the candidate; there are a sufficient number of local issues involving discretionary use of funds that would reflect party differences in priorities.

(d) Low income and minority voters have an opportunity to participate in the political system through a party organization; under a system of non-partisan elections, the process would be dominated by “big money” and special interest groups.

(e) Non-partisan elections are generally of less interest to the voters. Competition, both within each party and between parties, is essential to raising the level of voter interest and assuring the highest possible voter turn-outs at elections. Incumbents would have a strong advantage.

3. Discussion

This measure was not one of the group originally recommended by the Charter Review Committee for submission to the voters. After the initial announcement as to the issues to be considered, there was a considerable outcry among newspaper editors and members of the public as to the omission of this issue. The Committee thereafter reconsidered the matter and voted to recommend submission to the voters as a separate measure, but without any recommendation as to approval or disapproval. The final vote on the Committee was close, but was not strictly partisan, with some Democrats on the Committee supporting the referral to the voters.

The issues of non-partisan elections is one that has been and will continue to be debated over long periods of time. Opinions can be very emotional and intense on both sides. George Washington, in his farewell address, warned the American public against the "baneful effects of the spirit of party." Parties as institutions and politicians as people both have long ranked low in the American scale of values. A partisan political system, on the other hand, has been responsible for many of the successes in American government; and the avoidance of political chaos such as that found in France or Italy can be ascribed at least in part to the existence of a strong two-party system.

Your committee considered the arguments presented to us, the biases of the witnesses, and our own experiences in or near politics, and came to the conclusion that, combined with single-member districts and separation of powers, non-partisan elections would be good for county government. We are impressed with the argument that most local issues do not require party labels, and that all voters in a district should be able to participate in the election of their county commissioner. We do not see conversion of county elections to non-partisan as being a threat to the state legislative system, but only as a continuation of the City government tradition of limited party influence on local issues and local candidates.

The matter of financing of future non-partisan campaigns is of concern to your Committee, and we acknowledge that the danger of domination by special interest groups exists. We also agree that incumbents would have a strong advantage. There should, however, be sufficient safeguards in increased voter involvement and disclosure of funding sources to minimize these factors.

In conclusion, your committee favors nonpartisan elections for the county. The influence of party politics at the county level in the past has not been detrimental to good government, and the structural changes referred to above will work on either a partisan or nonpartisan basis. But, your committee feels they may work better on a non-partisan basis.

E. Measure 26-19: Revenue Bonds

1. *Arguments advanced in favor of the measure*

(a) A local government entity needs revenue bonding authority without voter approval as a tool to be able to act quickly when public financing is needed to serve a public need.

(b) The revenue bonds are repayable solely from the revenues of the facility built or purchased or from similar facilities; no general taxes can be used for repayment of the bonds.

(c) The potential abuse of authority in the issuance of bonds will be restrained by the built-in referendum procedure.

2. *Arguments advanced against the measure*

(a) The measure is not needed; the Charter already provides for revenue bonds with voter approval.

(b) The voters should be entitled to vote in advance on each revenue bond issue and express their approval or disapproval of the project to be financed; the referendum procedure is costly and cumbersome.

(c) The county would not permit a default in repayment of revenue bonds—it would find some “loop-hole” to use general taxes to cure a default.

3. Discussion

Your committee was informed that the only reason the county was not granted full revenue bond authority without voter approval in the initial Charter was due to the active opposition of small service districts in the county that felt threatened by such authority. No one that appeared before us could think of a solid example of a project, during the past 12 years, that would have been financed with revenue bonds if the authority had existed. The existing authority has never even been considered for use, we are informed, because of the expense and effort which needs to be incurred to present such a proposal to the voters, with the likelihood of a voter turndown, no matter how meritorious the project might be.

The City of Portland has full revenue bond authority without voter approval, in a form similar to that which the County seeks. During the past 10 years it has used the authority for a tennis facility, a golf course, and for three parking garages. There has been no history of any default on the City bonds. The City has used the “similar facilities” provision in its authority to pledge revenues from parking meters to support the revenues from the parking garages.

Your committee concludes that revenue bonding is a potentially useful tool and should be granted to the county, without the necessity of voter approval. The experience with the City authority has been good, and there are sufficient safeguards in the measure to minimize abuse by county officials.

IV. GENERAL DISCUSSION AND CONCLUSIONS

Although the time available for study was not sufficient to permit an in-depth examination, it was the general impression of your committee that the concept of a Charter Review Committee, as mandated by the 1977 repeal measure, was well-conceived and workable. The committee member selection process (which will be repeated for the 1984 review, if this measure passes) was generally thought to be fair, and it accomplished the result of providing a body of knowledgeable citizens free of any influence from the courthouse. (One witness thought the members should have been elected, not selected.)

The Committee held public hearings in various parts of the county and made a good-faith attempt to solicit the views of all persons with differing viewpoints. That the Committee came forth with a set of proposed amendments that appeared to satisfy almost everyone (except those with vested interests in danger of loss) is a tribute to its diligence and to the skill of its chairman.

Although free of any substantial courthouse influence, the Charter Review Committee did allow itself to be influenced by some partisan political considerations. Such considerations were evident in at least two areas, that of agreeing to place the nonpartisan election issue on the ballot (in this county which has a large majority of Democratic registered voters) and in the creation of the West Side subdistrict, which includes a portion of the Republican portion of the east side, to balance the population total, rather than a Democratic portion on the east side of the river, thereby giving hope to any Republican (or nonpartisan Republican) challenger for that seat.

But, all in all, your study committee concludes that the Charter Review Committee did an admirable job, both in satisfying the requirement of citizen input and in devising a set of amendments, which, for the most part, improve the structure and workings of county government.

V. RECOMMENDATIONS

Your committee recommends that the City Club of Portland vote:

- A. YES on 26-15
- B. YES on 26-16
- C. YES on 26-17
- D. YES on 26-18
- E. YES on 26-19

Respectfully submitted,
John Clinton Geil
Gary D. Kurtz
Helen Riordan
Robert Weil
Peter A. Plumridge, *Chairman*

Approved by the Research Board on September 26, 1978 for transmittal to the Board of Governors. Received by the Board of Governors October 2, 1978 and approved for publication and distribution to the membership.

APPENDIX A**MEMBERS OF THE COUNTY CHARTER REVIEW COMMITTEE:**

John R. Faust, Jr., attorney—Chairman, 5*
 Terry Hannon, attorney, Vice Chair., 12
 Kay Pankratz, Administrative Assistant, Secy-Treas., 9
 Albina Youth Opportunity School
 Del Greenfield, homemaker, 5
 Robert L. Mitchell, insurance agent, 6
 Robert D. Scholtz, attorney, 6
 Robert A. Burkholder, businessman, 7
 Larry Mylnechuk, educator, 7
 James W. Winters, educator, 8
 Norman Lindstedt, attorney, 8
 Jean Haliski, homemaker, 9
 Vern B. Pearson, banker, 10
 William D. Williams, educator, 10
 Jay K. Owen, businessman, 11
 Anne F. Picco, homemaker, 11
 Kenneth Innis, farmer, 12
 Julie Keller Gottlieb, Administrative Assistant to the Committee

*Number of Senate District represented

APPENDIX B**SCOPE OF RESEARCH**

The following persons were interviewed by the Committee as a whole:

Donald E. Clark, Chairman, Multnomah County Board of Commissioners
 John R. Faust, Jr., Chairman, Multnomah County Charter Review Committee
 Dennis Buchanan, Commissioner, Multnomah County
 Earl Blumenauer, State Representative and Democratic nominee, Commissioner,
 Multnomah County
 Richard Botteri, member, Citizens for Good Government (sponsor of Measure 26-3,
 1977 Special Election)
 George Joseph, Judge, Oregon Court of Appeals, and former County Counsel,
 Multnomah County
 Thomas P. Dennehy, Associate Professor, Reed College, and citizen activist
 Moshe Lenske, Chairman, Multnomah County Democratic Central Committee
 Jeff Wohler, Assistant City Editor, *The Oregon Journal*

In addition, telephone interviews were held with the following:

Vern Cook, State Senator, District 12
 Terry G. Hannon, Vice-Chairman, Multnomah County Charter Review Committee

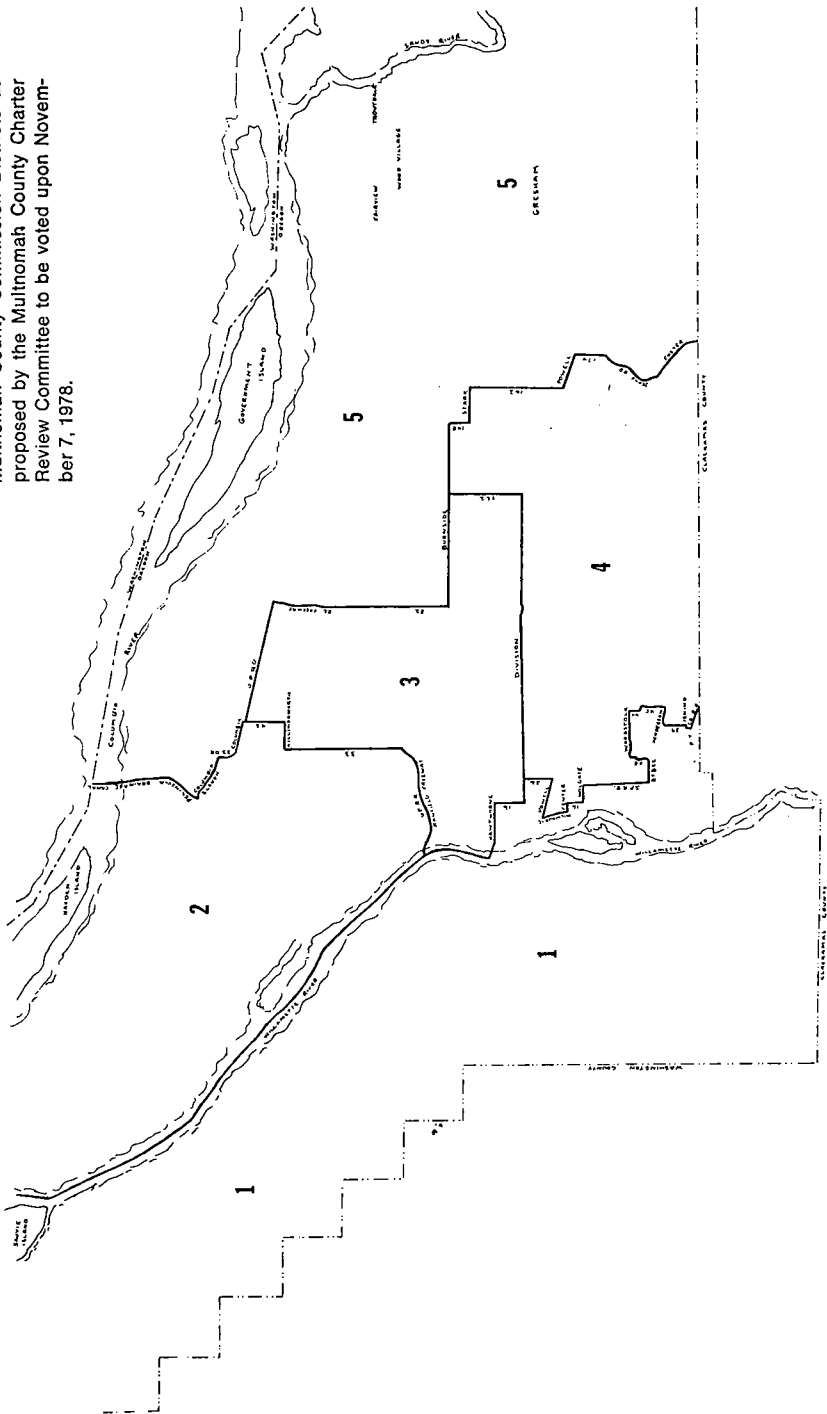
The Committee also acknowledges the assistance of Ken Tollenaar of the Multnomah County Budget Office, David Lewis, of the City Auditor's Office, and Julie Keller Gottlieb, Executive Secretary of the Multnomah County Charter Review Committee.

The Committee also referred to the following publications:

City Club Reports on Measure 26-13 (1976) and on Measure 26-3 (1977).
 Hawley. *Non-Partisan Elections and the Case for Party Politics*. John Wiley & Sons, 1973.
 Ribicoff Newman. *Politics: The American Way*. Allyn & Bacon, Inc., 1967.
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APPENDIX C

Multnomah County Commission Districts as proposed by the Multnomah County Charter Review Committee to be voted upon November 7, 1978.



STATE MEASURE NO. 6**LIMITATIONS ON AD VALOREM PROPERTY TAXES**

Purpose: "Proposed constitutional amendment limits ad valorem real property taxes to 1½ % "full cash value," defined as 1975 assessed value, or appraised value on later sale of new construction. Allows maximum 2% annual inflation increase. Requires two-thirds vote of each house for new or increased state taxes; two-thirds popular vote required for special local taxes; prohibits new ad valorem, sales, or transaction taxes on real property."

STATE MEASURE NO. 11**REDUCES PROPERTY TAX PAYABLE BY HOMEOWNER
AND RENTER**

Purpose: "Proposed constitutional amendment to reduce tax payable by homeowners by one-half up to \$1,500. Provides comparable relief to renters. Limits state and local government expenditures. Requires two-thirds legislative vote for certain tax measures. Refunds remaining state surplus to income taxpayers. Freezes assessed values for one tax year. Preserves referendum right on local government tax measures.

Specifies that if this measure and Measure No. 6 are approved, only the one receiving most "yes" votes takes effect."

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

I. ASSIGNMENT AND SCOPE OF RESEARCH

In August 1978 your Committee was appointed to study and report on a proposed constitutional amendment placed by initiative petition on the November 7, 1978 general election ballot as State Measure No. 6. On September 14, 1978, the Research Board asked the Committee to expand the scope of the report to include State Measure No. 11, which was placed on the same ballot by referral from a special session of the legislature.

Your Committee has examined an abundance of information generated by state and local government which attempts to project the impact of Measures 6 and 11. (See Appendices.) Much of this same data was used by the legislature during its special session in September.

We must state at the outset of this report that information developed, and arguments advanced both for and against Measures 6 and 11, are based on assumptions or projections which cannot be demonstrated as either true or false. For this reason no one set of assumptions or conclusions was judged by your Committee to be an absolutely reliable basis for analysis of the impact of either measure. Consequently, the Committee report does not include discussion of possible effects on many state and local services and programs, except to allude to possible problem areas.

II. BACKGROUND

Oregon's property tax law was enacted on June 25, 1844, and continues today as the main support of most local governmental units, schools and special districts. Additional support is received from user charges, fees, licenses and state and federal funds.

In 1915, Oregon voters passed a constitutional measure limiting revenues derived from property tax base levies to 6 percent above the highest levy in any of the three preceding years except when increased by vote of the people. Oregon's first property tax relief was enacted in 1929 as the Property Tax Relief Act. It was coupled with Oregon's first income tax which received voter approval in 1930. Today, the state government not only has the income tax, but also revenue from transaction taxes (liquor, gas, cigarettes, etc.) and from federal grants.

In 1966 some who felt the property tax had become excessive mounted an initiative to place before the voters a measure to limit property taxes to 1½ percent of true cash value. This was aborted when the Oregon Supreme Court denied the petition on the ground that the required number of signatures had not been validated before the filing deadline. In 1968, petitions for a 1½ percent property tax limitation were circulated resulting in the placement of Measure 7 on the November ballot. Measure 7 asked for:

- a) repeal of the 6 percent limitation
- b) limiting of property taxes to 1½ percent of true cash value
- c) exemption of existing bonded indebtedness, and
- d) exemption of levies approved in the November 1968 election by a majority equaling 20 percent of registered voters.

The City Club of Portland recommended a "no" vote on Measure 7 and it was defeated at the polls 503,443 to 276,451.

Following the 2-1 defeat of the 1½ percent limitation in 1968, state policy makers turned to several alternatives for more equitable distribution of the property tax load. The first was the 1969 sales tax measure which was defeated heavily by the voters. In 1971 and 1973, the legislature enacted the Homeowner and Renter Relief Program (HARRP), followed by state aid to community colleges and Basic School Support. HARRP sets a \$16,000 net income ceiling for eligibility. State Basic School Support expenditures, as a percentage of operating budgets, rose from 22 percent in the 1969-70 school year to an estimated 40 percent for the 1978-79 school year.

Nationwide, state and local government has been increasing in size, both in absolute terms and relative to the growth of the federal government, since at least the mid-1960's. Nationally, the cost of state and local government payrolls increased by 182 percent, while the cost of federal government payrolls increased by 125 percent from 1965 to 1975. Since 1967, Oregon's state government spending increased by 178 percent, while local government spending in Oregon increased approximately 200 percent. During this time the Portland consumer price index rose 80.2 percent.

A large proportion of the increase in local government expenditures has not been borne by increased property taxes, but by intergovernmental revenue transfers from state and federal coffers. On a national basis, intergovernmental revenues began to surpass property tax revenues as a percentage of county general revenue in 1968, and for cities in 1971. From 1967 to 1976, intergovernmental revenues to county government increased by 230 percent, compared to a 121 percent increase for property tax collections. For cities, intergovernmental revenue increased by 332 percent over this period, compared to 92 percent for property tax collections.

In July 1978, 201,000 signatures (61,646 signatures required) on an initiative petition were submitted to the Secretary of State assuring that Measure 6 would be on the ballot in the November 1978 election.

In September 1978 a special session of the legislature met at the call of Governor Straub to consider drafting an alternative to Measure 6. The legislature passed House Joint Resolution 84 as such an alternative, and referred it to the voters on the November 1978 ballot as Measure 11. The vote was 33 to 27 in the House and 24 to 6 in the Senate. (See the appendices at the end of this report for full text of Measure 6 and Measure 11.)

III. PRESENT SYSTEM OF DETERMINING AND ASSESSING TAX ON PROPERTY IN OREGON

The State of Oregon no longer imposes a property tax. It does delegate this authority to counties, cities, school districts, fire districts and other units of local government such as special service districts.

Each year these taxing units determine their budget needs and levy an ad valorem property tax accordingly.

If a local government unit cannot balance its budget within the "six percent limitation" it must either reduce that portion of its budget dependent on property tax or seek voter approval to levy more than its tax base permitted by the six percent limitation.

The county assessor assigns a value to each parcel of real property and certain items of personal property. This value is known as the "*true cash value*" (TCV) of the property as of January 1 of the calendar year for which ad valorem taxes are to be levied. It is the amount that the property would sell for at a voluntary sale in the ordinary course of business and under normal conditions. True cash value is the same as *fair market value*, except that the State Department of Revenue, in a given case, may decide that abnormal conditions prevail which make true cash value greater or less than fair market value. The *assessed value* of a particular property is a percentage of its true cash value. The percentage figure used to determine assessed valuation is called the *assessment ratio*. Assessed value is used in calculating the taxes upon a particular parcel of real property. The assessment ratio is set by the legislature. In Oregon at present, and for many years, the assessment ratio has been 100 percent. Thus, assessed value and market value have been the same.

Oregon statutes require that each parcel of real property be physically reappraised at least once every six years. In the intervening years appraised values are adjusted to reflect the changes in market value trends.

The State Constitution requires that a taxing unit impose taxes at a uniform rate on the same class of subjects within its territory. Uniformity is accomplished by dividing the amount of the taxing unit's levy by the total assessed property value located within that taxing unit. The resulting quotient is the tax rate. The tax rate is then applied against the value of each individual parcel of real or personal taxable property within the taxing unit to determine how much of the levy each parcel or item must pay in taxes.

METHOD OF DETERMINING TAX RATE:

- A) True cash value of taxable property in district = \$100,000,000
- B) District tax levy = \$ 500,000
- C) Tax Rate = (B) ÷ (A) = .005 or,
½ of 1% or,
\$5 per \$1,000 TCV

Generally, each parcel of property is located in more than one taxing unit. The total rate for each property is the sum of the rates of all the units in which that property is located. The assessor groups all properties which are located in the same taxing units and which, therefore, have the same combined tax rates, into one area called a *code area*.

IV. BRIEF ANALYSIS OF MEASURE 6

Ballot Measure 6 is taken verbatim from California's Proposition 13 except that the tax limitation in the Oregon measure is 1½ percent, rather than one percent found in the California proposition. Measure 6 limits taxes on any one piece of real property to 1½ percent (\$15 per \$1,000) of that property's "full cash value." (In Oregon, full cash value is the same as fair market value or true cash value.) This limit could only be ex-

ceeded to pay interest and redemption charges on any indebtedness approved by the voters before Measure 6 becomes effective.

"Full cash value" is defined in the measure as, "the County Assessors valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. All real property not already assessed up to the 1975-76 tax levels may be reassessed to reflect that valuation."

From the date of its passage, Measure 6 allows any new state taxes, or increases in existing taxes, to be imposed only by a two-thirds vote of all members of each of the two houses of the legislature. Special taxes at the local level could be imposed only after receiving approval of "two-thirds of the qualified electors" in that locality. Only with passage of a constitutional amendment could new ad valorem taxes on real property in excess of 1½ percent, or sales or transaction taxes on sales of real property, be levied. The remaining provisions of Measure 6 would become effective July 1, 1979.

V. EFFECTS OF MEASURE 6

Any discussion of the fiscal impacts of Measure 6 must be prefaced by the observation that its impact on particular taxing bodies cannot be accurately predicted. The two main reasons are:

First, taxing bodies in Oregon depend on property tax revenues to differing degrees. The passage of Measure 6 could mean that while all taxing jurisdictions in Multnomah County might have lost 51 percent (\$114.6 million) of property tax revenues in 1977-78 had it been in effect, Curry County would lose no property tax revenues at all. Similar disparities could arise between budgets of taxing entities within individual counties.

Second, Measure 6 dictates that property taxes collected are to be apportioned to the districts within the counties according to law. As there currently are no such apportioning statutes, it will be up to the legislature to determine where the property tax revenues collected will be applied. Thus, if the legislature determines that school districts should receive all property tax revenues collected until their budgets are met, with the remaining property tax revenues being divided between the other governmental bodies, the passage of this Measure would not affect school districts at all, while other taxing bodies would have to find operating revenues elsewhere.

With the above in mind, the following figures and observations are offered. Oregon Tax Research has estimated that had Measure 6 been in effect for the 1977-1978 tax year, the statewide revenue loss would have been \$351 million. The Legislative Revenue Office has estimated statewide revenue loss under Measure 6 for the 1979-81 biennium to be \$860 million. This revenue loss occurs as a result of the combined effects of the fifteen dollar per thousand limitation and the valuation roll-back to 1975 levels. (See Appendix E for a projection of revenue loss in Oregon, by county, if Measure 6 were in effect today.)

In addition to revenue loss, Measure 6 could adversely affect, at least for the short term, the future bonding capacity of state government. The Measure would reduce the assessed valuation of property in Oregon by going back to 1975 assessed valuations. In addition, future bonding capacity of local governments could be adversely affected because most local government taxing units will already be taxing at the maximum 1½ percent rate allowed in order to fund existing programs.

It has been assumed generally that if Measure 6 passes, the surplus from the State of Oregon's General Fund would be used to offset the local revenue loss. That surplus will be about \$225 million for the current biennium. It is estimated that if Measure 6 passes the surplus for the 1979-81 biennium will range from a low of \$397 million to a high of \$572 million. Thus, even if all of the current and projected high range surplus found its way to the localities, there would still be a net revenue loss at the local level of \$63 million, at current program levels. Using the projected low-range surplus, the net revenue loss would be approximately \$238 million.

Whatever the immediate impact of Measure 6, its impact as the years progress becomes more pronounced (given rising market values of property and an inflation rate of more than two percent per year). This results from the two percent per year ceiling placed on increases in the assessment of real property that is not sold or transferred. For instance, School District No. 1 in Portland has estimated that the yearly increase in revenues to the district under Measure 6 will fail to meet the average yearly increases to the district for its collective bargaining package alone, assuming the effects of the Measure are not alleviated by legislative or other relief.

Another long term effect of the Measure would be a gradual assumption by residential real estate of a larger and larger percentage of the total property tax burden. This would happen because residential property historically changes hands more frequently than does income-producing property. Under the Measure, all property transferred would be reappraised to its full market value, and thus residential property would, as a class, be taxed at a rate closer to its full cash value than would income-producing property.

Because taxpayers will lose some of the income tax deductions for property taxes paid, it is estimated that for the 1979-81 biennium the federal government will receive \$123 million more in income taxes and the state will receive an additional \$22 million more.

If the assumption is correct that the state will partially replace local revenue losses by distributing its General Fund surplus, passage of Measure 6 may reduce the "discretionary" funds available at the state level. The result may be that while state expenditures will not decrease, (a rebate to a locality is a state expenditure), the legislature will have less money available either to increase funding of existing programs or to fund new programs. It is expected that this will force the state to re-evaluate existing programs, closely evaluate new programs and establish priorities among all programs. Thereby, the state could reduce the local revenue shortfall projections by finding additional revenues through program budget cuts.

This discussion of fiscal effects is based upon budgetary figures supplied by various taxing units. Your Committee has no way to judge the accuracy of such figures. Whether budget cuts would disrupt basic services of those units depends to some extent on the efficiency of the units' operations.

VI. UNRESOLVED LEGAL QUESTIONS REGARDING MEASURE 6

On August 11, 1978 the Oregon Attorney General issued a 138-page opinion, responding to 53 questions concerning legal issues surrounding Measure 6. The opinion states that, "... the fact that Measure 6 was not written with present Oregon constitutional or statutory tax provisions in mind, and the rather ambiguous nature of some of its language, has in some cases led to disagreement over its effect." Your Committee is not qualified to resolve those disagreements, nor is it possible to describe all of the legal questions dealt with in this opinion. Some of the principal issues raised by the Measure are:

- 1) whether future bondholders may force taxing above the 1.5 percent limitation to meet principal and interest payments;
- 2) whether unequal taxation of neighboring parcels of land would violate the "equal protection clause" of the Fourteenth Amendment to the U.S. Constitution; and
- 3) how Measure 6 can be reconciled with Article I, Section 32 of the Oregon Constitution which states, in part, "... all taxation shall be uniform on the same class of subjects within the territorial limits of the authority levying the tax."

VII. BRIEF ANALYSIS OF MEASURE 11

Under the terms of Measure 11, the state will pay one-half of the ad valorem property taxes imposed upon each owner-occupied principal residence in the state, up to \$1,500. The legislature may increase, but cannot decrease, this maximum figure for sub-

sequent years. Comparable relief will be provided renters. These tax rebates must be made from personal income tax revenues. The rebate payments will not apply to second homes, commercial or industrial property.

The growth of "state governmental operating expenses" could not exceed, in any one biennium, the rate of growth of personal income in Oregon for the preceding two years. The quoted term does not include all state spending. For instance, under this amendment, transfers of funds from the state to local governments are not operating expenses and additional exceptions can be made by the legislature. Thus, this provision does not totally limit state spending, but only that portion defined as "operating expenses." The base from which this provision will be calculated will be 95 percent of operating expenses in the 1977-79 biennium.

If the state accrues a surplus that exceeds budgeted operating expenses by two percent or more for that biennium, the entire surplus must be returned to individual taxpayers in proportion to taxes paid. In order for the legislature to increase any tax by more than five percent, a vote of two-thirds is required in each house.

All school and local government expenditures, if derived from property tax revenues, are limited in any one year to an increase of a figure obtained by considering population growth of the area, combined with what are called "price changes" (e.g., a consumer price index). This limitation cannot be less than the six percent already authorized under Article XI, Section 2 of the Oregon Constitution, and principal and interest payment on bonds approved prior to December 31, 1978 are not subject to this limitation.

The voters may vote to exceed the above local limitation on spending, but if they do, voters will not receive from the state one-half of any resulting property tax increase. No portion of serial levies for capital construction, and levies to pay principal and interest on bonds approved by the voters after December 31, 1978 will be paid by the state to the property taxpayers in the locality affected by the levies.

The assessed valuation of property in Oregon as of January 1, 1979 shall be applied to the 1980 tax year. This is the "freeze" for one tax year referred to in the ballot title of Measure 11. During that time (1979-80) the legislature is ordered to study and revise, as necessary, assessment procedures.

Finally, even if approved, the measure must get more votes than Measure 6 to become effective.

VIII. EFFECTS OF MEASURE 11

Measure 11 provides property tax relief but does not reduce property tax levies. It directs the legislature to provide payment of one half of the property taxes on every owner-occupied residence, up to \$1,500. Thus, if the tax bill is \$900, the taxpayer will pay \$450 and the state \$450. If the bill is \$4,000 the taxpayer will pay \$2,500 and the state its \$1,500 limit. By directing that the state's payments be made from income tax receipts, the legislature attempts to transfer a portion of the residential property tax burden from a tax that is not necessarily based on the ability to pay to a tax that is more closely related to the ability to pay.

The Measure provides for a limitation on increases in state spending of General Fund revenues. Current General Fund expenditures are estimated to be 30 percent higher than those of the 1975-77 biennium. As personal income in Oregon has increased approximately 20 percent over that same period, there would have been at least a ten percent reduction in spending had the Measure been in effect. Because the base for the initial year is set at 95 percent of the expenditures for the 1977-79 biennium, it can be expected that the total revenues spent in the 1979-81 biennium will be somewhat less than current expenditures. It is estimated that expenditures will increase 25 percent, at current program levels, if this provision does not take effect.

The provision that refunds a state surplus to personal income taxpayers when such surplus exceeds two percent of the General Fund is uncertain in its effect.

It has been argued by opponents and conceded by some proponents of this Measure that the limitation on local spending is not very effective. This is because the limitation imposed, using current figures, would be above the six percent limitation already in the State Constitution. Practically speaking, therefore, the only limit that might be effective here arises from the fact that the state would not pick up one-half of special levies approved by voters beyond *both* the six percent limitation *and* the limitation based on population and price changes. Moreover, this limitation does not affect any local government spending funded from revenues other than the property tax.

Finally, Measure 11 freezes assessed values on property at the January 1, 1979 level for the following tax year (Jan. 1, 1980 to Dec. 31, 1980) and directs the legislature to study and revise as needed current assessment procedures. It is not known what ultimate effect this will have on property valuations in Oregon.

The following arguments have been presented by proponents and opponents of the two measures, and your Committee does not necessarily endorse them except as reflected in the discussions which follow.

IX. ARGUMENTS ADVANCED IN FAVOR OF MEASURE 6

1. The Measure would reduce property taxes for both residential and business property and at the same time limit run-away increases.
2. The Measure will cause state and local governments to set priorities and limit spending.
3. It will be instrumental in shifting the burden of paying for services unrelated to property from the property tax to the income tax.
4. Measure 6 will stimulate new residential construction by reducing one of the fixed expenses (property tax) facing the new home purchaser.
5. By lowering the property tax burden to an acceptable level, the Measure will cause some exempt properties to be placed back on the tax rolls.
6. The Measure will roll back recent inflated assessed values on certain residential property and will limit increases in valuation to two percent per year.
7. Measure 6 will not cause a critical reduction of local services. There are sufficient monies to run local government with support from the state and still leave adequate money for state expenditures. The state is producing larger and larger biennial surpluses under the present income tax system.
8. There is "fat" and waste in government budgets which can be cut and still leave adequate revenues.
9. Passage of Measure 6 will be a message to state and federal governments that voters desire decreased government spending.
10. Measure 6 puts a brake on new state and local taxes.
11. The Measure would provide economic stimulus by freeing money otherwise reserved for property tax payments.
12. If voters turn down Measure 6, legislators will assume that the public is happy with the existing system and will do nothing with tax reform.
13. The Measure will dampen the inflationary spiral by controlling state and local government spending.

X. ARGUMENTS ADVANCED AGAINST MEASURE 6

1. Programs and levels of services for some governmental units will be drastically curtailed or eliminated.
2. Passage of Measure 6 will adversely affect the existing state Veterans' Home Loan Program because the bonding capacity of the state will be curtailed by the rollback and two percent limitation of property valuation.

3. "User" fees and other assessments will proliferate to make up for lost property tax revenues.

4. If the state supplies make-up funding for lost property tax revenues, it will assume more and more control of local governments and institutions.

5. Bonding capabilities for the state and local governments will be reduced or eliminated.

6. Income taxes paid to the state and federal government will increase because of the loss of a portion of the property tax deduction.

7. Measure 6 will create severe inequities among taxpayers. Two property owners with identical homes could pay different amounts of tax because a new purchase raises the assessed value of one home to full market value, while the assessed value of the other home will increase by only two percent per year.

8. Under Measure 6, property would be assessed at full market value when it is newly constructed or changes hands. The average homeowner turns over property every seven years. Business and industry rarely turn over property. The result would be a shift of the property tax burden to private homeowners over the years.

9. Measure 6 will not benefit renters who occupy about one-third of the state's housing units; it also does not benefit renters of commercial and industrial properties.

10. Persons in real need of property tax relief are receiving such aid through the HARRP Program, which is paying over \$200 million to Oregonians this biennium.

11. Measure 6 is vulnerable to legal challenges which may render it inoperative or ineffective for years.

12. Measure 6 will retard new residential construction by slowing the development of schools and other local services in new residential areas, by forcing increases in front-end development costs and user fees, and by curtailing the Veterans' Home Loan program.

13. Measure 6 will not assure reduction of government spending.

XI. ARGUMENTS ADVANCED IN FAVOR OF MEASURE 11

1. The Measure will give tax relief to both homeowners *and* renters.

2. Under Measure 11, the tax burden will be shifted from the property tax to the income tax.

3. Measure 11 appears to be free of constitutional challenges and will, therefore, probably be effective immediately.

4. The Measure will place a freeze on assessed value of property through 1980 to allow for legislative review and revision of assessment procedures.

5. The Measure will limit increases in state taxes by requiring a two-thirds vote of the legislature to increase any category of state tax by more than five percent.

6. Measure 11 leaves intact the present property tax system that assures local control of government.

7. Measure 11 limits increases in local government spending by a factor based on the consumer price index and population increases.

8. State payment of a part of local property taxes will not interfere with control of local government because state payments are mandated without strings attached.

9. Under Measure 11, excess income taxes collected will be returned to Oregon taxpayers whenever the State surplus exceeds two percent of the biennial budget.

10. Measure 11 places a limit on the growth of state spending according to the rate of increase in personal income during the prior biennium.

XII. ARGUMENTS ADVANCED AGAINST MEASURE 11

1. The state's portion of the property tax payment cannot be supported by state income taxes without significant cuts in state programs, and may require increases in income tax collections as estimated payments will amount to \$550 million.
2. The Measure will not impose greater spending limits on local government than are already present under the six percent limitation.
3. Measure 11 will not reduce residential property taxes. It merely will shift payment of a portion of those taxes to the state through the income tax.
4. Measure 11 will not limit increases in assessed values on residential property beyond 1980.
5. Measure 11 does not benefit commercial or industrial property owners, whose property taxes will be passed along to consumers.
6. Measure 11 promises to return state general fund surpluses to individual income taxpayers. In reality, no surplus will exist because any excess funds will go for property tax relief.
7. Measure 11 penalizes taxpayers of areas which spend less for local government by requiring a sharing of their income tax with areas which spend more.

XIII. MAJORITY DISCUSSION (NO on 6; YES on 11)

Advocates of Measure 6 time and again have emphasized that the citizens are fed up with big government, soaring taxes, and inefficient and wasteful programs. While the Majority of this Committee is also concerned with these sentiments, we do not believe that taking away significant revenues from local governments will achieve the desired objectives. Local governments are rarely the "big government" that the taxpayers rail against. In fact, to a large extent local governments in Oregon, which depend on property tax revenues, are directly responsible to the taxpayers through the ballot box. For example, 325 out of 330 school districts do not have a tax base, or have an inadequate tax base, and have to go to the voters every year to have their budgets approved. In addition, the Oregon Constitution prohibits local governments having a tax base from increasing that base by more than six percent unless the voters approve expenditures above that level.

Measure 6 would cause local governments to have a revenue reduction that may run as high as \$860 million in the 1979-81 biennium. This massive loss of revenue to local governments and schools could seriously diminish vital public services, and we do not believe this is warranted on the basis of their past performance. Your Majority finds especially objectionable the provision in Measure 6 that gives about 60 percent of the property tax break to business and commerce, interests that in our opinion neither need nor actively seek tax relief. Moreover, Measure 11 would provide relief to renters, whereas Measure 6 would not.

Your Majority believes that Measure 6 will ultimately have these unwanted effects:

- a) a shift in the property tax burden to the homeowner as ownership changes,
 - b) adjacent residential properties of equal worth will have grossly different tax bills,
- and
- c) local control of governments and institutions will be lost if the state accepts the responsibility to supply significant make-up funds.

The Committee report points out some of the legal problems presented by Measure 6. In the opinion of the Majority, no significant questions as to the constitutionality or legal effect of Measure 11 have been raised.

Measure 11 accomplishes property tax relief, but it does not have the significant problems of Measure 6 which have been addressed in the body of this report.

We recognize that Measure 11 has shortcomings. It gives property tax relief across the board to homeowners regardless of need. The limits it purports to place on state and

local government spending may prove to be illusory. However, as previously discussed, we believe that the citizens have abundant control by their votes over the spending of local governments. We believe the requirement that the state pay one-half of the property taxes of more than 95 percent of Oregon homeowners will force the legislature to scrutinize closely its spending priorities. We further believe that through its taxing authority and sharing of considerable revenues with local governments, the state has significant flexibility to insure that state and local programs can be equitably funded from the resources available.

It is with trepidation that the Majority of your Committee recommends passage of a constitutional amendment that has some perceived shortcomings. However, we believe that the people will approve one of these property tax relief measures. Of the two measures, we believe that Measure 11 is clearly superior to Measure 6. To vote no on 11 merely because of its shortcomings would probably assure passage of Measure 6.

XIV. MAJORITY RECOMMENDATION

The Majority of your Committee recommends a "NO" vote on Measure 6 and a "YES" vote on Measure 11.

Respectfully submitted,
 Daniel Herborn
 Charles Hinkle
 Lloyd T. Keefe
 Douglas McCulley
 Don C. Weege
 James A. Nelson, *Chairman*
For the Majority

XV. MINORITY DISCUSSION (YES on 6; NO on 11)

Since 1972, the property taxes on the average house, valued at \$32,000 in 1972 and \$65,000 in 1978, have more than doubled. The combination of construction costs, real estate speculation and property taxes have driven new home prices upwards at an annual rate of 20 percent in the Portland area. The middle income earner is, virtually, eliminated from the market and homeowners who obtained their property prior to the inflationary spiral of the late 1960's and 1970's are finding themselves less and less able to hold on to their property investments. Meanwhile, Oregon's local government spending has increased approximately 200 percent since 1967. During this same time, the Portland consumer price index rose 80.2 percent. The legislature should not be surprised that 201,000 signatures were submitted to the Secretary of State in support of Measure 6. Measure 6 asks for reduction in the size of government, reduction in government spending, elimination of waste in government spending and objective studies of goals and priorities for government spending. A significant conclusion of your Committee's report which was agreed to unanimously is the following.

"If the assumption that the state will partially replace local government revenue losses by distributing its General Fund surplus is correct, passage of Measure 6 may reduce the "discretionary" funds available at the state level. The result may be that while state expenditures will not decrease (a rebate to a locality is a state expenditure) the legislature will have less money available to either increase funding of existing programs or set up funding for new programs. It is expected that this will force the state to re-evaluate existing programs, closely evaluate new programs and establish priorities among all programs. Thereby, the state could reduce the above local shortfall projections by additional revenue through program budget cuts."

Your Committee has agreed that Measure 6 has many flaws. However, in this Minority's opinion, it does contain the essentials for reasonable control of property taxes and

**MAJORITY RECOMMENDATION
 ADOPTED**

a mandate to governments, at all levels, that a reduction of spending must be addressed, immediately. This Minority believes this message was not understood by Governor Straub's special legislative session which produced Measure 11. Measure 11, simply, takes the surplus of state income tax—a surplus of such size that the legislature should be embarrassed for allowing it to come about—and returns this surplus to property taxpayers to offset part of their ad valorem taxes. State income tax revenues have climbed from \$153.5 million in 1966-67 to \$561.9 million in 1977 and are expected to grow to \$1 billion by 1981. Measure 11 provides no different limit than our present six percent limitation for the increase of local government tax base. Measure 11 would pay one-half of property taxes up to \$1,500 on the owner-occupied principal residence with some suggestion, but no guarantee, that this limit would be increased.

It is quite conceivable that \$1,500 in State refund would provide a smaller and smaller portion of the total tax bill as time progresses. Under the present six percent limitation a local government tax base can increase six percent per year or double every 12 years. Measure 6 restricts property taxes to 1½ percent of full cash value and any increase in assessed valuation to two percent annually. Measure 11 has no restrictions to taxation or assessment increases. Measure 6 returns assessments to the 1975-76 level, while Measure 11 determines assessments as of January 1, 1979.

Property taxes are supporting services which do not directly relate to property. What relation is there between the ownership of property and the ability or responsibility to pay for schools or port districts? Meaningful property taxation should have direct relation to the property served. The present system is considered unconscionable by this Minority and the legislature should make every effort to assign more equitable user obligations.

Your Committee has unanimously agreed that there are many unknowns regarding the impact there will be upon certain governmental units. Those experts interviewed have admitted the lack of factual data for prognostications. This Minority believes the arguments stated against Measure 6 in the numbers 1, 2, 3, 4, 5 and 12 are unfounded and pure speculation in the mind of the opponent. Opposition argument #6 assumes that all savings from property taxes would be classed as income and not invested into other forms of the state's economy. The Minority believes that residential construction would be assisted by reduction of the property tax burden.

Opponents argue that Measure 6 unfairly benefits commercial and industrial property. In a competitive market costs of operation are added to the producer's bill and passed along to the consumer. When commercial or industrial property taxes are raised, the increase will go into the cost of the product. If the taxes on rentable property go up, the landlord will pass this cost along to the tenants.

There has been much said about the wrath of the taxpayers being directed mainly to the federal government. This Minority concurs that the greatest frustration is with the federal government, but all levels of government need to put their houses in order. Local and state governments are the most accessible, but if proper momentum can be maintained in the taxpayer's message our national Congress will soon begin listening.

Measure 6 will work and work well in Oregon if the people and the legislature want it to work.

MINORITY RECOMMENDATION

This Minority urges a "YES" on Measure 6 and a "NO" on Measure 11.

Alex Pierce

For the Minority

XVI. MINORITY DISCUSSION (YES on 6; YES on 11)

This Minority of the Committee feels that no one knows the full consequences of either Measure as written and proposed to the people. The political discussion of Measure 6 versus Measure 11 is dominated by estimated impacts without sufficient attention being given to the broader context of the issue. There is a growing national attitude to reduce the size, expense and influence of government at all levels.

Measure 11 fails to deal adequately with this attitude. It would merely transfer the rising cost of government from one pocket to another, and impose no credible limit on government spending. It was created in a highly charged political atmosphere to stem the apparent tide in favor of Measure 6. But new state spending limits, new local government budgetary discipline, new educational system spending priorities and more meaningful property tax relief deserve more than two weeks of our lawmakers' time.

Both Measures attempt to address very volatile issues:

- Inflation
- Taxes are taking an ever greater share of our income
- Many people feel the threat of being unable to afford a home or being forced out of their home
- The cost of government services is soaring.

Some of our government programs were conceived in the era of ever increasing economic growth, when we had the ability to pay. Though real income for all Americans more than doubled over the past 25 years, the question of whether real income will again double over the *next* 25 years is uncertain in today's inflationary economy.

The public cannot afford the size, much less the growth rate of government today or for the foreseeable future.

Measure 6 is a grass-roots demand that government recognize the need for fiscal reform—but it is impulsive and flawed and if allowed to become law would cause too sudden and severe an impact on schools and local governments. In all probability there will be an adequate state surplus combined with General Fund belt-tightening to enable the legislature to soften the Measure's initial blow. But this surplus will not buy enough deliberative time to ease, in the most thoughtful way, the government's transition from an era of unbridled growth to a new era of frugality and carefully planned growth.

On the other hand, Measure 11 is terribly expensive in its own right. Like Measure 6, Measure 11 has the aspect of bad tax policy—contending parties say each of the Measures benefits some people more than others, people who are not necessarily more in need. Measure 6 will cut taxes. Measure 11 further shifts the property tax burden to the income tax, and contains no credible limit on spending.

Yet because it represents a less radical change to the system, Measure 11 provides a better foundation for a new constitutional amendment which we urge the legislature to refer to the people in the event either of today's Measures is enacted.

To vote "NO" on both Measures says that we don't care about these issues. To vote "YES" on both Measures assures no clear mandate from the people on behalf of either Measure as opposed to the other, says that these issues are very important indeed, and says that both Measures contain features that are preferable to the status quo.

By voting for *both* Measures we *guarantee* that new fiscal reform will be phased in within the framework of Oregon law, and endorse the concept of tax limitation as the most effective curb on government growth. At the same time, we are saying that there are far too many unknowns to settle these issues at the polls this November.

The ballot box, being the most effective voice we have, should be used effectively. Vote for both the peoples' Measure and the legislature's Measure and put the issue back

in the deliberative process where it belongs—with enough *incentive* for our lawmakers to create a new referendum acceptable to the widest possible public.

MINORITY RECOMMENDATION

Vote “YES” on both Measures 6 and 11.

Tim Fulbright
For the Minority

XVII. MINORITY DISCUSSION (NO on 6; NO on 11)

A Minority of your Committee felt that the question and the initiation of a constitutional amendment is of such great importance that such amendments should be worded and written to a level approaching ideal. It was agreed that the need for tax relief is important. It was agreed that the citizens of this state deserve a better response from their legislators than has been apparent. It was agreed that the citizens of Oregon are asking for an improvement in the taxing system.

However, as great as are the needs, Measure 6 was felt to be directed inappropriately toward tax rates, with insufficient direction toward the whole nature of taxation in Oregon. These problems are such that there would be insufficient benefit to Oregon taxpayers under Measure 6. Additionally, there are the questions of legal nature, and there is the long term effect of an inequality of tax load because of different rates of turnover of property.

Measure 11 tries to address relief by tax abatement, aims at homeowners and renters, and speaks to the important question of limits on spending. This Minority believes the directions of Measure 11 are correct, but believes that the Measure is poorly written and will not achieve such worthy goals.

Improvements in the division of tax loads, and in the totality of tax burdens are necessary. These improvements should address property taxes in general, assessments and tax rates, and should also develop real limits on spending at both state and local levels of government. Without workable limits on spending it is felt by this Minority that both measures should receive “NO” votes and that the legislature should take the time necessary to write and refer a more ideal constitutional amendment. If the legislators fail in this responsibility, the proponents of Measure 6 should take on the task, having learned by the noble effort of Measure 6, and should write an initiative which would be directed to Oregon law and Oregon needs, addressing assessments, tax rates and limits on spending.

MINORITY RECOMMENDATION

This Minority of your Committee recommends a “NO” vote on Measure 6 and a “NO” vote on Measure 11.

Richard S. Pope
For the Minority

Approved by the Research Board September 29, 1978 for transmittal to the Board of Governors. Received by the Board of Governors October 2, 1978 and ordered printed for distribution, discussion and vote on October 20, 1978.

APPENDIX A

PERSONS INTERVIEWED

Harvey Akeson, Oregon Tax Limitation Committee
 George Annala, Secretary-Manager, Oregon Tax Research
 Earl Blumenauer, State Representative
 Thomas G. Clifford, Legislative Counsel Committee
 George Collins, Budget Officer, Portland School District No. 1
 Tom Dennehy, Multnomah County Homeowners Association
 Gil Gutjahr, Administrative Officer, Multnomah County Tax Supervising and Conservation Commission
 Wendell Halseth, Oregon Tax Limitation Committee
 Philip D. Lang, Speaker of the Oregon House of Representatives
 Roger Martin, Oregon Tax Relief Committee
 George Miller, Special Projects Officer, Oregon Department of Revenue
 Richard Munn, Legislative Revenue Office
 Ray Phillips, President, Oregon Homeowners Association

Four members of the Committee attended the special informational seminar sponsored by the Speaker of the House and the President of the Senate on August 19, 1978 at the State Capitol in Salem.

One committee member was assigned to observe the proceedings of the 1978 Special Session of the Oregon Legislature.

APPENDIX B

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_____. Revenue Analysis of Ballot Measure No. 6. Research Report #11-78. August 18, 1978.

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APPENDIX C

TEXT OF STATE MEASURE NO. 6

PROPOSED AMENDMENT

Be it enacted by the people of Oregon:

Section 1.

(a) The maximum amount of any ad valorem tax on real property shall not exceed One and one-half percent (1½ %) of the full cash value of such property. The one and one-half percent (1½ %) tax to be collected by the counties and apportioned according to law to the districts within the counties.

(b) The limitation provided for in subdivision (a) shall not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by the voters prior to the time this section becomes effective.

Section 2.

(a) The full cash value means the County Assessors valuation of real property as shown on the 1975-76 tax bill under "full cash value" or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. All real property not already assessed up to the 1975-76 tax levels may be reassessed to reflect that valuation.

(b) The Fair market value base may reflect from year to year the inflationary rate not to exceed two percent (2%) for any given year or reduction as shown in the consumer price index or comparable data for the area under taxing jurisdiction.

Section 3.

From and after the effective date of this article, any changes in State taxes enacted for the purpose of increasing revenues collected pursuant thereto whether by increased rates or changes in methods of computation must be imposed by an Act passed by not less than two-thirds of all members elected to each of the two houses of the Legislature, except that no new ad valorem taxes on real property, or sales or transaction taxes on the sales of real property may be imposed.

Section 4.

Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district, except ad valorem taxes on real property or a transaction tax or sales tax on the sale of real property within such City, County or special district.

Section 5.

This article shall take effect for the tax year beginning on July 1 following the passage of this Amendment, except Section 3 which shall become effective upon the passage of this article.

Section 6.

If any section, part, clause, or phrase hereof is for any reason held to be invalid or unconstitutional, the remaining sections shall not be affected but will remain in full force and effect.

APPENDIX D**TEXT OF STATE MEASURE NO. 11****(House Joint Resolution 84)****OREGON LEGISLATIVE ASSEMBLY—1978 Special Session**

Be It Resolved by the Legislative Assembly of the State of Oregon:

Paragraph 1. The Constitution of the State of Oregon is amended by creating a new Article to be known as Article IXa and to read:

ARTICLE IXa

SECTION 1. For each fiscal year beginning on and after July 1, 1979, the Legislative Assembly shall provide for the payment of one-half of the ad valorem property taxes imposed upon each owner-occupied principal residence from the personal income tax receipts of the state. However, the amount of taxes paid for each residence shall not exceed \$1,500 for 1979-1980. For each year thereafter, the Legislative Assembly may increase the maximum amount of taxes payable.

SECTION 2. The Legislative Assembly shall provide for refunds by the state from personal income tax receipts to renters of that portion of rent paid for property taxes on principal residences estimated to provide individual relief equivalent to that provided homeowners by section 1 of this Article.

SECTION 3. (1) Each biennium, growth of state governmental operating expenses for general governmental purposes shall be no greater than the rate of growth of personal income in Oregon in the two preceding calendar years. However, for the 1979-1981 biennium the base to which the rate of growth applies shall equal 95 percent of state governmental operating expenses in the 1977-1979 biennium. Payments under sections 1 and 2 of this Article, debt service and expenditures reimbursed by local governments shall not be considered operating expenses.

(2) After July 1, 1979, whenever the balance in revenues available for state governmental operating expenses at the end of a biennium exceeds the amounts appropriated for such expenses for that biennium by two percent or more, the total amount of the excess shall be distributed to personal income taxpayers proportionately to each taxpayer's personal income tax liability.

SECTION 4. (1) The enactment of any tax measure that increases state revenues from a tax category by more than five percent of the state revenues from that category in the preceding biennium shall require the affirmative vote of two-thirds of the members of each house of the Legislative Assembly.

(2) This section shall not apply to any measure referred to the people by the Legislative Assembly.

SECTION 5. (1) No school or other local government expenditures for governmental operating purposes derived from ad valorem property tax revenues shall increase in any year at an annual rate in excess of the rate of increase within the school or local government in population served adjusted by price changes but the limitation shall not be less than the tax base authorized under section 11, Article XI of this Constitution. Expenditures for capital construction, expenditures for the payment of bond principal and interest and expenditures for the payment of contractual obligations where the obligations were incurred and their payment out of ad valorem property tax revenues was approved by the voters prior to December 31, 1978, shall not be construed as governmental operating expenses.

(2) The limitation imposed by this section may be exceeded by the school or local government voters. No portion of any additional property tax levied as a result of such vote shall be paid by the Legislative Assembly under sections 1 and 2 of this Article. The amount of any additional expenditures over the limitation authorized by the voters shall be excluded in determining the amount of permitted expenditures in the subsequent year. If an election is required to exceed the tax base in order to reach the expenditure limitation, the ballot used at the election to exceed the base shall bear substantially the following statement: "If this measure is approved, 50 percent of the taxes on each owner-occupied residence up to \$1,500 will be paid by the state and comparable tax relief will be given to renters." The ballot used at the election to exceed the expenditure limitation described in this section shall bear the statement: "If this measure is approved, \$ of the taxes levied will be financed completely by local property taxpayers without any state payment under Article IXa of this Constitution."

(3) No portion of either the taxes levied serially for capital construction approved by the voters after December 31, 1978, or the taxes levied for the payment of bond principal and interest on bonds approved by the voters after December 31, 1978, shall be paid by the Legislative Assembly under sections 1 and 2 of this Article.

(4) No local government shall declare an emergency in any measure regulating taxation or exemption.

SECTION 6. (1) The assessed value of property in Oregon shall be that assessed value determined as of January 1, 1979. New property, newly constructed property or additions to existing property shall be assessed at values as if the property were first placed on the assessment and tax roll as of January 1, 1979. The 1979 Legislative Assembly shall review, study and revise as necessary the statutes and practices affecting the apportionment of ad valorem taxes among the taxable properties.

(2) This section shall expire and stand repealed on December 31, 1980.

SECTION 7. The Legislative Assembly shall enact legislation to carry out the provisions of this Article.

SECTION 8. If this ballot measure and Ballot Measure No. 6 are both approved, the ballot measure receiving the greater number of affirmative votes shall become part of this Constitution and the other ballot measure is repealed. This section shall expire and stand repealed on January 1, 1979.

Paragraph 2. The amendment proposed by this resolution shall be submitted to the people for their approval or rejection at the next regular general election held throughout this state.

APPENDIX E

Revenue loss under Measure 6 for all taxing units by county if Measure 6 were in effect today:*

County	Assumed TCV for 1977-78 (in 000s)	'77-78 Levy Limit @ \$15 per \$M	Actual 1977-78 Levy For "Operations"	Less: Est'd "Operating" Levy—'77-78 —under 1½%	(Col. 3 less Col. 4) Estimated Revenue Loss	% - Tax Revenue Lost
	(1)	(2)	(3)	(4)	(5)	(6)
Baker	\$ 253,081	\$ 3,796,217	\$ 5,042,808	\$ 3,259,685	\$ 1,783,123	35.4%
Benton	766,894	11,503,410	16,981,110	9,609,182	7,371,928	43.4
Clackamas	3,230,827	48,462,405	79,039,168	40,029,947	39,009,221	49.4
Clatsop	623,186	9,347,790	11,834,970	7,677,652	4,157,318	35.1
Columbia	845,054	12,675,810	11,752,991	10,411,065	1,341,926	11.4
Coos	857,699	12,865,485	18,006,534	10,686,529	7,320,005	40.7
Crook	178,300	2,674,500	2,818,825	2,196,825	622,169	22.1
Curry	262,733	3,940,995	2,864,445	(3,236,871)	(374,426)	—
Deschutes	739,157	11,087,355	15,721,937	9,106,414	6,615,523	42.1
Douglas	1,688,614	25,329,310	27,812,637	21,158,423	6,654,214	23.9
Gilliam	116,998	1,754,970	1,632,323	1,539,694	92,629	5.7
Grant	98,640	1,479,600	1,538,353	1,215,448	322,659	21.0
Harney	118,310	1,774,650	2,778,794	1,465,861	1,312,933	47.2
Hood River	224,212	3,363,180	4,346,221	2,761,171	1,580,050	36.4
Jackson	1,527,212	22,908,180	30,058,167	19,029,061	11,329,106	37.7
Jefferson	239,343	3,590,145	5,627,542	2,948,706	2,678,836	47.6
Josephine	625,209	9,378,135	10,615,784	7,790,079	2,825,705	26.6
Klamath	908,166	13,622,490	13,031,411	11,750,035	1,461,376	11.2
Lake	147,240	2,208,600	2,468,927	1,844,917	624,010	25.3
Lane	3,599,608	53,994,120	84,715,998	45,355,061	39,360,937	46.5
Lincoln	642,142	9,632,130	10,452,425	7,911,189	2,541,236	24.3
Linn	1,403,545	21,053,175	27,324,896	17,586,419	9,738,477	35.7
Malheur	384,555	5,768,325	7,457,560	4,899,231	2,558,329	34.3
Marion	2,235,921	33,538,815	54,427,602	28,642,148	25,785,454	47.4
Morrow	247,353	3,710,295	3,189,197	3,082,018	107,179	3.3
Multnomah	8,330,960	124,964,400	221,287,403	106,719,598	114,567,805	51.8
Polk	519,461	7,791,915	13,493,669	6,472,484	7,021,185	52.0
Sherman	101,185	1,517,775	1,595,249	1,352,843	242,406	15.2
Tillamook	373,318	5,599,770	6,168,536	4,599,278	1,569,258	25.4
Umatilla	744,931	11,173,965	18,419,356	9,386,131	9,033,225	49.0
Union	295,553	4,433,295	6,697,491	3,703,279	2,994,212	44.7
Wallowa	169,235	2,538,525	2,461,117	2,179,747	281,370	11.4
Wasco	323,813	4,857,195	7,804,357	3,989,376	3,714,981	48.2
Washington	3,164,956	47,474,340	69,031,090	40,321,540	28,709,550	41.6
Wheeler	35,878	538,170	446,919	442,017	4,902	1.1
Yamhill	619,707	9,295,605	13,994,063	7,634,790	6,359,273	45.4
	\$36,639,996	\$549,599,940	\$812,939,875	\$461,994,545	\$350,947,658	43.2%

Column 1 shows the estimated TCV for each county according to formula. Column 2 shows the estimated levy limit if the 1½% limit were in effect in 1977-78. Column 3 shows actual levies by the counties in 1977-78 minus levies for bonds and interest. Column 4 is the estimated operating levy for 1977-78 after allowing for discounts and delinquencies. Column 5 is the estimated revenue lost in each county and Column 6 converts the loss to a percent.

*Oregon Tax Research, *Your Taxes*, July-August, 1978, page 5.