

**REVENUE:** Revenue statement issued

**FISCAL:** No fiscal impact

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**Action:** Do pass with amendments to the A-engrossed bill and be printed engrossed

**Vote:** 9-0-0

**Yeas:** Berger, Bruun, Butler, Gelser, Olson, Read, Rosenbaum, Witt, Barnhart

**Nays:**

**Exc.:**

**Prepared By:** Steve Meyer, Economist

**Meeting Dates:** 5/23, 6/8

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**WHAT THE BILL DOES:** Allows school districts to impose a tax on new construction measured by the square footage of improvements. Requires revenue to be used for capital improvements and defines capital improvements. Sets a tax rate limit of \$1 per square foot for residential use and \$0.50 for nonresidential use. Imposes additional \$25,000 limit on nonresidential use. Indexes rates beginning in 2009. Exempts construction of affordable housing, public buildings, agricultural buildings, hospitals, private schools, religious facilities and improvements on Oregon City brownfields. Requires school districts with construction tax revenue to develop long-term facility plans. Requires intergovernmental agreement with local governments collecting the tax and limits collection expense to 1% of tax revenue. Preempts local governments from using a construction tax until 2018, but grandfathers in local government construction taxes already in effect as of May 1, 2007 or in the process of being adopted. Allows taxes to be used for repayment of capital improvement debt. Takes effect on passage.

**ISSUES DISCUSSED:**

Allowing school districts another local option revenue source

Preempting local governments from using the tax

Addition of improvements to be exempted

Capital construction problem not solved by construction tax

Tax being part of a capital funding solution

**EFFECT OF COMMITTEE AMENDMENTS:**

Modifies grandfathering of existing construction taxes or those in process of adoption. Increases percent of median household income from 60% to 80% for affordable housing. Combines commercial and industrial tax rate into nonresidential use rate of \$0.50 per square foot. Expands tax exemptions to hospitals, private schools, religious facilities, agricultural buildings and improvements on Oregon City brownfields. Deletes language allowing school districts to specify additional exemptions. Expands the definition of capital improvements. Allows taxes to be used for repayment of capital improvement debt.

**BACKGROUND:**

School districts have traditionally had to rely on local voter approval of bonds for capital improvements and new construction. After the passage of Measure 50, the 1997 Legislature added a facility grant to the school equalization formula to help with the cost of new classroom equipment and furnishings that cannot be bonded. School districts do not have the authority to impose other taxes or fees for capital needs.

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*This summary has not been adopted or officially endorsed by action of the committee.*