

House Bill 2486

Introduced and printed pursuant to House Rule 12.00. Pre-session filed (at the request of Governor John A. Kitzhaber, M.D., for Department of Revenue)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Removes requirement that all urban renewal revenue be categorized as subject to the \$10 limitation per \$1,000 of real market value under Ballot Measure 5 (1990). Requires notice filed by urban renewal agency with county assessor to include ordinance or resolution of municipality governing body categorizing urban renewal revenue using Measure 5 categories.

Removes statutory provisions relating to categorization of property tax revenue under Measure 5 that were held unconstitutional by Oregon courts.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to categorization of revenue for purposes of Ballot Measure 5 (1990); creating new pro-
3 visions; amending ORS 310.150, 310.155, 457.440, 457.455 and 457.470; and prescribing an effective
4 date.

5 **Be It Enacted by the People of the State of Oregon:**

6 **SECTION 1.** ORS 310.150 is amended to read:

7 310.150. (1) The three categories within which ad valorem property tax items are to be cate-
8 gorized in the *[notice]* **notices** to be filed under ORS 310.060 **and 457.440** and for which category
9 rates of ad valorem property taxes are to be computed under ORS 310.090 and tentative consolidated
10 category rates are to be computed for each code area under ORS 310.147 are as follows:

11 (a) Taxes levied or imposed for the purpose of funding exempt bonded indebtedness.

12 (b) Taxes levied or imposed for the purpose of funding the public school system and that are not
13 described in paragraph (a) of this subsection.

14 (c) Taxes levied or imposed for the purpose of funding government operations other than public
15 school system operations and that are not described in paragraph (a) of this subsection.

16 (2) After computation of the tentative ad valorem property tax consolidated rate for each cate-
17 gory under ORS 310.147, and after calculation of the amount of ad valorem property taxes to be
18 imposed on properties in the county, but before extending any taxes on the assessment and tax roll,
19 the assessor shall determine whether the total amount of taxes on property to be imposed on each
20 property in the code area in each category is within the limits described in subsection (3) of this
21 section.

22 (3)(a) The assessor shall determine whether the ad valorem property taxes to be imposed on any
23 property exceed the limits described in this subsection in order to ensure, as guaranteed in section
24 11 (11) and 11b, Article XI of the Oregon Constitution, that taxes imposed in each geographic area
25 taxed by the same local taxing districts do not exceed \$5 (public school system) and \$10 (other
26 government) per \$1,000 of real market value.

27 (b) For the category of taxes imposed for the purpose of funding the public school system that
28 are not for the purpose of paying principal and interest on exempt bonded indebtedness, if the ten-

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 tentative consolidated ad valorem property tax rate determined under subsection (2) of this section
2 exceeds \$5 per \$1,000 of real market value, the consolidated rate shall be adjusted as provided in
3 this section so that the consolidated rate for the public school system category equals \$5 per \$1,000
4 of real market value.

5 (c) For the category of taxes imposed for the purpose of funding government operations other
6 than the public school system and that are not for the purpose of paying principal and interest on
7 exempt bonded indebtedness, if the tentative consolidated ad valorem property tax rate exceeds \$10
8 per \$1,000 of real market value, the consolidated rate shall be adjusted as provided in this section
9 so that the consolidated rate for the other government category equals \$10 per \$1,000 of real market
10 value.

11 (d) For the category of taxes imposed for the purpose of paying principal and interest on exempt
12 bonded indebtedness, the tentative consolidated rate determined under subsection (2) of this section
13 shall be the consolidated rate for the exempt bonded indebtedness category.

14 (4) If the taxes on property in either category to be imposed on any property in the code area
15 exceed the limit established for that category in subsection (3) of this section, the assessor shall
16 reduce the taxes by applying a reduction ratio.

17 (5)(a) If local option taxes described under ORS 280.040 to 280.145 have been adopted by one or
18 more taxing districts in the code area, the reduction ratio shall be calculated under this subsection
19 and applied only to the local option taxes imposed on the property for which the taxes are being
20 determined.

21 (b) Local option taxes subject to compression under this subsection include urban renewal divi-
22 sion of tax revenue that is derived from the division of local option tax authority.

23 (c) The numerator of the reduction ratio shall be the amount obtained (but not less than zero)
24 by subtracting the tentative consolidated category rate of ad valorem property taxes that are not
25 local option taxes from the maximum rate of ad valorem property taxes for the category described
26 in subsection (3) of this section.

27 (d) The denominator for the ratio shall be the total rate of all local option taxes for the cate-
28 gory.

29 (e) The assessor shall multiply the reduction ratio determined under this subsection by each
30 local option tax amount to which the property is subject in the category.

31 (f) So reduced, the assessor shall again determine if the total taxes for the category to be im-
32 posed on the property exceed the limits described in subsection (3) of this section. If the reduced
33 taxes for the category do not exceed the category limit, such taxes shall be the taxes used to com-
34 pute the consolidated rate for the code area in which the property is located. If the reduced taxes
35 for the category still exceed the category limit after all local option taxes have been eliminated, the
36 taxes in the category shall be subject to further reduction under subsection (6) of this section.

37 (6)(a) If the property is not subject to local option taxes or if all local option taxes have been
38 eliminated as a result of the application of the reduction ratio calculated under subsection (5) of this
39 section, and the tentative consolidated rate determined under ORS 310.147 for the category exceeds
40 the maximum rate of ad valorem property taxes for the category described in subsection (3) of this
41 section, the reduction ratio shall be determined under this subsection.

42 (b) The numerator of the reduction ratio shall be the maximum rate permitted for the category
43 described in subsection (3) of this section.

44 (c) The denominator of the reduction ratio shall be the tentative consolidated category rate
45 under ORS 310.147 (or the category rate applicable to the property after the reduction under sub-

1 section (5) of this section, if applicable).

2 (d) The assessor shall multiply the reduction ratio determined under this subsection by the
 3 amount of each taxing district item of ad valorem property tax that is a component of the tentative
 4 consolidated category rate for the code area in which the property is located.

5 *[(7) In determining whether the taxes described in subsection (1)(c) of this section exceed the limi-*
 6 *tation under subsection (3)(c) of this section, all moneys raised through the urban renewal special levy*
 7 *described in ORS 457.435 and all moneys raised through the urban renewal division of tax, including*
 8 *amounts derived from exempt bonded indebtedness authority and local option tax authority, must be*
 9 *categorized as subject to the limitation described in subsection (3)(c) of this section.]*

10 **SECTION 2.** ORS 457.440 is amended to read:

11 457.440. During the period specified under ORS 457.450:

12 (1) The county assessor shall determine the amount of funds to be raised each year for urban
 13 renewal within the county levied by taxing districts in accordance with Article IX, section 1c, of the
 14 Oregon Constitution, and ORS 457.420 to 457.460.

15 (2)(a) Not later than July 15 of each tax year, each urban renewal agency shall determine and
 16 file with the county assessor a notice stating the amount of funds to be raised for each urban re-
 17 newal area as follows:

18 [(a)] (A) If the municipality that activated the urban renewal agency has chosen Option One as
 19 provided in ORS 457.435 (2)(a), the notice shall state that the maximum amount of funds that may
 20 be raised by dividing the taxes under Article IX, section 1c, of the Oregon Constitution, shall be
 21 raised for the agency.

22 [(b)] (B) If the municipality that activated the urban renewal agency has chosen Option Two as
 23 provided in ORS 457.435 (2)(b), the notice shall state the amount of funds to be raised by the special
 24 levy.

25 [(c)] (C) If the municipality that activated the urban renewal agency has chosen Option Three
 26 as provided in ORS 457.435 (2)(c), the notice shall state the amount of funds to be raised by special
 27 levy in addition to the amount to be raised by dividing the taxes as stated in the ordinance adopted
 28 under ORS 457.435 (1).

29 [(d)] (D) For plans that are initially approved or substantially amended to increase maximum
 30 indebtedness on or after January 1, 2010, the notice must comply with ORS 457.470.

31 [(e)] (E) If the agency limits the amount that may be raised by the division of taxes, as provided
 32 in ORS 457.455 (1), the notice shall comply with ORS 457.455 (1).

33 [(f)] (F) If the plan is not described in [paragraph (a), (b), (c), (d) or (e) of this subsection] **sub-**
 34 **paragraph (A), (B), (C), (D) or (E) of this paragraph**, the notice shall state that the maximum
 35 amount of funds that may be raised by dividing the taxes under Article IX, section 1c, of the Oregon
 36 Constitution, shall be raised for the agency.

37 **(b) The notice must be accompanied by two copies of an ordinance or resolution of the**
 38 **governing body of the municipality that categorizes the amounts described in paragraph (a)**
 39 **of this subsection using the categories set forth in ORS 310.150 (1). If more than one category**
 40 **is specified for an urban renewal area, the ordinance or resolution must specify the per-**
 41 **centage that is applicable to each category.**

42 (3) If a municipality has chosen Option Three pursuant to ORS 457.435, the maximum amount
 43 of funds that may be raised for an urban renewal agency by dividing the taxes as provided in Article
 44 IX, section 1c, of the Oregon Constitution, may be limited by the municipality in which the urban
 45 renewal agency is located. The decision of the municipality to limit the amount of funds to be in-

1 cluded in the notice filed under subsection (2) of this section shall be reflected in the certified
 2 statement filed by the urban renewal agency with the county assessor.

3 (4) Not later than September 25 of each tax year, the assessor of any county in which a joint
 4 district is located shall provide, to the assessor of each other county in which the joint district is
 5 located, the assessed values of the property in the joint district that is located within the county,
 6 including the certified statement value and the increment for each code area containing any urban
 7 renewal area located within the joint district, and a copy of the notice filed by the urban renewal
 8 agency for the area located within the joint district under subsection (2) of this section.

9 (5) The maximum amount of funds that may be raised for an urban renewal plan by dividing the
 10 taxes as provided in Article IX, section 1c, of the Oregon Constitution, shall be computed by the
 11 county assessor as follows:

12 (a) The county assessor shall compute, in the manner required under ORS 457.445, the total
 13 consolidated billing tax rate for each code area in which an urban renewal area of the plan is lo-
 14 cated.

15 (b) The assessor shall determine the amount of taxes that would be produced by extending the
 16 tax rate computed under paragraph (a) of this subsection against the increment of each code area.

17 (c) The total amount determined for all code areas containing urban renewal areas included
 18 within the urban renewal plan is the maximum amount of funds to be raised for the urban renewal
 19 plan by dividing the taxes.

20 (6)(a) The county assessor shall certify to the tax collector the amount of funds to be raised for
 21 an urban renewal agency as determined under subsection (2) of this section. The tax collector shall
 22 include the amount so certified in the percentage schedule of the ratio of taxes on property prepared
 23 under ORS 311.390 and filed with the county treasurer. Notwithstanding ORS 311.395 (6), the county
 24 treasurer shall credit the amount to the urban renewal agency and shall distribute its percentage
 25 amount to the urban renewal agency as determined by the schedule at the times other distributions
 26 are made under ORS 311.395 (7).

27 (b) The county assessor shall notify the urban renewal agency of the amounts received under
 28 subsection (5) of this section or amounts received pursuant to the notice provided in subsection (2)
 29 of this section for each urban renewal plan area. Any amounts received by the urban renewal
 30 agency under paragraph (a) of this subsection shall be attributed to the urban renewal plan in which
 31 the urban renewal area is included, shall be paid into a special fund of the urban renewal agency
 32 for the urban renewal plan and shall be used to pay the principal and interest on any indebtedness
 33 issued or incurred by the urban renewal agency to finance or refinance the urban renewal plan.

34 (7) Unless and until the total assessed value of the taxable property in an urban renewal area
 35 exceeds the total assessed value specified in the certified statement, all of the ad valorem taxes
 36 levied and collected upon the taxable property in the urban renewal area shall be paid into the
 37 funds of the respective taxing districts.

38 (8) The agency may incur indebtedness, including obtaining loans and advances in carrying out
 39 the urban renewal plan, and the portion of taxes received under this section may be irrevocably
 40 pledged for the payment of principal of and interest on the indebtedness.

41 (9) The Department of Revenue shall by rule establish procedures for giving notice of amounts
 42 to be raised for urban renewal agencies and for determination of amounts to be raised and distrib-
 43 uted to urban renewal agencies.

44 (10) The notice required under this section shall serve as the notice required under ORS 310.060
 45 for the special levy described under ORS 457.435.

1 (11) Notwithstanding any other provision of this chapter, a city with a population of more than
 2 500,000 on January 1, 2010, may, in lieu of its urban renewal agency, take any actions that an urban
 3 renewal agency is authorized to take under this section and any other actions that are required to
 4 certify, collect, receive, hold and apply tax revenues raised for the urban renewal agency under
 5 Article IX, section 1c, of the Oregon Constitution, and taxes authorized for the urban renewal
 6 agency by Article XI, section 11 (16), of the Oregon Constitution.

7 **SECTION 3.** ORS 457.455 is amended to read:

8 457.455. (1) If the maximum amount of funds under ORS 457.440 is not required to pay the
 9 principal and interest on indebtedness incurred for an urban renewal plan, the urban renewal
 10 agency may take formal action to limit collections under a plan for a single fiscal year, and may
 11 notify the county assessor pursuant to ORS 457.440 [(2)(e)] **(2)(a)(E)** to compute the division of taxes
 12 for the urban renewal area using an assessed value that is equal to the amount specified by the
 13 agency. The assessor may not use an amount that is greater than the increment.

14 (2) If the maximum amount of funds under ORS 457.440 is not required to pay the principal and
 15 interest on indebtedness incurred for an urban renewal plan, the urban renewal agency may limit
 16 future collections under a plan by notifying the county assessor to permanently increase the amount
 17 of the total assessed value included in the certified statement filed under ORS 457.430. The assessed
 18 value included in the certified statement may not be subsequently decreased except in connection
 19 with boundary changes.

20 (3) Before taking formal action under this section, the urban renewal agency shall consult and
 21 confer with each taxing district affected by the urban renewal plan.

22 **SECTION 4.** ORS 457.470 is amended to read:

23 457.470. (1) As used in this section, unless the context requires otherwise:

24 (a) "Assumed increment" means the assessed value of the increment in the prior year, increased
 25 by the average percentage increase of the increment, if any, during the three prior years.

26 (b) "Large metropolitan plan" means a plan for an urban renewal area by a city with a popu-
 27 lation of more than 500,000 on January 1, 2010, that is either first approved on or after January 1,
 28 2010, or is substantially amended to increase maximum indebtedness on or after January 1, 2010.

29 (c) "Maximum division of taxes" means the maximum amount of funds that may be raised for
 30 an urban renewal plan by dividing the taxes as provided in section 1c, Article IX of the Oregon
 31 Constitution, as described in ORS 457.440 (5), without regard to notices to assessors under this
 32 section or ORS 457.455 (1) or adjustments made pursuant to ORS 457.435 (2)(c).

33 (d) "Transition amount" means the maximum division of taxes for a plan in the year in which
 34 the plan is first substantially amended to increase maximum indebtedness on or after January 1,
 35 2010.

36 (2)(a) Except as provided in paragraphs (b) and (c) of this subsection, an urban renewal agency
 37 may notify the assessor to collect the maximum division of taxes for a plan, other than a large
 38 metropolitan plan, that is first approved on or after January 1, 2010.

39 (b) Beginning with the later of the 11th year after the initial approval of the plan or the first
 40 year after the year in which the maximum division of taxes equals or exceeds 10 percent of the in-
 41 itial maximum indebtedness in the plan, the agency shall notify the assessor pursuant to ORS
 42 457.440 [(2)(d)] **(2)(a)(D)** to compute the division of taxes for the urban renewal area using an as-
 43 sessed value that is not greater than the sum of:

44 (A) The amount of assessed value the agency estimates will produce division of tax revenues
 45 equal to 10 percent of the initial maximum indebtedness in the plan; and

1 (B) 25 percent of the amount by which the assumed increment exceeds the assessed value of the
 2 increment the agency estimates will produce division of tax revenues equal to 10 percent of the in-
 3 tial maximum indebtedness in the plan.

4 (c) Beginning with the first year after the year in which the division of taxes equals or exceeds
 5 12.5 percent of the initial maximum indebtedness in the plan, the agency shall notify the assessor
 6 pursuant to ORS 457.440 [(2)(d)] **(2)(a)(D)** to compute the division of taxes for the urban renewal
 7 area using an amount of assessed value that the agency estimates will produce division of tax re-
 8 venues that does not exceed 12.5 percent of the initial maximum indebtedness in the plan.

9 (d) After computing the assessed value as required under paragraph (b) or (c) of this subsection,
 10 an urban renewal agency shall further modify the value if, for reasons other than use of the assumed
 11 increment, the value included in the prior year's notice to the assessor resulted in division of tax
 12 revenues different from the respective target amounts under paragraphs (b) and (c) of this sub-
 13 section. The modification under this paragraph may not exceed an amount that would result in the
 14 difference between the actual revenues and the target amounts.

15 (3)(a) Except as provided in paragraphs (b) and (c) of this subsection, an urban renewal agency
 16 may notify the assessor to collect the maximum division of taxes for a plan, other than a large
 17 metropolitan plan, that is substantially amended on or after January 1, 2010, to increase maximum
 18 indebtedness.

19 (b) Beginning with the later of the year after the year in which the plan is substantially
 20 amended or the 11th year after the plan was initially approved, when the maximum division of taxes
 21 exceeds 10 percent of the initial maximum indebtedness in the plan, the agency shall notify the
 22 assessor pursuant to ORS 457.440 [(2)(d)] **(2)(a)(D)** to compute the division of taxes for the urban
 23 renewal area using an assessed value that is not greater than the sum of:

24 (A) The amount of assessed value the agency estimates will produce division of tax revenues
 25 equal to the greater of:

- 26 (i) 10 percent of the initial maximum indebtedness in the plan; or
- 27 (ii) The transition amount; and

28 (B) 25 percent of the amount by which the assumed increment exceeds the assessed value of the
 29 increment the agency estimates will produce division of tax revenues equal to the greater of:

- 30 (i) 10 percent of the initial maximum indebtedness in the plan; or
- 31 (ii) The transition amount.

32 (c) Beginning with the first year after the year in which the division of taxes equals or exceeds
 33 the greater of 12.5 percent of the initial maximum indebtedness in the plan or the transition amount,
 34 the agency shall notify the assessor pursuant to ORS 457.440 [(2)(d)] **(2)(a)(D)** to compute the divi-
 35 sion of taxes for the urban renewal area using an amount of assessed value that the agency esti-
 36 mates will produce division of tax revenues that does not exceed the greater of 12.5 percent of the
 37 initial maximum indebtedness in the plan or the transition amount.

38 (d) After computing the assessed value as required under paragraph (b) or (c) of this subsection,
 39 an agency shall further modify the value if, for reasons other than use of the assumed increment,
 40 the value included in the prior year's notice to the assessor resulted in division of tax revenues
 41 different from the respective target amounts under paragraphs (b) and (c) of this subsection. The
 42 modification under this paragraph may not exceed an amount that would result in the difference
 43 between the actual revenues and the target amounts.

44 (4)(a) Except as provided in paragraphs (b) to (d) of this subsection, an urban renewal agency
 45 may notify the assessor to impose the maximum division of taxes for a large metropolitan plan that

1 is initially approved on or after January 1, 2010.

2 (b) In the first year after the year in which the maximum division of taxes equals or exceeds
3 three percent of the initial maximum indebtedness in the plan, the agency shall notify the assessor
4 pursuant to ORS 457.440 [(2)(d)] **(2)(a)(D)** to compute the division of taxes for the urban renewal
5 area using an assessed value that is not greater than the sum of:

6 (A) The amount of assessed value the agency estimates will produce division of tax revenues
7 equal to three percent of the initial maximum indebtedness in the plan; and

8 (B) 75 percent of the amount by which the assumed increment exceeds the assessed value of the
9 increment the agency estimates will produce division of tax revenues equal to three percent of the
10 initial maximum indebtedness in the plan.

11 (c) Except as provided in paragraph (d) of this subsection, beginning with the year after the year
12 described in paragraph (b) of this subsection, the agency shall notify the assessor pursuant to ORS
13 457.440 [(2)(d)] **(2)(a)(D)** to compute the division of taxes for the urban renewal area using an as-
14 sessed value that is not greater than the sum of:

15 (A) The amount of assessed value the agency estimates will produce division of tax revenues
16 equal to the greatest amount of division of tax revenues the agency was permitted to use in any
17 prior year to compute assessed value under this paragraph or paragraph (b) of this subsection; and

18 (B) 75 percent of the amount by which the assumed increment exceeds the assessed value of the
19 increment the agency estimates will produce division of tax revenues equal to the greatest amount
20 of division of tax revenues the agency was permitted to use in any prior year under this paragraph
21 or paragraph (b) of this subsection.

22 (d) Beginning with the first year after the year described in paragraph (c) of this subsection in
23 which the division of tax revenues equals or exceeds 10 percent of the initial maximum indebtedness
24 in the plan, the agency shall notify the assessor pursuant to ORS 457.440 [(2)(d)] **(2)(a)(D)** to com-
25 pute the division of taxes for the urban renewal area using an amount of assessed value the agency
26 estimates will produce division of tax revenues that does not exceed 10 percent of the initial maxi-
27 mum indebtedness in the plan.

28 (e) After computing the assessed value as required under paragraph (b), (c) or (d) of this sub-
29 section, an agency shall further modify the value if, for reasons other than use of the assumed in-
30 crement, the value included in the prior year's notice to the assessor resulted in division of tax
31 revenues different from the respective target amounts under paragraphs (b) to (d) of this subsection.
32 The modification under this paragraph may not exceed an amount that would result in the difference
33 between the actual revenues and the target amounts.

34 (5)(a) As used in this subsection, "substantial amendment" refers to the first substantial
35 amendment to increase maximum indebtedness for the urban renewal plan after January 1, 2010.

36 (b) This subsection applies to an urban renewal plan that becomes a large metropolitan plan
37 because it is substantially amended to increase its maximum indebtedness on or after January 1,
38 2010. This subsection applies beginning in the first year after the year in which the urban renewal
39 plan is first amended to increase its maximum indebtedness on or after January 1, 2010. Except as
40 provided in paragraphs (c) to (e) of this subsection, an urban renewal agency may notify the assessor
41 to impose the maximum division of taxes.

42 (c) In the first year following a year that the maximum division of taxes exceeds three percent
43 of the maximum indebtedness in effect for the plan immediately before the substantial amendment,
44 the agency shall notify the assessor pursuant to ORS 457.440 [(2)(d)] **(2)(a)(D)** to compute the divi-
45 sion of taxes for the urban renewal area using an assessed value that is not greater than the sum

1 of:

2 (A) The amount of assessed value the agency estimates will produce division of tax revenues
3 equal to the greater of:

4 (i) The transition amount; or

5 (ii) Three percent of the maximum indebtedness in the plan immediately before the substantial
6 amendment; and

7 (B) 75 percent of the amount by which the assumed increment exceeds the assessed value of the
8 increment the agency estimates will produce division of tax revenues equal to the greater of:

9 (i) The transition amount; or

10 (ii) Three percent of the maximum indebtedness in the plan immediately before the substantial
11 amendment.

12 (d) Except as provided in paragraph (e) of this subsection, beginning with the year after the year
13 described in paragraph (c) of this subsection, the agency shall notify the assessor pursuant to ORS
14 457.440 [(2)(d)] **(2)(a)(D)** to compute the division of taxes for the urban renewal area using an as-
15 sessed value that is not greater than the sum of:

16 (A) The amount of assessed value the agency estimates will produce division of tax revenues
17 equal to the greatest amount of division of tax revenues the agency was permitted to use in any
18 prior year to compute assessed value under this paragraph or paragraph (c) of this subsection; and

19 (B) 75 percent of the amount by which the assumed increment exceeds the assessed value of the
20 increment the agency estimates will produce division of tax revenues equal to the greatest amount
21 of division of tax revenues the agency was permitted to use in any prior year under this paragraph
22 or paragraph (c) of this subsection.

23 (e) Beginning with the first year after the year in which the division of tax revenues equals or
24 exceeds the greater of the transition amount or 10 percent of the maximum indebtedness in effect
25 for the plan immediately before the substantial amendment, the agency shall notify the assessor
26 pursuant to ORS 457.440 [(2)(d)] **(2)(a)(D)** to compute the division of taxes for the urban renewal
27 area using an amount of assessed value that is not greater than an amount the agency estimates
28 will produce division of tax revenues equal to the greater of the transition amount or 10 percent
29 of the maximum indebtedness in effect for the plan immediately before the substantial amendment.

30 (f) After computing the assessed value as required under paragraph (c), (d) or (e) of this sub-
31 section, an agency shall further modify the value if, for reasons other than use of the assumed in-
32 crement, the value included in the prior year's notice to the assessor resulted in division of tax
33 revenues different from the respective target amounts under paragraphs (c) to (e) of this subsection.
34 The modification under this paragraph may not exceed an amount that would result in the difference
35 between the actual revenues and the target amounts.

36 (6)(a) The initial maximum indebtedness for a large metropolitan plan that is initially approved
37 after January 1, 2010, shall be established as provided in ORS 457.190 (4)(a) to (c).

38 (b) Beginning in 2010, the dollar amounts in this subsection may be increased on July 1 of any
39 year by the percent change in average construction costs since July 1, 2009, according to the En-
40 gineering News-Record Northwest (Seattle, Washington) Construction Cost Index. The adjusted dol-
41 lar amounts may be used only when a large metropolitan plan is initially approved.

42 (c) The maximum indebtedness may not be increased by more than 20 percent of the initial
43 maximum indebtedness of the plan.

44 (d) The maximum indebtedness for a plan that becomes a large metropolitan plan because it is
45 substantially amended on or after January 1, 2010, to increase its maximum indebtedness may not

1 be increased above 20 percent of the maximum indebtedness in effect for the plan immediately before
 2 the first substantial amendment to increase maximum indebtedness that was made on or after Jan-
 3 uary 1, 2010.

4 (7) Limitations imposed under this section and ORS 457.190 (4), 457.220 (4) and 457.455 do not
 5 apply to the extent the municipality approving a plan obtains the written concurrence of taxing
 6 districts imposing at least 75 percent of the amount of taxes imposed under permanent rate limits
 7 in the urban renewal area. For plans that are initially approved or substantially amended on or after
 8 January 1, 2010, compliance with this section is determined based on the amount of taxes imposed
 9 under permanent rate limits in the fiscal year prior to the fiscal year in which the plan is approved
 10 or amended, as applicable.

11 (8) For purposes of this section, a plan is treated as approved or amended on the day on which
 12 the municipality took final action to enact the nonemergency ordinance approving or amending the
 13 plan.

14 (9) The amounts shown in the certified statement filed under ORS 457.430 are not affected by
 15 subsections (2) to (5) of this section. If the increment for an area is less than the assessed value that
 16 the assessor is directed to use under subsections (2) to (5) of this section, the division of taxes shall
 17 be computed based on the increment and the assessor shall impose the maximum division of taxes
 18 for the plan.

19 (10)(a) Notwithstanding subsection (1) of this section, as used in this subsection, “transition
 20 amount” means the maximum division of taxes for the plan in the fiscal year that the first amend-
 21 ment made after June 1, 2008, to increase maximum indebtedness takes effect.

22 (b) Notwithstanding any provisions in this section to the contrary, an urban renewal plan that
 23 was first approved in 1998 and had an initial maximum indebtedness of \$224,780,350 may be sub-
 24 stantially amended after June 1, 2008, to increase maximum indebtedness by not more than
 25 \$343,719,650.

26 (c) Except as provided in paragraph (d) of this subsection, an urban renewal agency may notify
 27 the assessor to collect the maximum division of taxes for an urban renewal plan described in para-
 28 graph (b) of this subsection that is substantially amended to increase its maximum indebtedness after
 29 June 1, 2008.

30 (d) Beginning with the first fiscal year after the fiscal year in which the first amendment made
 31 after June 1, 2008, to increase maximum indebtedness in the plan described in paragraph (b) of this
 32 subsection takes effect that the maximum division of taxes exceeds three percent of the maximum
 33 indebtedness in effect for the plan immediately after the first amendment made after June 1, 2008,
 34 to increase maximum indebtedness takes effect, the agency shall notify the assessor pursuant to ORS
 35 457.440 [(2)(d)] **(2)(a)(D)** to compute the division of taxes for the urban renewal area using an as-
 36 sessed value that is the sum of:

37 (A) The amount of assessed value the agency estimates will produce division of tax revenues
 38 equal to the greater of:

39 (i) The transition amount; or

40 (ii) Three percent of the maximum indebtedness in effect for the plan immediately after the first
 41 amendment made after June 1, 2008, to increase maximum indebtedness takes effect; and

42 (B) 75 percent of the amount by which the assumed increment exceeds the assessed value of the
 43 increment the agency estimates will produce division of tax revenues equal to the greater of:

44 (i) The transition amount; or

45 (ii) Three percent of the maximum indebtedness in effect for the plan immediately after the first

1 amendment made after June 1, 2008, to increase maximum indebtedness takes effect.

2 (e)(A) To the extent permitted by law, a plan amendment described in this subsection shall
 3 provide direct economic benefits to the county in which the plan’s urban renewal area is located in
 4 the following amounts:

5 (i) If the plan is substantially amended to increase maximum indebtedness by \$343,719,650 or
 6 more, at least \$35,000,000.

7 (ii) If the plan is amended to increase maximum indebtedness by less than \$343,719,650, no less
 8 than 10.18 percent of any increase in maximum indebtedness.

9 (B) Benefits required under subparagraph (A) of this paragraph shall be paid as follows:

10 (i) \$10,000,000 no later than June 30, 2014; and

11 (ii) The balance no later than June 30, 2021.

12 (11)(a) The Director of the Department of Revenue shall adopt rules necessary to apportion as-
 13 sessed value among tax code areas in an urban renewal area for which the urban renewal agency
 14 has notified the assessor pursuant to this section or ORS 457.440 [(2)(d)] (2)(a)(D) or 457.455 to
 15 compute the division of taxes.

16 (b) The director may adopt any rule necessary or convenient for the imposition and collection
 17 of taxes under this section or ORS 457.455.

18 (12) The taxing districts affected by the urban renewal plan and the urban renewal agency are
 19 not liable for any amount by which amounts intended to be collected pursuant to this section differ
 20 from the targeted amounts in subsections (2) to (5) of this section. The sole remedy for any differ-
 21 ence is the agency’s modification of assessed value in subsequent years’ notices as provided in sub-
 22 sections (2)(d), (3)(d), (4)(e) and (5)(f) of this section.

23 **SECTION 5. ORS 457.445, 457.455 and 457.470 are added to and made a part of ORS 457.420**
 24 **to 457.460.**

25 **SECTION 6.** ORS 310.155 is amended to read:

26 310.155. (1) For purposes of ORS 310.150, taxes are levied or imposed to fund the public school
 27 system if the taxes will be used exclusively for educational services, including support services,
 28 provided by any unit of government, at any level from prekindergarten through post-graduate
 29 training.

30 [(2) Taxes on property levied or imposed by a unit of government whose principal function is to
 31 provide educational services shall be considered to be dedicated to fund the public school system unless
 32 the sole purpose of a particular, voter approved levy is for other than educational services or support
 33 services as defined in this section.]

34 [(3) Taxes on property levied or imposed by a unit of government whose principal function is to
 35 perform government operations other than educational services shall be considered to be dedicated to
 36 fund the public school system only if the sole purpose of a particular, voter approved levy is for edu-
 37 cational services or support services as defined in this section.]

38 [(4)] (2) As used in this section[,]:

39 (a)(A) “Educational services” [includes] means:

40 [(a)] (i) Establishment and maintenance of preschools, kindergartens, elementary schools, high
 41 schools, community colleges and the public universities listed in ORS 352.002.

42 [(b)] (ii) Establishment and maintenance of career schools, adult education programs, evening
 43 school programs and schools or facilities for persons with physical, mental or emotional disabilities.

44 (B) “Educational services” does not mean community recreation programs, civic activ-
 45 ities, public libraries, programs for custody or care of children or community welfare activ-

1 **ities if those programs or activities are provided to the general public and not for the benefit**
2 **of students or other participants in the programs and activities described in subparagraph**
3 **(A) of this paragraph.**

4 [(5)] (b) [As used in this section,] “Support services” [includes] means clerical, administrative,
5 professional and managerial services, property maintenance, transportation, counseling, training and
6 other services customarily performed in connection with the delivery of educational services.

7 [(6) “Educational services” does not include community recreation programs, civic activities, public
8 libraries, programs for custody or care of children or community welfare activities if those programs
9 or activities are provided to the general public and not for the benefit of students or other participants
10 in the programs and activities described in subsection (4) of this section.]

11 **SECTION 7. The amendments to ORS 310.150, 457.440, 457.455 and 457.470 by sections 1**
12 **to 4 of this 2015 Act apply to property tax years beginning on or after July 1, 2016.**

13 **SECTION 8. This 2015 Act takes effect on the 91st day after the date on which the 2015**
14 **regular session of the Seventy-eighth Legislative Assembly adjourns sine die.**

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