

WORK SESSION: SB 123, SJR 1

PUBLIC HEARING: HB 2082

TAPES 120, 121 A/B

HOUSE REVENUE COMMITTEE

APRIL 6, 1999 ñ 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Rep. Ken Strobeck, Chair

Rep. Anitra Rasmussen, Vice Chair

Rep. Deborah Kafoury

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Lane Shetterly

Rep. Max Williams

Members Absent: Rep. Jim Welsh

Rep. Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Betsy Earls, Associated Oregon Industries

Rep. Mike Lehman, District 47

Gary Conkling, Associated General Contractors

TAPE 120, SIDE A

008 Chair Strobeck

Called meeting to order at 8:45 a.m. Opened work session on SB 123 and SJR 1.

WORK SESSION ñ SB 123, SJR 1

- 016 Lizbeth Martin-Mahar Reviewed annexation issue contained in SB 123 ñA7 amendments. Movement of excess taxes will be moved from Bend to Bend 2 RFPD. See SB 123 ñ Annexation Issue for the City of Bend and Bend 2 RFPD (**EXHIBIT 1**). Also see SB 123-7 amendments (See April 2 minutes, exhibit 1).
- 066 Chair Strobeck Summarized, the \$359,000 will be refunded to all City of Bend residents. Through what process?
- 069 Martin-Mahar City will certify a lower rate ñ collect less.
- 074 Martin-Mahar Reviewed SB 123-A9 amendments (See April 2 minutes, exhibit 3).
- 084 Chair Strobeck Reviewed, SB 123 allows Linn and Deschutes counties to fix mistakes that were the result of Measure 50. Both had expiring levies that were on the ballot the same time Measure 50 was on the ballot. Voters approved these levies. Since Measure 50 passed, those levies were rolled into permanent rate, so these counties had two levies for the same thing. Bill is drafted narrowly, but because it is the constitution, it requires SJR 1 as a constitutional amendment. ñ7 amendments include Deschutes County Fire District; - 9 amendments say these counties won't pay interest.
- 099 Rep. Williams Testimony from Sheriff Burright on April 2 was compelling. Linn County sheriff had told his constituents there would be no double taxation, and there was. His constituents were angry, sheriff's department lost confidence of its constituents.
- 117 Rep. Merkley Understood old levy had expired and wasn't in the base.
- 125 Martin-Mahar Clarified, there were two things going on ñ expiring levy portion got rolled up as a replacement portion that got allocated to taxing districts in Linn County. Also, there was an increased portion in levy. Entire amount was included as a new levy as a local option.
- 149 Vice Chair Rasmussen **MOVED ñA7 AMENDMENTS TO SB 123 BE ADOPTED.**
- 150 Chair Strobeck **ASKED FOR OBJECTIONS TO MOVING ñA7 AMENDMENTS INTO SB 123. HEARING NO OBJECTION, THE CHAIR SO ORDERED.**
- 151 Vice Chair Rasmussen **MOVED ñA9 AMENDMENTS TO SB 123 BE ADOPTED.**

156	Chair Strobeck	ASKED FOR OBJECTIONS TO MOVING A9 AMENDMENTS INTO SB 123. HEARING NO OBJECTION, THE CHAIR SO ORDERED.
158	Vice Chair Rasmussen	MOTION: MOVED SB 123, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.
164	VOTE	ROLL CALL VOTE: MOTION PASSES 8-0-1 REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, ROSENBAUM, SHETTERLY, WELSH, WILLIAMS, VICE CHAIR RASMUSSEN, CHAIR STROBECK REPRESENTATIVES EXCUSED: WITT CHAIR STROBECK WILL CARRY THE BILL.
181	Martin-Mahar	Reviewed SJR 1 and A6 amendments. SJR 1 moves authority of local option in Linn and Deschutes county taxing districts into permanent rate less 10 %. SJR-1 affects three taxing districts: Linn County, Deschutes County Sheriff, and City of Sweet Home. See Revenue Impact of Proposed Legislation (EXHIBIT 2), and Proposed Amendments to A-Engrossed Senate Joint Resolution 1 (EXHIBIT 3).
213	Martin-Mahar	Reviewed Section 11 (k): Constitutional amendments will take place in tax year 2000-01 by ballot election. Discussion and questions concerning whether the voters will understand this correction, etc.
287	Vice Chair Rasmussen	MOVED A6 AMENDMENTS TO SJR 1 BE ADOPTED.
290	Chair Strobeck	ASKED FOR OBJECTIONS TO MOVING A6 AMENDMENTS INTO SJR 1. HEARING NO OBJECTION, THE CHAIR SO ORDERED.
291	Vice Chair Rasmussen	MOTION: MOVED SJR 1, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.
	VOTE	ROLL CALL VOTE: MOTION PASSES 8-0-1 REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, ROSENBAUM, SHETTERLY, WELSH, WILLIAMS, VICE CHAIR RASMUSSEN, CHAIR STROBECK

REPRESENTATIVES EXCUSED: WITT

CHAIR STROBECK WILL CARRY THE BILL.

307 Chair Strobeck Closed work session on SB 123 and SJR 1. Opened public hearing on HB 2082, gas tax proposal.

PUBLIC HEARING n HB 2082

310 Betsy Earls Spoke in support of the measure. Associated Oregon Industries (AOI) is the chief sponsor of HB 2082. Gave background on bill. After this bill failed in the 1997 legislative session, the AOI board discussed what to do next, decided to sponsor its own gas tax bill. Commissioned poll on public attitudes on transportation across Oregon. Poll showed that transportation is at top of list in importance, but in different ways: Growth and congestion; traffic safety; and road conditions.

354 Earls Poll found various opinions about tax increases for automobile drivers. Found there is no difference in public opinion between a 4-cent gas tax increase and a 6-cent gas tax increase. Found no interest in indexing a gas tax to the cost of living. Also found very little interest in increasing vehicle registration fee.

Much of support in gas tax increase was heavily conditioned on people knowing there would be new accountability standards for Oregon Dept. of Transportation (ODOT) this session.

Original AOI bill was for a 6-cent increase. Bill had changes in weight mile tax system, and \$10 registration fee increase for automobiles. Now it has been modified to a 4-cent increase.

423 Earls AOI is supporting 4-cent increase. Transportation Committee will deal with weight mile tax issue, so there are blanks in the tables in the bill. It is important to AOI that ODOT prove its accountability. Rep. Lokanís HB 2478 is addressing accountability benchmarks. Also Sen. Shannonís SB 614 provides for a cost accounting system.

A-Engrossed version of the bill is the 4-cent version.

471 Rep. Shetterly Concerning the blanks to be filled in on weight mile, who is going to fill in those blanks and when?

478 Richard Yates Explained, the determination of what those will be depends upon the highway cost allocation study, which is not yet complete. Transportation Committee had to either pass it out with blanks or hold the bill up until the study is complete. Study was due March 31. Expects it today or tomorrow.

054	Chair Strobeck	Questioned Earls concerning polling. Did she do research on ODOT accountability issues. Follow-up questions.
060	Earls	Yes, and found that public thinks ODOT is doing better than legislature thinks it is doing. Did not ask access management questions, asked about highway improvements, mass transit.
083	Earls	Does Earls believe the 4 cents or 6 cents will be enough to demonstrate to the public that there will be road improvements?
088	Earls	Depends on which part of Oregon. With 4 or 6 cents, state can pay for improved level of maintenance. To the extent that people want to see new construction, 6 cents will not achieve that.
099	Chair Strobeck	What efforts will AOI make in the next few months to convince lawmakers and others that this is important for the economy and for business?
105	Earls	<p>Three things the business community is interested in, in relation to the transportation system:</p> <ol style="list-style-type: none"> 1. Being able to get goods to their manufacturing plants 2. Transport employees to and from work 3. Value for their money <p>AOI is informing membership of what is going on in the legislature. Will encourage business community to write letters, give input.</p> <p>AOI is working with Senate and House leadership about this package. Leadership from both sides is engaged in the project. This was not so in 1999. To the extent that more support is needed, AOI will do what it can.</p>
142	Chair Strobeck	<p>Transportation package keeps changing and lawmakers keep changing their minds, using bill as a bargaining chip for other bills. How can House Revenue Committee get the point across that Oregon's roads are horrible?</p> <p>Follow-up questions.</p>
158	Earls	There is a lot of support, believes consensus will emerge. Some issues are nearing resolution, but proponents do have a big challenge ahead.
191	Chair Strobeck	What does AOI think about a proposal to start out funding just cities and counties with 4-cent tax to improve local roads? Is it worth passing 4-cent tax if it just goes to cities and counties for two years?
217	Earls	Warned against criticizing ODOT, extracting money from them and not giving them

opportunity to improve. ODOT has worked hard last two years to improve efficiency. It can only do so much. It is important not to set up public to believe they will get new bridges when 6-cent increase won't fund them. Also believes cities and counties would make good use of the money.

- 247 Chair Strobeck Encouraged AOI to make a directed effort to educate lawmakers. Travel has grown 40% in the last 10 years. There hasn't even been a 3 % increase in road capacity. Blaming ODOT won't turn this around.
- 275 Yates In response to Rep. Merkley's questions, referred to Staff Measure Summary distributed April 2 (exhibit 24). Hasn't yet written revenue impact statement because he doesn't have all the needed information.
- 298 Rep. Merkley Referred to Sources and Uses chart from ODOT, based on governor's recommended budget. Shows motor fuels tax at \$814 million. What does the 4-cent increase, do to this figure? Delayed maintenance is inefficient way to manage resources. Wants to know what 4-cent tax will buy.
- 331 Earls ODOT has project lists by level of priority. Lowest level is what they are working form now. By looking at this list, lawmakers can tell what is happening now and could occur with the 4-cent tax.
- 345 Rep. Williams Has the recent rise in price of gasoline swayed membership's opinion against the tax increase?
- 352 Earls No. The gas tax increase would increase taxes by about \$3 per month. There was no reaction between 4-cent increase and 6-cent increase. People were concerned more about whether the tax would be tied to efficiency.
- 379 Rep. Lehman Responded to Chair Strobeck's comments that the proposal keeps changing, so lawmakers keep changing their positions. Agreed with Chair Strobeck that, if legislature passes 4-cent tax package, don't give any of it to ODOT, give it to cities and counties. Giving ODOT the money would create the public perception that ODOT has wasted it.

TAPE 120, SIDE B

- 023 Rep. Lehman Believes ODOT has made great strides toward efficiency. Gave examples of progress.
- Proposal is to use 4-cent increase in this bill, plus \$10 increase in registration fees, plus weight-mile tax or fuel tax increase for trucks. Distribute it 3 cents to cities and counties, 1 cent to economically distressed counties for economic development purposes. Proposed sunset formula December 31, 2001 and return to existing distribution formula (50/30/20).
- 051 Also proposed 2-cent increase effective January 1, 2001, bonded over 15 years. This will

raise about \$500 million. This will be used for projects for ODOT to work with cities and counties on significant projects. Would sunset this tax after 10 or 15 years. Problem with 4-cent tax is that it goes completely to cities and counties. In his district, people are not complaining about local roads. They are complaining about state projects.

084	Rep. Welsh	Economic development factor for Portland is a big issue. Portland needs significant projects or it will not see further investment. Rep. Lehman's proposal makes sense, but Rep. Welsh is concerned with not taking care of state projects.
097	Rep. Lehman	Does not want to encourage perception that cities and counties don't need the money.
105	Rep. Shetterly	Commented on cities and counties versus state improvements. Polk County passed bonds to take care of local roads. Lawmakers need to make sure transportation tax plan is comprehensive, develop a plan to address problem long-term.
121	All	More questions and discussion on local and state projects.
170	Vice Chair Rasmussen	It is not possible to build enough roads to eliminate congestion in Portland. Lawmakers need to talk about mass transit options, not only in Portland but elsewhere.
189	Rep. Rosenbaum	Asked Rep. Lehman for Ms. Earle's poll conclusion that there is no difference in public opinion between 4-cent tax and 6-cent tax. Might be better to go with bigger figure while there is support.
100	Rep. Lehman	Concurred. One tax increase is better than several.
217	Rep. Lehman	Referred to "Confidential" House and Senate Proposal to Address State Highway Needs (EXHIBIT 4) .
227	Rep. Lehman	<p>Reviewed Oregon Statewide Highway Funding Need (EXHIBIT 5). Shows four levels of working on highways, shows projected funding gap:</p> <p>Level 1: Current service</p> <p>Level 2: Protecting current infrastructure with preservation work on all roads</p> <p>Level 3: Protecting current infrastructure with preservation work on all roads and some modernization</p> <p>Level 4: Protecting current infrastructure with preservation work, some modernization and coping with congestion</p>
247	Rep. Lehman	<p>Reviewed Highway Funding Needs (EXHIBIT 6): Shows actual dollars</p> <p>Reviewed Roads Streets Funding Options (EXHIBIT 7):</p>

1. Increase fund tax by 24 cents and \$10 increments on passenger registration
2. Increase tax by 4 cents and \$10 increments on passenger registration
3. Increase fuel tax by 3 cents 1/1/00 plus 3 cents 1/02/01 and \$10 on passenger registration

This sheet reflects the distribution that is the bill.

288	All	Questions and discussion concerning spreadsheets, testimony.
325	Chair Strobeck	Questions concerning people saying they will vote for bill but making deals. Is Rep. Lehman committed to building support among both houses to benefit Oregon rather than vote-trading issues?
342	Rep. Lehman	Absolutely. However, a 4-cent package won't do the job. It might be better to have the 6-cent package or nothing.
370	Gary Conkling	Spoke in support of the measure. See Associated General Contractors Oregon ñ Columbia Chapter (EXHIBIT 8) verbatim.

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TAPE 121, SIDE B

020	Conkling	AGC supports a 6-cent increase, concurred with Rep. Lehman's proposal to add back 2 cents to be bonded for 15 years.
027	Rep. Shetterly	In 1997 session, committee included design build. Would this fit with 2-cent bonded aspect of Rep. Lehman's plan?
034	Conkling	Issue of design build for highway and bridge projects has been topic of constructive discussions between contractors and agency. A number of issues have led to one bill this session dealing with issue of risk allocation between engineers and builders. Likely, this works for larger, more sophisticated projects.
062	Rep. Merkley	Concerning Rep. Lehman's spread sheets that show 4 cents per gallon will still not maintain system. If 2 cents are bonded and additional projects are built, how will state provide for maintenance of expanded system?
065	Conkling	Need to focus all new dollars on preserving existing system. Reality is, Oregon is facing congestion that is decreasing safety. The 6-cent proposal won't solve problem, but will add improvements. The longer these projects are delayed, the worse the problems become. More prudent to modernize roads while in the process of preserving them.
087	Chair Strobeck	Closed public hearing for HB 2082. Adjourned meeting at 10:10 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 123, Martin-Mahar, SB 123óAnnexation Issue in Deschutes County, 1 p.
2. SJR 1, Martin-Mahar, Revenue Impact of Proposed Legislation for SJR 1-A6, 2 pp.
3. SJR 1, Martin-Mahar, Proposed Amendments To A-Engrossed Senate Joint Resolution 1, (SJR 1-A6), 1 p.
4. HB 2082, Lehman, Confidential: House and Senate Proposal to Address State Highway Needs, 2 pp.
5. HB 2082, Lehman, Oregon Statewide Highway Funding Need, 1 p.
6. HB 2082, Lehman, Highway Funding Needs, 1 p.
7. HB 2082, Lehman, Roads Streets Funding Options, 1 p.
8. HB 2082, Conkling, Associated General Contractors (AGC), OregonóColumbia Chapter, Testimony on House Bill 2082, 2 pp.