

INFORMATIONAL: REVENUE FORECAST

WORK SESSION: HB 2082-A, HB 3344-A, HB 2080, HB 3560, HB 3595

TAPES 186, 187, A/B, 188 A

HOUSE REVENUE COMMITTEE

MAY 14, 1999 ñ 8:00 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

House Members Present: Rep. Ken Strobeck, Chair

Rep. Anitra Rasmussen, Vice Chair

Rep. Deborah Kafoury

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Lane Shetterly

Rep. Jim Welsh

Rep. Max Williams

Rep. Bill Witt

Senate Members Present: Sen. Lee Beyer

Senate Members Excused: Sen. Randy Miller, Chair

Sen. Thomas Wilde, Vice Chair

Sen. Tom Hartung

Sen. Charles Starr

Staff: Paul Warner, Legislative Revenue Officer

Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Tom Potiowsky, Acting State Economist

Sarah Gates, Office of Economic Analysis

Sen. Frank Shields, District 9

Bob Russell, Oregon Trucking Association

TAPE 186, SIDE A

010	Chair Strobeck	Called meeting to order at 8:05 a.m.
018	Tom Potiowsky	Office of Economic Analysis and Dept. of Administrative Services produces quarterly economic and revenue forecasts, assisted by two advisory groups. Will give overview of economic conditions, assessment of economy, revenue forecast. Directed members' attention to Oregon Economic and Revenue Forecast (EXHIBIT 1).
047	Potiowsky	Summarized U.S. economy. Best in the past 30 years, lowest unemployment rate in 30 years. Federal budget surplus. Consumer-led economy. Strong spending.
058	Potiowsky	Directed members' attention to Oregon Economic and Revenue Forecast Summary, page 1 (EXHIBIT 2). Recent Developments: Oregon's economy grew briskly in first quarter of 1999. Job losses in high tech sector. Forest and agriculture remain weak, seeing some strength returning.
069	Potiowsky	Page 3: Non-farm Job Growth by State February 1999 over February 1998. Projected Growth for Top U.S. Export Markets Page 4 charts: Non Farm Employment; Manufacturing Employment; Non-Manufacturing Employment. Relationship between three charts is high growth 1994-1997.
095	Potiowsky	Page 5: Oregon Share of U.S. total Personal Income 1958-2005 Page 6: Risk Factors to the Forecast ñ Trying to find middle road for economy without being too optimistic or cautious. Looks at risk factors. Macroeconomic Policies; International Conditions; Inflation
136	Potiowsky	Page 6 continued: Stock Market; Consumer Spending; Y2K
169	Sarah Gates	Summarized revenue forecast: For 1997-99 biennium, state has lowered forecast by \$78 million. That leaves state slightly above 2% threshold for personal income tax kicker. In 1999-01 state has raised forecast of combined general fund and lottery resources by \$42.5 million.

191	Gates	<p>Page 7: Deals with long-term trend for economy and for revenues:</p> <p>Top chart: Actual and Forecast Personal Income Tax Revenues</p> <p>Bottom chart: Actual and Forecast Corporate Income Tax Revenue</p>
218	Gates	<p>Page 8: Actual and Forecast Total General Fund Revenues (\$Millions)</p> <p>Biennial Growth in General Fund Revenue</p>
231	Gates	<p>Page 9: Comparison of State Lottery Rescue Forecasts 1997-99 Through 2003-05 (\$Millions). Does not anticipate level of lottery machine use will grow.</p> <p>State Lottery Resources 1985-87 Through 2003-05. Noted smaller and smaller amounts of discretionary resources.</p>
273	Gates	<p>Page 10: General Fund and Lottery Resources. Noted \$76 million decrease from March forecast. Reason is miscalculation in federal pension refunds. No change in lottery forecast for current biennium. Personal income tax kicker is forecast. State is only \$2.6 million over threshold, or 2.03% above estimate. This is a small margin. Kicker could go either way. Will know in mid-August. These changes lower the ending balance \$329.6 million.</p>
318	Gates	<p>Bottom of page 10: 1999-2001 Biennium</p> <p>Smaller kicker is forecast. Lottery forecast slightly lower, which will adversely affect parks and natural resources fund, and education endowment fund.</p> <p>Total combined general fund and lottery resources are forecast to be \$10.7 billion, an increase of \$42.5 million from March forecast.</p>
346	Gates	<p>Pages 11-12: General Fund and Lottery Resources; Estimated Individual Two Percent Kicker Credits</p>
361	Chair Strobeck	<p>Asked comment on reduction of corporate income tax down 6.3% for current biennium. Seems like a substantial change.</p>
366	Gates	<p>March forecast was low for January-March period. Refunds were higher than anticipated. Due to overpayments and kicker credits. Anticipates this decrease will bottom out.</p>
415	Chair Strobeck	<p>Recessed meeting at 8:35. Reconvened at 8:40. Opened work session HB 2080, long-term care tax credit.</p>

WORK SESSION # HB 2080

435 Sen. Frank Shields HB 2080 provides long-term care insurance tax incentive. Tax credit up to \$500 for purchase of qualified long-term care insurance policy. Most seniors are forced to deplete their assets in order to qualify for Medicaid. Most people don't want to live their last years in a nursing home. They prefer to live at home. This is counter to the American Dream, to set aside money and pass it onto children.

TAPE 187, SIDE A

041 Sen. Shields Medicaid was supposed to be a safety net for low-income, frail elderly people. Because of aging population, future of Medicaid is threatened. People believe Medicare pays for long-term nursing home care, but it doesn't. This belief leads people not to buy long-term insurance.

065 Sen. Shields Directed members' attention to Number of Dependents per 100 Adults Between Ages of 18 and 64 (**EXHIBIT**)

In 1960, there were 64.9 people under age 18 per 100 adults. By 2080, there will be 43.6 over age 65 per 100 adults.

80-90% of all Medicaid money is spent on last two years of life. The whole national system is in jeopardy. Urged committee to pass this bill.

110 Rep. Witt Asked if Sen. Shields is concerned that extending this tax credit to only new policies would raise the issue of discrimination against people who have been prudent and have bought long-term care insurance.

114 Sen. Shields Is concerned, there is unfairness to that, but system going broke is "a very serious threat."

136 Rep. Rosenbaum Original bill allows for corporate and personal income tax credits. Does Shields support keeping both in bill?

142 Sen. Shields Will leave that to the discretion of the committee.

152 Rep. Williams Directed members' attention to HB 2080-1 amendments (**EXHIBIT 5**). Limit the credit to policies first issued after January 1, 2000. Agreed about possible unfairness, but this amendment is a first step. Has learned that private patients are subsidizing the cost of Medicaid patients.

180 Rep. Williams **MOVED #1 AMENDMENTS TO HB 2080 BE ADOPTED.**

182	Ed Waters	<p>HB 2080-1 amendments, new policies only after January 1, 2000. There would be one tax year's worth of revenue impact, estimated at \$204,000.</p> <p>Does not believe there is a sunset provision.</p>
198	Rep. Kafoury	Suggested limitation on how many years people can receive this credit.
207	Rep. Merkley	Will not support ñ1 amendments. Does not know the revenue impact. Also, people could cancel existing policies and buy new ones.
222	Chair Strobeck	ASKED FOR ANY OBJECTIONS TO ADOPTING ñ1 AMENDMENTS TO HB 2080. NOTED FIVE OBJECTIONS.
225	Rep. Witt	Objected. ñ1 amendments will discriminate against people who have already purchased insurance.
232	Rep. Shetterly	Objected.
240	Rep. Witt	Does not want this legislation to die. Sees HB 2080 as investment on the part of taxpayers and government. Would prefer to vote on bill as written.
260	Chair Strobeck	Does not believe the ñ1 amendments will be adopted. Asked will of committee of the bill as written.
262	Rep. Merkley	Requested committee revisit bill with a cost estimate of the amendment.
272	Chair Strobeck	NOTING OBJECTIONS, MOTION FAILED.
277	Rep. Witt	MOTION: MOVED HB 2080 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.
294	Vice Chair Rasmussen	Will oppose bill. Expressed concern about granting credits before budget is known.
304	Rep. Merkley	Will oppose bill. Not enough information.
307	Rep. Rosenbaum	Section 7 is the most important part of bill. Want people to begin paying at early age. Will support bill.

319	Rep. Kafoury	Will oppose bill. Would like to see matrix of options available.
346	Chair Strobeck	Asked Waters for conceptual amendment.
348	Ed Waters	Lines 11 and 17 of bill refer to employer tax credit. Does not specify that credit would be offered for long-term care insurance to employees of the taxpayer working in Oregon.
360	Chair Strobeck	Conceptual amendment to insert on line for the period that says "that are Oregon employees"; and line 17 insert "Oregon" between "for employees."
351	Rep. Witt	MOTION TO SUSPEND RULES TO CONCEPTUALLY AMEND HB 2080. HEARING NO OBJECTION, CHAIR SO ORDERED.
380	Rep. Witt	WITHDREW MOTION TO MOVE HB 2080 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION. MOTION TO MOVE CONCEPTUAL AMENDMENT TO HB 2080 TO INSERT ON LINE 11 "THAT ARE OREGON EMPLOYEES"; AND INSERT ON LINE 17 THE WORD "OREGON" BETWEEN "FOR EMPLOYEES".
395	Rep. Merkley	Question about who is considered to be an Oregon employee.
399	Ed Waters	Must be working in Oregon. Conceptual amendment would apply only to the employer. An individual taxpayer who pays Oregon income taxes could buy long-term care insurance and pay for the credit.
420	Chair Strobeck	ASKED FOR ANY OBJECTIONS TO MOVING CONCEPTUAL AMENDMENT. HEARING NO OBJECTIONS, THE CHAIR SO ORDERED.
425	Rep. Merkley	Will reluctantly support bill.
431	Rep. Witt	MOTION: MOVED HB 2080, AS CONCEPTUALLY AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.
436	VOTE	ROLL CALL VOTE: MOTION PASSES 5-3-1 REPRESENTATIVES VOTING AYE: MERKLEY, SHETTERLY, WILLIAMS, WITT, CHAIR STROBECK

REPRESENTATIVES VOTING NAY: KAFOURY, ROSENBAUM, VICE CHAIR RASMUSSEN

REPRESENTATIVES EXCUSED: WELSH

REP. WITT WILL CARRY THE BILL.

TAPE 186, SIDE B

021 Chair Strobeck Closed work session on HB 2080. Opened work session HB 3560 (corporate check-off).

WORK SESSION n HB 3560

034 Rep. Merkley **MOTION: MOVED HB 3560 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**

036 Chair Strobeck Asked status of HB 3560-2 amendments.

039 Rep. Merkley Clarified, -2 is the intended bill. **WITHDREW MOTION.**

042 Rep. Merkley **MOVED -2 AMENDMENTS TO HB 3560 BE ADOPTED. ASKED FOR ANY OBJECTIONS. HEARING NO OBJECTIONS, THE CHAIR SO ORDERED.**

044 Rep. Merkley **MOTION: MOVED HB 3560 AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**

059 **VOTE** **ROLL CALL VOTE: MOTION PASSES 6-2-1**

REPRESENTATIVES VOTING AYE: MERKLEY, ROSENBAUM, SHETTERLY, WELSH, WILLIAMS, VICE CHAIR RASMUSSEN

REPRESENTATIVES VOTING NAY: KAFOURY, CHAIR STROBECK

REPRESENTATIVES EXCUSED: WITT

REP. MERKLEY WILL CARRY THE BILL.

079 Chair Strobeck Closed work session on HB 3560. Opened work session on HB 3595.

WORK SESSION n HB 3595

099	Ed Waters	Reviewed HB 3595-2 amendments (EXHIBIT 7). Incorporate HB 3595-1 amendments in that they specify that the tax exemption is only from the privilege tax. Exemption is for businesses that do not have a place of business located within the geographic boundary of the taxing authority. Modifies principle practice language.
128	Rep. Witt	MOVED -2 AMENDMENTS TO HB 3595 BE ADOPTED.
140	Vice Chair Rasmussen	Asked for definition of "place of business". Objected to HB 3595-2 amendments.
162	Chair Strobeck	ASKED FOR ANY OBJECTIONS TO ADOPTING -2 AMENDMENTS INTO HB 3595. NOTING OBJECTIONS OF REPS. MERKLEY, ROSENBAUM, KAFOURY, AND RASMUSSEN, THE CHAIR SO ORDERED.
163	Rep. Kafoury	Discussed HB 3595-3 amendments (EXHIBIT 8). Erase double standard created by HB 3595. Exempt law offices primarily engaged in practice of law in a principle practice located outside state of Oregon from paying Oregon income tax.
178	Vice Chair Rasmussen	If this would be a policy decision for Portland, it should apply to entire state.
185	Rep. Kafoury	MOVED ñ1 AMENDMENTS TO HB 3595 BE ADOPTED.
187	Rep. Williams	Will oppose ñ3 amendments in the interest of good public policy.
190	Rep. Witt	These amendments make this bill much larger than intended. Will oppose ñ3 amendments.
198	Rep. Shetterly	These amendments donít achieve level playing field.
214	Chair Strobeck	ASKED FOR ANY OBJECTIONS TO ADOPTION OF ñ3 AMENDMENTS INTO HB 3595. NOTING OBJECTIONS, CHAIR ORDERED MOTION FAILED.
224	Rep. Witt	MOTION: MOVED HB 3595, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.
227	Rep. Kafoury	Will oppose bill.

233	Rep. Witt	Will support bill.
238	Rep. Rosenbaum	Will oppose bill. Many other businesses could request similar exceptions.
246	Rep. Merkley	Will oppose bill. Many businesses have special circumstances. Special exception for lawyers is bad policy.
279	Vice Chair Rasmussen	Will oppose bill. Objects to state taking over business of cities and counties.
292	Rep. Shetterly	Bill brings up a topic that needs to be discussed. Will reluctantly support bill.
300	VOTE	<p>ROLL CALL VOTE: MOTION PASSES 5-4-0</p> <p>REPRESENTATIVES VOTING AYE: SHETTERLY, WELSH, WILLIAMS, WITT, CHAIR STROBECK</p> <p>REPRESENTATIVES VOTING NAY: KAFOURY, MERKLEY, ROSENBAUM, VICE CHAIR RASMUSSEN</p> <p>REP. WITT WILL CARRY THE BILL</p>
318	Chair Strobeck	<p>Closed work session on HB 3595. Opened work session HB 2082-</p> <p>A, HB 3344-A. Would like to move these bills on Monday.</p>

WORK SESSION ñ HB 2082-A

333	Richard Yates	Began review of HB 2082-A18 amendments (EXHIBIT 9), and how they differ from HB 2082-A17 amendments.
362	Chair Strobeck	<p>-A18 amendments dedicate 2 cents beginning January 2000 to bonding for 20-year projects, raising approximately \$600 million for projects. Projects will be presented to legislature by February 2000. In addition, 4 cents gas tax first two years will be split 60/40 between counties and cities. After two years the split will be 50/30/20 (counties, cities, state).</p> <p>Comparable weight-mile table included in the bill is based on new highway cost allocation study.</p>
435	Yates	<p>Discussed analysis of HB 2082 ñA18 amendments (EXHIBIT 10). ODOT Revenue Forecast: Current Law and HB 2082-A, page 1:</p> <p>Current Law</p>

Adjusted to 1999 HCAS (Highway Cost Allocation Study)

HB 2082-A18: +6 cent Fuel tax, +\$10 Basic Registration Fees on 1/1/2000

Distribution of Revenue

TAPE 187, SIDE B

030	Yates	Page 2: Revenue and Distribution Distribution of New Money: Fuel Taxes; Registration Fees + Equivalent Distribution of Revenue: Current Law Revenue; New Revenue Distribution of Revenue (bottom): Bonding
088	Yates	Page 3: Tax and Fee Schedules for HB 2081A-18: Weight-Mile Tax Rates; Road Use Assessment Fee; Flat Fees
103	Yates	Pages 4-6: Bonding scenarios Schedule of Bond Issues and Redemption
148	Yates	Page 7: Summary of Revenue Under HB 2082A-18 State: Current Law, Adjusted Current Law, HB 2082A-18 Revenue Bottom: Current law distributions, local registration fees
168	Chair Strobeck	Began review of HB 3344-A remaining amendments.
078	Yates	Discussed ñA17 amendments (page 20 of the bill); and ñA21 amendments. (<i>Amendments - A17 through -A25 were distributed May 11. They are exhibit numbers 16-24.</i>) Road use assessment fee. Line 42 of bill is not workable. Amendments give alternatives to correct this.
216	Yates	Discussed ñA19 amendments and ñA22 amendments. Propose alternative solutions to trip permit issue. -A19 comes from ODOT. Suggests reduce \$42 permit fee from five days to three days. ñA22 retains one-day permit rate at \$15. Committee would vote on one of the two.
249	Yates	-A20 amendments page 35. Inserts new section into text 59a. Allows weigh masters to perform police functions for violations. Suggested ODOT address this amendment

270 Yates -A23 amendments page 47, line 44, changes date to operative date.
 -A24 amendments page 44, line 34, addresses taxes or fees.
 -A25 amendments: page 25, fixed and variable registration fees.

303 Yates Discussed -A26 amendments (**EXHIBIT 12**). Policy statement, new section 83a. Statement of legislative policy that heavy vehicles should pay their fair share, should conduct allocation study every two years.

322 Rep. Williams Questioned "should" in this policy statement, perhaps use "shall".

328 Chair Strobeck Requested this amendment. Legislative counsel advised to use "should" in case of a policy statement. For the benefit of future legislators.

344 Rep. Merkley Introduced HB 3344-A4 amendments that say "should" conduct allocation study every two years.

358 Chair Strobeck Asked, upon what basis does ODOT do this study every two years?

360 Yates ORS 366 discusses cost responsibility study. Will obtain a copy for the committee.

376 Yates -A28 amendments (**EXHIBIT 14**) page 2 modifies recommendations of highway cost allocation study.

414 Bob Russell Listed amendments in which Oregon Trucking Association (OTA) concurs: HB 3344-A9; -A10; -A11; -A12; -A18; -A14; -A15; -A16; -A17; -A22; -A20; -A23; -A24.
 OTA would prefer not to adopt -A8; -A14 since they are contained in HB 2190.

TAPE 188, SIDE A

032 Russell OTA does not prefer -A21 amendments (alternative choice is -A17).
 -A25 amendments: OTA would like to request revenue impact before taking position.
 Would like to review amendments (-A26; -A28; and -A4) over the weekend before taking a position.

066 Chair Strobeck Closed work session on HB 2082-A and HB 3344-A. Adjourned meeting at 10:08 a.m.

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. Informational, Potiowsky, Oregon Economic and Revenue Forecast, 88 pp.
2. Informational, Potiowsky, Oregon Economic and Revenue Forecast Summary, 13 pp.
3. Informational, Waters, Forecast Summary, 6 pp.
4. HB 2080, Shields, Number of Dependents per 100 Adults Between Ages of 18 and 64, 1 p.
5. HB 2080, Williams, Proposed Amendments to House Bill 2080 (HB 2080-1), 1 p.
6. HB 2080, Waters, Long-Term Care Insurance Credit Options: HB 2080, 1 p.
7. HB 3595, Waters, Proposed Amendments to House Bill 3595 (HB 3595-2), 1 p.
8. HB 3595, Kafoury, Proposed Amendments to House Bill 3595 (HB 3595-3), 2 pp.
9. HB 2082, Yates, Proposed Amendments to A-Engrossed House Bill 2082, (HB 2082-A18) 10 pp.
10. HB 2082, Yates, ODOT Revenue Forecast: current Law and HB 2082A-18, 7 pp.
11. HB 2082, Yates, HB 2082A-18: Proposed Tax Rates and Fees, 1 p.
12. HB 3344, Yates, Proposed Amendments to A-Engrossed House Bill 3344 (HB 3344-A26), 1 p.
13. HB 3344, Merkley, Proposed Amendments to A-Engrossed House Bill 3344 (HB 3344-A4), 1 p.
14. HB 3344, Yates, Proposed Amendments to A-Engrossed House Bill 3344 (HB 3344-A28), 1 p.