

LC 2055, 3267

**INFORMATIONAL MEETING-RESERVE  
FUND**

**PUBLIC HEARING HJR 2**

**PUBLIC HEARING HB 2345**

TAPES 58 A-B, 59 A

**HOUSE REVENUE COMMITTEE**

**FEBRUARY 28, 2005 1:00 PM STATE CAPITOL BUILDING**

Members Present:           Rep. Tom Butler, Chair  
                                  Rep. Vicki Berger, Vice-Chair  
                                  Rep. Mark Hass, Vice-Chair  
                                  Rep. Brian Boquist  
                                  Rep. Larry Galizio  
                                  Rep. Betty Komp  
                                  Rep. Andy Olson  
                                  Rep. Chuck Riley

Members Excused:           Rep. Sal Esquivel

Witnesses Present:           Rep. John Lim, District 50

Staff Present:               Paul Warner, Legislative Revenue Officer

Kristi Bowman, Committee Assistant

**TAPE 58, SIDE A**

002 Chair Butler Calls meeting to order at 1:12 p.m.

OPENS WORK SESSION FOR POSSIBLE BILL INTRODUCTION

010 Paul Warner Overview of Legislative Concept (LC) 2055 (Exhibit 1). This proposal imposes a fee for issuance of first Oregon certificate of title. Fees would be allocated among the Dept. of Transportation, counties and cities.

020 Chair Butler Gives background of LC 2055 and LC 3267.

040 Chair Butler MOTION: MOVES THAT LC 2055 BE INTRODUCED AS A HOUSE REVENUE COMMITTEE BILL ON BEHALF OF THE ASSOCIATION OF OREGON COUNTIES.

043 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 8-0-1. ANSWERING AYE: BERGER, HASS, BOQUIST, GALIZIO, KOMP, OLSON, RILEY, BUTLER. MEMBER EXCUSED: ESQUIVEL.

045 Warner

Overview of LC 3267 (Exhibit 2). Requires a local government that imposes an income tax to use the same tax base that the state uses.

- 060 Rep. Riley Asks what this would do for income earned outside the taxing authority.
- 062 Warner Responds that residence determines the income base, not where the income is earned. This is similar to the “I” tax currently imposed in Multnomah County in which the county residents are taxed because they reside in Multnomah County.
- 072 Chair Butler Gives additional background information of LC 3267.
- 081 Chair Butler MOTION: MOVES THAT LC 3267 BE INTRODUCED AS A HOUSE REVENUE COMMITTEE BILL.
- 083 Chair Butler ORDER: THERE BEING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 8-0-1. ANSWERING AYE: BERGER, HASS, BOQUIST, GALIZIO, KOMP, OLSON, RILEY, BUTLER. MEMBER EXCUSED: ESQUIVEL
- 086 Chair Butler States that a copy of LC 2357 was distributed to committee members at this meeting. It is a beer tax, and it will be considered as a legislative concept at a future date.

CLOSES WORK SESSION FOR POSSIBLE BILL INTRODUCTION

## INFORMATIONAL MEETING-RESERVE FUND

- 125 Chair Butler General comments about the informational presentation on reserve fund concepts.
- 140 Warner Overview of slide presentation: Spending Limit Issues (Exhibit 3).
- 145 Warner Slide: Coping with Volatility. Gives background and key issues of spending caps in Oregon.
- 175 Warner Slide: State Spending Limits. Discusses the Colorado system and the recent publicity surrounding that state's Tabor Act. Oregon's statutory limit is 8% of personal income, not including capital gains.
- 202 Warner Slide: Target Growth
- 233 Warner Slide: Target Comparison
- 273 Warner Slide: Spending Definitions

- 307 Warner Slide: General Fund Spending
- 327 Warner Slide: Oregon's Current Spending Limit. The current limit in place since 2001 has not been exceeded.
- 411 Rep. Galizio Asks which elements of the Tabor Act in Colorado have created the problematic issues in that state.
- 414 Warner Responds that the biggest problem is the "ratcheting" effect. In 2000 they went from 2nd in the country in job growth to 49th. They are unable to restore the budget cuts previously imposed.
- TAPE 59, SIDE A**
- 024 Chair Butler Makes informational comments on "ratcheting."
- 042 Warner Additional comments on another issue affecting Colorado's budget. There is an additional amendment that sets a different target for schools, reducing the flexibility the legislature has in dealing with their budget problems.
- 056 Warner Slide: Coping with Volatility. Discusses rainy day funding in other states. Gives historical background of education stability fund in OR. Discusses issues pertaining to rainy day funding.

- 102 Warner Slide: Oregon's Post World War II Downturns
- 122 Warner Slide: Oregon Remains a Goods Producing State
- 129 Warner Slide: Consequences of Being a Goods Producing State
- 135 Warner Slide: National Data
- 141 Warner Slide: General Fund Revenue History
- 151 Warner Slide: Education Stability Fund. States that there are several proposals in the Senate Revenue Committee that would modify the stability fund.
- 217 Rep. Berger Clarifies that the 3/5 vote as a trigger is the voting percentage in each chamber. Asks when the stability fund was enacted.
- 220 Warner Responds that the fund was established as Measure 19 in September 2002.

- 232 Rep. Hass Asks about proposed rainy day fund issues for OR.
- 234 Warner Responds that lottery funds have been a stable source of revenue. Discusses fund size percentage.
- 266 Rep. Riley Asks whether it would be reasonable to have another rainy day fund for general purposes.
- 268 Warner Responds that a general purpose fund would require a special session to allocate funds. Counterargument is that 60% of the general fund budget is allocated to public education, including higher education and community colleges.
- 285 Rep. Boquist Asks about 5% fund size issue.
- 293 Warner Responds that the fund size relates to the revenue source, which in OR is the lottery earnings. Discusses the education endowment fund and the interest earnings on that fund.
- 333 Chair Butler Asks about an emergency declaration by the governor as a trigger.
- 335 Warner Responds that a decline in employment, or a 2% decline in general fund forecast, or an emergency declaration can be triggers, but a 3/5 vote must still be used. If the governor declares an emergency, you don't need the budgetary or economic triggers.

364 Warner Slide: Reserve Fund Proposal. Discusses the HJR 2 and HB 2345 issues for today's public hearing.

400 Warner Slide: House Revenue Committee—Interim Spending Limit Proposal. Discusses how limit was set up. The target (8.1% per biennium, fixed base) does not have the ratcheting effect that Colorado has.

**TAPE 58, SIDE B**

060 Warner Finishes slide presentation

062 Rep. Hass Asks about putting a spending cap on tax expenditures.

066 Warner Responds that the argument regarding a spending limit is that the public sector will grow beyond its optimal size if a limit is not imposed. Comments that the public sector can be limited by limiting its revenue.

080 Chair Butler Asks who has the tax expenditure report information.

082 Warner Responds that the expenditure report originated with the House Revenue Committee in 1995. The expenditure report was then turned over to Dept. of Revenue as a result of legislation. The Revenue Office reviews the data with the Department.



- 102 Rep. Hass General discussion with Warner regarding tax expenditures.
- 113 Rep. Riley Asks if a spending limit would be more desirable for a legislator in order to create more credits.
- 121 Warner Responds that there are forces within the public sector that pushes it beyond its optimal growth, and therefore a constraint is needed. As the limit is approached and a legislator wants a particular program to be funded, tax expenditures would be an alternative and wouldn't violate the limit.
- 137 Rep. Galizio Asks if Warner knows of any consensus about the optimal size of government.
- 139 Warner Responds that the optimal size is defined as what the people want. Comments about public sectors in European countries.

OPENS PUBLIC HEARING FOR HJR 2 AND HB 2345

- 163 Rep. John Lim Testifies in support of HJR 2 in order to implement rainy day fund. States that in the past the legislature has not prepared for a downturn in the economy. He supports taking away corporate kicker refunds, not individual kicker refunds. When the rainy day fund reaches \$1 B,

kicker refunds can then be made to corporations. Supports using rainy day fund for general fund purposes as well as for education. Proposes a vote by the people on this issue.

- 306 Chair Butler Asks Rep. Lim to explain what the education stability fund would look like under HJR 2.
- 328 Rep. Lim Responds that the stability fund would not be affected as it is funded by a dedicated percentage from the lottery. Discusses the triggers that would allow the legislature to allocate moneys from the reserve fund.
- 354 Rep. Berger Clarifies that HJR 2 only affects the corporate kicker.
- 372 Warner Discusses the recent history of corporate kickers.
- 397 Rep. Lim Comments about the chances of the bill passing if corporate kicker funds in addition to other contributions are put into the reserve fund.

**TAPE 59, SIDE B**

- 024 Rep. Boquist Asks Rep. Lim: 1) asks about an amendment in process to return kicker funds back to corporations; 2) what if the trigger mechanism was \$500 M instead of \$1B.

033 Rep. Lim Responds that an amendment is in process. Regarding the trigger mechanism amount, he is flexible on the amount.

CLOSES PUBLIC HEARING FOR HJR AND HB 2345

053 Chair Butler Adjourns meeting at 2:39 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee  
Coordinator

Exhibit Summary:

1. 1. LC 2055, Legislative Counsel, 5 pp., 2/16/05
2. 2. LC 3267, Legislative Counsel, 3 pp., 2/18/05
3. 3. Slide Presentation: Spending Limit Issues, Warner, 10 pp., 02/28/05