

WORK SESSION

HB 3460, 2234 B, 3143 A

TAPES 172-173 A-B, 174 A

HOUSE REVENUE COMMITTEE

MAY 25, 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. Sal Esquivel
- Rep. Larry Galizio
- Rep. Betty Komp
- Rep. Andy Olson
- Rep. Chuck Riley

Witnesses Present:

- Debra Buchanan, Dept. of Revenue
- Art Fish, OR Economic & Community Development Dept. (OECDD)
- Hasina Squires, Special Districts Assn.
- Cindy Hunt, Legislative Counsel
- Laurie Wimmer Whelan, Oregon Education Assn. (OEA)

Staff Present: Paul Warner, Legislative Revenue Officer
Mary Ayala, Economist
Lizbeth Martin-Mahar, Economist
Kristi Bowman, Committee Assistant

TAPE 172, SIDE A

002 Chair Butler Calls meeting to order at 1:06 p.m.

OPENS WORK SESSION FOR HOUSE BILL 2234 B

012 Mary Ayala Gives update on HB 2234 B. Discusses summary sheet for the bill and the amendments (Exhibit 1).

040 Chair Butler Comments on the various deletions and additions to the bill provided by the amendments. Discussion with Ayala.

070 Ayala Discusses the revenue impact (Exhibit 2) of the property tax and corporate income tax credits with Chair Butler.

- 095 Rep. Hass Asks about the offset for the revenue impact.
- 097 Ayala Responds that there will be offsets due to the hiring of employees and investing in facilities.
- 116 Chair Butler Asks Rep. Esquivel about his experience with the revenue effects of personal income tax as a result of enterprise zone projects. Asks about the average employment numbers in enterprise and e-commerce zones.
- 127 Rep. Esquivel Discusses the specifics of job creation and retention in the 32 Medford area enterprise zones.
- 147 Chair Butler Asks about the length of time a company can claim the property tax credit in an enterprise zone.
- 157 Rep. Riley Responds that the credit is for three years with a two year extension.
- 164 Debra Buchanan Provides handout (Exhibit 3) and discusses the impact of the HB 2234 B-6 amendment relating to the Long Term Enterprise Zone Credit (LTEZ). The amendment provides clarifying language to the current law. Discussion with Chair Butler.

- 198 Rep. Berger MOTION: MOVES THE ADOPTION OF THE HB 2234-B6 AMENDMENT.
- 208 Chair Butler ORDER: HEARING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS, BUTLER.
- 216 Rep. Berger Asks about the differences between the HB 2234-B7 amendment and the original A-engrossed bill.
- 220 Ayala Responds that the A-engrossed bill removes the restrictions on the number of e-commerce zones that can be created. The HB 2234-B7 amendment increases the number of existing e-commerce zones from six to ten and aligns the sunset dates of all enterprise zones.
- 238 Chair Butler Restates the components of the HB 2234-B7 amendment.
- 260 Rep. Berger MOTION: MOVES THE ADOPTION OF THE HB 2234-B7 AMENDMENT.
- 270 Chair Butler ORDER: HEARING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS, BUTLER.

- 274 Rep. Galizio Asks about voice-over-internet technology. Would voice-over-internet qualify for e-commerce?
- 290 Art Fish Responds that if the internet is being used as a platform, it wouldn't matter if the information is printed on a screen or voice-over-internet. The requirement for e-commerce is doing transactions on a computer whether it is voice or text. As long as the e-commerce business is more than 50% internet-based, then it will satisfy the requirements of an e-commerce business. Discussion with Rep. Galizio.
- 342 Fish Adds that to use the e-commerce program, there must be an increase of employment by one job or 10%, whichever is greater. A business must qualify for the property tax credit in the beginning in order to be eligible. Discussion with Rep. Galizio.
- 364 Rep. Galizio Asks if it would be feasible to add jobs in other areas in addition to jobs in the e-commerce zone.
- 384 Fish Responds that many of the e-commerce companies are global. They could increase jobs in the enterprise zone and also have employees in other states or countries.
- 400 Chair Butler Clarifies that the credit is only extended to companies located in the e-commerce zones, and the credit will only apply to the operations in the enterprise zone. Discussion with Fish.

- 015 Rep. Hass Asks if the definitions used pertaining to the 50% requirement is stated in rule.
- 016 Fish Cites the Oregon Revised Statute (ORS) references pertaining to the 50% requirement, the tax credit, and e-commerce zones.
- 026 Fish States that the OECDD supports the HB 2234 B-7 amendment. The amendment returns the bill back to the original bill that proposed the additional enterprise zones.
- 040 Chair Butler Asks Fish about competition among enterprise zones.
- 048 Fish Responds that a company cannot move jobs into an enterprise zone from more than 30 miles away, and it would cancel the property tax credit requirement.
- 063 Rep. Berger MOTION: MOVES HB 2234 B AS AMENDED TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.
- 070 Chair Butler ORDER: HEARING NO OBJECTION, THE CHAIR SO ORDERS. MOTION PASSES 9-0-0. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS, BUTLER.

CLOSES WORK SESSION FOR HOUSE BILL 2234 B

OPENS WORK SESSION FOR HOUSE BILL 3143 A

- 084 Ayala Gives overview of HB 3143 A (Exhibit 6). The bill authorizes OECDD to approve up to ten new enterprise zones. The opt-out provision concerning special districts would only apply to the new zones.
- 095 Chair Butler General comments about the background of the bill and summarizes the amendments.
- 140 Rep. Riley Comments on previous testimony in the Trade and Economic Development Committee regarding the opt-out provision (date of hearing not specified). Discusses a similar situation concerning vertical housing. If special districts come on board voluntarily, it is a much better situation.
- 163 Chair Butler Agrees with Rep. Riley's assessment of the opt-out provision and discusses his reasons. A greater level of communication would occur and makes the HB 3143 A-7 and A-8 amendments unnecessary.
- 182 Rep. Komp Comments that she prefers a pilot program to try out the opt-out program with fewer new zones. Discussion with Chair Butler.
- 201 Rep. Riley Comments that the opt-out provision gives counties and cities another option. Discusses an example of a fire department that exercises the opt-out provision.

- 211 Rep. Hass General comments about the opt-out provision. It seems like it takes away the ease of recruiting new businesses in an enterprise zone. Discussion with Chair Butler.
- 257 Rep. Berger MOTION: MOVES THE ADOPTION OF THE HB 3143 A-9 AMENDMENT.
- 264 Rep. Esquivel Expresses concern about the opt-out issue. Will this issue carry over into urban renewal zones and other similar programs? Discussion with Rep. Riley.
- 290 Hasina Squires Defines special districts and cites the ORS reference. Special districts do not include schools, cities, or counties.
- 308 Chair Butler Asks for roll-call vote.
- 316 Chair Butler THE MOTION HAVING RECEIVED THE REQUIRED MAJORITY IS DECLARED PASSED. THE VOTE: 9-0-0. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS, BUTLER.
- 320 Rep. Berger MOTION: MOVES HB 3143 A AS AMENDED TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.

336 Chair Butler THE MOTION HAVING RECEIVED THE REQUIRED MAJORITY IS DECLARED PASSED. THE VOTE: 9-0-0. VOTING AYE: BOQUIST, ESQUIVEL, GALIZIO, KOMP, OLSON, RILEY, BERGER, HASS, BUTLER.

CLOSES WORK SESSION FOR HOUSE BILL 3143 A

OPENS WORK SESSION FOR HOUSE BILL 3460

340 Chair Butler General comments about the bill.

352 Paul Warner Discusses the HB 3460-4 amendment (Exhibit 10) and refers to the summary sheet regarding the amendment changes to the original bill (Exhibit 11).

TAPE 172, SIDE B

038 Warner Discusses the Trend Projection and the Cyclical Projection Table handout (Exhibit 12).

116 Chair Butler Comments on the background and intent of the HB 3460-4 amendment.

128 Warner Discussion with Chair Butler on the history of personal income tax growth and decline. A 4% growth rate in the personal income tax rate

would be a severe recession. Comments on the property tax revenue impacts.

- 154 Rep. Galizio Comments on Section 1 of the HB 3460-4 amendment regarding legislative review.
- 165 Warner Responds that the amendment would require the legislature to review this funding process every four years and make adjustments accordingly.
- 175 Chair Butler Discusses the parameters of school funding and the concept of “hold harmless” of personal income tax dedication to K-12 funding.
- 203 Rep. Galizio Asks if the legislative review component undercut the plan to prevent legislative “bickering” about school funding
- 213 Chair Butler Responds that there needs to be a statutory requirement for the legislature to address school funding issues.
- 234 Rep. Berger General comments about Rep. Galizio’s comments. Asks Warner to explain Sections 9 and 10 of the HB 3460-4 amendment.
- 257 Warner Responds that those sections refer to interest earnings from the current Educational Stability Fund, and they would go into a sub-account.

- 265 Cindy Hunt Discusses the two versions of funding in current statute. There is a bill pending in the current legislative session that would eliminate the second version.
- 294 Rep. Komp Asks about the spending cap in HB 3460.
- 305 Warner Responds that there is not a spending cap in the bill, but rather there is a limit on the biennial growth of the State School Fund. Discussion with Rep. Komp about the bill's intent to dedicate an incoming stream of revenue and then divide it up among the various dedicated funds.
- 354 Chair Butler Comments that the bill is a revenue dedication for school funding. General comments about the bill's intent. Discussion with Rep. Komp about policy issues.
- 404 Rep. Riley Asks about the \$5.318 M amount that comes from the School Revenue Forecast Committee.
- 423 Chair Butler General comments about the School Revenue Forecast Committee.
- 419 Warner

Adds that the HB 3460-4 amendment refers to the 2001 memo to Susan Castillo (see Exhibit 15 from 05/12/05 hearing). Discusses the purpose of the Forecast Committee with Rep. Riley.

TAPE 173, SIDE B

- 032 Rep. Hass Asks where the \$5.318 M amount is mentioned in the amendment, and why is that specific number used as a starting point.
- 036 Warner Responds that the amount is referred to in Section 2, page 4, regarding the “where to start” amount that came out of a work group discussion.
- 044 Chair Butler Comments on the work group discussion of the budget number being used during this legislative session.
- 060 Rep. Riley Clarifies that the \$5.318 M amount is the number needed to keep current service levels for the 05-07 biennium as opposed to trying to replace any services taken away during the past few years.
- 069 Warner Discusses the factors used to reach the \$5.318 M amount.
- 080 Rep. Hass Discusses the summary handout regarding the HB 3460-9 amendment (Exhibit 13) and the tax expenditures proposed for deletion. If education is going to be limited to 50-51% of personal income tax deduction, then there should be a limit to tax breaks that have been given.

- 148 Lizbeth Martin-Mahar Discusses the handout: Summary of HB 3460-9 Amendment (Exhibit 14) and discusses the specific sections affected. Refers to the HB 3460-9 amendment (Exhibit 15).
- 220 Chair Butler Discusses the Summary components with Martin-Mahar and Rep. Hass.
- 253 Rep. Boquist Asks for an explanation of “Key Man” life insurance.
- 258 Chair Butler Discusses the “Key Man” insurance program with Rep. Boquist. Discusses the tax liability of the insurance premium with Warner.
- 325 Laurie Wimmer Whelan Discusses the HB 3460-5 amendment (Exhibit 16) that is sponsored by the Oregon Education Assn (OEA). This amendment addresses the absolute minimum the OEA members would need in order to support HB 3460.

TAPE 174, SIDE A

- 049 Rep. Berger Asks if the OEA has run a report on the percentage numbers proposed.
- 060 Wimmer Whelan Responds that the OEA has not yet done a report on the percentages.

CLOSES WORK SESSION FOR HOUSE BILL 3460

062 Chair Butler Adjourns meeting at 3:00 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee
Coordinator

Exhibit Summary:

1. 1. HB 2234, Handout: Summary Sheet, Ayala, 1 pg., 05/25/05
2. 2. HB 2234, Revenue Impact Statement, Ayala, 1 pg., 05/25/05
3. 3. HB 2234, Handout: HB 2234 B-6 Amendment, Buchanan, 4 pp., 05/25/05
4. 4. HB 2234, Staff Measure Summary (Revised), Ayala, 1 pg., 05/25/05
5. 5. HB 2234, Staff Measure Summary (Corrected), Ayala, 1 pg., 05/25/05
6. 6. HB 3143, Staff Measure Summary, Ayala, 1 pg., 05/23/05
7. 7. HB 3143, Handout: Summary of Amendments, Ayala, 1 pg., 05/25/05
8. 8. HB 3143, Revenue Impact Statement (Revised), Ayala, 2 pp., 05/25/05
9. 9. HB 3143, Staff Measure Summary HB 3143 A-9, Ayala, 1 pg., 05/23/05
10. 10. HB 3460, Amendment HB 3460-4, Leg. Counsel, 11 pp., 05/25/05
11. 11. HB 3460, Handout: Summary Sheet HB 3460-4 Amendment, Warner, 1 pg., 05/25/05
12. 12. HB 3460, Handout: HB 3460 Trend Projection, Warner, 2 pp., 05/25/05
13. 13. HB 3460, Handout: Amendment to HB 3460, Rep. Hass, 1 pg., 05/24/05
14. 14. HB 3460, Handout: Summary of HB 3460-9 Amendment, Martin-Mahar, 2 pp., 05/25/05
15. 15. HB 3460, Amendment HB 3460-9, Leg. Counsel, 3 pp., 05/25/05
16. 16. HB 3460, Amendment HB 3460-5, Leg. Counsel, 6 pp., 05/25/05