

SENATE COMMITTEE ON REVENUE

January 17, 2005 Hearing Room A
8:30 AM Tapes 1 - 2

MEMBERS PRESENT: **Sen. Ryan Deckert, Chair**
 Sen. Gary George
 Sen. Floyd Prozanski

MEMBERS EXCUSED: **Sen. Bruce Starr, Vice-Chair**
 Sen. Rick Metsger

VISITING MEMBER: **Sen. Charles Starr**

STAFF PRESENT: **Paul Warner, Legislative Revenue Officer**
 James Goulding, Committee Assistant

ISSUES HEARD: **Organizational Meeting**
 Informational Meeting
 Orientation: Overview of Revenue System

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
<u>TAPE 1, SIDE A</u>		
003	Chair Deckert	Calls the meeting to order at 8:38 AM. Makes opening remarks on start of new session and first meeting of the committee.
Informational Meeting		
011	Sen. Charles Starr	Makes opening remarks, comments on replacing Senator Bruce Starr on the Senate Revenue Committee.
018	Chair Deckert	Talks about the change in committee scheduling.
021	Sen. C. Starr	Discusses Bruce Starr's desire to serve on the committee, but his inability due to his very heavy schedule.
027	Chair Deckert	Begins discussion of committee rules.
037	Paul Warner	Discusses 73 rd Legislative Assembly Senate Model Committee Rules, 2005 Session (EXHIBIT A).
046	Chair Deckert	Talks about an abbreviated meeting schedule for the first few meetings of Revenue committee, (EXHIBIT B).
051	Warner	Clarifies the committee will meet at 9:00 AM for first few meetings. Begins greater discussion of the rules.
067	Sen. Prozanski	Discusses House committee rules, to clarify a rule.
073	Warner	Talks about other rules of the committee.
077	Chair Deckert	Asks if there are any questions. States committee will return to the rules later. Begins discussion of Draft, Senate Revenue Committee Work Plan, 2005 Session (EXHIBIT C). Goes into depth on issues to be discussed –Tax Compliance and Collections Process and Local Government Fiscal Issues.
122	Warner	Talks about a house bill that connects to federal taxation issues.
125	Chair Deckert	Goes on to discuss tax reform at the federal level. Discusses items listed in page 2. Includes sales tax and stimulus plans and their potential impact on revenue. Talks about school finance code (page 3) and charges and fees as a revenue source.

159	Sen. Prozanski	Asks about tax expenditures not being addressed in the work plan.
166	Chair Deckert	Offers that it is a good topic to consider.
177	Chair Deckert	Contends it is more useful to focus on a specific area rather than the whole issue. Brings up pending and past legislation in determining what actions to take.
189	Sen. George	Brings up a constituent issue on tax compliance and collections. Wonders if issue might be something the committee could look at.
195	Chair Deckert	Suggests collections process would be something the committee could look at. Talks about reforms Gov. Schwarzenegger is bringing forth in California.
216	Sen. George	Asks if committee will look at school revenue sources and spending.
222	Chair Deckert	Anticipates those types of issues will appear before the committee.
230	Sen. George	States he will bring in that information in regards to potential savings.
240	Chair Deckert	Points out Sen. Charles Starr is Vice-Chair of Senate Education Committee and could provide insight on those issues.
245	Sen. C. Starr	Talks about impacts on education issues.
260	Chair Deckert	Feels Sen. Starr will provide great assistance on education issues. Asks if there are any comments on the committee work plan.
276	Warner	Presents list of staff specialists (EXHIBIT D). Begins discussion of booklet, 2005 Oregon Public Finance: Basic Facts (EXHIBIT E). Moves to presentation table to present slides.

Orientation: Overview of Revenue System

354	Warner	Begins PowerPoint presentation, Overview of Oregon's Revenue System (EXHIBIT F). Talks about Oregon's rank compared to other states (slide 2). Oregon ranks high in overall spending and revenue, middle ranged in own sources of revenue and taxes. Oregon is near the bottom of taxes per person.
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TAPE 2, SIDE A

005	Chair Deckert	Asks about how recent the data is.
010	Warner	States it is based on recent census data. Points out 2004-05 data will not be available for some time. Continues with presentation with Oregon's Revenue System, slide 3.
024	Chair Deckert	Asks about specific categories of spending growth.
030	Warner	Discusses increases in education spending and health care spending. Continues with presentation of revenue system, including various revenue sources.
058	Warner	Outlines Oregon's Tax System, slide 4. Discusses State Taxes By Source, slide 5, comparing Oregon to the U.S. average.
084	Chair Deckert	Asks about Oregon's dependency on a relatively few revenue sources.
090	Warner	Clarifies Oregon's acquisition of revenue. Continues presentation giving a state to state comparison, slide 6. Outlines changes in Oregon's revenue system and policies since 1989.
124	Warner	Continues discussion on State Tax Systems comparisons, slide 7.
155	Warner	Points out the changes in the federal government to reduce debt, resulting in less federal money for the state, slide 8.
170	Warner	Outlines revenue impacts of Measure 5 and Measure 50 on market value of property and property taxes, slide 9. Directs members' attention to Exhibit E chart concerning votes on

		revenue issues (section L1).
248	Warner	Offers information on Oregon's growing financial obligation to schools and volatility of income and sales taxes, slide 10.
254	Warner	Discusses national date's volatility of income and sales taxes over the past decade, slide 11. Compares Washington and Oregon's revenue stability, slide 12.
290	Chair Deckert	Wonders what the forecast for the corporate kicker amount is.
300	Warner	Specifies the projected amount. Outlines Oregon's rank in state and local government revenue. Compares Oregon's 2001-02 revenue system with the 1989-90 system, slides 13-14.
348	Warner	Presents Oregon's current revenue system, including general fund, slides 15-16. Relays that he has additional data dating back several years if members want to look it over.
371	Warner	Discusses 2003-05 General Fund Resources, slide 17. Pie chart shows personal income taxes comprise 90% of fund. 2001-03 All Funds Revenue, slide 18, shows actual numbers in governor's budget. Most interesting sliver is interest, which is 90% PERS. Also, the yellow donations fund is significant.
422	Warner	Continues with presentation detailing Discretionary Revenue Sources for 2005-07, current law projection, slide 19.

TAPE 1, SIDE B

030	Warner	Continues with slide 19, discussing general fund and lottery.
042	Warner	Directs members' attention to General Fund Revenue History chart.
065	Chair Deckert	Offers that their recent financial crisis was the worst in Oregon since the 1930s.
067	Warner	Turns members' attention to General Fund Revenue: Modest Rebound Expected. Presents information on December revenue forecast. Refers to Gov. Kulongoski's recent State of the State address.
091	Warner	Outlines governor's recommended revenue policies including assumptions behind expansion of lottery games.
104	Warner	Summarizes Oregon's revenue system, slide 23. Relatively low tax burden is legacy of Measure 5.
140		Details strengths and weaknesses of Oregon's revenue system, slide 24. Talks about strengths and weaknesses of income tax and sales tax over time. Notes tax issues exist about Oregon's aging population.
160	Chair Deckert	Wonders if elderly medical deduction is temporary.
165	Warner	Replies the change is permanent.
170	Sen. George	Asks about where Oregon ranks in inheritance tax.
176	Warner	Responds that he does not know since this is a complex issue. Now that federal inheritance tax is in decline, individual states are going in different directions on the issue.
205	Sen. George	Wonders, what is the percentage on inheritance tax?
207	Warner	States he doesn't know.
210	Sen. George	Points out he has heard it is as high at 60%. Offers that he would like to have additional data on the issue.
225	Warner	Continues with strengths of Oregon's revenue system.
255	Warner	Presents the weaknesses in the system, including instability of income tax. Wraps up presentation with discussion of excessive charges.
305	Chair Deckert	Feels the long-term fiscal outlook would not support future state programs. State cannot continue to fund programs today as in the

		past.
320	Warner	Talks about being unable to sustain the programs of the 90s economic boom. This is a national issue.
338	Chair Deckert	Expresses his concern that lottery will not be able to grow enough to fund state programs the same way it did in the 90s.
350	Warner	Discusses the stability of gambling revenues through recessions.
359	Sen. Prozanski	Feels there is a lot of data to absorb. Discusses how federal decisions will reflect onto the actions available to the committee.
390	Chair Deckert	Discusses upcoming committee schedule.
395	Warner	Details committee actions.
400	Chair Deckert	Points out the committee plans to meet at 9:00 AM the remainder of this week. Closes informational meeting, opens work session.
Work Session		
405	Sen. George	Moves adoption of committee rules.
410	Chair Deckert	Hearing no objection, the chair so orders 3-0-2. (AYE 3: Chair Deckert, Sen. George, Sen. Prozanski, EXCUSED: Sen. Metsger, Sen. Bruce Starr.
420	Chair Deckert	Adjourns the meeting at 9:58 AM.

Tape Log Submitted by,

Barbara Guardino, Committee Assistant Reviewed by Kim Taylor James

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EXHIBIT SUMMARY

- A. **Senate Model Committee Rules, Warner, 2 pp.**
- B. **Senate Revenue Committee Meeting Schedule, Warner, 2 pp.**
- C. **Draft – Senate Revenue Committee Work Plan, Warner, 4 pp.**
- D. **Legislative Revenue Office – 2005 Staff Specialists, Warner, 1 pp.**
- E. **2005 Oregon Public Finance: Basic Facts, Warner,**
- F. **Overview of Oregon’s Revenue System, Warner, 12 pp.**