

SENATE REVENUE COMMITTEE
MARCH 1, 2005 8:30 AM STATE CAPITOL BUILDING

Members Present: Senator Ryan Deckert, Chair
Senator Gary George
Senator Rick Metsger
Senator Floyd Prozanski
Senator Charles Starr, Vice Chair

Witnesses Present: Senator Frank Morse, District 8
Senator Bruce Starr, District 15
Senator Kurt Schrader, District 20
Senator Richard Devlin, District 19
Don Schellenberg, Oregon Farm Bureau
Rick Bennett, AARP
Julie Suchanek, Oregon Community College Association
Laurie Wimmer Whelan, Oregon Education Association
Jacqueline Zimmer, Oregon Association of Area Agencies on Aging
and Disabilities

Staff Present: Paul Warner, Legislative Revenue Officer
Barbara Guardino, Committee Assistant

TAPE 49, SIDE A

005	Chair Deckert	Calls meeting to order at 8:34 a.m. Committee will discuss four proposals for creating a stability fund.
022	Paul Warner	Gives overview of four proposed stability funds. See summary sheet, Stability Fund Proposals (EXHIBIT 1).
030	Warner	Establish General Stability Fund Explains SJR 29 (SB 974).
072	Warner	Explains SJR 23.
100	Warner	Modify Education Stability Fund Explains SJR 19, SJR 2.

PUBLIC HEARING, SJR 29

140	Sen. Frank Morse	Testifies in favor of SJR 29. The bill was known as SJR 2 in 2003 session. It passed the Senate and would have passed the House but the committee chair chose not to hear it. The need for a stability fund is universally accepted. The question is, how do we fund it?
170	Sen. Morse	See handouts: RE: Accumulative Effect of Unfunded Voter Initiatives (EXHIBIT 2). Also, Kicker Reform, Creation of General Fund Operating Reserve (EXHIBIT 3). Exhibit 2 addresses the issue of where funds should come from.

Segment entitled "General Fund/Lottery Spending is Now Lower than 1989-91..." suggests that pressures on budget to fund current policy will make it exceedingly difficult to create a stability fund out of current revenues. Demand for scarce dollars is so great. The sacrifice has been largely in education.

- 247 Sen. Prozanski Thanks Sen. Morse for his work on this issue.
- 271 Chair Deckert Notes, all resolutions put forth will use existing revenues. Economy is looking better than even a month ago.
- 286 Sen. Morse This is true, but still legislators are not addressing the structural deficit that exists. Projected revenues will not be adequate to meet demands. If existing revenues were used to fund a rainy day fund, it would mean eliminating programs.
- 311 Chair Deckert Questions Sen. Morse on the question of triggers, noting that this would have to be passed by voters. Follow-up questions.
- 321 Sen. Morse Bill mirrors access to the Education Stability Fund. Polling in May 2003 illustrated that 71% of Oregonians favored amending the kicker. They want stability.

PUBLIC HEARING, SJR 23

- 376 Sen. Bruce Starr Testifies in favor of SJR 23. In every session he's been involved with, since 1987, there has been talk of stability funds. Not one has been created except the education fund. The simpler you make the rainy day fund the better. The more complicated, the more difficult to sell to the public. SJR 23 proposes to put 3% of the general fund revenues into a budget stabilization account. It is simple to explain.
- 420 Sen. B. Starr Expresses fear that if this legislature does not accomplish this, it won't happen. Modifying the kicker will be hard to sell to voters.
- 474 Sen. B. Starr SJR 23 uses the same triggers as the education stability fund.

TAPE 50, SIDE A

- 010 Sen. B. Starr Summarizes, keep it simple; it's critical that lawmakers get the job done this session.
- 026 Chair Deckert Asks, would it be a hindrance to be limited to capital projects when a lot of needs are operational? Follow-up questions.
- 029 Sen. B. Starr Responds, the money in the stability fund could be spent on anything. Once it reaches a 10% cap, then only 3% could be spent on capital projects.
- 067 Sen. Prozanski Reminds committee that in 1997 and 1999 during a booming economy, House Speaker Lynn Lundquist tried unsuccessfully to establish a rainy day fund. We made a mistake and it's time to admit it and repair it.

PUBLIC HEARING, SJR 2

- 099 Sen. Kurt Schrader Testifies in favor of SJR 2. Changes the cap on the Education Stability Fund (Oregon's only rainy day fund) from 5% to 10%. Contends its simplicity will make it easy to pass. It's not controversial. A dedicated

revenue source already exists – lottery – and nobody has to fight over it. This is a nonpartisan bill.

- 180 Chair Deckert Voter initiatives and the Oregon Health Plan have resulted in a structural deficit. Oregonians have to address this deficit.
- 199 Sen. Schrader Public doesn't want to hear that it's the initiative process that has doubled spending. This legislative session is a watershed, and lawmakers need to address the structural issues in the budget process. Lawmakers haven't done a good job in communicating to the public the tough choices they have made – such as health care. They have made some structural changes but have a lot more to go.

PUBLIC HEARING, SJR 19

- 245 Sen. Richard Devlin Testifies in favor of SJR 19. Lawmakers clearly recognize the need for a stability fund. Bottom line is the need to improve the stability fund. All options addressed in the past have good and bad aspects. Most notable in terms of bad aspects was the Bucket Plan. It was poorly presented. Measure 5 required the state to replace funding for K-12 for five years. State failed to recognize \$1 billion in additional cost from M5.
- 315 Sen. Devlin A new proposal is utilizing the ending balance. This would change the dynamics and culture of governmental organizations. Considers proposals to use 3% of general fund "lofty goals."
- 332 Sen. Devlin SJR 19 is modeled after Measure 19, the Education Stability Fund approved by voters. It's very simplistic. It adjusts lottery dedication percentage from 18% to 20% to 22%.
- 366 Sen. Devlin Asks committee to consider capping a portion of the Education Stability Fund.
- 394 Sen. Devlin Summarizes, SJR 19 is simple for voters to understand, is stable and is tied to an expanding revenue source (lottery).
- 419 Chair Deckert Asks if Sen. Devlin fears voters would be confused on referrals. The "no" vote tends to lead if there is any confusion.
- 422 Sen. Devlin Believes any measure that the legislature refers to the public is an orphan unless there's adequate explanation. Does not see this measure generating opposition.

TAPE 49, SIDE B

- 035 Sen. Devlin Does not anticipate May 2005 election to have high voter turnout. There is not the broad public discussion of policy issues as in general election.
- 055 Rick Bennett Testifies in favor of SJR 23 and SJR 29. AARP Oregon supports creation of a rainy day fund for general purposes. Will help Oregon emerge from downturns more quickly.
- 079 Chair Deckert Might AARP oppose expansion of the Education Stability Fund?
- 083 Bennett Believes it would support any rainy day fund ballot measure, either for

schools or for general purposes.

097	Don Schellenberg	Testifies in favor of SJR 23 and SJR 29 and other stabilization bills. See written testimony (EXHIBIT 4). Oregon Farm Bureau does not support one bill over another.
123	Julie Suchanek	Testifies in favor of SJR 2. See written testimony (EXHIBIT 5). Oregon Community College Association supports an increase in the maximum amount allowable in the Education Stability Fund.
168	Laurie Wimmer Whelan	Testifies on behalf of Oregon Education Association. It is far past time to get serious about a meaningful stabilization fund. Expresses pro's and con's on issue. Chief issue is whether it's better to capitalize a fund with lottery or kicker revenues, and which grows the fund more quickly. Urges committee to consider which one would help faster. OEA cannot support a proposal that would take money out of existing general fund revenues.
199	Whelan	Expresses OEA's concern with political viability. OEA would want to know which fund would work best.
219	Chair Deckert	Has set March 15 as the date when committee will move forward on these bills.
227	Jacqueline Zimmer	Oregon Association of Area Agencies on Aging and Disabilities is concerned that a rainy day fund may require shifting resources from human services. Last session people died from losing services last session. Interested in criteria for distribution of these funds.
265	Chair Deckert	Adjourns meeting at 9:49 a.m.

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

Exhibit Summary:

1. SJR 29, SJR 23, SJR 19, SJR 2, Stability Fund Proposals, Warner, 1 pp.
2. SJR 29, SJR 23, SJR 19, SJR 2, RE: Accumulative Effect of Unfunded Voter Initiatives, Morse, 2 pp.
3. SJR 29, SJR 23, SJR 19, SJR 2, Kicker Reform: Creation of General Fund Operating Reserve, May 18-19, 2003, Morse, 1 pp.
4. SJR 29, SJR 23, SJR 19, SJR 2, Oregon Farm Bureau, Testimony Before the Senate Revenue Committee Regarding SJR 23 and SJR 29, Schellenberg, 1 pp.
5. SJR 29, SJR 23, SJR 19, SJR 2, Oregon Community College Association, March 1, 2005, Suchanek, 1 pp.
6. SJR 29, SJR 23, SJR 19, SJR 2, memo from Randall Edwards, State Treasurer, RE: "Rainy Day" Fund proposals, State Treasurer's Staff, 2 pp.