

SENATE REVENUE COMMITTEE
MARCH 14, 2005 8:30 AM STATE CAPITOL BUILDING

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

Members Excused: Senator Rick Metsger

Witnesses Present: Sen. Frank Morse, District 8
Sen. Kurt Schrader, District 20
John Phillips, Oregon Department of Revenue
Norm Miller, Oregon Department of Revenue
Jacqueline Zimmer, Oregon Association of Area Agencies on Aging
and Disabilities.
Ralph Groener, AFSCME Council 75

Staff Present: Paul Warner, Legislative Revenue Officer
Mary Ayala, Economist
Linda Gatto, Committee Assistant

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005 Chair Deckert Calls meeting to order at 8:33 a.m. Opens public hearing on SB 470.

PUBLIC HEARING, SB 470

013 Paul Warner Reviews the Staff Measure Summary (**EXHIBIT 1**) explaining what the bill does and highlighting the elements that would determine a spending limit, and timeline restrictions. Reviews the table on page 2 outlining spending limits that the bill proposes.

071 Chair Deckert Comments that Initiative Petition # 6 seems stricter than Colorado's Tabor Law.

075 Warner The mechanics are similar in terms of population and inflation change. But there are differences.

085 Chair Deckert Asks if there are any other states that have a similar deadline process.

088 Sen. Frank Morse Testifies in favor of SB 470. States the focus is to enhance and preserve the integrity of state government. States SB 470 would make representative government work better. Would impose a higher degree of discipline and make a more open process. The secondary factor is the educational component.

114 Sen. Morse Begins a section-by-section overview of the bill starting with Section 1. Declares revenues from general fund and lottery. Requires an appropriations bill to divide funds into education, public safety, human services, natural resources, salary adjustments and general purposes.

129	Sen. Morse	Reviews Section 3 which outlines what the governor shall include in the budget report submitted to the legislative assembly.
152	Sen. Morse	Reviews Sections 4 and 6. Refers to section 6 as “scenario planning”.
177	Sen. Morse	States opposition to caps in the constitution and believes in making the process better.
185	Sen. Kurt Schrader	Testifies in support of SB 470. States that the goal is to include the governor in this process, and to create a transparent budget process. Notes that the details included in the bill are inclusive, not proscriptive.
219	Chair Deckert	Asks, would it have been helpful if this March 31 deadline had been in place 3 years ago?
230	Sen. Schrader	Responds that it is not meant to preclude the work of the committees, but rather to get down to business earlier.
246	Chair Deckert	Asks would it be achievable – worst case scenario would be a stalemate earlier.
257	Sen. Schrader	Responds that this is a statutory bill. Leadership could move the deadline.
165	Sen. Morse	Comments on the experiences of last session and states that this is what the bill addresses. Notes that the budget bill is required.
287	Sen. Starr	Asks would there be a reason to include an application of reserve funds to a downturn in the economy.
299	Sen. Schrader	Responds that it is a favorable suggestion and would concur.
306	Sen. George	What about cost containment and out-of-control expenditures?
316	Sen. Schrader	Acknowledges that these are excellent points. That’s what the Ways and Means process is about.
355	Sen. Morse	States that this would put greater emphasis on Ways and Means to preserve efficiencies in vital services.
369	Sen. George	States that without an investigative process, the administrative branch would not move. Asks for more details. What about further investigative and auditing powers?
408	Sen. Schrader	Responds that this session Ways and Means is requiring more information on what the outcomes will be. States that some agencies have not reported their budgets and Ways and Means Committee has not held hearings for them.
444	Sen. Deckert	Asks questions concerning page 1, lines 13-16 (education, public safety, human services, natural resources). Is the public being misguided about the increases?

TAPE 66, SIDE A

018	Sen. Morse	Responds, when voters initiate measures there are consequences. They need to be educated with respect to those consequences. Notes
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the cumulative impact of the 1990's. It cuts both ways.

- 030 Chair Deckert Asks for clarification concerning Section 6, governor submitting a 90% budget.
- 048 Sen. Schrader This is similar to a CEO of any organization who makes these recommendations.
- 065 Chair Deckert Closes the public hearing on SB 470 and opens the public hearing on SB 478.

PUBLIC HEARING, SB 478

- 080 Mary Ayala Reviews what SB 478 does and provides background information. See Staff Measure Summary (**EXHIBIT 2**). Changes the annual interest rate imposed on amounts deferred by qualified senior citizens under the provisions of the homestead property tax program.
- 125 Chair Deckert States that rates are going up.
- 127 Ayala Explains how she determined the revenue impact (**EXHIBIT 3**). Notes there are other impacts: lower mortgage rates are substantial and could trigger a lengthening of the deferral period. Notes that behavioral impacts could wipe out the cash flow. Some qualified seniors could decide it would be beneficial not to pay taxes for a few years.
- 203 John Phillips Submits prepared testimony on the inflows and outflows of revenue (**EXHIBIT 4**).
- 221 Phillips Reviews the graph on page 2 showing the accounting history.
- 239 Phillips Reviews graph on page 3 showing revolving cash account summary for senior, disabled and special assessment deferral program.
- 279 Norm Miller Notes the numbers in the chart on page 3, dealing with projected deferral. Reviews the repayment of deferral program operating funds to the General Fund as of January 31, 2005 and June 30, 2005. Notes the correct number as of June 30, 2005 is \$39,053,337.
- 354 Miller Reviews page 4, the projected deferral revolving account balances chart. Currently the balance is in a building mode. Comments on how the refinance of mortgage loans has affected the deferral repayments.
- 402 Chair Deckert Asks whether the fund is managed by statute, and if the DOR has discretion concerning activities within the fund.
- 405 Miller Responds that DOR does have discretion.
- 412 Chair Deckert Asks what will be the effect on the fund when mortgage rates rise.
- 445 Miller Responds there won't be as many repayments. Projections indicate that 2012 may see the money in and money out equalizing.

TAPE 65, SIDE B

- 024 Phillips Comments on the difference between the disabled program and the senior deferral program.

037	Phillips	Refers back to the chart on page 2. Recommends that the legislature consider a \$5 million minimum balance for this program to allow for changes over time.
065	Phillips	Submits prepared testimony which provides comments on SB 478 (EXHIBIT 5) . Simple interest is significantly different from compound interest. Directs members to SB 478, page 1, lines 14-16, which defines primary discount rate. Notes other bills on page 2.
101	Miller	Compares the examples on pages 3-5.
162	Sen. George	Questions the need for the bill.
166	Miller	Does not know, but would like to see it structured differently.
173	Phillips	Adds if the idea is to get a low rate for seniors, we have that. If legislature wants to lower it further, that's your policy choice.
182	Jacqueline Zimmer	Submits prepared testimony in opposition to SB 478 on behalf of O4AD (EXHIBIT 6) . The simplicity of the program is a bonus. Explains how other recent reductions have hurt seniors and people with disabilities.
223	Zimmer	Comments on HB 5068 up for consideration this week. Voting against HB 5068 will be a vote against paying an insurance premium for \$25 million. O4AD is fed up with watching surplus funds in these plans going all over the general fund. A 4% rate reduction would cause the fund to lose \$3.2 million.
268	Zimmer	Comments on suggestion for amendments to keep a \$5 million balance. Makes it harder for surplus funds to go to senior program. Recommends that the program not be changed.
283	Chair Deckert	Asks if the public has commented on this bill.
313	Zimmer	Responds, has never heard anyone in the public ask to change it.
313	Miller	States that most people do not understand the difference between the 6% rate and what they see at the bank.
322	Ralph Groener	States that AFSCME concurs with Ms. Zimmer's comments. Likes the idea of correlation of surplus funds above a minimum amount on Project Independence. Asks committee to consider an amendment to dedicate money toward helping seniors remain home longer. The 6% is intended for that purpose. AFSCME supports Ms. Zimmer and O4AD.
370	Chair Deckert	Requests an update on the status of HB 2555. Closes the public hearing on SB 478 and adjourns the meeting at 9:52 a.m.

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

Exhibit Summary:

1. SB 470 Staff Measure Summary, staff, 2 pp
2. SB 478 Staff Measure Summary, staff, 1 p
3. SB 478, Revenue Impact Statement, staff, 1 p
4. SB 478, prepared testimony, Department of Revenue, John Phillips and Norm Miller, 4 pp
5. SB 478, prepared testimony, Department of Revenue, John Phillips and Norm Miller, 6 pp
6. SB 478, prepared testimony, Jacqueline Zimmer, 2 pp