

SENATE REVENUE COMMITTEE
MARCH 31, 2005 8:30 AM STATE CAPITOL BUILDING

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

Members Excused: Senator Gary George

Witnesses Present: Senator Richard Devlin, District 19
Representative Dave Hunt, District 40
Kappy Eaton, League of Women Voters of Oregon
David Barenberg, League of Oregon Cities
Helen Berg, Corvallis Mayor
Lori Sattenspiel, Oregon Community College Association
Sean Cruz, Office of Senator Gordly
Debra Buchanan, Oregon Dept. of Revenue

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

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005 Chair Deckert Calls meeting to order at 8:35 a.m.

012 Vice Chair C. Starr Announces, today is the 49th wedding anniversary of his marriage to wife Kathy.

PUBLIC HEARING, SJR 14

031 Steve Meyer Gives a brief overview of SJR 14. Amends the state constitution subject to voter approval. Eliminates the majority voter turnout requirement to pass a property tax measure for elections after June 15, 2006. See Staff Measure Summary (**EXHIBIT 1**) and Revenue Impact of Proposed Legislation (**EXHIBIT 2**).

047 Sen. Richard Devlin Testifies in favor of SJR 14. See written testimony (**EXHIBIT 3**). The intent of this resolution is not to repeal the double majority but to replace it. Notes the distinction. Gives a brief history beginning with Measure 47 – “probably one of the most poorly written measures that have ever been passed on the ballot, and in many people’s minds actually raised constitutional questions.”

083 Sen. Devlin Oregon’s elections have changed considerably since 1997 with vote by mail, and a double majority no longer makes sense. Gives reasons for suggesting replacing this law – it’s for political reasons. A repeal would stand far less chance on the ballot than a replacement.

102	Sen. Devlin	Concludes with giving reasons for choosing this year to oppose the double majority. It goes against everything this nation stands for, including self-determination. It gives more weight to those who don't vote than to those who do. Quotes from Gettysburg Address: "... government of the people, by the people and for the people shall not perish from this earth." Concludes, "Lincoln would tell you a double majority has no permanent place in our Constitution."
142	Rep. Dave Hunt	Testifies in favor of SJR 14. See written testimony paraphrased (EXHIBIT 4). The double majority affirms that non-voters have more power than those who choose to vote. In the past there were as many as eight elections per year. It was a situation where a double majority could be justified, but that situation has clearly changed. There are fewer elections per year and people are made aware of them.
196	Rep. Hunt	The tragedy is, school districts, cities and community colleges have been unable to implement measures despite the overwhelming approval by voters. The core issue is, no one should be awarded for not participating in an election. SJR 14 reaffirms Democracy over apathy.
218	Chair Deckert	Asks for clarification on how many elections are currently being held per two-year period.
227	Sen. Devlin	Responds, about three. The only exception would be emergencies where someone on a board had to be replaced and a special election was called.
275	Kappy Eaton	Testifies in support of SJR 14. See written testimony (EXHIBIT 5). A healthy Democracy requires the opportunity for everyone to vote, as well as ensuring that every vote counts. The current super majority system has thwarted the will of the voter and is undemocratic. Urges the committee to move this bill forward.
307	David Barenberg	Introduces Corvallis Mayor Helen Berg, president of League of Oregon Cities.
322	Helen Berg	Testifies in favor of SJR 14. See Local Property Tax Election Study (EXHIBIT 6). Two-thirds of Oregonians live in cities, and the League is concerned about their ability to fund programs. Gives a brief history of the double majority. Oregon voters approved the double majority in 1996 with a 52% "yes" vote. It applies only to local government property tax measures and not to state tax increases. The double majority was not the main portion of that bill.
353	Berg	Prior to mail-in voting, there was the "sneaky election" perception – March and September ballots when fewer voters chose to go to the polls. This isn't an issue anymore. League of Oregon Cities staff researched whether non-votes really made the difference in local elections. The study found that the double majority contradicts the one person/one vote principle of Democracy.
443	Barenberg	Notes that 122 measures have failed due to the double majority. Of those, 61 would have passed if all votes necessary to get to the 50% turnout number had voted "no." Gives examples. Also, the double

majority assumes that voter registration records are up to date. They are not.

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060 Barenberg

Concludes, the changes in this resolution would level the playing field between voters and nonvoters. Oregonians should be eager to accept this change.

074 Lori Sattenspiel

Testifies in support of SJR 14. Tells of the impact on the failure of bond elections on Portland Community College and Rogue Community Colleges. The elections had to be re-run in order to pass. See written testimonies from Portland Community College (**EXHIBIT 7**) and Rogue Community College (**EXHIBIT 8**).

WORK SESSION, SJR 14

104 Chair Deckert

Comments, this bill is a compromise from outright repeal and is worth public discussion.

108 Sen. Metsger

MOTION: MOVES SJR 14 TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION

115 Vice Chair C. Starr

Comments, he will vote for this resolution, although he would prefer two elections to three. It will allow opportunities for local districts in off years. There may come a time for compromise, but it is worth a floor discussion.

118 Chair Deckert

Notes, the addition of a second May election is open to compromise.

126 Sen. Prozanski

Agrees with Vice Chair C. Starr's point. Will support the bill with sideboards limiting when measures can move forward. Sen. Devlin and Rep. Hunt made it clear there has been a change in how elections are carried out.

153 Chair Deckert

Worries about a May election in the odd year, but is happy to move this bill forward.

169 Sen. Metsger

Will support the resolution. Sees it as fair. If the odd year were eliminated it would be 1 ½ years before an election could be held. These dates are customary election dates, and the process has changed with mail-in voting. In the late 1990s the whole issue was nearly repealed. Strongly supports it.

122 Sen. Prozanski

Notes, there will be plenty of opportunity for districts to reach voters. This will allow taxing districts to reflect on the timing of elections.

208 Chair Deckert

ROLL CALL VOTE: 4-0-1
MEMBERS VOTING AYE: METSGER, PROZANSKI, C. STARR, DECKERT
MEMBERS EXCUSED: GEORGE

PUBLIC HEARING, SB 315

224 Paul Warner

Authorizes the Department of Revenue to enter the Streamline Sales and Use Tax Agreement. See Staff Measure Summary (**EXHIBIT 10**). Discusses The Streamlined Sales Tax Project (**EXHIBIT 11**); and State Legislatures Streamlining Sales Taxes (**EXHIBIT 12**). This tax

was precipitated by Internet sales. Local merchants are put at a disadvantage. It's a burden on companies to deal with a wide variety of state tax laws. This requires states to have consistent definitions.

- 270 Warner Discusses state uniform sourcing rules, where the key issue is whether a tax is based on destination or origin. So far, 15 states have conforming legislation; this is 24.1% of the U.S. population. They must be in compliance by July 1.
- 304 Chair Deckert First, he does not understand why a state with a consumption tax wouldn't enter into such an agreement. Second, why would Oregon's Dept. of Revenue enter in when this isn't one of the affected states?
- 313 Warner Debra Buchanan at DOR says she does did not anticipate a fiscal impact under current law. Recommends adopting this approach because it would create more uniformity in terms of how the tax base is determined. Agrees, there's a powerful incentive, if a state is going to have a sales tax, to be part of this agreement. Discusses possible reasons why some states haven't joined. Some states may be waiting to see what the federal government does.
- 374 Sen. Prozanski Is stumped as to why Oregon would participate since there is no sales tax here. Also, because this entails Internet marketing, he anticipates legislation on a federal level.
- 398 Chair Deckert Responds, this is a huge issue nationally.
- 408 Sean Cruz Testifies on behalf of the office of Sen. Avel Gordly. What lies behind this is a Supreme Court decision to bar tax collections on remote sales. As the nation moves to a more service-based economy, sales tax revenues are flattening out. States with sales taxes are losing in cigarette taxes alone tens of billions of dollars a year. They are working on addressing Supreme Court's bar.

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- 020 Cruz Explains what led to the Supreme Court's Internet tax ban. Would shift the burden away from the seller in terms of tax collection. The federal ban will eventually change. This is a nonpartisan issue. More than 40 states are in the process of implementation.
- 051 Cruz Oregon needs to recognize it is not out here by itself. It must stay in the loop.
- 057 Warner An issue two years ago was federal legislation and tradeoffs. There was concern that tradeoffs would hurt Oregon. Agrees, Oregon must stay within the loop. There are potential implications for Oregon.
- 076 Debra Buchanan This is one piece of a larger process. Dept. of Revenue doesn't see significant cost to the department unless the state adopts a sales tax. Entering the agreement doesn't have a practical effect here.
- 084 Chair Deckert Asks, would Oregon join the other states as a co-signer?
- 090 Sen. Prozanski Responds, Oregon would be making it known it is there to make rules. It doesn't appear Oregon will be implementing a sales tax anytime soon. Asks Buchanan whether anyone in the department has been

involved in a national group dealing with tax issues?

105	Buchanan	DOR is involved in the Multistate Tax Commission. Oregon businesses will be able to take advantage of other states' participation even though it doesn't have a sales tax. They can sign up through centralized registration process.
135	Chair Deckert	Asks Buchanan to meet with Cruz on this issue to discuss possible fiscal impacts that might not be in Oregon's interest.
145	Cruz	Explains, most of the agreement deals with definitions. Gives an example of whether an item is classified as a food or a candy. Provisions are voluntary on the parts of states.
168	Chair Deckert	Closes the public hearing.
177	Warner	Notes, committee will meet next Friday, April 8.
190	Chair Deckert	Adjourns the meeting at 9:46 a.m.

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

Exhibit Summary:

1. SJR 14, Staff Measure Summary, 3/30/05, Meyer, 1 pp.
2. SJR 14, Revenue Impact of Proposed Legislation, 3/30/05, Meyer, 1 pp
3. SJR 14, testimony of Senator Richard Devlin, 3/31/05, 1 pp.
4. SJR 14, testimony of Rep. Dave Hunt, 2 pp.
5. SJR 14, League of Women Voters of Oregon, letter of testimony by Kappy Eaton, 3/31/05, 1 pp.
6. SJR 14, Local Property Tax Election Study, Impact of Double Majority on Ballot, March 2004, Berg, 42 pp.
7. SJR 14, letter from Preston Pulliams, President, Portland Community College, 3/31/05, Sattenspiel, 2 pp.
8. SJR 14, Rouge Community College, letter from Dean Wendle, RCC board member, 3/28/05, Sattenspiel, 1 pp.
9. SJR 14, letter to Chair Deckert from Kelly S. Brooks, 3/31/05, 1 pp.
10. SB 315, Staff Measure Summary, 3/31/05, Warner, 1 pp.
11. SB 315, The Streamlined Sales Tax Project, Warner, 2 pp.
12. SB 315, State Legislatures, Streamlining Sales Taxes, February 2003, Warner, 6 pp.