

HOUSE REVENUE COMMITTEE
FEBRUARY 3, 2003 8:30 AM STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair
Representative Wayne Scott, Vice Chair
Representative Joanne Verger, Vice Chair
Representative Phil Barnhart
Representative Vicki Berger
Representative Pat Farr
Representative Mark Hass
Representative Elaine Hopson
Representative Max Williams

Witness Present: Craig Fisher, Research Manager, Department of Revenue

Staff Present: Paul Warner, Legislative Revenue Officer
Dick Yates, Legislative Revenue Office
Kathy Tooley, Committee Assistant

TAPE 1, SIDE A

004	Chair Shetterly	Calls meeting to order at 8:33 a.m.
026	Craig Fisher	Gave Committee an overview of the "Tax Expenditure Report", (Exhibit 1), as useful resource when considering the tax system. The concept of tax expenditures applies to the tax law provisions that impart special treatment to a group of tax payers. Income excluded from taxation, deductions, credits, or property tax exemptions are considered tax expenditures because they have a similarity to direct spending.
010	Fisher	Thee Budget Accountability Act of 1995 mandates this publication, submitted by the Governor to the Legislature along with the Governor's recommended budget. The Department of Administrative Services and the Department of Revenue assist the Governor with this report which includes federal or state exemptions.
033	Fisher	There are 15 tax programs, 350 total tax expenditures, 200 of which are in the Income Tax Program, and 100 in the Property Tax Program. The report also includes information on estimated receipts and tax expenditures by program.
081	Fisher	Discussed income tax expenditures and explained types of exclusions available on a federal and state level.
159	Fisher	Information required by Act for all tax expenditures include: statutory authority, purpose, revenue loss estimates, and grouped according to programs or functions. Each expenditure is to be evaluated for effectiveness on two bases: does expenditure accomplish its purpose and is it the most fiscally effective means for accomplishing its purpose. Also an analysis of who benefits and sunset recommendations is required of governor.
170	Paul Warner	Directed the Committee to Page 7 which lists sunsets for this session that require legislative action.

188	Fisher	Provided Committee examples of Tax Expenditures by budget category and its distribution. Described credits for each program. Directed the Committee's attention to two indexes useful in reviewing the report, "Index of Tax Expenditures by Tax Program", (Table 1, Page 9, Exhibit 1), and "Index of Tax Expenditures by Program/Function, (Index 2, Page 17, Exhibit 1).
259	Fisher	Described process for evaluating tax expenditures programs. Department of Revenue must identify changes since prior report, and provide information on new or modified tax expenditures to agencies that have program responsibility or subject matter expertise.
302	Fisher	Over 30 agencies perform evaluations, does it accomplish its purpose and is it the most fiscally effective means of accomplishing its purpose. Evaluations are then reviewed by DAS and Governor's office.
330	Fisher	Directed the Committee's attention to revenue estimate issues: interactions between expenditures which could affect revenue impact; interactions between credits; they are static estimates, and do not take into account behavioral changes that could result from elimination of expenditure. Reports losses and shifts to property tax rolls. Noted the Department of Revenue's estimation methodology is reviewed by Legislative Revenue Office and the Office of Economic Analysis.
378	Chair Shetterly	Tax credits wouldn't reflect current level of estimated revenues, some of the revenue impacts of these tax expenditures would be lower due to receiving less corporate income against corporate credits?
407	Fisher	The report attempts to take the December forecast into account. Some of the credits can be taken forward, for example the pollution control credits can be taken over a 10 year period. Unused credits are another issue, taxpayers that don't offset all their liability in the current year can carry it forward up to 5 years.
440	Fisher	In summary, the report provides detailed information about Oregon's tax system and how the programs work.

TAPE 29, SIDE A

022	Rep. Hass	Should take a look at tax credits this session, but what is the most effective way to do it, rather than going through each credit? Vic Atiyeh had recommended a task force look into them, there are a fair number of evaluations which indicate a program is not achieving its purpose or goals.
035	Chair Shetterly	Different from Ways and Means process of looking at every budget, every session. Most programs listed in the Tax Expenditure Report are not voted on each session and take on a life of their own, agreed from experience in earlier sessions that they should not go through each page.
051	Rep. Hass	Suggested some could be pared down instead of repealed.
061	Chair Shetterly	Said the Committee may ask Warner to work with Legislative Fiscal to identify those tax expenditures to the budget analysts working on each of the program areas, as a way to address concerns as budgets are being built.
074	Warner	Told the Committee that the Fiscal Office has identified the Tax Expenditure Report as a tool they are going to use this session.
083		End of overview on Tax Expenditure Report.

LOTTERY OVERVIEW

089	Dick Yates	Presented of overview of "Oregon State Lottery". (Page 1, Slide Top, Exhibit 2).
121	Yates	Continued presentation beginning "Lottery Terminology", (Page 1, Slide Bottom, Exhibit 2).
172	Yates	Continued presentation, beginning "Lottery History", (Page 2, Slide Top, Exhibit 2).
202	Yates	Continued presentation, beginning "Lottery History (cont.)", (Page 2, Slide Bottom, Exhibit 2).
		Questions and discussion interspersed.
252	Yates	Continued presentation, beginning "Traditional Lottery Games", (Page 3, Slide Top, Exhibit 2).
275	Yates	Continued presentation, beginning "Traditional Game Revenue", (Page 3, Slide Bottom, Exhibit 2).
285	Yates	Continued presentation, beginning "Traditional Game Revenue", (Page 4, Slide Top, Exhibit 2).
312	Yates	Continued presentation, "Video Lottery Revenue", (Page 4, Slide Bottom, Exhibit 2).
327	Yates	Continued presentation, "Video Lottery Revenue", (Page 5, Slide Top, Exhibit 2).
334	Yates	Continued presentation, beginning "Total Lottery Revenue", (Page 5, Slide Bottom, Exhibit 2).
340	Yates	Continued "Total Lottery Revenue (Page 6, Slide Top, Exhibit 2).
347	Yates	Continued presentation, beginning "Lottery Transfers", (Page 6, Slide Bottom, Exhibit 2).
		Questions and discussion interspersed.
417	Yates	Continued presentation, beginning "2001-03 Lottery", (Page 7, Slide Top, Exhibit 2).

TAPE 28, SIDE B

047	Yates	Continued presentation, beginning "Issues", (Page 7, Slide Bottom, Exhibit 2).
		Question and discussion interspersed.
077	Yates	Continued presentation, beginning "Line Games", (Page 8, Slide Top, Exhibit 2).
		Questions and discussion interspersed.
135	Yates	Continued presentation, beginning "Video Prize Percent", (Page 8, Slide Bottom, Exhibit 2).

143	Yates	Continued presentation, beginning “Annual Growth: Video”, (Page 9, Slide Top, Exhibit 2).
172	Yates	Continued presentation, beginning “Video Compensation Rates”, (Page 9, Slide Bottom, Exhibit 2).
210	Yates	Continued presentation, beginning “Retailer Compensation”, (Page 10, Slide Top, Exhibit 2). Question and discussion interspersed.
260	Yates	Continued presentation, beginning “Lottery Expense Percents”, (Page 10, Slide Bottom, Exhibit 2).
332	Yates	Continued presentation, beginning “Sales – f(Advertising)”, (Page 11, Slide Top, Exhibit 2).
372	Yates	Continued presentation, beginning “Lottery Advertising”, (Page 11, Slide Bottom, Exhibit 2). Questions and discussion interspersed.
383	Yates	Continued presentation, beginning “Implications,” (Page 12, Slide Top, Exhibit 2). Questions and discussion interspersed.
443	Chair Shetterly	Meeting adjourned at 9:55 a.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant Reviewed by Kim Taylor James

Exhibit Summary:

1. Fisher, Tax Expenditure Report, 383 pages.
2. Yates, Oregon State Lottery, Powerpoint Presentation, 12 pages.