

**HOUSE REVENUE COMMITTEE**  
**APRIL 15, 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: John Phillips, Oregon Department of Revenue  
Inge Deckert, Oregon State Treasury  
Chuck Smith, Oregon State Treasury  
Brian Reeder, Oregon Department of Education  
Michael Parker, Oregon State Treasury

Staff Present: Paul Warner, Legislative Revenue Officer  
Steve Meyer, Legislative Revenue Office  
Lizbeth Martin-Mahar, Legislative Revenue Office  
Mazen Malik, Legislative Revenue Office  
Kathy Tooley, Committee Assistant

**TAPE 124, SIDE A**

004 Chair Shetterly Calls meeting to order at 8:35 a.m.

**OPENED WORK SESSION HB 2625**

020 John Phillips Discussed follow up to questions regarding cargo containers from April 8, 2003 Public Meeting on HB 2625 (Exhibit 1).

038 Chair Shetterly This bill reinstates an exemption that was on the books since 1970's?

040 Phillips 1979.

051 Rep. Scott **MOTION: MOVED HB 2625 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION**

**ROLL CALL: MOTION PASSED 7-0-2**

**REPRESENTATIVES VOTING AYE: Berger, Farr, Hass, Hopson, Scott, Verger, Chair Shetterly. EXCUSED: Barnhart, Williams.**

**Rep. Berger will carry the bill.**

059 Chair Shetterly Closed Work Session on HB 2625.

**OPENED PUBLIC HEARING ON HJR 18**

069 Steve Meyer Described and provided background on HJR 18 (Exhibit 4). Discussed provision for submission to voters for May 2004 primary election. Discussed -1 and -2 amendments (Exhibit 6).

093 Inge Deckert Discussed -2 amendment to HJR 18 and HB 2663 (Exhibit 7), and summary of the amendments (Exhibit 8).

163	Chair Shetterly	HJR 18 is just authorization; it doesn't create debt or issue any bonds?
164	Deckert	Answered affirmatively.
172	Rep. Hass	Why is it a good idea to take away the function of creating the school capital matching fund away from the rainy day fund? That was one of the selling points of the original plan.
178	Chair Shetterly	The concern with HJR 18 is if approved it would have a capital matching fund under HJR 18, and a second within the Education Stability Fund serving the same purpose, but not the same funds. By putting this together it merges funds into one, and can be coordinated.
193	Rep. Hass	That makes sense, why not eliminate that fund?
198	Chair Shetterly	Under the Education Stability Fund?
199	Rep. Hass	Answered affirmatively.
201	Chair Shetterly	That gets into more fundamental amendments to the stability funds.
204	Rep. Hass	It is finding something else to do with that money after it reaches the cap, so it doesn't become redundant?
206	Chair Shetterly	It is still going to serve the same purpose as is currently provided in the stability fund.
210	Deckert	The amendments leave in tact the original intent of the creation of the sub account within stability fund. It consolidates two programs into one.
216		Questions and discussion regarding process by which matching funds are expended.
262		Question and discussion regarding debt service on general obligation (GO) bonds for capital improvements.
290	Chair Shetterly	There is general fund and lottery what other sources are used to pay back GO bonds.
294	Chuck Smith	Oregon Health Science University GO bonds will be paid out of Tobacco Revenues.
299	Rep. Hass	If this measure gets out and passes before school district trigger hits, before the stability fund gets to the 5% cap what happens to money after that?
308	Deckert	18% of net lottery proceeds flow into rainy day fund, 15% into the school capital matching fund. Without bill there is no mechanism to use funds.
316	Chair Shetterly	Until implementing legislation.
318	Brian Reeder	Regarding Rep. Verger's question "How will the department decide who gets the money?" Currently HB 2663 leaves that up to the department and the State Board of Education in rule making process. The bill does not specify criteria for making the grants. Discussed methods that could be used. Discussed State of Washington approach looks at district need based on assessed value per student.
372		Questions and discussion regarding current and historical responsibility for

capital projects local vs. state.

**TAPE 125, SIDE A**

- 028 Chair Shetterly Discussion as to intended Committee action on HJR 18 and HB 2663, plan to rescind subsequent referral to Ways and Means on HJR 18; and deferring action on HB 2663 for a later session.
- 053 Rep. Hass At issue in last session was a sliding formula that is not in HB 2663. Is the intention to set it up in rules? How will formula work?
- 050 Reeder The bill states that the State Board will establish rules for administering the program. Have not had discussion on criteria for a match.
- 063 Chair Shetterly Discussed three tiers, HJR 18 constitutional authority; HB 2663 implementing legislation; the third tier is rule making authority for the department. This session, focus is on constitutional authority for a fund and see how voters respond. Next legislature will address implementation and rule making in one piece. Don't want to complicate Department of Education budget with referral to Ways and Means.
- 091 Chair Shetterly Closed work session on HJR 18.

**OPENED WORK SESSION ON HB 2664**

- 099 Lizbeth Martin-Mahar Provided description and background of HB 2664-2 (Exhibit 9). Discussed -2 amendment as replacing -1 (Exhibit 10). Described revenue impact, (Exhibit 11).
- 145 Michael Parker Biggest change is in the roll-forward tax deduction, capping at 5 year period per contribution, reduces revenue impact.
- 151 Chair Shetterly So, if donated \$10,000 in one year, the carry-forward would be limited to \$2000 per year no matter how much was put in.
- 155 Parker Answered affirmatively.
- 145 Rep. Hass Spoke in supports of HB 2664, however, as this program gets complicated with carry forward provisions, and requirement for tax assistance, may be catering to level of income earner that misses middle class people that do not have that level of sophistication. Intent is to provide a program for getting kids to college.
- 183 Parker The Treasurer shares that concern. Plan easy to participate in with \$25 minimum monthly investment. Push of next biennium is to have investor education, a 24-hour call center, so don't need an accountant to participate.
- 217 Shetterly Discussed positive personal experience as consumer of program with Strong as administrator of the program and information available on internet, by phone and by mail.
- 212 Parker Strong has won awards for customer service and it is staffed 24 hours, 7 days a week.
- 240 Rep. Williams **MOTION: MOVED ADOPTION OF THE -2 AMENDMENTS INTO HB 2664.**
- ORDER: HEARING NO OBJECTION, THE CHAIR SO ORDERS. (ALL MEMBERS PRESENT.**

246	Rep. Williams	<b>MOTION: MOVE TO RESCIND REFERRAL TO WAYS AND MEANS COMMITTEE AND MOVE HB 2664 AS AMENDED TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.</b>
255	Rep. Barnhart	Some people put \$4000-5000 into the program and only get a \$2000 deduction, why would anybody do that?
260	Parker	Discussed calculators for parents of older children and \$2000 would be insufficient to get child to college. People figure out how much to invest per year and put that in.
270	Chair Shetterly	All earnings are tax free; the deduction is only for \$2000.
272	Parker	All earnings are state and federal tax free.
277		<b>ROLL CALL: MOTION PASSED 9-0-0 REPRESENTATIVES VOTING AYE: Barnhart, Berger, Farr, Hass, Hopson, Scott, Verger, Williams, Chair Shetterly.</b>  <b>Rep. Hass will carry the bill.</b>
286	Chair Shetterly	Closed work session on HB 2664.
288	Chair Shetterly	Meeting adjourned at 9:25 a.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant Reviewed by Kim Taylor James

Exhibit Summary:

1. Phillips, "Memo: HB 2625: Cargo Container Questions from Public Hearing on 4-8-03", 2 pages
2. Malik, "Staff Measure Summary HB 2625", 1 page
3. Malik, "Revenue Impact HB 2625", 1 page
4. Meyer, "Staff Measure Summary HJR 18-1", 1 page
5. Olsen, "Fiscal Analysis HJR 18", 1 page
6. Meyer, "-2 Amendment HJR 18", 7 pages
7. Deckert, "HB 2663-2 Amendment", 3 pages
8. Deckert, Summary "Amendments to HJR 18 and HB 2663", 1 page
9. Martin-Mahar, "Staff Summary HB 2664-2", 1 page
10. Martin-Mahar, "HB 2664-2 Amendment", 2 pages
11. Martin-Mahar, "Revenue Impact HB 2664-2", 1 page
12. Parker, "Testimony HB 2664-2", 1 page