

**HOUSE REVENUE COMMITTEE**  
**APRIL 9, 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 Mark Hass  
Representative Elaine Hopson  
Representative Max Williams

Members Excused: Representative Pat Farr

Witness Present: Representative Tom Butler, House District 60  
Representative Max Williams, House District 35  
Senator Bill Morrisette, Senate District 6  
Bob Wright, Eastern Oregon Alcoholism Foundation  
Kevin Campbell, Eastern Oregon Human Services Consortium  
Jean Cowan, Lincoln County Commissioner and  
Association of Oregon Counties (AOC)  
Madeline Olson, Office of Mental Health and Addiction Services,  
Department of Human Services  
Pamela Erickson, Coalition to Reduce Underage Drinking  
Kathy Stromvig, Oregon Coalition to Reduce Underage Drinking,  
Mother's Against Drunk Driving  
Richard Drandoff, Changepoint, Inc.  
Mark Nelson, Anheuser-Busch Company  
John Powell, Miller Brewing Company  
Richard Koesan, Coors Brewing Company  
Mary Ann Schwab, Sunnyside Neighborhood Association, Portland Oregon  
To Governor's Oregon Liquor Control Round Table  
Representative Jerry Krummel, District 26  
Dick Anderson, Fannie May and Oregon Mortgage Lenders Association  
Kevin Montgomery-Smith, Portland Business Alliance  
Bob Repine, Oregon Housing and Community Services  
Representative Kelly Wirth, District 16

Staff Present: Paul Warner, Legislative Revenue Officer  
Richard Yates, Legislative Revenue Office  
Lizbeth Martin-Mahar, Legislative Revenue Office  
, Legislative Revenue Office  
Kathy Tooley, Committee Assistant

**TAPE 114, SIDE A**

008 Chair Shetterly Calls meeting to order at 8:40 a.m.

**PUBLIC HEARING ON HB 2804**

020 Richard Yates Provided description of HB 2804, (Exhibit 1), discussed revenue impact, (Exhibit 2), and distribution by county, (Exhibit 3).

182 Rep. Tom Butler Spoke in support of HB 2804. Concerned about the cost of alcohol consumption, particularly beer, amongst Oregon youth, and costs to society.

Believes public better informed about Sudden Acute Respiratory Syndrome (SARS) than underage drinking problem; beer is the drink of choice among offending minors; higher priced alcohol has an affect on how, where and whether children choose to consume beer. Bill would allow utilization of resources to address the true costs in the illegal consumption of alcohol.

- 225 Rep. Max Williams Spoke in support of HB 2804. Need to increase tax rate as it has a nexus relationship with the criminal justice system. A high percentage of police calls are alcohol related and represents a primary expense in city budgets. Feels amount in the bill is too high.
- 320 Sen. Bill Morrisette Spoke in support of HB 2804, (Exhibit 4). Justification for a beer tax is higher than wine. Need for local administration of drug/alcohol programs. Discussed ability to front load budget; broadcast beer advertising geared to youth, prevention activities, 60/40 matching funds for mental health drug/alcohol treatment.
- 384 Chair Shetterly Recess Public Hearing on HB 2804

#### **OPENED PUBLIC HEARING ON HB 3085**

- 390 Chair Shetterly Recessed hearing on HB 3085

#### **REOPENED PUBLIC HEARING ON HB 2804**

- 410 Bob Wright Spoke in support of HB 2804, (Exhibit 5), served 33 years in corrections, during that time 70-80% of people were locked up because drugs or alcohol issues contributed to their incarceration. Treatment works and beer tax would allow people to get treatment and avoid serving time and the consequences of addiction.
- 438 Wright Discussed affects of program fund reductions, waiting list for those wanting treatment.
- 461 Kevin Campbell Spoke in support of HB 2804, (Exhibit 6), need for additional funding with federal matching funds. This measure can begin a change. Without base and distribution of 10% equally among counties, counties would not receive an adequate amount of money to run thorough programs.
- 542 Jean Cowan Provided written testimony from Gordon Fultz, (Exhibit 7), discussed issues from county level. Discussed state cuts; Lincoln County is losing ability to provide services and prevention programs.

#### **TAPE 114, SIDE B**

(NOTE: Brief gap in taping, continued testimony at Side B, Meter 005).

- 005 Jean Cowan Cited need for follow-up programs for offenders to be successful. Discussed parole, probation; drug prevention, early intervention and treatment programs that have been reduced or eliminated at the county level. AOC supports the distribution formula
- 035 Madeline Olson Described the focus of HB 2804, the use of revenue from this bill and the effect increased funding could have on services to Oregonians, (Exhibit 8).
- 080 Pamela Erickson Spoke in support of HB 2804, (Exhibit 9) as it affects underage drinking and the need for beer to be taxed to reflect its fair share.

093	Kathy Stromvig	Testified in support of HB 2804, relayed personal experience having spent her life dealing with negative affects of alcohol use. Encouraged Committee to spend a lmore on prevention.
124	Richard Drandorf	Spoke in support of HB 2804, as it relates to substance abuse. Cited tax on beer has not been raised since 1973.
208	Mark Nelson	Spoke in opposition to HB 2804. Concerned out of \$100 million raised from beer, wine, alcohol taxes; only \$12-13 million go to support drug/alcohol programs. Balance of existing taxes have gone to fund other programs, termed drug/alcohol programs not a priority for state and local governments. HB 2804 asks minority of Oregonians to pay for a program that all Oregonians should pay for.
263	John Powell	Spoke in opposition to HB 2804; microbrew has grown more in last 10 years and is most expensive beer, raising the price would not take care of alcohol abuse; the largest component in the price of beer is taxation; many states near or below Oregon Tax Rate; taxation is on minority.
334	Richard Kosesan	Spoke in opposition to HB 2804. Reiterated Nelson and Powell's testimony. Discussed lack of clarity of intent of partial interim task force which supported a beer tax increase.
375	Mary Ann Schwab	Spoke in support of HB 2804 (Exhibit 10). Disagreed with Kosesan on Interim Task Force vote, said members left meeting because they chose not to vote. Cited lack of tax increase in 26 years; need to support prevention; beer industry needs to pay its fair share for consumer costs.
436	Chair Shetterly	Closed Public Hearing HB 2804.

**OPENED PUBLIC HEARING ON HB 3085**

442	Lizbeth Martin-Mahar	Provided background and description of HB 3085, (Exhibit 11).
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**TAPE 116, SIDE A**

026	Representative Jerry Krummel	Spoke in favor of HB 3085, provided background, description; purpose to spur home-ownership.
060	Dick Anderson	Spoke in support of HB 3085, (Exhibit 12). May not move through the process because it would not generate revenue, but asked Committee to think of the economic benefits of home ownership. May be non-traditional way of returning money to Oregon budget. Cited national statistics showing Oregon lagging in home ownership. Cited biggest barriers to home ownership are down payment and closing costs. If employer does not establish a program utilized by employees, then no tax is taken.
149	Kevin Montgomery Smith	Spoke in support of HB 3085. Reiterated Anderson's testimony. Currently a company has to "Gross Up" an employee's salary since the program is a taxable benefit. Tax credit program with desired corporate action, small administrative costs, self-regulated by job market.
211	Bob Repine	Spoke in support of HB 3085. Companies have used as part of the targeting process. Discussed how HB 3085 fits in with other tax credits available through OHCS; but program does not fit within budget.
365	Rep. Hass	One way to afford this program is to limit subtractions and deductions for subsidies on second homes until Oregon has helped people purchase their

first homes.

- 377 Chair Shetterly For the record, written testimony from the Oregon Revenue Coalition on HB 3085, (Exhibit 13).
- 381 Chair Shetterly Closed public hearing on HB 3085.

#### **OPENED PUBLIC HEARING ON HB 2819**

- 388 Chair Shetterly Closed Public Hearing on HB 2819, (Exhibit 14), -1 Amendment (Exhibit 15).

#### **OPENED PUBLIC HEARING ON HB 3495**

- 392 Martin-Mahar Provided description of HB 3495, and sales tax revenue generated from different retail sales tax rates, (Exhibit 16).

#### **TAPE 117, SIDE A**

- 038 Rep. Kelly Wirth Spoke in support of HB 3495. Two points about sales tax perspective: Measure 5 failed five times prior to adoption; past sales tax proposals did not differ in who would benefit.
- 055 Rep. Wirth Discussed similarities and dissimilarities to past sales tax bills.
- 064 Rep. Wirth Favor the lowest most broadbased sales tax that may be applied and result in net revenue. Intent to generate more revenue than state has.
- 070 Rep. Wirth Bill is an enactment, rather than referral to the voters. Referendum has turned into an excuse to preclude legislative decision-making.
- 095 Rep. Wirth Discussed unique components of this proposal based on research on voter sales tax support by state of Washington. Sales tax measures that are perceived to fund human services are defeated by voters in Oregon and Washington. Voters will support tax measures that fund public safety and transportation freeing general funds to fund human services and education.
- 148 Rep Wirth To fund, would couple with dropping income taxes on two lowest brackets by 1%.
- 168 Rep. Verger Why prohibit local government from raising a tax, if voters approved it?
- 171 Rep. Wirth Used boilerplate, want to hear things that would hang up the bill. The tradeoff was to give a penny to the county in which the sale was made.
- 187 Rep. Verger Transportation has nexus to gas tax or title and registration fees, people may not look at tax that double's license, title fees.
- 194 Rep. Wirth Would couple the sales tax with a fee reduction in services currently paying for in transportation costs.
- 205 Chair Shetterly Close public hearing HB 3495.

#### **OPEN PUBLIC HEARING HB 2806**

- 225 Martin-Mahar Provided background and description of HB 2806.

248	Rep. Tom Butler	Figures calculated relative to a loss is only a maximum of \$3000, or have you calculated entire loss?
264	Martin-Mahar	Net capital gain.
267	Rep. Butler	Maximum net loss reported on any income tax return is \$3000. This bill attempts to remove vagaries of capital market from income tax system. If Oregon taxed only income instead of capital gains and losses, this bill would commence the development of a true income tax system as opposed to capital gains and income tax system.
312	Chair Shetterly	Are there issues with the revenue impact?
315	Rep. Butler	No, it demonstrates what would happen with the capital loss reduction.
323	Rep. Barnhart	Net capital losses carry forward and will be deductible on next year's federal tax return, if this bill passed it would not be deductible from Oregon's return.
312	Rep. Butler	Answered affirmatively.
343	Chair Shetterly	For the record, noted ORC written testimony, (Exhibit 8).
	Chair Shetterly	Closed Public Hearing on HB 2806.

**OPENED PUBLIC HEARING ON HB 3118**

350	Butler	Described and spoke in favor of HB 3118. Starts process of what is already done in many states in tracking how much income is collected by school district. There is a small fiscal. Provides an additional tool relative to each school district. Concern regarding metropolitan vs. urban areas. This would start to provide a tool as to where to provide long term funding.
437	Chair Shetterly	What do we do with the information?
440	Rep. Butler	Doesn't do anything right now, but identifies school districts for which the total amount of general fund revenues are generated.
453	Chair Shetterly	This is essentially census information.
453	Rep. Butler	It is information that is nice to know but not necessary. The decisions that relative to school funding and income, can be off by 30-40%.
480	Paul Warner	Discussed flaws in current data.
490	Rep. Butler	Info will not be definitive but provide a launch point on how to fund education.
491	Chair Shetterly	For some parts of the state is this a question they would be afraid to answer.
492	Rep. Butler	Would guess within timber and resource base communities, some people may not want to share. Even bad news is important to understand.
510	Chair Shetterly	Close HB 3118
513	Chair Shetterly	Meeting adjourned at 10:33 a.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant Reviewed by Kim Taylor James

Exhibit Summary:

1. Yates, "Staff Measure Summary HB 2804", 1 page
2. Yates, "Revenue Impact HB 2804", 1 page
3. Yates, "HB 2804 County Health Fund Distribution", 1 page
4. Sen. Morrisette, "Testimony HB 2804", 2 pages
5. Wright, "Testimony HB 2804", 1 page
6. Campbell, "Impact of funding, as Proposed in HB 2804 on Eastern Oregon Human Services Consortium Counties", 1 page
7. Cowan, "Gordon T. Fultz Testimony HB 2804", 23 pages
8. Olson, "Testimony HB 2804", 2 pages
9. Erickson, "Why Tax Alcohol", 7 pages
10. Schwab, "Testimony HB 2804", 4 pages
11. Martin-Mahar, "Testimony HB 3085", 1 page
12. Anderson, "Fannie Mae Employer-Assisted Housing", 12 pages
13. ORC "Written Testimony HB 3085", 3 pages
14. Meyer "Staff Measure Summary HB 2819", 1 page
15. Meyer "HB 2819-1 Amendment", 1 page
16. Martin-Mahar, "Staff Measure Summary HB 3495", 1 page
17. Martin-Mahar, "Staff Measure Summary HB 2806", 2 pages
18. ORC "Written Testimony HB 2806", 3 pages
19. Warner, "Staff Measure Summary HB 3118", 1 page