

**HOUSE REVENUE COMMITTEE**  
**JUNE 12, 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

Other Legislators Present: Representative Alan Brown  
Representative John Mabrey  
Representative George Gilman  
Representative Mitch Greenlick  
Representative Terry Beyer

Witness Present: Jim Torrey, League of Oregon Cities Transportation Committee, and  
Eugene Mayor  
Andrea Forgue, League of Oregon Cities  
Susan Schneider, City of Portland, Government Relations  
Ralph Groener, American Federation of State, County,  
and Municipal Employees  
Judge Laura Pryor, Judge Gilliam County and  
Transportation Committee, Association of Oregon Counties.  
Bill Penhollow, Association of Oregon Counties  
Darrell Fuller, Oregon Highway Users Alliance, (OHUA)  
Kate Richardson, Oregon State Treasury  
Jacob Brostoff, 1000 Friends of Oregon  
Matt Blevins, Oregon Environmental Council

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

**TAPE 186, SIDE A**

114 Chair Shetterly Calls meeting to order at 9:40 a.m.

**OPENED WORK SESSION ON HB 2041-A**

138 Richard Yates Provided slide presentation (Exhibit 1); Staff Measure Summary HB 2041-A, (Exhibit 2); Revenue Impact Statement HB 2041-A; letter from ODOT in response to questions asked during orientation regarding triple trailers, (Exhibit 3); agreement between Multnomah County and the Cities on how the plan to spend moneys, (Exhibit 4); HB 2041-A10, (Exhibit 5); and HB 2041-A11 Amendments, (Exhibit 6).

156 Yates Provided slide presentation of "HB 2041 Major Provisions", (Page 1, Top Slide, Exhibit 1).

157 Yates Discussed "Overview", (Page 1, Center, Exhibit 1).

183	Yates	Discussed "Net Proceeds of Bonds", (Page 1, Bottom, Exhibit 1).
204	Yates	Discussed "Annual Taxes and Fees", (Page 2, Top, Exhibit 1).
212	Rep. Hass	Per year or per biennium?
214	Yates	Annual.
224	Yates	Referred to "HB 2041-7 (HB 2367 Fees)", (Page 8, Exhibit 1).
260	Yates	Referred to "Transportation Plan Goals and Results", (Page 7, Exhibit 1).
362	Yates	Discussed "Distribution of New Revenue, (Page 2, Center, Exhibit 1). Noted taxes did not include fee increases of \$3.6 million from travel trailers, motor homes and campers that are dedicated to parks. The original bill required that money go to the Lewis and Clark Bicentennial, though there are no restrictions. If there is wedge money for the counties, at least one-half of Multnomah County's portion is to be used for bridges, the balance spent according to agreement reached between the cities and counties (Exhibit 4).
409	Yates	Discussed "Income Tax Capture", (Page 2, Bottom, Exhibit 1).
429	Rep. Verger	Asked for clarification on Department of Administrative Services (DAS) estimates.
430	Yates	DAS will start with projects funded by net proceeds of the bonds, private sector work will be generated by the projects, and personal income taxes will be paid as a result. Those are identified revenues and must be included in the Governor's budget; it requires the Legislature to appropriate those amounts to the Transportation Reinvestment Fund (TRF). It provides money that is not dedicated to the highways because it is general fund money.
452	Chair Shetterly	There's a cap on different components of the TRF?
455	Yates	Answered affirmatively.
459	Yates	Referred to "HB 2041-7: 2005-07 Biennium Annualized, (Page 5, Exhibit 1). Described uncertainty as to what the bond issues would be. Discussed bond issuance date of 2010 as an error, suspects issuance will be further out.

**TAPE 187, SIDE A**

040	Yates	Continued discussion regarding TRF distribution.
042	Yates	Discussed provisions for mass transit vehicle replacement; capacity utilization; and truck engine tax credit.
050	Yates	Called the schedule over-aggressive; first biennium is a little short in revenue generation; there is a surplus in later biennia which reverts back to the general fund.
055		Questions and discussion regarding mass transit replacement.
069	Rep. Verger	Senior and disabled transit was not eliminated in the amendment?
070	Yates	Answered no. Before it was noted as senior and disabled transit for any purpose. Now it is vehicle replacement.

073	Rep. Berger	72% contracts and 58% wages, where do you get those?
078	Yates	Described process used to come close to the figures ODOT had in assessing job impact from expenditures.
088	Rep. Barnhart	What does term "contract factor" mean?
089	Yates	Defined "contract factor" as a percentage of the amount ODOT spends that results in private sector contracts.
094	Yates	Described "Use of Income Tax Revenue", (Page 3, Top, Exhibit 1).
125	Chair Shetterly	Are these engines that would qualify under the pollution control tax credit criteria since there is a reduction?
130	Yates	Not sure, they are engines that will be required to meet or exceed EPA's higher standards proposed for the future. This assists them in substantial expenditures. The tax credit is non-refundable so if the trucking firm does not make a profit, it does not get a check from the state.
144	Yates	Described "Project Selection", (Page 3, Center, Exhibit 1).
167	Rep. Hass	Is there language giving preference to projects that are already in the planning stage, or should there be?
173	Yates	Believes Sections 10 and 39 of the bill require the use of revenues from bonds for select projects to maximize the creation of new jobs and use the private sector to the greatest extent possible. Modernization projects get priority over projects ready for construction.
175	Yates	ODOT shall select projects to maximize new jobs.
181	Chair Shetterly	That language is on page 11, lines 43-45.
183	Rep. Hass	Do you have the -16 amendments?
184	Chair Shetterly	I have those, they have not been distributed.
190	Rep. Farr	Is there language giving consideration or priority to Oregon-based companies?
192	Yates	Did not know what existed in current law; the bill did not address that issue.
195		Discussion providing example ensued.
198		Discussion regarding engine credit.
204	Yates	Discussed "Fees for Local Governments", (Page 3, Bottom, Exhibit 1). Referred Committee to worksheet entitled "HB 2041-7 (HB 2367 Fees), (Page 8, Exhibit 1).
217	Yates	Described "Other Provisions", (Page 4, Top, Exhibit 1).
247	Yates	Described "Issues", (Page 4, Center, Exhibit 1).
271	Yates	Discussed flat fees and a lawsuit by American Trucking Association (ATA) to have the weight mile tax declared unlawful.

290	Yates	Discussed revenue neutrality of flat fees.
310	Mayor Jim Torrey	Spoke in support of HB 2041-A as extremely important. Oregon cites are ready to perform maintenance on city streets immediately. Said bridge issue was extremely important for Eugene and Oregon.
333	Rep. Hass	Technical question regarding a "well-intended amendment" offered by the Speaker. Learned there may be an unintended technical problem with Lake Oswego and Maywood Park. Is that true?
343	Torrey	Deferred to staff from LOC; was under the impression that the issues had been resolved.
335	Andrea Forgue	Understood issue had been resolved, not aware of any unintended consequences.
357	Rep. Hass	Saw the letter, (Exhibit 5) signed by Troutdale, Wood Village, Portland and all the cities and the county involved; but there are portions of Lake Oswego and Beaverton in Multnomah County that would be affected and were not party to that.
362	Forgue	Spoke with Cities of Lake Oswego, Beaverton, and Maywood Park. Those cities were apprised of the meetings and discussions with Multnomah County and east county cities and the City of Portland. Her understanding is the intention of the Speaker was for the conversation to take place specifically with the cities that signed the letter of agreement.
376	Rep. Hass	Is there a reason to keep that language in this bill?
379	Forgue	Her understanding was that it had been resolved. Said it is the legislator's decision; LOC supports the bill and the package moving forward.
412	Susan Schneider	Spoke in support of HB 2041. The Speaker had concerns about a 20 year-old existing agreement between City of Portland and Multnomah County resulting in the proposed language and how it might affect other cities in Multnomah County. Lake Oswego and Beaverton were part of early discussions; Maywood Park was invited, but could not participate. Have met with other cities, result is the letter before the Committee, (Exhibit 5).
423	Rep. Hass	Does that make the language of the bill moot? Is it your recommendation that it be removed or should it remain?
426	Schneider	Believed the language is moot, said it is within the Committee's discretion whether it is left in or taken out.
432	Rep. Hass	Not having heard from Lake Oswego, concerned that there are technical issues which should be taken under consideration.
434	Rep. Verger	Would like to discuss removal of the language; concerned with setting precedent in a statewide package with counties involved in local issues.
450	Ralph Groener	Spoke in support of HB 2041. It is what is lost if this package doesn't pass that is the problem. Referred Committee to Exhibits from ODOT and the economist, the bridge problem could cost the state economy \$123 billion in lost production and jobs in the next 25 years. Cited state needs for major corridors to open the economy, produce jobs and move commerce.

078	Rep. Farr	Would you agree that projects such as a West Eugene parkway that is being stalled, not necessarily by a lack of funds and litigation, would allow a free flow of commerce?
080	Groener	Answered affirmatively, as an advocate of increasing income tax to provide opportunities to increase jobs.
090	Laura Pryor	Spoke in support of HB 2041, (Exhibit 7), Multnomah County is supports the package, discussed neutrality on the -10 amendments. Called transportation package "bridge triage", needed because of deregulation, which allowed heavier trucks on roads/bridges not constructed to accommodate the heavier loads. AOC supports a multi-session transportation funding strategy. Need to deal with system as a whole and address road needs.
131	Chair Shetterly	Cited OTIA funding in the last session.
136	Rep. Mabrey	The -10 amendment, was this proposed by Laura Pryor?
138	Bill Penhollow	Answered affirmatively. This amendment corrects a problem discovered in the special county based allocation provisions.
154	Chair Shetterly	Asked if Penhollow had reviewed amendments with the Governor's office and stakeholders and if they were accepted as technical amendments with no opposition?
156	Penhollow	Answered affirmatively.
160	Darrell Fuller	OHUA has endorsed the package, group primarily interested with getting pavement on roads, cited economic development from transportation projects. Ordinarily OHUA is an information group, and does not take positions on legislation. Spoke in support of 2041 to fix the bridge problem, and is a second step in dealing with Oregon's transportation infrastructure.
187	Kate Richardson.	Paraphrased written testimony on behalf of Randall Edwards, (Exhibit 9), Treasurer.
258	Rep. Brown	Edwards approves of the goals of sequestering the dollars, but doesn't approve of the way they are funded?
284	Richardson	Edwards is not taking a position on the goals, although not opposed to them. Concerned regarding the policy of "capturing income tax" when there are other means to address through the appropriation process.
268	Rep. Brown	If not for this bill and the activity created, those funds would not be there.
271	Richardson	Income tax would be coming into the general fund, but the Legislature can choose to appropriate to fund programs from those same income taxes.
276	Rep. Brown	Assume the other reference is to baseball proposal?
278	Richardson	That is an identification and a grant of income taxes, similar to this proposal. There are other proposals out there; concerned about the trend being set.
278	Chair Shetterly	The Treasurer's concern is that this bypasses the appropriations process.
290	Richardson	The rating agencies have identified our appropriations process as being very flexible. Alabama is dedicating their general fund to certain purposes, reducing their flexibility to respond to changing conditions. That would be our

concern about the trend.

- 306 Rep. Verger Appreciates Treasurer's comments, also has serious concerns on precedent, changing policy and the inflexibility. It changes the process, while the goals may be there, would prefer to see it follow the traditional process.
- 318 Chair Shetterly Said he was not without concerns as well. There is flexibility in that future legislatures could repeal the tax credit?
- 310 Richardson Answered affirmatively. There are still ways to address it. There is a standard process in place. The Treasurer strongly supports the package, this is a small issue, but a policy issue Treasury feels compelled to raise.
- 328 Chair Shetterly. The credit rating agencies have concerns about this trend. Is this likely not to raise concern all by itself?
- 333 Richardson "It's probably difficult to identify exactly when you started down hill, at what point you started slipping down that slope." Could not be sure if the credit agencies would identify this as a concern.
- 352 Jacob Brostoff Supports the -16 amendments, (Exhibit 10), to ensure funding created for transportation projects be used for projects that are ready to move forward. Secondly, strongly object to income tax sequestration as it affects funding for passenger rail, rural transit and medical transportation for the elderly and disabled to fund a tax credit with dubious environmental benefits.
- 387 Rep. Verger Have you been involved in the process?
- 408 Brostoff No, the process has been closed and opaque.
- 423 Brown Asked if Brostoff or Randy were at a meeting in which amendments were reviewed and discussed for several hours?
- 427 Brostoff Answered affirmatively. That was the first meeting attended. Clarified he was referring to the process prior to the meeting Rep Brown mentioned.
- 435 Chair Shetterly They weren't included until they were included.
- 436 Brostoff That's a fair statement.
- 442 Matt Blevins Not opposed to the package, but wanted to raise some concerns over the tax credit for diesel engines. Would like to see cleaner diesel engines which the EPA is requiring next year. Questioned the need for a tax credit when in a fiscal crunch, when these engines are already required under law.
- 488 Chair Shetterly Meeting adjourned at 10:55 a.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant

Exhibit Summary:

1. Yates, "HB 2041-A Provisions" 8 pages
2. Yates, "Staff Measure Summary HB 2041-A", 2 pages
3. Yates, "Revenue Impact HB 2041-A", 2 pages
4. Yates, "ODOT Memorandum from Joan Plank: Triple Trailer Trucks", 3 pages
5. Yates, "Agreement regarding HB 2041-A by Cities of Portland", 1 page
6. Yates, "HB 2041-A10 Amendments", 1 page
7. Yates, "HB 2041-A14 Amendments", 1 page
8. Pryor, "Testimony HB 2041", 1 page
9. Richardson, "Testimony of Randall Edwards, Treasurer", 2 pages
10. Brostoff, "HB 2041-A16 Amendments", 1 page