

SENATE REVENUE COMMITTEE
JUNE 2, 2003 1:00 PM STATE CAPITOL BUILDING

Members Present: Senator Ryan Deckert, Chair
Senator Ted Ferrioli, Vice Chair
Senator Tony Corcoran
Senator Charlie Ringo
Senator Bruce Starr

Members Excused: Senator Lenn Hannon

Witnesses Present: Senator Frank Morse, District 8
Senator Ginny Burdick, District 18
Kate Richardson, State Treasurer's Office
Senator Kate Brown, District 21
Laurie Wimmer Whelan, Oregon Education Association
Lynn Lundquist, Oregon Business Association

Staff Present: Paul Warner, Legislative Revenue Office
Tara Lantz, Committee Assistant

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003 Chair Deckert Calls meeting to order at 1:35 pm.

OPENS PUBLIC HEARING ON SJR 2 AND SB 5

045 Paul Warner Explains SJR 2-2 amendments (Exhibit 1), which replaces the bill and amends the constitution to direct the corporate and personal surplus kicker revenue into a reserve fund if revenue from either or both of these sources exceed the close of regular legislative session estimate by more than 1%. Refer to staff measure summary (Exhibit 2) and the 2% surplus kicker history (Exhibit 3). Explains SB 5, which establishes General Fund Operating Reserve Fund upon passage of SJR 2. Refer to staff measure summary (Exhibit 4).

089 Sen. Deckert Asks if refunds would have been issued in 1997 and 1999 under this bill.

094 Warner Responds that refunds would have been issued in 1997 but not 1999.

100 Sen. Ringo Asks what would happen if the revenues exceeded estimates by less than 1%.

105 Warner Responds that it stays in the general fund and carries forward to the next year as a beginning balance.

115 Sen. Morse Testifies in support of SJR 2 and SB 5 because it is good public policy from a business standpoint and would create stable funding. Discusses growth of spending in Oregon and unfunded mandates which have caused the current fiscal crisis. Refer to written testimony (Exhibit 4).

375 Sen. Morse Discusses poll done on May 18-19, which determined that the majority of people were in favor changing the kicker law regardless of political party, geographic location, age, and gender. Refer to written testimony (Exhibit 4).

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003	Sen. Deckert	Asks if the poll tested the negative opinion that the legislature was stealing money.
009	Sen. Morse	Responds that they did not, but states that people want a change and that he believes they will pass it if referred to them.
029	Sen. Burdick	Testifies in support of SJR 2 and SB 5 because Oregon is economically unstable and needs stability fund. States that there is a misperception that the kicker is an overpayment of taxes, when in reality it is a refund. Points out that these bills keep the discipline of not spending excess revenues, but create a rainy day fund for a future time.
150	Sen. Corcoran	Expresses concern over the 2/3 required majority because the super majority needed to raise revenues is currently preventing the legislature from tax reform, which is greatly needed. States that it doesn't deal with the volatility of over-dependence on income taxes.
181	Sen. Morse	Explains that the refunds will not be issued until the excess revenue reaches 10 percent and that anything less than that and above 1 percent will go into the reserve fund.
200	Sen. Corcoran	Asks if people who had retired would benefit from the tax dollars spent once the fund reached ten percent.
206	Sen. Morse	Responds that the return would be for those that filed the previous year.
210	Warner	Responds that it would be distributed based on liability for the prior year.
217	Sen. Deckert	Asks how Sen. Morse arrived at the 10 percent cap on the reserve fund.
223	Sen. Morse	Responds that he compared other states policies and that the total of 15 percent is adequate and reasonable.
257	Sen. Deckert	Asks for Sen. Morse's opinion on the super majority.
264	Sen. Morse	Responds that the super majority is a good idea in order to gain the trust of the people so that the majority will vote for the bill.
274	Sen. Ringo	States that this will decrease Oregon's over-reliance on the income tax.
280	Sen. Corcoran	Asks how this helps the volatility of the income tax.
283	Sen. Ringo	Responds that it lessens the impact of the volatility. States that he is not concerned about the 2/3 majority vote because in the past the legislature has had no problems raiding funds. Asks whether there was consideration to change the definition of funds to be included in the kicker calculation including capital gains and whether that would require a constitutional amendment.
296	Warner	Responds that there was a proposal that would have done that but this one leaves the calculation as in.
312	Sen. Ringo	Asks if it would take a constitutional amendment to take capital gains out of the kicker calculation.
315	Warner	Responds that he believes it would.

- 330 Sen. Ferrioli Asks how this proposal differs from SB 102, which was voted down on the Senate floor.
- 346 Burdick Responds that SB 102 had a very rigid spending cap which was arbitrary.
- 358 Sen. Ferrioli Asks if Sen. Morse is saying that the consequences Oregon is in today is driven by the voter initiative.
- 372 Sen. Morse Responds that two out of three major policies have been driven by voter initiative, which transfers funding to the general fund and has an impact on rate of growth of state spending.

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- 001 Sen. Ferrioli States that he believes that runaway spending in the legislature was the cause of the increase in initiatives. Declares that he doesn't see a great support to repeal initiatives and believes that people understood the consequences of their actions when passing them. Expresses concern that people will suspect that projections will be purposely low in order to build up the rainy day fund.
- 056 Sen. Morse Responds that he tried to put in context because there is validity to the amount of funding required because of the initiatives that has increased spending. States that they have reached the point where there are no programs to eliminate and they must be funded at a stable level.
- 084 Sen. Ferrioli States that he sees the initiative process as reducing spending by reducing available revenues. Asks if Sen. Morse feels that the legislature needs to reform the initiative process.
- 102 Sen. Morse Responds that he doesn't want to lose focus of the issue because it is not germane to the issue, but that he believes the process is flawed.
- 116 Sen. Ferrioli States that it is germane because the kicker was adopted through the initiative process and that this bill says that voters didn't understand the consequences of their actions and that the legislature knows better.
- 128 Sen. Burdick Responds that they are not saying voters did anything wrong, but that this is a different environment now and that voters should be given the option to continue getting their kicker checks when times are good and continue cutting programs when times are bad. Declares that it is the legislature's job to address problems.
- 164 Sen. Morse States that the success of any organization lies in its ability to adapt to changing conditions and that the voters should be given the opportunity to reevaluate the conditions. Points out that Oregon is average in the number of public employees vs. population.
- 180 Sen. Ferrioli States that the legislature's earlier to attempt to create a stability fund have not been successful in this environment and that this would create a temporary repository before being used for general fund purposes.
- Discussion follows.
- 220 Kate Richardson Testifies in support of SJR 2 and SB 5 because the kicker law has been a primary factor in the lowering of Oregon's credit rating. Discusses amendments making technical changes to mirror the Constitutional language of the Common School Fund and Education Stability Fund.

- 308 Sen. Deckert Asks for the amendments by Wednesday so that they can move the bills and suggests that the Treasurer meet with members who are undecided about the bills.
- 315 Sen. Brown Testifies in support of SJR 2 because lacking tax reform, it would be one way to create stability. Refer to written testimony (Exhibit 6). Discusses suggestions made by Rep. Earl Blumenauer in limiting the raiding of the stability fund.

Discussion follows.
- 375 Laurie Wimmer
Whelan Testifies in support of SJR 2 and SB 5 because it is prudent fiscal management and that stability is important for adequacy of school funding. States that a revised kicker law is the next best thing to no kicker law.

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- 009 Lynn Lundquist Testifies in support of SJR 2 and SB 5 because it is an opportunity to take a flawed law and turn it into something positive. Discusses why the kicker is a flawed law. Questions whether 10 percent is adequate and whether the 2/3 majority is a good idea.
- 058 Sen. Corcoran Asks for the position from other business organizations.
- 060 Lundquist Responds that he doesn't know.
- 062 Sen. Deckert States that he will bring the bills back on Wednesday.

CLOSES PUBLIC HEARING ON SJR 2 AND SB 5

- 069 Sen. Deckert Adjourns meeting at 3:00 pm.

Tape Log Submitted by,

Tara Lantz, Committee Assistant

Exhibit Summary:

1. SJR 2, Paul Warner, Proposed SJR 2-2 Amendments, 4pp.
2. SJR 2, Paul Warner, Staff Measure Summary, 1p.
3. SJR 2, Paul Warner, 2% Surplus Kicker History, 2pp.
4. SB 5, Paul Warner, Staff Measure Summary, 1p.
5. SJR 2 & SB 5, Sen. Morse, Written Testimony, 8pp.
6. SJR 2, Sen. Brown, Written Testimony, 1p.