

SENATE REVENUE COMMITTEE
JUNE 30, 2003 1:00 PM STATE CAPITOL BUILDING

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

Members Excused: Senator Lenn Hannon

Witnesses Present: Andi Jordan, Oregon PTA
Andy Saultz, Oregon Student Association
Chris Dudley, Oregon School Board Association
Ozzie Rose, Confederation of Oregon School Administrators
Carol Robinson, Coalition for School Funding Now
Lynn Lundquist, Oregon Business Association
Michael Slater, SEIU-Local 503
Tina Kotek, Children First for Oregon
Phillip Kennedy-Wong, Ecumenical Ministries of Oregon
Senator Kurt Schrader, District 20
Kristina McNitt, Oregon Small Woodlands Association
Clint Bentz, Small Woodland Owner

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

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003 Chair Deckert Calls meeting to order at 1:16 pm.

OPENS WORK SESSION ON HB 2041

039 Dick Yates Gives overview of the major provisions of HB 2041, beginning with bonds and annual taxes and fees. Refer to HB 2041 Overview (Exhibit 1) and staff measure summary (Exhibit 2).

168 Yates Continues with discussion on income tax capture and the truck engine tax credit.

284 Sen. Deckert Asks if this bill favors dump trucks.

286 Yates Responds that they are favoring them, but not by a large amount.

295 Sen. Ferrioli Asks how many long haul dump trucks there are doing interstate commerce.

297 Yates Responds that he doesn't know.

299 Sen. Ferrioli States that there are none because it is assumed that they are locally owned facilities doing short haul projects and that is why dump trucks pay less.

308 Yates Responds that he doesn't believe that to be the case. Discusses estimates of

the income tax capture.

370 Sen. Starr MOTION: MOVES HB 2041 B TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.

375 Sen. Deckert ORDER: ROLL CALL VOTE: MOTION PASSES: 5-0-1.
SENATORS ANSWERING AYE: CORCORAN, RINGO, STARR, FERRIOLI,
DECKERT.
SENATOR EXCUSED: HANNON.
Sen. Metsger and Sen. Starr will carry the bill on the Senate Floor.

CLOSES WORK SESSION ON HB 2041

OPENS PUBLIC HEARING ON HB 2747 B

420 Andi Jordan Testifies in support of adequate and stable school funding. Refer to written testimony (Exhibit 5).

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017 Andy Saultz Testifies in support of HB 2747–B8 amendments because it would stabilize Oregon’s tax structure and set up a dedicated source of funding for k-12, in turn allowing other programs in the General Fund to thrive, such as Opportunity Grants. Refer to written testimony (Exhibit 6).

052 Chris Dudley Testifies in support of HB 2747-B8 amendments because Oregon is over reliant on the volatile income tax and needs tax reform in order to keep Oregon the kind of place people want to live in. Discusses previous achievements of Oregon schools and the downturn they are facing. Refer to Public Education in Oregon (Exhibit 7). Discusses unfunded federal mandates for schools.

089 Sen. Starr Asks how much federal funds flows into Oregon for education.

093 Dudley Responds that he doesn’t know.

095 Sen. Starr Suggests that the No Child Left Behind Act might not be completely funded but there are significant federal funds flowing into Oregon for education.

098 Dudley Responds that he will get information about funds dedicated for certain acts inside the federal agenda describing why the money is not adequate for the outcomes expected. Points out that Oregon is lucky because they set up high standards and requirements early on.

122 Sen. Deckert Asks if reform should come from the Legislature or from citizens.

128 Jordan Responds that members of the PTA believe the Legislature should because that is what they were elected to do.

136 Saultz Responds that they haven’t directly talked about this, but that he favors a decision in this building because tuition is being decided right now and they need a decision as soon as possible in order to keep tuition down in the fall.

143 Dudley Responds that it has to be both because if one group supports tax reform and another opposes it, mixed messages will be sent and the measure will fail.

179 Ozzie Rose Testifies in support of HB 2747-B8 amendments because a consumption tax of some sort needs to be added to current tax system to balance the system and adequately fund schools. States that the Legislature needs to look at

information provided, write a proposal that will help the Oregon economy, and provide information to the public so they will be able to make informed decisions.

297 Carol Robinson Testifies in support of HB 2747-B8 amendments because Oregon citizens can't wait any longer for stable and adequate school funding and as voters have elected the legislature and the Governor to do the job. Refer to verbatim written testimony (Exhibit 8).

375 Lynn Lundquist Testifies in support of tax reform and states that the Legislature needs to put forth the best plan possible in order for it to have a chance to succeed. Suggests using the Business Activity Tax as part of the package and that if the Legislature cannot stay here for a significant amount of time, that they come back immediately after the session ends and continue to hold hearings. Discusses the impacts of Measure 5 on the share of taxes paid by businesses.

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060 Sen. Ringo Asks if the current tax structure is unfriendly to business.

062 Lundquist Responds that it is not *unfriendly*, but there are ways to improve the system to make it friendlier.

066 Sen. Ringo Asks if the high personal income tax rate is an incentive for owners of business to locate in other states.

072 Lundquist Responds affirmatively.

075 Sen. Ringo Asks if OBA has taken a hard look at the business activity tax.

077 Lundquist Responds negatively, but states that they will when the time is necessary.

082 Sen. Ringo States that some legislators believe that the question of revenue reform should be addressed after the close of session and that others believe they need the pressure of session on them to do that work and that if OBA believes in the latter they need to submit their position as soon as possible.

088 Lundquist Responds that they have a hard time believing that the heat comes off once the session ends.

103 Sen. Ringo Encourages OBA to start working on this and give their opinion as soon as possible so that the Legislature knows where they stand.

105 Lundquist Responds that OBA will be there in support of whatever the Legislature decides to do.

111 Sen. Corcoran Asks if OBA is working with anyone outside the building to look at

112 Lundquist Responds affirmatively.

113 Sen. Corcoran Asks who they are working with.

115 Lundquist Responds that he can't say, but they have been working with a group of people for over a year.

131 Michael Slater Testifies in support of HB 2747-B8 because Oregon needs comprehensive tax reform and that now is the time to do it in the Legislature. Offers support for a broad based consumption tax such as Sen. Schrader's proposal.

164	Tina Kotek	Testifies in support of HB 2747-B8 amendments because Oregon needs tax reform and more stability and adequacy. States that people need short term solutions and long term reform.
204	Phillip Kennedy-Wong	Testifies in support of HB 2747-B8 amendments because the time for tax reform is now. States that churches have been forced to turn people in need away and that services need to be restored.
267	Paul Warner	Discusses the Oregon Tax Incidence Model and the results of the business activity tax using the model. Refer to OTIM Results (Exhibit 9).
404	Sen. Corcoran	States that it seems like the group that benefits the most is the highest income earners.
406	Warner	Responds affirmatively and continues discussion.

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020	Sen. Schrader	Expresses appreciation for hearing about the need for tax reform. Requests that a work group be formed to help him refine and move the proposal along.
036	Sen. Deckert	Responds that he would like to form a work group and bring the proposal back in a week.
039	Sen. Corcoran	Asks why they wouldn't combine this with the work of the joint revenue task force.
043	Sen. Schrader	Responds that he is open to that approach. Discussion follows.
058	Sen. Deckert	States that he would prefer an informal work group be formed and that Sen. Ringo and Sen. Starr might be interested in working on the proposal.

CLOSES PUBLIC HEARING ON HB 2747 B

OPENS WORK SESSION ON HB 2188

070	Yates	Explains the -1 amendments (Exhibit 10) which resolve conflicts that arose from the passage of HB 2197 and the -4 amendments (Exhibit 12), which creates a new application process for continuing qualification of the 20-80 deferral program.
121	Kristina McNitt	Explains the policy behind the -4 amendments, which was to prevent gaming of the 20-80 deferral program created in HB 2197.
136	Clint Bentz	Testifies in support of the -4 amendments because it prevents gaming of the 20-80 deferral program, while allowing land owners who do not game the system to benefit.
163	Sen. Ringo	Asks whether this would allow any type of gaming by transferring to shelters.
166	Bentz	Responds negatively.
179	Sen. Ringo	Asks if there is a revenue impact with this amendment.
181	Yates	Responds negatively.

185	Sen. Ringo	Asks what the original bill does.
188	Yates	Responds that it began as cleaning up obsolete language, but once HB 2197 was passed, they had to change the language to resolve conflicts with the -1 amendments and the -4 amendments were proposed to solve the problem of gaming the system.
220	Sen. Starr	MOTION: MOVES HB 2188-1 AMENDMENTS DATED BE ADOPTED.
224	Sen. Deckert	ORDER: HEARING NO OBJECTION, MOTION PASSES: 4-0-2. SENATORS EXCUSED: CORCORAN, HANNON.
227	Sen. Starr	MOTION: MOVES HB 2188-4 AMENDMENTS DATED 6/30/03 BE ADOPTED.
232	Sen. Deckert	ORDER: HEARING NO OBJECTION, MOTION PASSES: 4-0-2. SENATORS EXCUSED: CORCORAN, HANNON.
236	Sen. Starr	MOTION: MOVES HB 2188 TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.
240	Sen. Deckert	ORDER: HEARING NO OBJECTION, MOTION PASSES: 4-0-2. SENATORS EXCUSED: CORCORAN, HANNON. Sen. Ferrioli will carry the bill on the Senate Floor.
245	Sen. Deckert	Adjourns meeting at 2:53 pm.

Tape Log Submitted by,

Tara Lantz, Committee Assistant

Exhibit Summary:

1. HB 2041 B, Dick Yates, HB 2041 Overview, 1p.
2. HB 2041 B, Dick Yates, Staff Measure Summary, 2pp.
3. HB 2041 B, Dick Yates, Revenue Impact Statement, 2pp.
4. HB 2041 B, Dick Yates, Fiscal Impact Statement, 3pp.
5. HB 2747 B, Andi Jordan, Written Testimony, 1p.
6. HB 2747 B, Andy Saultz, Written Testimony, 1p.
7. HB 2747 B, Chris Dudley, Public Education in Oregon, 4pp.
8. HB 2747 B, Carol Robinson, Written Testimony, 2pp.
9. HB 2747 B, Paul Warner, OTIM Results, 3pp.
10. HB 2188, Dick Yates, Proposed HB 2188-1 Amendments, 34pp.
11. HB 2188, Dick Yates, ORS Sections Amended by HB 2188-1, 3pp.
12. HB 2188, Kristina McNitt, Proposed HB 2188-3 Amendments, 4pp.
13. HB 2188, Kristina McNitt, Proposed HB 2188-4 Amendments, 4pp.