

SENATE REVENUE COMMITTEE
August 25, 2003 2:00 PM STATE CAPITOL BUILDING

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

Witnesses Present: Marcia Kelley, League of Women Voters
Bruce Bishop, Oregon Association of Hospitals and Health Systems
Gwen Dayton, Oregon Association of Hospitals and Health Systems
Erinn Kelley-Siel, Governor's Office
Lynn Read, Department of Human Services

Staff Present: Paul Warner, Legislative Revenue Office
Lizbeth Martin-Mahar, Legislative Revenue Office
Tara Lantz, Committee Assistant

TAPE 176, SIDE A

004 Chair Deckert Calls meeting to order at 2:27 pm.

OPENS PUBLIC HEARING ON HB 3183 A

015 Lizbeth Martin-Mahar Explains the -A14 amendment, which modifies the single sales corporate apportionment formula and increases the maximum payroll tax rate for mass transit districts (Exhibit 1), and discusses the revenue impact (Exhibit 2). Discusses the modified single sales factor apportionment and the impact on different industries (Exhibit 3).

070 Sen. Corcoran Asks for clarification on the winners and losers under the single sales apportionment formula.

077 Martin-Mahar Responds that it is the companies that don't have the property and payroll in Oregon that end up paying more. Explains the -A15 amendment, which includes the research and development credit (Exhibit 4), and discusses the revenue impact (Exhibit 5).

122 Sen. Metsger Asks for clarification on the net change in revenue.
Discussion follows.

134 Marcia Kelley Testifies in opposition to HB 3183 A because tax credits that go into effect in future biennia should not be passed until tax reform has been addressed.

CLOSES PUBLIC HEARING ON HB 3183 A

OPENS PUBLIC HEARING ON HB 2747 B

180 Bruce Bishop Testifies in support of the -B15 amendments (Exhibit 6), which creates a hospital provider tax, because it will allow the same providers to access to

federal funds to maintain the Oregon Health Plan.

- 232 Sen. Metsger Asks about the advantages for this legislation.
- 240 Bishop Responds that it is not only an appropriate step for health policy reasons and fiscal reasons but most importantly for the healthcare needs of low-income Oregonians.
- 263 Sen. Deckert Asks for a dollar figure associated with the federal funds that this would bring in.
- 266 Bishop Gives an estimate of \$77 million in state resources and \$115-\$120 million in federal resources.
- 280 Sen. Deckert Asks what the mechanics are for assessing the hospital tax.
- 282 Dayton Responds that hospitals will be asked to complete a form that gives the Department the information they need to determine the amount of the assessment.
- 296 Sen. Nelson Asks if this money is on top of the \$275 million that was in the Human Resources budget.
- 300 Bishop Responds affirmatively and explains that the Human Services budget did not include a hospital benefit.
- 305 Sen. Nelson Asks if there is any provision in the bill to help health clinics in rural areas.
- 312 Bishop Responds that this bill is targeted to hospital care.
- 316 Sen. Nelson Asks if there has been any discussion on the inclusion of other health care providers.
- 322 Bishop Responds that the funds that are available here will go for the purposes of hospital payments.
- 329 Sen. Starr Clarifies that this would allow hospitals to tax themselves in order to receive federal funds.
- 332 Bishop Agrees with Sen. Starr.
- 349 Erinn Kelley-Siel Testifies in support of the –B15 amendments because it will generate approximately \$57 million in state resources to increase capitation rates for Medicaid managed care organizations and to provide an emergency hospital benefit to the Oregon Health Plan standard population. Discusses the hospital assessment.

TAPE 177, SIDE A

- 001 Sen. Nelson Asks if the rural providers would qualify for funds.
- 004 Lynn Read Responds that it would benefit any clinic where someone that was otherwise uninsured could access care.
- 011 Sen. Nelson States that health care is an integrated system and it seems like everyone would benefit. Asks about the language change in this bill.
- 023 Martin-Mahar Responds that it is the language in the original version on the House that didn't get incorporated into HB 2152.

- 026 Sen. Deckert Asks how the PACE got deleted from HB 2152.
- 030 Kelley-Siel Responds that the PACE program is a hybrid program and it isn't sure how the federal government will view it.

CLOSES PUBLIC HEARING ON HB 2747 B

- 056 Sen. Deckert RECESSES UNTIL 4:00 PM
- 057 Sen. Deckert REOPENS MEETING AT 4:44 PM

OPENS WORK SESSION ON HB 3183 A

- 062 Sen. Starr MOTION: MOVES HB 3138-A15 AMENDMENTS DATED 8/25/03 BE ADOPTED.
- 068 Sen. Deckert ORDER: ROLL CALL VOTE: MOTION PASSES: 5-0-3.
SENATORS ANSWERING AYE: METSGER, RINGO, STARR, FERRIOLI, DECKERT.
SENATORS EXCUSED: CORCORAN, HANNON, NELSON.
- 073 Sen. Starr MOTION: MOVES HB 3183A TO THE SENATE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.
- 075 Sen. Ringo Clarifies that the amendment adopted includes the R&D credit, the single sales factor apportionment, and the mass transit payroll tax increase.

Discussion follows.
- 082 Sen. Metsger States that this is a reasonable package and that the mass transit portion is a huge opportunity. Discusses the single sales apportionment and the R&D credit and states that they are much more responsible in this version.
- 118 Sen. Deckert ORDER: ROLL CALL VOTE: MOTION PASSES: 6-0-2.
SENATORS ANSWERING AYE: METSGER, NELSON, RINGO, STARR, FERRIOLI, DECKERT.
SENATORS EXCUSED: CORCORAN, HANNON.
Sen. Deckert will carry the bill on the Senate Floor.

OPENS WORK SESSION ON HB 2747 B

- 125 Martin-Mahar Reviews the -15 amendments (Exhibit 6) and discusses the revenue impact (Exhibit 7). Discusses the -16 amendments (Exhibit 8) and discusses the revenue impact (Exhibit 9). Discusses current and law and recent changes in federal estate tax law (Exhibit 10) and gives estate examples (Exhibit 11).
- 249 Martin-Mahar Explains the -B20 amendments (Exhibit 12) which are the same as SB 313 and provides a \$2 million credit. Explains the -B18 amendments (Exhibit 13).
- 269 Debra Buchanan Testifies that there needs to be a fix to the estate tax. Gives history of the estate tax in Oregon.
- 335 Sen. Corcoran Asks Mr. Sheketoff to speak on the estate tax.
- 343 Chuck Sheketoff Agrees with the Department of Revenue that the statute needs to be cleaned up but disagrees that they need to connect to 2002 federal law.

394	Sen. Corcoran	Asks if the fix for the Department of Revenue is contained with the hospital piece.
396	Sen. Deckert	Responds that they are separate amendments.
402	Sen. Corcoran	Asks if this will hurt or help.
406	Sheketoff	Responds that he does not know what it will do for the future but that it would get rid of the uncertainty.
410	Buchanan	Responds that it will fix the prior years.
415	Sen. Corcoran	Asks if they have to tie in with the federal government.
420	Buchanan	Responds that the federal exclusion amount is increasing to \$3.5 million and the amendment is capped at \$1.5 million.
		Discussion follows.

TAPE 176, SIDE B

022	Veronica Rinard	Testifies in support of the –B20 amendments, which are the same as SB 313, but don't have a revenue impact until the next biennium.
032	Sen. Deckert	Asks if the House chair is okay with the amendments.
035	Rinard	Responds affirmatively.
039	Howard Lavine	Testifies that the Governor strongly supports the amendment.
050	Sen. Deckert	Asks if they will still be able to draw films to Oregon even though the credit won't begin until 2005.
052	Lavine	Responds that they will have to use other mechanisms such as reserve funds until then.
055	Rinard	Discusses film that was brought to Oregon using a method similar to the credit program and states that having that to use in the future is a marketing tool.
067	Sen. Deckert	States that the –B15, –B16, –B18, and –B20 amendments are in play.
070	Sen. Ferrioli	States that they would move the –B17 amendments if he wants to.
073	Sen. Deckert	Responds that he wants to but he doesn't want to decrease the chance of passage of the bill.
083	Sen. Starr	MOTION: MOVES HB 2747-B15 AMENDMENTS DATED 8/23/03 BE ADOPTED.
083	Sen. Deckert	ORDER: ROLL CALL VOTE: MOTION PASSES: 6-0-2. SENATORS ANSWERING AYE: CORCORAN, METSGER, NELSON, STARR, FERRIOLI, DECKERT. SENATORS EXCUSED: HANNON, RINGO.
090	Sen. Starr	MOTION: MOVES HB 2747-B16 AMENDMENTS DATED 8/25/03 BE ADOPTED.
093	Sen. Deckert	ORDER: ROLL CALL VOTE: MOTION PASSES: 5-1-2.

SENATORS ANSWERING AYE: CORCORAN, METSGER, NELSON,
STARR, DECKERT.
SENATOR ANSWERING NO: FERRIOLI.
SENATORS EXCUSED: HANNON, RINGO.

- 100 Sen. Starr MOTION: MOVES HB 2747-B20 AMENDMENTS DATED 8/25/03 BE ADOPTED.
- 103 Sen. Deckert ORDER: ROLL CALL VOTE: MOTION PASSES: 5-1-2.
SENATORS ANSWERING AYE: CORCORAN, METSGER, NELSON,
STARR, DECKERT.
SENATOR ANSWERING NO: FERRIOLI.
SENATORS EXCUSED: HANNON, RINGO.
- 110 Sen. Ferrioli MOTION: MOVES HB 2747-B18 AMENDMENTS DATED 8/25/03 BE ADOPTED.
- 113 Sen. Starr States that he did not vote for HB 2152 but he will support this because it is just a technical change.
- 116 Sen. Ferrioli States that he also did not support HB 2152 but will support this.
- 120 Sen. Deckert ORDER: ROLL CALL VOTE: MOTION PASSES: 6-0-2.
SENATORS ANSWERING AYE: CORCORAN, METSGER, NELSON,
STARR, FERRIOLI, DECKERT.
SENATORS EXCUSED: HANNON, RINGO.
- 125 Sen. Corcoran MOTION: MOVES HB 2747 TO THE SENATE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.
- 130 Sen. Deckert ORDER: ROLL CALL VOTE: MOTION PASSES: 6-0-2.
SENATORS ANSWERING AYE: CORCORAN, METSGER, NELSON,
STARR, FERRIOLI, DECKERT.
SENATORS EXCUSED: HANNON, RINGO.
Sen. Winters will carry the bill on the Senate Floor.

CLOSES WORK SESSION ON HB 2747 B

- 135 Sen. Deckert Adjourns meeting at 5:17 pm.

Tape Log Submitted by,

Tara Lantz, Committee Assistant

Exhibit Summary:

1. HB 3183, Sen. Deckert, Proposed HB 3183-A14 Amendments, 2pp.
2. HB 3183, Lizbeth Martin-Mahar, Revenue Impact for –A14 Amendments, 1p.
3. HB 3183, Lizbeth Martin-Mahar, Summary of Increase in Sales Factor, 7pp.
4. HB 3183, Sen. Deckert, Proposed HB 3183-A15 Amendments, 2pp.
5. HB 3183, Lizbeth Martin-Mahar, Revenue Impact for –A15 Amendments, 2pp.
6. HB 2747, Rep. Patridge, Proposed HB 2747-B15 Amendments, 21pp.
7. HB 2747, Lizbeth Martin-Mahar, Revenue Impact for –B15 Amendments, 3pp.

8. HB 2747, Lizbeth Martin-Mahar, Proposed HB 2747-B16 Amendments, 9pp.
9. HB 2747, Lizbeth Martin-Mahar, Revenue Impact for –B16 Amendments, 1p.
10. HB 2747, Lizbeth Martin-Mahar, Current Law and Recent Changes in Federal Estate Tax Law, 2pp.
11. HB 2747, Lizbeth Martin-Mahar, Estate Tax Examples, 1p.
12. HB 2747, Veronica Rinard, Proposed HB 2747-B20 Amendments, 6pp.
13. HB 2747, Lizbeth Martin-Mahar, Proposed HB 2747-B18 Amendments, 5pp.
14. HB 2747, Sen. Deckert, Proposed HB 2747-B17 Amendments 8pp.
15. HB 2747, Lizbeth Martin-Mahar, Revenue Impact for –B17 Amendments, 1p.

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