

**HOUSE SPECIAL SESSION COMMITTEE ON BUDGET**  
**Second Special Session**

February 25, 2002 Hearing Room F  
10:15 a.m. Tapes 1 - 2

**MEMBERS PRESENT:** Rep. Ben Westlund  
Rep. Jan Lee  
Rep. Susan Morgan  
Rep. Kurt Schrader  
Rep. Lane Shetterly

**STAFF PRESENT:** Susan Jordan, Senior Legislative Analyst  
John Britton, Senior Legislative Analyst  
Larry Niswender, Principal Legislative Analyst  
Steve Meyer, Legislative Revenue Office  
Paul Warner, Legislative Revenue Officer  
Cindy Hunt, Legislative Counsel  
Robin LaMonte, Senior Legislative Analyst  
Annetta Mullins, Committee Assistant

**MEASURE/ISSUES HEARD:** Adoption of Committee Rules  
Introduction of Committee Measures  
LC 6 - stores operated by OLC  
LC 14 - omnibus disappropriations  
LC 16 - School Improvement Fund  
LC 18-1 - Lottery Fund allocations  
LC 31 - ballot materials (HJR 75)  
LC 32 - ballot materials (HJR 76)  
LC 33 - rescind SJR 50; revise Constitution  
LC 34 - rescind SJR 50; amend Constitution  
LC 35 - tobacco settlement  
LC 35-1 - tobacco settlement  
LC 37 - 9-1-1 telecommunications tax  
LC 41 -dental services  
LC 42 - omnibus program changes  
LC 9082 - state financial administration  
LC 9083 - state financial administration  
LC 9084 - state financial administration  
Public Hearing and Work Session  
HB 4028  
HB 4029  
HB 4030  
HB 4035  
HB 4036  
HB 4031  
HJR 75  
HB 5081

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These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

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TAPE/#	Speaker	Comments
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TAPE 1, A

004 Chair Westlund Calls meeting to order at 11:02 a.m. and opens a work session for the purpose of adoption of rules and introduction of measures.  
Explains committee process during the special session.

**ADOPTION OF COMMITTEE RULES – WORK SESSION**

020 Rep. Lee **MOTION: Moves to ADOPT the proposed Committee Rules (EXHIBIT A).**  
**VOTE: 5-0**  
Chair Westlund **Hearing no objection, declares the motion CARRIED.**

**INTRODUCTION OF MEASURES - WORK SESSION**

028 Adrienne Sexton LFO. Reads list of legislative counsel drafts for consideration for introduction:  
LC – 6 – stores operated by OLCC, introduced as HB 4028,  
LC 14 – omnibus disappropriations, introduced as HB 5080,  
LC 16 – School Improvement Fund, introduced as HB 4036,  
LC 18-1 – Lottery Fund allocations, introduced as HB 5081,  
LC 31 – ballot materials (HJR 75, introduced as HB 4031,  
LC 32 – ballot materials (HJR 76), introduced as HB 4032,  
LC 33 – rescind SJR 50; revise Constitution, introduced as HJR 75,  
LC 34 – rescind SJR 50; amend Constitution, introduced as HJR 76,  
LC 35 – tobacco settlement, introduced as HB 4033,  
LC 35-1 – tobacco settlement, introduced as HB 4034,  
LC 37 – 9-1-1 telecommunications tax, introduced as HB 4030,  
LC 41 – dental services, introduced as HB 4029,  
LC 42 – Omnibus program changes, introduced as HB 4035,  
LC 9082 – state financial administration, introduced as HB 5082,

LC 9083 – state financial administration, introduced as HB 5083, and

LC 9084 – state financial administration, introduced as HB 5084.

- 059            **Rep. Shetterly**            **MOTION: Moves that the list of Legislative Counsel drafts as read by staff. BE INTRODUCED as committee measures.**
- 059            **Chair Westlund**            **VOTE: 5-0-0**  
**Hearing no objection, declares the motion CARRIED.**
- 068            Chair Westlund            Recesses meeting at 11:05 a.m.
- 072            Chair Westlund            Reconvenes the meeting at 4:50 p.m.
- Chair Westlund            Opens a public hearing on HB 4028.

#### **HB 4028 - PUBLIC HEARING**

- 079            Chair Westlund            Determines there is no one wishing to testify on HB 4028. Closes the public hearing and opens a work session.

#### **HB 4028 - WORK SESSION**

- 082            Susan Jordan            LFO. Submits Fiscal Impact statement and Staff Measure Summary (**EXHIBIT B**). Explains that HB 4028 allows sale of liquor on Sunday and changes the distribution formula for 2001-03. The change in the bill from the last special session is that HB 4028 has an emergency clause.
- 092            **Rep. Morgan**            **MOTION: Moves HB 4028 to the floor with a DO PASS recommendation.**
- 098            Rep. Shetterly            Comments that there was some interest in having it clearly stated on the record that the bill creates a permissive option and it is not a mandatory requirement that the liquor stores be open on Sunday or other days.
- 106            Chair Westlund            Agrees it is permissive, not mandatory language.

107                      **Chair**  
**Westlund**                      **VOTE: 4-0-1**  
**EXCUSED: 1 - Schrader**  
**Hearing no objection, declares the**  
**motion CARRIED.**  
**Rep. Lee will lead discussion on the**  
**Floor.**

109                      Chair  
Westlund                      Opens a public hearing on HB 4029.

**HB 4029 - PUBLIC HEARING**

117                      Chair  
Westlund                      Determines there is no one wishing to testify on HB 4029. Closes the public hearing and opens a work session on HB 4029.

**HB 4029 - WORK SESSION**

119                      John Britton                      LFO. Submits Staff Measure Summary, Fiscal Impact Statement, and the HB 4029-1 amendments **(EXHIBIT C)**. Explains that HB 4029 is necessary to reduce adult dental benefits for the new eligibles or non-categorical eligibles in the Oregon Health Plan. A bill was passed during the last special session and it has been modified to clean up some unintended things. The HB 4029-1 amendment is language received from Oregon Medical Assistance Program (OMAP) and been agreed to by Rep. Hayden.

151                      Jim Bunn                      Northwest Dental Services. States that the bill as amended would do virtually and exactly what was the intent in SB 1008 passed last special session. States they can live with the bill. It is a cut but protects the most vulnerable under the OHP.

160                      Chair  
Westlund                      Comments he has a great deal of concern for the issue Bunn raises and appreciates the efforts of Bunn, staff and Rep. Hayden.

163                      Rep. Morgan                      Comments that one draft previously discussed listed the co-payment amounts. Asks if Britton can tell the committee if they need to discuss that on the record.

167                      Britton                      Responds that HB 4029 does not include the list of co-payments. States that as a courtesy to Rep. Hayden, he agreed we would enter into the record a portion of LC 26 **(EXHIBIT D)**.

- States that the portion of LC 26 is not an amendment but does lay out the co-payments and the intent of HB 4029.
- 177 Rep. Schrader Asks if it will be included in the budget narrative.
- Britton Responds that the information can be included in the Staff Measure Summary. Explains that the portion of LC 26 is a listing of all the dental co-payments that mirrors what is going on under the proposed OHP2 waiver.
- 185 Rep. Morgan Asks that the record clearly reflect that it is the intent of the committee that these should be the level of co-pays that go along with the language of the bill.
- 188 Chair Westlund Comments that the co-pays are the same reflected in the bill in the first special session.
- 188 Britton Comments that Chair Westlund is correct.
- 195 Rep. Shetterly **MOTION: Moves to ADOPT HB 4029-1 amendments dated 2/25/02.**
- 198 Chair Westlund **VOTE: 5-0-0**  
**Hearing no objection, declares the motion CARRIED.**
- 200 Rep. Shetterly **MOTION: Moves HB 4029 to the floor with a DO PASS AS AMENDED recommendation.**
- 206 Chair Westlund **VOTE: 4-1-0**  
**OBJECTION: 1 - Lee**  
**Noting objection by Rep. Lee, declares the motion CARRIED.**  
**REP. HAYDEN will lead discussion on the floor.**
- 210 Chair Westlund Opens a public hearing on HB 4030.

**HB 4030 - PUBLIC HEARING**

- 213 Chair Westlund Determines there is no one wishing to testify on HB 4030. Closes the public hearing on HB 4030 and opens a work session on HB 4030.

**HB 4030 - WORK SESSION**

- 220 Larry Niswender Explains HB 4030 is identical to the bill passed during session relating to a

- one-time transfer of \$14 million from the Emergency Communication account and sub-accounts to help the statewide budget rebalance plan.
- 227      **Rep. Morgan**      **MOTION: Moves HB 4030 to the floor with a DO PASS recommendation.**
- 211      Rep. Schrader      Asks if there has been potential legal issues raised regarding using the entire reserve.
- Chair Westlund      Asks Hasina Squire to speak to the potential for legal issues.
- 221      Hasina Squires      Special Districts Association of Oregon. States that the issue revolves around the possibility of someone challenging the fact that the 9-1-1 tax is levied on those people that have telephones capable of accessing 9-1-1. It is a line item on the phone bill that indicates it will go to fund 9-1-1 programs. Believes there is a concern that someone from the utilities may have issues about collecting a tax and sending it through the state for an intended purpose and it then being diverted to the State General Fund. Adds that she does not know about any pending legal challenges, she only knows about the conversations that have been had about the issue coming up in other states.
- 270      Rep. Schrader      Comments he had an opportunity to visit the 9-1-1 center in Clackamas County. In the initial discussions it seemed that we were just putting off consolidation to try to get down to one 9-1-1 facility and that it was his understanding that is what most of the reserve money was dedicated to. A separate issue that has been brought up is that the federal government has indicated there are some requirements that all 9-1-1 facilities are supposed to have the advanced video capability. The Clackamas 9-1-1 center is very concerned about getting it into place so they do not have a legal issue with the federal government. Asks if Squires has heard anything about the concern.

Responds that HB 4030 takes \$7 million from the consolidation incentive fund. That money was set aside for the next session to determine how to spend that. The other \$7 million is coming from the enhanced 9-1-1 sub-account. The advanced video capability is a federal mandate by the Federal Communications Commission that primary public safety answering points be able to locate wireless cellular telephones, and is called Phase II Wireless Enhanced 9-1-1. That is what the money has been set aside for.

307 Rep.  
Schrader  
Squires

Asks if there is a timeline.

Responds the FCC original timeline was set for October 1, 2001. The wireless utilities petitioned the FCC asking for time. They expect that technology to be completed in six to twelve months in Oregon. One pilot project has been run in Benton County and in the second or third quarter of this year, Josephine, Jackson, and Douglas will have the technology available.

293 Acting Chair  
Morgan

States that the committee has a motion before it.

329 Rep.  
Schrader

States he will object to the motion to raise the issue to let people know what is going on but may vote for passage on the floor.

332  
  
Chair  
Westlund

**VOTE: 4-1-0**  
**OBJECTION: 1 - Schrader**  
**Noting objection by Rep. Schrader,**  
**declares the motion CARRIED.**  
**Rep. Ralph Brown and Rep.**  
**Schrader will lead discussion on the**  
**Floor.**

364 Chair  
Westlund

Opens a public hearing on HB 4035.

#### **HB 4035 - PUBLIC HEARING**

366 Chair  
Westlund

Determines no one wishes to testify on HB 4035. Closes the public hearing and opens a work session on HB 4035.

#### **HB 4035 - WORK SESSION**

368 Larry  
Niswender

LFO. Explains HB 4035 is identical to the omnibus program change bill

that was passed in the first special session. HB 4035 redirects various transactions to increase the amount of General Fund available for statewide budget rebalance:

- Redirects one-half the proceeds from the sale of the Boardman property to the General Fund, about \$3.7 million.
- Reduces lottery allocation to the County Fair Account by approximately \$40,000.
- Authorizes the use of the Worker's Benefit Fund for civil rights claims in lieu of General Fund for about \$500,000.
- Reduces the maximum amount transferred to the Oregon Rural Health Association from \$15 million to \$7.5 million.
- Transfers \$1 million from the Law Enforcement Medical Liability account, and \$2.5 million from the JOBS individual education account to the Department of Human Services to offset General Fund.
- Eliminates \$200,000 General Fund support to the Board of Education; it is now budgeted in the Governor's office.
- Eliminates \$218,000 General Fund support for the post secondary Opportunity Commission.
- Repeals a special purpose appropriation for a centralized voter registration system.
- Includes a technical fix for the Department of Human Services so it can distribute \$1.1 million for a workers' compensation self-insurance pool.
- Allows a \$3 million transfer from the Housing and Community Services Housing Finance Fund to the Emergency Housing Assistance account.



- Allows Washington County to utilize more of its rail project funds to leverage available federal grant funds.

408 Chair Westlund Recesses meeting at 5:10 p.m.

408 Chair Westlund Reconvenes the meeting at 5:15 p.m. and closes the work session on HB 4035.

409 Chair Westlund Opens a public hearing on HB 4036.

**HB 4036 - PUBLIC HEARING**

416 Chair Westlund Determines no one wishes to testify on HB 4036. Closes the public hearing and opens a work session on HB 4036.

**HB 4036 - WORK SESSION**

417 Steve Meyers Legislative Revenue Office. Explains HB 4036 is a repeat of the measure in the first special session. It allows school districts to use their School Improvement Fund moneys for any purpose related to education instead of for the mandates in the School Improvement Act. It also repeals the section that would require the funds in the 2001-03 and 2003-05 biennia to be used to improve third and fifth grade reading and math scores. The School Improvement Fund would still exist. Adds that these are temporary changes for the use of those funds by the school districts.

441 Rep. Shetterly **MOTION: Moves HB 4036 to the floor with a DO PASS recommendation.**

445 Chair Westlund **VOTE: 5-0-0**  
**Hearing no objection, declares the motion CARRIED.**  
**REP. MORGAN will lead discussion on the floor.**

069 Chair Westlund Opens a public hearing on HB 4031.

**HB 4031 - PUBLIC HEARING**

473 Chair Westlund Determines no one wishes to testify on HB 4031. Closes the public

hearing and opens a work session on HB 4031.

### **HB 4031 - WORK SESSION**

478 Paul Warner Legislative Revenue Officer.  
Explains that HB 4031 is the ballot title and spells out the procedures for a May 2002 ballot measure, HJR 75.

496 Rep. Schrader **MOTION: Moves HB 4031 to the floor with a DO PASS recommendation.**

507 Chair Westlund **VOTE: 5-0-0**  
**Hearing no objection, declares the motion CARRIED.**  
**REP. SHETTERLY will lead discussion on the floor.**

### **TAPE 2, A**

038 Chair Westlund Opens a public hearing on HJR 75.

### **HJR 75 - PUBLIC HEARING**

038 Chair Westlund Determines no one wishes to testify on HJR 75. Closes the public hearing and opens a work session on HJR 75.

### **HJR 75 - WORK SESSION**

039 Paul Warner Legislative Revenue Office.  
Distributes impact statement **(EXHIBIT E)** and explains that the measure would go on the May 2002 ballot. It requires rescinding SJR 50 that was passed in the first special session. It revises the Oregon Constitution and converts the Education Endowment Fund into the Education Stability Fund. It dedicates 15 percent of lottery earnings to the fund. Lottery earnings in this biennium will be about \$106 million from the 15 percent dedication. The Stability Fund becomes operational on April 30, 2003. On May 1, 2003, there is a transfer of \$200 million from the fund to the State School Fund. Legislative Revenue Office estimates that following the \$200 million transfer and the \$106 million dedication going in this biennium, that the fund balance on July 1, 2003 would be about \$78 million.

069 Rep. Lee Comments she is concerned about the \$200 million and that can be discussed further on the floor. Adds that she is

		willing to move this through the committee.
075	Rep. Shetterly	Acknowledges a bar chart that he requested and has been passed out by Warner that assumes passage of HJR 75 by this Assembly and the voters <b>(EXHIBIT F)</b> . Explains that the chart shows the transfer of \$200 million from the Stability Fund in this biennium and carries out what we could expect to see over the next ten years. It starts at about a \$78 million balance. The blue represent the figures with earnings reinvested into the Stability Fund at 7.33 percent, which is the blended earnings in the Common School Fund over the next five years. This fund is capable of being invested in equities as the Common School Fund is. States that he asked Warner to project the growth with the 7.33 percent with all earnings reinvested. The yellow bars represent the growth of the fund if only the lottery payments and no earnings are reinvested. There is a spread of just over \$900 million in 10 years on the high side to just over \$600 million on the shy side. Believes this represents substantial growth anticipating the timing for the next recession will follow historic trends and will be in about 2010.
104	Rep. Shetterly	States that HJR 75 is substantially the same as SJR 50 except it is in the form of a revision, not an amendment, and will require 40 votes on the floor.
108	Rep. Schrader	Comments he has some reservation about the total amount of money that is being used, but wants to move the measure forward. States that the investment language is critical to the better utilization of the fund. Asks if they have been able to do this all along, why have they not done so, and asks if statutory clarification is needed to make sure this is followed in the future.
	Rep. Schrader	Comments that the Endowment Fund has not been invested in equities, at least not to the degree of the Common School Fund. Wants to make sure

		there is language to allow investments in equities, an appropriate and prudent amount, and gain some benefit. Asks why it has not been done and whether it would be better to give direction that it can be done.
143	Kate Richardson	Oregon State Treasury. Comments she cannot comment on the historic decisions about investment policies. Believes because the Oregon Growth Account (OGA) is part of the Education Endowment Fund, there is a weighing going on and the fund has been building over time. Currently the bulk of the fund is setting in a short-term fund.
159	Rep. Schrader	Comments he will be voting for the measure but the issue needs to be addressed, perhaps on the Senate side. Is not comfortable that the department is getting enough direction to feel comfortable in doing this. It has not been done for the last six to eight years since the fund has been in existence. Believes the direction should be included in the measure. It is an opportunity that does not hurt anything.
	Richardson	Suggests it might be helpful for the committee to have someone from Investments talk about the decisions and explain why where it is.
175	Rep. Shetterly	Comments there has not been much money in the fund until this biennium. States he is assured by Treasury and Legislative Counsel that the language is entirely sufficient to authorize investment in equities. States he would not want language in the Constitution that directs investments in equity.
191	Rep. Schrader	States that the legality of rescinding SJR 50 has come into question and would like some clarification on the legislature's ability to do that.
195	Rep. Shetterly	Responds there is precedent for the legislature rescinding a measure. It is on the strength that if the legislature has the authority to send out a resolution to the ballot, then before the resolution makes it to the ballot, the same legislature has the authority

		to rescind the resolution. Adds that Legislative Counsel has pointed out the precedent and the fact they think it is inherent in the powers of the legislature to send out and rescind resolutions.
208	Rep. Schrader	Asks what the mechanism is for the legislature to get it back.
210	Rep. Shetterly	States that he will refer Rep. Schrader to Legislative Counsel for an explanation of the precedent, and that the mechanism is in paragraph one of HJR 75 which simply declares that SJR 50 from the first special session is rescinded.
223	Rep. Lee	Asks what the projected balance would be on July 1, 2003 based on the withdrawal and the projected earnings if the fund were depleted by \$200 million.
229	Warner	Responds they have updated the estimate. SJR 50 was based on the December revenue forecast. The increase in lottery resources, a big portion of which was use of the contingency fund of the Lottery, about \$20 million, is captured in the March revenue forecast. It is reflected in the graph and adds about \$6 million to the projection for a revenue dedicated to the fund. They are estimating about \$78 million on July 1, 2003, given a \$200 million withdrawal on May 1.
249	Rep. Lee	Comments there is currently about a \$112 million deficit in school funds and if it goes to \$312 million in the next biennium we won't be able to address it from this fund again with that kind of a deficit.
246	Warner	Responds Rep. Lee is correct. Explains that the chart ( <b>EXHIBIT F</b> ) assumes no more would be withdrawn from the fund.
254	Rep. Schrader	Comments that with the transfer, whatever the amount is, of the Educational Endowment Fund to the State School Fund, the current service level rollup for the State School Fund would not be adversely affected by using this money as opposed to

		General Fund money. Asks if his comment is correct.
261	Warner	Responds that the \$200 million would replace current General Fund money that is going into the State School Fund. Adds that the State School Fund under the budget bill passed in the first special session was not affected. The reason was the transfer of money from the Stability Fund to the State School Fund, and as they would project out the current service, they would project out the higher State School Fund level.
281	Cindy Hunt	Legislative Counsel. Comments that the legislature has rescinded measures three times before (in the 60's and 70's). There was never a challenge in court. States they have an opinion from their office from the 60's and 70's that reasoned the legislature could do this and it was based on sound, legal reasoning. States that if the committee wishes to have the opinion in front of them, Legislative Counsel can prepare it.
308	Rep. Schrader	Asks if paragraph one of HJR 75 is enough to stop the Secretary of State from putting it on the ballot.
311	Hunt	States that in two of the three times, a measure was rescinded. The third instance was repeal. Adds that if HJR 75 does not pass the legislature, SJR 50 is on the ballot in May. As soon as this measure passes the legislature, SJR 50 is off the ballot even if the people do not pass this measure.
324	Rep. Shetterly	Asks if the committee needs to do anything with the companion election bill from the first special session.
328	Hunt	Responds that the committee has passed a bill to the floor that repeals that special elections bill.
341	Rep. Shetterly	<b>MOTION: Moves HJR 75 be sent to the floor with a BE ADOPTED recommendation.</b>
345	Chair Westlund	<b>VOTE: 5-0-0 Hearing no objection, declares the motion CARRIED.</b>

**REP. SHETTERLY will lead  
discussion on the floor.**

**HB 4028 - RECONSIDERATION**

- 354      **Rep.  
Morgan**      **MOTION: Moves to  
RECONSIDER the vote  
by which HB 4028 was  
passed to the Floor.**
- 359      Chair  
Westlund      Explains that the purpose for  
reconsidering HB 4028 is to consider  
a technical amendment.
- 365      **Chair  
Westlund**      **VOTE: 5-0-0  
Hearing no objection, declares the  
motion CARRIED.**
- 367      Chair  
Westlund      Reopens the work session on HB  
4028.

**HB 4028 - WORK SESSION**

- 340      Susie Jordan      LFO. Explains that a conceptual  
amendment to HB 4028 in Section 3  
refers to repealing HB 4013 from the  
first special session. States that  
because HB 4013 has not been signed  
into law, they want to change the  
language to say if HB 4013 becomes  
law, then sections one and two are  
repealed.
- 405      **Rep.  
Shetterly**      **MOTION: Moves to AMEND HB  
4028 on page 2, in line  
8, before "Sections"  
insert "If Enrolled  
House Bill 4013 (2002  
Fist Special Session)  
becomes law,".**
- 424      Rep.  
Shetterly      Acknowledges receipt of the HB  
4028-1 amendments (**EXHIBIT G**)  
and withdraws his motion.
- 428      **Rep.  
Shetterly**      **MOTION: Moves to ADOPT HB  
4028-1 amendments  
dated 2/25/02.**
- 433      **Chair  
Westlund**      **VOTE: 4-0-1  
EXCUSED: 1 - Schrader  
Hearing no objection, declares the  
motion CARRIED.**
- 437      **Rep.  
Shetterly**      **MOTION: Moves HB 4028 to the  
floor with a DO PASS  
AS AMENDED  
recommendation.**

440                    Chair                    **VOTE: 4-0-1**  
                         Westlund                **Hearing no objection, declares the**  
                            **motion CARRIED.**  
                            **REP. MORGAN will lead**  
                            **discussion on the floor.**

444                    Chair                    Opens a public hearing on HB 5081.  
                         Westlund

**HB 5081 - PUBLIC HEARING**

447                    Chair                    Determines no one wishes to testify  
                         Westlund                on HB 5081. Closes the public  
                            hearing and opens a work session on  
                            HB 5081.

**HB 5081 - WORK SESSION**

463                    Robin                    LFO. Submits the HB 5081-1  
                         LaMonte                amendment (**EXHIBIT H**) and  
                            explains that the amendments are the  
                            changes that would be made to the  
                            lottery bill passed last special session.  
                            It increases the amount that is being  
                            transferred to the State School Fund  
                            by approximately \$1.5 million, there  
                            would be an offsetting decrease in  
                            General Fund to the State School  
                            Fund and reflects the change in the  
                            Revenue Forecast.

482                    Rep.                    **MOTION: Moves to ADOPT HB**  
                         Shetterly                **4028-1 amendments**  
                            **dated 2/25/02.**

487                    Rep. Lee                Comments she voted against this bill  
                            earlier and may do that on the floor  
                            but will support moving it out of  
                            committee.

495                    Chair                    **VOTE: 5-0-0**  
                         Westlund                **Hearing no objection, declares the**  
                            **motion CARRIED.**

497                    Rep.                    **MOTION: Moves HB 5081 to the**  
                         Shetterly                **floor with a DO PASS**  
                            **AS AMENDED**  
                            **recommendation.**

503                    Chair                    **VOTE: 5-0-0**  
                         Westlund                **Hearing no objection, declares the**  
                            **motion CARRIED.**  
                            **REP. MORGAN will lead**  
                            **discussion on the floor.**

**TAPE 1, B**

047                    Chair                    Recesses meeting at 5:47 p.m.  
                         Westlund

050



057            Chair            Reconvenes meeting at 5:52 p.m. and  
                 Westlund        announces that the committee will  
                                    adjourn for the evening and meet in  
                                    the morning.  
                                    Adjourns meeting at 5:53 p.m.

Submitted By,

Reviewed By,

Annetta Mullins  
Committee Assistant

Adrienne Sexton,  
Legislative Analyst

**EXHIBIT SUMMARY**

**A – Rules, Committee, staff, 1 p**

**B - HB 4028, Fiscal Impact Statement and Staff Measure Summary, staff, 2 pp**

**C - HB 4029, Staff Measure Summary, Fiscal Impact Statement, and HB 4029-1 amendments, 3  
pp**

**D - HB 4029, section of LC 26, staff, 9 pp**

**E - HJR 75, Revenue Impact Statement, staff, 1 p**

**F - HJR 75, Education Stability Fund growth chart, staff, 1 p**

**G - HB 4028, HB 4028-1 amendments, staff, 1 p**

**H - HB 5081, HB 5081-1 amendments, staff, 1 p**

**HOUSE SPECIAL SESSION COMMITTEE ON BUDGET**  
**Second Special Session**

February 25, 2002 Hearing Room F  
9:00 p.m. Tape 3

**MEMBERS PRESENT:**       Rep. Ben Westlund, Chair  
                                  Rep. Susan Morgan  
                                  Rep. Kurt Schrader  
                                  Rep. Lane Shetterly

**MEMBER EXCUSED:**       Rep. Jan Lee

**STAFF PRESENT:**         Adrienne Sexton, Legislative Analyst  
                                  Larry Niswender, Principal Legislative Analyst  
                                  Dick Yates, Legislative Revenue Office  
                                  Annetta Mullins, Committee Assistant

**MEASURE/ISSUES HEARD:**   Public Hearing and Work Session  
                                  HB 4035  
                                  HB 4033

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<b>TAPE/#</b>	<b>Speaker</b>	<b>Comments</b>
<b>TAPE 3, A</b>		
003	Chair Westlund	Calls meeting to order at 9:05 p.m. and opens a public hearing on HB 4035.
<b><u>HB 4035 - PUBLIC HEARING</u></b>		
004	Chair Westlund	Determines no one wishes to testify on HB 4035. Closes the public hearing and opens a work session on HB 4035.
<b><u>HB 4035 - WORK SESSION</u></b>		
016	Chair Westlund	Recesses meeting at 9:06 p.m.
016	Chair Westlund	Reconvenes meeting at 9:10 p.m.
019	Larry Niswender	LFO. Submits Revenue Impact Statement ( <b>EXHIBIT A</b> ). States the bill is identical to the bill passed in the first special session.
032	Rep. Schrader	Asks if centralized voter registration will be a reservation in the E Fund.
036	Niswender	Explains that in the last special session the disappropriation bill established a reservation of \$2 million in the General Purpose E Fund for the centralized voter registration system and it is the expectation that will be repeated in the budget report.
039	Chair Westlund	Comments that it is also contingent on federal funds.
042	Nancy Baker-Krofft	Salem resident, teacher in Oregon, and parent of son in school. States that cuts to education are not acceptable. In many cities,

schools have been cut to the bone. Also sees the terrible choices the Salem School District is trying to make based on the cuts that are planned. States there must be some taxes we can come up with. If we take money from our rainy day funds and next year it rains, we will be very wet.

064 Rep. Morgan

**MOTION: Moves HB 4035 to the floor with a DO PASS recommendation.**

067

Chair Westlund

**VOTE: 4-0-1**

**EXCUSED: 1 - Lee**

**Hearing no objection, declares the motion CARRIED.**

**REP. WESTLUND will lead discussion on the floor.**

070 Chair Westlund

Opens a public hearing on HB 4033.

**HB 4033 - PUBLIC HEARING**

075 Chair Westlund

Informs the committee that he has a rough draft of the amendment and the committee is waiting for the amendments from Legislative Counsel.

083 Chair Westlund

Determines no one wishes to testify on HB 4033. Closes the public hearing and opens a work session on HB 4033.

**HB 4033 – WORK SESSION**

085 Chair Westlund

Recesses the meeting at 9:18 p.m. to await the arrival of the amendments to HB 4033.

086 Chair Westlund

Reconvenes the meeting at 9:20 p.m..

082 Dick Yates

Legislative Revenue Office. Explains graph (**EXHIBIT B**). States that he used information presented during the regular session on estimated revenues from the Master Settlement Agreement and that is the height of the bars, the total revenue that is forecast to be received by the State of Oregon pursuant to the Master Settlement Agreements. About \$15.6 million annually will be required if the OSU bonding goes through. The dark area in the middle of the chart is the estimate of the additional payments that would be required to be pledged for a \$200 million issue to provide funds to be transferred to the State School Fund. Adds that how it ends up depends on how the Treasury eventually structures the issue and over the period of issue. This is simply one proposal Treasury is considering. It would take out about \$33 million up to \$46 million a year from 2004 to 2012. The balance is the Master Settlement expected payments that would be available during those years for legislative appropriation.

123 Rep. Schrader  
Yates

Asks what the debt service would be for the first three years.

Responds it is about \$80 million less \$35 million and less another \$15 million. It is about \$30 million. It would be about \$15 million for OHSU and \$33 million for the State School Fund.

146 Chuck Smith

Oregon State Treasury. Comments the numbers presented by Yates are correct.

143 Rep. Shetterly

Comments this comes into play only if the voters reject Measure 11 and the HJR 75 referral.

166	Smith	Explains types of bonds.
	Rep. Shetterly	Advises members he has been notified that the amendments will arrive in 15 minutes.
181	Chair Westlund	Recesses meeting at 9:28 p.m.
181	Chair Westlund	Reconvenes meeting at 10:08 p.m. and announces that the committee has received the amendments for HB 4033 <b>(EXHIBIT C)</b> .
206	Rep. Shetterly	Explains HB 4033-1 amendments <b>(EXHIBIT C)</b> . States that Measure 11, the OHSU capital bond referral, is going out on the ballot. Under that referral there is a fallback that says if the referral for general obligation bonds does not pass, the Treasurer is directed to issue tobacco revenue bonds. These are also tobacco revenue bonds. The purpose of the amendments is to bring HB 4033 together with SB 832 so that if revenue bonds are issued under this bill and if they need to be issued under SB 832, they will be in parity—of equal priority so that one does not have precedent over the other for any purpose. That will help bring the best rates for both so they are not selling the bonds to bond holders whose interest may become subordinate to some later issue of bonds.
228	Harrison Conley	Legislative Counsel. States he is comfortable with Rep. Shetterly’s explanation of the amendments. States that because we are dealing with SB 832, which is already in effect, and given the title of this bill, we could not change the superiority clause in SB 832 as it relates to any subsequent revenue bonds that may be authorized by the legislature. These bonds would be in parity with the SB 832 bonds should they be issued. These bonds will be in parity with any subsequent bonds issued and secured by the same revenue stream. These would not be in parity with any subsequent revenue bonds the legislature might authorize.
257	Kate Richardson	State Treasury. States the HB 4033-1 amendments are the work of their staff and Bar counsel and they believe they should work with the prior bill.
267	<b>Rep. Shetterly</b>	<b>MOTION: Moves to ADOPT HB 4033-1 amendments.</b>
		<b>VOTE: 3-0-2</b>
		<b>EXCUSED: 2 – Lee, Schrader</b>
267	<b>Chair Westlund</b>	<b>Hearing no objection, declares the motion CARRIED.</b> <b>REP. WESTLUND will lead discussion on the floor.</b>
270	<b>Rep. Shetterly</b>	<b>MOTION: Moves HB 4033 AS AMENDED to the floor with a DO PASS AS AMENDED recommendation.</b>
270		<b>VOTE: 3-0-2</b>
		<b>EXCUSED: 2 – Lee, Schrader</b>
	<b>Chair Westlund</b>	<b>Hearing no objection, declares the motion CARRIED.</b> <b>REP. SHETTERLY will lead discussion on the floor.</b>
258	Chair Westlund	Adjourns meeting at 10:13 p.m. until approximately 9:30 a.m. on Feb. 26.

Submitted By,

Reviewed By,

Annetta Mullins,  
Committee Assistant

Adrienne Sexton,  
Legislative Analyst

**EXHIBIT SUMMARY**

**A – HB 4035, Revenue Impact Statement, staff, 1 p**

**B – HB 4033, Securitization graph, staff, 1 p**

**C – HB 4033, HB 4033-1 amendments, staff, 8 pp**