

# **HOUSE SPECIAL SESSION COMMITTEE ON BUDGET RECONCILIATION**

## **Third Special Session**

**June 14, 2002 Hearing Room F**  
**10:45 AM Tapes 7 - 10**

**MEMBERS PRESENT:** Rep. Rep. Westlund, Chair  
Rep. Tom Butler  
Rep. Gary Hansen  
Rep. Betsy Johnson  
Rep. Susan Morgan  
Rep. Kurt Schrader  
Rep. Lane Shetterly

**STAFF PRESENT:** Fiscal Staff  
Revenue Staff  
Andrew Morris, Committee Assistant  
Sandy Thiele-Cirka, Committee Assistant

**MEASURES HEARD:** Work Session  
HB 4053  
Introduction of Committee Measures  
LC 37-1 – State School Fund and state finance  
LC 47 – Revenue Bonds for State School Fund  
LC 46 – Implementation of Measure 88  
LC 49 – Public Employees Retirement Board  
LC 54 – Common School Fund  
LC 25 – Statewide Special Election  
Public Hearing and Work Session  
SB 1022  
HB 4055  
HJR 80  
HB 4052  
HB 4056  
HB 4057  
HB 4058  
HB 4054  
HB 4051  
HB 5091  
HB 4059

---

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.

---

<b>TAPE/#</b>	<b>Speaker</b>	<b>Comments</b>
<b>TAPE 7, A</b>		
004	Chair Westlund	Calls meeting to order at 11:55 a.m. and opens a work session on HB 4053.
<b><u>HB 4053 – WORK SESSION</u></b>		
010	Rick Olsen	Legislative Analyst, Legislative Fiscal Office (LFO). Summarizes HB 4053 which delays the sunset on the hearings officer panel until January 2, 2006. States that with the current

		sunset it would create budgeting problems for the 2003-05 biennium.
023	Rep. Butler	Explains the original intent of the sunset.
033	Rep. Shetterly	Explains the intent of the sunset extension is to make the budgeting process easier. States that the sunset and the panel will be looked at in the 2003 session.
050	Rep. Hanson	Asks if there are any other sunset provisions that this type of provision would help.
055	Olsen	Responds no.
057	Rep. Johnson	Asks for the language showing a review of the panel will take place in the 2003 session.
062	Rep. Shetterly	Responds the specific language is not the bill. States that there will be a bill whether HB 4053 passes or not.
<b>084</b>	<b>Rep. Shetterly</b>	<b>MOTION: Moves HB 4053 to the floor with a DO PASS recommendation.</b>
		<b>VOTE: 7-0-0</b>
		<b>AYE: 7 - Butler, Hansen, Johnson, Morgan, Schrader, Shetterly, Westlund</b>
<b>093</b>	<b>Chair Westlund</b>	<b>The motion CARRIES.</b>
		<b>REP. SHETTERLY will lead discussion on the floor.</b>
<b><u>INTRODUCTION OF COMMITTEE MEASURES – WORK SESSION</u></b>		
099	Olsen	Explains LC 37-1 ( <b>EXHIBIT A</b> ).
110	Rep. Schrader	Asks about the state school fund grants.
115	Chair Westlund	Explains the need for the bill.
131	Steve Meyer	Economist, Legislative Revenue Office (LRO). Provides background of LC 37-1, section 3. Explains that the \$4.9 million referenced on pg. 2, line 16 is the figure from the first special session. Explains that the education service districts (ESDs) supported shifting some of the loss to school districts from the state school fund dollars. States that ESDs requested that they specify how the loss is to be shared among the ESDs. Adds that if the state school fund is reduced, and the ESDs share in that reduction and states that the ESDs requested that the dollars be shared on a per weighted student basis.
175	Rep. Schrader	Questions if ESDs will share the burden not share in excess of burden.
178	Meyer	Responds the ESDs would share in the burden of the \$112 million and then specify how the burden is shared among the ESDs for any reduction in state school fund dollars.
181	Rep. Schrader	Clarifies that this LC is an open ended solution to hold the ESDs relatively harmless.
185	Meyer	Responds affirmatively.
189	Rep. Johnson	Questions Section 6, sub 2. Questions how the bill addresses the 911 tax.
198	Olsen	Responds that he does not have that information.
<b>201</b>	<b>Rep. Shetterly</b>	<b>MOTION: Moves LC 37-1 BE INTRODUCED as a committee bill.</b>

	<b>Chair Westlund</b>	<b>VOTE: 7-0-0</b>
		<b>Hearing no objection, declares the motion CARRIED.</b>
		<b>NOTE: LC 37-1 introduced as HB 4055.</b>
206	Chair Westlund	Closes work session on LC 37-1 and opens work session on LC 47.
<b><u>LC 47 – WORK SESSION</u></b>		
214	Paul Warner	LRO. Summarizes and explains LC 47 ( <b>EXHIBIT B</b> ). States that this measure will allow the State Treasurer to issue revenue bonds to be paid from the flow of revenue from the master settlement agreement. Notes that the revenues obtained from the bonds will be placed in the State School Fund before May 1, 2003.
242	<b>Rep. Schrader</b>	<b>MOTION: Moves LC 47 BE INTRODUCED as a committee bill.</b>
		<b>VOTE: 7-0-0</b>
	<b>Chair Westlund</b>	<b>Hearing no objection, declares the motion CARRIED.</b>
		<b>NOTE: LC 47 introduced as HB 4056.</b>
247	Chair Westlund	Recesses the committee at 12:13. Reconvenes the meeting at 4:49 p.m. Opens work session for introduction of committee measures, LC 46, phases in implementation of Measure 88.
<b><u>LC 46 – WORK SESSION</u></b>		
254	Lizbeth Martin-Mahar	Economist, LRO. Summarizes LC 46 (6/12/02) to the committee ( <b>EXHIBIT C</b> ). Explains that the measure phases in the implementation of Measure 88 for two years and decreases the maximum amount of the federal income tax deduction for Oregon personal taxable income.
280	<b>Rep. Shetterly</b>	<b>MOTION: Moves LC 46 BE INTRODUCED as a committee bill.</b>
		<b>VOTE: 7-0-0</b>
285	<b>Chair Westlund</b>	<b>Hearing no objection, declares the motion CARRIED.</b>
		<b>NOTE: LC 46 introduced as HB 4054.</b>
287	Chair Westlund	Closes work session on LC 46 and opens work session on LC 49.
<b><u>LC 49 – WORK SESSION</u></b>		
289	Dick Yates	Economist, LRO. Summarizes LC 49 to the committee ( <b>EXHIBIT D</b> ). Explains that the bill directs PERS to adopt new mortality tables January 1 of each year, beginning 2003, that PERS adopt new mortality tables as of the effective date of this act and to apply those tables to any one who retires on or after the 61 <sup>st</sup> day from the effective date and before January 1, 2003. Describes the lower employer assessments.
382	<b>Rep. Shetterly</b>	<b>MOTION: Moves LC 49 BE INTRODUCED as a committee bill.</b>
		<b>VOTE: 7-0-0</b>
387	<b>Chair Westlund</b>	<b>Hearing no objection, declares the motion CARRIED.</b>
		<b>NOTE: LC 49 introduced as HB 4057.</b>

388	Chair Westlund	Recesses meeting at 4:56 p.m.
389	Chair Westlund	Reconvenes meeting at 6:35 p.m. and opens public hearing on SB 1022.
<b><u>SB 1022 – PUBLIC HEARING</u></b>		
391	Chair Westlund	Determines no one wishes to testify on SB 1022. Closes public hearing on SB 1022 and opens work session on SB 1022.
<b><u>SB 1022 – WORK SESSION</u></b>		
403	Meyer	LRO. Summarizes and reviews modifications of SB 1022. Reviews the –A3 ( <b>EXHIBIT E</b> ) and –A4 ( <b>EXHIBIT F</b> ).
429	Rep. Schrader	Questions the effect of the -8% balance.
436	Ozzie Rose	Confederation of Oregon School Administrators (COSA). Responds that the 8% relates to that portion of the State School Fund that is being established to accrue in the cash basis districts to eliminate those districts from accruing their own cash. Continues explanation.
450	Rep. Shetterly	Clarifies that these amendments equalize the cash basis districts with the accrual districts in an effort to benefit from the retiming.
453	Rose	Responds affirmatively.
<b>TAPE 8, A</b>		
<b>008</b>	<b>Rep. Shetterley</b>	<b>MOTION: Moves to ADOPT SB 1022 –A3 amendments dated 6/14/02.</b>
<b>010</b>	<b>Chair Westlund</b>	<b>Hearing no objection, declares the motion CARRIED.</b>
011	Meyer	Summarizes -A4 amendments ( <b>EXHIBIT F</b> ).
021	Rep. Shetterly	Clarifies that this amendment guarantees that the distributions between present and May will be higher than actuality.
024	Rose	Responds that the distribution will be based on the end of session estimates. Notes that the districts will be treated from the present until May as if the districts are meeting the end of session amount. Clarifies that the additional language will assist the districts with the auditors and the audit reports.
039	Rep. Hansen	Questions if the –A4 amendment is a technical modification and questions the impact for 2003-05 biennium.
046	Rose	Responds and describes that the legislature is shifting an expenditure until the next budget cycle and the districts are being allowed to accrue the revenue during this budget cycle.
063	Rep. Butler	Questions if any interest will accrue.
067	Rose	Responds and explains that each district has a unique payment schedule. States that some districts may have to borrow money, but some may not.
091	Rep. Shetterly	Comments and further explains the -A4 amendment. Acknowledges appreciation for COSA’s work and effort on the amendments.
102	Rep. Schrader	Requests review of additional advantages.
104	Rose	Responds that the schools will receive the funding in 2001-03 budget cycle, that \$5.2 million is the base budget figure and identifies the advantage of the payment schedule in 2003-2004.

145	Rep. Shetterly	<b>MOTION: Moves to ADOPT SB 1022 –A4 amendments dated 6/14/02.</b>
147	Chair Westlund	<b>Hearing no objection, declares the motion CARRIED.</b>
148	Chair Westlund	<b>MOTION: Moves SB 1022 be sent to the floor with a DO PASS AS AMENDED recommendation.</b>
		<b>VOTE: 7-0-0</b>
151	Chair Westlund	<b>Hearing no objection, declares the motion CARRIED.</b>
		<b>REP. SHETTERLY will lead discussion on the floor</b>
154	Chair Westlund	Closes the work session on SB 1022 and opens work session introduction of LC 54.

**INTRODUCTION OF COMMITTEE MEASURE – WORK SESSION**

161	Chair Westlund	<b>MOTION: Moves LC 54 BE INTRODUCED as a committee bill.</b>
		<b>VOTE: 7-0-0</b>
	Chair Westlund	<b>Hearing no objection, declares the motion CARRIED.</b>
		<b>NOTE: LC 54 introduced as HB 4058.</b>
167	Chair Westlund	Closes work session and opens public hearing on HB 4055.

**HB 4055 – PUBLIC HEARING**

169	Chair Westlund	Determines no one wishes to testify on HB 4055. Closes public hearing and opens work session on HB 4055.
-----	----------------	--

**HB 4055 – WORK SESSION**

173	Olsen	LFO. Summarizes –1 amendment ( <b>EXHIBIT G</b> ).
185	Rep. Schrader	<b>MOTION: Moves to ADOPT HB 4055 –1 amendments dated 6/14/02.</b>
187	Chair Westlund	<b>Hearing no objection, declares the motion CARRIED.</b>
193	Rep. Johnson	Requests clarification from the Oregon Employment Department.
201	Frank Richey	Manager, Unemployment Insurance Programs Analysis, Oregon Employment Department. Clarifies the Supplemental Employment Department Administrative Fund (SEDAF) and the backfill with the Reed Act. Explains that currently the fund is used to support employment operations throughout Oregon.
212	Chair Westlund	Clarifies the actuarial integrity of the fund.
216	Richey	Further explains that the current projection is that the monies in SEDAF will not support current service levels beyond the next biennium. States that the potential associated with utilizing \$19 million of the Reed Act money is a possible tax increase in 2004-2005.
233	Rep. Schrader	Questions the current tax rate.
236	Richey	Responds that for 2002 tax schedule 3 of 8. Comments that the department is anticipating a move to tax schedule 4 in 2003.
255	Rep. Schrader	Questions which tax schedule was used during the last recession.
257	Ritchie	

		Responds that after 1991 recession unemployment taxes moved towards the middle. Notes that the reaction in this recession is very close to the reaction of the last recession.
284	Rep. Butler	Questions if the Reed Act funds will be used for backfill distribution.
290	Richey	Responds that the distribution has not been determined.
286	Rep. Butler	Questions if the Reed Act funds will be in jeopardy.
303	Richey	Responds that the current language has been reviewed by staff and determined that it is in the legitimate scope.
315	Rep. Butler	Questions the emergency communication account referenced in the bill.
321	Olsen	Responds the bill addresses three topics.
340	Chair Westlund	Questions without the Reed Act monies, what is the current actuarial integrity of the fund.
344	Richey	Responds that without Reed Act there is \$40-\$50 million in reserve before moving to schedule 5, which is a very small margin.
404	Rep. Hansen	Questions if the transfer is authorized, does the department foresee a negative impact to unemployment recipients or programs.
413	Richey	Responds that at some point the \$19 million would not be available for the administration of current programs.
425	Rep. Hansen	Questions if that would trigger an increase in unemployment tax rate or a decrease in benefits.
431	Richey	Responds that the full proposal brings the SEDAF complete and impacts the trust fund by removing the Reed Act monies.
475	Lisa Trussell	Associated Oregon Industries (AOI). Testifies in opposition to using the SEDAF to the General Fund, section 4 of HB 4055 A.
489	Chair Westlund	Refers to the -1 amendment, line 5 and the blank amount. Requests that \$19 million be the figure inserted.
<b>TAPE 7, B</b>		
005	Rep. Johnson	Questions language in Section 6, subsection 2, enhanced 9-1-1 Sub account, does it go beyond the \$7 million.
010	Olsen	Responds that he does not have that information.
016	Rep. Johnson	<b>MOTION: Moves to ADOPT HB 4055 –1 amendments dated 6/14/02 and that the measure be FURTHER AMENDED on</b> <b>Page 1, line 5, by inserting “\$19 million” after “of” and before “is”.</b>
020	Chair Westlund	<b>Hearing no objection, declares the motion CARRIED.</b>
021	Rep. Johnson	<b>MOTION: Moves HB 4055 be sent to the floor with a DO PASS AS AMENDED recommendation.</b> <b>VOTE: 7-0-0</b>
027	Rep. Schrader	Requests staff document, the average tax rate chart, be submitted into the record ( <b>EXHIBIT H</b> ).
035	Chair Westlund	<b>Hearing no objection, declares the motion CARRIED.</b>

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

039 Chair Westlund

Closes work session on HB 4055 and opens public hearing on HJR 80.

**HJR 80 – PUBLIC HEARING**

052 Paul Warner

Legislative Revenue Officer, LRO. Summarizes the –5 amendments (**EXHIBIT I**) and -6 amendments (**EXHIBIT J**). Discusses the stability fund and notes that on page 2, line 10, of the -6 amendment should be changed from \$150 to \$180. States that the -6 amendment creates a school capital matching fund when the stability fund reaches the 5% cap.

095 Rep. Schrader

Questions the development of the school capital fund.

097 Rose

Responds that developing the rules on distribution of funds, availability of funds, and the equity of funds. States it will take several legislative sessions to craft the final product. Notes that once the fund is established the education system could begin researching other funding sources to contribute.

120 Rep. Shetterly

Comments on discussion that occurred during the 2001 Legislative Assembly on this topic and states that issue was thoroughly discussed.

129 Warner

Refers to the Revenue Impact statement (**EXHIBIT K**). Comments on the future projections of the lottery fund.

151 Rep. Shetterly

Acknowledges and requests a bar chart be available for the floor discussion.

156 Rep. Schrader

Requests a chart of the current endowment fund operations and what sub accounts currently exist in the fund.

164 Warner

Responds affirmatively.

167 Rep. Shetterly

Requests Cindy Hunt provide clarification on conceptual amendments.

177 Warner

Reviews the conceptual changes in the -6 amendments.

186 Cindy Hunt

Deputy Legislative Counsel, Legislative Counsel. Comments that those changes are acceptable.

187 Rep. Shetterly

Questions the language modifications between General Fund and State Lottery.

199 Hunt

Comments that the bill should reference Section 4 paragraph d, where the Lottery Fund is created in the Constitution.

211 Chair Westlund

Repeats conceptual language.

219 Rep. Butler

Requests clarification from LRO on the revenue chart. Questions the amounts transferred to stability fund would be from the lottery fund.

225 Warner

Responds that there is no interest earnings created in the fund. States that the interest earnings will be allocated as the endowment funds are currently allocated. Notes that the estimate in earnings reduction would be \$19.4 million lower than endowment earnings.

236 Hunt

Provides conceptual language for the -6 amendments, page 1, line 22 delete colon and line 23 delete “(a)” and on page 2, line 1 delete semicolon and “and” and replace with period. Delete lines 2-3.

256	Rep. Shetterly	<b>MOTION: Moves to ADOPT HJR 80 –5 amendments dated 6/14/02.</b>
258	Chair Westlund	<b>Hearing no objection, declares the motion CARRIED.</b>
259	Rep. Shetterly	<b>MOTION: Moves to ADOPT HJR 80 –6 amendments dated 6/14/02 and that the measure be FURTHER AMENDED on Page 1, line 22, deleting colon, on line 23 delete “(a) and on page 2 line 1, delete semicolon and “and” insert a period, and delete lines 2-3, and on line 10 delete “\$150” and insert “\$180”.</b>
271	Chair Westlund	Questions the blanks on page 2 lines 27 and 28.
276	Hunt	Responds that those blanks can be edited once LC 25 is printed.
290	Chair Westlund	<b>Hearing no objection, declares the motion CARRIED.</b>
294	Rep. Shetterly	<b>MOTION: Moves the rules be suspended for the purpose of reconsidering the vote on HJR 80 -5 amendments dated 6/14/02.</b>
300	Chair Westlund	<b>Hearing no objection, declares the motion CARRIED.</b>
302	Rep. Shetterly	Provides conceptual language to the -5 amendments. Line 2, delete the word “statute” and insert “law” and delete line 3.
308	Rep Shetterly	<b>MOTION: Moves to ADOPT HJR 80 –5 amendments dated 6/14/02 and that the measure be FURTHER AMENDED on line 2, delete “statute” and insert “law” and delete line 3.</b>
318	Rep. Hansen	Requests explanation for the language changes.
325	Greg Chaimov	Legislative Counsel, explains the proposed language is a broader definition and more consistent.
341	Rep. Shetterly	<b>MOTION: Moves HJR 80 be sent to the floor with a DO PASS AS AMENDED with the -5 and -6 amendments recommendation.</b> <b>VOTE: 7-0-0</b>
352	Chair Westlund	<b>Hearing no objection, declares the motion CARRIED.</b> <b>REP. SHETTERLY will lead discussion on the floor.</b>
360	Chair Westlund	Closes work session on HJR 80 and opens public hearing on HB 4052.
<b><u>HB 4052 – PUBLIC HEARING</u></b>		
365	Chair Westlund	Determines no one wishes to testify on HB 4052. Closes the public hearing on HB 4052 and opens work session on HB 4052.
<b><u>HB 4052 – WORK SESSION</u></b>		
368	Warner	LRO. Summarizes HB 4052. Clarifies the diversion of funds. Notes the -1 amendment ( <b>EXHIBIT L</b> ) is a reference amendment at the request of Legislative Counsel.
384	Rep. Shetterly	<b>MOTION: Moves to ADOPT HB 4052 -1 amendments dated 6/13/02</b>
396	Chair Westlund	<b>Hearing no objection, declares the motion CARRIED.</b>
397	Rep. Shetterly	<b>MOTION: Moves HB 4052 be sent to the floor with a DO PASS AS AMENDED recommendation.</b> <b>VOTE: 7-0-0</b>



401	Chair Westlund	<b>Hearing no objection, declares the motion CARRIED.</b>
		<b>REP. SHETTERLY will lead discussion on the floor.</b>
403	Chair Westlund	Closes work session on HB 4052 and opens public hearing on HB 4056.
<b><u>HB 4056 – PUBLIC HEARING</u></b>		
408	Chair Westlund	Determines no one wishes to testify on HB 4056. Closes the public hearing on HB 4056 and opens work session on HB 4056.
<b><u>HB 4056 – WORK SESSION</u></b>		
416	Rep. Shetterly	Requests staff from State Treasurer speak to the bill.
427	Kate Richardson	Oregon State Treasurer. States that HB 4056 is similar to SB 832 (2001).
445	Rep. Shetterly	Questions if the blank on page 3, line 35 is \$180 million.
461	Richardson	Responds affirmatively.
<b>TAPE 8, B</b>		
038	Yates	LRO. Comments that if HJR 80 is not passed by the voters, HB 4056 is a back-up measure to issue revenue bonds based on the Tobacco Master Settlement Agreement (MSA).
058	Rep. Butler	Questions if any of the monies being generated by the Tobacco Master Settlement Agreement been expended for backfill.
067	Yates	Responds that the revenue generated by the funds can not be accessed until 2004.
068	Chuck Smith	State Treasurer. Concurs.
070	Rep. Butler	Comments that \$87 million that is being considered for backfill are utilizing existing resources.
075	Smith	Responds affirmatively. States that the first MSA revenues will be in the April 2004 payment.
085	Rep. Shetterly	References the conceptual amendments outlined in LRO memo and tobacco revenue table ( <b>EXHIBIT M</b> ).
116	Harrison Conley	Deputy Legislative Counsel, Legislative Counsel. States that the changes identified are acceptable.
129	Richardson	Comments Section 2, sub 3 (a) addresses capitalized interest.
136	Conley	Discusses the proposed language for Section 5 relating to the administrative fund. Notes support for the language.
144	<b>Rep. Butler</b>	<b>MOTION: Moves to ADOPT LC 47 (HB 4056) conceptual amendments outlined in LRO memo dated 6/14/02 in the corresponding sections of HB 4056 and insert \$180 in all appropriate locations.</b>
165	Chair Westlund	<b>Hearing no objection, declares the motion CARRIED.</b>
172	Chair Westlund	<b>MOTION: Moves HB 4056 be sent to the floor with a DO PASS AS CONCEPTUALLY AMENDED recommendation.</b>
		<b>VOTE: 7-0-0</b>
176	Chair Westlund	<b>Hearing no objection, declares the motion CARRIED.</b>
		<b>REP. SHETTERLY will lead discussion on the floor.</b>
178	Chair Westlund	

Recesses meeting at 7:45 p.m. Reconvenes meeting at 9:45 p.m. and opens public hearing on HB 4057.

**HB 4057 - PUBLIC HEARING**

193	Hasina Squires	Special Districts Association of Oregon. Comments on the companion bill in the Senate. Requests reviewing the compromise bill.
204	Michelle Deister	League of Oregon Cities (LOC). Comments on SB 1021 and states that this measure generates an increased savings to employers.
221	Anthony Bieda	Lane County Government. Asserts that Lane County has been addressing PERS for several years. Testifies and notes concerns with HB 4057.
239	Maria Keltner	Association of Oregon Counties (AOC). Testifies in opposition to HB 4057.
270	Chair Westlund	Closes public hearing HB 4057 and opens work session on HB 4057.

**HB 4057 - WORK SESSION**

272	Yates	LRO. Summarizes HB 4057, requires Public Employees Retirement Board to establish mortality tables for each calendar year beginning January 1, 2003. Notes the need for amending page 2, lines 32-35.
305	Rep. Shetterly	Comments on the blank on page 2, line 34.
318	Yates	Questions the operative date for employer's contributions, page 2, line 34.
322	Dave Heynderickx	Senior Deputy Counsel, Legislative Counsel. Defers to Steve Delaney. States that in order to have any current savings in this biennium, the contribution rate needs to be adjusted. Notes that the next scheduled rate adjustment is July 1, 2003.
335	Dallas Weyand	Legislative Analyst, LFO. States that the implementation can occur quickly. Assumes July 1, 2002.
353	Chair Westlund	Questions if committee members have a copy of the -1 amendment.
364	Rep. Butler	Questions if the PERS computer technology is capable of handling the annual mortality reports.
379	Steve Delaney	Legislative Liaison, PERS. Responds that the question addressed when PERS could change employer rates in factoring the change in mortality tables. States that PERS can react very quickly to this directive. Concurs that the implementation of multiple mortality tables will be an increased workload to PERS and will have a fiscal impact.
394	Rep. Butler	Questions the estimated fiscal impact.
399	Delaney	Responds that all three proposals have approximately the same impact. States that the impact is approximately \$7.5 million and that includes FTE and initial expenses for the computer systems.
416	Rep. Shetterly	Refers to page 2 of the Fiscal Impact Statement, implementation costs to PERS ( <b>EXHIBIT N</b> ).
438	Brian DeLashmutt	

		Representing numerous organizations. States that the -1 amendments are technical ( <b>EXHIBIT O</b> ). Explains the language change mortality to actuarial equivalency. Comments on the deletion of Section 7 and that on page 2, line32 that 2003 be deleted and insert 2002.
488	Rep. Butler	Notes concerns in deleting Section 7. States that this language needs to be somewhere in HB 4057. Asserts that he is not supportive of moving forward without establishing clarity that no new contract rights are created.

**TAPE 9, A**

016	DeLashmutt	Responds that this language does not impact what is currently contractual rights. States that this measure establishes a system on addressing actuarial equivalence tables and to develop a continuous system.
-----	------------	--

020	Rep. Butler	Stresses that nothing occur in PERS that creates, modifies, changes or expands contract rights.
-----	-------------	---

035	Chair Westlund	Closes work session on HB 4057 and opens public hearing on HB 4058.
-----	----------------	---

**HB 4058 – PUBLIC HEARING**

037	Chair Westlund	Determines no one wishes to testify on HB 4058. Closes the public hearing on HB 4058 and opens work session on HB 4058.
-----	----------------	---

**HB 4058 – WORK SESSION**

041	Meyer	LRO. Summarizes HB 4058, directs the Division of State Lands (DSL) to apportion to counties for distribution to school districts at least 5% of the Common School Fund from 2002-2005.
-----	-------	--

043	Rep. Shetterly	Comments that the Common School Fund is approximately \$730 million as of January 1 and 5% is approximately \$20 million. States that in extending this distribution until 2007 will assist in filling the gap in future biennium and create some distribution stability.
-----	----------------	---

060	Rep. Schrader	Questions if enacted, the act sunset in 2007.
-----	---------------	---

063	Rep. Shetterly	Responds affirmatively.
-----	----------------	-------------------------

<b>065</b>	<b>Rep. Shetterly</b>	<b>MOTION: Moves HB 4058 be sent to the floor with a DO PASS recommendation.</b>
------------	-----------------------	--

**VOTE: 6-0-1**

<b>069</b>	<b>Chair Westlund</b>	<b>Hearing no objection, declares the motion CARRIED.</b>
------------	-----------------------	---

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

070	Chair Westlund	Closes work session on HB 4058 and opens public hearing on HB 4054.
-----	----------------	---

**HB 4054 - PUBLIC HEARING**

079	Joe Schweinhart	Associated Oregon Industries (AOI). Testifies in opposition to HB 4054. Recommends that Measure 88 be fully implemented.
-----	-----------------	--

095	J.L. Wilson	National Federation of Independent Business. Testifies in opposition to HB 4054. Supports fully implementing Measure 88.
-----	-------------	--

108	Rep. Hansen	Questions if the business community has any suggestions for solving the state's financial crisis.
116	Schweinhart	Responds no.
133	Wilson	Responds that the business community has suffered loss of employment and small business closures. States that once employment is increased the state's revenue will rise.
141	Chair Westlund	Comments and discusses the phase-in outlined in HB 4054.
158	Schweinhart	Responds and discusses that full implementation of Measure 88 would stimulate the economy.
169	Rep. Shetterly	Comments and explains that Oregon is moving towards a rebalance without implementing a general tax increase.
190	Chair Westlund	Acknowledges testimony. States that Oregon has maintained the state's credit rating. Closes public hearing on HB 4054 and opens work session on HB 4054.

#### **HB 4054 – WORK SESSION**

214	Martin-Mahar	LFO. Summarizes HB 4054 and the –1 amendment ( <b>EXHIBIT P</b> ) and reviews the income tax table on the Fiscal Impact Statement ( <b>EXHIBIT Q</b> ).
237	Rep. Shetterly	<b>MOTION: Moves to ADOPT HB 4054 -1 amendment dated 6/14/02.</b>
240	Chair Westlund	<b>Hearing no objection, declares the motion CARRIED.</b>
251	Rep. Shetterly	<b>MOTION: Moves HB 4054 to the floor with a DO PASS AS AMENDED recommendation.</b>
		<b>VOTE: 6-0-1</b>
254	Chair Westlund	<b>Hearing no objections, declares the motion CARRIED.</b> <b>REP. WESTLUND will lead discussion on the floor.</b>
260	Chair Westlund	Closes work session on HB 4054. Requests staff research the status of HB 4059, ask that the committee stand at ease at 10:25 p.m.
275	Chair Westlund	Reconvenes at 10:40 p.m. and opens public hearing on HB 4051.

#### **HB 4051 – PUBLIC HEARING**

287	Chair Westlund	Determines no one wishes to testify on HB 4051. Closes public hearing on HB 4051 and opens work session on HB 4051.
-----	----------------	---

#### **HB 4051 - WORK SESSION**

303	Yates	LRO. Summarizes and reviews the previously adopted –1, -2, and –3 amendments.
325	Rep. Johnson	Requests additional review of -1, -2 and -3 amendments.
327	Yates	Explains that and provides additional review.
365	Rep. Shetterly	Comments and questions the -8 amendment.
402	Yates	Responds that the -8 combines the -1, -2 and -3 amendments.
432	Chair Westlund	Recesses the committee at 10:55 p.m. Reconvenes the committee at 11:02 p.m.
441	Chair Westlund	Comments on the –8 amendments.
452	Rep. Butler	

		Summarizes the –9 amendments ( <b>EXHIBIT R</b> ), establishing a revenue neutral arrangement to the cities, counties and the Elderly and Disabled Special Transportation Fund.
477	Rep. Butler	<b>MOTION: Moves to ADOPT HB 4051 -9 amendments dated 6/14/02.</b>
480	Rep. Shetterly	Questions the revenue impact.
482	Yates	Responds that 2001-2003 biennium revenue appropriated to the health plan would be reduced by \$1.7 million.
<b>TAPE 10, A</b>		
007	Rep. Shetterly	Comments on revenue negotiations. Notes concerns and unintended consequences with agreements in existing revenue packages.
015	Chair Westlund	Acknowledges concerns.
024	Rep. Hansen	Comments in support of –9 amendments.
<b>038</b>	<b>Chair Westlund</b>	<b>Hearing no objections, declares the motion CARRIED.</b>
040	Rep. Butler	Summarizes the –11 amendments ( <b>EXHIBIT S</b> ), establishes the Oregon Health Care Fund. Notes that the monies in that fund would be distributed to the Oregon Health Plan and mental health services.
066	Rep. Johnson	Questions what mechanism allows for revenue distribution.
074	Rep. Butler	Responds that funds are currently available and would be transferred. States that the Legislature would determine the distribution of extra revenues.
102	Rep. Shetterly	Comments on the potential policy implications. Discusses concerns.
108	Chair Westlund	Questions the intent of the amendment.
118	Rep. Schrader	Clarifies that the monies are to be dedicated to health care, not exclusively the Oregon Health Plan. States that the scope of funding is being expanded.
122	Rep. Butler	Concurs. Further explains the legislative intent. States that creating a Health Care Fund would address the health care needs of Oregonians. Notes the importance of preventative care.
140	Rep. Shetterly	Clarifies that the amendment creates a new fund.
145	Rep. Butler	Responds affirmatively, Section 7 creates the Oregon Health Care Fund.
149	Rep. Shetterly	Repeats concerns regarding unintended consequences and impact to current policy.
160	Rep. Butler	Discusses the longevity of health care benefits, not just medical insurance benefits relating to the health plan.
172	Chair Westlund	Recommends developing -11 amendments in the Senate.
<b>195</b>	<b>Rep. Shetterly</b>	<b>MOTION: Moves HB 4051 to the floor with a DO PASS AS AMENDED recommendation.</b>
<b>200</b>	<b>Chair Westlund</b>	<b>Hearing no objections, declares the motion CARRIED.</b>
		<b>REP. SCHRADER will lead discussion on the floor.</b>
225	Chair Westlund	

Recesses meeting at 11:20 p.m. Reconvenes meeting at 12:25 a.m. and opens work session for introduction of committee measures.

#### **INTRODUCTION OF COMMITTEE MEASURE – WORK SESSION**

234	Adrienne Sexton	Fiscal Analyst, LFO. Summarizes LC 25, establishes procedure for statewide special election for HJR 80 and HB 4051.
251	Rep. Shetterly	Questions the consequences if the governor vetoes this bill.
252	Ted Reutlinger	Senior Deputy Legislative Counsel, LC. Responds that there would be no statewide special election in September. Notes that this is an unresolved legal question. States that the bill is necessary to call the election and to appropriate the money to the Secretary of State's office.
269	Chair Westlund	<b>MOTION: Moves LC 25 BE INTRODUCED as a committee bill.</b> <b>VOTE: 7-0-0</b>
272	Chair Westlund	<b>Hearing no objection, declares the motion CARRIED.</b> <b>NOTE: LC 25 introduces as HB 4059.</b>
275	Chair Westlund	Closes work session and requests the committee stand at ease at 12:28 a.m. (June 15, 2002).
277	Chair Westlund	Reconvenes 12:32 a.m. and opens a public hearing on HB 5091.

#### **HB 5091 – PUBLIC HEARING**

280	Chair Westlund	Determines no one wishes to testify on HB 5091. Closes public hearing on HB 5091 and opens work session on HB 5091.
-----	----------------	---

#### **HB 5091 - WORK SESSION**

306	Ken Rocco	Legislative Fiscal Officer, LFO. Summarizes the –2 amendments ( <b>EXHIBIT T</b> ). Reviews the conceptual changes resulting from the action taken on HB 4051 -9 amendments. Notes the amendment caused a \$2.1 million reduction to the anticipated cigarette tax. Page 13, line 29 “General Fund” figure changed to \$-200,080,503, page 14, line 6, “Federal Funds” changed to \$-167,943,064, page 28, line 31, “Other Funds” \$115,416,128, and page 29, line 4 “Other Funds” \$113,282,749 and line 5 “Federal Funds” \$167,537,155.
363	Chair Westlund	<b>MOTION: Moves HB 5091 conceptual changes to the -2 amendments, dated 6/14/02.</b> <b>VOTE: 7-0-0</b>
367	Chair Westlund	<b>Hearing no objection, declares the motion CARRIED.</b>
375	Rep. Shetterly	<b>MOTION: Moves HB 5091 –2 amendments, dated 6/14/02, as conceptually amended.</b> <b>VOTE: 7-0-0</b>
379	Chair Westlund	<b>Hearing no objection, declares the motion CARRIED.</b>
381	Rep. Shetterly	<b>MOTION: Moves HB 5091 be sent to the floor with a DO PASS AS AMENDED recommendation.</b>
367	Chair Westlund	Comments and contends that the legislative intent is to allow the university system to increase tuition above the 3% at the discretion of each university. Explains that the PERS bill will

not be moved out of committee, thus the budget will be out of balance by \$15 million.

437

**VOTE: 6-1-0**

**AYE: Butler, Johnson, Morgan, Schrader, Shetterly, Westlund**

**NAY: Hansen**

442

**Chair Westlund**

**The motion CARRIES.**

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

447

Chair Westlund

Recesses meeting at 12:40 a.m. Reconvenes at 12:55

450

Chair Westlund

Reconvenes meeting at 12:55 a.m. and opens a public hearing on HB 4059.

**HB 4059 – PUBLIC HEARING**

455

Chair Westlund

Determines no one wishes to testify on HB 4059. Closes public hearing on HB 4059.

**HB 4059 - WORK SESSION**

459

Sexton

LFO. Summarizes HB 4059. Comments that an amendment is necessary and speaks to page 6, section 10 insert into the blank \$1.5 million into the emergency fund.

**TAPE 10, B**

023

**Chair Westlund**

**MOTION: Moves to ADOPT HB 4059 conceptual amendment in Section 10 to include \$1.5 million from the General Fund be placed in the Emergency Fund for special purpose appropriation for election expenses to the Secretary of State.**

**VOTE: 7-0-0**

030

**Chair Westlund**

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

031

**Rep. Shetterly**

**MOTION: Moves HB 4059 to the floor with a DO PASS AS AMENDED recommendation.**

035

Rep. Hansen

Questions why order a special election and not wait until the general election.

038

Chair Westlund

Responds that the special election will provide certainty for the school boards.

041

Rep. Shetterly

Adds there will be uncertainty with the cigarette dealers and wholesalers.

048

Rep. Hansen

Questions if July 1, 2002 were removed from HB 4059 would a special election still be necessary.

055

Rep. Shetterly

Responds that if the Senate passes the revenue bonds to underlie Measure 88 a special election would still be necessary.

066

**VOTE: 7-0-0**

067

**Chair Westlund**

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

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

070

Chair Westlund

Recesses meeting at 1:15 a.m.

**NOTE: The committee did not reconvene.**

Submitted By,

Reviewed By,

Andrew Morris,  
Committee Assistant

Adrienne Sexton,  
Administrator

Sandy Thiele-Cirka,  
Committee Assistant

### **EXHIBIT SUMMARY**

A – LC 37-1, Draft, staff, 4 pp  
B – LC 47, Draft, staff, 9 pp  
C – LC 46, Draft, staff, 20 pp  
D – LC 49, Draft, staff, 4 pp  
E – SB 1022, -A3 amendments, staff, 1p  
F – SB 1022, -A4 amendments, staff, 1 p  
G – HB 4055, -1 amendment, staff, 1p  
H – HB 4055, Tax Rate Schedule, staff, 1p  
I – HJR 80, -5 amendments, staff, 1p  
J – HJR 80, -6 amendments, staff, 2pp  
K – HJR 80, Revenue Impact Statement, staff, 1p  
L – HB 4052, -1 amendment, staff, 1p  
M – HB 4056, DAS Memo dated 6/14/02, staff, 2pp  
N – HB 4057, Fiscal Impact Statement, staff, 2pp  
O – HB 4057, -1 amendment, DeLashmutt, 2pp  
P – HB 4054, -1 amendment, staff, 9pp  
Q – HB 4054, Fiscal Staff Measure Summary, staff, 1p  
R – HB 4051, -9 amendments, Butler, 2pp  
S – HB 4051, -11 amendments, Butler, 1p  
T – HB 5091, -2 amendments, staff, 30 pp