

SENATE SPECIAL COMMITTEE ON BUDGET

June 15, 2002 Hearing Room E
10:30 am Tapes 1 -2

MEMBERS PRESENT: Sen. Lenn Hannon, Chair
Sen. Peter Courtney
Sen. Avel Gordly
Sen. Steve Harper

MEMBER EXCUSED: Sen. Roger Beyer

STAFF PRESENT: Ken Rocco, Legislative Fiscal Office
Rick Olsen, Legislative Fiscal Office
Steve Bender, Legislative Fiscal Office

Jan McComb, Administrative Support

MEASURE/ISSUES HEARD: Organizational Meeting
HB 5090A – Public Hearing
HB 4055 – Public Hearing
SB 1024 – Public Hearing and Work Session
HB 5091A – Public Hearing

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.

<u>TAPE/#</u>	<u>Speaker</u>	<u>Comments</u>
<u>TAPE 1, A</u>		
001	Chair Hannon	Calls the meeting to order at 10:50 a.m. Opens organizational meeting and introduces proposed rules (EXHIBIT A).
<u>ORGANIZATIONAL MEETING</u>		
009	Chair Hannon	Moves adoption of the proposed Committee Rules (EXHIBIT A). Without objection, the rules are approved. Closes organizational meeting. Opens public hearing on HB 5090A.
<u>HB 5090A – PUBLIC HEARING</u>		
020	Ken Rocco	Legislative Fiscal Office (LFO). Presents overview of HB 5090A, which makes technical adjustments and corrections to the disappropriation bill from second special session in February 2002. Refers to budget report and staff measure summary (EXHIBIT B).
070	Chair Hannon	Seeing no requests for testimony, closes public hearing on HB 5090A. Opens public hearing on HB 4055.
<u>HB 4055 – PUBLIC HEARING</u>		
080	Rick Olsen	LFO. Presents overview of HB 4055, which makes changes to education, employment department and emergency communications account.
095	Lisa Trussell	Associated Oregon Industries (AOI). Testifies in opposition to HB 4055, especially the provisions which take funds from the Supplemental Employment Department Administrative Fund

		(SEDAF). Describes history of the fund and the SEDA program.
121	Jessica Harris	Associated General Contractors (AGC). Testifies in opposition to HB 4055. Explains the money was set aside from employers to prevent loss of services or increases in taxes. Urges committee to remove sections 4 and 9 at a minimum.
133	Chair Hannon	Asks whether these are interest funds derived from an excise tax and whether this would be similar to taking the \$80 million from SAIF in 1982.
139	Trussell	Asserts the action is clearly dangerous because if insufficient Oregon risks having to borrow from the federal government.
145	Chair Hannon	Inquires whether employer tax rate will be increased if this fund is drawn down.
148	Trussell	Affirms.
152	Shawn Miller	Oregon Grocery Industry Association. Expresses opposition to HB 4055, particularly sections 4 and 9. Points out that with a high unemployment rate and low profit margin, the state can't afford to raise rates in the future.
168	Chair Hannon	Asks whether there is an Attorney General's opinion on this issue.
173	Olsen	Advises there is no Attorney General's opinion but Legislative Counsel drafted the bill language. Explains impact of the bill on state unemployment tax rates by withdrawing \$19 million.
217	Chair Hannon	Requests that Legislative Counsel draft amendments to remove these two sections from the bill. Closes public hearing on HB 4055. Opens public hearing on SB 1024.

SB 1024 – PUBLIC HEARING

227	Steve Bender	LFO. Presents overview of bill, which modifies legislative approval of a capital project at Southern Oregon University and allows certificates of participation to be used to finance the project.
243	Chair Hannon	Discusses reasons for bill, to expand expenditure limitation and allow the university to raise an additional \$3 million for the project through contributions.
260	Chair Hannon	Seeing no requests for public testimony, closes public hearing on SB 1024. Opens work session on SB 1024.

SB 1024 – WORK SESSION

265	Chair Hannon	Moves SB 1024 to the floor with a DO PASS recommendation. Without objection, the motion is approved. Sen. Hannon will lead the discussion on the floor.
275	Chair Hannon	Closes work session on SB 1024. Opens public hearing on HB 5091A.

HB 5091A – PUBLIC HEARING

283	Rocco	Presents overview of HB 5091A which makes adjustment to budgets to complete House rebalance plan. Refers to submitted list of selective program reductions (EXHIBIT C) and summary of across-the-board program cuts (EXHIBIT D). Submits draft budget report and measure summary (EXHIBIT E).
363	Sen. Courtney	

		Asks about a program cut to SB 1145 (1995) programs in the bill.
365	Rocco	Refers to EXHIBIT C , page 2 regarding cuts to the Corrections Department.
375	Sen. Courtney	Inquires whether that is in addition to cuts from last special session.
380	Rocco	Responds this represents another \$1.6 million reduction.
385	Sen. Gordly	Asks about Human Resources reductions, and elimination of the Office of Multicultural Health.
390	Rocco	Advises it is a \$75,000 reduction in Multicultural Health.
400	Sen. Gordly	Points out possible unintended consequences of not providing interpreters, such as civil rights lawsuits.
414	Rocco	Answers the drafters of the bill generally understand that these cuts will affect many areas.
423	Sen. Gordly	Discusses Oregon Pre-K program.
430	Rocco	Reviews Oregon Pre-Kindergarten's request to the Emergency Board for a \$2.4 million special appropriation at the June 28 meeting.
440	Sen. Gordly	Asks about funding for the Lower Columbia Estuary Program in this bill.
449	Rocco	Responds there is a reduction.
TAPE 2, A		
035	Sen. Courtney	Clarifies his question about SB 1145 (1995) and prior written agreement with the counties when the bill was passed in 1995. Recommends finding more information about the impact of these cuts on those contracts.
050	Rocco	Offers to make inquiries on this or any cut items.
055	Bruce Bishop	Oregon Association of Hospitals and Health Systems. Expresses concerned over the reduction in hospital diagnostic related group (DRG) payments of \$3 million. States this disproportionately affects hospitals because of managed care, and will result in serious underfunding of hospital care for the Oregon Health Plan.
082	Sen. Gordly	Asks whether this cut affects the ability to capture federal dollars.
085	Bishop	Responds there will be a loss of \$4.5 million in federal matching funds for the \$3 million cut.
090	Chuck Craig	Oregon Department of Agriculture (ODA). Testifies in opposition to reduction for the ODA marketing program.
110	Don Schellenberg	Oregon Farm Bureau. Testifies in support of restoring \$93,000 to the budget. Continues the marketing division is significant in facilitating export of Oregon agricultural products.
130	Chair Hannon	Asks whether the Farm Bureau would endorse a tax increase to support this program.
134	Schellenberg	Advises not at this time.
136	Sen. Harper	Asks whether this money will be replaced with federal funds.

138 Craig Explains the department received a federal grant for specialty crop production, and the department has already spent this money.

140 **Grattan Kerans** **Oregon University System (OUS)**. Explains the proposed cuts, added to prior cuts, brings the university system reduction to 7%.

163 Chair Hannon Asks about support for salaries.

173 Kerans Responds the net effect is to back out 6-3/4 % of the legislatively-approved budget. Points out that the budget did not support new enrollment growth.

180 Chair Hannon Inquires about possible tuition increases if the cuts are made.

185 Kerans Discusses the potential increases coming.

215 **Bob Castagna** **Oregon Catholic Conference**. Expresses frustration about trying to be advocates for the vulnerable without knowing what cuts were made to human services.

285 Chair Hannon Advises the Committee will not be taking action today, but will be deliberative over proposed amendments and budget cuts.

290 **Patti Whitney-Wise** Executive Director, Oregon Hunger Relief Task Force. Refers to handout on Hunger Headlines 2002 (**EXHIBIT F**). Expresses concerns about additional cuts to Human Services. Recommends looking at the disconnect with federal government on tax breaks. Points out that most of the burden of cuts is put on the lowest income citizens. Expresses support for an income tax surcharge if it exempts those at the lowest income levels.

307 Sen. Morrisette Asks for copies of budget draft to be provided.

310 **Larry Niswender** **LFO**. Advises some will be brought to hearing room.

318 **Philip Wong** **Director of Public Policy, Ecumenical Ministries of Oregon**. Shares concerns of two earlier witnesses. Recommends against Human Resource cuts. Describes food program in northeast Portland with many new recipients, and the program does not have the capacity to take on additional caseload. Refers to letter from the United Methodist Oregon-Idaho conference (**EXHIBIT G**) and letter from Ecumenical Ministries' executive director (**EXHIBIT H**).

355 Whitney-Wise Advises the food stamp reduction is particularly onerous.

383 Chair Hannon Comments there will be time to review cuts and changes can be made.

385 Castagna Expresses opposition to the food stamp cut, the employment-related day care cut, the deletion of Temporary Assistance for Needy Families (TANF) staff increase.

412 **Gordon Fultz** **Association of Oregon Counties (AOC)**. Testifies and raises concerns about impact of cuts, such as drug and alcohol programs. Advises the counties are required to do mental health planning, yet they have no money to plan. Asks if money can be reinstated or the requirement be lifted under HB 3024.

TAPE 1, B

030 Sen. Gordly Comments that as the committee analyzes the budget it must know if or where decisions are jeopardizing ability to leverage federal dollars.

048	Fultz	Offers to look into the matter because many of the cuts are in much needed programs.
056	Sen. Shields	Comments that when cuts are made there is an effect on another part of the budget. Asks about analysis done in prior special sessions regarding this possible cost shift.
063	Fultz	Responds they have already seen greater increases in the corrections system resulting from the two special session cuts to human resource treatment programs.
075	Gina Furman	Director, Oregon Association of Community Mental Health Programs. Describes work done in planning a mental health system with the expectation that the money was coming from the state. Expresses concern that counties are laying off workers after having spent money in preparing for the HB 3024 plan. Urges the committee to remove the mandate if the money is not coming.
100	Sen. Morrisette	Asks what other counties are laying off employees.
102	Furman	Offers to return the information.
105	Chair Hannon	Asks where the reduction is listed.
110	Furman	Advises it was passed in HB 5091.
114	Paul Snider	Association of Oregon Counties (AOC). Testifies in opposition to cut to community corrections. Discusses connection between public safety and human services systems. Emphasizes that untreated mentally ill usually land in the corrections system. Describes background of the community corrections agreement and the current corrections population forecast.
195	Sheila Baker	LFO. Clarifies there is not a completed budget report. Continues the report shows a disappropriation for safety net clinics and home care clinics, but actually the money is being moved from the Emergency Board to the Dept. of Human Services budget as part of the rebalance plan.
200	Sen. Gordly	Asks about public health programs.
205	Chair Hannon	Advises there is another staff analyst to review that area.
222	Sen. Courtney	Inquires about reduction in sanctions.
230	Snider	Explains how the SB 1145 (1995) population is counted. Clarifies that many offenders are receiving less than 31 days of sanctions imposed by community corrections. Points out they are reduced due to lack of bed space; for example between Marion and Multnomah counties, 300 beds have been taken off line because of lack of staff.
250	Furman	Notes that 3024 planning and services funds were cut in half last session.
272	Ellen Lowe	Public Policy Counsel, Columbia-Willamette United Way. Asks that as the committee reviews items for proposed adjustments, it also relates them to the sources of funding being reviewed by other committees. Points out many of the reductions are in the area of health, yet one of the sources of funding is the Tobacco Tax increase. Continues many costs in health are directly related to tobacco use and the tobacco tax should be used for those programs.
331	Chair Hannon	

Advises that staff will use rest of this weekend to prepare recommendations for Monday. Closes public hearing on HB 5091A. Adjourns meeting at 1:20 p.m.

Submitted By,

Reviewed By,

Patricia Nielsen,
Committee Assistant

Marjorie Taylor,
Administrator

EXHIBIT SUMMARY

A – Proposed Committee rules, staff, 1 p

B – HB 5090A, Budget report and measure summary, staff, 2 pp

C – HB 5091A, Proposed Special Session 3 selective program reductions, staff, 4 pp

D – HB 5091A, Agency and program proposed cuts, staff, 7 pp

E – HB 5091A, Budget report and measure summary, staff, 25 pp

F – HB 5091A, Hunger Headlines 2002, P. Whitney-Wise, 4 pp

**G – HB 5091A, Resolution, Oregon-Idaho Conference of the United Methodist Church, P. Wong,
1 p**

H – HB 5091A, Letter, Ecumenical Ministries of Oregon, P. Wong, 1 p

I – HB 5091A, Article, Tracking Poverty in Oregon, P. Wong, 3 pp