

HOUSE SPECIAL SESSION COMMITTEE ON BUDGET RESTORATION

5th Special Session

September 7, 2002 Hearing Room 343
10:30 a.m. Tapes 10 - 13

MEMBERS PRESENT: Rep. Ben Westlund, Chair
Rep. Rep. Richard Devlin
Rep. Betsy Johnson
Rep. Susan Morgan
Rep. Alan Bates
Rep. Lane Shetterly

MEMBER EXCUSED: Rep. Cedric Hayden

STAFF PRESENT: Jennifer Simmons, Committee Assistant
Annetta Mullins, Committee Assistant

MEASURE/ISSUES HEARD: Informational Meeting
Budget and Revenue Options

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>
TAPE 1,A		
001	Chair Westlund	Calls meeting to order at 10:50 a.m. and recesses the meeting until 11:30 a.m. Announces that the committee will meet immediately after the House floor session.
019	Chair Westlund	Calls meeting to order at 12:15 p.m. and recesses the meeting until 2:00 p.m.
020	Chair Westlund	Calls meeting to order at 2:13 p.m. and announces that the committee will be accepting public testimony and invites everyone to testify.
<u>INFORMATIONAL MEETING ON BUDGET AND REVENUE OPTIONS</u>		
041	Laurie Wimmer Whelan	Oregon Education Association. States she would like to talk about the parameters of issues their 45,000 members could support. K-12 has already taken \$82 million in cuts and community colleges have already taken \$14 million in cuts. In addition to that, another \$50 million in the sustained veto has been largely forgotten and not discussed.
056	Chair Westlund	Comments the \$50 has not been forgotten and is being discussed a lot.
056	Whelan	Responds that they are hoping that the \$50 million will be a part of the re-balancing package that comes out of this 5 th Special Session. States that they also want to make sure that K-12 and community colleges do not sustain further cuts and that when the legislature considers a package that may include a tax increase that it be enacted in this building and not referred. Explains that their reason for wanting an enactment instead of referral is: 1) they have been hearing a lot from the public and their members

		that the public expects the legislature to do a difficult job and not punt to the voters; 2) they believe a solution benefiting all Oregonians depends on enactment; 3) their members feel it is not just about money in the classroom for K-12, but all the other vital programs in Oregon because their members feel it is difficult to teach a hungry child.
082	Rep. Shetterly	Comments that he takes issue with the characterization of a referral as “punting” and believes the legislature must take into consideration everything, inside and outside this building in reaching decisions. Outlines timing of referral to voters, and election in late February. Thinks it would be a burden to have a tax vote hanging over the legislature at the beginning of the session.
102	Whelan	Responds that they are aware of the logistic issues and if they had a vote, they would choose from among the least bad options.
108	Mark Nelson	Representing a variety of clients: Headstart; Higher Education faculty; Oregon Judges Association; Indigent Defense; Clinical Social Workers; Institutional Pharmacies; Linn County and Deschutes County; and Centers for Independent Living. Explains that he mentions all his clients because they are receiving General Fund dollars and have been subject to cuts over the last four special sessions to one degree or another. States they would like to discuss an approach to cuts because they have concerns about what has happened over the last four special sessions and would like to use the Centers for Independent Living as an example. Submits and reviews Chronology of Centers for Independent Living Funding (EXHIBIT A) .
192	Nelson	Continues presentation (EXHIBIT A) .
214	Nelson	States he believes cuts have to be very, very specific—not between but within agencies. They must not be disproportionate cuts and must be in balance with what the legislature would like to see happen.
226	Rep. Bates	Believes a lot of people agree in principle that an allotment program might be the fairest and best way to move, but there may be things to look at before going to an allotment that may make things work even better. States that the federal match for programs might go up in November, potentially 1.3 percent. Asks Nelson to entertain the idea there may be places in the first \$50 million where cuts can be made and not impact or destroy programs and might result in reduced costs for bonding and decreased interest rates.
250	Nelson	Responds that he believes everything has to be balanced. States that some of these cuts are targeted by the agency when the legislature has given affirmation to the people.
245	Chair Westlund	Comments on efforts of the legislature in funding programs and valuing them to the point of writing budget notes.
300	Chair Westlund	Comments on Ways and Means’ approach to budget cuts.
342	Bob Castagna	Oregon Catholic Conference. Explains that a year and one-half ago 24 faith-based and community organizations launched the Campaign for Fairness in Oregon in an appeal to the legislature to fund programs for vulnerable people and to attempt to lift people out of poverty. Submits press release (EXHIBIT B) and reads list of 24 organizations in the Campaign for Fairness

coalition: Advocacy Coalition of Seniors and People with Disabilities; Albina Ministerial Alliance; AME Church; Catholic Charities; Community Action Directors of Oregon; Ecumenical Ministries of Oregon; Episcopal Dioceses of Eastern Oregon; Evangelical Lutheran Church; Human Services Coalition of Oregon; Jewish Federation of Portland; Lutheran Advocacy Ministry of Oregon; Lutheran Church-Missouri Synod; Lutheran Family Service; Oregon 4A's; Oregon Catholic Conference; Oregon Center for Assisted Living; Oregon Food Bank; Oregon Health Care Association; Oregon Hunger Relief Task Force; Save Oregon Seniors; SEIU Local 503; OPEU; Sisters of Providence; Society of St. Vincent DePaul; and United Methodist Church-Oregon-Idaho Annual Conference.

States that the coalition identified public policy issues and funding for programs that amounted to almost \$159 million, almost equivalent to the potential impact of Measure 88. They identified safety net issues:

- Cash assistance for public assistance clients – restore the \$5 a month benefit cut.
- Provide cost-of-living adjustments for the TANF cash assistance grants since no COLA has been appropriated since 1991.
- Employment-related day care – restore the child care policies implemented in March 2000, specifically increase the maximum income for eligibility, 160 percent of the federal poverty level to 185 percent and an increase in the assistance payments.
- Maintain maximum age for child care assistance at age 13.
- Inflation for child care.
- Restore AFS job retention resources providing support services to help low-income persons retain employment.
- JOBS program inflation.
- Provide \$250,000 for the food stamp outreach program.
- A caseload reserve for TANF grants.
- Programs supporting persons through the Senior and Disabled Services Division and funding for local senior transit services.
- Restore the current service level funding for Medicaid-funded services to long-term care clients in levels 15-17 serving over 3,800 clients.
- Restore the current service level funding for Oregon Project Independence serving over 3,000 clients.
- Provide an accurate and up-to-date rebasing of the nursing home rates.
- Restructure community-based care rates, and inflation for substitute homes.
- Restore funding for local senior transit services.

		<ul style="list-style-type: none"> • Housing Lobby Coalition proposes almost \$30 million for affordable housing. • Refundable earned income tax credit and refundable working family child care credit.
430	Castagna	Explains that when they look at the \$6.4 million in the undesignated cuts in a draft form reported to E-Board from DAS, and looking at the list of potential cuts if the Governor is forced with an across-the-board cut in DHS, many of the programs they were successful in maintaining funding, or achieving the child care credit during the session, many of those programs will be undone. Nearly 17,000 postcards came to the governor's office and legislators from the public in support of the campaign for fairness. Their members are terribly concerned the safety net is threatened to be torn asunder. They were shocked to see the \$2 million cut to OPI. The proposal released by the governor's office would cut \$121 million and would eliminate OPI. Asks where the people will go; the cuts are to be in effect October 1. The most unconscionable was the \$5 takeaway from largely single moms and their kids when they have not had a cost of living adjustment in 11 years. Asks what increasing the cost of day care does to those who try to maintain themselves in the job market. The first special session eliminated non-domestic violence emergency assistance grants. The design of the program is to prevent families from becoming homeless.
TAPE 11, A 045	Castagna	States that their organizations have an obligation to deliver a message to the legislature that they cannot replace state-government funded programs; they do not have the financial capacity or the personnel capacity, nor is it their mission to replace government programs. Asks if there is not an obligation to have a community level discussion before a public policy is put in place. We have obligation to provide for people who are vulnerable in our society and the legislature has the constitutional obligation to balance the state budget. The religious community suggests the legislature has a moral obligation to provide for the vulnerable citizens.
087	Castagna	States their appeal to the legislature is to provide the resources and additional revenues necessary to maintain, rebuild, and re-strengthen the safety net so people are not put in jeopardy.
125	Chair Westlund Castagna	Asks what the best of the bad choices are. Responds this is an appeal for bipartisanship. They are looking for fairness, equity, and resources based on ability to pay. They call on those who have resources to share with those who have not. The fairest is to ask those who have to sacrifice and share with those in need.
160	Castagna	Adds that the unemployment insurance benefits will expire before Christmas and there will be a great number of workers whose benefits will be discontinued. Asks that the legislature extend the unemployment insurance benefits for an additional three months. Suggests other resources may be realized from a tax on cigarettes and beer and wine.
209	Chair Westlund	Compliments Castagna on his testimony. Asks if the legislature

	Castagna	should make a referral to the voters or vote it straight up. Responds that it is his preference to have the legislature do its duty and enact the measure into law.
243	Rep. Shetterly	Comments on referral and making the decision to get a referral to the voters as soon as possible.
288	Rep. Bates	Comments on referral/no referral. Asks if Castagna would suggest there be a bottom for income before the nine percent tax rate would be increased, and whether individuals include corporations.
323	Castagna	Responds he thinks there should be a floor to try to insulate those who have lower incomes. Comments on shift of revenue obligation with Ballot Measure 6, and states the burden now tilts toward individuals. Believes it would be healthy to return to pre-Measure 5.
380	Rep. Devlin	Asks what kind of criteria the legislature should use in making cuts.
396	Castagna	Comments that two numbers that have been used in discussions in this building and the media are in the range of \$80 to \$100 million in additional cuts as part of the package of bonding, revenue raising, etc. Another 25 percent cut in DHS is an additional \$20 million to \$25 million in cuts. Does not know how you can go back into the DHS budget and make any more cuts without doing great harm.
TAPE 10, B		
023	Steve Doell	President, Crime Victims United. States he is concerned about budget cuts to public safety, particularly around the issues of Department of Corrections (DOC), Oregon Youth Authority (OYA), the Judicial Branch, and district attorneys. Media reports have reported that close to 4,000 prisoners would be released if the across-the-board cuts become reality. Seven percent of prisoners are in for serious drug offenses and have long criminal records. Seventy-five percent are violent offenders: sex crimes, felony assaults, murders, armed robberies, child molestations, kidnappings, etc, and the remaining are property offenders.
054	Doell	States that Section 44 of the Constitution, passed by the voters in 1999, says any sentence imposed in open court shall be carried out. Explains that the reason that was put in was to stop legislative or bureaucratic moves of making releases without bringing the people back in front of the sentencing court. Wants to be clear that if cuts to corrections are made, the legislature must take into consideration the cost of transporting those people, opening up the courts, the DA costs, and indigent defense costs to have hearings. There will be lawsuits from DA offices and from private attorneys if anybody tries to do an end run around Section 44 of the Constitution.
068	Doell	States it is difficult to vision 250 beds and not real people. Explains that because the way juveniles cycle through the OYA, we are talking about cutting services to about 1,400 youths. We are also talking about cutting community services. Once the kids are in the community, there is no supervision and they will come back to the detention centers in the counties, then the kids that are normally in the detention centers are going to be out in the street. Adds that the message will get out very quickly that there

		is no room at the inn and nothing will happen to them if they commit a crime.
087	Doell	In the period 1987-94 the increase in violent juvenile crime rate was 67 percent and about a 42 percent increase in property crimes involving juveniles. It is also important to realize the kinds of kids in OYA. One percent of the offenses are homicide-related, 37 percent are sex offenses, 33 percent are violent person offenses, 7 percent are arson, weapons, and drugs, and 23 percent are property crimes and of those 11 percent have prior weapons adjudications.
		The kids in OYA have been through every service in the community.
106	Doell	States there is a new report coming out on statistics of kids in OYA and understands that sex offenses have risen from 37 percent to over 40 percent.
120	Doell	People can be arrested and incarcerated but none of that will happen unless we have courts that can take care of the cases. Right now the courts have taken an 8.9 percent hit over the last special sessions. Asks that the legislature pay particular attention there because the justice system cannot operate without the judicial branch in tact.
125	Doell	States that he talked with a DA this morning who said he will have to seriously look at not running next time if he has to take these cuts. Comments on salaries of judges compared to other states.
161	Rep. Bates Doell	Asks what the solutions are. Responds that he does not have the answer. States that between the voters of this state and the legislature over the last 10 years we have made huge strides in dropping the crime rate.
181	Ralph Groener	American Federation of State, County and Municipal Employees (AFSCME). Comments they do not know what is causing the problem besides the recession. After Measure 5, Oregon has been digging into revenue: that would have been there to sustain and strengthen programs. Asked LFO what Measure 5 has cost the state. We used to pay 25 percent and we now pay 75 percent. That is a 50 point difference. LFO says that equates to \$3.47 billion out of a \$12 billion budget. With another \$500 million from other measures, we are at a point where our budget is now directed by the public in ballot measures. Offers options:
		<ul style="list-style-type: none"> • We need bridge financing, increase vehicle registration. • Improve economy by capitol improvements because that will put income taxes back into the General Fund.
293		<ul style="list-style-type: none"> • Issue bonds to fix our roads. • Measure 88 needs to be delayed; has never supported disconnecting the accelerated depreciation. • Tax beer, wine and soda pop. • Increase the limit of Measure 5 by one percent or whatever for K-12.
338		<ul style="list-style-type: none"> • Accelerate the process, even if it means getting something out to the voters. • Must educate Oregonians about the process.

436	Chair Westlund	States that the total of all three measures is \$4.3 billion. Oregon General Fund grew from approximately \$5 billion to \$10 billion; of that \$5 billion increase, \$4.3 billion was otherwise directed through the initiative process.
TAPE 11, B		
042	Rep. Bates	Comments that the growth in the state budget occurred because we had a great economy. The overall tax burden dropped from 25th to 47th during that time because of a shift of those taxes, primarily off commercial real estate. A huge amount of that went into K-12 to make up for the loss of local property taxes. Now we are facing the reality of Ballot Measure 5.
057	Groener	Comments that we can no longer afford to say business pays too little and the individual too much. We need a fair sales tax. He would reduce the income tax on everybody in the state to six percent and have a sales tax excluding food and drugs and low-income people would not pay on the first levels, dedicated to K-12 with a reserve fund.
082	Rep. Devlin	Comments that a transportation package failed in 1997 and 1999 and a tiny package in 2001 passed. States the income tax impact would have been significant on the 1997 package. The issue about the bridges is a very clear issue about economics and economic development because the limitations on bridges are making some areas of the state less economically viable than they already are. Asks when the work could actually be done and when the economic impact would be seen in the economy.
095	Groener	States that ODOT says the money is there and they are ready. It may have meant they were ready on highway construction because the bridge issue may not be ready until January. Believes we should get the bonding going for the either the bridges or the highways. We will have to do that with a fee increase of \$15.
130	Jacqueline Zimmer-Jones	Director, Oregon Association of Area Agencies on Aging and Disabilities (O4AD), and Co-Chair of the Human Services Coalition of Oregon. States it is their hope the legislature will go back and pick up the \$6.5 million cuts assigned to DHS during the 3 rd special session and spare those programs. They are assuming somewhere around 30,000 to 31,000 will lose services and will not have services to come back to. People receiving services at levels 15-17 will destabilize and come back in at a higher level. Adds that services have been eliminated down to level 6 and there is no place for the people to come back in.
170	Zimmer-Jones	Gives examples of impacts of loss of services.
235	Zimmer-Jones	Notes conflict with federal law if services are not provided.
249	Zimmer-Jones	Asks that funding be provided now and for the future.
254	Chair Westlund	Ask how the state can fund these programs.
255	Zimmer-Jones	Responds they tend to want to eliminate certain ballot measures that have impacted the General Fund, and looking at tax credits that were given to see if they really are generating income and to see if we need to give any more tax credits. Suggests that had a tax on beer and wine been on the books a number of sessions ago, it would have generated some income, and believes it is time those industries step up and accept an increase.
294	Rep. Johnson	Comments about an elderly person who called her about cuts to OPI but did not understand the plan. Asks that the advocates use

325	Committee	caution in using their clients.
421	Phyllis Rand	Discusses subjects unrelated to the subjects of the meeting. Governor's Commission on Senior Services. Suggests the delay of implementation of any new programs that the 2001 legislature implemented. States that neither she nor the Commission thinks the cuts in the governor's budget are two percent across the board. If the governor does start cuts, on Tuesday notices must go out to OPI clients because they must be given notice. Ask that the tax on beer and wine be increased and that pop should be added to the list.
TAPE 12, A		
030	Chair Westlund	Comments that just because a program is new doesn't mean it is not more cost effective. Gives example that OPI was new at one time.
074	Ann Christopher	Washington resident and Manager, Indigent Defense Services Division. States she wants to testify in both her professional position and as a private citizen of the state of Washington. Indigent Defense has taken reductions of 13.6 percent in the first four special sessions; the current funding for indigent defense is 1.2 percent more than funding for the 1999-01 biennium. States she is not saying other public entities should take higher cuts because she is a strong advocate of working together as part of the system in public safety. Criminal cases for indigent defense are a little over 50 percent of the workload for private attorneys as opposed to state employees; no state employee provides indigent defense work. A large portion of the workload is civil commitment and juvenile matters. Explains who is entitled to paid counsel.
139	Christopher	States that in Washington there is no income tax; there is a sales tax of almost 10 percent. Washington also has a higher vehicle tax, \$500 - \$600 a year, and has raised the cigarette tax. States she is not opposed to raising the tax on beer and wine and cigarettes. States she is willing to spend more money on the taxes than she has seen occur over the past 14 years.
189	Chair Westlund	Comments on differences between Washington and Oregon General Fund amounts and budget shortfalls.
193	Lee Hazelwood	Senior Advocate. Comments that he is concerned about notification to seniors losing services the first of October. People who work providing these services are paid wages and some pay income tax. Last session OPI was funded to the 1999 level. If every budget were funded at the 1999 level, we would not be able to take care of some of the people but we might not be in the fix we are today. OPI is designed for people who do not qualify for Medicaid but they are low income and need services to prevent premature institutionalization. The program operates on a sliding fee scale so participants contribute to their own care. Most of the clients are at least 80 years old, more than 75 percent are living on social security, and 40 percent are at or below the poverty level. Seventy-five percent are female and 69 percent live alone. OPI helps approximately 4,000 vulnerable seniors every year. Many would need more care in a nursing home or some other setting if the program were cut. Others would be neglected and do without the most basic care.
280	Chuck Bennett	Confederation of Oregon School Administrators. States he will

confine his remarks to placing issues on the ballot as opposed to enacting them. They are very concerned any tax issue placed on the ballot in November will be surrounded by local tax measures throughout the state as well as the single payer plan which has a substantial tax component associated with it. States if a measure is going to be on the ballot, it should be alone or without a lot of confusing information on the ballot.

316 Bennett If a measure goes to the ballot with an issue associated with taxation, the legislature will have to go through a disappropriation process in order to get rid of the funds in order to go ask for those moneys. Whereas, if the legislature enacts a tax measure up or down, it becomes the voters responsibility to disappropriate the funds. They would like to not have that lack of connectivity. Voters seem to be able to vote against taxes and not take responsibility for the impact. That might be what the legislature would be setting up if it is not an up or down vote.

353 Rep. Shetterly Comments he would see it being the opposite. If the legislature does not do the disappropriation and if it is referred, it is not apparent to the voters what is going to be lost. Asks if there would not be better connectivity between the voters and the impact of the measure if there is a disappropriation that will take effect if the measure is defeated.

372 Bennett Responds he thinks the point can be argued, and justifiably. The experience is that Ballot Measure 13 clearly would result in a direct impact to K-12 and it lost. Yet, the polls say that K-12 is at the top of the list for the voters.

402 Rep. Bates Asks Bennett how he would feel about a tax measure directed solely to K-12.

411 Bennett Responds that they would prefer that the legislature enact the measure. Explains they would like to have some certainty coming out of this fifth special session.

430 Rep. Bates Asks what would happen if there is a challenge and the measure is referred.

433 Bennett Agrees that the certainty would be missing.

437 Rep. Shetterly Asks if they want a tax measure in a high- or low-turnout election.

443 Bennett Responds he believes they would want it in a more controlled, lower turnout election, if there is an opportunity.

TAPE 13, A

023 Rep. Morgan Asks if it is important to get people to a place that people look at this as money going into the system.

034 Bennett Responds he believes we are engaged in a longer term process.

047 Rep. Morgan Comments that there is a high level of concern that only about one-half of the money gets down to the school districts and the constituents are asking what happens to the money the districts don't get.

057 Bennett Responds that a task force is taking a look at the number of dollars for education and whether only fifty percent is reaching the classroom. States there is nothing the task force is not talking about and hopes that all those kinds of concerns become a part of the mix and testimony and discussion over the next year.

087 Tricia Smith Oregon School Employees Association (OSEA). States that OSEA wants the legislature to enact legislation now to fill this hole for this biennium and the projected hole in the next

148	Rep. Devlin Smith	biennium and allow time to find a solution to long-term funding. Asks how to define “adequate and stable” school funding. Responds there will be different responses to the question, but to her adequate funding for education is funding adequately to provide for the educational needs of a child entering pre-school through higher education at a level that would allow that child as an adult to compete in the real world and market, that will allow communities to thrive, that will bring economic development opportunities to the communities, that will allow her son to continue his band and allow him to have algebra in the eighth grade—an adequate education is where all children have an opportunity.
200	Smith	Adds that there are mechanisms in place because this is not the first legislature that wonders what “adequate” means. Legislators have put in place the Quality Education Commission specifically to guide them and tell them what is needed to provide the education our children need.
210	Rep. Shetterly Bennett	Asks Bennett if he would put the odds on a referendum of a straight up vote by this body. Responds he believes a referral of a K-12 funding measure is substantially different than a gas tax. Believes a referral of a measure will be a challenge--even-odds is it stays off the ballot. Adds that their lobby would prefer to approach a campaign on an enactment rather than having it referred by the legislature.
251	Smith	Comments on initiatives hampering the efforts of the legislature and states she believes it is important the legislature face the voters through enactment.
269	Chair Westlund	Comments that he takes issue with the \$1.5 billion shortfall. Does not buy that number; believes it is much lower, but it is a significant shortfall for next session.
288	Smith	Responds that OSEA is also concerned about the legislature’s willingness next session to address tax reform and long-term solutions to school funding. That is why they have developed the school funding pledge and have asked candidates and legislators to sign it. The point of the pledge is to cause people to put there signature and commitment where their mouth is and not leave this building next session without a solution to this problem.
317	Chair Westlund Bennett	Comments that if \$1 billion is put into the legislature next session, it would be the greatest misfortunes to befall Oregon. The economy will start to recover and Oregon will muddle along for another 10 years. Asks if the Chair’s point is that we continue to “bridge.”
366	Rep. Bates	Comments that the most optimistic number he has seen is beginning the session short about \$730 million, not \$1.5 billion. Comments that how the legislature begins the next session is important, too. If the legislature begins with borrowed money to patch this over, it does no service to the people of Oregon.
376	Smith	States that while she appreciates the difficulty of the issues for the elected officials, we are talking about whether her eighth grader gets algebra and whether or nor seniors on OPI have a home. States that the real issues are here and we have to face them and make sure the people who are elected are willing to face those issues.
405	Chair Westlund	Comments that keeping those faces in mind, if he could make it

439	Smith	so, he would build a rickety bridge into next session making sure we take care of their needs as adequately as possible this biennium. That is the only way to solve Oregon’s tax structure. Comments that despite the pain this process is creating for everyone, everyone is on the same side—Oregonians and the families they represent.
447	Rep. Shetterly	Comments that he does not care how he is viewed back home. Thinks the real problem is that there are 90 legislators who reflect the very same kinds of conflicts and inconsistencies and diversity of opinions on taxes and spending and program and services that are reflected in the populous that brings the legislators here.
465	Chair Westlund	Adjourns meeting at 4:54 p.m.

Submitted By,

Reviewed By,

Annetta Mullins
Committee Assistant

Marjorie Taylor,
Committee Administrator

EXHIBIT SUMMARY

A – Budget and Revenue Options, Chronology of Centers for Independent Living Funding, Mark Nelson, 8 pp

B – Budget and Revenue Options, press release, Bob Castagna, 2 pp