

HOUSE SPECIAL SESSION COMMITTEE ON BUDGET RESTORATION

5th Special Session

September 8, 2002 Hearing Room 343
5:00 P.M. Tapes 14 - 15

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

STAFF: Paul Warner, Administrator
Ken Rocco, Administrator
Gina Rumbaugh, Assistant
Larry Niswender, Legislative Fiscal
Lizbeth Martin-Mahar, Legislative Revenue

MEASURE/ISSUES HEARD: Introduction to Committee Measures
LC17 Public Hearing
*Bob Repine, Housing and Community Services, (HCS)
LC 9095 Public Hearing
* Bob Cantine, Association of Oregon Counties, (AOC)

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 14, A		
004	Chair Westlund	Calls the meeting to order. Opens work session to introduce Committee Measures
<u>INTRODUCTION OF COMMITTEE MEASURES</u>		
023	Rep. Morgan	MOTION: Moves that LC 17 be introduced as a committee bill.
033	Rep. Devlin	Clarifies that his vote is to introduce the measure and should not be seen as either support or opposition. VOTE: 7-0
040	Chair Westlund	Hearing no objection declares the motion CARRIED.
045	Rep. Morgan	MOTION: Moves that LC 9095 be introduced as a committee bill.
050	Rep. Devlin	Clarifies that his vote is to introduce the measure and should not be seen as either support or opposition. VOTE 7-0
058	Chair Westlund	Hearing no objections, declares the motion CARRIED.
065	Chair Westlund	Closes the work session introduction of committee bills and opens a public hearing on LC 17.
<u>LC 17 PUBLIC HEARING</u>		
70	Bob Repine	Director, (HCS). Asks for clarification on how much the

82	Lizbeth Martin Mahar	<p>proposed tax will raise. LRO. Reviews the tax rates outlined by LC 17:</p> <ul style="list-style-type: none"> • increases top two personal income tax rates for three years beginning in 2002 if approved by voters • for 2002 single filers with taxable incomes above \$2,600 and less than \$6,450, the 7 percent personal income tax rate increases to 7.3 percent • single filers with a taxable income above \$6,450 the 9 percent personal income tax rate increases to 9.6 percent • to generate \$395 million in 2002-2003, \$305 million in 2003-2004 and \$192 million in 2004-2005, for a total of \$497 million in the 2003-2005 biennium. <p>Submits a table describing the breakdown of distribution of income tax returns in 2002, page two, (EXHIBIT A). Anticipates the measure will raise \$277 million, most of which will be paid by those with taxable incomes over \$100,000. Requests that when the measure comes back in bill form, the committee be provided a table for 2003, as the Oregon refundable tax credit will be effective January 1 2003. Expresses interest in seeing how it plays with the adjustment in the rates. Comments on the preliminary staff measure summary. (EXHIBIT B). Notes a possible error in the table at the bottom that shows 9 percent for single filers, which should actually be joint filers.</p>
137	Rep. Shetterly	<p>Agrees to make the change. Says the measure imposes an overall tax increase of \$175 on average for all tax returns. Explains that the reduction in the federal tax would result in an increase of \$150 on average for all tax returns.</p>
150	Martin Mahar	<p>Asks what portion of the \$395 million derives from the 3 percent increase on the 7 percent bracket. Asks staff to compute a corporate tax increase level that would give that same amount.</p>
175	Rep. Bates	<p>Requests clarification of the term, total income.</p>
190	Rep. Devlin	<p>Clarifies that the term total income is the federal adjusted gross income and does not include the credits.</p>
195	Martin Mahar	<p>Asks for an explanation for the decline in the tax revenues collected in 2003-2005. Notes that the measure collects \$305 million in the first year and \$192 million the second half of the biennium. Asks if the \$395 million is a larger number because it is retroactive to January 2002 through July 2003.</p>
220	Bob Repine	<p>Outlines the fee schedule provided in the measure.</p>
235	Martin Mahar	<p>Asks if the 60/40 ratio is due to higher withholding and estimated tax payments coming in during the calendar year.</p>
265	Rep. Shetterly	<p>Confirms.</p>
271	Martin Mahar	<p>Closes the public hearing on LC 17 and opens a public hearing on LC 9095.</p>
275	Chair Westlund	

LC 9095 PUBLIC HEARING

290	Larry Niswender	<p>States that LC 9095 is a blank appropriation bill similar to those used in each of the sessions when there is a transfer of funds, changes in limitations, or general fund appropriations.</p>
310	Chair Westlund	<p>States that the work group is working to come up with a targeted cut list with greater or lesser degrees of success, as well as a general omnibus across the board allocation approach to the</p>

369	Chair Westlund	reduction packages. Mentions that some things will be excluded from the allocation reductions, including anything that involves debt service, capitol projects, mandated service levels, either by the constitution or the courts, savings already received from delayed or phase in of new programs, anything that would incur an almost certain threat of legal action. States that the process will go hard on the unspent funds included in budgets, fairly lightly on the constitutional offices, and look delicately at anything that has federal funds.
430	Niswender	Clarifies the process was staff initiated during discussions of across- the-board cuts. States that several issues came up in the administration of this. Reiterates that the measure is a draft and a work in progress.
470	Bob Cantine	(AOC). Asks for a sense of what flexibility there is on the across- the-board cuts.
500	Chair Westlund	Replies the cuts must be made on a pro-rated basis, with the exception of the details listed earlier.
TAPE 15, A 058	Chair Westlund	Closes the public hearing on LC 9095. Recess the committee at the call of the chair. Meeting is adjourned by implied consent

Transcribed By,

Reviewed By,

Annastasia Suess,
Committee Assistant

Marjorie Taylor,
Committee Administrator

EXHIBIT SUMMARY

- A. Reference materials, staff, 4 pp.
- B. Draft LC 9095, staff, 2 pp.