

HOUSE COMMITTEE ON ADVANCING E-GOVERNMENT

July 1, 2001
3:00 PM

Hearing Room E
Tape 67-68

MEMBERS PRESENT: **Rep. Jim Hill, Chair**
 Rep. Rob Patridge, Vice-Chair
 Rep. Kathy Lowe

STAFF PRESENT: **Janet Adkins, Committee Administrator**
 Patrick Brennan, Committee Assistant

MEASURE/ISSUES HEARD: **HJR 51 Work Session**

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 67, A		
004	Chair Hill	Calls the meeting to order at 3:21 p.m. Opens a work session on HJR 51.
<u>HJR 51 WORK SESSION</u>		
008	Don McIntyre	Gresham. Testifies in support of HJR 51. Provides a brief history of efforts to institute a constitutional state spending limit in Oregon. States that unlike a similar measure referred to voters in 2000, Ballot Measure 8, HJR 51 exempts federal matching funds, gifts, and grants from state expenditure calculations. Explains that passage of the measure would place the issue on the ballot once again. Indicates that preliminary estimates have determined that the measure would have no impact on state spending during the 2001-03 biennium.
054	McIntyre	States that the measure prevents the growth of government from outpacing the growth of Oregon's economy and the personal wealth of Oregonians. Acknowledges that a similar measure, HB 3997, would place the same restriction in statute, but asserts that the legislature could easily bypass a statutory spending limit, rendering that measure meaningless. Mentions that HJR 51's spending limit can be overridden only by a ¾ vote by both the House and Senate, which is a substantially strenuous requirement that nonetheless offers a safety valve in case of emergency.
102	Vernon White	Senior Analyst, Oregon Tax Research. Reiterates that the measure would have no effect during the 2001-03 biennium, and would have only a slight impact during 2003-05 biennium. Explains the calculations used to project averages for both the growth of government and the growth of Oregon's economy.
130	Chair Hill	Declares the meeting to be in recess during a call of the House.
<p>-----RECESS-----</p>		
135	Chair Hill	Reconvenes the meeting.
141	Rep. Bruce Starr	House District 3. Testifies in support of the -8 amendments (EXHIBIT A) to HJR 51. States that the amendments would remove dedicated state funds from HJR 51's spending cap.

160	White	Emphasizes the difficulty that the measure's spending cap would place on highway funds. Mentions that there are additional funds that are constitutionally dedicated, including some lottery funds. Estimates that by the 2011-13 biennium the all-funds state budget will have grown to approximately \$69.5 billion, compared to the current level of \$34 billion.
172	McIntyre	Voices opposition to the –8 amendments. Explains that the calculations that went into the spending cap included the gas tax, which is dedicated to state highways and would be exempted by the amendments. Asserts that the legislature could intentionally circumvent the spending cap by dedicating specific funds. Opines that constitutional amendments should address a philosophical issue, in the case of HJR 51 limiting the size of government.
204	Chair Hill	Declares the meeting to be in recess during a call of the House.

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207	Chair Hill	Reconvenes the meeting.
208	Rep. Patridge	Notes that the House has HB 3997 under consideration. Solicits Mr. White's opinion to referring HB 3997 to the voters as a constitutional amendment.
220	McIntyre	Opposes the exemption made by HB 3997 for certificates of participation. Notes that HB 3997 contains no mechanism for returning excess revenues to taxpayers. States he cannot support referring HB 3997 as a constitutional amendment because there is no guarantee that it would be as effective at limiting state government as HJR 51.
253	White	Concurs with Mr. McIntyre. Remarks that HB 3997 reduces the effectiveness of the bill to the point where it could affect little more than the General Fund.
266	McIntyre	Voices support for the –7 amendments (EXHIBIT B), which merely clarify the measure by delineating the mechanism for returning excess revenues to taxpayers. Indicates that Legislative Counsel determined it wise to clarify that federal funds would not be returned to taxpayers.
280	Chair Hill	Concludes that HJR 51 would allow for redistribution of state gas tax funds, corporate income taxes, and all other state revenues.
288	McIntyre	Responds that all the aforementioned funding sources go into state appropriations. Expresses the belief that returning money to taxpayers will not be a big factor, as money that cannot be spent will likely not be appropriated.
304	Rep. Lowe	Asks why 1989-1991 was used as a baseline for income rates.
311	White	Answers that his goal was to reach back as far as possible and that 1989 was the earliest year for which data was readily available.
330	Rep. Lowe	States that since 1989 the state has experienced a high rate of economic growth, especially compared to the recession in the 1980s. Wonders if Mr. White considered averaging out both the good years and bad years.
345	White	Recalls that most of the bad economic times were in the early 1980s.
350	Rep. Lowe	Concludes that HJR 51 does not provide a good picture of the

		state's economy as a whole.
356	White	Contrasts the growth of the Oregon economy from 1989 to present.
363	Rep. Lowe	States that by 1989 the problems that had plagued the state's economy in the 1980s had been overcome by new opportunities.
389	White	Reiterates that the growth of state government has nevertheless outpaced that of the state economy during the same period.
393	Chair Hill	Asks Mr. White whether he would agree that the growth of state government has been due in large part to ballot initiatives approved by voters, which shifted services such as public education from local governments to the state.
396	White	Agrees that is part of the equation, but not the whole answer. Argues that many state agencies are overstaffed. Identifies the Oregon Youth Authority (OYA) as a state entity that could likely get by with fewer employees, as there are more OYA employees than there are youths served by OYA.
TAPE 68, A		
019	Rep. Lowe	Responds that OYA needs all of the staff it has, given the duties and expectations of the agency. Requests figures for both the good years and the bad. Notes that the current spending limit was enacted in 1979 and has been exceeded on only four occasions, the most recent as a result of the cost of Ballot Measure 88. Expresses support for the -2 amendments (EXHIBIT C), which exempt funds passed through state government to local governments.
065	Rep. Lowe	Submits additional amendments for the committee's consideration: <ul style="list-style-type: none"> • -3 amendments (EXHIBIT D), which exclude funds that must be allocated in return for federal matching funds • -4 amendments (EXHIBIT E), which exclude funds used to fund programs enacted or approved under Section 1, article IV of the constitution • -6 amendments (EXHIBIT F), which exclude payment of restitution as required by Ballot Measure 7
091	McIntyre	Concedes that opponents of HJR 51 will raise issues similar to those raised by Rep. Lowe. Asserts that the disparity between state spending and economic growth will need to be addressed sooner or later. States that HJR 51 will force the legislature to economize and cut out waste. Suggests that state government consider hiring out some of the services it provides, as it could then pass the benefits of the lowest bidder to taxpayers.
151	Rep. Lowe	Wonders whether Mr. McIntyre would consider exempting funds used to hire out services to private companies.
155	McIntyre	Replies negatively. Says that government invariably spends all the money it brings in, which is why it is necessary to curb the growth of state government.
171	Rep. Lowe	Says she is unaware of any class of government worker who has enjoyed a 12 percent increase in wages or benefits since 1989, adding that some such as circuit judges have had no increases whatsoever. Mentions that added benefits through the Public Employees Retirement System (PERS) have been one of the only benefits accrued by state employees during the 1990s.

207	McIntyre	Reiterates that the 12-percent annual growth in Oregon's economy is all-inclusive and takes into account inflation, population growth, and other factors. Restates that a similar calculation for the same period indicates a 15-percent growth annually in state government spending.
225	White	References a chart (EXHIBIT G) that visually demonstrates the difference between the growth of the economy and of state government.
241	McIntyre	Submits that the public should be allowed to deliberate the merits of limiting state spending.
245	Rep. Lowe	Concurs.
246	McIntyre	Emphasizes that state government should not be growing faster than the state's economy.
254	Chair Hill	Asks Mr. McIntyre to respond to the assertion that ballot initiative requirements and federal regulations have forced the state to spend more money. Wonders whether the disparity between economic growth and state spending can be totally accounted for by the shift in funding for K-12 education from local to state government. Inquires what might happen if future ballot initiatives force the state to spend faster than the rate of economic growth.
278	McIntyre	Responds that the people, the primary legislative body of the state, approved ballot measures 5 and 11. Measure 11 addresses public safety, a primary function of government even for libertarians. If the voters make a similar decision in the future that is okay, but they should know the consequences. Highlights Ballot Measure 5 (1990), which provided much-needed tax relief, especially to those on fixed incomes who could no longer afford to pay the property tax on their homes.
320	McIntyre	Elaborates that Ballot Measure 5 became necessary because state government allowed the responsibility for public education to devolve to local government.
346	Chair Hill	Points out that it was still a ballot initiative that compelled state government to become the primary funding source for public education, thereby creating the perception that its growth was too rapid.
364	McIntyre	Suggests that the spending cap will become part of the equation when voters consider ballot initiatives.
373	Chair Hill	Contrasts the ballot initiative process with the compromise and coalition building that is required in the legislative process.
384	McIntyre	Responds that most of the people who have a voice in Salem are those who want the government to spend more. Concludes that citizens will need to make thoughtful, informed choices.
TAPE 67, B		
013	Rep. Lowe	Notes that Ballot Measure 8 was defeated by 12 percentage points. Wonders why the legislature should place the measure onto the ballot.
017	McIntyre	Remarks that placing the measure on the ballot will spark a valuable public debate on the issue. Mentions that Ballot Measure 8 was defeated in large part because of strong opposition by labor unions, whereas several legislators have voiced support for HJR 51.
037	Rep. Patridge	Asks how a fundamental shift in Oregon's tax structure, such as a

048 McIntyre move to a user tax, might affect the spending cap.
Clarifies that such a shift would not make much difference, as
HJR 51 addresses spending as opposed to taxation.
056 Chair Hill Declares the meeting to be in recess during a call of the House.

-----RECESS-----

058 Chair Hill Reconvenes the committee.
060 McIntyre Concludes that HJR 51 will have an air of legitimacy if the
legislature refers it to voters. Testifies against the proposed
amendments that would create loopholes to be exploited by the
legislature. Urges support for sending the measure to voters for
consideration.
075 White Reiterates that the all-funds budget, currently \$34 billion, is
projected to be \$69 billion by 2013.
082 Rep. Lowe Asks what government services should be considered
expendable.
088 White Observes that many private companies have successfully cut
back on their workforces without a corresponding drop in
productivity and suggests state government could as well if
compelled to do so.
098 McIntyre Submits that state government is inefficient and could easily
reduce costs, although the decision of where to make those cuts
would be left for the legislature to decide. Remarks that taxes are
collected through the coercive power of government, which
should then have the responsibility for provide good stewardship
for those dollars.
124 Rep. Lowe Agrees that government should be accountable and expresses
pride in the service that government employees provide.
Wonders why the legislature should provide not only legitimacy
to HJR 51 by referring it to voters, but also save Mr. McIntyre
the \$300,000 or more it would cost to collect sufficient
signatures to place the measure on the ballot as an initiative.
137 McIntyre Responds that the legislature has no good reason not to do so.
Asserts that government should do its best to let citizens keep as
much of their own money as possible. Notes that the legislature
has twice tried to cripple the initiative process and that initiative
petitions become necessary when the government refuses to do
the people's business.
160 Chair Hill Expresses hope that a compromise can be reached on the matter.
170 Laurie Wimmer- Oregon Education Association (OEA). Disputes the assertion
Whelan that per-student education spending has risen during the past
decade. Clarifies that government does not grow except to
respond to the needs or wants of the people as identified directly
or by their elected representatives. Laments the hyperbole so
often used in taxation discussions.
193 Chair Hill Declares the meeting to be in recess during a call of the House.

-----RECESS-----

196 Chair Hill Closes the work session on HJR 51 and adjourns the meeting
at 7:42 p.m.

Submitted By,

Reviewed By,

Patrick Brennan,
Committee Assistant

Janet Adkins,
Committee Administrator

EXHIBIT SUMMARY

- A – HJR 51, -8 amendments, Rep. Bruce Starr, 1 p.**
- B – HJR 51, -7 amendments, staff, 1 p.**
- C – HJR 51, -2 amendments, Rep. Kathy Lowe, 1 p.**
- D – HJR 51, -3 amendments, Rep. Kathy Lowe, 1 p.**
- E – HJR 51, -4 amendments, Rep. Kathy Lowe, 1 p.**
- F – HJR 51, -6 amendments, Rep. Kathy Lowe, 1 p.**
- G – HJR 51, chart and informational materials, Vernon White, 11 pp.**