

HOUSE COMMITTEE ON GOVERNMENT EFFICIENCY

January 25, 2001
8:30 a.m.

Hearing Room D
Tapes 9 - 10

MEMBERS PRESENT: Rep. Jerry Chair Krummel, Chair
 Rep. Chris Beck, Vice-Chair
 Rep. Patti Smith, Vice-Chair
 Rep. Alan Brown
 Rep. Bill Garrard
 Rep. Jim Rep. Hill
 Rep. Deborah Kafoury
 Rep. Jeff Kruse
 Rep. Steve March
 Rep. Carolyn Tomei
 Rep. Kelley Wirth

STAFF PRESENT: Matt Wingard, Committee Administrator
 Patrick Brennan, Committee Assistant

MEASURE/ISSUES HEARD: **HB 2234 Reconsideration and Work Session**
 HB 2022 Public Hearing
 HB 2057 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>
TAPE 9, A		
005	Chair Krummel	Calls the meeting to order at 8:35 a.m. Opens a work session for the purpose of reconsidering HB 2234.
<u>HB 2234 RECONSIDERATION WORK SESSION</u>		
007	Rep. Hill	MOTION: Moves to SUSPEND the rules for the purpose of reconsidering the vote by which HB 2234 was sent tot he floor with a DO PASS recommendation.
009		VOTE: 8-0-3 EXCUSED: 3 - Kafoury, Kruse, Wirth
	Chair Krummel	Hearing no objection, declares the motion CARRIED .
013	Rep. Hill	MOTION: Moves to RECONSIDER the vote by which HB 2234 was sent tot he floor with a DO PASS recommendation.
016		VOTE: 8-0-3 EXCUSED: 3 - Kafoury, Kruse, Wirth
	Chair Krummel	Hearing no objection, declares the motion CARRIED .
019	Rep. Hill	MOTION: Moves HB 2234 to the floor with a DO PASS recommendation and the SUBSEQUENT REFERRAL to the committee on School Finding and Tax Fairness/Revenue BE RESCINDED .
022		VOTE: 8-0-3 EXCUSED: 3 - Kafoury, Kruse, Wirth
	Chair Krummel	Hearing no objection, declares the motion CARRIED .
025	Rep. Hill	MOTION: Moves HB 2234 be placed on the consent

calendar for floor consideration.

028

VOTE: 8-0-3

Chair Krummel

EXCUSED: 3 - Kafoury, Kruse, Wirth

029

Chair Krummel

Hearing no objection, declares the motion CARRIED.

Closes the work session on HB 2234 and opens a public hearing on HB 2022.

HB 2022 PUBLIC HEARING

030

Matt Wingard

Committee Administrator. Gives a brief description of the bill. States that the bill would permit cities and counties to budget for two-year periods, rather than annually.

045

Dennis Luke

Deschutes County Commissioner. Testifies in support of HB 2022. Mentions that cities and counties in Washington State are allowed to budget on 2-year cycles. Says that the cities of Portland and Lake Oswego budget biennially, but that they readopt their budgets every year. Notes that the City of Eugene studied the budget processes of other cities and decided not to switch to a 2-year budget due to lack of software for budget projections. States that the primary advantage of 2-year budgets is that they allow for better long-range planning on programs. Assures that the measure contains only permissive language and will simply add another tool for local governments to have at their disposal.

080

Tom Brian

Washington County Commissioner. Testifies in support of HB 2022. Says that his jurisdiction plans 5 years ahead whenever possible. Indicates that the bill would help the public see what is coming, would limit costs, and allow planning for projects. Comments that many local government programs are linked to the state budget, which has a 2-year cycle. Reiterates that the measure would only allow biennial budgets, not mandate them.

105

Rep. Kruse

Requests an estimate as to the number of counties that might opt for biennial budgets if given the chance.

108

Luke

Says he does not know. Acknowledges that 2-year budgets are of more use to cities, which are more inclined toward long-range planning. States that Deschutes county would definitely use it, while Clark and Klamath counties have indicated they would consider it as well.

123

Rep. Hill

Asks whether the measure would preempt charters that do not allow 2-year budgets. States he would prefer not to have to amend charters.

136

Brian

Replies that Washington County has a charter, and that all ordinances must be permissible through that charter, though it does not prohibit biennial budgeting. Presumes that biennial budgeting would not be allowed in counties whose charters prohibit it.

144

Rep. Hill

Asserts that the measure should allow counties to preempt their charters if they wish to use 2-year budgets. Articulates the difficulty of convincing the public about the benefits of such a complex issue, though it is important to do so nonetheless.

153

Brian

Insists that he would not take any action that violates his county's charter without a vote, even if the legislature were to support him.

160

Rep. Hill

Inquires whether any local government has a charter that does not allow 2-year budgets. Notes that the state's fiscal year ends

		on June 30 and asks whether the measure should include provision for delaying the fiscal year two months while the legislature completes its budgetary process. Asserts that the two-month buffer would allow local governments to use the state budget as a basis for their own.
179	Luke	Replies that changing the budget year would only serve to complicate the issue. Assures that local governments are already able to adjust for possible changes in the state budget.
188	Brian	Agrees. States that local governments monitor the state budgetary process and that the two will always be out of sync despite any efforts to the contrary.
203	Rep. March	Mentions that property tax rolls must also be certified in advance, often without complete and accurate information. Suggests that two-year budgets may not be feasible in some counties.
211	Luke	Indicates that the Department of Revenue has conceptual amendments that address that issue.
215	Brian	Concurs that local governments will not be inclined to plan budgets with money they don't have, but that biennial budgets will likely allow for leeway for the possibility of revenue shortfalls.
227	Rep. Wirth	Requests clarification whether the measure gives more power to jurisdictions in the event that the charter conflicts with the measure.
242	Luke	Replies that all cities have charters, but not all counties. Indicates that most charters would require only a simple amendment in the event that there was a conflict with the measure. Presumes that some local governments may experiment with 2-year budgets and then abandon the effort.
257	Steve McClure	Asserts that an amendment to override charters is unnecessary. Union County Commissioner; Representative, Association of Oregon Counties (AOC). Indicates that AOC has no position on the measure, though they would prefer that the measure remain optional so as to allow for local control.
282	Rep. Kruse	Asks whether 2-year budgets might appeal to Union County.
284	McClure	Replies that he is not certain, though the county will certainly look into the possibility. Hypothesizes that 2-year budgeting may provide some cost savings.
293	Rep. Kruse	Comments that it would be interesting to see whether 2-year budgets work well in high-growth counties but less so in low-growth counties.
300	Luke	Mentions that the City of Eugene did not adopt biennial budgeting because they could not make the necessary projections. Mentions that Union County might benefit in the second year of a 2-year budget cycle. Reiterates that biennial budgets would likely work better for cities than counties, though some counties might opt to use them anyway.
316	Rep. Kruse	Requests an estimate on the cost of the hardware and software necessary for 2-year budget projections.
319	Luke	Indicates that Deschutes County recently acquired computers and software for budgeting, having completed the process by hand in the past. Acknowledges that technology is constantly changing but says that very little is needed to make budget projections. Offers the rolling budget as an alternative.
348	Brian	States that every county in the state is already computerized, as

		are most of the cities. Concurs that the necessary technology is not overly complex or expensive.
361	McClure	Mentions that Union County shares a budgeting system with two neighboring counties, so its cost to implement would be software only. Estimates the cost at less than \$10,000.
378	Rep. March	Comments that some local governments use multiple budget cycles for different functions.
TAPE 10, A		
005	Brian	Assures that 2-year budgeting would not require assessors to collect taxes in advance, but merely to project and adjust budgets accordingly.
020	John Phillips	Oregon Department of Revenue (ODR). Testifies to a position of neutrality on HB 2022 (EXHIBIT A). Comments that the department will adapt to the new system should the measure pass. Discusses modifications to local budget laws. Says the law typically assumes that nothing out of the ordinary ever happens, and makes no preparation for emergencies save for supplemental budgets, which sometimes cannot cope with emergencies such as the floods.
062	Phillips	Proposes several amendments to HB 2022: <ul style="list-style-type: none"> • In Section 2, page 1, line 9, after “amendment” insert “resolution” • In Section 3, page 1, line 26, restore the phrase “a single fiscal year” • In Section 10, page 8, lines 10 and 25, after “year” insert “or each fiscal year of the ensuing budget period.”
117	Phillips	Describes the need for the amendment to Section 10. Says the bill should retain the requirement for annual certification of budgets, even biennial ones. Says the proposed language allows flexibility for districts that rely heavily on bond issues.
150	Rep. Kruse	Mentions that there are similar references as the one altered in Section 10 that may need to be amended as well for consistency.
155	Phillips	Continues reviewing suggested amendments: <ul style="list-style-type: none"> • In Section 18, page 12, line 17, after “expenditures” insert “for annual budgets and \$10,000 or 10% for biennial budgets.” • In Section 28, page 19, line 12, delete the phrase “or budget period”
188	Phillips	Mentions that ORS 294.336, which is not referenced in HB 2022, sets three-year terms for budget committee members, which would result in those members departing office in the middle of a budget cycle. Proposes altering the terms of service by altering the appropriate language to say, “serve three years for annual budgets and [X] number of years for biennial budgets.”
204	Rep. Wirth	Inquires whether AOC approves of the amendments.
206	Phillips	Replies affirmatively.
208	Chair Krummel	Asks whether the amendments have been drafted officially by Legislative Counsel (LC).
209	Phillips	Replies that ODR will have LC draft the amendments if that is the desire of the committee. Indicates that AOC, the League of Oregon Cities (LOC), and the Special Districts Association (SDA) are supportive of the amendments. Explains that local

		governments are the primary beneficiaries of the property tax system. Resolves Rep. March's question regarding provisions for annual certification by clarifying that annual certification should be required.
254	Luke	Thanks ODR for their work and concurs with the proposed amendments. Says that most if not all interested and affected groups were notified about and consulted regarding of the proposed amendments. Mentions that school districts have also expressed interest in having the option of biennial budgeting, but that it may not work for them.
270	Hasina Squires	SDA. Requests that the measure be standardized for all local governments, as not all have the authority to do so. Indicates that the measure is acceptable with the addition of the ODR amendments.
280	Chair Krummel	Requests clarification as to whether the first proposed amendment alone alleviates SDA's concerns.
284	Squires	Replies affirmatively, adding that the inclusion of the word "resolution" would be sufficient.
290	Chair Krummel	Directs ODR to arrange to have LC draft the proposed amendments. Closes the public hearing on HB 2022 and opens a public hearing on HB 2057.

HB 2057 PUBLIC HEARING

308	Matt Wingard	Committee Administrator. Gives a brief description of the bill's requirements: <ul style="list-style-type: none"> • Department of Administrative Services (DAS) is to create a five-year strategic financial plan for Oregon, which is to set financial goals • DAS is to create a comprehensive report of state-funded construction projects • Establishes the Capital Asset Replacement Fund to pay for major building repairs and replacements • The Governor's budget is to follow the strategic plan and contain a five percent reserve
335	Chair Krummel	House District 27. Testifies in support of HB 2057 (EXHIBIT B). Indicates that he brought this measure before the 1999 legislature but that it did not receive a hearing. States that the primary issue is how money and resources are allocated at the local level. Argues that the state should be looking further ahead than it does currently.
382	Chair Krummel	States that the bill allows for outcome-based planning, in that it focuses on the level of services that should be provided. Emphasizes the need to use practical finance methods. Cautions that the state should not use debt to provide operating expenses. Describes provisions in the measure for planning on how to deal with shortfalls.
TAPE 9, B		
025	Rep. March	Asks whether the measure would connect funding to Oregon benchmarks.
030	Chair Krummel	Replies that the bill is not prescriptive in that way, though he believes that they should be tied to benchmarks and would support an effort to do so.
042	Rep. Kafoury	Inquires whether Rep. Krummel has discussed the bill with

		DAS. Recalls that the department did not support the measure during the 1999 session.
046	Chair Krummel	Clarifies that DAS did not take any position on the measure last session, as it did not receive a hearing. Says he has had no discussions as yet with the Governor's staff.
060	Rep. Beck	Asks if there have been any concerns raised regarding any part of the measure.
067	Chair Krummel	Replies that no concerns have been expressed to him, though there have been some questions regarding the logistics of implementing such an auspicious project. Indicates he has not yet begun to drum up support for the bill, as he prefers to discuss it in an open forum and determine whether the legislature is interested in pursuing the issue.
087	Rep. Beck	Inquires whether the measure has a fiscal impact. Comments that the program seems complicated and may require additional staff.
096	Chair Krummel	Answers that no fiscal statement has been issued at this time. Asserts that the measure would make state government more efficient over time.
115	Rep. Kruse	Notes that the bill makes many substantive changes. Suggests that representatives from several agencies and groups will need to be brought in to testify on the issue. Opines that the measure as a whole may be unworkable but that some of its facets could be implemented individually.
141	Chair Krummel	Reiterates that he has no intention on taking quick action on the bill. Mentions that the state has considered implementing a rainy day fund for 25 years but has yet to take action to create one.
173	Rep. Beck	Expresses appreciation for having a grand-scale idea brought to the table, as the bar seems to be set inordinately low too often. Says he would like to have many groups brought before the committee to discuss some of the tenets of the measure, especially the rainy day fund.
200	Rep. Kruse	Mentions that voters recently decided against a rainy day fund in lieu of redistributing excess taxes that were collected. Asserts that the legislature should take action to create a rainy day fund on its own, rather than waiting for a tax windfall to do so.
215	Chair Krummel	Clarifies that the measure's designation during the 1999 session was HB 2511.
240	Rep. Smith	Adjourns the meeting at 9:45 a.m.

Submitted By,

Reviewed By,

Patrick Brennan,
Committee Assistant

Matt Wingard,
Committee Administrator

EXHIBIT SUMMARY

A – HB 2022, testimony, John Phillips, 4 pp.

B – HB 2057, testimony, Rep. Jerry Krummel, 2 pp.