

**PUBLIC HEARING AND WORK SESSION: HB 2676**

**PUBLIC HEARING: HB 3537**

**WORK SESSION: HB 2591**

**TAPES 106 — 107 A/B**

## **HOUSE SCHOOL FUNDING AND TAX FAIRNESS/REVENUE COMMITTEE**

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**MARCH 29, 2001 — 1:30 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING**

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Members Present: Representative Lane Shetterly, Chair

Representative Deborah Kafoury, Vice Chair (1:52 arrived)

Representative Alan Bates (1:52 arrived)

Representative Chris Beck

Representative Alan Brown

Representative Mark Hass

Representative Max Williams

Representative Bill Witt

Members Excused: Representative Janet Carlson, Vice Chair

Staff: Paul Warner, Legislative Revenue Officer

Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Stephen Kafoury, Art Institute of  
Portland/University of Phoenix

Rep. Rob Patridge, Legislative House District 50

Becky Shine, Enterprise Foundation

Elizabeth Harchenko, Department of Revenue

Lincoln Cannon, Oregon Forest Industries Council

John Poppino, Oregon Small Woodlands Association

**TAPE 106, SIDE A**

006 Chair Shetterly Meeting called to order at 1:39 p.m.

**OPENED WORK SESSION ON HB 2591**

010 Chair Shetterly The Committee on Ways and Means has asked that the bill be referred to them.

017 Rep. Williams Would oppose a motion to that effect; spoke to his reasons.

021 Paul Warner Reviewed the fiscal impact statement. (Exhibit 1)

034 Rep. Williams "It does not have an impact on the size of the pie, it is just how the pie will be distributed?"

036 Warner Concurred.

038 Rep. Witt Spoke in opposition to the recommendation, this is a policy decision not a Ways and Means issue.

Questions and discussion regarding if the request was at the direction of the Co-chairs and if so why.

047 Stephen Kafoury Reported on an earlier conversation today with Rep. Westlund, House Co-chair of Ways and Means, "Rep. Westlund felt there was no need for this measure to go to Ways and Means Committee."

**OPENED PUBLIC HEARING ON HB 2676**

072 Ed Waters Reviewed the purpose of the measure and noted the (-1) amendments distributed at a prior meeting, (Reference 02/22/2001, Exhibit 2).

Described the (-2) amendments and distributed a (-2) Revenue Impact statement. (Exhibits 2-3)

086 Rep. Patridge Rob Spoke in support of the measure and the (-2) amendments. (Exhibit 3)

114 Rep. Williams What was the revenue impact prior to the (-2)

amendments? (Exhibit 3)

116 Waters Reviewed the (-1) Revenue Impact statement, (Reference 02/22/2001, Exhibit 1).

LRO Staff Distributed submitted testimony from Tom Benjamin. (Exhibit 4)

#### **OPENED WORK SESSION ON HB 2676**

129 Rep. Beck **MOTION: MOVED LC (-2) AMENDMENTS DATED 03/28/2001 TO HB 2676 BE ADOPTED.**

139 Chair Shetterly Requested clarification on the revenue impact for the (-2) amendments, (Exhibit 2), in relationship to submitted testimony "Budgeted Funds", (Page 2, Exhibit 4). Is that \$1 million an additional revenue impact or a part of the already budgeted credit?

160 Waters Spoke to the Co-chairs budget for the Ways and Means Committee for this credit; this measure would add an additional \$0.5 million to that cost in the 2001-03 biennium.

165 Chair Shetterly "My understanding was this was to carve out a million from the already designated revenue impact?"

168 Shine That is my understanding; explained how she is interpreting the measure.

170 Patridge Concurred with the Chair, as to the intent.

175 Rep. Williams "Where would the additional \$500,000 come from, are there other programs already anticipated in that \$5 million that we would have to choose between?"

187 Waters Explained how he arrived at the numbers in the (-2) Revenue Impact statement, (Exhibit 2) and noted that with this information the only way to direct a portion of the revenue stream, in addition, would be to extend the sunset.

188 Rep. Patridge "We believe this would jump-start more investment and encourage utilization of child care." Noted this is a pilot project. Spoke against imposing a cap on the current child care tax credit

207 Chair Shetterly That clarifies the intent of the (-2) amendments, (Exhibit 3), but spoke of concern that the

Revenue Impact statement, (Exhibit 2), suggests that we are actually increasing the revenue.

- 214 Waters Explained in more detail how the numbers in the (-2) Revenue Impact statement were computed, (Exhibit 2).
- 217 Rep. Patridge "It is my understanding that there is a high degree of under-utilization and the revenue that has been set aside is not being used or is it anticipated that it will be. This is another way to use part of that revenue to encourage investment in child care dollars."
- 231 Chair Shetterly Offered committee two options on how to move on this measure.
- 240 Rep. Witt "The pilot project would be used as anticipated funds for child care, but what isn't going to be funded in the current child care credit program because of this pilot project?"
- 249 Rep. Patridge "I don't believe anything is not funded." Noted that there is not a direct correlation to the best of his knowledge.
- 260 Rep. Witt Questioned what current programs money would not be allocated for if a million dollars in credits for this pilot program were allocated over the next biennium."
- 269 Rep. Patridge "It is general fund dollars."
- 273 Rep. Witt Recapped testimony, as he understood it and requested if that is a correct analysis.
- 301 Becky Shine "Approximately \$4.8 million was used in the last biennium; the question is do we expect that to be the same or increase. Currently when projections are made on usage there is no limit on the existing credit."
- 320 Rep. Bates Questioned if a cap might be helpful in this case.
- 337 Rep. Patridge Explained that there is currently no cap on the child care credit; there is a cap for the pilot program for a potential of a \$1 impact. The intent is to use some of the already set aside dollars for the current child care credit that we believe will be underutilized.
- 354 Vice Chair Kafoury Explained the rationale behind the pilot project and why it is being capped; we do not want to cap the existing credit.

360 Chair Shetterly Restated motion and called for a vote.

365 **HEARING NO OBJECTION TO ADOPTION OF THE (-2) AMENDMENTS, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT VICE CHAIR CARLSON, EXCUSED)**

374 Rep. Witt **MOTION: MOVED HB 2676 TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**

400 **ROLL CALL VOTE: MOTION PASSED 8-0-1**

**REPRESENTATIVES VOTING AYE: Bates, Beck, Brown, Hass, Williams, Witt, Kafoury, Chair Shetterly**

**REPRESENTATIVES EXCUSED: Carlson**

**Vice Chair Kafoury will carry the bill.**

Chair Shetterly Left at 2:09 p.m., passed gavel to Vice Chair Kafoury.

**TAPE 107, SIDE A**

**OPENED PUBLIC HEARING ON HB 3537**

009 Richard Yates Provided a description of the measure and discussed the background, providing members with the following materials:

1. Staff Measure Summary and Revenue and Fiscal Impact Statements. (Exhibit 5)
2. Excerpts from Oregon Laws 1999. (Exhibit 6)
3. Table titled "Reclassifying from Small Tract Option to OFLP 2003-04". (Exhibit 7)
4. Table titled "Electing to be Taxed Under the Privilege Tax Option". (Exhibit 8)

5. The (-1) amendments. (Exhibit 9)

- 073 Yates Continued with section by section review beginning with §13 of the printed measure.
- Chair Shetterly Returned at 2:24 p.m.; resumed gavel.
- 202 Yates Continued with section by section review beginning with §20 of the printed measure.
- 207 Yates Reviewed the amendments. (Exhibit 9)
- 350 Yates Continued with review of the measure and how value is determined, §2 of the printed measure.

**TAPE 106, SIDE B**

- 028 Yates Reviewed the Revenue Impact statement, (Exhibit 5).
- 050 Yates Reviewed the handout titled "Reclassifying from Small Tract Option to OFLP". (Exhibit 7)
- 067 Yates Reviewed handout titled "Electing to be Taxed Under the Privilege Tax Option". (Exhibit 8)
- 082 Elizabeth Harchenko Presented testimony in support of measure. (Exhibit 10)

**REOPENED WORK SESSION ON HB 2591**

- 229 Rep. Williams Discussed conversation with Rep. Ben Westlund, the House Co-chair of the Ways and Means Committee, based on that discussion "I am willing to allow this measure to be sent to Ways and Means. I have a commitment from Rep. Westlund that if additional resources for the need grant are not found the bill will be sent out from the Ways and Means Committee to the House floor to allow a vote. He has also agreed to allow me to sit at the table for discussions on how we attempt to find new money within the whole need grant issue. Based on those representations I withdraw my earlier objections to moving this measure to the Ways and Means Committee."
- 252 Rep. Williams **MOTION: MOVED HB 2591 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION AND THE BILL BE REFERRED TO THE JOINT COMMITTEE ON WAYS AND MEANS.**
- 257 Chair Shetterly Spoke in support of the motion, based on Rep. Westlund's assurances, if the additional monies

are not forthcoming the measure will be sent to the House floor in a timely manner to receive Senate consideration.

276 Rep. Beck Spoke in support of the motion.

297 **ROLL CALL VOTE: MOTION PASSED 8-0-1**

**REPRESENTATIVES VOTING AYE: Bates, Beck, Brown, Hass, Williams, Witt, Kafoury, Chair Shetterly**

**REPRESENTATIVES EXCUSED: Carlson**

**REOPENED PUBLIC HEARING ON HB 3537**

346 Rep. Beck "Will the new methodology capture market swings in timber or is the intent to apply a constant or moderately growing tax liability to these properties?"

349 Harchenko Spoke to the old system and talked of the objective for HB 3537.

450 Rep. Witt Noted that commercial properties can fluctuate a great deal in value and residential properties less so.

460 Rep. Hass Questioned the appeals process and the wording regarding "striving to include representation", requested the Department of Revenue's comfort level with that language.

**TAPE 107, SIDE B**

Harchenko Explained why that language was incorporated; the intent was to make the language clear that an appeal would not go back to who was on the committee to invalidate the values; they will need to stand or fall on their merits as values.

**REOPENED WORK SESSION ON HB 2591**

054 Paul Warner Noted that the (-1) amendments were not adopted in the earlier work session, (Reference 02/26/2001, Exhibit 2). The Fiscal Impact statement refers to the (-1) amendments, (Exhibit 1).

063 Chair Shetterly **MOTION: MOVED TO RECONSIDER THE VOTE WHEREBY THE COMMITTEE PASSED HB 2591 TO THE HOUSE FLOOR WITH A DO PASS AND**

**BE REFERRED TO THE JOINT COMMITTEE ON WAYS AND MEANS RECOMMENDATION.**

067 Vice Chair **MOTION: MOVED LC (-1)**  
Kafoury **AMENDMENTS DATED 01/23/2001 TO HB 2591 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT REP. WILLIAMS, VICE CHAIR CARLSON, EXCUSED)**

078 Vice Chair **MOTION: MOVED HB 2591 TO THE**  
Kafoury **HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION AND THE BILL BE REFERRED TO THE JOINT COMMITTEE ON WAYS AND MEANS.**

083 Chair Shetterly Requested the current motions be withdrawn so  
that the original motion can be withdrawn.

084 Vice Chair **MOTION: REQUESTED UNANIMOUS**  
Kafoury **CONSENT TO WITHDRAW MOTION WHEREBY HB 2591 WAS MOVED TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED AND BE REFERRED TO THE JOINT COMMITTEE ON WAYS AND MEANS RECOMMENDATION. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT REP. WILLIAMS, VICE CHAIR CARLSON, EXCUSED)**

087 Vice Chair **MOTION: REQUESTED UNANIMOUS**  
Kafoury **CONSENT TO WITHDRAW MOTION WHEREBY THE (-1) AMENDMENTS WERE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT REP. WILLIAMS, VICE CHAIR CARLSON, EXCUSED)**

089 Chair Shetterly **MOTION: REQUESTED UNANIMOUS**  
**CONSENT TO WITHDRAW MOTION WHEREBY HB 2591 WAS MOVED TO THE HOUSE FLOOR WITH A DO PASS AND BE REFERRED TO THE JOINT COMMITTEE ON WAYS AND MEANS RECOMMENDATION.**

095 **ROLL CALL VOTE: MOTION PASSED 7-0-2**

**REPRESENTATIVES VOTING AYE: Bates, Beck, Brown, Hass, Witt, Kafoury, Chair Shetterly**

**REPRESENTATIVES EXCUSED: Williams, Carlson**

100 Vice Chair MOTION: MOVED LC (-1)  
Kafoury AMENDMENTS DATED 01/23/2001 TO HB 2591 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT REP. WILLIAMS, VICE CHAIR CARLSON, EXCUSED)

102 Vice Chair MOTION: MOVED HB 2591 TO THE  
Kafoury HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION AND THE BILL BE REFERRED TO THE JOINT COMMITTEE ON WAYS AND MEANS.

103 ROLL CALL VOTE: MOTION PASSED 7-0-2

**REPRESENTATIVES VOTING AYE: Bates, Beck, Brown, Hass, Witt, Kafoury, Chair Shetterly**

**REPRESENTATIVES EXCUSED: Williams, Carlson**

**OPENED PUBLIC HEARING ON HB 3537**

144 Lincoln Cannon Presented testimony in support of measure. (Exhibit 11)

191 John Poppino Presented testimony in support of measure. (Exhibit 12)

LRO Staff Distributed Staff Measure Summary, Fiscal statement and excerpt from ORS chapter 316 for HB 2717. (Exhibit 13)

230 Chair Shetterly Meeting adjourned at 3:24 p.m.

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2591 (-1) Fiscal Impact statement, Warner, 1 page
2. HB 2676, (-2) Revenue Impact Statement, Waters, 2 pages
3. HB 2676, (-2) amendment, (DJ/hm/ps) 03/28/01, Patridge, 15 pages
4. HB 2676, Testimony, Benjamin, 4 pages
5. HB 3537, Staff Measure Summary and Revenue and Fiscal Impact Statements, Yates, 4 pages
6. HB 3537, Excerpt from Oregon Laws 1999, Yates, 1 page
7. HB 3537, Handout "Reclassifying from Small Tract Option to OFLP", Yates, 1 page
8. HB 3537, Handout "Electing to be Taxed Under the Privilege Tax Option", Yates, 1 page
9. HB 3537, (-1) amendment, (DJ/ps) 03/28/01, Department of Revenue, 5 pages
10. HB 3537, Testimony, Harchenko, 6 pages
11. HB 3537, Testimony, Cannon, 2 pages
12. HB 3537, Testimony,
13. HB 2717, Staff Measure Summary, Fiscal Statement and excerpt from ORS chapter 316, Warner, 3 pages