

PUBLIC HEARING: HB 3215

WORK SESSION: HB 2477, HB 3433

TAPES 125 — 126 A/B

TAPES 125 - 126 A

HOUSE SCHOOL FUNDING AND TAX FAIRNESS/REVENUE COMMITTEE

APRIL 11, 2001 — 1:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair

Representative Janet Carlson, Vice Chair

Representative Deborah Kafoury, Vice Chair

Representative Alan Bates (1:55 arrived)

Representative Chris Beck (1:27 arrived)

Representative Alan Brown

Representative Mark Hass

Representative Max Williams (1:25 arrived)

Representative Bill Witt (1:28 arrived)

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Bob Alexander, Department of Revenue

Richard Koesan, Brown & Williamson Tobacco

Corporation

Pat Simpson, Citizen

Ray Erland, Clackamas County Assessor

Bob Vroman, Clackamas County

John Phillips, Department of Revenue

Karen Williams, Portland Development Commission

Michelle Deister, League of Oregon Cities

John Russell, Association of Oregon Redevelopment
Agencies

Jeff Tashman, Association of Oregon Redevelopment
Agencies

Marge Kafoury, City of Portland

TAPE 125, SIDE A

006 Chair Shetterly Meeting called to order at 1:21 p.m.

OPENED WORK SESSION ON HB 2477

010 Chair Shetterly Reviewed prior discussion on HB 2477.

020 Ed Waters Reviewed the (-3) amendments and the Revenue
Impact Statement. (Exhibits 1-2)

023 Chair Shetterly **MOTION: MOVED LC (-3)
AMENDMENTS DATED 04/09/2001 TO HB
2477 BE ADOPTED. HEARING NO
OBJECTION, THE CHAIR SO ORDERED.
(ALL MEMBERS PRESENT EXCEPT
BATES, BROWN, WILLIAMS AND WITT,
EXCUSED)**

030 Chair Shetterly **MOTION: MOVED HB 2477 TO THE
HOUSE FLOOR WITH A DO PASS AS
AMENDED RECOMMENDATION AND
THE BILL BE REFERRED TO THE JOINT
COMMITTEE ON WAYS AND MEANS.**

**ROLL CALL VOTE: MOTION PASSED 6-
0-3* (Tape 126, Side B, 362 —Rep.'s Bates
and Brown vote aye. VOTE 8-0-1)**

REPRESENTATIVES VOTING AYE: Beck, Hass, Williams, Carlson, Kafoury, Chair Shetterly

REPRESENTATIVES EXCUSED: Bates, Brown, Witt

OPENED WORK SESSION ON HB 3433

- 052 Richard Yates Reviewed prior discussion on HB 3433 and the (-2) amendment, (Reference 04/05/2001, Exhibit 13).
- 070 Chair Shetterly Rep. Williams had questions concerning smuggling and the impacts of taxing.
- 075 Bob Alexander Restated question, which is when you raise the cigarette tax rate do you increase the smuggling and tax evasion. The short answer is yes. Defined "flash-point", as established by a study done in the 1970's by the Advisory Committee on Intergovernmental Relations established by Congress. The 1999 national "flash-point" is \$3.56/carton and Oregon's tax is \$6.80/carton; well beyond the national "flash-point".
- 122 Rep. Witt "How much revenue are we currently losing because of cigarettes purchased outside the State."
- 134 Alexander "Approximately \$9.4 million/year."
- 138 Rep. Witt "What is the current revenue that we are generating off the cigarette tax?"
- Alexander "Approximately \$155 million for 2001."
- 148 Rep. Witt "Alexander made the point that revenue is dropping \$9 million/year and it sounds to me that the revenue that we are losing is more than \$9 million."
- 156 Alexander "We are losing more than \$9 million/year; between 1997 and next biennium it would be approximately \$100 million dollars per biennium. I will check those figures."
- 167 Rep. Witt "That would assume 100% compliance when tracking began and there probably was not 100% compliance."
- 173 Chair Shetterly Requested Alexander refresh Committee on the compliance measures worked earlier this session.

- 181 Alexander Reviewed the measures that would beef up enforcement for compliance.
- 191 Rep. Williams Requested the numbers also include what an increase in this measure would generate in additional avoidance of the tax. Is there a ratio that is used?
- 198 Alexander No, will provide a number, but don't know how accurate it will be.
- 230 Richard Kosesan Spoke to the (-1) amendments, which would extend the sunset. (Exhibit 3)
- 240 Rep. Witt "Do you have information as to the amount of taxes being avoided in Oregon by purchase of cigarettes out-of-state?"
- 244 Kosesan Quoted revenue numbers for the State cigarette tax and it has been decreasing disproportionately to consumption.
- 262 Chair Shetterly "It would be my desire to eliminate the sunset for the cigarette surtax and not to increase the tax."
- 289 Rep. Witt **MOTION: MOVED LC (-1) AMENDMENTS DATED 04/04/2001 TO HB 3433 BE ADOPTED.**
- 292 Rep. Witt Spoke to his motion.
- 320 Rep. Hass Spoke in support of the Chair's proposal and opposition of the (-1) amendments. (Exhibit 3)
- 330 Vice Chair Spoke in opposition to the motion.
Carlson
- 339 Chair Shetterly "What vote is required on the floor for passage?"
- 342 Yates "Floor vote requires 3/5 vote."
- 371 **VOTE** **ROLL CALL VOTE: MOTION FAILED 3-5-1**
- REPRESENTATIVES VOTING AYE: Brown, Witt, Kafoury**
- REPRESENTATIVES VOTING NAY: Beck, Hass, Williams, Carlson, Chair Shetterly**
- REPRESENTATIVES EXCUSED: Bates**
- 391 Chair Shetterly **MOTION: MOVED LC (-2) AMENDMENTS DATED 04/05/2001 TO HB**

3433 BE ADOPTED.

ROLL CALL VOTE: MOTION PASSED 7-1-1

REPRESENTATIVES VOTING AYE: Beck, Brown, Hass, Williams, Carlson, Kafoury, Chair Shetterly

REPRESENTATIVES VOTING NAY: Witt

REPRESENTATIVES EXCUSED: Bates

400 Yates Advised that the appropriations that Ways and Means would have dealt with have been removed; the subsequent referral could be removed.

402 Chair Shetterly **MOTION: MOVED HB 3433 TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION AND THE SUBSEQUENT REFERRAL TO THE JOINT COMMITTEE ON WAYS AND MEANS BE RESCINDED.**

423 **ROLL CALL VOTE: MOTION PASSED 7-1-1* (Tape 126, Side B, 374 —Rep. Bates votes aye. VOTE 8-1-0)**

REPRESENTATIVES VOTING AYE: Beck, Brown, Hass, Williams, Carlson, Kafoury, Chair Shetterly

REPRESENTATIVES VOTING NAY: Witt

REPRESENTATIVES EXCUSED: Bates

Vice Chair Carlson will carry the bill.

442 Chair Shetterly Recessed the meeting at 1:49 p.m.; reconvened at 1:57 p.m.

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OPENED PUBLIC HEARING ON HB 3215

020 Lizbeth Martin- Provided a description of the measure and
Mahar discussed the background. (Exhibits 4-6)

117 Chair Shetterly Referenced Urban Renewal Division of Tax example and noted those are the bonds that would have funded a specific capital project, (Page 2, Exhibit 5). It is from those local options

and bond levies that the Urban Renewal district takes its division of tax, correct?

- 135 Martin-Mahar Concurred. Continued with review of measure and review of the example, (Page 2, Exhibit 5).
- 213 Martin-Mahar Reviewed the handout titled "Urban Renewal Taxes by Type of Taxing District. (Exhibit 6)
- 260 Martin-Mahar Reviewed the (-3) revenue impact and noted the (-3) amendment encompasses the (-1) amendment, (Page 2, Exhibit 4).
- 275 Rep. Beck Why would eight urban renewal (UR) plans not qualify?
- 277 Martin-Mahar Explained how the measure would work with an urban renewal plan adopted between December 6, 1996 and before the effective date of this measure.
- 278 Rep. Beck Where are those eight areas, are they all in Portland?
- 279 Martin-Mahar Two are in Portland, referenced a listing of the plan area. (Exhibit 10)
- 300 Chair Shetterly Do the (-3) amendments bring those in after the current bonds for those districts are paid off? (Exhibit 9)
- 302 Martin-Mahar Concurred.
- 387 John Phillips Spoke to the measure; no position taken. (Exhibit 11)

TAPE 125, SIDE B

- 024 Chair Shetterly Does your testimony reference the printed measure or a set of amendments?
- 025 Phillips I'm speaking to the (-3) amendments, (Exhibit 9), continued with testimony, (Exhibit 11).
- 082 Bob Vroman Spoke to the measure; no position taken. (Exhibit 12)
- 156 Chair Shetterly Referenced Vroman's testimony the second bolded statement, (Exhibit 12), and asked how that interacts with the (-3) amendments, (Exhibit 9).
- 168 Vroman They would become subject to the same limitation once the current bonds are paid off. Continued with testimony and the impact to tax administration, (Exhibit 12)

- 250 Ray Erland Requested that time be given for implementation, requested that it not become effective during the 2001-02 tax year.
- 263 Jeff Tashman Spoke to the (-1) amendments and the intent is to always exempt the "window plans"; would oppose the (-3) amendments. (Exhibits 7 and 9)
- 304 John Russell Presented testimony in support of measure. (Exhibit 13)
- 416 Rep. Beck Why would an urban renewal district refinance debt?
- 421 Tashman Normally because of interest rates.

TAPE 126, SIDE B

- 024 Pat Simpson Presented testimony in support of measure. (Exhibit 14)
- 091 Karen Williams Presented testimony in opposition to the (-3) amendments. (Exhibit 15)
- 181 Marge Kafoury Reviewed the "hand-engrossed" amendment attached to testimony, (Page 2, Exhibit 15).
- 202 Michelle Deister Presented testimony in support of measure and the (-1) amendments. (Exhibits 7 and 16)
- 247 Chair Shetterly The testimony heard in opposition has been to plans that are out there now because it would impair revenue and ability to perform. Why is this conceptually different from other measures that lower property taxes at the local government level?
- 272 Kafoury Commitments have been made for some of the City of Portland's "window plans" and the other factor is urban renewal by its very nature is a 20-30 year commitment that affects public/private partnerships.
- 320 Rep. Beck Referenced last sentence of Deister's testimony and asked that she clarify; are there circumstances where an Urban Renewal district cannot pay its existing debt, (Exhibit 16).
- 359 Deister Revenues are estimated very conservatively; clarified the statement made in her testimony, (Exhibit 16).

***REOPENED WORK SESSION ON HB 2477**

- 362 Chair Shetterly **THE CHAIR REQUESTED UNANIMOUS**

CONSENT TO SUSPEND THE RULES TO REOPEN THE WORK SESSION ON HB 2477 FOR THE PURPOSE OF ALLOWING REP.'S BATES AND BROWN TO VOTE. HEARING NO OBJECTION, THE CHAIR SO ORDERED.

REP.'S BATES AND BROWN BEING EXCUSED WHEN THE ROLL WAS CALLED, WAS GRANTED UNANIMOUS CONSENT TO BE RECORDED AS VOTING AYE ON HB 2477.

***REOPENED WORK SESSION ON HB 3433**

374 Chair Shetterly **THE CHAIR REQUESTED UNANIMOUS CONSENT TO SUSPEND THE RULES TO REOPEN THE WORK SESSION ON HB 3433 FOR THE PURPOSE OF ALLOWING REP. BATES TO VOTE. HEARING NO OBJECTION, THE CHAIR SO ORDERED.**

REP. BATES BEING EXCUSED WHEN THE ROLL WAS CALLED, WAS GRANTED UNANIMOUS CONSENT TO BE RECORDED AS VOTING AYE ON HB 3433.

379 Chair Shetterly Meeting adjourned at 3:16 p.m.

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2477, (-3) Revenue Impact Statement, Waters, 1 page
2. HB 2477, (-3) amendment, (DJ/ps) 04/09/01, Rep. Close, 1 page
3. HB 3433, (-1) amendment, (DJ/ps) 04/04/01, Chair Shetterly, 1 page
4. HB 3215, Staff Measure Summaries, Revenue and Fiscal statements, Martin-Mahar, 4 pages
5. HB 3215, Fact Sheet Titled "Urban Renewal Basics", Martin-Mahar, 2 pages
6. HB 3215, Fact Sheet titled "Urban Renewal Taxes by Type of Taxing District, Martin-Mahar, 5 pages
7. HB 3215, (-1) amendment, (DJ/ps) 03/16/01, Chair Shetterly, 1 page

8. HB 3215, (-2) amendment, (DJ/ps) 04/09/01, Chair Shetterly, 1 page
9. HB 3215, (-3) amendment, (DJ/ps) 04/11/01, Chair Shetterly, 2 pages
10. HB 3215, Chart of Plan Area, Martin-Mahar, 1 page
11. HB 3215, Testimony, Phillips, 1 page
12. HB 3215, Testimony, Vroman, 1 page
13. HB 3215, Testimony, Russell, 2 pages
14. HB 3215, Testimony, Simpson, 1 page
15. HB 3215, Testimony, Williams, 2 pages
16. HB 3215, Testimony, Deister, 1 page