

PUBLIC HEARING AND WORK SESSION: HB 2923

PUBLIC HEARING: HB 2558, HB 3419, HB 3942

TAPES 127 — 130 A/B

HOUSE SCHOOL FUNDING AND TAX FAIRNESS/REVENUE COMMITTEE

APRIL 12, 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 (1:56 arrived)

Representative Alan Bates

Representative Chris Beck

Representative Alan Brown (1:38 arrived)

Representative Mark Hass

Representative Max Williams (1:37 arrived)

Representative Bill Witt (1:33 arrived)

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Sen. Lee Beyer, Legislative Senate District
21

Rep. Ben Westlund, Legislative House District 55

Charles Walker, Interim Task Force on Cultural
Development

Norm Smith, Oregon Arts Commission

Norma Paulus, Oregon Historical Society

Rep. Joanne Verger, Legislative House District 47

Randall Tosh, Corrigan, McClintock & Tosh, LLP

Christopher Zinn, Oregon Council of the Humanities

Barbara Sidway, Oregon Heritage Commission

John Hampton, Community Foundation

Bill Thorndike, Cultural Advocacy Coalition

Bobbie Conner, Interim Task Force on Cultural Development

Curt Curtis, Oregon State Police

Paddy McGuire, Secretary of State's Office

Kelly Taylor, Oregon Department of Transportation

Debra Buchanan, Department of Revenue

Hasina Squires, Special Districts Association

Gil Riddell, Association of Oregon Counties

Kyle Jansson, Marion County Historic Society

John Powell, Simpson Timber and AT & T

Witnesses (Cont.): Tom Gallagher, ARCO

Curt Copenhagen, Longview Fibre Company

Paul Phillips, Smart Growth Coalition

Dennis Peterson, NIKE

Paul Kelley, NIKE

Tim Martinez, Oregon Bankers' Association

Jim Scherzinger, Portland Public Schools

TAPE 127, SIDE A

005 Chair Shetterly Meeting called to order at 1:18 p.m.

OPENED PUBLIC HEARING ON HB 2923

015 Paul Warner Provided a description of the measure and discussed the background. (Exhibit 1)

LRO Staff Distributed submitted testimony from:

1. Eugene Concert Choir, submitted by Ellwood Cushman. (Exhibit 2)
2. Parks and Recreation Department, submitted by Michael Carrier. (Exhibit 3)
3. Eugene Symphony, submitted by Michael Fox. (Exhibit 10)

Meeting continued at 1:19 p.m. as a sub-committee with Rep.'s. Bates, Beck, Hass and Chair Shetterly in attendance.

022 Rep. Westlund Spoke in support of the measure.

Continued as full committee at 1:26 p.m. with the return of Vice Chair Carlson.

102 Sen. Beyer Spoke in support of the measure.

182 Rep. Westlund Made closing comments.

207 Charles Walker Presented testimony in support of measure. (Exhibit 4)

316 Norm Smith Spoke in support of the measure.

Chair Shetterly Left at 1:44 p.m., passed gavel to Vice Chair Carlson.

408 Norma Paulus Spoke in support of the measure.

TAPE 128, SIDE A

030 Paulus Continued with testimony in support of the measure.

Chair Shetterly Returned at 1:50 p.m.; resumed gavel.

OPENED PUBLIC HEARING ON HB 3419

079 Paul Warner Provided a description of the measure and discussed the background. (Exhibit 5)

100 Rep. Joanne Verger Presented testimony in support of measure. (Exhibit 6)

114 Randall Tosh Presented testimony in support of measure.
(Exhibit 7)

231 Rep. Witt "Does the bill require that the historical
museums be a non-profit institution, and if so
where?"

237 Tosh In §1 (4) (c); read language.

242 Rep. Witt Would the same provision be applicable to art
museums, as defined by statute, in order to
create this additional exemption for personal
property that is used in a retail sales operation?

243 Tosh Concurred.

245 Rep. Witt These are non-profit institutions and are not
subject to any income tax under the Internal
Revenue Code?

246 Tosh Concurred.

REOPENED PUBLIC HEARING ON HB 2923

254 Christopher Zinn Presented testimony in support of measure.
(Exhibit 8)

311 Barbara Sidway Spoke in support of the measure.

360 John Hampton Presented testimony in support of measure.
(Exhibit 9)

TAPE 127, SIDE B

035 Hampton Continued with testimony in support of measure.
(Exhibit 9)

072 Bill Thorndike Presented testimony in support of measure.
(Exhibit 11)

109 Bobbie Conner Spoke in support of the measure and distributed
resolution adopted by Board of Trustees of the
Confederated Tribes of the Umatilla Indian
Reservation. (Exhibit 12)

180 Curt Curtis Spoke to the measure; no position taken;
discussed possible concern regarding the license
plate and that any specialty plate that is
developed is easily identifiable as an Oregon
plate and meets law enforcement needs, as well
as the needs of the group sponsoring the

measure.

- 195 Kelly Taylor Spoke to the measure; no position taken; provided information on specialty plates, what is currently on the road and the administrative issues involved. Also discussed how the dollars raised by specialty plates has not met the expectations of the group sponsoring them; gave figures for the Oregon Trail plates.
- 269 Chair Shetterly Does the bill need further language or would it be addressed by rule or through a work group?
- 277 Taylor Spokes to limitations, but needs to balance function with aesthetics; will work with all affected parties.
- Meeting continued at 2:32 p.m. as a sub-committee with Rep.'s. Brown, Beck, Hass and Chair Shetterly in attendance.
- 289 Paddy McGuire Spoke in support of the measure, but addressed three areas of concern:
1. Governance issues; if the Secretary of State's office is to assume responsibility the proposal would be for the Secretary to Chair the Board and the staff work for the Chair.
 2. Concerned about funding for the 2001-03 biennium.
 3. Spoke to possible funding issues in the 2003-05 biennium.
- 364 Debra Buchanan Spoke to the \$1,000 contribution described in testimony and explained how the tax credit and the itemized deduction would work under tax law, (Page 3, Exhibit 4).
- 398 Ed Waters Reviewed the Revenue Impact Statement. (Page, 1, Exhibit 1)
- 436 Chair Shetterly What are the projections based on, the full credit?
- 437 Waters No, the average credit amount for both single and joint filers is about \$550.
- Continued as full committee at 2:40 p.m. with the return of Rep. Williams.

TAPE 128, SIDE B

REOPENED PUBLIC HEARING ON HB 3419

- 037 Gil Riddell Spoke in support of the measure and distributed an excerpt from ORS 306.350. (Exhibit 13)
- 052 Hasina Squires Spoke in support of the measure.
- 056 Chair Shetterly Isn't there a gift shop statute that deals with churches and other institutions that don't appear to be in this measure.
- 058 Riddell Vague memory of that statute, but can't provide any definitive information.
- 074 Kyle Jansson Presented testimony in support of measure. (Exhibit 14)

OPENED PUBLIC HEARING ON HB 2558

- 150 Paul Warner Reviewed the Oregon Tax Incidence Model (OTIM) figures. (Exhibit 15)
- 231 Rep. Witt Is this an annual revenue effect, and if so at what point in time?
- 237 Warner Described how the numbers are run. Continued with the distribution effects, (Page 3, Exhibit 15).
- Chair Shetterly Left at 2:55 p.m., passed gavel to Vice Chair Kafoury.
- 337 Rep. Witt "As I read the (-1) amendments they provide the taxpayer with an election to go to this new factor or to use the current factor, correct, (Exhibit 17)?"
- 339 Warner "That would be the (-2) amendments; the (-1) amendments change the date to 2003, (Exhibits 16-17). We have not run the election through OTIM, but I feel confident in saying that the static revenue impact would be larger and the feedback would be larger too. There would be a bigger feedback effect in this proposal, but the static would be bigger too."
- 354 Rep. Witt The (-1) amendments stay at 100% sales or do they go to the 80-10-10, (Exhibit 17)?
- 355 Warner The (-1) amendments go to a 100% sale

effective January 1, 2003.

Chair Shetterly Returned at 3:03 p.m.; resumed gavel.

390 John Powell Spoke in opposition to the measure.

TAPE 129, SIDE A

035 Powell Continued with testimony in opposition to the measure. Noted a listing of states that have offered taxpayers a choice and have offered the (-2) amendments, which would offer a choice of the current formula or move to an 80% sales factor for an 80-10-10 split instead of the current 50-25-25. (Exhibit 16)

098 Rep. Witt Questions and discussion regarding if Oregon wouldn't be advantaged by shifting to a single sales factor.

198 Chair Shetterly "Do other states provide for an election to, as regards a sales factor."

203 Warner "Connecticut is one."

207 Chair Shetterly Questioned if the (-2) amendments would not have a greater revenue impact. (Exhibit 16)

215 Powell The numbers could be adjusted to get to a closer number to the loss under a 100% sales factor. Referenced various states and the choices they allow.

238 Tom Gallagher Spoke to what their objections to the measure is; believes tax breaks can be found to grant manufacturing industries. Good measure for some industries in the state, but requests that other ways be found to provide tax breaks to those industries and not penalized the majority of the businesses.

290 Rep. Beck Questions and discussion regarding what proportion of the state's employment base are comprised of employees of the seventeen businesses that receive half of the benefit.

329 Curt Spoke in opposition to the measure.
Copenhagen

401 Rep. Williams Questions and discussion regarding prior testimony of Lewis Horowitz, (Pages 3-5, Exhibit 18).

TAPE 130, SIDE A

- 074 Rep. Hass Questions and discussion regarding whether the same arguments couldn't be made against tax credits.
- 168 Chair Shetterly Clarified that HB 3942 does have a section that deals with apportionment built in.
- 177 Rep. Witt Questions and discussion regarding whether a single sales factor would not incent investment in Oregon and stimulate the economy.
- 263 Chair Shetterly Questions and discussion regarding attracting and maintaining industry in Oregon.
- 375 Paul Phillips Presented testimony in support of measure. (Exhibit 18)

TAPE 129, SIDE B

- 025 Phillips Continued with testimony in support of measure. (Exhibit 18)
- 043 Dennis Peterson Presented testimony in support of measure. (Exhibit 19)
- 090 Paul Kelley Spoke in support of the measure.
- 115 Rep. Bates Questions and discussion regarding what the outcome would be if all 50 states moved to the single sales factor.
- 170 Rep. Hass Questions and discussion regarding the OTIM impact.
- 254 Tim Martinez Spoke in support of the measure.

OPENED WORK SESSION ON 2923

- 294 Rep. Witt Spoke to concern on the revenue impact; the policy is good the revenue impact is too large.
- 320 Chair Shetterly Noted his concerns on the numbers and his comfort level that Ways and Means can and will work the numbers.
- 335 Rep. Beck **MOTION: MOVED HB 2923 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION AND THE BILL BE REFERRED TO THE JOINT COMMITTEE ON WAYS AND MEANS BY PRIOR REFERENCE.**
- 348 Vice Chair Kafoury Noted concerns about the revenue impact and spoke to her concern that the measure survive the Ways and Means process.

354 Rep. Bates Echoed Vice Chair Kafoury's concerns.

361 **ROLL CALL VOTE: MOTION PASSED 9-0-0**

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

OPENED PUBLIC HEARING ON HB 3942

379 Jim Scherzinger Spoke in support of the measure.

TAPE 130, SIDE B

035 Scherzinger Continued with testimony in support of the measure.

Questions and discussion regarding Scherzinger's institutional memory and how to proceed for the best chance of success.

187 Chair Shetterly Meeting adjourned at 4:40 p.m.

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2923, Staff Measure Summary, Revenue and Fiscal statements, Waters, 3 pages
2. HB 2923, Submitted Testimony, Cushman, 1 page
3. HB 2993, Submitted Testimony, Carrier, 1 page
4. HB 2993, Testimony, Walker, 4 pages
5. HB 3419, Staff Measure Summary, Revenue and Fiscal statements, Martin-Mahar, 3 pages
6. HB 3419, Testimony, Rep. Verger, 2 pages
7. HB 3419, Testimony, Tosh, 3 pages
8. HB 2923, Testimony, Zinn, 1 page
9. HB 2923, Testimony, Hampton, 1 page
10. HB 2923, Testimony, Fox, 2 pages
11. HB 2923, Testimony, Thorndike, 1 page

12. HB 2923, Resolution, Conner, 2 pages
13. HB 3419, ORS citations, Riddell, 1 page
14. HB 3419, Testimony, Jansson, 3 pages
15. HB 2558, Revenue and Fiscal statements, Warner, 5 pages
16. HB 2558, (-2) amendment, (DJ/ps) 04/11/01, Powell, 2 pages
17. HB 2558, (-1) amendment, (DJ/ps) 04/04/01, Phillips, 1 page
18. HB 2558, Testimony, Phillips, 16 pages
19. HB 2558, Testimony, Peterson, 3 pages