

**PUBLIC HEARING: HB 3391, HB 3404**

**PUBLIC HEARING AND WORK SESSION: SB 425; HB 2208, HB 2243**

**WORK SESSION: HJR 46; HB 2111, HB 3370**

**TAPES 154 — 155 A/B**

**TAPES 156 - 157 A**

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

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**APRIL 26, 2001 — 1:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING**

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Members Present: Representative Lane Shetterly, Chair

Representative Janet Carlson, Vice Chair (1:20 arrived)

Representative Deborah Kafoury, Vice Chair

Representative Alan Bates (1:31 arrived)

Representative Chris Beck

Representative Alan Brown

Representative Mark Hass

Representative Max Williams (1:43 arrived)

Representative Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Steve Meyer, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Randall Edwards, Oregon State Treasury

Doug Goe, Ader-Winn Law Firm

Ozzie Rose, Confederation of School Administrators

J. L. Wilson, National Federation of Independent Business

Gil Riddell, Association of Oregon Counties

Diane Belt, Washington County Tax Assessor

Kathleen Southwick, Washington County Tax Assessor

Dan Kaplan, Department of Human Services

Roy Fredericks, Department of Human Services

Robert Bole, The Enterprise Foundation

Peter Hainley, Community and Shelter Assistance/Association of Community Development Organizations

John Blatt, Association of Oregon Community Development

Pam Leavitt, Credit Union Association

David Foster, Oregon Housing and Community Services

Colleen Willis, CPAH

Cecelia VanHorn, IDA Participant

Witnesses (Cont.): Rep. Jeff Merkley, Legislative House District 16

**TAPE 154, SIDE A**

006 Chair Shetterly Meeting called to order at 1:17 p.m.

**OPENED WORK SESSION ON HJR 46 and HB 3370**

016 Steve Meyer Reviewed the (-4) amendments and distributed the (-4) Revenue Impact statements for both HJR 46 and HB 3370 and a Fiscal Impact for the HJR 46. (Exhibits 1-4)

030 Randall Edwards Spoke in support of the (-4) amendments for HJR 46 and HB 3370 and distributed a Summary of School Bonds Issued. (Exhibits 2, 4-5)

071 Doug Goe Reviewed the HJR 46 amendments, section by section. (Exhibit 2)

113 Chair Shetterly Noted that the election date is changed, (Page 3, Lines 13-16, Exhibit 2)?

116 Rep. Hass Questioned if this language would affect the rating, (Page 1, Lines 15-16, Exhibit 2)?

118 Edwards Referenced prior testimony on April 10 and reiterated that State property tax is not a necessary tool.

134 Vice Chair Carlson Questions and discussion regarding why the election date was changed, (Page 3, Lines 13-16, Exhibit 2).

140 Rep. Witt Questions and discussion regarding what the annual debt service would be if the provisions in the measures were maxed out that would have to be paid from the General fund or Lottery proceeds.

197 Chair Shetterly Referenced the historical rate of passage of bonds and questioned what the debt service has been historically.

202 Edwards Reviewed the last five years of locally issued School Bonds. (Exhibit 5)

231 Rep. Witt Commented that this measure is providing incentive to pass bonds and so questioned how accurate the analysis of the past five years is, (Exhibit 5).

250 Chair Shetterly Requested Rose speak to Rep. Witt's question and restated the question.

255 Ozzie Rose "My organization is supporting these measures based on the assumption that there will be more support locally."

275 Rep. Bates Questions and discussion regarding how much the 1% of bonding capacity translates to in dollars.

281 Chair Shetterly "If static activity is assumed this could result between \$90 million/biennium and \$400 million/biennium in debt service." Spoke to the

possible range per biennium and referenced the illustration to question if the column titled "Total Debt Service Per Year" would that be the State's half, (Exhibit 5)?

- 297 Edwards That is just the State's share.
- 300 Rep. Bates Questions and discussion regarding whether the Legislature might react by taking from the operating funds for schools if a significant amount of funding were approved by voters as bonding indebtedness.
- 360 Rep. Hass Was "capital only" added to deal with the facility side of the equation?
- 366 Edwards Yes.
- 376 Rep. Witt Has the State ever provided dollars to help finance construction for schools and if not why is now the time to begin this when sufficient operating funds for schools are not being provided?
- 395 Rose This tool would open another source of funding specifically for capital, other than General fund. Spoke to the fundamental issue of school infrastructures, not just locally, but nationally.
- 416 Rep. Witt Questions and discussion regarding HB 3370 in providing only a 10% match to some of the highest need areas in capital construction; how can that be justified.

**TAPE 155, SIDE A**

- 009 Rose Acknowledged Rep. Witt's point and spoke to equity issues that need to be discussed.
- 058 Rep. Beck Questions and discussion regarding:
1. School districts delaying on improvements in hopes of State approved money.
- Would there be some sort of ability to structure this so that if districts have approved something and the Legislature acts to issue bonds could districts apply retroactively.

- 083 Chair Shetterly Questions and discussion regarding the mechanics of HB 3370 and what controls are in place for the number of bond levies those are approved on the expectation of a match.
- 099 Goe That issue, as well as any other criteria, is left to the State Board of Education to make the Administrative Rules.
- 133 Rep. Witt Provided a scenario and asked how the financing vehicle would work in an economic downturn where General fund revenues have been obligated to pay the bonds.
- 149 Chair Shetterly Expanded on Rep. Witt's comments by asking if there would be an implication of impairment of contract issue, legally could the Legislature, in a serious recession, withdraw money from the pool of debt service?
- 162 Goe That would impair the contract with bondholders, as general obligation (GO) bonds the State is committed.
- Questions and discussion regarding concerns as to over-extension of General fund dollars in a recession period.
- 199 Rep. Bates Requested further comment on additional issues; the start date, parody issues and what has the experience been of other states that are doing these programs.
- Chair Shetterly Left at 2:00 p.m., passed gavel to Vice Chair Kafoury.
- 232 Rose Spoke to how other states have addressed the parody issues.

**OPENED WORK SESSION ON HB 2111**

- 269 Lizbeth Martin- Provided a description of the measure and discussed the (-1), (-2) and (-3) amendments. (Exhibits 6-10)  
Mahar
- 390 Rep. Bates Questions and discussion regarding why the taxes drop as the years go on.
- 403 J. L. Wilson Spoke in support of the (-1), (-2) and (-3)

amendments and explained what each amendment would accomplish. (Exhibits 8-10)

**TAPE 154, SIDE B**

- 023 Rep. Witt Is a significant portion of these businesses home-based?
- 027 Wilson Believes that would be a fair assumption.  
Chair Shetterly Returned at 2:14 p.m.; resumed gavel.
- 028 Rep. Witt Questions and discussion regarding the costs of personal property and how that could impact a small business owner.
- 046 Gil Riddell Presented testimony in opposition to measure and (-1), (-2) and (-3) amendments. (Exhibits 8-11)
- 100 Diane Belt Presented testimony in opposition to measure and the (-3) amendments. Distributed Confidential Personal Property Returns, Samples A and B. (Exhibits 10 and 12)
- 180 Kathleen Southwick Reviewed the Confidential Personal Property Returns for Taxpayers A and B. (Exhibit 12)  
Questions and discussion regarding the forms, (Exhibit 12).
- 329 Rep. Bates Questions and discussion regarding how the determination of the value of the property is made and is the cost of administration offset by the taxes collected.
- 401 Rep. Witt **MOTION: MOVED LC (-2) AMENDMENTS DATED 04/06/2001 TO HB 2111 BE ADOPTED.**
- 410 Rep. Witt Spoke in support of motion.

**TAPE 155, SIDE B**

- 027 Vice Chair Carlson Spoke in opposition to the measure, although she supports the concept.
- 065 Rep. Bates Spoke in opposition to measure.  
**MOTION PASSED ON VOICE VOTE — 6-0-3, WITH Rep.'s Bates, Beck AND Hass objecting. THE VOTE WILL BE RECORDED AS 6-0-3.**
- 079 Rep. Witt **MOTION: MOVED LC (-3) AMENDMENTS DATED 04/06/2001 TO HB**

**2111 BE ADOPTED.**

- 084 Vice Chair Requested the (-3) amendments be reviewed, Carlson (Exhibit 10).
- 085 Rep. Bates Spoke to concern with the (-3) amendments, based on the testimony from County employees, (Exhibit 10).
- 087 Wilson Spoke to the (-3) amendments, which would give flexibility to the counties. (Exhibit 10)
- 099 Rep. Witt **MOTION: REQUESTED UNANIMOUS CONSENT TO WITHDRAW MOTION TO ADOPT THE (-3) AMENDMENTS.**
- 102 Rep. Witt **MOTION: MOVED HB 2111 TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**
- 103 Rep. Hass Spoke in opposition to the motion.
- 120 Rep. Brown Spoke in support of the measure.
- 126 Rep. Bates Spoke to circumstances under which he could support this measure, but will oppose it in this form.
- 133 Rep. Beck Concurred with Rep. Bates's comments.
- 143 Chair Shetterly Spoke to this measure as a vehicle for accomplishing other objectives and his hope that some relief could be given to small business in the same way relief was granted to large businesses in another measure.
- 159 **ROLL CALL VOTE: MOTION FAILED 4-4-1**
- REPRESENTATIVES VOTING AYE: Brown, Williams, Witt, Chair Shetterly**
- REPRESENTATIVES VOTING NAY: Bates, Beck, Hass, Carlson**
- REPRESENTATIVES EXCUSED: Kafoury**
- 174 Rep. Witt **MOTION: MOVED TO RECONSIDER THE VOTE WHEREBY THE COMMITTEE FAILED TO PASS HB 2111 TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**

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

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

**REPRESENTATIVES EXCUSED: Kafoury**

178 Rep. Witt **MOTION: MOVED THE RULES BE SUSPENDED FOR THE PURPOSE OF CONCEPTUALLY AMENDING THE (-2) AMENDMENTS, (Exhibit 9). HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Kafoury, EXCUSED)**

187 Rep. Witt **MOTION: MOVED TO CONCEPTUALLY AMEND THE (-2) AMENDMENTS, (Exhibit 9), BY STRIKING "\$15,000" AND INSERTING "\$12,500" ON PAGE 1, LINES 2, 3 and 13.**

202 Rep. Witt Spoke to the motion.

214 Vice Chair Questioned if this would halve the Revenue  
Carlson Impact or not.

217 Martin-Mahar The Revenue Impact would be less than half of  
the \$1.5 million.

228 **HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Kafoury, EXCUSED)**

234 Rep. Witt **MOTION: MOVED HB 2111 TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**

246 Vice Chair Spoke in support of the motion and to the  
Carlson rebalance mentioned by the Chair earlier.

249 Rep. Beck Spoke to concerns about the rationale for the  
measure, but will not oppose the motion.

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

**REPRESENTATIVES VOTING AYE: Bates,**



**Beck, Brown, Hass, Williams, Witt, Carlson,  
Kafoury, Chair Shetterly**

**Rep. Wilson will carry the bill.**

**REOPENED WORK SESSION ON HJR 46 and HB 3370**

300 Chair Shetterly Closed work sessions.

**OPENED PUBLIC HEARING ON HB 2243**

321 Paul Warner Provided a description of the measure and discussed the background. (Exhibit 13)

338 Dan Kaplan Presented testimony in support of measure and spoke in support of the proposed amendments in Simonis's testimony. (Exhibits 14-15)

LRO Staff Distributed submitted testimony from Ruth Simonis. (Exhibit 15)

472 Chair Shetterly Referenced Simonis's testimony where she notes that "permanently institutionalized" is not defined in the measure, is it defined elsewhere, (Page 2, Paragraph 2, Exhibit 15)?

477 Roy Fredericks Federal law defines "permanently institutionalized"; provided definition and we work with the term within federal regulations.

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037 Kaplan Noted that "permanently institutionalized" will need to be defined in rule. Continued with testimony in support of measure and recommendations made by the Elder Law section of the Oregon State Bar.

050 Chair Shetterly Referenced that Simonis's testimony notes that "permanently institutionalized" is a term used in federal law, (Page 2, Paragraph 3, Exhibit 15).

**OPENED WORK SESSION ON HB 2243**

065 Chair Shetterly **MOTION: MOVED THE RULES BE SUSPENDED FOR THE PURPOSE OF CONCEPTUALLY AMENDING HB 2243.**

068 Chair Shetterly **MOTION: MOVED TO CONCEPTUALLY AMEND HB 2243, BY STRIKING "10" AND INSERTING "30" ON PAGE 2, LINE 15. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Beck AND Williams, EXCUSED)**

078 Chair Shetterly **MOTION: MOVED HB 2243 TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**

081 Chair Shetterly Does this need to go to Ways and Means Committee?

082 Warner No Fiscal Impact has been issued, although there is a notice of a Fiscal Impact.

083 Kaplan The Fiscal Impact is approximately \$1.6 million and is anticipated in the Governor's revised budget and in the Co-Chairs of Ways and Means budget.

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

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

**REPRESENTATIVES EXCUSED: Beck, Williams,**

**Rep. Brown will carry the bill.**

#### **OPENED PUBLIC HEARING ON HB 3391**

110 Chair Shetterly Recessed the meeting at 3:12 p.m.; reconvened at 3:15 p.m.

114 Ed Waters Provided a description of the measure and discussed the background. (Exhibits 16-17)

137 Robert Bole Spoke in support of the measure.

225 Rep. Witt Questions and discussion regarding 75% of the cost being picked up by the public and what the impact of these credits would be in the current biennium.

247 Chair Shetterly Would striking §2 of the measure change the revenue impact?

248 Waters Striking that section would reduce any possible revenue impact that this concept would have.

255 Rep. Jeff Spoke in support of the measure.  
Merkley

268 Peter Hainley Spoke in support of the measure.

285 David Foster Spoke in support of the measure.

- 322 Rep. Witt Couldn't increasing the percentage somewhat, but not necessarily the total amount of the credit available accomplish the purpose? It seems to be geared to higher income people.
- 342 Hainley Does not see a problem with Rep. Witt's suggestion.
- 357 Pam Leavitt Presented testimony in support of measure. (Exhibit 18)
- 412 Rep. Witt "For the record my concern is the 75% credit is high and I could support 50 percent. I feel it is a valuable program that could be helpful to low income people."

**TAPE 157, SIDE A**

**OPENED PUBLIC HEARING ON SB 425; HB 2208, HB 3404**

- 024 Lizbeth Martin-Mahar Reviewed prior testimony on SB 425 and described the (-1) and the (-2) amendments. (Exhibits 19-22)
- 048 Rep. Witt Do the (-1) and (-2) amendments compliment or contradict each other, (Exhibits 21-22)?
- 050 Martin-Mahar Explained the differences in the (-1) and (-2) amendments, (Exhibits 21-22).
- 055 Rep. Witt The (-1) amendment, (Exhibit 21), eliminates a prior years claim and the (-2) amendment, (Exhibit 22), preserves a prior years claim?
- 056 Martin-Mahar Concurred.
- 057 Rep. Witt What is current law?
- 058 Martin-Mahar You can go back for three years prior.
- 059 Rep. Witt And the (-2) amendments would allow for current law, (Exhibit 22) and the (-1) amendments would not allow you to go back and would require the claim be made by April 15, (Exhibit 21)?
- 060 Martin-Mahar Yes, the April 15 for filing a claim is current law.
- 071 Debra Buchanan Presented testimony in support of SB 425, as amended by the (-2) amendments and HB 2208, as amended by the (-8) amendments. (Exhibits 22-23 and 28)
- 111 John Phillips Spoke in support of the HB 2208 and reviewed what each of the eight proposed amendments

would do and the position of the Department of Revenue on each amendment. (Exhibit 24)

- 175 Vice Chair Noted that none of the amendments have been adopted.
- Kafoury
- LRO Staff The amendments discussed by Phillips' were presented as follows:
1. The (-1) amendment was introduced at the first public hearing, (Reference 02/26/2001, Exhibit 6).
  2. The (-2), (-3) and (-4) amendments were introduced at a previous work session, (Reference 03/08/2001, Exhibit 16-17 and 19)
- The (-5), (-6) and (-8) amendments were given to members today, (Exhibits 26-28).
  - LRO Staff did not receive a copy of the (-7) amendments for distribution to members.

#### **OPENED WORK SESSION ON HB 2208**

- 118 Rep. Witt **MOTION: MOVED LC (-1) AMENDMENTS DATED 02/26/2001 TO HB 2208 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Beck and Williams, EXCUSED)**
- 201 Rep. Witt **MOTION: MOVED LC (-3) AMENDMENTS DATED 03/06/2001 TO HB 2208 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Beck and Williams, EXCUSED)**
- 207 Rep. Witt **MOTION: MOVED LC (-6) AMENDMENTS DATED 03/26/2001 TO HB 2208 BE ADOPTED.**
- 212 Vice Chair What would the (-6) amendments do, (Exhibit Carlson 27)?
- 215 Rep. Witt Described the (-6) amendments and spoke in support of the motion, (Exhibit 27).
- 230 **HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Beck and Williams,**

**EXCUSED)**

242 Rep. Witt **MOTION: MOVED LC (-8) AMENDMENTS DATED 04/25/2001 TO HB 2208 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Beck and Williams, EXCUSED)**

244 Rep. Witt **MOTION: MOVED HB 2208 TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**

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

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

**REPRESENTATIVES EXCUSED: Beck, Williams**

**Rep. Witt will carry the bill.**

**OPENED WORK SESSION ON SB 425**

275 Rep. Witt **MOTION: MOVED LC (-2) AMENDMENTS DATED 04/09/2001 TO SB 425 BE ADOPTED. (ALL MEMBERS PRESENT EXCEPT Beck and Williams, EXCUSED)**

278 Rep. Witt **MOTION: MOVED SB 425 TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**

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

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

**REPRESENTATIVES EXCUSED: Beck, Williams**

**Rep. Hass will carry the bill.**

LRO Staff Distributed informational material for member review:

1. HB 2208, Revenue Impact statement, submitted by Martin-Mahar. (Exhibit 25)
2. HB 3404, Staff Measure Summary and Revenue Impact statement, Martin-Mahar. (Exhibit 29)

322 Vice Chair Meeting adjourned at 3:55 p.m.  
Kafoury

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HJR 46, (-4) Revenue and Fiscal Impact statements, Meyer, 2 pages
2. HJR 46, (-4) amendment, (CH/ps) 04/25/01, Edwards, 3 pages
3. HB 3370, (-4) Revenue Impact statement, Meyer, 1 page
4. HB 3370, (-4) amendment, (CH/ps) 04/25/01, Edwards, 7 pages
5. HJR 46, Table of School Bonds Issued, Edwards, 1 page
6. HB 2111, Staff Measure Summary and Revenue Impact statement, Martin-Mahar, 2 pages
7. HB 2111, Spreadsheet for (-2) amendments, Martin-Mahar, 1 page
8. HB 2111, (-1) amendment, (DJ/ps) 04/06/01, Wilson, 1 page
9. HB 2111, (-2) amendment, (DJ/ps) 04/06/01, Wilson, 1 page
10. HB 2111, (-3) amendment, (DJ/ps) 04/06/01, Wilson, 1 page
11. HB 2111, Testimony, Riddell, 4 pages
12. HB 2111, Personal Property Return Forms, Belt, 9 pages
13. HB 2243, House Committee on Health and Public Advocacy Staff Measure Summary, LRO Staff, 2 pages
14. HB 2243, Testimony, Kaplan, 2 pages
15. HB 2243, Submitted testimony, Simonis, 2 pages
16. HB 3391, Tax Expenditure Report excerpt, Waters, 3 pages
17. HB 3391, Revenue Impact statement for HB 3600 A-Eng. (1999 Session), Waters, 1 page
18. HB 3391, Testimony, Leavitt, 3 pages
19. SB 425, Staff Measure Summary, Martin-Mahar, 1 page
20. SB 425, Senate Staff Measure Summary and Fiscal Impact statement, LRO Staff, 2 pages
21. SB 425, (-1) amendment, (DJ/ps) 03/02/01, Chair Shetterly, 1 page
22. SB 425, (-2) amendment, (DJ/ps) 04/09/01, Department of Revenue, 2 pages
23. SB 425, Testimony, Buchanan, 1 page
24. HB 2208, Handout describing amendments, Martin-Mahar, 2 pages
25. HB 2208, Revenue Impact statement, Martin-Mahar, 1 page
26. HB 2208, (-5) amendment, (DJ/ps) 03/22/01, LRO Staff/Department of Revenue, 3 pages

27. HB 2208, (-6) amendment, (DJ/ps) 03/26/01, LRO Staff/Department of Revenue, 3 pages
28. HB 2208, (-8) amendment, (DJ/ps) 04/25/01, Department of Revenue, 5 pages
29. HB 3404, Staff Measure Summary and Revenue Impact statement, Martin-Mahar, 2 pages