

**PUBLIC HEARING: HB 3619 A-ENG.**

**WORK SESSION: HB 2521, HB 2863, HB 3942**

**TAPES 160 — 161 A/B**

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

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**APRIL 30, 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

Representative Deborah Kafoury, Vice Chair (1:19 arrived)

Representative Alan Bates (1:19 arrived)

Representative Chris Beck

Representative Alan Brown

Representative Mark Hass

Representative Max Williams

Representative Bill Witt (1:20 arrived)

Staff: Paul Warner, Legislative Revenue Officer

Steve Meyer, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Joanne Fuller, Multnomah County  
Department of Community Justice/Oregon Juvenile  
Department Directors' Association

Susan Richey, Multnomah ESD

John Pendergrass, Oregon Department of Education

Tricia Bosak, Oregon Education Association

Gary Carlson, Associated Oregon Industries

Ralph Groener, American Federation of State and Municipal Employees

Tom Gallagher, ARCO

Rich Peppers, Service Employees' International Union Local 503, Oregon Public Employees Union

Tricia Smith Oregon School Employees Association

Marcia Kelley, American Association of University Women

Bob Russell, Oregon Trucking Association

Dexter Johnson, Legislative Counsel

Bob Repine, Oregon Housing and Community Services

**TAPE 160, SIDE A**

006 Chair Shetterly Meeting called to order at 1:14 p.m.

**OPENED PUBLIC HEARING ON HB 3619**

020 Steve Meyer Provided a description of the measure and discussed the background. (Exhibit 1)

045 Joanne Fuller Spoke in support of the measure.

109 Susan Richey Spoke in support of the measure.

241 Rep. Bates Questions and discussion regarding:

1. What is the number of contact days required by the State for high school students?
2. Is year round school offered in a detention center?
3. This measure would provide for an education program year-round, across the State?
4. Why was a cap of 350 children put into

the measure?

- 284 Rep. Beck Was consideration given to including this in the Governor's budget.
- 295 John Pendergrass Explained why this funding mechanism was chosen over inclusion in the Governor's budget.
- 318 Chair Shetterly Referenced the Revenue Impact and noted that the distribution formula is changed, (Page 2, Exhibit 1).
- 319 Meyer Explained how the money would be distributed.
- 320 Rep. Bates Explained the difficulties in the current system and noted that the measure looks like it has reduced some of the administrative obstacles, is that correct.
- 340 Pendergrass Concurred.
- 364 Richey Noted that the current process is duplicative.
- 380 Chair Shetterly Questions and discussion regarding the amended language relating to the teacher transfer.
- 386 Tricia Bosak The language was amended into the original measure and it is consistent with other state merger law and public employee transfer law.
- 400 Chair Shetterly Read amended language in the A-Eng. measure, page 4, lines 17-25 and questioned the mechanics of the language.

**TAPE 161, SIDE A**

- 002 Bosak The language tracks the state merger law when school districts are consolidated and does not present problems for anyone as I understand it.
- 024 Chair Shetterly Recessed the meeting at 1:43 p.m.; reconvened at 1:45 p.m.

**OPENED WORK SESSION ON HB 2521**

- 029 Ed Waters Reviewed HB 2521, which creates and income tax credit for scholarships provided by employers for their employees. Discussed the Revenue Impact for the (-1) amendments and distributed a Fiscal Impact for the original measure. (Exhibits 2-3)
- 061 Chair Shetterly Reviewed prior list of witnesses that provided testimony; all spoke in support of the measure.
- 070 Rep. Hass Reported on conversations with Rep. Westlund.

082 Rep. Witt Does this measure have a referral to Ways and Means?

085 Chair Shetterly No.

089 Rep. Witt Must all employees be based in Oregon?

095 Rep. Hass No, basically it is for anyone who pays Oregon income tax.

101 Rep. Witt Would scholarships apply only to Oregon employees and dependents or any employee/dependent regardless of place of residence?

105 Rep. Hass That gets into the criteria set by the employer and the Student Assistance Commission, but my intent is to help employees who work for an Oregon company that pays Oregon income taxes irrespective of where the employee resides.

114 Rep. Witt Would scholarships under this program be available to all certified schools in Oregon and outside of the State of Oregon?

118 Rep. Hass Yes.

119 Rep. Witt What would keep an employer from using this program in as a 50% reduction in the cost of education for the dependents of the employer?

123 Rep. Hass That is why the Student Assistance Commission administers the program.

130 Chair Shetterly Noted that federal tax law limit availability of the federal credit and the Student Assistance Commission drafts their rules to comply with the federal tax code requirements.

141 Rep. Hass **MOTION: MOVED LC (-1) AMENDMENTS DATED 03/08/2001 TO HB 2521 BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Carlson, EXCUSED)**

159 Rep. Hass **MOTION: MOVED HB 2521 TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**

164 Rep. Witt Questioned how the credit would run if the employer were not a corporation, but a proprietor.

170 Waters Cited ORS Chapter 316 if the taxpayer is a

proprietor and ORS Chapter 317 or 318 if the employer is a corporation.

185

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

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

**REPRESENTATIVES EXCUSED: Bates, Carlson**

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

194 Chair Shetterly Recessed the meeting at 1:59 p.m.; reconvened at 2:00 p.m.

**OPENED WORK SESSION ON HB 3942**

204 Paul Warner Reviewed the (-2) amendment, based on discussion by Committee on April 23 to reflect the specification of Task Force composition and the additional charges to the Task Force. (Exhibit 4)

Reviewed the (-3) amendment, which deletes any reference to the Business Activity Tax (BAT) and does not list the specific issues around the BAT that were part of the discussion. (Exhibit 5)

038 Chair Shetterly Noted that he had requested the (-3) amendments be drafted. (Exhibit 5)

Spoke to the (-2) and the (-3) amendments, (Exhibits 4-5).

274 Gary Carlson Noted his preference for the (-3) amendments. (Exhibit 5)

297 Ralph Groener Spoke to the need for a major education of the Oregon public on Oregon's tax system and the inclusion of a "labor person" on the Task Force.

374 Tom Gallagher Questioned why the Committee would want "revenue neutrality" as an objective in both the (-2) and (-3) amendments. (Exhibits 4-5).

394 Rich Peppers Spoke to the following issues:

1. Revenue neutrality.

2. Representatives of Personal Income Taxpayers might be broken down the same way as industry representation was. Requested representation from Labor organizations on the Task Force, (Page 1, Lines 17-18, Exhibit 5).
3. Concurred with Groener on "labor" being represented on the Task Force.

**TAPE 160, SIDE B**

- 020 Tricia Smith      Concurred with concerns expressed by Peppers. Questioned advisability of language allowing the Task Force to accept funds from other sources being too broad, (Page 2, Lines 19-22, Exhibit 5).
- 037 Chair Shetterly      Commented that the language is boilerplate from Legislative Counsel and is consistent for this kind of commission or group that is authorized to receive funds.
- 040 Warner      Concurred.
- 041 Smith      Still questions the advisability given the stated intent of the Task Force, which is very broad.
- 045 Chair Shetterly      Spoke to the kinds of conditions he believes the language is addressing.
- 058 Marcia Kelley      Noted the (-3) amendments do not address an "equitable tax" emphasis, however they would be our preference, (Exhibit 6).
- 067 Chair Shetterly      In statute the "Statement of Tax Policy" for the State in which equity is a factor; whatever is done here would need to be consistent with already mandated legislative tax law.
- 073 Bob Russell      Spoke to a preference for the (-3) amendments, (Exhibit 5). Made the following points:
1. The Oregon Trucking Industry would be happy to work on a task force that included a Business Activity Tax (BAT), however there is concern with members of the Trucking Industry in limiting discussion to a BAT and would prefer that a broader range of solutions be considered.
  2. The (-3) amendments do not contain a

clear statement as to the efficiency of the tax in a mechanical sense; noted importance with any tax that those factors are considered.

- 095 Chair Shetterly "Efficiency" is also in the overall principles of tax policy.
- 097 Rep. Witt Administrative efficiency is part of the overriding objectives of the tax code, as is equity; economic efficiency is not.
- 103 Dexter Johnson Spoke to the language in §1 (8) of the (-2) amendments and the concerns expressed by Smith; noted that is boilerplate language that is included in provisions to create task forces, (Page 3, Lines 10-17, Exhibit 4). The language could probably be modified to delete most of the language in line 12 of the (-2) amendments, (Exhibit 4).
- 115 Chair Shetterly In the (-3) amendments that would be the deletion of the language on page 2, lines 20-22, (Exhibit 5).
- 121 Vice Chair Spoke in support of the (-2) amendments. (Exhibit 4)  
Kafoury
- 140 Chair Shetterly "Either the (-2) or (-3) amendments would be acceptable to me", (Exhibits 4-5). However noted that a substantial degree of goodwill has been built and the (-3) amendments seem to preserve the goodwill, (Exhibit 5).
- 181 Rep. Williams Complimented Chair on bringing this measure forward and noted that he will follow the Chair's lead. However, noted that everyone has spoken to the need for reform to Oregon's tax system and warned that the system cannot be reformed while protecting every interest group; compromise will be necessary from all participants.
- 212 Rep. Beck Spoke to opportunity loss in not being able to move this measure in a completed form this session, but noted that he will defer to the Chair.
- 261 Vice Chair Will defer to the Chair, but prefers the (-2) amendments and stated reasons why, (Exhibit 4)  
Carlson
- 282 Chair Shetterly Reiterated comments made earlier to Vice Chair Kafoury.

- 311 Rep. Witt Spoke in support of the (-3) amendments, (Exhibit 5). Noted surprise with the earlier comments regarding revenue neutrality and concerns about changing that basic premise at this point in time.
- 342 Chair Shetterly Concurred with Rep. Witt's comments on revenue neutrality and his hesitancy in addressing raising or lowering revenue with this measure.
- 358 Rep. Bates Concurred with comments made earlier by Rep. Williams's and spoke to response within his district regarding the Business Activity Tax (BAT) and increased receptivity as it is discussed.
- 386 Rep. Brown Concurred with Rep. Witt's comments.
- 399 Chair Shetterly Discussed possibility of a conceptual amendment to the (-3) amendments, (Page 1, Line 19, Exhibit 5) to read:

" . . . export businesses, organized labor and the Department of Revenue."

And another possible conceptual amendment to the (-3) amendments, (Page 2, Lines 20-22, Exhibit 5):

" . . . contributions of funds and assistance from any source, public or private, and agree to conditions thereon not inconsistent with the purposes of the task force."

#### **TAPE 161, SIDE B**

- 019 Chair Shetterly Made comments on concerns that tax policy needs to be addressed and the importance of this measure and his hope that this will not be another "report". Stated his intent "to be very intentional and very focused in bringing forward some proposals for next legislative session and not just another report."
- 034 Chair Shetterly **MOTION: MOVED THE RULES BE SUSPENDED FOR THE PURPOSE OF CONCEPTUALLY AMENDING THE (-3) AMENDMENTS, (Exhibit 5).**



036 Chair Shetterly **MOTION: MOVED TO CONCEPTUALLY AMEND THE (-3) AMENDMENTS, (Exhibit 5) BY INSERTING ", AND "ORGANIZED LABOR" ON PAGE 1, LINE 19, AFTER THE WORD "BUSINESSES" HEARING NO OBJECTION, THE CHAIR SO ORDERED.**

041 Chair Shetterly **MOTION: MOVED TO CONCEPTUALLY AMEND THE (-3) AMENDMENTS, (Exhibit 5) BY DELETING ", AND AGREE TO CONDITIONS THEREON NOT INCONSISTENT WITH THE PURPOSES OF THE TASK FORCE" ON PAGE 2, LINES 20-22, AFTER THE WORD "PRIVATE". HEARING NO OBJECTION, THE CHAIR SO ORDERED.**

046 Chair Shetterly **MOTION: MOVED LC (-3) AMENDMENTS DATED 04/30/2001 TO HB 3942, AS CONCEPTUALLY AMENDED, BE ADOPTED. HEARING NO OBJECTION, THE CHAIR SO ORDERED.**

052 Chair Shetterly **MOTION: MOVED HB 3942 TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION AND THE BILL BE REFERRED TO THE JOINT COMMITTEE ON WAYS AND MEANS BY PRIOR REFERENCE.**

051 Rep. Beck Spoke to his hope that enough dollars can be found to involve all of Oregon in this discussion.

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

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

#### **OPENED WORK SESSION ON HB 2863**

091 Ed Waters Reviewed measure and adoption of the (-1) and (-2) amendments and reviewed what each amendment does, (Reference 04/23/2001, Exhibits 1-2).

Described the (-3) amendments, which are before the Committee today and distributed a Revenue Impact statement for all three amendments. (Exhibits 6-7)

109 Bob Repine Commented that the (-3) amendments do not provide a funding mechanism for the Ombudsman position. Questioned if the same resource that currently funds the Ombudsman program could be a resource to be used for costs incurred for the certification process. (Exhibit 7)

Continued at 2:26 p.m. as a sub-committee with Rep.'s. Bates, Brown, Vice Chair Carlson and Chair Shetterly in attendance.

115 Vice Chair Repine's proposal would be amenable to her.  
Carlson

117 Repine Spoke to that being the appropriate resource, but there is no statutory language addressing this type of activity in the current Ombudsman language, so wanted verification that those resources applying to costs incurred for this activity would be consistent with the Committee's intent.

131 Chair Shetterly Requested the record reflect that is the Committee intent.

Continued as full committee at 2:31 p.m. with the arrival Rep.'s Hass and Witt.

135 Vice Chair Reviewed reasons for bringing this measure forward and spoke in support of the (-3) amendments. (Exhibit 7)  
Carlson

153 Vice Chair **MOTION: MOVED LC (-3)**  
Carlson **AMENDMENTS DATED 04/30/2001 TO HB 2863 BE ADOPTED.**

159 Rep. Witt Noted the overall tax credit has a \$1 million cap per biennium, but does anything limit it per transaction?

179 Waters The cap is only on total gross consideration, there is no per exchange cap.

175 Rep. Witt Appreciates the intent of the measure, but is not comfortable with the mechanics.

193 Rep. Hass Would a cap on each sale work and questioned if that would address Rep. Witt's concerns?

197	Vice Carlson	Chair	Spoke to reasons for not wanting to move in that direction.
201	Rep. Witt		Noted that would address his concerns.
214	Rep. Bates		Questioned if there is a reason that the (-3) amendments could not set a limit per sale, (Exhibit 7). Noted the policy is good, but shares Rep. Witt's concerns.
221	Vice Carlson	Chair	Reviewed the two proposals brought forward after the last meeting: <ul style="list-style-type: none"> <li>1. The sunset.</li> <li>2. The cap on the entire system</li> </ul>
234	Rep. Witt		Discussed potential scenario and explained how the proposal could provide a tax shelter and questioned if that is good tax policy.
254	Chair Shetterly		Spoke to intent in creating an incentive for a park owner to sell to tenants' association, questioned if Rep. Witt has a sense of an appropriate range to create an incentive on the part of a park owner and accomplish the intent.
269	Rep. Witt		Recommended a 50% credit against taxable income made from the sale, if the park is sold to tenants organization.
284	Vice Carlson	Chair	Discussed the barriers in selling to a tenants association; would want a read from the industry prior to moving.
301	Chair Shetterly		Requested that the measure be rescheduled and Vice Chair Carlson discuss the concerns raised today with the industry.
			<b>MOTION TO ADOPT THE LC (-3) AMENDMENTS DATED 04/30/2001 TO HB 2863 WITHDRAWN BY IMPLIED CONSENT.</b>
	LRO Staff		Distributed informational material for member review: <ul style="list-style-type: none"> <li>HB 2780, Revenue Impact statement and School</li> </ul>

Transportation Revenue runs, submitted by  
Meyer. (Exhibit 8)

355 Chair Shetterly Meeting adjourned at 3:02 p.m.

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 3619, House Committee on Student Achievement and School Accountability Staff Measure Summary and Revenue statement, LRO Staff, 3 pages
2. HB 2521, (-1) Revenue Impact statement, Waters, 1 page
3. HB 2521, Fiscal Impact statement, LRO Staff, 1 page
4. HB 3942, (-2) amendment, (DJ/ps) 04/30/01, LRO Staff, 4 pages
5. HB 3942, (-3) amendment, (DJ/ps) 04/30/01, Chair Shetterly, 3 pages
6. HB 2863, (-1), (-2) and (-3) Revenue statement, Waters, 1 page
7. HB 2863, (-3) amendment, (DJ/ps) 04/30/01, Vice Chair Carlson, 2 pages
8. HB 2780, Revenue Impact statement and School Transportation Revenue runs, Meyer, 7 pages