

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

MAY 29, 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 (1:43 arrived)

Representative Alan Bates (1:28 arrived)

Representative Chris Beck (1:26 arrived)

Representative Alan Brown

Representative Mark Hass (1:26 arrived)

Representative Max Williams

Representative Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Steve Meyer, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Rep. Tom Butler, Legislative House
District 60

Mike Burton, Oregon Economic and Community
Development Department

Bob Castagna, Oregon Catholic Conference

Billy Dalto, Rep. Winters Office

David Sparks, Oregon Occupational Safety and Health
Division

Bob May, Community and Shelter Development
Assistance Corporation of Oregon

Lynn Partin, Oregon Housing and Community
Services

John McCulley, Tree Fruit Growers

Don Schellenberg, Oregon Farm Bureau

TAPE 198, SIDE A

006 Chair Shetterly Meeting called to order at 1:22 p.m.

OPENED PUBLIC HEARING ON HB 3770

014 Ed Waters Reviewed the measure, as amended by the (-5)
amendments. (Exhibits 1-2)

LRO Staff Distributed a Fiscal Impact statement for the
original measure. (Exhibit 3)

035 Chair Shetterly Where is the change made in the (-5)
amendments for per capita personal income,
(Page 1, Line 24 and Page 2, Line 1, Exhibit 2)?

040 Waters Referenced language in the original measure,
which referred to the county median income; the
per capita personal income is more measurable.

048 Rep. Butler Spoke in support of the measure, as amended by
the (-5) amendments. (Exhibit 2)

Chair Shetterly Left at 1:26 p.m., passed gavel to Vice Chair
Carlson.

096 Rep. Witt Why is the application limited to cities of less
than 10,000?

100 Rep. Butler Stated two reasons:

1. Not to be self-serving by having a city in
my district qualify.
2. A city of 10,000 or more must have an
employment base and is not struggling on
a regular basis.

- 112 Vice Chair Referenced the Fiscal Impact statement and
Carlson requested comment on the cost incurred by the
Economic and Community Development
(ECDD) for this program, (Exhibit 3).
- 115 Rep. Butler Requested ECDD respond to that; his intent was
\$500 for anyone attempting setting up under this
kind of program and a \$100 annual fee — I was
not aware of this kind of fiscal impact.
- 118 Mike Burton The fiscal impact was put together on short
notice and reflects ECDD's "outside guess at
how far things might go." Spoke to the more
realistic expectation.
- 137 Rep. Witt "Is it possible that the fees paid end up being
greater than the taxes that would otherwise
would be due?"
- 141 Burton "It is unlikely, but possible."
- 145 Rep. Witt "This is the business income tax that is being
exempted for ten years, correct?"
- 146 Vice Chair "Not only business income tax, but also at the
Carlson jobs brought into the community and the
resulting personal income taxes, correct?"
- 149 Rep. Butler "It was not my intent for this measure to have
this sort of fiscal impact and if it does the bill
very well might crash." Spoke to his intent for
this measure and the fiscal impact is at odds with
that. (Exhibit 3)
- 182 Burton Described what the fiscal numbers are based on
and spoke to what he believes would be the most
likely case.
- 197 Vice Chair There is not a subsequent referral to Ways and
Carlson Means Committee, perhaps Rep. Butler can have
further discussion with ECDD about the fiscal
impact statement and the measure can be
brought back.
- 203 Rep. Witt Calculated how many applications would have
to be filed at \$500/application fee and
questioned the accuracy of the Fiscal Impact
statement. (Exhibit 3)
- 223 Rep. Bates Questioned what the revenue impact would be to
the State based by revenue produced by
individuals and would that offset the cost of this
program.

230 Rep. Butler "Based on my discussions for every \$1 million of additional payroll generated there is \$44,000 of additional return General fund to the State. In addition to that these are the unemployed low-end jobs and it would, to some extent, relieve social program costs that are currently being drawn on."

277 Rep. Beck Questions and discussion regarding how this sort of subsidy is reconciled with free-market goals.

OPENED PUBLIC HEARING ON HB 3640

357 Ed Waters Described what the measure does and provided background material. (Exhibit 4)

377 Bob Castagna Spoke in support of the measure.

407 Rep. Witt Questioned Castagna if the language in the measure is broad enough to include, as it relates to organizations that could receive the credit.

412 Castagna Believes the language is broad enough to encompass a whole range of social service agencies as well as churches and charities; it is fairly broad.

426 Rep. Witt "It would apply to a Union Gospel Mission or a Blanchett House?"

433 Castagna Yes.

Chair Shetterly Returned at 1:49 p.m.; Vice Chair Carlson retained gavel.

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018 Waters The Revenue impact is indeterminate at this point; described possible figures. (Exhibit 4)

027 Billy Dalto Presented testimony in support of measure from Rep. Winter's office. (Exhibit 5)

Chair Shetterly Left at 1:52 p.m., gavel remained with Vice Chair Carlson.

OPENED PUBLIC HEARING ON HB 3173 A-ENG.

075 Ed Waters Described what the measure does and provided background material. (Exhibit 6)

- 090 David Sparks Spoke to the measure; no position taken. (Exhibit 7)
- 148 Bob May Spoke in support of the measure.
- 161 Lynn Partin Spoke to the measure; no position taken. Noted for the record the Task Force's intent was to eliminate the sunset on both the developer tax credit and on the lender tax credit; referenced pages 8-9, §7 and §8, and the Summary of the printed measure.
- 201 Vice Chair Requested Partin speak to how farm worker housing fits into the goals of affordable housing in Oregon.
Carlson
- 208 Partin Provided background information on farm workers housing and how that is a good fit with Oregon's goals for affordable housing.
- 230 Vice Chair What causes the differential between the Governor's figures and the Legislative Revenue Office's estimate of \$555,000, (Exhibit 6)?
Carlson
- 238 Waters "The Governor's budget recommendations included the \$230,000 for extending the sunset on the two credits and I believe that was based on some preliminary data; since then we have had updated data showing higher utilization rates and this measure expands some provisions of the farm worker housing construction credit."
- 251 Vice Chair "The \$555,000 is a combination of the multiple effects or simply an effect of the expansion?"
Carlson
- 254 Waters "It is a combination of all the factors."
- 260 Rep. Bates "Besides county inspectors who else would oversee the construction of these facilities?"
- 268 Partin "If Oregon Housing and Community Services administers this legislation we have a whole department that oversees construction."
- 278 John McCulley Spoke in support of the measure.
- 312 Don Presented testimony in support of measure.
Schellenberg (Exhibit 8)

OPENED PUBLIC HEARING ON SB 519 A-ENG.

- 341 Steve Meyer Reviewed the School Equalization Formula — Local Revenue Forecast Update. (Exhibit 9)

TAPE 198, SIDE B

002 Meyer Reviewed the School Formula Revenue Summary Simulation #23. (Exhibit 10)

015 Rep. Witt "What was the total formula revenue in the current biennium?"

022 Meyer "The second year is on the Summary Sheet and I don't have the first year with me, (Page 1, Exhibit 10)."

023 Rep. Witt "The first year would be somewhat less than the \$3,336?"

029 Meyer "Yes."

032 Rep. Witt The increase based on the projection shown in the Estimated 2000-01 column is only 3.7%, is that correct for the next year, (Page 1, Exhibit 10)?"

033 Meyer Yes.

034 Rep. Witt "How does that equate with current service levels (CSL)?"

036 Meyer "Probably less." Noted that the numbers in Simulation 23 do not directly relate to SB 519, (Exhibit 10). Members were given the Revenue Impact and Simulation #10 for SB 519 A-Eng. at a previous meeting, (Reference 05/02/2001, Exhibit 3).

045 Rep. Witt Questions and discussion regarding the "Other State Revenue" column, (Page 1, Exhibit 10).

066 Rep. Bates Questions and discussion regarding the "Revenue Sources" column and the "State School Fund", (Page 1, Exhibit 10).

078 Rep. Bates "Has equalization been completed?"

079 Meyer "The process for K-12 is completed but the terminology is still used."

080 Vice Chair Carlson "Even though the Disability and Special Education is outside that formula it is given to districts and they can use it as they wish?"

089 Meyer Concurred.

098 Vice Chair Carlson Meeting adjourned at 2:23 p.m.

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 3770, (-5) Revenue Impact statement, Waters, 1 page
2. HB 3770, (-5) amendment, (DJ/ps) 05/29/01, Rep. Butler, 8 pages
3. HB 3770, Fiscal Impact statement, LRO Staff, 2 pages
4. HB 3640, Revenue Impact and Fiscal statements, Waters, 2 pages
5. HB 3640, Testimony, Rep. Winters, 2 pages
6. HB 3173, Revenue Impact statement, Waters, 2 pages
7. HB 3173, Testimony, Sparks, 2 pages
8. HB 3173, Testimony, Schellenberg, 1 page
9. SB 519, Local Revenue Forecast Update for School Equalization Formula, Meyer, 1 page
10. SB 519, School Formula Revenue Summary Simulation #23, Meyer, 15 pages