

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

JUNE 04, 2001 — 10:00 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair

Representative Janet Carlson, Vice Chair (10:14 arrived)

Representative Deborah Kafoury, Vice Chair

Representative Alan Bates

Representative Chris Beck

Representative Alan Brown

Representative Mark Hass

Representative Max Williams

Representative Bill Witt

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Steve Meyer, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Gary Conkling, Beaverton and Hillsboro
School Districts

Michael Mason, Confederated Tribes of Warm
Springs Reservation of Oregon

Charles Jackson, Confederated Tribes of Warm
Springs Reservation of Oregon

John Melfee, Confederated Tribes of Warm Springs
Reservation of Oregon

Gil Riddell, Association of Oregon Counties

Mike Burton, Oregon Economic and Community
Development Department

Mike McArthur, Lower John Day Regional
Partnership

Ken Armstrong, Oregon Ports Group

TAPE 204, SIDE A

004 Chair Shetterly Meeting called to order at 10:12 a.m.

OPENED WORK SESSION ON SB 519 A-ENG.

012 Gary Conkling Spoke to problems faced by his school districts
resulting from rapid student enrollment — spoke
to the reality of proposals for

"special school district needs" and would
recommend, under the current circumstances
that no changes be made to in the K-12 school
funding formula.

050 Steve Meyer Described the (-A9) amendments, (Exhibit 1),
which is a technically improved version of the (-
A7) amendments, (Reference 05/31/2001,
Exhibit 2).

066 Chair Shetterly Requested comment on the distribution with
respect to the local revenues.

067 Meyer The percentages in the (-A9) amendments are
based on what was in SB 260 and were
calculated before the reduction in local revenue,
(Exhibit 1). Spoke to options available to the
Committee for those changes in percentages.

077 Chair Shetterly "What is the impact if an adjustment is not
made, what kind of dollar changes would that
cause at the district level?"

081 Meyer "It would be minor."

087 Rep. Bates Spoke to concerns that Educational Service District (ESD) funding is still so variable in the different ESD districts throughout the State.

097 Chair Shetterly ESD's will be addressed either through SB 260 or the (-A9) amendments, (Exhibit 1).

OPENED WORK SESSION ON HB 2131 A-ENG.

113 Lizbeth Martin-Mahar Described the (-A5) amendment, which is the prevailing wage. (Exhibits 2-3)

138 Martin-Mahar Continued with description of the (-A8) amendment, which has three major changes, (Exhibits 4-5):

1. Language specifies that new property must increase the capacity of the facility in order to qualify as new property, (Page 2, Lines 18-20, Exhibit 5).
2. Language specifying that only the Trust land of an Indian tribe within a Reservation can be designated as a reservation enterprise zone, (Page 3, Exhibit 5).
3. Language clarifying the amount of the credit that an eligible business can have, (Page 4, Exhibit 5).

The (-A8) amendment, (Exhibit 5), is a revision of the (-A6) amendment, (Reference 05/10/2001, Exhibit 10).

171 Michael Mason Spoke in support of the (-A8) amendments. (Exhibit 5)

196 Chair Shetterly Requested description of changes between the (-A6) amendments, (Reference 05/10/2001, Exhibit 10), and the (-A8) amendments, (Exhibit 5).

200 Mason Described the basic changes in the (-A8) amendments, (Exhibit 5):

1. A change that limits the enterprise zone area to just the Trust lands.
2. Clarifying language addressing the current large existing business on the Reservation and replacement of existing property

would not trigger a tax credit.

3. Clarifying language relating to the current large existing business on the Reservation and expansion of the business would not trigger a broader tax credit relative to existing income.

- 229 Charles Jackson Spoke to the Revenue Impact statement and disagrees with the statement that Local Government could have a revenue loss. (Exhibit 4)
- 242 Rep. Beck Questions and discussion regarding the necessity of the measure to address "the threat of double taxation".
- 330 Rep. Beck Posed a hypothetical and requested comment on the scenario under the current law and under the proposed measure.
- 384 Rep. Beck Questioned if the discussion of establishing a threshold of tribal employment in conjunction with this measure has been incorporated into the (-A8) amendment or if not is it an issue that will be pursued at a later date and possibly phased in over a period of time, (Exhibit 5)?
- 398 Jackson That is the whole reason for the measure, to employ residents, who are primarily tribal members. There is no provision in the measure relating to that and questioned if Rep. Beck wants his suggestion incorporated into the measure.
- 425 Rep. Beck Questions and discussion regarding tribal employment.

TAPE 205, SIDE A

- 015 Rep. Beck Spoke to concern of passing a measure to increase enterprise on the Reservations, but no stipulation to increase tribal employment.
- 045 Rep. Witt Questions and discussion regarding:
1. Whether tribes currently have full authority to levy taxes, but have not

utilized that authority to date.

2. What type of taxes is the Tribe seeking the credit?
3. Referenced language in the (-A8) amendment and questioned if business not owned by Indians would be taxed differently, (Page 5, Lines 2-6, Exhibit 5).

- 077 Rep. Bates Is there an "upper limit" on the taxes that can be levied by the Tribe on a business?
- 100 John Melfee The limit of the credit is the tax liability that would have otherwise been opposed by the State.
- 106 Rep. Bates The tribe has agreed not to exceed State tax law; could the State actually hold the Tribe to that law, as a separate nation?
- 110 Mason Explained how State law interacts with Tribal law in situations like this — a business would be subject to the laws and sovereignty of the State.
- 118 Vice Chair
Carlson Referenced prior testimony from Jefferson County, (Reference 05/10/2001, Exhibit 11), and questioned if the concerns raised by the County have been addressed in the (-A8) amendments, (Exhibit 5).
- 125 Mason Cannot speak for Jefferson County, but Jackson has been meeting with them and are trying to deal with their concerns. Noted that the original measure heard by the Committee involved a proposal that has been withdrawn by the Tribe and the (-A8) amendments create a standard enterprise zone, (Exhibit 5).
- 134 Gil Riddell Jefferson County has been in conversation with the Tribes, but resolution has not been reached. Spoke to a preference by the County to have an interim discussion to resolve the issue, but if the Legislature wants to move on this they would be willing to accept a traditional enterprise zone and have it limited to land on the Reservation.

The (-A8) amendments are not entirely clear as to whether all of the statutes are incorporated in

the concept of the enterprise zone , (Page 6, §34f, Exhibit 5).

- 180 Mike Burton Reiterated concerns expressed by Riddell on the (-A8) amendments, (Exhibit 5).
- 234 Mike McAruthur Spoke in support of working cooperatively with the Tribes and the counties to move this measure forward.

OPENED WORK SESSION ON SB 685 A-ENG.

- 261 Lizbeth Martin-Mahar Described what the measure does and provided background material. (Exhibit 6)
- 277 Ken Armstrong Spoke in support of the measure.
- 311 Chair Shetterly The local option language is on lines 19-20 of the printed measure?

313 Armstrong Concurred.

320 Rep. Beck **MOTION: MOVED SB 685 A-ENG. TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION.**

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

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

Rep. Brown will carry the bill.

340 Chair Shetterly Meeting adjourned at 11:02 a.m.

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 519, (-A9) amendment, (Ch/ps) 06/04//01, LRO Staff, 34 pages
2. HB 2131, (-A5) Revenue Impact statement, Martin-Mahar, 1 page
3. HB 2131, (-A5) amendment, (DJ/ps) 05/01/01, Vice Chair Kafoury, 3 pages
4. HB 2131, (-A8) Revenue Impact statement, Martin-Mahar, 1 page

5. HB 2131, (-A8) amendment, (DJ/ps) 06/04/01, Mason, 8 pages
6. SB 685, Staff Measure Summaries, Revenue and Fiscal Impact statements, Jensen, 4 pages