

PUBLIC HEARING: SB 486, SB 763, SB 764, SB 935

WORK SESSION: SB 67

TAPES 107-108, A/B

TAPE 109, A

SENATE REVENUE COMMITTEE

April 16, 2001 — 8:10 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Senator Ted Ferrioli, Chair

Senator Lee Beyer, Vice Chair

Senator Susan Castillo

Senator Tony Corcoran

Senator Gary George

Senator John Minnis

Senator Charles Starr

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

Richard Yates, Economist, Legislative Revenue Office

Carol Phillips, Committee Assistant

Witnesses: Robert Cantine, Executive Director, Association of Oregon Counties

Ozzie Rose, Confederation of Oregon School Administrators

Darrel Morgan, liquor agent in Albany #103

Tiny Matthews, individual

Vance Burghad, liquor agent in Portland #200,
President of Agents' Advisory Council

John Herold, liquor agent in Lincoln City

Bryan Steed, Officer of Portland Police Bureau, Drugs
& Vice Division, Liquor Investigations

Pamela Erickson, Director, Oregon Liquor Control
Commission

Chip Lazenby, Legal Counsel, Governor's Office

Hasina Squires, Special Districts Association of
Oregon

John Ledger, Associated Oregon Industries

Jim Craven, American Electronics Association

Bill Linden, Oregon Metals Industry Council

Liz Frenkel, League of Women Voters of Oregon

Ralph Groener, AFSCME

Dave Nelson, Oregon Seed Council & Oregon Dairy
Farmers Assn.

TAPE 107, SIDE A

005 Chair Ferrioli Meeting called to order at 8:21 a.m.

OPENED WORK SESSION ON SB 67

018 Vice Chair L. MOTION:
Beyer

MOVES THE RULES BE SUSPENDED FOR
THE PURPOSE OF RECONSIDERING THE
VOTE ON SB 67.

019 Chair Ferrioli ORDER:

MOTION CARRIES, AND THE RULES
HAVE BEEN SUSPENDED.

022 Vice Chair L.
Beyer

MOTION:

MOVES TO RECONSIDER THE VOTE BY
WHICH SB 67 WAS SENT TO THE SENATE
FLOOR WITH A DO PASS
RECOMMENDATION.

023 Chair Ferrioli

ORDER:

MOTION CARRIES, AND THE VOTE HAS
BEEN RECONSIDERED.

CLOSED WORK SESSION ON SB 67

OPENED PUBLIC HEARING ON SB 486

037 Sen. Corcoran

Stated the original intent of SB 486 was to utilize federal forest reserve revenues using 2001 as base year. This created the notion that \$29 million would be earmarked for that purpose. Intended to apply those funds as directed by the federal government to small timber communities financially hurt by the reduction of harvesting. Does not believe small school district size alone is helpful. Wants to keep the \$29 million outside the school funding formula and holding all other schools harmless by finding \$29 million additional dollars so there would be no reduction in the \$5.2 billion distributed to all schools.

061 Chair Ferrioli

Added that discussion has been ongoing since the first week of this legislative session. Many people are trying to identify \$29 million that could be substituted for the federal forest reserve revenues in the school funding formula. Legal opinions have been issued from Legislative Counsel regarding the matter, and it has been determined there have been changes in statutes.

- 078 Bob Cantine Testified in support of SB 486. Exhibit 3. Thanked leadership for a joint letter presented to Congress stating there should be some form of legislation to mitigate the impact of the reduced forest harvest revenues and declining receipts experienced by counties and by schools. Pointed out that Oregon will benefit by about 40% of the \$386 million appropriated in the federal fiscal year 2001. The 1908 act by which Congress created the forest reserve is being reviewed to determine how to continue the commitment made. A way had to be found to help those school districts that had historically received forest receipts money and because the funding was not there was in financial difficulty.
- Questions and answers interspersed.
- 182 Sen. Corcoran Observed that there appears to be no correlation between communities affected by loss of federal forest revenues and school district size.
- 203 Cantine Added that from a Congressional level, the definitions of "rural" and "small" are relative. From a Congressional point of view, even Eugene might appear rural.
- 211 Sen. Minnis Asked for a history lesson on why Congress appropriated the money and what it was supposed to take the place of.
- 218 Cantine Responded that from 1986 through 1991 federal forest harvests were at their peak. In 1992 lawsuits started to appear, among them one regarding spotted owl habitat in old-growth forests. Because of the lawsuits, much lower national forest harvest totals in Bureau of Land Management (BLM) districts were allowed. In 1993 the spotted owl safety net was passed, which was designed to mitigate the impact of reducing from one billion board feet per year down to 200 million board feet per year. The national forest receipts money used to go 25%

to schools and 75% to county roads.

Questions and answers interspersed.

281 Chair Ferrioli Stated that it is clear from the wording of Public Law 1608 the dollars were appropriated in addition to and to recognize the special circumstances of communities that had lost forest harvesting. Legislative Counsel opinion documents are in process and will be distributed to committee members when available.

Further discussion, and questions and answers interspersed.

384 Meyer Gave overview of how numbers were changed for Exhibit 2.

- Assumes State School Fund of %5 million per Governor's budget.
- Assumes current law includes new federal forest dollars in formula local revenue.
- Distributes \$6.7 million of new federal timber dollars outside the formula.
- Reduces formula revenue by about \$6.7 million per year.
- Uses updated school district data but keeps total state and local dollars unchanged.
- Formula revenue includes general purpose, transportation, and facility grants.

Questions and answers interspersed.

444 Chair Ferrioli Referred to Exhibits 4 and 5, Legislative Counsel opinion letters addressed to Sen. L. Beyer and Sen. Ferrioli.

Further questions and answers interspersed.

TAPE 108, SIDE A

029 Chair Ferrioli Asked if committee members would prefer to

move out the school funding formula question using the existing compromise brought by Ozzie Rose and John Marshall, or prefer to hold up that process while dealing with the other issue. The Chair decided it was better to separate the two issues and consider them separately.

039 Ozzie Rose Stated his preference would be to stay with SB 515.

075 Chair Ferrioli Added that the letter from the Oregon delegation, the legislative opinion letters to Sen. L. Beyer and Sen. Ferrioli, and additional documentation relative to legislative authority to distribute funds from Public Law 1608 will be added to the public record.

CLOSED PUBLIC HEARING ON SB 486

OPENED PUBLIC HEARING ON SB 935

093 Richard Yates Stated that SB 935 deals with the way in which Oregon's liquor selling agents are compensated by Oregon Liquor Control Commission (OLCC). The bill requires that agent compensation rates be determined by negotiation between OLCC and a negotiating team elected by current agents with urban, suburban, and rural representation. The bill also prohibits minor decoy operations by OLCC.

130 Darrel Morgan Testified in support of SB 935. Thanked the committee for considering liquor agents' current plight in Oregon. Stated that the OLCC is not keeping up with the times and is causing financial hardship on the agents it employs to sell liquor for it. Related the unfortunate minor decoy incident involving his store and daughter.

182 Chair Ferrioli Stated that Mr. Morgan's issue seems to be whether or not the minor was working for the OLCC at the time as a sworn officer. The Chair understands that the minor was not a sworn

officer but a recruited student who volunteered for the decoy operation. The minor was not acting in the capacity of a police officer but simply as a minor trying to buy alcohol using their own identification. Further discussion regarding the incident.

Questions and answers interspersed.

246 Chair Ferrioli Stated that the incident is now a matter of litigation. The point, however, is not this particular incident but that law enforcement uses minor decoy operations differently in different states and under different circumstances. There may be a legitimate place for decoy operations, perhaps as a complaint-driven process and not simply randomly used.

Discussion including agent contracts, compensation, and a control task force, with questions and answers interspersed.

320 Tiny Matthews Testified in support of SB 935. Suggested the bill does not go far enough. Does not believe the OLCC needs to exist. There are other agencies that could handle all aspects of what the OLCC does. Basically, there is no logical reason for its existence. The relationship between the OLCC and liquor stores in the state has deteriorated significantly and is getting worse. Decoy operations have sabotaged small storeowners. Alcohol enforcement control has totally eroded.

Questions and answers interspersed.

TAPE 107, SIDE B

018 Vance Burghad Testified in support of SB 935. Currently agents have no say whatsoever in compensation issues and cannot negotiate for it. Therefore, it is in OLCC's best interest not to pay agents too much because it affects the rest of their budgetary process. Compensation should be a "cost of goods sold" and believes SB 935 has the power and ability to do that. Believes a task

force would be an excellent tool to correct problems before it is too late.

Further discussion, and questions and answers followed.

- 088 John Herald Testified in support of SB 935. Exhibit 7. Testifying to represent the opinions of the majority of the "silent agents" in Oregon. Most agents support all four points of the bill completely. Believes the task force is an excellent idea.
- Further discussion, and questions and answers interspersed.
- 152 Bryan Steed Stated the Portland Police Bureau is opposed to SB 935 as written. Exhibit 8. The language in Section 3 would eliminate decoy operations, and they do not want that to happen. The Bureau uses Explorer Scouts between ages of 18 and 20 years old because they are under 21, and the law requires that the person trying to purchase alcohol be under 21. All sworn officers in Oregon must be 21. Urges that the decoy language in Section 3 be removed.
- Several questions and answers interspersed.
- 207 Chair Ferrioli Stated he appreciated the work done by the Police Bureau and its benefit to all Oregonians.
- 213 Pamela Erickson Testified against the bill. Exhibit 9. Gave information about how agent compensation is handled at present. Pointed out that agents are independent contractors, so they cannot be considered as a "union". Minor decoy operations were launched because it was alarming the degree to which young people are consuming alcohol at younger and younger ages. More than 25% of 8th graders report drinking in the last month. OLCC does not want to see decoy operations terminated. Over a ten-year period, Texas has reduced stores selling to

minors from 80% to 20%. Oregon's current statewide percentage is 39%. 35 states use decoy programs, and 34 of those states use decoys under age 21.

Further discussion, and questions and answers interspersed.

343 Sen. Minnis Stated there are package stores in this state, but why does Oregon not follow other states that sell liquor through grocery stores.

349 Erickson Replied that is simply the system that was put in place. The legislature has the ability to change how and where liquor is sold. The temperance issue is to restrict the access of alcohol to minors, so selling out of grocery stores would not seem very likely.

Further discussion with questions and answers.

426 Chip Lazenby Testified against SB 935. Exhibit 10. Stated the Governor opposes this bill. Commented on the promotion of temperance as a part of OLCC's statutory mission. OLCC and the Lottery Commission are the only agencies in Oregon that dispense an addictive product for the purpose of making a profit.

TAPE 108, SIDE B

CLOSED PUBLIC HEARING ON SB 935

OPENED PUBLIC HEARINGS ON SB 763

044 Vice Chair L. Beyer Testified in support of SB 763. This bill provides local governments the authority to offer a tax reduction for housing built vertically above commercial structures. This is a good idea, it is permissive legislation, and the bill should pass.

General discussion with questions and answers interspersed.

077 Hasina Squires Pointed out that this bill is permissive for cities and counties, but not for special districts.

CLOSED PUBLIC HEARING ON SB 763

OPENED PUBLIC HEARING ON SB 764

090 Vice Chair L. Beyer SB 764 is concerned with pollution control credits. The pollution control law in Oregon has been in effect since the 1960s and has been extended a number of times. Last session the bill passed both Senate and House, but the Governor vetoed it. If not extended now, the program will end. Feels this is one of the most substan-

tial pieces of legislation the State of Oregon has to encourage manufacturers and industry to "do the right thing".

Questions and answers interspersed.

142 John Ledger Testified in support of SB 764. Discussed Exhibits 16 and 17. Stated that amendments will be forthcoming regarding the bill but are not ready for discussion at this time. Declared that this Department of Environmental Quality program is very important to industrial sources of all sizes in Oregon. The program allows facilities to acquire state-of-the-art pollution controls because with the 50% credit it cuts the cost in half. About 90% of the credits go to facilities located outside Portland. Thus it is very important to rural areas and small towns all across the state. Oregon does not have many incentive programs "in the works", so losing this program would be a big loss to businesses in the state.

254 Jim Craven Testified in support of the bill and agreed with comments made by Mr. Ledger. Observed that the pollution control tax credit is a tax incentive that is guaranteed to work. There is no entitlement here...every application is

thoroughly scrutinized to be qualified. Is offended that over the years opponents to the program claim that the program is a tax break for "polluters". Supporters of this program guarantee that the program will work. There is no way to get the credit if equipment to protect the environment has not been installed.

Questions and answers interspersed.

357 Bill Linden Testified in support of SB 764. The Metals Council and its 60,000 related employees around the state have seen many benefits of this program over the years. Believes this program is the most successful incentive program relating to environmental issues that has ever existed in Oregon. The program must be continued, but the reasons why opponents believe it should not be continued must also be evaluated. The program allows companies to invest in state-of-the-art controls that make the program successful on several levels. Working efficiently allows companies to work more productively, which leads to a better bottom line.

Further discussion, and questions and answers followed.

453 Liz Frenkel Testified against SB 764. Exhibit 18. Supports ending the credit program because the tax credit is no longer necessary. The recipients have had ample time to adjust to changed statutes. The money could be better spent on Oregon Health Plan and other programs for women, children, and families.

TAPE 109, SIDE A

027 Frenkel Continued testimony against SB 764. Any number of approaches would spread state dollars to benefit a broader sector of Oregon citizens than channeling the funds to tax credits for the benefit of only a few companies.

- 060 Ralph Groener Testified in support of SB 764. Reminded the committee that Oregon is the state most dependent on income tax to supply revenue. Oregon will never pass a sales tax measure in the foreseeable future. Stated that anything to help attract industry to Oregon helps offset the tremendous cost of Measure 5, Measure 11, Measure 17, etc. Believes new industries will increase employment making sure more income taxes come in and thus assuring more employment with family-wage jobs to benefit all.
- 128 Dave Nelson Testified in support of SB 764. Added agriculture's rock in the pile of support for the extension of the pollution control facility tax credit. Easing the cost of meeting environmental compliance is a major issue, and the continuation of the tax credit program is essential.

CLOSED PUBLIC HEARING ON SB 764

- 179 Vice Chair L. Beyer Adjourned meeting at 10:22 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 486, Meyer, Revenue Impact Statement, 1 pp.
2. SB 486, Meyer, School Finance Distribution Simulation 11, 6 pp.
3. SB 486, Cantine, Written testimony undated, 2 pp.
4. SB 486, Legislative Counsel, Written testimony dated April 5, 2001, 6 pp.
5. SB 486, Legislative Counsel, Written testimony dated April 9, 2001, 6 pp.
6. SB 935, Yates, Staff Measure Summary, 1 pp.
7. SB 935, Herold, Written testimony dated april 13, 2001, 6 pp.
8. SB 935, Steed, Written testimony dated April 16, 2001, 2 pp.
9. SB 935, Erickson, Written testimony dated April 16, 2001, 2 pp.
10. SB 935, Lazenby, Written testimony dated April 16, 2001, 2 pp.
11. SB 935, Cimaglio, Written testimony dated April 16, 2001, 1 pp.

12. SB 763, Martin-Mahar, Staff Measure Summary, 1 pp.
13. SB 763, Martin-Mahar, Staff Measure Summary, 1 pp.
14. SB 764, Legislative Revenue Office Staff, (-2) Amendments (DJ/ps) 4/13/01, 2 pp.
15. SB 764, Waters, Pollution Control information, 2 pp.
16. SB 764, Ledger, Written testimony undated, 1 pp.
17. SB 764, Ledger, Certificates Issued by Applicant, 1 pp.
18. SB 764, Frenkel, Written testimony dated April 16, 2001, 1 pp.