

WORK SESSION: HB 2347-A

PUBLIC HEARING: HB 2676-A

TAPES 124-125,A

SENATE REVENUE COMMITTEE

May 1, 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 John Minnis (absent 8:28 to 8:35 a.m.)

Senator Charles Starr

Member Excused: Senator Gary George

Staff: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Carol Phillips, Committee Assistant

Witnesses: Representative Deborah. Kafoury, House District 18

Becky Shine, Enterprise Foundation

Mark Overbeck, Interim Executive Officer, Oregon Commission for

Child Care

TAPE 124, SIDE A

- 005 Chair Ferrioli Meeting called to order at 8:28 a.m.
- 012 Lizbeth Martin-Mahar Gave overview of HB 2347-A. The bill allows a surviving spouse of a deceased disabled person, who is receiving Social Security survivor benefits, to be eligible for the property tax deferral program. The (-2) amendments, requested by Representative Bill Witt's office, allow a service-connected disabled person to defer his/her property taxes on their home. The issue addressed in the (-2) amendments has been incorporated into a bill passed out of the House Revenue Committee, so the (-2)s are no longer needed.
- 060 Chair Ferrioli Explained that if the (-2) amendments are adopted, the bill will be delayed in Ways & Means because of its \$2 million revenue impact. HB 2208, which includes aspects incorporated in the (-2)s, will be heard by Senate Revenue at a later date.

OPENED WORK SESSION ON HB 2347-A

- 090 Vice Chair L. Beyer MOTION:
MOVES HB 2347-A TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.
- 092 Chair Ferrioli ORDER:
HEARING NO OBJECTION, THE MOTION PASSES: 4 — 0 — 3
SENATORS EXCUSED: CORCORAN, GEORGE, MINNIS
Sen. Starr will carry the bill on the Senate Floor.

CLOSED WORK SESSION ON HB 2347-A

- 103 Ed Waters Stated that HB 2676-A extends the sunset for employers' Dependent Care Assistance and

Referral Credit through December 31, 2007. It requires that employers electing to receive Dependent Care Assistance and Referral Credit submit an application to the Child Care Division of the Employment Department each year. The credit is available for employers who provide child care services for their employees' children, and in turn can apply for and receive a tax credit from the state. The bill caps total value of tax credits for certified contributions at \$500,000 per calendar year. The bill requires employers electing to receive the credit to submit an application to the Child Care Division of the Employment Department. Currently this is not required from employers who wish to claim the credit. The bill directs the Child Care Division to develop a program for identifying qualified community agencies and distributing money to those agencies for allocation to eligible child care providers.

Detailed questions and answers interspersed.

- 152 Chair Ferrioli Pointed out that on Exhibit 5 (Revenue Impact Statement) it states that the Governor's and Co-Chairs' budgets currently include \$0.5 million for the revenue cost of extending the employers' dependent care credits through the 2001-03 biennium. However, this and other tax credit bills will be held until after the release of the May 15 revenue forecast. Tax credit bills will be brought back to Senate Revenue for action after that date.

OPENED PUBLIC HEARING ON HB 2676-A

- 182 Rep. Deborah Kafoury Testified in support of HB 2676-A. The Dependent Care Tax Credit passed last session was a good start, but it was determined that the tax credit could be made to work better. Stated there are some aspects that could be improved upon. Because the information is confidential, there was no way to determine the companies that use the credit, what salaries they pay their employees, etc. The Enterprise Foundation came to Rep. Kafoury to help build a credit that could be targeted directly to specific areas,

specific income levels, etc. HB 2676-A contains a new approach to child care tax credits and is modeled after the affordable housing tax credit, which has been successful in attracting business and private dollars into providing housing.

238 Becky Shine Testified in support of the bill. Exhibit 6. The Enterprise Foundation is a national housing and community development non-profit organization. Since 1982 the Foundation has helped develop over 100,000 units of housing in the US, mostly through the benefit of the low income housing tax credit and the way its attracts private investment into low income housing.

Questions and answers interspersed.

264 Vice Chair L. Beyer Asked the witness if the affordable housing model refers to selling tax credits.

265 Shine Responded "Absolutely!" Stated there are agencies who market pooled tax credits to investors to ensure that private investors get involved. A subsidiary of the Foundation markets tax credits and gathers the funds from them.

276 Vice Chair L. Beyer Asked witness if this program would be directed toward facilities.

277 Shine Witness said the program was not for facilities but to increase operating revenue for both home-based businesses and center-based businesses. In other words, not capital for building, but cash for operating revenue so child care fees could be kept to a certain level and child care provider wages would be increased.

Extensive discussion on how the program would work, and questions and answers interspersed.

377 Rep. Kafoury Added that this concept appears to be an interesting attempt in how to subsidize child care through business incentives. A pilot program would be put in place to see if the program works. The point is to have more people become aware that the credit is available.

Further questions and answers interspersed.

464 Shine Stated that of course it would be more direct to simply appropriate funds instead of establishing a tax credit. If the legislature would like to appropriate \$2.5 million to child care, then of course the credit would not be necessary. But they have found both in child care and housing that direct appropriation is not likely at this time. As was found in housing, private investors would not invest unless there was a financial incentive. It is hoped that the prospect of a similar financial incentive would create more private investment that otherwise would not be there. Said there are some businesses that are willing to invest in child care, but the process is moving slowly; and most companies do not see it as their responsibility to assist their employees.

TAPE 125, SIDE A

031 Vice Chair L. Beyer Stated that from the legislative perspective, it appears that either with a direct appropriation or a tax credit, the same amount of money would be spent. Through the tax credit pilot program being discussed, there would be fewer dollars going to support child care. In making the same \$500,000 appropriation, it's just a matter of either "front door" or "back door".

049 Waters Confirmed that in the past there has been difficulty in tracking just who and how many employers claim the credit. It appears there are 25 to 26 corporate entities who claim the credit. In 1990 there were 14, but the trend has been

upward to approximately 26.

- 061 Rep. Kafoury Added that another aspect of this tax credit is the ability to target.
- 070 Mark Overbeck Thanked Rep. Kafoury for her leadership and The Enterprise Foundation for having invested its time and effort in devising the beginnings of a program that has great potential.

CLOSED PUBLIC HEARING ON HB 2676-A

- 123 Chair Ferrioli Adjourned meeting at 9:05 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2347, Rep. Bill Witt, (-2) Amendments, (DJ/ps) 3/7/01, 8 pp.
2. HB 2347-A, Martin-Mahar, Staff Measure Summary, 1 pp.
3. HB 2347-A, Martin-Mahar, Revenue Impact Statement, 1 pp.
4. HB 2676-A, Waters, Staff Measure Summary, 1 pp.
5. HB 2676-A, Waters, Revenue Impact Statement, 2 pp.
6. HB 2676-A, Shine, Written testimony, 2 pp.