

PUBLIC HEARING AND WORK SESSION:

HB 2869-A, HB 2521-A

WORK SESSION: HB 3433-A, HB 2778, HB 2789-A, SB 486

TAPES 149-150, A/B

SENATE REVENUE COMMITTEE

May 23, 2001 — 8:00 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: Representative Tim Knopp, House District 54

Bill Gaetano, Special Road Districts Commissioner, Deschutes County

Representative Mark Hass, House District 8

Sherrill Kirchhoff, Oregon Student Assistance
Commission

Steven Kafoury, University of Phoenix

David Tucker, University of Phoenix

Kristina McNitt, Oregon Water Resources Congress

Cindy Hunt, Legislative Counsel Office

TAPE 149, SIDE A

005 Chair Ferrioli Meeting called to order at 8:30 a.m.

OPENED PUBLIC HEARING ON HB 2869-A

016 Rep. Tim Knopp As sponsor of the bill, testified in support of HB 2869-A. Stated that the bill allows special road districts to establish property taxes at different tax rates and amounts on assessed value of the properties in each zone in Deschutes County. Under this bill, people who do not receive entire service from the special road district would be taxed at a lower rate than those who receive full service.

045 Bill Gaetano Testified in support of HB 2869-A. Stated that, with the increased growth in Oregon, road districts should become more active throughout Oregon counties. Rural communities need more and more services, and counties are currently not meeting the demand. Road districts relieve counties of some of that burden. During the winter, road districts plow paved roads and save the counties many thousands of dollars by doing that.

CLOSED PUBLIC HEARING ON HB 2869-A

OPENED WORK SESSION ON HB 2869-A

105 Vice Chair L. MOTION:
Beyer

MOVES HB 2869-A TO THE SENATE
FLOOR WITH A DO PASS
RECOMMENDATION.

108 Chair Ferrioli ORDER:

HEARING NO OBJECTION, THE MOTION
PASSES: 7 — 0 — 0

Sen. George will carry the bill on the Senate
Floor.

CLOSED WORK SESSION ON HB 2869-A

OPENED PUBLIC HEARING ON HB 2521-A

119 Rep. Mark Hass Testified in support HB 2521-A. Because of concerns with the cost of higher education, this bill provides a way to elicit business participation toward helping students afford college. HB 2521-A offers a tax credit for businesses with fewer than 250 employees to set up scholarship funds for their employee dependents to help acquire funds to pay for higher education. Studies show how important a college education is in terms of lifetime earning power.

149 Ed Waters Gave overview of what HB 2521-A does. The bill creates an income tax credit for employers providing scholarships for their employees effective 2002 tax year. Credit is 50% of the scholarships funded up to \$50,000 per employer per year with five-year carry-forward. Limits eligibility only to employers with between 4 and 250 employees. There is a \$1 million cap on total credits certified by the Oregon Student Assistance Commission in a given year. Also a \$1 million lifetime cap on total credits that can be claimed by any given employer.

167 Sherrill
Kirchhoff Testified in support of HB 2521-A. Stated it is not necessary that contributed funds go through the Student Assistance Commission (SAC).

However, if a company wanted to set up a scholarship fund outside of the Student Assistance Commission, the SAC would have to vet every program. Under Internal Revenue Service regulations, companies are not allowed to select or announce awards of scholarship funds. This keeps companies at arms length from making decisions about who receives scholarships. SAC currently monitors over 200 privately funded scholarship programs.

Questions and answers interspersed.

200 Steven Kafoury Testified in support of HB 2521-A. Stated that University of Phoenix (UP) is the largest private university in the world with over 100,000 students with many campuses located across the country. UP is directed solely at working adult students.

224 David Tucker Added that currently there are 1,465 Oregonians attending UP in several locations around the state.

CLOSED PUBLIC HEARING ON HB 2521-A

OPENED WORK SESSION ON HB 2521-A

238 Vice Chair L. MOTION:
Beyer

MOVES HB 2521-A TO THE SENATE
FLOOR WITH A DO PASS
RECOMMENDATION.

240 Chair Ferrioli ORDER:

HEARING NO OBJECTION, THE MOTION
PASSES: 7 — 0 — 0

Sen. L. Beyer will carry the bill on the Senate
Floor.

CLOSED WORK SESSION ON HB 2521-A

254 Lizbeth Martin-
Mahar Stated that HB 2778 relates to Federal Communications Commission (FCC) license exemptions for wireless companies and applies to tax years beginning on or after July 1, 2001. The Senate Revenue Committee has heard testimony on this bill at previous public hearings. Passage of this bill will reduce local revenues by \$4.5 million in 2001-03 and \$5.5 million in 2003-05. K-12 school districts will lose approximately 40% of that amount, or \$1.7 million in 2001-03 and \$2.1 million in 2003-05.

OPENED WORK SESSION ON HB 2778

272 Vice Chair L.
Beyer MOTION:

MOVES HB 2778 TO THE SENATE FLOOR
WITH A DO PASS RECOMMENDATION.

281 Chair Ferrioli ORDER:

HEARING NO OBJECTION, THE MOTION
PASSES: 7 — 0 — 0

Sen. Ferrioli will carry the bill on the Senate
Floor.

CLOSED WORK SESSION ON HB 2778

293 Richard Yates Gave overview of HB 3433. This bill removes the sunset on the 10 cent temporary cigarette tax, which is dedicated to the Health Fund. Explained that the (-A3) amendments would incorporate into the bill a limit on the tax on cigars. By current law, cigar tax is 65% of the wholesale price of the product. The bill would change the tax to not more than 50 cents per unit. This change would affect only the more expensive types of cigars

366 Yates The current high tax burden on expensive cigars has forced many people to purchase them over the Internet or to direct purchase from out-of-state marketers. Lowering the tax to 50 cents per cigar from the current higher level may

bring people back to purchasing from local cigar stores. Purchases over the Internet are not subject to this tax (i.e. not illegally avoiding the tax...just not subject to it.) The question is if the tax is lowered will people come back to purchasing from local cigar stores, where the seller is liable for the tax and Oregon would receive the benefit of that tax.

Questions and answers followed.

OPENED WORK SESSION ON HB 3433-A

407 Sen. Minnis MOTION:

MOVES THE (-A4) AMENDMENTS TO HB 3433 BE ADOPTED.

417 Yates In review stated that the (-A4) amendments restore a sunset to the bill. Lines 9 and 10 of the A-engrossed bill restore the bracketed material. In line 10 delete 2002 (current sunset date) and insert 2004 (proposed sunset).

445 Chair Ferrioli VOTE:

ROLL CALL VOTE: MOTION PASSES: 5 —
2 — 0

SENATORS VOTING AYE: GEORGE,
MINNIS, STARR, L. BEYER, FERRIOLI

SENATORS VOTING NO: CASTILLO,
CORCORAN

451 Sen. Minnis MOTION:

MOVES THE (-A3) AMENDMENTS TO HB 3433 BE ADOPTED.

454 Chair Ferrioli VOTE:

ROLL CALL VOTE: MOTION PASSES: 4 —
3 — 0

SENATORS VOTING AYE: GEORGE,
MINNIS, STARR, FERRIOLI

SENATORS VOTING NO: CASTILLO,
CORCORAN, L. BEYER

465 Vice Chair L. Beyer Served notice of possible Minority Report.

468 Sen. Minnis MOTION:

MOVES HB 3433 AS AMENDED BE
MOVED TO THE COMMITTEE ON RULES
AND REDISTRICTING.

481 Sen. Minnis In answer to questions about moving this bill to
Rules, stated that there is ongoing discussion
between various interested parties and a very
central negotiator.

491 Chair Ferrioli ORDER:

HEARING NO OBJECTION, THE CHAIR SO
ORDERED.

CLOSED WORK SESSION ON HB 3433-A

TAPE 150, SIDE A

OPENED WORK SESSION ON HB 2789-A

039 Martin-Mahar Gave overview of HB 2789 that deals with
irrigation and drainage districts and the
alternative method of collection for these
districts. It replaces charges and assessments
with incurred charges to conform to the
constitutional requirement that these alternative
methods of calculations specify incurred
charges. The bill adds a reasonable reserve fund
for major maintenance, improvement, and
replacement of capital improvements and the
acquisition of land or water rights to the
expenses that can be included in the total
amount of money raised by an irrigation or

drainage district.

Further comments, with questions and answers following.

077 Kristina McNitt Testified in support of HB 2789. Exhibit 15. Explained that the alternative charge is simply a second way for districts to collect their costs of running their irrigation systems. Prior to Measure 5 and 1991 districts assessed their charges through property taxes. This alternative method allows more flexibility to assess patrons according to their usage of water.

Questions and answers interspersed.

097 Vice Chair L. Beyer MOTION:
MOVES HB 2789 TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.

101 Chair Ferrioli ORDER:
HEARING NO OBJECTION, THE MOTION PASSES: 7 — 0 — 0

Sen. Starr will carry the bill on the Senate Floor.

CLOSED WORK SESSION ON HB 2789-A

117 Chair Ferrioli Recessed the meeting from 9:05 a.m. to 9:15 a.m.

122 Steve Meyer Explained that the (-3) amendments direct additional federal revenue from the Secure Rural Schools and Community Self-Determination Act to the county school fund and is not considered local revenue in the formula for all districts.

135 Sen. Corcoran For the record stated that as specified in a letter

received from Oregon's congressional delegation in Washington, D.C., these new federal funds are intended to "supplement, not supplant" existing funds.

- 156 Cindy Hunt Discussed the (-3) amendments, which replace the original bill. Section 1 makes it clear that when the state receives funds under the new federal act, formerly called the Secure Rural Schools and Community Self-Determination Act of 2000, the Oregon Department of Administrative Services needs to distribute those funds to the counties based on the percentages created in the federal act. The new federal act establishes a new way of calculating how much money the state will receive.
- 171 Hunt Section 1 directs that a county receiving funds from the state must distribute the funds 25% into the county school fund and remaining 75% into the county road fund. Federal forest receipts have been handled this way for many years, and this is a continuation of the process. Once the dollars are in the county school fund, they are distributed to school districts within that county based on the ADMw of the school district.
- 181 Hunt Section 3 directs that moneys school districts receive from the county school fund that are attributable to the new federal act and that are over the amount those districts received in 2000-2001 fiscal year (extra dollars) are not considered to be local revenues for purposes of the state school fund. This means the dollars will not reduce the state school fund grant amount for those districts.
- 192 Chair Ferrioli Asked Ms. Hunt if the (-3) amendments (that replace the entire contents of SB 486) follow the federal distribution formula.
- 196 Hunt Responded the (-3)s follow the federal

distribution formula.

Questions and answers followed.

OPENED WORK SESSION ON SB 486

209 Sen. Corcoran Asked for clarification regarding several school districts in Lane County on why they would not be eligible for this additional funding.

227 Meyer Responded that by taking extra federal dollars out of local revenues, it reduces revenues for all districts by about \$23.00 per ADMw. Then it is a matter of how much of that reduction is made up from the distribution of the additional forest dollars.

234 Sen. Corcoran Stated for the record that the intent of this legislation is to make sure there is no negative impact on any school district.

Further general discussion on this point.

252 Sen. Corcoran MOTION:

MOVES THE (-3) AMENDMENTS BE
ADOPTED TO COMPLETELY REPLACE SB
486.

259 Chair Ferrioli VOTE:

ROLL CALL VOTE: MOTION PASSES: 5 —
1 — 1

SENATORS VOTING AYE: CORCORAN,
GEORGE, STARR, L. BEYER, FERRIOLI

SENATOR VOTING NO: MINNIS

SENATOR EXCUSED: CASTILLO

260 Sen. Corcoran MOTION:

MOVES SB 486 AS AMENDED TO FULL
WAYS AND MEANS WITH A DO PASS
RECOMMENDATION.

265 Chair Ferrioli VOTE:

ROLL CALL VOTE: MOTION PASSES: 5 —
1 — 1

SENATORS VOTING AYE: CORCORAN,
GEORGE, STARR, L. BEYER, FERRIOLI

SENATOR VOTING NO: MINNIS

SENATOR EXCUSED: CASTILLO

303 Chair Ferrioli Adjourned meeting at 9:28 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2869-A, Martin-Mahar, Staff Measure Summary, 1 pp.
2. HB 2869-A, Martin-Mahar, Revenue Impact Statement, 1 pp.
3. HB 2869-A, Martin-Mahar, Fiscal Impact Statement, 1 pp.
4. HB 2521-A, Waters, Staff Measure Summary, 1 pp.
5. HB 2521-A, Waters, Revenue Impact Statement, 1 pp.
6. HB 2521, Waters, Fiscal Impact Statement, 1 pp.
7. HB 2521, Rep. Hass, Written testimony dated May 22, 2001, 1 pp.
8. HB 2521, Rep. Hass, Written testimony dated March 7, 2001, 1 pp.
9. HB 2521, Rep. Hass, Written testimony undated, 2 pp.
10. HB 3433, Yates, Revenue Impact Statement, 1 pp.
11. HB 2789-A, Martin-Mahar, Staff Measure Summary, 1 pp.
12. HB 2789-A, Martin-Mahar, Staff Measure Summary, 1 pp.
13. HB 2789-A, Martin-Mahar, Revenue Impact Statement, 1 pp.
14. HB 2789-A, Martin-Mahar, Fiscal Impact Statement, 1 pp.
15. HB 2789-A, McNitt, Written testimony dated May 23, 2001, 2 pp.
16. HB 3433-A, LRO Staff, (-A3) amendments (DJ/ps) 5/7/01, 4 pp.

17. HB 3433-A, LRO Staff, (-A4) amendments (DJ/hm/ps) 6/16/01, 1 pp.