

PUBLIC HEARING AND WORK SESSION:

HB 2555, HB 3391-A

WORK SESSION: HB 2281-A, SB 764, SB 61

TAPES 151-152, A/B

SENATE REVENUE COMMITTEE

May 24, 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: Kate Richardson, Oregon State Treasury

Michael Parker, Executive Director, Oregon College Savings Plan

Robert Bole, Enterprise Foundation, Portland

Representative Jeff Merkley, House District 16

Pam Leavitt, Credit Union Association of Oregon

Kent White, Wood Products Credit Union, Springfield

Bruce Engle, Klamath Tribes Loan Officer,
representing Warm Springs Tribes

Dexter Johnson, Legislative Counsel

Representative Tom Butler, House District 60

Don Schellenberg, Oregon Farm Bureau Federation

Bob Shiprack, Oregon State Building & Construction
Trades Council

Jim Craven, American Electronics Association

TAPE 151, SIDE A

005 Chair Ferrioli Meeting called to order at 8:24 a.m.

011 Chair Ferrioli Rescheduled SB 188, SB 67, and HB 2716-A for
Work Session to Thursday, May 31, 2001,
pending approval by Senate President.

OPENED WORK SESSION ON SB 61

021 Vice Chair L. MOTION:
Beyer

MOVES SB 61 BE REFERRED TO THE
SENATE COMMITTEE ON PUBLIC
AFFAIRS.

027 Chair Ferrioli Observed that an amendment to the bill had not
been discussed yet.

028 Vice Chair L. WITHREW THE PREVIOUS MOTION.
Beyer

029 Chair Ferrioli ORDER:

HEARING NO OBJECTION, THE CHAIR SO ORDERED.

029 Vice Chair L. Beyer MOTION:

MOVES (-4) AMENDMENTS TO SB 61 BE ADOPTED.

031 Chair Ferrioli ORDER:

HEARING NO OBJECTION, THE CHAIR SO ORDERED.

032 Vice Chair L. Beyer MOTION:

MOVES SB 61 AS AMENDED BE REFERRED TO THE SENATE COMMITTEE ON PUBLIC AFFAIRS.

034 Chair Ferrioli ORDER:

HEARING NO OBJECTION, THE MOTION PASSES.4 — 0 — 3

SENATORS EXCUSED: CASTILLO, CORCORAN, MINNIS.

CLOSED WORK SESSION ON SB 61

OPENED WORK SESSION ON HB 2281-A

046 Paul Warner Gave overview of HB 2281-A, which changes method of apportioning multi-state corporate income for purposes of calculating state income and excise taxes. This measure eliminates the use of payroll and property as factors for apportioning corporate income. Under this measure sales only would be used as an apportionment factor. Discussed (-A4) amendments (Exhibit 4).

083 Vice Chair L. Beyer MOTION:
MOVES (-A4) AMENDMENTS TO HB 2281
BE ADOPTED.

085 Chair Ferrioli ORDER:
HEARING NO OBJECTION, THE CHAIR SO
ORDERED.

086 Vice Chair L. Beyer MOTION:
MOVES HB 2281 AS AMENDED TO THE
SENATE FLOOR WITH A DO PASS
RECOMMENDATION.

090 Chair Ferrioli ORDER:
HEARING NO OBJECTION, THE MOTION
PASSES: 5 — 0 — 2
SENATORS EXCUSED: CASTILLO,
CORCORAN
Sen. L. Beyer will carry the bill on the Senate
Floor.

CLOSED WORK SESSION ON HB 2281-A

093 Chair Ferrioli Asked the Vice Chair if his previous motion to
refer SB 61 as amended to the Senate
Committee on Public Affairs was with a Do Pass
recommendation.

094 Vice Chair L. Beyer Affirmed the motion was without
recommendation.

095 Chair Ferrioli Advised that the rules must be suspended to
bring the bill back for addition of the
committee's recommendation.

RE-OPENED WORK SESSION ON SB 61

- 102 Vice Chair L. Beyer MOTION:
MOVES THE RULES BE SUSPENDED FOR THE PURPOSE OF DESIGNATING THE SENATE REVENUE COMMITTEE'S RECOMMENDATION ON SB 61.
- 103 Chair Ferrioli ORDER:
HEARING NO OBJECTION, THE CHAIR SO ORDERED.
- 104 Vice Chair L. Beyer MOTION:
MOVES SB 61 AS AMENDED WITH A DO PASS RECOMMENDATION TO THE SENATE COMMITTEE ON PUBLIC AFFAIRS.
- 106 Sen. Minnis Because he had been out of the room asked what amendment was being discussed.
- 107 Chair Ferrioli Explained the amendment under consideration was the (-4).
- 109 Sen. Corcoran Asked if he would be considered an absent vote on HB 2281 because he did not object when the Chair asked for any objections or can he re-open the record to vote "NO".
- 111 Chair Ferrioli Stated the bill could be re-considered. Because no one objected when asked, the motion passed. Sen. Corcoran could re-vote as a "NO" if he so chose.
- 125 Vice Chair L. Beyer RE-STATED MOTION:
MOVES SB 61 AS AMENDED TO THE SENATE COMMITTEE ON PUBLIC AFFAIRS WITH A DO PASS RECOMMENDATION.

126 Chair Ferrioli ORDER:

ROLL CALL VOTE; MOTION PASSES: 6 —
1 — 0

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

SENATOR VOTING NO: MINNIS

CLOSED WORK SESSION ON SB 61

CLOSED RE-OPENED WORK SESSION ON SB 2281

143 Vice Chair L. Beyer MOTION:

MOVES THE RULES BE SUSPENDED FOR
THE PURPOSE OF ALLOWING SENATOR
CORCORAN TO RECORD HIS VOTE ON
HB 2281-A.

144 Chair Ferrioli ORDER:

HEARING NO OBJECTION, THE CHAIR SO
ORDERED.

145 Chair Ferrioli Asked Senator Corcoran for his vote on HB
2281-A.

146 Sen. Corcoran Votes: NO

147 Chair Ferrioli ORDER:

SO ORDERED.

CLOSED WORK SESSION ON HB 2281-A

OPENED PUBLIC HEARING ON HB 3391-A

154 Ed Waters Gave overview of the bill. This bill increases
income credit for donations to fiduciary
organizations administering Individual

Development Accounts (IDAs). The maximum credit amount is increased to the lesser of \$50,000 or 50% of the amount donated (from \$25,000 or 25% of the amount donated). Applies to tax years beginning on or after January 1, 2002.

- 167 Kate Richardson Testified regarding the (-A5) amendments. The Treasurer and Treasury Department support the (-A5) amendments relating to the Oregon college savings plan. The IDA program can be expanded to include the College Savings Plan. These amendments are very important because they allow more Oregonians access to a college education. In only five months the program has attracted more than 4,000 participants and \$10 million dollars. This bill would allow more low or moderate-income Oregonians greater access to a college education by providing an incentive to save for college.
- 202 Michael Parker Testified in support of HB 3391-A. Explained that the (-A4) amendments were in conflict with federal law, so the (-A5)s were created to correct the technical problem. Explained in general terms how the IDA program would operate.
- 245 Robert Bole Testified in support of HB 3391-A. Explained how an IDA account operates. IDA funds can be used for the purchase of a first home, capitalization of a business, or a college education. Supports the (-A3) and (-A5) amendments.
- Questions and answers interspersed.
- 363 Rep. Jeff Merkle Testified in support of HB 3391-A. Stated it is important for legislators to approve programs that can help people help themselves. With this IDA program, "if you don't save a dime you don't get a dime". It is extremely difficult for low-income families to save anything, but this program matches what they can put into the

program. This IDA is a good program that can help make differences in people's lives.

403 Pam Leavitt Testified in support of HB 3391-A. Exhibit 13. Stated that the IDA program matches very well with the credit union philosophy of people helping people. Believes any incentive to help individuals save for college or to help first time homebuyers is beneficial.

Questions and answers interspersed.

443 Kent White Stated that IDA programs are still very new and are in the beginning stages of being partnered with financial institutions. Community banks, credit unions, and not-for-profit organizations are all working together to recruit people to participate in IDA programs and let them know how they work.

461 Chair Ferrioli Observed that more should be done to publicize the program because it is an excellent stairway to equity.

466 Leavitt Discussed a recent roundtable at which methods of advertising the existence of IDAs were discussed.

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027 Bruce Engle Testified in support of HB 3391-A. Has seen positive results from other IDA programs, with a new program starting up in Warm Springs. Asked that Indian tribes be included under the terms of HB 3391-A. Asked if a conceptual amendment could be created.

Questions and answers interspersed.

051 Chair Ferrioli Stated that conceptual amendments are generally limited to changing a word or two within an existing amendment. Asked proponents of the (-A5) amendments if tribes

could be included easily.

- 061 Sen. Minnis Asked the Chair in what sense was he referring to Indian tribes being included. If community banks or credit unions service the Indian population, access to the program could be gained through those institutions.
- 064 Engle Responded that there is not yet a community bank in the area. Is working to set up an IDA program.
- 070 Bole Added his understanding is that moneys could be held in a fiduciary organization, which could be a tribally designated bank; however, if a tribally designated non-profit wanted to start IDAs for their members, that is not currently designated. Suggested this aspect could be addressed if the bill went to a Conference Committee.
- 079 Chair Ferrioli Pointed out that if this bill passes out of Senate Revenue with amendments, the House Revenue Committee Chair could be asked to not concur initially, at which time another amendment could be presented. Stated that because Senate Revenue is scheduled to meet again next Thursday (May 31, 2001) there is time to create an amendment. In the interest of possibly saving time, stated that clarification could come from Legislative Counsel.
- 119 Dexter Johnson In response to Chair Ferrioli's question about inclusion of tribal institutions participating in the program, stated that the answer would be in individual account statutes to change the definition of fiduciary organizations to include reference to appropriate tribal organizations.
- 134 Chair Ferrioli Agreed the proper action would be to bring HB 3391-A back for committee consideration after Legislative Counsel researches the question.

CLOSED PUBLIC HEARING ON HB 3391-A

OPENED PUBLIC HEARING ON HB 2555

- 146 Ed Waters Gave overview of HB 2555, which reduces personal and corporate income tax rates to 5% on net long-term capital gains derived from liquidation of assets used in farming. Defines qualified farming activities. Reduced tax rate is available provided the sale "...constitutes a substantially complete termination..." of taxpayer's farming business activity. Applies to tax years beginning on or after January 1, 2002.
- 160 Rep. Tom Butler Testified in support of HB 2555. Stated that this particular bill is a baby-step toward reconnect of Oregon statute back to federal law. It does not fully reconnect yet, but it is one step toward helping farmers. At present farmers and ranchers are getting prices for crops and products comparable to 25 or 35 years ago, but their costs are at current levels. Small farms are being sold off at record numbers and losing money. Oregon's punishing tax structure hurts small farms, even as they are being sold. Farms are usually handed down generation to generation, but that is often not possible today.
- 263 Don Schellenberg Testified in support of HB 2555. Exhibit 17.

CLOSED PUBLIC HEARING ON HB 2555

OPENED WORK SESSION ON HB 2555

- 265 Vice Chair L. Beyer MOTION:
MOVES HB 2555 TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.
- 269 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 2555

275 Chair Ferrioli Explained that there was further action need to properly dispose of SB 61.

RE-OPENED WORK SESSION ON SB 61

282 Vice Chair L. Beyer MOTION:
MOVES THE RULES BE SUSPENDED FOR THE PURPOSE OF RECONSIDERING THE VOTE ON SB 61.

285 Chair Ferrioli ORDER:
HEARING NO OBJECTION, THE CHAIR SO ORDERED.

286 Chair Ferrioli MOTION:
MOVES THE VOTE BY WHICH SB 61 WAS SENT TO THE SENATE COMMITTEE ON PUBLIC AFFAIRS BE RECONSIDERED.

296 Chair Ferrioli ORDER:
HEARING NO OBJECTION, THE CHAIR SO ORDERED.

297 Vice Chair L. Beyer MOTION:
MOVES THAT THE (-1) AMENDMENTS TO SB 61 BE REMOVED FROM THE BILL.

300 Chair Ferrioli ORDER:
HEARING NO OBJECTION, THE CHAIR SO ORDERED.

301 Vice Chair L. Beyer MOTION:
MOVES SB 61 AS AMENDED BE MOVED TO THE SENATE COMMITTEE ON PUBLIC AFFAIRS WITH A DO PASS RECOMMENDATION.

309 Chair Ferrioli ORDER:
ROLL CALL VOTE: MOTION PASSES: 6 — 1 — 0
SENATORS VOTING AYE: CASTILLO, CORCORAN, GEORGE, STARR, L. BEYER, FERRIOLI
SENATOR VOTING NO: MINNIS

CLOSED WORK SESSION ON SB 61

320 Ed Waters Gave overview of SB 764. Explained that this bill extends the sunset of the pollution control tax credit for six additional years. The (-4) amendments allow an additional three-year carry-forward for unexpired pollution control tax credits. The (-5) amendments allow taxpayers engaged in agricultural plastics recycling activities to sell unused pollution control tax credits to another taxpayer. The (-6) amendments require contractors working on certified pollution control facilities be designated as responsible contractors by the Construction Contractors Board.
Questions and answers interspersed.

OPENED WORK SESSION ON SB 764

397 Vice Chair Commented that this particular bill is under discussion between the Governors office and leadership of both houses. A request has been made to move the bill today, but that it will come back bearing little resemblance to the bill as it stands today.

419 Vice Chair L. Beyer MOTION:
MOVES THE (-4) AMENDMENTS TO SB 764 BE ADOPTED.

425 Chair Ferrioli ORDER:
HEARING NO OBJECTION, THE CHAIR SO ORDERED.

426 Vice Chair L. Beyer MOTION:
MOVES THE (-5) AMENDMENTS TO SB 764 BE ADOPTED.

429 Chair Ferrioli ORDER:
HEARING NO OBJECTION, THE CHAIR SO ORDERED.

430 Sen. Corcoran MOTION:
MOVES THE (-6) AMENDMENTS TO SB 764 BE ADOPTED.

INVITED TESTIMONY

441 Bob Shiprack Testified regarding the (-6) amendments, which were created to address a problem experienced in the construction of some capital construction improvement projects. Explained a situation concerning out-of-state contractors and workers brought in for a project that is funded with our tax dollars, but the money leaves the state. The (-6) amendments would allow policy to be set toward the use of public funds that a better opportunity for those dollars would be spent for Oregon employers and Oregon workers.

Questions and answers interspersed.

TAPE 151, SIDE B

- 039 Sen. Corcoran Asked Mr. Shiprack to advise the committee what was observed at a construction site regarding out-of-state license plates that caused the creation of the (-6) amendment.
- 043 Shiprack Related there have been instances in Oregon where out-of-state workers and employers, typically from the southeast of the country, have come into Oregon for construction projects. Gave specific details regarding such instances.
- Questions and answers interspersed.
- 123 Jim Craven Testified regarding the (-6) amendments. Pointed out that the pollution control tax credit is not even applied for until after a construction project is completed.
- Questions and answers interspersed.
- 234 Chair Ferrioli Commented on the (-4) and (-5) amendments, which have been in existence for enough time for input from concerned parties. Is not sure how the (-6) amendments would fit within the framework of negotiations on the bill.
- 264 Vice Chair L. Beyer Stated the (-6) amendments are something he would normally be inclined to look favorably on, but will not support them today. SB 764 will undoubtedly include aspects of the (-6) amendments when the bill is next seen.
- 276 Chair Ferrioli Added that because of the lateness of presentation of the (-6) amendments the committee deserves better information than veiled references to "out-of-state workers" in terms of commentary. Is very interested in promoting employment in rural areas; but given the length of time Senate Revenue knew this bill was coming, it seems the out-of-state worker issue could have been discussed well before today.

Chair Ferrioli

ORDER:

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

SENATORS VOTING AYE: CASTILLO,
CORCORAN

SENATORS VOTING NO: GEORGE,
MINNIS, STARR, L. BEYER, FERRIOLI

305 Vice Chair L.
Beyer

MOTION:

MOVES SB 764 AS AMENDED TO THE
SENATE FLOOR WITH A DO PASS
RECOMMENDATION.

308 Sen. Castillo

Commented on why she will vote no on the bill. Believes the issues raised have not been adequately addressed in this committee, even though there may be discussions going on behind the scenes. Pointed out that Oregon has the most generous pollution control tax credit in the country at a time when school and seniors programs funding is being cut.

331 Sen. Minnis

Stated he had no problem with the (-6) amendments if they were amended to fit structurally within the context of the application for permits as long as the state pays 100% of the costs. Unless the state is picking up the entire cost of a project, it is inappropriate to include a provision requiring prevailing wages.

340 Chair Ferrioli

Stated that during the course of discussions in this committee has learned that Oregon is disproportionately dependent on manufacturing for its income. That progressed from forest-based industries to high-tech manufacturing, which is now the economic engine of the state of Oregon. Oregon's economy is lagging behind those of other Pacific Northwest and in the Western region. Believes anything to help incent economic growth is essential.

373 Chair Ferrioli ORDER:

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

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

SENATORS VOTING NO: CASTILLO,
CORCORAN

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

CLOSED WORK SESSION ON SB 764

400 Chair Ferrioli Thanked the members of Senate Revenue
Committee for their participation during this
legislative session.

429 Chair Ferrioli Adjourned meeting at 9:45 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 61, Meyer, Revenue Impact Statement, 1 pp.
2. SB 61, Meyer, (-4) School Finance Distribution simulation, 6 pp.
3. SB 61, Meyer, (-4) Amendments (CH/ps) 5/22/01, 11 p.
4. HB 2281-A, Ferrioli, (-A4) Amendments (DJ/ps 5/18/01, 2 pp.
5. HB 2281-A, Warner, Revenue Impact Statement, 1 pp.
6. HB 2281-A, Ferrioli, (-A5) Amendments (DJ/hm/ps) 5/23/01, 2 pp.
7. HB 3391-A, Kafoury, (-A3) Amendments (DJ/hm/ps) 5/23/01, 1 pp.
8. HB 3391-A, Kafoury, (-A4) Amendments (DJ/ps) 5/23/01, 6 pp.
9. HB 3391-A, Waters, Staff Measure Summary, 1 pp.
10. HB 3391-A, Waters, Revenue Impact Statement, 1 pp.
11. HB 3391-A, Waters, Fiscal Impact Statement, 1 pp.
12. HB 3391-A, Kafoury, (-A5) Amendments (DJ/ps) 5/24/01, 5 pp.
13. HB 3391-A, Leavitt, Written testimony dated May 24, 2001, 3 pp.

14. HB 2555, Waters, Staff Measure Summary, 1 pp.
15. HB 2555, Waters, Revenue Impact Statement, 1 pp.
16. HB 2555, Waters, Fiscal Impact Statement, 1 pp.
17. HB 2555, Schellenberg, Written testimony dated May 24, 2001, 1 pp.
18. SB 764, Georgia-Pacific, (-4) Amendments (DJ/ps) 4/20/01, 1 pp.
19. SB 764, McIsaac, (-5) Amendments (DJ/ps) 4/20/01, 2 pp.
20. SB 764, McIsaac, (-6) Amendments (DJ/ps) 4/23/01, 2 pp.