PUBLIC HEARING AND WORK

SESSION ON SB 326, SB 388,

AND SB 1143 TAPES 114 - 115 A/B

SENATE REVENUE COMMITTEE

APRIL 16, 1997 - 9:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING

Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair

Sen. Joan Dukes

Sen. Verne Duncan

Sen. Tom Hartung

Sen. Randy Leonard

Witnesses: Charles Sheketoff, Oregon Law Center

Bobbie Weber, Chair of Family Resources, Linn-Benton

Community College

Susan Browning, Department of Revenue

Sara Fleming, Executive Director, Oregon Hunger Relief Task Force

Staff: Ed Waters, Economist

Carol Phillips, Committee Assistant

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005 Chair Baker Opened meeting at 9:10 a.m.

OPENED PUBLIC HEARING AND WORK SESSION ON SB 326, SB 388, SB 1143

015	Charles Sheketoff	Exhibit A - Written testimony. Here on behalf of Human Rights Coalition in support of SB 1143. Also member of Commission for Child Care. While the Commission has not taken a position on this bill, in the past the Commission has supported using tax credits to make quality child care more affordable.
022	Sheketoff	Written testimony raises a number of questions and concerns about specific aspects of SB 1143. Definition of "child care" raises a question. Definition from child care statute states babysitters or persons who cares for no more than three children (other than their own) are called in the subsidy program "exempt care". They are not regulated by Child Care Division.
031	Sheketoff	The way this bill is worded it says, "If the care giver is unrelated to the taxpayer..." The subsidy is too low to the providers and the co-payments are too high to the users. 65% of the families in the Employment Related Day Care Program (when they leave the Jobs Program and leave welfare) are using exempt care. Often the exempt care is provided by relatives for the reason that the child care subsidy provided is at 1992's market rate, and that is not enough in today's market to pay for qualified day care. Continued significant use of exempt care will occur until a more realistic amount of money is provided for 1997 and 1998 market rates.
052	Sheketoff	Not a big fan of encouraging people to place their children with babysitters, so recommends deleting the reference to babysitters in the bill. Add the word "relative" to "by a person <u>or relative</u> who cares for no more..." because the definition of child care already exempts care by relatives. Believes the intent of the bill is to help people leaving welfare and are using the subsidy program for child care. Allow them to place their children with an aunt or uncle or other family member. Otherwise the bill will not help a significant percentage.
060	Sheketoff	Other questions are related to the definitions of "qualified taxpayer" and "total income". Would recommend deleting reference to Aid to Dependent Children. 150% of poverty may not be a high enough threshold. The federal poverty guidelines change each tax year, so the bill should be clear that this is not tied to federal guidelines. Aid to Dependent Children and Food Stamps do not provide a statement at the end of the year showing how much of each was received. If those figures are to be counted in taxable income it is a major problem with the Department of Human Resources for them to produce hundreds of thousands of additional statements.
116	Sheketoff	Not sure if including Earned Income Tax Credit is a good idea because he would hate to see someone take an EITC if that would adversely affect their child care credit.

128	Sheketoff	Because people at low income levels rarely use accountants, a carry-forward provision would probably not be well used. Hopes the Department of Revenue would produce user-friendly forms and instructions that will encourage and help people to use a carry-forward. If people do not use an accountant and keep all their records in a shoe box it may be hard to maintain that carry-forward.
161	Bobbie Weber	Exhibit B - Written testimony. Supports SB 1143. Works closely with Jobs Program and is involved daily with helping people with child care: how to pay for it, how to find it, how to manage it, etc. Works with people as they move off welfare and into work and for the first time are trying to figure out how to raise children and work at the same time. These people are not aware how much child care costs, and they are appalled at actual monthly cost compared with what they earn. When wages do not bring in enough money to pay for the cost of child care plus all other necessary costs, young children are at risk because families will do whatever they need to do to put food on the table.
189	Weber	Believes what this bill is trying to do is fill the gap between Employment Related Day Care Program and that period in a family's economic life when they can afford, maybe not easily, the cost of child care. Believes that, although that is the intent of the bill, the way it is currently written it will not achieve that intent. More work is necessary to achieve that goal.
211	Chair Baker	Asked Weber what she would change about the bill. Noted that the bill allows 100% credit up to 132% of federal poverty line, then it phases out at 150% of federal poverty line.
220	Weber	Believes range is too low. Believes 200% of poverty is a better figure for the population concerned. There currently is a Child Care Tax Credit that does not serve this population because they don't earn enough taxable income to access it. By including in their Earned Income food stamps and earned income tax credit, the same problem has been repeated; thus not serving the very population which continuously is not served.
243	Weber	People then fall off the program. Parents not only pay co-pay but also the difference between whatever the provider charges. Parents' choices become restricted as to what they can do with their children just at the time they are beginning to become self-sufficient. Although intended to help them, this bill as written will not help.
274	Weber	Regarding relatives and how low-income families manage this. They have fewer options in terms of how to raise their children and work than do people with more money for several reasons. They are in less flexible jobs. If late, they get fired. Tend to be single-parent with no other adult at home to help them. Studies show they get child care help from relatives. Low income jobs tend to be off hours, so day care centers are out. But SB 1143 excludes relatives. In the past relatives would simply "give" care; many do not "give" care any more, they charge for their services.
	Sen.	

308	Duncan	Said that many times, too, it is the grandparents who need the money.
319	Weber	Inclusion of relatives in the definition of child care is as critically important to reaching the target population as are increasing the percentage level of poverty and redefining what is counted as income. Typical single-parent with two-kid family pays 37% of income to child care. For families earning over $45,000, the percentage spent on child care is 5%. People between those two levels pay 8%. What is at stake is the well-being of children. When child care is not supported, society will pay later. Questions and discussion.
370	Sen. Leonard	Stated that it probably does not do these target families any good to get a check at the end of the year when they need ongoing help every month. SB 1143 indicates year-end checks for credit. Asked if affected families can take exemptions throughout the year in anticipation of knowing they will have minimal tax liability so their monthly check reflects what the credit would provide.
383	Weber	Once SB 1143 is passed, there will be a huge consumer education program to educate people how to use it.
393	Susan Browning	Department of Revenue agrees something like that could be utilized, sort of the opposite of an estimated tax.
399	Sen. Leonard	That was not what he had in mind. Asked if a person anticipates, because of child care expenses and income level, they will pay no taxes, could a person take withholdings that allow them not to have paid any tax by the time they get their check every week or two.
408	Browning	Saw references similar to that in the Earned Income Tax Credit.
413	Sen. Leonard	Stated it makes sense for these families.
418	Browning	Reiterated that these people would be working with their employer to decrease withholding so they would get more in each paycheck.

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016	Sara Fleming	Exhibit C - Written testimony. Last year over 400,000 Oregonians got emergency food boxes from different non-profit food agencies. About one-half of the people obtaining food boxes are the working poor. Child care costs are preventing parents from working because child care costs are too great. Seeing an increase in demand across the state for food boxes. What used to be for emergency relief is now needed all the time.
051	Fleming	Child care is critical to welfare reform. Believes SB 1143 is a step in the right direction. Total income should not include earned income credit, food stamps, or Aid to Families with Dependent Children. Sees families struggling even at 200% of poverty and would

recommend extending the credit to that level. Questions and discussion.

084	Sen. Duncan	Related his experiences as babysitter for his grandchildren and commented that low-income or poverty level children miss out on so much, like music lessons and participating in sports.
112	Ed Waters	Exhibit D - Child and Dependent Care. Describes existing Oregon Child and Dependent Care Credit. Exhibit E - Spendable Income: Family of Three. This page compares current law, 25% non-refundable credit, and 10% refundable credit. Exhibit F - Revenue Impact of Oregon Earned Income Credits. Shows different costs of varying cost levels of refundable and non-refundable programs. Exhibit G - 5% Refundable Oregon Earned Income Credit. With this type of credit, the tax threshold is about $13,500 for this family category as opposed to its current level of just below $12,000. Questions and discussion interspersed.
205	Chair Baker	Asked Susan Browning for explanation of what a refundable earned income credit would do to Department of Revenue insofar as how it would operate. Would the legislature make an appropriation to Department of Revenue to facilitate that type of a plan?
213	Browning	As the bill is currently written it would require an appropriation from a forecast, then the second year of the biennium the Department would analyze the actual expenditure from the first year and adjust accordingly. Would be very similar to Home Owners and Renters Refund Program. The second year of a biennium would be easier to manage.
245	Browning	Talked with three of the other four states who have earned income credits. Their programs are handled similarly to any other refunds. Wisconsin has a Sum Certain budget item and a Sum Sufficient. They pay about $60 million a year in this program for 200,000 taxpayers. Their overage has not exceeded $2 million a year, so they are happy with how program runs. Minnesota and New York use straight percentage of the federal. Minnesota is at 15% of federal paying out $38 million to 212,000 returns. New York has a rate of 20% of federal (started out 7.5% in 1994, 10% in 1995, 20% in 1996). One million taxpayers receive the credit in New York totaling $275 million. But New York collects $15.2 billion each year in personal income tax a year, so $275 million is a relatively small amount. Questions and discussion interspersed.
298	Sen. Hartung	Questioned the terms "appropriations" and "collections". Why must this program be funded with an appropriation if the money will come from collections? Wants to be sure people who deserve credit get it, but as a State Senator does not want to be seen as "spending".
356	Browning	Some states look at their programs every biennium to see where they are. Their Departments of Revenue would report to their legislatures and fine tune from there. Wisconsin working on state welfare reform act. Anticipate their percentages and expenditures will go down.

381	Chair Baker	Asked the Committee for their opinion. Looking at the political reality, this program would probably start in 1999. Set target of $100 million, for example, to use in future and not have future legislatures de-fund program. Should the credit be refundable or non-refundable? It seems the refundable targets the group who needs it most, but the problem is the 1999 legislature may not fund program.

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418	Sen. Hartung	Stated he would like to hear the opinion of Sen. Dukes.
420	Sen. Dukes	Would like to see it refundable. Would rather lower the percentages and get it to those who need it most. Would like to see it come from revenues. The Chair is exactly right in that the program may be eliminated by future legislature if the funds have to be appropriated every year.
442	Chair Baker	Wants to blend SB 388 with SB 1143, which would be the surviving bill.
472	Chair Baker	Asked the Committee if the funding level should be set at $100 million or under to get it across to the other chamber? That would at least get it up and running.
043	Chair Baker	Adjourned meeting at 10:07 a.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

A. SB 1143, Sheketoff, Written testimony, 3 pages

B. SB 1143, Weber, Written testimony, 1 page

C. SB 1143, Fleming, Written testimony, 1 page

D. SB 1143, Waters, Revenue Impact Statement, 1 page

E. SB 1143, Waters, Spendable Income: Family of 3, 1 page

F. SB 1143, Waters, Revenue Impact of Oregon Earned Income Credits, 1 page

G. SB 1143, Waters, 5% Refundable Oregon Earned Income Credit chart, 1 page