

PUBLIC HEARING AND WORK

SESSION ON SB 540 AND SB 1012

WORK SESSION ON SB 60, SB 774

TAPES 135 - 136 A/B

SENATE REVENUE COMMITTEE

MAY 2, 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: Stephen Kafoury, Representing Wildlife Society and American

Fisheries Society

Gary Andeen, Executive Director, Oregon Independent Colleges Assn.

Tamara Dykeman, Legislative Director, Oregon Student Association

Tim Nesbitt, OPEU

Staff: Brian Reeder, Economist

Ed Waters, Economist

Carol Phillips, Committee Assistant

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TAPE 135, SIDE A

005 Chair Baker Opened meeting at 9:09 a.m.

OPENED WORK SESSION ON SB 60

- 011 Ed Waters Exhibit B - (-7) Amendments. These Amendments state explicitly that the Children's Trust Fund may be listed, if otherwise qualified, after its statute is removed. That language is now consistent with Nongame Wildlife and Alzheimers Research which are being removed by statute in year 2000.
- 018 Chair Baker Said the net effect is that the three on the list by statute are removed by statute but still on the checkoff form, and the form is being expanded to ten entities, will rotate off the bottom two, and lower the amount an entity must acquire in one of two years to \$40,000.
- 021 Waters Stated that these Amendments contain no rotation mechanism to remove the bottom two entities, but the contribution threshold has been reduced to \$40,000.
- 025 Sen. Dukes Asked why the threshold was reduced to \$40,000.
- 028 Chair Baker Stated there was previous discussion that if in moving from five to ten entities on the checkoff, the pool of funds may be diluted. Open to Committee for comments.
- 035 Sen. Dukes Stated that if there is no dropping off the bottom two and the threshold is reduced to \$40,000, she was not sure any progress would be made in bringing other entities onto the form other than the initial increase to ten.
- 040 Sen. Bryant Said if the lower two will not drop off, then threshold amount should remain at \$50,000. Questions and discussion.
- 056 Ed Waters Explained that under these Amendments, an entity must make at least \$50,000 in contributions in one of two successive years to be retained on list. That effectively guarantees that a new entity would be on list for at least two years before it could be removed. It seemed superfluous to have another mechanism which would automatically remove the two lowest entities, especially when expanding the roster to ten entities. Questions and discussion.
- 075 Chair Said under these Amendments natural selection will remove entities that do not perform. Asked the Members if the threshold should be \$50,000 or \$40,000? Members agreed on

Baker \$50,000. Further discussion.

113 Chair Said the (-5) Amendments were placed into the (-6) Amendments, which have not yet been
Baker adopted. Asked if the Committee were to approve the (-6) and modify them so that the
\$40,000 minimum was increased to \$50,000 minimum, would that take care of the
problem? Members said it would.

116 Chair MOVES ADOPTION OF (-6) AMENDMENTS, CHANGING \$40,000 TO \$50,000
Baker MINIMUM CONTRIBUTION.

HEARING NO OBJECTION, THE CHAIR SO ORDERED.

120 Chair MOVES ADOPTION OF (-7) AMENDMENTS.

Baker HEARING NO OBJECTION, THE CHAIR SO ORDERED.

MOVES SB 60 AS AMENDED TO THE SENATE FLOOR WITH DO PASS
RECOMMENDATION.

127 Chair ROLL CALL VOTE: MOTION PASSES: 6 - 0 - 0
Baker

SENATORS VOTING AYE: DUKES, DUNCAN, HARTUNG, LEONARD, BRYANT,
BAKER.

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

OPENED WORK SESSION ON SB 774

154 Brian Original bill extends sunset date for riparian exemption program. Under current law land
Reeder that is zoned forest or farm land and outside urban growth boundary can apply for
riparian designation for the land along streams and be exemption from property taxes for
that portion of the land. The (-1) Amendments (see Wednesday, April 30) say that if land
that currently would qualify, whether in program or not, subsequently gets moved inside
an urban growth boundary or is changed from farm or forest to some other designation,
they would still be able to apply for riparian designation on the part of land along the
stream and get that exemption. The Amendments do not make exemption available to
properties currently inside the urban growth boundary or currently not farm or forest.
Page 2 line 20 of the (-1) shows the change in streambank miles from 100 to 200.

187 Stephen SB 774 is exactly what his organizations would like to see and appreciate the staff's work
Kafoury on the bill.

191 Chair MOVES (-1) AMENDMENTS TO SB 774 BE ADOPTED.

Baker THERE BEING NO OBJECTION, THE CHAIR SO ORDERED.

MOVES SB 774 TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.

193 Chair ROLL CALL VOTE: MOTION PASSES: 6 - 0 - 0
Baker
SENATORS VOTING AYE: DUKES, DUNCAN, HARTUNG, LEONARD, BRYANT,
BAKER.

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

OPENED PUBLIC HEARING ON SB 540

212 Waters Exhibit C - Revenue Impact Statement. This bill creates a corporate and personal income tax credit based upon contributions in support of public schools. Eligible contributions include those to state school fund, charitable corporations, funds, foundations, or trusts organized to support public schools. The credit amount is \$250 per single filers, \$500 for joint filers, and \$1,000 for corporate return filers. Applies to contributions made beginning January 1, 1997.

225 Chair Asked what the financial impact might be.
Baker

228 Waters Stated it was difficult to predict because currently contributions are eligible for a deduction for taxpayers who claim itemized deductions. This would allow taxpayers to claim a portion of that deduction as a dollar-for-dollar credit. It would open it up so taxpayers who did not itemize could claim credit as well. For example, if taxpayers are able to claim full credit for only 5% of what their projected charitable deductions for education will be in the 1997-99 biennium, the impact would be a revenue loss of around \$10 million, and a similar loss for the 1999-01 biennium. Believes 5% may be on the low side, so the impact could be larger.

247 Sen. Asked if this is only for public education. If a taxpayer wanted to give to a private school, Bryant would they qualify?

251 Chair The bill refers specifically to public elementary or secondary school districts or schools.
Baker

258 Sen. Commented from a policy standpoint that there should be discussion about whether or not Bryant private schools should be included. There are a large number of students and parents who support private education. There is a benefit to the state to have a strong private school system because it reduces impact on public schools.

273 Chair
Baker Agreed there are some big policy issues to be evaluated.

279 Gary
Andeen Also asked why only public institutions are named in the bill. The first four words ("public elementary or secondary") could be removed from line 13 and the bill would become a much more interesting piece of legislation. Have introduced other bills in previous sessions, but no action was taken.

290 Andeen Explained that an unfortunate aspect of this bill is \$84 million went to educational organizations through deductions to charitable contributions, and a good part of that was probably in the form of donations to post secondary institutions. Would like to encourage people to make more of this type of contribution. This is a relatively small credit, but it would encourage public institutions in particular (state colleges and universities and community colleges) to begin working on their alumni more than they have in the past to start annual contributions to the alumni funds, even at small levels. Those are the alumni downstream that make the big contributions in their wills and estates.

318 Andeen Stated that the way the bill reads now may encourage people to shift their educational donations from the way they are making them now over to public schools. The bill could be opened up and the credit reduced to 50%, which would still encourage giving, but would leverage the state tax loss with more private contributions to all educational institutions. Encourages amendments to clarify what the bill should say.

340 Sen.
Dukes Asked if Andeen was proposing the bill apply to colleges as well, and go down to 50% as opposed to 100%.

343 Andeen Stated again that removing the first four words of line 13 of the bill ("public elementary or secondary") and at the end of the line add "or any eligible post secondary scholarship fund" which would open it up to OSU, Willamette, Jesuit High School, etc.

400 Chair
Baker Said that Sen. Hartung and the Education Committee have been dealing with the subject of Charter Schools. There are 425 private schools in the state. Asked how to prevent parents from giving large donations, which effectively lowers the tuition of their children at a school.

425 Andeen Answered that the State Scholarship Commission could write rules that would eliminate that type of activity, i.e. that any such foundation eligible would have to be a foundation created for the benefit of all students.

435 Sen.
Dukes Would like to have a more in-depth discussion about the revenue shift. Suspects the bill's authors were hoping to get at some new money. As an example, her church runs a school; all students cannot afford the tuition so church members contribute amounts to students. At present she can get a charitable deduction. This bill, however, would provide a tax credit.

TAPE 136, SIDE A

- 031 Tamara Dykeman Said she shares many of the same concerns Mr. Andeen voiced. Here to say that as a state Oregon is not doing well in providing grants to students. Currently 25% of the Oregon new grant eligible students do not receive one because there is not enough funding in the program. Anything to provide more grant dollars for Oregon students would be encouraged.
- 041 Andeen Stated that the Members are all familiar with tax credit for political contributions and how they have used them in their campaigns to encourage people to make contributions because they can take a credit for some of that money. A tax credit would encourage contributions overall to institutions of higher learning.
- 052 Tim Nesbitt Said it seems there is a question in talking about a 50% credit when 50% or a little more of all income tax receipts go to K-12 and higher education. Is this bill just moving money around differently? For example, if his tax bill is \$1,000, \$500 is currently supporting K-12 and higher education. If he decides \$100 of that should be a direct contribution to schools and he gets a \$50 credit for that, that is \$50 less for schools and \$50 less for other state programs. Concerned about revenue effect.
- 072 Chair Baker Adjourned meeting at 9:40 a.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

- A. SB 1012, Reeder, Fiscal Impact Assessment, 1 page
- B. SB 60, Waters, (-7) Amendments, (DJ/ps) 4/29/97, 2 pages
- C. SB 540, Waters, Revenue Impact Statement, 1 page
- D. SB 540, Waters, Revenue Impact Figures, 1 page