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PUBLIC HEARINGS: SB 562 & HB 2924A
WORK SESSIONS: SB 562, HB 2924A,
HB 2275A & SB 101
TAPES 116-117, A/B

SENATE COMMITTEE ON GOVERNMENT
FINANCE AND TAX POLICY

MAY 10, 1995 - 1:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present:

Sen. Paul Phillips, Chair
Sen. Shirley Gold, Vice Chair (excused 2:10-3:08 pm)
Sen. Tom Hartung
Sen. Cliff Trow
Sen. Greg Walden (excused 1:50-2:10 pm)

Witnesses:

Mark Nelson, Public Affairs Council representing Southland
Corporation and R.J. Reynolds Tobacco Company
Mike McCallum, Oregon Restaurant Association
Sen. Brady Adams, House District #25
Dave Handricks, Legislative Counsel
Ted Demezas, Oregon Council of Federally Related Organizations
Joe Gray, Portland Retired Firefighters
Bob Cannon, Association of Oregon Counties and
Marion County Legal Counsel
Bob Costagna, Oregon Catholic Conference
Ozzie Rose, Confederation of Oregon School Administrators

Staff:

James Scherzinger, Legislative Revenue Officer
Richard Yates, Legislative Revenue Office
Terry Drake, Legislative Revenue Office
Janice DeVito, Committee Assistant

TAPE 116 SIDE A

005 Chair Phillips -calls the meeting to order at 1:39 pm

HB 2924A PUBLIC HEARING

015 Chair Phillips -introduces HB 2924A which applies temporary 10-cent tax on

20-cigarette pack retroactively to distributions occurring on or after
sunset of existing temporary 10-cent tax on 20-cigarette pack that sunsets

July 1, 1995, and before first day of month following effective date
-calls for testimony, there is none

HB 2924A WORK SESSION

015 Chair Phillips -distributes Proposed (-5) Amendments which adds an additional section to the bill concerning the policy issue of moneys appropriated to cities and counties and those that enact ordinances restrictive of cigarette products (Exhibit A)
030 Mark Nelson -Public Affairs Council representing Southland Corporation and R.J. Reynolds Tobacco Company
-testifies in support of HB 2924A and explains that (-5) Amendments (Exhibit

A) are proposed by the Oregon Restaurant Association and supported by his other two clients

047 Mike McCallum -Oregon Restaurant Association, Director of Government Relation
-explains that the Proposed (-5) Amendments would help the restaurant industry by "keeping a level playing field in regard to smoking regulation"
-cites high standards of Oregon Clean Indoor Air Act and importance of keeping that standard consistent statewide

062 Chair Phillips -distributes and refers to applicable Oregon Revised Statutes (Exhibit U)
068 Sen. Hartung -MOVES ADOPTION OF THE PROPOSED (-5) AMENDMENTS TO HB 2924A
070 Chair Phillips -HEARING NO OBJECTION, THE CHAIR SO ORDERS
072 Chair Phillips -MOVES HB 2924A AS AMENDED WITH A DO PASS RECOMMENDATION TO

WAYS AND MEANS

-HEARING NO OBJECTION, THE CHAIR SO ORDERS

SB 562 PUBLIC HEARING AND WORK SESSION

080 Sen. Brady Adams -House District #25
-speaks about need for settlement of the complex PERS taxation issue
-suggests two solutions for consideration: the proposal currently being worked on in the House and supported by the Governor to increase PERS benefits to retirees, or Sen. Adams' proposal to eliminate taxation on those benefits

106 -describes Proposed (-5) Amendments to SB 562 (Exhibit I)
163 -questions and discussion about process for development of the amendments and method of tax refund
190 Chair Phillips -states reservations about the amendment but states that committee will "do our best to evaluate it in the context of everything else"

206 Dave Hendricks -Legislative Counsel
-explains the Proposed (-5) Amendments (Exhibit I) which do not resolve issue of outstanding claims but attempts to resolve the problem from 1/1/97

forward

277 -states that as the amendment is presently drafted, the pension credit is gone

-refers to definitions on page 4 of Exhibit I and describes difficulties facing the Department of Revenue

315 Hendricks -cites Supreme Court decision concerning taxation and provides additional clarification

350 -discussion of differences between amendment proposals which have been drafted

376 Hendricks -in response to question by Chair Phillips, comments on the Proposed (-2) Amendments initiated by Senator Derfler which would give benefits to PERS retirees to offset taxation

459 -states positions of federal retirees and of U.S. Supreme Court

471 -cites case before the Oregon Supreme Court

TAPE 117 SIDE A

026 Hendricks -continues explanation of Proposed (-2) Amendments

035 -states fiscal advantages of implementing benefit increase and retroactive amounts through the PERS system

062 -describes risks involved in pending Oregon Supreme Court litigation and

explains issues under consideration

089 Chair Phillips -summarizes three SB 562 proposed amendments

105 Ted Demezas -Oregon Council of Federally Related Organizations, Legislative Chairperson

-introduces Walt McCollum of NARFE and Will Meisenmeier of TROA
Demezas -distributes and reads written testimony in support of SB 562
(Exhibit E)
224 Demezas -in response to question from Chair Phillips, explains position
on Proposed (-5) Amendments introduced by Senator Adams
-suggests task force address the issue
253 Joe Gray -Portland Retired Firefighters, President
-testifies in support of SB 562 as originally written and states position
that "whatever amendments may be included...that we, as non-PERS employees,
be included under those situations"
-distributes and reads testimony (Exhibit K)
316 Hendricks -answers questions of committee members to clarify how various
amendments apply to different groups
-questions and discussion
375 Bob Cannon -Association of Oregon Counties Board of Directors and Marion
County Legal Counsel
-refers to first page of current SB 562 at Section 1, lines 6-16 (which was
original 1947 ORS language)
TAPE 116 SIDE B
004 Cannon -explains evolution of Section 2, lines 17-18 (enacted in 1989)
and gives opinion that it applies prospectively only
020 -describes reason for current litigation and estimates money involved is
approximately \$200 million
030 -recommends options/ramifications for committee consideration
054 -"my suggestion to you as an absolute minimum - don't tax in 1995"
069 Bob Costagna -Oregon Catholic Conference
Costagna -explains efforts this legislative session and lack of success
(because of the revenue impact) to establish an earned income tax credit
for the working poor
-expresses concern about much greater state revenue impact (in range of
\$300 million) of exempting all private retirement "when we are having a
hard time...trying to get emergency assistance of \$2.5 million impact... in
the Human Resources Subcommittee of Ways and Means"
100 -speaks about news reports of "increasing disparity between the wealthy
in this country and the poor "
110 -questions justification for \$300 million tax expenditure and asks
committee to consider equity of the process
123 Chair Phillips -directs to staff to prepare revenue analysis on the
Proposed (-5) Amendments and also a report on the amendment proposed by
Sen. Schoon
-discussion
160 Richard Yates -explains fiscal impact of the Proposed (-4) Amendments
(Exhibit C)
167 Chair Phillips -announces that SB 562 will be rescheduled for May 17
HB 2275A AND SB 101WORK SESSIONS
178 Chair Phillips -explains work plan for HB 2275A
193 Terry Drake -presents options listed in Issues (Exhibit L)
217 Chair Phillips -MOVES ADOPTION OF THE PROPOSED (-8) AMENDMENTS TO HB 2275A
(Exhibit M)
220 Senators Trow -states support of motion, but with reservations
230 Sen. Hartung -states support of motion, but with reservations
240 Chair Phillips -HEARING NO OBJECTION, THE CHAIR SO ORDERS HB 2275A AMENDED
BY THE (-8) AMENDMENTS
242 Chair Phillips -MOVES ADOPTION OF THE PROPOSED (-3) AMENDMENTS TO HB 2275A
(Exhibit O)
270 Sen. Trow -states support of motion, but with reservations
275 Chair Phillips -HEARING NO OBJECTION, THE CHAIR SO ORDERS HB 2275A AMENDED
BY THE (-3) AMENDMENTS
290 Chair Phillips -introduces the Proposed (-14) Amendments to HB 2275A
(Exhibit P)
-questions and discussion

328 Ozzie Rose -Confederation of Oregon School Administrators
 -provides clarification about amendment's impact on some districts
 323 Chair Phillips -MOVES ADOPTION OF THE PROPOSED (-14) AMENDMENTS TO
 HB 2275A (Exhibit P)
 -HEARING NO OBJECTION, THE CHAIR SO ORDERS HB 2275A AMENDED BY THE (-14)
 AMENDMENTS
 329 Phillips -introduces the Proposed (-16) Amendments to HB 2275A (Exhibit S)
 338 Drake -provides staff clarification of impact of amendments in computer
 run School Finance Simulation 96-36A (Exhibit T)
 TAPE 117 SIDE B
 004 -questions and discussion
 009 Chair Phillips -MOVES ADOPTION OF THE PROPOSED (-16) AMENDMENTS TO
 HB 2275A
 -HEARING NO OBJECTION, THE CHAIR SO ORDERS
 -questions and discussion
 028 Sen. Walden -raises issue about higher education expense situation in
 Morrow County and Heppner
 032 Chair Phillips -directs staff to prepare information in response to
 Senator Walden's concerns by 5/12/95
 -discussion about Morrow County & Heppner issues and education costs in
 small population centers which are long distances from each other
 044 Chair Phillips -MOVES THE PROPOSED (-9) AMENDMENTS TO HB 2275A (Exhibit R)
 -HEARING NO OBJECTION, THE CHAIR SO ORDERS
 -summarizes directions for staff
 055 Drake -states plan to distribute amendments and computer runs on the
 morning of 5/12/95
 060 Chair Phillips -adjourns committee meeting at 3:08 pm

Janice DeVito
 Committee Assistant

Kimberly Taylor James
 Office Manager

Exhibits Summary:

A. HB 2924A, Yates, Proposed (-5) Amendments to HB 2924A (BPS/ng) 5/4/95
 B. SB 562-4, Yates, Revenue Impact of Proposed Legislation, 5/10/95
 C. SB 562-4, Yates, Proposed (-4) Amendments to SB 562 (DH/ng) 5/10/95
 D. SB 562, Yates, Revenue Impact of Proposed Legislation, 2/23/95
 E. SB 562, Demezas, testimony from Oregon Council of Federally Related
 Organizations
 F. HB 2924A, Yates, Staff Measure Summary - Joint Committee on Ways and Means
 G. HB 2924A, Yates, Revenue Impact of Proposed Legislation, 4/22/95
 H. HB 2924A, Yates, Fiscal Impact Assessment, 4/28/95
 I. SB 562, Adams, Proposed (-5) Amendments to SB 562 (DH/lg) 5/10/95
 J. SB 562, Adams, Pension Taxes - Briefing Paper
 K. SB 562, Gray, testimony from Portland Retired Firefighters and Retired
 Police Officers
 L. HB 2275A, Drake, HB 2275A Issues
 M. HB 2275A, Drake, Proposed (-8) Amendments to HB 2275A (CH/hl) 4/27/95
 N. HB 2275A, Drake, Proposed (-10) Amendments to HB 2275A (CH/ng) 5/4/95
 O. HB 2275A, Drake, Proposed (-13) Amendments to HB 2275A (CH/hl) 5/9/95
 P. HB 2275A, Drake, Proposed (-14) Amendments to HB 2275A (CH/hl) 5/9/95
 Q. HB 2275A, Drake, Proposed (-15) Amendments to HB 2275A (CH/hl) 5/9/95
 R. HB 2275A, Drake, Proposed (-9) Amendments to HB 2275A (CH/hl) 4/27/95
 S. HB 2275A, Drake, Proposed (-16) Amendments to HB 2275A (CH/lg) 5/10/95
 T. HB 2275A, Drake, computer run: School Finance Simulation 95-36A, 4/7/95
 U. HB 2924A, Phillips, applicable references from Oregon Revised Statutes
 V. SB 562, Yates, Exemption for all Retirement Income, 5/9/95