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PUBLIC HEARING: HB 2992
WORK SESSIONS: SB 562, HB 2275A, SB 101
AND HB 2204A
TAPES 127-128 A/B, 129A

SENATE COMMITTEE ON GOVERNMENT
FINANCE AND TAX POLICY

MAY 18, 1995 - 1:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Sen. Paul Phillips, Chair
Sen. Shirley Gold, Vice Chair
Sen. Tom Hartung
Sen. Cliff Trow
Sen. Greg Walden
Sen. Gene Derfler (for proceedings on HB 2992)

Witnesses: Jack Roberts, Bureau of Labor and Industries
Jack Kalinowski, Oregon Citizen
Don O'Brien, Associated General Contractors
Bob Shiprack, Oregon Building Trades Council
Elizabeth Harchenko, Office of Attorney General
Marjorie Lowe, Office of Governor John Kitzhaber
Ted Demezes, Oregon Council of Federally Related Organizations
Bill Beck, Portland Public Schools

Staff: James Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Terry Drake, Legislative Revenue Office
Janice DeVito, Committee Assistant

TAPE 127 SIDE A

005 Chair Phillips -calls the meeting to order at 1:22 pm as a subcommittee
(brief recess in meeting - reconvenes as quorum is established)

HB 2204A PUBLIC HEARING

028 Steve Bender -presents staff overview of information compilation
regarding the "reconnect bill" titled: Revenue Impact of HB 2204A (Exhibit
A)

072 -explains Proposed (-19) Amendments to HB 2204A (Exhibit B)

100 -discussion of possible conflicts of interest, consequence for taxpayers

of Oregon not reconnecting through changes presented in the Proposed (-19)
Amendments (Exhibit B)

HB 2204A WORK SESSION

134 Chair Phillips MOVES ADOPTION OF PROPOSED (-17) AMENDMENTS TO HB 2204A
(property depreciation)

-HEARING NO OBJECTION, THE CHAIR SO ORDERS

138 Chair Phillips -MOVES ADOPTION OF THE PROPOSED (-16) AMENDMENTS TO
HB 2204A (withholding on unemployment benefits)

-HEARING NO OBJECTION, THE CHAIR SO ORDERS

141 Chair Phillips -MOVES ADOPTION OF CONCEPTUAL AMENDMENT WHICH DISALLOWS
INCREASED SECTION 179 EXPENSING FOR TAX YEARS BEGINNING IN 1993 AND 1994

-discussion

165 Chair Phillips -HEARING NO OBJECTION, THE CHAIR SO ORDERS

168 Chair Phillips -MOVES ADOPTION OF THE PROPOSED (-11) AMENDMENTS TO
HB 2204A (capital gain on installment sales)

-ROLL CALL VOTE MOTION PASSES 3-2

-SENATORS VOTING AYE: HARTUNG, WALDEN & PHILLIPS

NAY: TROW AND GOLD

182 Chair Phillips -MOVES ADOPTION OF THE PROPOSED (-19) AMENDMENTS TO
HB 2204A (health insurance premiums)

-HEARING NO OBJECTION, THE CHAIR SO ORDERS

180 Sen Gold -MOVES ADOPTION OF THE PROPOSED (-13) AMENDMENTS (AS AMENDED) TO

HB 2204A

-speaks to the bill: "since the (-11) Amendments have been adopted...I
think it would be really nice if this committee might decide to recognize
the majority of the wage earners of Oregon"

208 Chair Phillips -ROLL CALL VOTE MOTION FAILS: 3-2

-SENATORS VOTING AYE: TROW AND GOLD

-NAY: HARTUNG, WALDEN & PHILLIPS

218 Chair Phillips -MOVES AMENDED VERSION OF HB 2204A TO THE SENATE FLOOR WITH

A DO PASS RECOMMENDATION

-ROLL CALL VOTE: MOTION PASSES 3-2

SENATORS VOTING AYE: HARTUNG, WALDEN & PHILLIPS

NAY: TROW & GOLD

(Senators Trow and Gold serve notice of a possible Minority Report)

Chair Phillips -will carry the measure on the Senate floor

HB 2992 PUBLIC HEARING

230 Chair Phillips -summarizes committee work on the measure to date

240 Steve Bender -in response to question by Sen. Gold, clarifies intent of
the (-13) Amendments to HB 2204A which were part of the work session listed
above

285 Chair Phillips -refers to Proposed (-6) Amendments to HB 2992 (Exhibit D)
and Rough Draft of Summary Changes to HB 2992 (Exhibit C)

294 Jack Roberts Bureau of Labor and Industries, Commissioner

-reviews Rough Draft of Summary of Changes to HB 2992 (Exhibit C)

-questions and discussion interspersed

TAPE 128 SIDE A

007 Roberts -continues explanation of Summary of Changes to HB 2992 (Exhibit
C)

038 -explains provisions of Section 9 in Summary (Exhibit C)

070 Chair Phillips -states for the record, legislative intent requesting the
Bureau to study issues of "job targeting and wage averaging"

-questions about advisory committee and decision-making authority

100 Roberts -in response to question from Sen. Trow, states intent for a
balanced and fair advisory committee with members not "hostile" to
prevailing wage law

134 Roberts -continues presentation with questions and discussion
interspersed

290 Chair Phillips -asks about Rep. Luke's concern regarding timing of
surveys and ability to "contract out for surveys"

302 -discussion of options for contractor in conducting surveys

318 Roberts -states Commission intent for dates of conducting surveys

-advises that the limited time frame creates bias toward using a public
agency for the first survey

347 Jack Kalinowski -Citizen of Oregon

-supports "contracting out ability" requested by the Bureau of Labor and
Industries

-suggests conceptual amendment to page 3, lines 7-8 of Proposed (-6)
Amendments that "no money will be paid by the public contracting agency to

the successful bidder until the fee has been paid"
387 -states reservations about including language regarding job targeting on

page 6 of the Proposed (-6) Amendments (Exhibit D)
-questions and discussion

TAPE 127 SIDE B

018 Kalinowski -states for the record: "I don't like raising the threshold in
this bill"

020 Don O'Brien -Associated General Contractors, Oregon-Columbia Chapter
-states for the record as in support of the Proposed (-6) Amendments to
HB 2992 (Exhibit D)

035 -describes contracting process and at what point the payment of fees
should be required, expresses concerns that surveys will be conducted so as

to include all labor rates, and suggests areas of representation for the
advisory committee

049 -describes standpoint of contractors regarding a strict violation clause

for penalties, detailed record-keeping process, "fly-by-night" companies,
and qualifications of vendors in public projects

066 -discussion of penalty language in Section 14 of Proposed (-6)
Amendments to HB 2992 (Exhibit D)

075 Bob Shiprack -Oregon Building Trades Council
-re-introduces concept of fee collection method through certified payroll
procedure which would provide a "valuable tool for enforcement"

113 -proposes conceptual amendment that the public contracting agency be
responsible for collecting the certified payrolls

-suggests an additional subsection 4 in Section 16 of the Proposed (-6)
Amendments with language proposed by the Bureau of Labor and Industries
(Exhibit E)

124 -discussion of Section 12 language in Proposed (-6) Amendments to
clarify the role of the of advisory committee

160 Roberts -in response to questions by Chair Phillips, states preference
and rationale for staying "as close to federal standards and methodology as

possible"

188 Chair Phillips -states options for committee consideration

213 -MOVES CONCEPTUAL AMENDMENT TO PROPOSED (-6) AMENDMENT TO HB 2992 "AT THE

TIME OF THE FIRST PROGRESS PAYMENT, NOT LATER THAN 60 DAYS"

-HEARING NO OBJECTION, THE CHAIR SO ORDERS

217 Chair Phillips -MOVES CONCEPTUAL AMENDMENT TO PROPOSED (-6) AMENDMENT TO
HB 2992 AT SECTION 16 TO ADD (4) "CERTIFIED STATEMENTS RECEIVED BY PUBLIC
CONTRACTING AGENCIES SHALL BE OPEN TO INSPECTION" AND (5) "THE PUBLIC
AGENCIES SHALL BE ABLE TO CHARGE FOR THOSE"

-HEARING NO OBJECTION, THE CHAIR SO ORDERS

226 Chair Phillips -MOVES CONCEPTUAL AMENDMENT OF THE "CONTRACTING OUT
DEFINITION" (EXHIBIT E) INTO THE PROPOSED (-6) AMENDMENTS TO HB 2992

-HEARING NO OBJECTIONS, THE CHAIR SO ORDERS

237 Chair Phillips -instructs staff to prepare and circulate the Proposed
(-6) Amendments in final form to all interested parties

-sets rehearing of the issue "date certain" for 5/23/95 at 1:00 pm

SB 562 WORK SESSION

(Sen. Phillips briefly excused - Sen. Gold assumes duties as Acting Chair)

257 Elizabeth Harchenko -Attorney General, Special Counsel

-summarizes status of litigation on the PERS issue

-regarding the Marion County circuit court class action involving retirees
from PERS and their respective former employers, the trial judge has issued

an opinion based on all the arguments and will stay any order until appeal:

- a. the State of Oregon should stop taxing state employees
- b. local employers should not be held financially responsible
for cost of a remedy to PERS retirees (State of Oregon is
responsible)
- c. automatic remedy coming out of PERS

-the issue still to be resolved is how to calculate what is due to any one

person

-no opinion has been given about the status of federal employees

310 -questions and discussion of how the matter might proceed

340 Harchenko -refers to policy option chart presented by staff (Exhibit F)
352 Harchenko -explains retirement income policy options for consideration by

the legislature:

1. SB 562 - exemption option
373 2. measure passed out of House finance committee for a benefit increase approach addressing years 1991 forward which would create an increase in retirement benefits to offset the consequences of taxation for PERS retirees who have constitutionally protected rights to tax exemption on their benefits
384 -questions and discussion about ruling of Circuit Court judge
TAPE 128 SIDE B
004 Marjorie Lowe -Department of Administrative Services on behalf of Governor Kitzhaber
-distributes and paraphrases written testimony on behalf of Governor Kitzhaber in opposition to SB 562 but in support of HB 3349 (Exhibit G)
093 Ted Demezes -Oregon Council of Federally Related Organizations, Legislative Chairperson
-requests that SB 562 as amended be further amended to include a method of refunding taxes collected from public retirees from 1/1/91 through 12/31/96
-states support for SB 562 as amended in regards to exempting pension income
110 Chair Phillips -MOVES PROPOSED (-6) AMENDMENTS (proposed by Sen. Brady Adams) TO SB 562 (presented as Exhibit H on 5/17/95)
126 James Scherzinger -presents staff review of Proposed (-6) Amendments (Exhibit H on 5/17/95)
155 Chair Phillips -ROLL CALL VOTE ON THE (-6) AMENDMENTS: MOTION PASSES 3-2 SENATORS VOTING AYE: HARTUNG, WALDEN & PHILLIPS AYE: TROW & GOLD
162 Chair Phillips -MOVES SB 562 AS AMENDED TO THE SENATE FLOOR WITH A DO PASS

RECOMMENDATION

167 -in response to question by Sen. Gold, states that the measure does not have a referral to Ways and Means
181 Sen Trow -state opposition to legislation for the following reasons: HB 3349 is a better approach because it is limited and provides remedy to people who the courts have judged as damaged, and it does not exempt "a lot

of other people from taxation and create the huge fiscal impact that this bill is going to create"

-notes impact from SB 562 in this and future biennia "and we just simply cannot afford that...it would be nice if nobody had to pay taxes, but really, if we're going to have government and provide the services we need to provide in education and human resources and public safety and all of those things, somebody's got to pay the bill...and we simply can't exclude people the way we're doing in this bill"

198 Chair Phillips -ROLL CALL VOTE ON SB 562 AS AMENDED: MOTION PASSES 3-2 SENATORS VOTING AYE: HARTUNG, WALDEN & PHILLIPS NAY: TROW AND GOLD (Senators Trow and Gold serve notice of a possible Minority Report)

208 Sen. Gold -states that "we have difficulty coping with the fiscal irresponsibility here"

Sen. Brady Adams -will carry the measure on the Senate floor
HB 2275A AND SB 101 WORK SESSION

221 Bill Beck -Portland Public Schools
-adds to his testimony of the previous day concerning the OASE agreement
-explains development of Portland Public Schools' position on the future of

their district

260 -describes progress of pre-session work group on the funding formula which examined those issues which are part of the regional cost of doing school business

285 -outlines current fiscal situation of Portland public schools and states

need for increase in revenue

-asks for committee consideration of relief for districts to deal with effects of inflation and states support for "1/4-1/4% option"

318 -questions and discussion about funding method which adjusts for regional cost of doing business

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010 -discussion continues about policy statements that relate the "cost of doing business factor" in the distribution formula

038 Chair Phillips -MOVES CONCEPTUAL AMENDMENT BY SEN. GOLD TO THE ORIGINAL

BILL "WHEREAS IT IS INTENDED THAT THE LEGISLATIVE ASSEMBLY EVALUATE THE UNIQUENESS OF INDIVIDUAL DISTRICTS TO DETERMINE IF THEY FACTOR FOR THE COST OF DOING BUSINESS" SHOULD BE INCLUDED IN THE DISTRIBUTION FORMULA BEGINNING

IN 1997-98

056 Sen Walden -reads budget note from HB 5021 (the funding bill for education) which concludes: "that the Department shall provide a work plan to the appropriate legislative interim committee at the first meeting following sine die..."

067 Chair Phillips -suggests that the appropriate revenue committee be designated
-HEARING NO OBJECTION TO SEN. GOLD'S CONCEPTUAL AMENDMENT ABOVE, THE CHAIR SO ORDERS

075 Chair Phillips -reviews prior amendments adopted to the measure

101 Chair Phillips -MOVES RECONSIDERATION OF THE PREVIOUSLY ADOPTED PROPOSED (-13) AMENDMENTS TO HB 2275A

-HEARING NO OBJECTION, THE CHAIR SO ORDERS
103 Sen Walden -MOVES SUBSTITUTION OF THE "1/4-1/4% LANGUAGE" INTO THE PROPOSED (-13) AMENDMENTS (COMMITTEE ABANDONS THE MOTION)

116 Chair Phillips -MOVES ADOPTION OF THE PROPOSED (-18) AMENDMENTS INTO HB 2275A (amendments include one quarter of one percent in both of the next two years, the poverty factor, SB 101, four small school districts, and 95% floor)

-HEARING NO OBJECTION, THE CHAIR SO ORDERS
124 Sen Gold -MOVES PROPOSED (-19) AMENDMENTS TO HB 2275A AS AMENDED

142 Chair Phillips -ROLL CALL VOTE MOTION FAILS: 3-2

-SENATORS VOTING AYE: HARTUNG, TROW & WALDEN
NAY: GOLD & PHILLIPS

Chair Phillips -describes measure's impact on equalization districts who "win no matter what happens"

202 Chair Phillips -summarizes amendments adopted to HB 2275A:
-SB 101 into HB 2275A
-1/4% for each of the next two years for flat funded districts
-poverty language (-16) amendments
-money for 4 school districts
-5% floor or 95% full funding
-conceptual "whereas"

220 Sen Hartung -expresses opinion that "I'm certainly not happy with it, but

I don't see that we have any other options...I wish we could have moved further towards equalization, but we have to have some balance and this comes closest to it so I'm going to vote for it"

228 Sen Walden MOVES HB 2275A AS AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION

230 Chair Phillips -ROLL CALL VOTE MOTION PASSES 5-0
SENATORS VOTING AYE: HARTUNG, TROW, WALDEN, GOLD & PHILLIPS

(no carrier of bill designated)

Chair Phillips -adjourns meeting at 3:30 pm

Janice DeVito
Committee Assistant

Kimberly Taylor James
Office Manager

Exhibits Summary:

- A. HB 2204A, Bender, Revenue Impact of HB 2204A and Proposals
- B. HB 2204A, Bender, Proposed (-19) Amendments to HB 2204A
- C. HB 2992, Bender, Summary of Changes to Proposed (-4) Amendments to HB 2992
- D. HB 2992, Bender, Proposed (-6) Amendments to HB 2992 (CW/hk) 5/18/95
- E. HB 2992, Bender, BOLI Contracting Language, 5/18/95
- F. SB 562, Scherzinger, Retirement Income Policy Options, 5/18/95
- G. SB 562, Lowe, testimony from Department of Administrative Services
- H. SB 562, Scherzinger, History of Retirement Taxation Issue
- I. HB 2275A, Drake, General Fund Ending Balances, 5/18/95