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WORK SESSIONS SB 323, 376 & 377
PUBLIC HEARING SB 376 & 377
TAPES 040-041, A/B

SENATE COMMITTEE ON GOVERNMENT
FINANCE AND TAX POLICY

FEBRUARY 22 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

Excused: Sen. Eugene Timms

Witnesses: Craig Berkman, Portland, OR
Gary Carlson, Associated Oregon Industries
Tom Berry, Northwest Natural Gas
Doug Dunford, Natural Gas Refund Program
Lana Butterfield, Northwest Propane Gas Association
Ivan Jaques, Northwest Propane Gas Association
Tom Berry, Northwest Natural Gas
Arch Hudelson, Meter Equipment Company, Portland
Larry Joholske, Ferrellgas
John Buller, McMinnville Gas
Mark Ford, Oregon Dept. of Transportation
Debra Downey, AAA Oregon
John Burns, Western States Petroleum
Mike Sims, Oregon Gasoline Dealers Association
Brian Boe, Oregon Petroleum Marketers Association
Dave Barenberg, League of Oregon Cities

Staff: James Scherzinger, Legislative Revenue Officer
Richard Yates, Legislative Revenue Office
Steve Bender, Legislative Revenue Office
Janice DeVito, Committee Assistant

TAPE 040 SIDE A

005 Chair Phillips -calls the meeting to order at 1:35 pm as a subcommittee
-announces meeting plan for the day

SB 323 WORK SESSION

015 Craig Berkman -business person, Portland, OR
Berkman -states objective of measure to create a better investment climate
in Oregon which will create jobs
-presents comments and suggestions to the committee for study of
trends/data and amendments to SB 323
080 -suggests consideration of a sunset clause so legislation will not
remain on the books unless benchmarks are met
(quorum established)
107 Chair Phillips -outlines options for committee consideration
130 Steve Bender -presents staff report of methodology used to estimate
revenue impact of two amendments to the bill and determine types of
investments which might be eligible for deferral on this bill
-(-2) Amendments to SB 323 (Exhibit A)
-(-4) Amendments to SB 323 (Exhibit B)
175 -explains types of capital gains eligible for deferral
220 -describes types of businesses eligible for or restricted from deferral
277 -questions and discussion about SB 323's effect on proprietorships,
S-Corps and C-Corps
311 Gary Carlson -Associated Oregon Industries (bill sponsors)
-states purpose of measure to implement the concept of rollover at lowest
cost to the Treasury and to address areas most in need of that treatment
(smaller enterprise and entrepreneur)
-questions and discussion about phase-in, future investment pool concept,
and "fairness factor"
360 Craig Berkman -explains financing patterns of businesses and effect of a
cap on total investment by founders of C-Corps to minimize adverse effect
on state revenue
-urges committee consideration of "cap"concept which might stimulate job
creation and broaden the investment pool
388 Gary Carlson -states that concept of measure is more important than
specific points of administrative issues
-questions and discussion

TAPE 041 SIDE A

020 -questions and discussion about limiting impact on gain with a cap,
reinvestment of capital in Oregon, flow of money leaving the state untaxed,
and "sweat equity and intellectual capital" backed by high net worth
individuals or institutional sources
057 Berkman -"to limit therefore, this deferral only to founders and not to
people who have put in money at subsequent (financing) rounds, it seems to
me, defeats the purpose of at least in the C-Corp example, of what
hopefully you're trying to get at here"
-placing a cap on gain might not be a good idea because it may compromise
the amount of money going back into the economy
074 Chair Phillips -directions to staff
098 -questions and discussion about staff's basis for calculation of revenue

impact

174 Chair Phillips -restates direction to staff for preparation of additional
information
225 Berkman -states opinion that policy requiring active management in order
to qualify for deferral should be examined
-questions and discussion

SB 376 PUBLIC HEARING

294 Dick Yates -presents staff overview of SB 376 which makes a change in the
way fuel taxes are assessed
-(-1) Amendments to SB 376 (Exhibit C)
-bill asks that compressed natural gas be taxed at a lower rate than liquid
fuel
328 Tom Berry -Northwest Natural Gas
-introduces Dick Allen, Roger Martin and Doug Dunford
340 Doug Dunford -Natural Gas Vehicle Program
360 -describes measure as a taxation "fairness issue"
-discussion about fiscal impact, equity of taxation rate, environmental

considerations in use of alternative fuels, and cost responsibility

TAPE 040 SIDE B

025 Doug Dunford -Northwest Natural Gas
-at the request of Chair, comments on SB 377 which addresses a reduction in the highway tax of \$.15 for natural gas fuels
-highway tax only pertains to private fleets which have no mandates until the 1992 Energy Policy Act e becomes effective in 2004
-urges committee support of the bill which limits financial exposure as it sunsets in 2000 and encourages use of clean air American fuel

067 Lana Butterfield -Northwest Propane Gas Association
-introduces Ivan Jaques who is Engine Fuel Sales Manager for Suburban Propane Company
-distributes written testimony (Exhibit D) in support of (-1) Amendment
-states for the record , appreciation for Walt Brauer who works in the tax collection process for the use fuels tax of the financial services branch of Oregon Department of Transportation
-asks for adoption of (-1) amendment and passage of SB 376

099 Ivan Jaques -Northwest Propane Gas Association
-speaks about use fuel premium, Energy Policy Act and amendments to Clean Air Act
-urges passage of SB 376 which results in taxation of fuels on the same BTU parity
-at the request of Chair, comments that SB 377 creates an incentive for increase of energy use "rather than just a level playing field
-discussion of rationale that justifies current disparity in rates

173 Tom Berry -Northwest Natural Gas Company
-comments briefly about lack of justification for current rates

197 Arch Hudelson -Meter Equipment Company, Portland
-states reasons for support of both SB 376 and SB 377

210 Larry Joholske -Ferrellgas, Salem
-testifies in support of both SB 376 and SB 377

220 John Buller -McMinnville Gas, McMinnville
-states support of both SB 376 and SB 377

250 Mark Ford -Oregon Department of Transportation
-distributes testimony in support of SB 376 (Exhibit E) and in opposition of SB 377 (Exhibit F)

270 Debra Downey -AAA Oregon
-states concerns about cost responsibility and emissions issues

SB 377 PUBLIC HEARING (see bolded comments in hearing for SB 376 above)

317 John Burns -Western States Petroleum
-cautions committee about public policy ramifications of SB 377
- states for the record, "that my clients, people in my association, are very concerned about starting down that road again"
-"we went through this in the late 70's with Governor Atiyeh, who probably had the most comprehensive energy program of any Governor in Oregon and we had a pretty good energy policy without deviation"

365 Mike Sims -Oregon Gasoline Dealers Association
-testifies in opposition of SB 377

377 Brian Boe -Oregon Petroleum Marketers Association
-expresses neutrality on SB 376, but opposition of SB 377

385 Chair Phillips -asks opponents for brief written history of issue

417 David Barenberg -League of Oregon Cities
-states opposition to SB 377 and presents written testimony (Exhibit G)

434 -position on SB 376 relates to cost responsibility aspect

441 Chair Phillips -adjourns meeting at 3:00 pm

Janice DeVito
Committee Assistant

Kimberly Taylor James
Office Manager

Exhibits Summary:

- A. SB 323, Bender, Proposed (-2) Amendments, 2/21/95 (BPS/dj/hl)
- B. SB 323, Bender, Proposed (-4) Amendments, 2/22/95 (BPS/dj/hl)
- C. SB 376, Yates, Proposed (-1) Amendments, 2/21/95 (JR/hl)
- D. SB 376, Butterfield, Northwest Propane Gas Association letter of support

for (-1) Amendment 2/22/95

- E. SB 376, Ford, Oregon Department of Transportation letter 2/22/95
- F. SB 377, Ford, Oregon Department of Transportation letter 2/22/95
- G. SB 377, Barenberg, League of Oregon Cities testimony, 2/27/95
- H. SB 377, Butterfield, Northwest Propane Gas Association letter of support

for (-1) Amendment 2/22/95