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WORK SESSIONS: SB S 101, 337, 801
AND HB 2204A
PUBLIC HEARINGS: SB S 337, AND 801
TAPES 072-073, A/B

SENATE COMMITTEE ON GOVERNMENT
FINANCE AND TAX POLICY

MARCH 30, 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: Randy Leonard, Oregon State Senator District 9
Bill Selby, Portland City Attorney's Office, Fire
and Police Retirement Fund
Edwin L. Freeman, Portland Fire and Police Disability Retirement Fund
Jim Schwager, Oregon Fire Marshal's Association
Gary Wilhelms, U.S. West Communications
Roger Martin, Alaska Airlines and Air Transportation Association
Denise McPhail, Portland General Electric
Gary Carlson, Associated Oregon Industries
Jim Manary, Oregon Department of Revenue
Bob Cantine, Association of Oregon Counties
Jim Bucholz, Oregon Department of Revenue
Karen Brazeau, Oregon Department of Education
Ozzie Rose, Confederation of Oregon School Administrators

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

TAPE 072 SIDE A

005 Chair Phillips -calls the meeting to order at 1:35 pm

SB 801 PUBLIC HEARING

010 Randy Leonard -Oregon State Senator District 9
-introduces Bill Selby, Ed Freeman and Babette Means

019 Leonard -presents background information about operation of the Fire and
Police Benefit Fund in regard to voter authorization of benefits which are
similar to PERS and worker's compensation

-explains that SB 801 creates the authority to place an initiative before
the voters that would create a framework to fund the benefit plan

046 Bill Selby -states support of both labor and management for the measure
 Attorney -Fire and Police Retirement Fund, Portland Office of City
 075 -distributes written testimony in support of SB 801 (Exhibit A)
 -comments on need to amend Portland city charter statutes
 085 Edwin L. Freeman -questions and discussion about effect of Measure 5 on the total city
 levy -City of Portland Fire and Police Disability and
 Retirement Fund, Fund Administrator
 129 -distributes written testimony in support of SB 801 (Exhibit B)
 -questions and discussion about reserve fund, status of voter approved
 plan which is not negotiated or bargained (but is actuarially determined)
 and fund management policy
 177 Selby -explains that the "issue of funding cannot occur without this
 bill" and that there is no unfunded liability in the City of Portland
 -comments on City's triple A bond rating
 -approval of SB 801 would allow creation of a fund which would allow moneys
 to be invested to decrease the cost of operation by allowing investment
 210 -questions and discussion about any known opposition to measure
 SB 801 WORK SESSION
 240 Sen. Gold -MOVES SB 801 TO THE FLOOR WITH A DO PASS RECOMMENDATION
 249 Chair Phillips -ROLL CALL VOTE: MOTION PASSES 5-0
 -SENATORS VOTING AYE: HARTUNG, TROW, WALDEN, GOLD & PHILLIPS EXCUSED: TIMMS
 Senator Leonard -will carry bill on the Senate floor
 SB 337 PUBLIC HEARING/WORK SESSION
 261 Jim Schwager -Oregon Fire Marshal's Association
 -clarifies that measure was introduced by Oregon Fire Marshal's Association

 rather than by City of Portland
 -explains work by task force to find ways of encouraging installation of
 automatic sprinkler systems in existing properties
 309 -describes that SB 337 provides a moratorium on increased assessed
 valuation of properties when sprinkler systems are installed, and provides
 accelerated depreciation to aid larger investments
 -notes major emphasis this session on SB 1065 which authorizes bonding
 authority to avail property owners of low-interest loans
 325 -questions and discussion about fiscal impact
 360 Chair Phillips -notes that hearing continues on same bill, but testimony
 will be received about relating clause and proposed amendments
 370 Steve Meyer -refers to Proposed (-2) Amendments to SB 337 (Exhibit C)
 375 Gary Wilhelms -U.S. West Communications
 -introduces Bob Geppert
 388 Bob Geppert -U.S. West State and Local Tax Director
 -presents written testimony in support of Proposed (-2) Amendments (Exhibit

 D)
 TAPE 073 SIDE A
 045 -questions and discussion about comparable tax policy in other states,
 history and rationale of the original SB 277 with regard to definition of
 intangible property, fiscal impact, and effect of discriminatory treatment
 084 Roger Martin -Alaska Airlines and Air Transportation Association
 -comments that state of California "specifically exempts intangibles" from
 taxation
 -presents background of financial situation and competition in the airline
 industry during last decade
 -states support of proposed amendments
 119 Denise McPhail -Portland General Electric
 -distributes written testimony which includes proposed conceptual amendment

 to SB 337 (Exhibit E) to leave intact the way DOR deals with property
 assessment for utilities and add a narrow exemption for energy utilities
 153 -asks for time to confer with other utility companies on this issue
 160 -questions and discussion about criteria for assessment
 184 Gary Carlson -Associated Oregon Industries
 -explains AOI's history of involvement of this measure originally brought
 forth in 1991 as HB 3050 which encompassed the issue of intangibles
 227 -questions and discussion about inequity put in place by passage of the
 previous bill and changes in the telecommunications industry which affect
 competition
 255 Jim Manary -Oregon Department of Revenue
 -explains status of law in place regarding assessment and relates
 discussions from 1991 about DOR treatment of intangible property
 308 -describes appraisal method for central assessed properties, and "new
 policy issue" regarding inequity

320 -discussion concerning unintended inequity and need to reevaluate policy

for central assessed property

340 Chair Phillips -requests that Dept. of Revenue present additional information at future committee meeting

-questions and discussion

384 Bob Cantine -Association of Oregon Counties

-advises that he has not seen proposed amendments to SB 337 so is not prepared to comment

-states for the record that AOI is concerned and "hopes there will be a deliberate process in looking at these amendments - we feel perhaps they should have come up in another way if they're known in advance"

-asks to be involved in amendment process

HB 2204A PUBLIC HEARING/WORK SESSION

TAPE 072 SIDE B

015 Steve Bender -presents staff summary of Revenue Impact of HB 2204A and Proposals (Exhibit F)

025 Jim Bucholz -Oregon Department of Revenue

-distributes and comments on memorandum re: Subtraction of 60% of capital gain due to pre-87 installment sales (Exhibit G)

-this proposed amendment would exclude 60% of any gain now recognized on installment sales occurring prior to 1987

075 Bucholz -distributes and comments on memorandum re: Removal of reconnect to Section 179 for tax years 1993-94 (Exhibit H)

116 -questions and discussion

144 Bender -clarifies information in Revenue Impact of HB 2204A and Proposals (Exhibit F)

-discussion about definition of installment sales and treatment of capital gains from 1986 forward

SB 101 WORK SESSION

197 James Scherzinger -presents staff review of SB 101

-distributes Proposed (-1) Amendments to SB 101 (Exhibit J) which defines formula for weighting of allocation and distribution of State School Fund for students enrolled in Juvenile Corrections Education Program

255 Karen Brazeau -Oregon Department of Education

-distributes and explains Fact Sheet for Expanded Educational Programs in Juvenile Corrections (Exhibit K)

289 -questions and discussion about total costs of measure per biennium, cost to educate youth in juvenile corrections program, and special education needs of students

TAPE 073 SIDE B

024 -questions and discussion continue about extended length of school year in juvenile corrections program and cost differential for youth in corrections camps

034 Scherzinger -asks for clarification from Ms. Brazeau about characteristics of youth coming into corrections program under Measure 11 and how the weighting impacts the State School Fund

052 Ozzie Rose -Confederation of Oregon School Administrators

-comments on school distribution formula

-cautions committee to "not get hung up" on weighting effect of formula

-argues that measure "is an open siphon into the State School Fund"

084 Sen. Trow -states reason that this measure should be sent to Ways and Means

093 -discussion about expressing concerns to Ways and Means that measure not be part of Dept. of Education budget and that "we don't want this thing to be an open spigot"

107 -comments about prior legislation and position of Dept. of Education

117 Sen. Walden -expresses concern about distribution of IEPs, weighting by district, where money is going in distribution formula, and providing for the common schools rather than dealing with costs for addressing basic behavioral problems

132 Brazeau -comments on significant relationship between miSB behavior and learning problems in youth

147 Sen. Walden -suggests need to fund the security issue outside the school fund, that Ways and Means might address security as a public safety cost and not "rob the school fund"

154 Sen. Gold -explains the constitutional dilemma of providing for each student in the state up to a certain age

189 Chair Phillips -outlines committee plan to address issues of this measure

at a later meeting

-adjourns meeting at 2:55 pm

Janice DeVito
Committee Assistant

Kimberly Taylor James
Office Manager

Exhibits Summary:

- A. SB 801, Selby, testimony from Portland Fire and Police Disability, Retirement and Death Benefit Plan, 3/29/95
- B. SB 801, Freeman, testimony from Portland Fire and Police Disability and Retirement Fund, 3/30/95
- C. SB 337, Meyer, Proposed (-2) Amendments to SB 337 (BPS/dj/ng) 3/30/95
- D. SB 337, Geppert, testimony from U.S. West Communications, Inc., 3/30/95
- E. SB 337, McPhail, testimony from Portland General Electric Company, 3/30/95
- F. HB 2204A, Bender, Revenue Impact of HB 2204A and Proposals, 3/30/95
- G. HB 2204A, Bucholz, Oregon Dept. of Revenue memorandum re: Subtraction of 60% of capital gain due to pre-87 installment sales, 3/30/95
- H. HB 2204A, Bucholz, Oregon Dept. of Revenue memorandum re: Removal of reconnect to Sec. 179 expense for tax years 1993-94, 3/27/95
- I. HB 2204A, Sheketoff, memorandum re: EITC Connect, 3/30/95
- J. SB 101, Scherzinger, Proposed (-1) Amendments (CH/ng) 3/30/95
- K. SB 101, Brazeau, Fact Sheet: Expanded Educational Programs in Juvenile Corrections
- L. SB 327, Meyer, Proposed (-4) Amendments to SB 327 (BPS/dj/ng)
- M. SB 327, Meyer, Fiscal Impact Assessment, 3/9/95