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PUBLIC HEARINGS SB 719, 724, 756 & 938
WORK SESSIONS: SB S724 & 756
TAPES 076-077A/B AND 078A

SENATE COMMITTEE ON GOVERNMENT
FINANCE AND TAX POLICY

APRIL 5, 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: Peter Grundfossen, Association of Oregon Housing Authorities
Bob Cantine, Association of Oregon Counties
B.J. Smith, League of Oregon Cities
Rich Peppers, Oregon Public Employees Union
Chris Dearth, State of Oregon - Governor's Office
Jim Manary, Oregon Department of Revenue
Ellen C. Lowe, Ecumenical Ministries of Oregon and Human
Services Coalition of Oregon
Ralph Groener, American Federation of State, County & Municipal
Employees
Hanan H. Bowman, Association of Oregon Community Development
Organizations and Umpqua Community Development
Carolyn Landis, Community Development Corporation of
Yamhill County
Mike Saba, City of Portland Planning Bureau
Sondra Price, Association of Oregon Community Development
Organizations

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

TAPE 076 - SIDE A

005 Chair Phillips -calls the meeting to order at 1:06 pm

SB 938 PUBLIC HEARING

010 Sen Gold -presents overview of SB 938 which enacts Tax Accountability Act
of 1995

-explains that measure requires that all tax credits, exemptions and
subtractions be approved or re-approved by law every two years - the same
policy concept as budget bills

037 -refers to Revenue Impact of Proposed Legislation (Exhibit A)

-notes change in effective dates - see Proposed (-1) Amendments (Exhibit B)
-in effect, the measure would place a two-year sunset on all credits and exemptions

055 -questions and discussion concerning process, purpose of related bill
SB 719, treatment of tax credits as expenditures and clarification of impact

of this measure on Governor's budget preparation

167 Sen Gold -explains the necessity of examining all expenditures even though they may not have a sunset provision
-questions and discussion continue

195 Gold -"the whole purpose of this and the other bill (SB 719) is to establish some kind of order into the chaos of tax credits and exemptions"

200 Sen Trow -agrees with need to do a better job of reviewing, reevaluating, and reassessing, and states need for the right mechanism to accomplish it

221 Steve Bender -presents staff comment
-refers to technical correction made by Proposed (-1) Amendments to SB 938
-explains that measure would increase 1995-97 state revenue by approximately \$2 billion, and that measure would be statutory (not a constitutional amendment)

255 Sen Gold -summarizes importance of measure's concept that "you don't forever protect credits and exemptions just because they're there"

287 Peter Grundfossen -Association of Oregon Housing Authorities
-notes apprehensions about measure as they related to low-cost housing and non-profits: 1) the amount of work/time needed by all those who currently hold exemptions in order to renew their status every two years 2) possible problems in financing if stability of exemption status is not guaranteed

361 -questions and discussion about State Treasurer's opinion of this measure's effect on bonding authority

384 Bob Cantine -Association of Oregon Counties
-thinks ideas presented in measure "are worth pursuing" and suggests ongoing and public review on a "real time basis"
-encourages committee to address this significant issue

TAPE 077 SIDE A

017 B.J. Smith -League of Oregon Cities
Smith -states that biggest task for committee is "overall challenge of tax system management"

044 -suggests process to analyze how things change over time, method of tracking intent of bill and whether exemption meets/exceeds financial impact understanding
-emphasizes development of criteria for tax expenditures, integration of criteria into decision-making process, and study of exemptions during the interim

061 -mentions spreadsheet method used by League of Oregon Cities in tracking cumulative effect of legislated tax expenditures
-suggests adequate discussion with cities and counties that would prompt mitigation/change in tax expenditure approach

SB 719 PUBLIC HEARING

093 Sen Gold -explains that SB 719 calls for a tax expenditure report for the biennium prepared by the Department of Revenue in even-numbered years to be a part of the Governor's budget presentation to the legislature
-provides rationale and history of measure
-refers to Research Report: Oregon Tax Expenditures (Exhibit G)

150 -refers to Statutory Goals for the Oregon Tax System (Exhibit C)

185 -refers to Proposed (-1) Amendment to SB 719 (Exhibit E) which aligns the measure with a companion bill introduced in the House

211 Jim Scherzinger -presents and explains Staff Measure Summary of SB 719-1 (Exhibit D)

261 -refers to 1995 Fiscal Impact Statement from the Department of Revenue (Exhibit F)

273 Sen Gold -explains that Statutory Goals for the Oregon Tax System (Exhibit C) were used as a basis for developing criteria and that twenty-two other states already have in law the concept of developing a report
-questions and discussion
(Sen. Gold assumes duties of Acting Chair)

338 Rich Peppers -Oregon Public Employees Union
-presents testimony in support of SB 719
-states that analysis of tax expenditures in one report will "boost" overall credibility of state budgeting process

384 Chris Dearth -State of Oregon - Governor's Office

-expresses Governor Kitzhaber's support of SB 719 and distributes written testimony from Office of Governor (Exhibit I)

-questions and discussion about how report might be used by the Governor

TAPE 076 SIDE B

022 Jim Manary -Oregon Department of Revenue
-explains how the Department would be "partners in terms of this process" in preparing the bulk of data for the report with Department of Administrative Services producing the final report

-questions and discussion about importance of timing the report to facilitate Governor's budget process and differentiation between purposes of SB 719 and SB 938

100 Ellen C. Lowe -Ecumenical Ministries of Oregon and Human Services Coalition of Oregon

-states reasons for support of SB 719

-sees measure as a way of placing in full view "all the things we do with the taxes that are collected"

-applauds work of Legislative Revenue Office in preparation of report: Oregon Tax Expenditures (Exhibit G) and points to importance of lines 17-23

on page 2 referring to analysis of cost effectiveness

155 -cites discussion about using tax credits, tax subsidies and tax deductions in combination with federal grants to achieve expanded health care

(Sen. Phillips returns to assume duties as Chair)

173 -questions and discussion about any known opposition to measure

214 Chair Phillips -confirms support of the measure by League of Oregon Cities and Association of Oregon Counties

219 Ralph Groener -American Federation of State, County & Municipal Employees ()

-states reasons for support of SB 719 and relates experience with tax policy

development

264 -sees report as a vehicle for discussion and suggests referral to the public

-suggests measure be implemented as a constitutional amendment

SB 724 PUBLIC HEARING

285 Steve Meyer -presents staff overview of bill which allows partnership between a nonprofit corporation and a for profit corporation in order to qualify for property tax exemptions for specific low income rental housing programs

330 -refers to Revenue Impact of Proposed Legislation (Exhibit J)
-questions and discussion

365 Hanan H. Bowman -Association of Oregon Community Development Organizations and Umpqua Community Development Corporation

-cites Oregon statute relating to limited partnerships

-explains that use of low income housing tax credits is the "major tool that we have for affordable housing"

-asks current language in ORS 307.480 applicable to farm worker housing be also applied to ORS 307.515 and ORS 307.540 to make statutes consistent

TAPE 077 SIDE B

045 -discussion and questions about definition of eligibility for exemption and accountability of limited partnerships

088 Carolyn Landis -Community Development Corporation, Yamhill County

-states support for bill, reiterates that it "creates no obligation on any local jurisdiction to grant a tax exemption" and describes that it is a housekeeping bill that establishes a state-wide criteria for the local jurisdiction tax exemption process

95 -explains benefits to entities involved in process

126 Peter Grundfossen -Association of Oregon Housing Authorities

-speaks about efforts to encourage development of housing for low-income people

-thinks avenue of help which has been outlined in measure "is a good one" and that it gives options to local communities

151 Mike Saba -City of Portland Planning Bureau

-states strong support for this "housekeeping measure"

SB 724 WORK SESSION

180 Meyer -presents staff clarification of expected result of SB 724

-questions and discussion about who is specifically affected under this measure, type of structures, definition of eligible basis, and number of units in affected apartment dwellings

265 Bowman -comments about restrictions for use of tax credits on scattered site development

291 B.J. Smith -provides input from the local government perspective about two elements of the bill

327 Sen. Trow -MOVES SB 724 TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION

345 Chair Phillips -ROLL CALL VOTE: MOTION PASSES 5-0
 -SENATORS VOTING AYE: HARTUNG, TROW, WALDEN, GOLD & PHILLIPS EXCUSED: TIMMS
 Sen. Gold -will carry the bill on the Senate floor (bill introduced by
 Senator Cease)
 SB 756 PUBLIC HEARING
 354 Steve Meyer -presents staff overview of SB 756 which extends sunset on
 property tax exemption granted for single-family housing units constructed
 in distressed areas of cities
 373 Sondra Price -Association of Oregon Community Development Organizations
 -highlights written distributed testimony in support of SB 756 (Exhibit H)
 TAPE 076 SIDE A
 014 Mike Saba -Portland Planning Bureau
 -refers to written testimony (Exhibit M) in support of legislation which
 would aid neigHB orhood revitalization
 036 -questions and discussion about local authority to grant this type of
 property tax exemption
 SB 756 WORK SESSION
 070 Sen. Trow -MOVES SB 756 TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION
 073 Chair Phillips -ROLL CALL VOTE: MOTION PASSES 5-0
 -SENATORS VOTING AYE: HARTUNG, TROW, WALDEN, GOLD & PHILLIPS EXCUSED: TIMMS
 Sen. Trow -will carry the bill on the Senate floor (bill introduced by Sen.
 McCoy)
 082 Chair Phillips -adjourns the meeting at 3:30 pm

Janice DeVito
 Committee Assistant

Kimberly Taylor James
 Office Manager

Exhibits Summary:

- A. SB 938, Bender, Revenue Impact of Proposed Legislation, 4/02/95
- B. SB 938, Bender, Proposed (-1) Amendments to SB 938 (BPS/dj/ng) 4/5/95
- C. SB 719, Gold, Statutory Goals for the Oregon Tax System (with attached Tax

Credit and Exemption Criteria)

- D. SB 719-1, Scherzinger, Staff Measure Summary
- E. SB 719, Scherzinger, Proposed (-1) Amendments to SB 719 (BPS/dj/ng) 4/5/95
- F. SB 719, Scherzinger, 1995 Fiscal Impact Statement of Measure SB 719 from
 Oregon Department of Revenue, 3/21/95
- G. SB 719, Scherzinger, Oregon Tax Expenditures (research report) 9/19/94
- H. SB 719, Dearth, testimony on behalf of Governor John Kitzhaber, 4/5/95
- I. SB 724, Meyer, Revenue Impact of Proposed Legislation, 4/3/95
- J. SB 724, Bowman, letter from Lane County Legal Aid Service, Inc./Van
 Landingham, 4/3/95
- K. SB 756, Meyer, Revenue Impact of Proposed Legislation, 4/3/95
- L. SB 756, Price, testimony from Association of Oregon Community Development
 Organizations (AOCDO) 4/5/95
- M. SB 756, Saba, testimony from City of Portland Planning Bureau, 4/5/95