

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.

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Public Hearing HB 2865, 3018, Invited Testimony HB 2275

& B

House Committee on  
State and School Finance  
April 6, 1995 Page

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HOUSE STATE AND SCHOOL FINANCE COMMITTEE

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APRIL 6, 1995 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

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Members Present: Rep. Tony Federici, Vice Chair  
Rep. Tim Josi  
Rep. Jane Lokan  
Rep. Anitra Rasmussen  
Rep. Ken Strobeck  
Rep. Jim Welsh

Members Excused: Rep. John Schoon (10:10 am arrival)  
Rep. Lee Beyer  
Rep. John Watt

Witnesses Present: Rep. Milne, District 38  
Jim Seagraves, Retired Economist  
Garth Rouse, Oregon Association of Health Underwriters  
Gerry Thompson, Oregon Association of Health Underwriters  
Lee Edwards, Mapleton School District #32 Superintendent  
Carrie West, Mapleton High School

Staff: James Scherzinger, Legislative Revenue Officer  
Rhonda Wehler, Committee Assistant  
Steve Bender, Legislative Revenue Office  
Terry Drake, Legislative Revenue Office

TAPE 149 SIDE A  
004 Vice Chair Federici -calls the meeting to order at 9:15 am and conducts administrative business  
012 Rep. Adams -offers to assist Rep. Watt with necessary background information  
034 -OPENS PUBLIC HEARING ON HB 2865 AND HB 3018  
HB 2865, HB 3018  
038 Steve Bender -explains bill establishes medical savings accounts (MSA) in

Oregon  
-refers to Exhibit L, 4/5/95, outlining issues in structuring MSAs  
-adds language to provisions to tax code allowing medical savings accounts to be established by employer on behalf of employee  
-employee would not have to pay tax on those \$  
-employee could also contribute and deduct that amount from taxable Oregon income  
Bender -informs MSAs would be established as trust accounts with limitations (no more than \$2,000 per person, maximum \$12,000 per household)  
-employee could subtract contributions on tax return, thereby reducing tax  
-clarifies contributions made by employer would be taxable for purposes of federal income tax, since federal government has not approved or established MSAs  
-states with established MSAs have not been granted a waiver by federal government  
114 Rep. Milne -refers to Exhibit A, Written Testimony, giving reasons for her support of HB 2865  
-reduces burden of government on individuals and small businesses  
-addresses rising health care costs for employers  
223 All -questions and discussion  
243 Bender -explains funds used for eligible medical expenses may be withdrawn without penalty  
-when \$ are withdrawn for other reasons, \$ are taxed and 10% penalty is imposed

261 Rep. Milne -adds catastrophic plan would be maintained in addition to medical savings  
 -supports flexibility for employer and employee

308 Bender -explains neither bill requires the MSA holder to have catastrophic health insurance policy, but most would want coverage with very large deductible  
 -refers to Revenue Impact Statements, Exhibits J (HB 2865) and M (HB 3018)

from 4/5/95  
 -under current law all taxpayers under age of 60 eligible to deduct medical expenses from Schedule A of Tax return if they exceed 7.5% of adjusted gross income, includes out of pocket expenses and medical insurance payments  
 -bill allows all taxpayers to deduct expenses without meeting 7.5% regardless of age

TAPE 150 SIDE A

004 -further explains MSA \$ can be deposited and withdrawn the same week in order to receive deduction  
 -assumes in revenue impact that employee will use account to pay all medical bills, resulting in -\$35 million revenue impact now, \$79 million in next biennium

-notes a fee may be imposed for MSAs due to required record keeping  
 -clarifies if employee pays \$1,000 to MSA, it doesn't matter if he uses it in MSA or to buy insurance  
 -bill as drafted would not have significant employer participation due to federal tax rates ranging from 15-39.6% for \$ deposited by employer

Bender -informs self-employed cannot deduct own health insurance costs under federal law

-under HB 2865, self employed can deduct cost of insurance premiums

107 Jim Seagraves -expresses support of HB 2865  
 -notes many economists endorse idea

135 -7 states have MSAs, 20 states are considering MSA legislation  
 -refers to Exhibit I, Written Testimony, 4/5/95  
 -suggests language change that employee with MSA be required to buy a basic, low-cost, high deductible catastrophic health insurance plan

356 Gerry Thompson -speaks in support of MSAs  
 -provides affordability for health care, providing consumer greater control over health care needs

TAPE 149 SIDE B

003 Garth Rouse -refers to Exhibit B, Written Testimony, supporting MSAs  
 -asserts federal legislation must pass to encourage employers participation in MSAs

064 Vice Chair Federici -CLOSES PUBLIC HEARING ON HB 2865 AND HB 3018

065 -adjourns meeting at 10:10 am

069 -reopens meeting at 10:10 am at request of Rep Welsh

INVITED TESTIMONY ON HB 2275

076 Rep Welsh -discusses problems with HB 2275  
 - in 2 years Mapleton school district would experience 25% reduction in funds with current formula

112 -asserts state funding formula should reflect what schools need, many fall under federal poverty guidelines  
 -asks approval of HB 2273, which adds provision to use 1990 census and weighted factor for declining enrollment

136 Carrie West -desires adequate school funding for Mapleton School District

146 Terry Drake -explains free and reduced lunch, current census data is projected ahead for each year, trended according to school account  
 -Mapleton has had student decline, so lower census data, lower poverty count \$ received according to overall student change even if more students under poverty level  
 -notes federal government precludes using Title I, can't offset state funds by how much federal \$ are received

210 Lee Edwards -stresses poverty index should not be based just on federal standards but on reality they are facing

240 Chair Schoon -adjourns meeting at 10:25 am

Rhonda Wehler, Committee Assistant

Kimberly Taylor James, Office Manager

#### Exhibit Summary

- A. HB 2865, Milne, Written Testimony, 4/5/95
- B. HB 2865, Rouse, Written Testimony, 4/6/95
- C. SB 328 A, English, Written Testimony, 4/6/95