

I Work Session: HJR 59  
HJR 61  
SB 79A  
Tapes 41-42 A/B  
43-44 A  
HOUSE COMMITTEE ON  
HOUSE REVENUE AND SCHOOL FINANCE  
PROPERTY TAX SUBCOMMITTEE

MARCH 9, 1993 8:00 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Representative Tom Brian, Chair  
Representative Mike Burton  
Representative Margaret Carter  
Representative Fred Girod  
Representative Delna Jones  
Representative Jim Whitty

Witnesses Present: Peter Grundfossen, Association of Oregon Housing  
Authorities Bill Nelson, Oregon Winegrowers' Association John Miller,  
Chairman, Oregon Wine Advisory Board Mary Tobias, President and Chief  
Executive Officer, Tualatin Valley Economic Development Corporation, Tigard  
John Hall, Economic Development, Executive Department Karma Elmore,  
Department of Revenue Gil Riddell, Association of Oregon Counties  
Representative Liz Vanleeuwen, District 37

Staff: James Scherzinger, Legislative Revenue  
Officer

Steve Bender, Legislative Revenue Office  
Steve Meyer, Legislative Revenue Office  
Paula McBride, Committee Assistant

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006 CHAIR BRIAN called the meeting to order at 8:14.  
007 CHAIR BRIAN opened the Work Session on HJR 59 and invited testimony.  
020 PETER GRUNDFOSSEN said his group is especially interested in the issue  
of over-consumption of alcohol and drugs in society, especially because  
this issue effects the housing of people. Abuse leads to dysfunctional  
individuals and dysfunctional families, who end up on the streets. He  
supported further taxing of beer and wine; however, he did not want the  
Committee to dedicate those  
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taxes through the Oregon Constitution, as proposed in HJR 59. The better  
public policy would be to leave options open to the Legislature rather than  
to mandate something.

050 CHAIR BRIAN discussed proposed amendments to HJR 59.  
061 STEVE BENDER said the proposed amendments were designed to address  
outstanding issues in HJR 59. The first issue was the actual language of  
the dedication itself (HJR 59-2 and HJR 59-4). The second issue was  
question of the funding for the Wine Advisory Board (HJR 59-3). The third  
issue was whether or not to accomplish this dedication statutorily or  
through the constitution, an issue that the amendments proposed do not  
quite resolve. Exhibits 1-3  
074 STEVE BENDER discussed the dedication language in HJR 59, and the  
changes requested by the Alcohol and Drug Abuse Program Directors'  
Association of Oregon. Committee members were not comfortable with removal  
of the word "education," and HJR 59-2 amendments retain the word  
"education" and add the words "prevention and intervention." Exhibit 1

093 STEVE BENDER said the Citizens for a Drug Free Oregon proposed the amendments HJR 59-4, which also addresses the dedication issue. These amendments stipulate that the money be dedicated to "alcohol and other drug prevention, intervention, and treatment determined by current research data to be the most effective." Exhibit 2

Questions and discussion interspersed concerning the issue of who would determine what "education" and "prevention" and/or "intervention" programs would be funded by revenues from HJR 59.

190 Discussion of the term "intervention" by the members in relation to HJR 59.

227 REP. JONES mentioned administrative business. She wanted members to look at the amount of revenue available to local government in 1991-93 compared to 1993-95, when an increase in the hard liquor tax will be imposed and given to the local governments. Legislative Revenue Office staff will present these figures at a later date.

Questions and discussion

261 STEVE BENDER discussed a chart used previously as an exhibit in relation to HJR 59, that indicates how the present beer and wine taxes are allocated to local governments. (see Exhibit 1, 2/25/93, "Revenue from Alcoholic Beverages: Current Law 1993-95 Projection")

Questions and discussion

306 STEVE BENDER said that if people approved HJR 59, some  
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conforming legislation should also be provided to deal with the current distribution of revenue and change it to comply with the constitutional restriction. He addressed the issue of what would happen if this conforming legislation were not passed.

Questions and discussion interspersed

402 CHAIR BRIAN summarized the information requested by the members, as follows: (1) more about how revenue is distributed, (2) how much is added to the gross revenues, distributed in an unregulated way, as a result of the hard liquor tax increase projected in the Governor's budget.

413 REP. CARTER also requested that representatives of the wine and beer industries further explain their proposed amendments.

431 STEVE BENDER discussed the amendments HJR 59-3, which were submitted by the Oregon Wine Growers' Association and relates to the Oregon Wine Advisory Board. He discussed the 2 major purposes of this Board, which is currently funded by 2 cents from the wine tax (67 cents on table wine/gallon and 77 cents for "desert" wine/ gallon) and from an assessment on growers. This money goes directly to the Wine Advisory Board rather than through the state distribution system (as described in Exhibit 1, 2/25/93).

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037 BILL NELSON described the assessment on growers which provides funds to the Oregon Wine Advisory Board.

Questions and discussion

051 STEVE BENDER said HJR 59-3 continues funding for the Wine Advisory Board, whereas the other amendments and HJR 59 itself would eliminate this revenue for the Board. He explained how HJR 59-3 would continue the funding, and precisely how the tax would be used by the Wine Advisory Board. These amendments would expand the base on how the revenues can be used by the Board.

Questions and discussion

157 BILL NELSON emphasized that grape wines demand a higher priority of the Wine Advisory Board than fruit wines, which have in fact a lower assessment on them. The amendments HJR 59-3 do not change this relationship.

Questions and discussion with BILL NELSON concerning the different assessments on grape and fruit wines.

237 BILL NELSON believed that state agencies and state services  
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benefitted from the 2 cent tax on beer and wine, and on the assessment on growers (e.g., research projects at state universities, Department of Agriculture projects).

Questions and discussion continued with BILL NELSON concerning the purposes of the Wine Advisory Board.

277 STEVE BENDER related that the statute requires that at least 1/3 of the funds be used for research and development, and 1/3 be used for promotion and marketing. The final third can be used to fund both activities, and also are used for administrative costs. He reiterated that the funds are derived from the 2 cent tax and the assessment on growers.

308 CHAIR BRIAN asked BILL NELSON for a copy of the Wine Advisory Board budget.

Questions and discussion

351 JOHN MILLER explained some features of the Oregon Wine Advisory board budget, specifically that the budget does not reflect the "matching" funds the Advisory Board receives when it does research and/or marketing with various organizations.

Questions and discussion

373 CHAIR BRIAN asked members if they wanted the 2 cent tax dedicated to the Oregon Wine Advisory Board a constitutional or a statutory issue.

Discussion

401 CHAIR BRIAN noted consensus on the issue of dedicating the 2 cent tax statutorily rather than constitutionally.

440 7 STEVE BENDER discussed amendments HB 2182-4, which were drafted to HB 218 2, currently in the Small Business Subcommittee. These amendments show what the legislation might look like if the 2 cent tax for the Oregon Wine Advisory Board was implemented statutorily rather than constitutionally. He described the amendment HB 2182-4. If the statutory method is chosen, HJR 59 cannot be used. Exhibit 4

Questions and discussion

TAPE 41 SIDE B

002 Questions and discussion continued.

032 CHAIR BRIAN closed the Work Session on HJR 59 and conducted  
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administrative business.

052 CHAIR BRIAN opened the Work Session on HJR 61 and invited testimony. He explained that HJR 61 authorized lottery funds to be used for education as well as economic development.

060 MARY TOBIAS stated she had two purposes for her testimony. One was to deliver letters to the members from an emerging business coalition that express opposition to HJR 61. The other was to express her own opposition to HJR 61, which was verbatim testimony (Exhibit 6). Exhibits 5 and 6

Questions and discussion with MARY TOBIAS concerning her position on HJR

61.

226 REP. BURTON questioned if there would even be an issue if the lottery money did not amount to more than \$135 million a year. There is a tremendous amount of interest in this money since they have increased so dramatically during the last year, and lottery revenues during the next year will be \$1,565,000,000, with a payoff of \$1,300,000,000 and leaving a sum of \$265 million that Oregonians will loss. This is a net shift in the economy, which has nothing to do with the creation of jobs. He supported the testimony of MARY TOBIAS.

251 MARY TOBIAS related that her organization had supported the sales tax in the past, and that the split-roll tax had also been considered which they believed was not necessarily detrimental to business. She stressed her group was not "anti-tax." She believed Measure 5 was a wrong approach for tax reform, and she stressed that it was a grave danger to make tax policy choices through the ballot box, which is what HJR 61 proposes to do.

Questions and discussion interspersed

329 MARY TOBIAS expressed concern for school districts and stressed she was not opposing support for education. She believed lottery dollars could be applied to school capital construction, repair, and maintenance, and to work force training. She mentioned specific programs she thought would benefit. -

375 Members discussed HJR 61, specifically on how to proceed.

410 CHAIR BRIAN mentioned an Oregon Attorney General's opinion, that determined lottery funds could be used for pre-kindergarten programs.  
Exhibit 7

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TAAE 42 SIDE

B

002 Members continued with their discussion of HJR 61.

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40 CHAIR BRIAN believed that most members would be concerned about dedicating lottery dollars for educational operation purposes, a concern specifically with language in HJR 61 on "development and education." He wanted "development" to mean only "capital construction." He also mentioned that the amount of dedicated lottery funds for economic development had increased from \$30-40 million/biennium to \$300/biennium.

061 CHAIR BRIAN closed the Work Session on HJR 61 and opened the Work Session on SB 79A.

067 STEVE MEYER recapped the issues contained in SB 79A. A previous concern raised by members was the amount of employment inside an enterprise zone, and compliance as employed increases occurred. Also explored was the issue of equity between businesses within and outside enterprise zones, and there was discussion about using SB 79A a vehicle for making the enterprise zone system compatible with the changes brought about by Measure 5 and HB 2550, the implementing legislation from last session.

088 CHAIR BRIAN related that he still had many questions about enterprise zones, and he reiterated that he had considered using SB 79A to overhaul the entire enterprise zone system. However, he wanted to discuss achieving the original intent of SB 79A and use another bill for any modifications of the system.

113 STEVE MEYER said for 19 firms SB 79A had a retroactive provision that they could qualify for refund of property taxes in spite of not meeting all the qualifications of the enterprise zone program due to a glitch in the legal parameters of the program.

Questions and discussion

148 JOHN HALL discussed the portion of SB 79A relating to the hiring requirements for existing firms in the enterprize program, designed to correct a flaw in the Oregon Revised Statutes (ORS). He believed this flaw would be corrected in SB 283 in a better way, as it gets back to the original legislative intent concerning the residency requirement of employees.

181 JOHN HALL reiterated that SB 79A was intended to correct flaws created by HB 2550 during the 1991 Legislative Session and did not create any policy changes.

Questions and discussion interspersed concerning enterprise zone program issues, specifically jobs and employees in these programs.

303 JOHN HALL discussed the status of SB 283, which is still in the Trade and Economic Development Committee. There would be a technical matter as to which companies or business are required to

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meet the more stringent hiring requirements, and he suggested an effective date of or around January 1, 1994.

Questions and discussion

363 CHAIR BRIAN mentioned an issue raised by REP. VANLEEUEWEN concerning a specific business participating in the Enterprize Zone Program that moves to a different location within the zone and lost its qualification for the Program. Her amendment SB 79 A-3 to prevent this from happening. Exhibit 8

381 JOHN HALL responded to SB 79 A-3, stating the amendment bothers him because he believed firms would no longer hold a business to the requirement that employment must be increased. Rather, a firm could reduce its employment to the level that existed at the time it pre-certified.

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002 JOHN HALL continued his explanation of his objection to the amendments SB 79A-3.

010 STEVE MEYER said he didn't know if this was the intent of SB 79-A3 to allow a firm to reduce its employment, but that the amendments read that way.

Questions and discussion

018 KARMA ELMORE described in SB 79-A3, Section 23, beginning on the end of line 13, which doesn't adequately clarify whether or not a company that was disqualified would have to pay back taxes if it moves from one location to another. She believed this should be

clarified before the amendments were passed. -

Questions and discussion

070 GIL RIDDELL said a budgeting problem would be created by language in SB 79A, which might be amended in another bill (SB 283). This Section relates to late filing fees and money collected by the county, and he further explained the difficulties with the language.

085 CHAIR BRIAN suggested that any proposed changes be made in SB 79A, since it was not guaranteed SB 283 would come to the House Revenue and School Finance Committee.

Questions and discussion interspersed with KARMA ELMORE and GIL RIDDELL House Committee

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132 STEVE MEYER explained that Sections 16 and 17 of SB 79A dealt with reports businesses have to do, proving they still qualify for the enterprise zone program, to cover any gap in the reporting time periods.

149 KARMA ELMORE, in explaining the motivation for REP. VANLEEUEWEN's amendments to SB 79A, related that in the statute if ownership or use of the qualifying property changes during the three year exemption period, the business is disqualified from the enterprise zone program. She explained exceptions to this.

Questions and discussion

185 REP. VANLEEUEWEN testified regarding her amendments to SB 79, SB 79-A4, which would allow one of the enterprise zone businesses to move to a different facility and still remain part of the program. The move would be within the zone, and was necessary because of growth in the company. The appeal of this particular case came to her from the City Manager of Lebanon.

Questions and discussion

249 KARMA ELMORE explained Section 23 of the amendments SB 79-A4, (introduced by REP. VANLEEUEWEN), which relate to a firm making application for qualified property at a new site after it has been disqualified at the old site. She believed the language had to be clarified in these amendments.

260 REP. VANLEEUEWEN believed that the Department of Revenue was attempting to collect back taxes on the original property of the firm in Lebanon because they had disqualified themselves by moving to a new location.

Questions and discussion with JOHN HALL and KARMA ELMORE concerning the specific Lebanon company of concern to REP. VANLEEUEWEN.

297 CHAIR BRIAN stated he wanted to discuss the policy of businesses moving rather than specific problems with individual businesses.

Questions and discussion interspersed

367 REP. WHITTY believed that anything in the Oregon Revised Statutes that penalized businesses for being successful should be eliminated.

Questions and discussion about enterprise zone policy concerning movement within zones.

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005 Discussion continued regarding the issue of enterprise zone businesses moving to other locations because of expansion.

022 CHAIR BRIAN asked the members to consider whether or not it was a good idea to provide property tax exemptions in certain areas of the state to encourage new business growth and, further, why not then open the entire state instead of having individual zones. He suggested that the Economic Development should be taken out of the process, and that the program could be administered by counties and cities. Decisions about local companies could then be made by local county government. This would address the concern of REP. VANLEEUEWEN.

Discussion

110 MOTION REP. CARTER moved that SB 79A be amended as follows: That on line 26, page 10 Section 14, Subsection 4 a period be inserted after the word "fund" and that the rest of the line be deleted.

DISCUSSION

137 ORDER There being no objection, CHAIR BRIAN so ordered.

149 MOTION REP. CARTER moved that SB 79A as amended

be passed to the full committee with a  
do-pass recommendation.

NO DISCUSSION

155 ORDER           There being no objection, CHAIR BRIAN  
                  so ordered.

156 CHAIR BRIAN closed the Work Session on SB 79A

161 CHAIR BRIAN adjourned the meeting at 10:45.

Paula K.McBride, Committee Assistant  
Kimberly Taylor, Office Manager  
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EXHIBIT SUMMARY

1. HJR 59-2, Steve Bender (for the Alcohol and Drug Abuse Program Director's Association), Legislative Revenue Office.
2. HJR 59-4, Steve Bender (for Citizen's for a Drug Free Oregon), Legislative Revenue Office.
3. HJR 59-3, Steve Bender (for Oregon Wine Advisory Board), Legislative Revenue Office.
4. HB 2182-4, Steve Bender, Legislative Revenue Office.
5. Letters (3) from members of a beginning business coalition, presented by Mary Tobias, Tualatin Valley Economic Development Corporation.
6. Testimony of Mary Tobias, Tualatin Valley Economic Development Corporation.
7. Opinion, Oregon Attorney General, Department of Justice, signed by Donald C. Arnold, Chief Counsel, 4/3/90.
8. SB 79-A3, Representative Liz Vanleeuwen.