

Work Session: HJR 7
HB 2415
HB 2416
HB 2417
HB 2423
Tapes
85-86
A/B
87-88 A

HOUSE COMMITTEE ON
HOUSE REVENUE AND SCHOOL FINANCE
PROPERTY TAX SUBCOMMITTEE

APRIL 21, 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: Paul Cosgrove, Northwest Ethanol Fuel
Association
Mark Ford, Manager of Strategic Planning, Oregon Department of
Transportation
Olivia Clark, Department of Environmental Quality
Marlin Huff, Department of Environmental Quality
Mike Meredith, President and CEO, Oregon Trucking Associations
Bill Penhollow, Association of Oregon Counties
John Merriss, Oregon Department of Transportation
Roger Martin, Oregon Transit Association; Transportation '93, Alaska
Airlines; Air Transportation Association
Terry Smith, League of Oregon Cities
Benny Johnson, Assistant Controlling Director of Taxes, Alaska Airlines,
Seattle
Paul Meyerhoff, Manager, Transportation Development, Oregon Department of
Transportation
Dick Feeney, Government Affairs Director, Tri-Met
Jim Howell, Oregonians For Cost Effective Transportation (OFFSET)
Paul Meyerhoff,

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meeting. Text enclosed in quotation marks reports the speaker's exact
words. For complete context of proceedings, please refer to the tape
recording.

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Staff: James Scherzinger, Legislative Revenue
Officer

Terry Drake, Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 85 SIDE A

006 CHAIR BRIAN called the meeting to order at 8:44 and conducted

administrative business.

024 The Subcommittee stood at ease.

028 CHAIR BRIAN opened the Work Session on HB 2423 and invited testimony.

032 PAUL COSGROVE proposed amendments for HB 2423 to the members, and he explained what the amendments would do, specifically that the proposed language changes would reduce the incentive on ethanol-blended fuels from 5 to 4 cents. Attached to the amendments was a "Summary of Issues Ethanol Tax Incentive." He provided information on the impact of a reduced incentive for ethanol-blended fuels. He believed the amendments addressed the concerns of the members. Exhibit 1

083 PAUL COSGROVE talked about the air quality issue with ethanolblended fuels. He mentioned positive results of tests run by the Environmental Protection Agency (EPA) on air quality related to ethanol, using an updated model. He had not yet received a written report of these tests from the EPA to give members, but he felt he would have one soon.

134 MARK FORD cited previous forecasts from the Oregon Department of Transportation (ODOT) on the financial impact of the incentive on ethanol-blended fuels, and he said ODOT had underestimated this impact. He mentioned a previous proposal from the Ethanol Fuel Association and the potential financial impact.

Questions and
discussion

214 CHAIR BRIAN asked MARK FORD to present the members with figures on the newest proposal of PAUL COSGROVE as presented in his amendments. Exhibit 1

229 MARK FORD referred to a draft from ODOT related to HB 2175, on how to limit the ethanol-blended fuels exemption to 1% of the fuel

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tax collection.

Questions and
discussion

245 OLIVIA CLARK clarified that the issue about which she was concerned was the summer-time ozone problem in the Portland air shed, and she stated that Portland is marginal non-attainment with ozone. She talked about the problems that would occur if there was only one bad ozone day this summer in Portland, and she reminded members that ethanol impacts ozone. She mentioned material that she expected to receive from EPA that would support her concern about ethanol-blended fuels as relate to air quality.

Questions and
discussion

297 MERLIN HUFF enumerated other significant sources of the volatile organic compounds that contribute to the ozone problem in Portland.

Questions and
discussion

339 MERLIN HUFF commented on the EPA tests that were mentioned by PAUL COSGROVE (Tape 85, Meter 83), expressing three concerns with these tests and what he believed they signified even for the EPA. He mentioned negative effects that were not mentioned in the tests, effects that impact air

quality. He also believed the EPA had used an inappropriate data set for Oregon-specific air quality issues.

Questions and discussion

403 CHAIR BRIAN closed the Work Session on HB 2423.

407 CHAIR BRIAN opened the Work Session on HB 2415.

TAPE 86 SIDE A

008 CHAIR BRIAN said the members should consider the amount of fuel and registration increases they would like to consider.

018 MIKE MEREDITH expressed his gratitude for the members' consideration of changes to the weight-mile tax system in Oregon, through the activities of a working group during the last couple of months. A consensus was reached in that group that changes would be conceptualized during the Interim rather than attempting to change the system during this Legislative Session. However, he was

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concerned that ODOT would not follow through with conversations about changing the weight-mile tax in Oregon.

Questions and discussion

112 TERRY DRAKE related that Section 13 was linked to small counties and that language would change depending on the amount of money members decided upon for the increase in the fuel tax.

Questions and discussion

132 BILL PENHOLLOW said Section 13 of HB 2415 as originally introduced dealt with a 4 cent increase over 4 years; therefore, there were four separate sections dealing with each 4 cent increase increment. Each of these sections would provide a floor, from the new revenues, of \$100,000 in the first year, increasing over the four years, for all counties. This would protect small counties and would replace the "Special Counties Program" that had its sunset in January 1993.

Questions and discussion

162 TERRY DRAKE relayed that Section 13 of HB 2415 also alter the fundamental distribution between city, county, and Highway Fund. The Transportation '93 Committee and ODOT requested Section 13 be eliminated, which would leave the distribution as it currently exists.

Questions and discussion

181 JOHN MERRISS explained what the current distribution was for the fuel tax revenues, as divided between the state, cities, and counties. He related that HB 2415 was not designed originally to change this distribution.

Questions and discussion

214 MARK FORD explained that the Finance Package for the Oregon Transportation Plan was not designed to take road-use revenues and use them for transit (the fuel tax and the registration fee). If enough revenue was made available to back fill the former STP funds, then the revenue could be used for transit. This was an agreement between the state, counties and cities.

Questions and discussion

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239 REP. CARTER related that she was very concerned about transit problems in Portland and that she expected help from the proposed Transportation Plan to remedy these problems.

Discussion

264 ROGER MARTIN testified that he was also concerned about the transportation problems of Portland.

270 TERRY SMITH supported a Transportation Finance Package that provided revenue to transit even if the constitutional amendment failed at the polls. This was accomplished by adjusting the tax gas split to make it possible to shift Federal Revenues that are not governed by the constitutional amendment to transit. However, only the constitutional amendment will resolve the issue of the Federal revenues being dedicated to only capital projects, and he talked about other transit systems in the state that would benefit if the amendment passed at the polls.

299 CHAIR BRIAN asked members to discuss the amount of tax they would like to consider. He mentioned that Section 13 would be eliminated from HB 2415 and amendments from Association Oregon Counties would be substituted (see Exhibit 6, pages 1-3, 2/10/93), which provides the base for the smallest counties.

315 Members discussed the amount of tax increase they would approve, and the amount of time it would be implemented.

TAPE 85 SIDE B

002 Discussion continued among the members on the amount of fuel tax increase they might approve and the length of time for which they might approve it.

026 MARK FORD related that the existing highway program requires 2 cents/year from now until the end of the century in order to carry out programs for highways already endorsed by the Legislature. In order, therefore, to do any highway projects beyond what is already approved, more than a 2 cent increase in the fuel tax would be needed.

Questions and discussion

076 Members continued their discussion on the issue of how much to raise the fuel tax and for how long.

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123 CHAIR BRIAN recessed the meeting at 9:47 and reconvened at 10:10.

124 MOTION REP. BURTON moved to amend HB
2415 as follows: Include an
increase of 3 cent tax for 2
years and for staff to make
equivalent adjustments to the
weight-mile tax.

NO DISCUSSION

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

149 MOTION REP. CARTER moved to delete

Section 13 of HB 2415.

DISCUSSION

155 BILL PENHOLLOW related the justification for the original language in Section 13 of HB 2415, and the reasons for why the cities and counties were requesting the changes. He cited what the proposed language would change. Questions and discussion

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

244 MOTION REP. BURTON conceptually moved adoption of the Sections 14 and 15 in the amendments provided by the Association of Oregon Counties (see Exhibit 6, pages 1-3, 2/10/93) to HB 2415 as Sections 13 and 14

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

248 TERRY DRAKE said in HB 2415 there were some blanks in the comparable weight-mile schedule, and HB 2207, which will come to the Committee, would adjust for two policy questions: (1) the new cost responsibility study, and (2) the axle-weight schedules.

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Questions and discussion

312 MOTION REP. BURTON moved to concept
adding ually amend HB 2415 by
cost language from HB 2207 on
weight responsibility and axle-
benefit.

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

321 TERRY DRAKE will have the conceptual amendments drafted into Legislative Counsel form and do a summary on them for members' consideration.

340 MOTION REP. BURTON moved HB 2415
as amended to the full
Committee with a do-pass
recommendation.

NO DISCUSSION

346 VOTE The motion passed by a 3-1
vote.
and Ayes: REPS. CARTER, BURTON,
CHAIR BRIAN. Nays: REP.
GIROD.
Absent: REP. WHITTY.

348 CHAIR BRIAN closed the Work Session on HB 2415.

350 CHAIR BRIAN opened the Work Session on HB 2417.

354 ROGER MARTIN said his organization represents all the carriers that serve Oregon, and he said these companies were opposed to HB 2417

371 BENNY JOHNSON represented both Alaska Airlines and Horizon Air Industry, which provide more air services to Oregon communities than any other airline company. He expressed his concerns about HB 2417, and he talked about the role of his airlines in the economy of Oregon. He stressed that airlines are no longer hugh money makers, and he talked about recent economic problems in the industry. He believed that an increase n the jet fuel tax would significantly increase the burdens of airlines. He thought HB 2417 was unfair, and that the proposed increase was too much.

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012 BENNY JOHNSON believed there were other ways to fund airport improvement and expansion, and he enumerated some of these. He concluded by stating that the airline industry was still in recession, and he urged members not to pass HB 2417.

Questions and discussion

120 ROGER MARTIN believed that facilities could use revenue for improvement; but the more important issue for airlines was having people who want to fly.

Questions and discussion

185 CHAIR BRIAN related that a section should be added to HB 2417 that had an effective date.

191 MOTION REP. BURTON moved to amend
HB 2417 by adding Section 4
which would state that "the
amendments to ORS 319.020,
319.330, and 836.015 by
Sections 1-3 of this act

take

effect on July 1, 1994.

NO DISCUSSION

200 ORDER There being no objection,

CHAIR

BRIAN so ordered.

203 Questions and discussion concerning HB 2417.

214 PAUL MEYERHOFF responded to a question concerning the accuracy of the revenue estimate for HB 2417. He related that ODOT did not take into account the concept of "tankering," which the airlines in Oregon do today and which creates problems for smaller airports.

Questions and discussion

231 PAUL MEYERHOFF gave figures about how Oregon's tax rate on jet fuel rates compared with other areas of the country.

Questions and

discussion

272 PAUL MEYERHOFF talked about how the increase would be used to improve airport projects approved by the FAA.

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Questions and discussion

287 PAUL MEYERHOFF discussed what matching Federal funds would be available if HB 2417.

Questions and discussion, specifically about the kind of climate that might be created in Oregon for airport and air service expansion.

TAPE 87 SIDE A

007 MOTION

REP. WHITTY moved HB 2417 as amended to the full

Committee

with a do-pass

recommendation.

NO DISCUSSION

011 VOTE

The motion passed 3-2. Ayes:
REPS. GIROD, WHITTY, and

CHAIR

-

BRIAN. Nays: REPS. BURTON

and

CARTER.

012 CHAIR BRIAN closed the Work Session on HB 2417.

014 CHAIR BRIAN opened the Work Session on HJR 7 and conducted administrative business. He mentioned amendments to HJR 7, HJR 71. Exhibit 2

026 ROGER MARTIN believed that the parties interested in HJR 7 had not had time to review the printed bill. Originally HJR 7 was an omissions tax, which had not been supported by the chairs of the Property Tax Subcommittee and the full Committee on Revenue and School Finance. He talked about the criteria used in developing HJR 7, as follows: (1) the gas was protected from any use other than its present use for roads, highways, and bridges, (2) the weight-mile tax was protected from any use relating to public transit or transportation. HJR 7 would allow tax or excise to be levied on the ownership, operation, or use of motor vehicles other than commercial vehicles for public transportation and/or transit systems, and he mentioned what would and would not be included in "public transportation."

069 CHAIR BRIAN related that there would be no work down on HJR 7 today and that people needed time to peruse the bill.

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073 DICK FEENEY testified in support of HJR 7. He pointed out language on Line 21 of HJR 7, which gave consideration to the anticipated and proposed vehicle registration fee increase that is in the Oregon Transportation Plan, and he explained how this revenue would be spent in a more flexible category. He agreed that there not be in the constitutional amendment any attempt to use fuel or weightmile taxes in the flexible category that will be created if HJR 7 passed.

118 TERRY SMITH spoke about two issues related to HJR 7, as follows: (1) the difficulty this issue posed for local governments, and (2) the commitment to accomplish raising revenues for the Transportation Plan. He supported the concept of focusing on "some way to successfully crafting a change in this constitutional provision so that Oregon can have a truly balanced transportation system." He explained three conditions necessary for the successful passage of a constitutional amendment.

162 TERRY SMITH stressed that the approach taken to the constitutional amendment (HJR 7) cannot have too many opponents or else the election will not be won because the commitment to the kind of change suggested in the Oregon Transportation Plan was supported by only about 1/3 of Oregon's population.

Questions and discussion

191 ROGER MARTIN related that every county in the state is serviced by some kind of transportation system, even though most of these systems are not mass transit. His organization endorsed the use of vehicle registration fees specifically for this purpose.

Questions and discussion with DICK FEENEY, TERRY SMITH, and ROGER MARTIN.

240 BILL PENHOLLOW gave members a letter in support of HJR 7 and for the financing Package for the Oregon Transportation Plan, and he talked about his organization's involvement in creating the Plan. He related that he will review and respond to the proposed amendments, HJR 7-1. Exhibit 3

280 PAUL MEYERHOFF related that the handout given to members related to the original HJR 7, and provided background on what the intent was of having a constitutional amendment and how to move the constitutional amendment forward. As originally intended, it was primarily to deal with an emission fee in an effort to improve air quality. ODOT took an interest in the bill because of efforts to

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reduce vehicle congestion, especially in the urban areas. He described the current statute, and constitutional amendment was needed in order to use any source of funds generated by highway users. His testimony was based on a handout given to the members. He believed that taxpayers would approve increased fees if they believed the revenue would be dedicated. Exhibit 4
Questions and discussion

414 JIM HOWELL testified in opposition to HJR 7, principally for the reason that it is too narrow in its scope, which meant it would not have a chance to be passed by the voters.

TAPE 88 SIDE A

002 JIM HOWELL continued his testimony in opposition to HJR 7. He addressed

the three criteria mentioned by TERRY SMITH above, giving his position on each of these criteria.

Questions and discussion

092 CHAIR BRIAN closed the Work Session on HJR 7.

093 CHAIR BRIAN opened the Work Session on HB 2423.

106 MARK FORD talked about "what the costs would be if various alternative methods of providing this [the ethanol-blended fuel] exemption were discussed." He asked members to remember that the current sunset was 1/1/98, and he estimated a \$85 million reduction in highway revenues through that date, \$41.5 million during the next biennium. He wrote material on the white board that showed different revenue impacts for various levels of the exemption on ethanol-blended fuels. He also explored how to limit the impact to the highway fund from the exemption on ethanol-blended fuels. Exhibit 5

168 MARK FORD asked members to consider what kind of subsidy they are buying with the exemption on ethanol-blended fuels. He believed that no money should come from the Highway Fund to support ethanolblended fuels.

179 MARK FORD presented a report to the members on "the effect of the ethanol-blended fuel tax exemption on Highway Fund Revenue," which delineated a number of options that he discussed. Exhibit 6

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228 PAUL COSGROVE commented on the material written on the board from ODOT, specifically the differences in opinion from his industry and ODOT on market share. He related that his industry has not gotten above 5% of the market share, whereas the numbers ODOT presented were based on a 15% share.

Questions and discussion

301 CHAIR BRIAN closed the Work Session on HB 2423.

302 CHAIR BRIAN adjourned the meeting at 11:47.

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

EXHIBIT SUMMARY

1. Amendments to HB 2423, Paul Cosgrove, Northwest Ethanol Fuel Association, April 20, 1993.
2. HJR 7-1, Chair Tom Brian.
3. Letter to Tom Brian, from Bob Cantine, Executive Director, Association of Oregon Counties, presented by Bill Penhollow, AOC.
4. Testimony of the Oregon Department of Transportation, HJR 7, presented by Paul Meyerhoff.
5. Material written on white board, related to ethanolblended fuels, Mark Ford, ODOT.
6. Report to the Legislature -- Effect of the EthanolBlended Fuel Tax Exemption on Highway Fund Revenue, Mark Force, ODOT.

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