

Revenue Forecast
Work Session: HJR 59
HJR 61
Tapes 43-44 A/B
45 A

MOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
FEBRUARY 26, 1993 8:00 AM HEARING ROOM A STATE CAPITOL
BUILDING

Members Present: Representative John Schoon, Vice Chair
Representative Ron Adams
Representative Tom Brian
Representative Mike Burton
Representative Margaret Carter
Representative Tony Federici
Representative Fred Girod
Representative Gail Shibley
Representative Jim Whitty

Members Excused: Representative Delna Jones
Representative Greg Walden

Witnesses Present: Don McIntire, Co-Author of
Measure 5

Tom Dennehy, Co-Author of Measure 5
Mike Marsh, Administrator, Executive Department
Budget and Management Division
Paul Warner, State Economist, Executive

Department Budget and Management Division Bill Nelson, Oregon Wine Growers
Association John Miller, Wine Advisory Board Ted Castille, Oregon Wine
Advisory Board B.J. Smith, League of Oregon Cities Paul Romaine, Oregon
Beer & Wine Distributors Assn. Alan Tresseder, Alcohol & Drug Abuse Program
Directors Assoc.

Staff: James Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Steve Meyer, Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 43 SIDE A

007 VICE CHAIR SCHOON called the meeting to order at 8:20 and he conducted
administrative business.

012 JIM SCHERZINGER gave a memorandum to the members, written to

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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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both House and Senate Committees, that is a brief analysis of the "Equal
Tax Initiative Petition." Exhibit 1

022 Vice Chair Schoon opened the Work Session on SJR10 and invited
testimony.

029 DON MCINTIRE and TOM DONNEHY testified against SJR10. DON MCINTIRE
gave a brief background on the reasons for Measure 5. He believed that
Measure 5 was accomplishing its goals in response to rapidly growing
property taxes. He believed SJR10 would be the beginning of a process to
escalate property taxes again. He believed SB 357A was deceptive. He
believed SJR10 was deceptive in its intention, specifically because once

SJR10 passed by a public vote, the public would never be able to change the law unless by a statewide initiative. \

Questions and discussion interspersed

137 TOM DENNEHY gave an analysis of SJR10 which he believed would create another exemption from Measure 5. He believed the language in Oregon Statutes on urban renewal was inappropriate for the state, as it had been "imported" from California. If SJR10 passed, he believed urban renewal districts would have more privileges than police or fire districts. He spoke about and gave examples of the unfairness of urban renewal projects. He strongly emphasized that Oregon citizens had the right to vote on (and approve or not approve) urban renewal projects. His testimony was based on a handout given to the members. Exhibit 2

Questions and discussion

312 TOM DENNEHY continued his discussion of the unfair privileges of urban renewal districts. He emphasized that it would be inconsistent with Measure 5 to pass SJR10. He stated that an Oregon Supreme Court decision supported his beliefs. Exhibit 2

360 TOM DENNEHY spoke about local boded indebtedness and how SJR10 would increase it for the benefit of the urban renewal districts. He was totally against the concept that urban renewal is the most important function of government. Exhibit 2

412 TOM DENNEHY spoke about Section 1 of SJR10 and the language "created by lawyers." Exhibit 2

TAPE 44 SIDE A

002 TOM DENNEHY continued with his testimony, suggesting specific

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changes in language to replace that "created by lawyers." He was specifically concerned about the language of "calculating the levies" of local government and who does the "calculating." Exhibit 2

Questions and discussion

061 REP. BURTON requested that Legislative Counsel at some point provide clarification of the term "calculate" in SJR10.

069 TOM DENNEHY opposed other language in SJR10 concerning replacing the word "indebtedness" which is changed in the bill to "bonds or other obligations." He explained the difficulties he had with this change.

Exhibit 2

Questions and discussion

136 TOM DONNEHY believed that funds should be used only for "bonded debt." He talked about parts of Section 1 of which he approved.

Questions and discussion

220 TOM DENNEHY discussed the possibility of using GEO bonds for urban renewal. Exhibit 2

Questions and discussion interspersed concerning the funding of urban renewal districts and the Urban Renewal Agency.

314 . Vice Chair Schoon closed the Work Session on SJR10.

322 MIKE MARSH and PAUL WARNER presented the Oregon Economic and Revenue Forecast, presenting to the members an "Oregon General Fund Revenue and Economic Forecast Summary. Exhibit 3 and 4

Questions and discussion

400 PAUL WARNER gave a brief overview of California's economy. He also talked about budget planning for the next biennium. WARNER directed members' attention to a summary and compilation of table entitled "Oregon General Fund Revenue & Economic Forecast Summary" and began discussion recent developments. Exhibit 4
Questions and discussion
TAPE 43 SIDE B

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002 PAUL WARNER continued his discussion.

Questions and discussion interspersed with MIKE MARSH and PAUL WARNER.
113 PAUL WARNER discussed the kinds of information and the length of time it is gathered for inclusion in the current Revenue Forecast. He explained how statistical information is used.

Questions and discussion

156 PAUL WARNER addressed the issue of unemployment in Columbia County due to the closing of Trojan, and how changes in local areas are included into the Revenue Forecast.

178 PAUL WARNER summarized the Oregon Revenue Forecast. He related that Oregon had been on a slow growth path for the last few years. Since the recession, personal income has grown, and Oregon ranks number 11 among the states in personal income. He talked about population growth and inflation increase. He believed the national economy was improving, and he discussed statistics related to productivity and work days. Much of business growth comes from equipment expenditures (most often computers). Exhibit 4

39 PAUL WARNER continued construction activity has been basically flat, and he talked about proposed projects that might increase this factor. He discussed jobs that were expected to be lost in the timber industry during the next year.

287 PAUL WARNER discussed the possible loss of jobs in other industries, specifically utilities and the airlines. Because of this, Oregon's economy would accelerate only modestly. He explored the impact of changes in the economy of the closest states and of other countries that significantly impact the economy of Oregon.

351 PAUL WARNER explained the revenue figures of the Forecast, from a table entitled "General Fund Revenue Statement, 1991-93." He mentioned specific issues that impact these figures. Exhibit 4, page 8

TAPB 44 SIDE A

045 PAUL WARNER said that total resources will increase 10.8% in 1993-95 over 1991-93.

060 MIKE MARSH reemphasized the expected stability of the estimate, i.e., that unlike last session, where there was a big

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difference in the March and May forecasts (due to the uncertainties of the

Gulf War), this time there is no reason to expect any major changes for the May forecast.

Questions and discussion

095 PAUL WARNER talked about federal timber and private sector harvest in relation to the Endangered Species Act and other factors from different sections of the country.

Questions and discussion

222 PAUL WARNER related the complete profit data on income of individual industries is not yet available, however, there is limited data available from tax returns.

Questions and discussion

330 PAUL WARNER relayed that the strongest income growth in the U.S. has been in the mountain states. Internationally, there will be a greater diversity in export markets, specially in Mexico and Latin American, and Asian countries other than Japan. The former Soviet Union and other Eastern Block countries also show promise for Oregon markets.

Questions and discussion

387 PAUL WARNER discussed the impact of the possibility of the rate of property taxes in Oregon dropping.

TAPE 45 SIDE A

002 PAUL WARNER continued his discussion of property taxation in Oregon.

Questions and discussion

012 PAUL WARNER talked about the effect of worker transition from one industry to another.

Questions and discussion

070 Questions and discussion with PAUL WARNER concerning possible future impacts on the economy that might alter the forecast.

160 Questions and discussion continued with PAUL WARNER and MIKE MARSH regarding the source of statistics for the Revenue Forecast.

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232 Vice Chair School recessed the meeting at 10:28 and reconvened at 10:53.

234 Vice Chair Schoon reopened the Work Session on SJR10.

239 DON MCINTIRE said he had a few more points to make. He believed property taxes were high enough already in the state; if the issue goes to the voters, as it is presently drafted, he wanted SB 357A to have ballot title that was honest and clear for the voters. He preferred that there be a completely different ballot title.

275 TOM DENNEHY suggested changes in SJR10.

Questions and discussion

310 TOM DENNEHY opposed increment financing for urban renewal, although he did not oppose urban renewal totally. He also was not opposed to bonded indebtedness, but believed people should be able to vote for bonds.

329 DON MCINTYRE spoke of an urban renewal project in Gresham, relating how some projects are termed "urban renewal" when they aren't.

Questions and discussion with DON MCINTYRE and TOM DENNEHY concerning incremental taxing.

TAPE 46 SIDE A

040 TOM DENNEHY suggested amendments to Measure 5; the language for these amendments was in his handout. Exhibit 2, Page 5

Questions and discussion

091 Vice Chair Schoon closed the Work Session on SJR10A and opened the

Work Session on HJR 59.

101 BILL NELSON urged amendments to HJR 59 to provide continued 2 cent funding for the Wine Industry Advisory Board.

111 JOHN MILLER supported the amendments to HJR 59 that would exclude the 2 cent fund use for research. He spoke about the wine industry in Oregon and the families it supports.

Questions and discussion about problems that occur in the Oregon wine industry.

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284 TED CASTILLE described the Oregon wine industry, which is comprised mostly of small family holdings. He is current manager of research of the Advisory Board and fully supported the continuation of the 2 cents for further research. He said the 2 cents provides about half the financing for the research effort.

Questions and discussion

367 BILL NELSON talked about other funding the wine industry gets for research outside of the Advisory Board.

Questions and discussion interspersed

TAPE 45 SIDE B

002 Questions and discussion continued with BILL NELSON and JOHN MILLER.

036 B.J. SMITH discussed a chart given to the members previously which described beer and wine revenues. She stressed that any decreases in revenue to local government would cause problems. (See Exhibit 1, 2/25/93)

Questions and discussion

105 STEVE BENDER related the sources of the information on the chart mentioned above.

Questions and discussion concerning the information on the chart.

136 STEVE BENDER noted liquor apportionment in General Fund Revenues, page 62 of the "Oregon Revenue Forecast" for member's information. Exhibit 2

Questions and discussion

167 B.J. SMITH discussed distribution factors of the wine and beer tax revenues.

196 PAUL ROMAINE clarified that the Oregon Wine Advisory Board is not funded by Oregon wines; most Oregon wines are exempt from the tax. It is funded by a 2¢ per gallon tax on wine; of about \$300,000 it gets, \$5,000 comes from Oregon wines.

Questions and discussion

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240 MOTION REP. WHITTY moved adoption of HJR

59-1.

Discussion

263 ALAN TRESSEDER explained why the word "education" would be eliminated by the amendment HJR 59-1. He believed "prevention" efforts were

"education" efforts, and that the word "Prevention" captured all the connotation of what was intended by HJR 59.

Discussion

379 ROSANNA CREIGHTON explained terminology used in dealing with drug and alcohol abuse, which emphasizes the word "prevention" that includes education in the field. She supported the amendment HJR 59-1.

Discussion of lack of consensus.

TAPE 46 SIDE B

004 MOTION WITHDRAWN REP. WHITTY withdrew his motion.

Discussion of changes made in statute rather than law.

016 VICE CHAIR SCHOON adjourned the meeting at 12:00.

Paula McBride, Committee
Assistant

Kimberly Taylor, Office
Manager

Exhibit Summary:

1. LRO staff memo, 2% Equal Tax, 2/24/93, Information
2. Testimony, Tom Dennehy, 2/26/93, SJR10
3. Oregon Economic & Revenue Forecast, Executive Department, 3/93, Information
4. Oregon General Fund Revenue & Economic Forecast Summary, Budget & Management Division, 3t93, Information
5. HJR 59-1, Speaker Campbell, 2/24/93, HJR -59

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