

Public Hearing: Tax Reform Tapes 91-93 A/B, Tape 94 A

HOUSE COMMITTEE ON
REVENUE AND SCHOOL
FINANCE

MAY 24, 1993 9:00 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Representative Delna Jones, Chair
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 Greg Walden

Members Excused: Representative Jim Whitty
Representative Margaret Carter

Witnesses Present: Norma Paulus, Superintendent of Oregon Schools
Michael Sykes, President, Assoc. Oregon
Counties/Columbia County Commission Chair
Judge Kevin Campbell, Grant County
Bonnie Hays, Washington County Commission Chair
Dale Crabtree, Eugene Resident
Jeff Chicoine, President, Citizens for Oregon
Schools

Karen Madden, Student Body President, Western
Oregon State College, Oregon Student Lobby
Robert Nosse, Executive Director, Oregon
Student Lobby

Ed Christie, Crabtree Resident
Forrest Rehwalt, Springfield Resident
Carroll Quimby, Save Our State, Salem Resident
Allen Bartlett, Florence Resident

Staff: Steve Bender, Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 91 SIDE A

011 CHAIR JONES called the meeting to order at 9:04 and conducted
administrative business.

020 NORMA PAULUS supported the members in their quest for tax

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

House Committee on
Revenue and School
Finance
May 24, 1993 Page 2

reform in Oregon, and spoke about her own experience in the education
system in the state. She believed that prior to Measure 5 the people of
Oregon would have "supported a sales tax that was tied directly to
education, and she talked about how a sales tax might be crafted. She
stressed that people should have the right to vote out any sales tax, and
that this provision would increase support for a sales tax. After Measure
5, which has not yet accomplished what was expected (people haven't seen a
reduction in property taxes), people in Oregon are outraged and don't see

how the state can be having a problem with school funds. She still supported a sales tax if tied directly to the school system, and thought it would pass if the Legislature would continue to cut government administrative costs, which she has been doing within the school system. She also talked about improving the quality of education in the state, and she talked about previous legislation that has helped in this reform effort. Stressing that this reform effort needed stable support, she didn't want more money for schools; rather, she wanted a stable, predictable method of paying for the school system.

Questions and discussion

149 NORMA PAULUS stated she would take schools entirely off the property tax rolls and fund them with a sales tax. She explained her reasoning.

Questions and discussion

170 NORMA PAULUS talked about "Site Councils" (in HB 3565) as a way to keep control of schools on the local area if funding becomes based on a sales tax. She raised the issue of teacher's salaries, specifically the inequity. She believed the distribution formula was fine, but that more money was needed to fund schools.

Questions and discussion

230 NORMA PAULUS said she would support a tax reform package only if the tax, preferably a sales tax, was dedicated, and she discussed her reasons for this. The dedication would have to be dedicated principally to K-12 and community colleges.

283 NORMA PAULUS spoke about the possibility of citizens of Oregon taking a second vote on Measure 5, which she believed would not be a good idea.

Questions and discussion

323 NORMA PAULUS discussed the issue of dedicated funds preventing the "system" from developing a stable, flexible school fund.

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House Committee on
Revenue and School
Finance
May 24, 1993 Page 3

Discussion

366 MICHAEL SYKES discussed efforts of the Association of Oregon Counties (OAC) to work with the Legislature to solve the counties' financial problems on the local area. His testimony was based on a handout given to the members. Exhibits 1-3

TAPE 92 SIDE A

006 JUDGE CAMPBELL discussed efforts of the Association of Oregon Counties (OAC) to remedy the counties problems and proposed the following: (1) voters have to have security with a new revenue source, and the counties would accept a preemption of existing authority with local sales taxes; (2) one half of 1 percent should be taken from the sales tax or the gross receipts tax to deal with public safety and children's issues on the local level.

043 BONNIE HAYS talked about the responsibilities of local government, and how local government will be an asset. She cited statistics about a survey conducted in the tri-county area related to questions of efficiency and responsiveness of government to citizens. These questions proposed solutions to perceived problems with local governments especially. She asked members to remember to keep local government as a partner in tax reform in Oregon. Exhibit 4

Questions and discussion with JUDGE CAMPBELL, MICHAEL SYKES, and BONNIE HAYS about the role of, and the requests of, local government in the tax

reform package.

183 JUDGE KEVIN CAMPBELL addressed the issue of distribution of any new tax collected, specifically he was against distributing the 1/2 of 1% of a sales tax to the district where it was collected because this would continue inequity in programs and schools throughout the state.

Discussion

220 JUDGE KEVIN CAMPBELL talked about citizen discomfort with local government.

Discussion of fiscal matters within counties by the witnesses.

259 BONNIE HAYS talked about the effort of counties in the last years to do "strategic planning" and to become effective government beyond the image of "last resort." She mentioned results from this planning that was occurring in various counties.

Questions and discussion

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House Committee on
Revenue and School
Finance

May 24, 1993 Page 4

330 DALE CRABTREE talked about his history of working with tax issues, including the efforts he has put into getting support for the "2% Equal Tax." He talked about the three sections of his handout, which provided information about the "equal tax." He supported HJR 44, which would put the "equal tax" to a vote in the state. He explored the issue of tax reform, and he believed the voters were opposed to new taxes. He stressed that members consider innovative tax reform rather than the predicated sales tax. Exhibit 5

TAPE 91 SIDE B

002 DALE CRABTREE continued his testimony in support of the "2% Equal tax."

060 DALE CRABTREE strongly urged members to pass HJR 44, and he gave his reasons. He asked members to read his written testimony for the information he had provided, which contained characteristics of what he believed would be a successful tax reform plan.

081 DALE CRABTREE talked about one possible problem with the "equal tax" related to the work local government would have to do to incorporate the new tax.

100 DALE CRABTREE referred to the 10 characteristics necessary for a "good revenue system." He believed both the property tax and the income tax did not have these characteristics, and he talked about how people were especially angry with the property tax. He believed the voters would not pass a sales tax if the property tax remained in effect.

135 DALE CRABTREE explained a proposal for a revenue generating system that contained a "new kind of tax," which he referred to as a "user's fee." The purpose of this information was to educate the members that it was possible to develop a new revenue system in Oregon.

200 REP. JONES and DALE CRABTREE talked about the "2% Equal Tax" as a transaction tax, and how the tax might be administered.

Discussion

240 REP. BURTON gave a history of the "single tax" in Oregon.

263 REP. BURTON and DALE CRABTREE explored the issue of who would pay the "equal tax" given certain circumstances and given the tax policy "nexus" that applies to corporations.

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House Committee on
Revenue and School
Finance
May 24, 1993 Page 5

320 REP. BURTON and DALE CRABTREE addressed the issue of whether or not the "equal tax" would apply to bank withdrawals.

356 REP. BURTON and DALE CRABTREE talked about how the "2%" figure was derived. The figure was not "magical" and a number should be chosen to meet the needs.

378 REP. GIROD and DALE CRABTREE talked about problems with implementation of the "equal tax" complying with Federal laws and other state laws.

TAPE 92 SIDE B

010 REP. FEDERICI related that a "flat tax" or "equal tax" had been discussed in his district. He had problems with believing there would be only minor administrative costs with this tax. Additionally, he talked about problems with reporting.

Discussion

046 REP. WALDEN and DALE CRABTREE discussed the equality question involved with exempting pension revenue from the "equal tax."

067 JEFF CHICOINE talked briefly about his organization, successes with Oregon's public systems, and the problems that would occur if a tax reform package, that assured a stable source of funding, was not enacted. He believed any proposal that was referred to the voters should be based on a stable funding with dedicated funds other than General Funds. He talked about the Oregon Education Act for the 21st Century, based on legislation from the 1991 Session. He urged that a proposal to voters be made in November of 1993 and gave his reasons for this. He concluded by asking members to put aside their partisan differences and create a stable revenue source for Oregon's schools. His testimony was based on a handout given to members, and from an information sheet on his organization. Exhibit 6 & 7

Questions and discussion

177 REP. WALDEN and JEFF CHICOINE talked about the amount of revenue that might be raised by an additional tax.

194 REP. ADAMS and JEFF CHICOINE talked about efforts of his organization to pass a dedicated tax to state schools.

205 REP. BRIAN and JEFF CHICOINE explored options of funding for schools.

241 REP. SHIBLEY and JEFF CHICOINE explored the issue of the

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House committee on
Revenue and School
Finance

May 24, 1993 Page 6

proposed date for voter approval of a tax measure.

262 KAREN MADDEN talked about the legislative agenda with the Oregon Student Lobby, and about criteria for a tax plan. Her testimony was verbatim. Exhibit 8

342 KAREN MADDEN related that her organization supported HJR 4, REP. VAN VLIET's tax proposal, and she mentioned some of the provisions of the bill. She supported an election date of November 1993. She believed students would actively support a tax plan that would take care of the expenses of higher education. Exhibit 8

Questions and

discussion

TAPE 93 SIDE A

002 Questions and discussion with KAREN MADDEN about issues with higher education.

020 ROBERT NOSSE discussed student participation in the decisions universities and colleges were making in response to cuts in revenue to their systems.

Discussion

044 REP. JONES and KAREN MADDEN talked about the potential of student support for a sales tax.

073 ED CHRISTIE testified in support of the "equal tax. H He believed that the "equal tax" would provide the stable support for education, and he supported a "three month overlap," which he explained. His testimony about the "equal tax" was verbatim. Exhibit 9

Questions and

discussion

152 ED CHRISTIE continued his testimony in support of the "equal tax," which he believed was "pro-business, progrowth, and projob." He emphatically stressed that people in Oregon would not support an "add on" tax. He offered to give members a handout on "how to avoid paying federal income taxes." Exhibits 9 and 10

215 REP. SHIBLEY and ED CHRISTIE explored his assertion of a "biblical right to privacy."

Questions and

discussion

289 FORREST REHWALT voiced his support of the "2 percent equal tax" noting his personal property tax increases over the years. He

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House CommLttee on

Revenue and School

Finance

May 24, 1993 Page 7

related that the 2% equal tax would end bonded indebtedness interest paid by the State. He listed what he believed were the benefits of a 2% equal tax. He referred to a pamphlet given to the members. Exhibit 11

Questions and discussion on what age and economic groups might benefit from the proposal.

TAPE 94 SIDE

A

041 CARROLL QUIMBY talked about his personal situation in Salem, and about how the "2% Equal Tax" would effect him. He believed the "equal tax" would benefit the state in ways he mentioned. He asked members to conduct a survey to determine what tax people would support, and he discussed his interactions with other citizens about tax problems in Oregon. He talked about the organization "Save Our State."

120 REP WALDEN and CARROLL QUIMBY discussed the issue of how the "equal tax" would be calculated.

160 REP. BURTON and CARROLL QUIMBY explored the issue of how rent would be treated under the "equal tax."

185 REP. SHIBLEY and CARROLL QUIMBY explored the issue of notforprofits and how they would be treated under the "equal tax."

198 REP. SHIBLEY and CARROLL QUIMBY talked about what would happen with all current state fees.

207 ALLEN BARTLETT testified in support of the "2% Equal Tax." He related that a nationally-known economist had evaluated and supported the "equal

tax, and he quoted from that published information. Exhibit 13 -
261 ALLEN BARTLETT quoted from a letter to Senate President Bradbury in his
testimony given to the members. Exhibit 14

334 ALLEN BARTLETT relayed that the revenue crisis was due to two factors:
(1) Oregon has more government than it needs, and (2) Oregon has more
government than able to pay for. He believed citizens would help implement
and support a tax if they felt they had some control in forcing government
to live within its means. If the "equal tax" failed, he proposed that the
tax reform include a movement from "a tax on the quality of the land to a
tax on the quantity of the land."

TAPE 93 SIDE

B

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House Committee on

Revenue and School Finance

May 24, 1993 Page 8

002 Questions and discussion

009 CHAIR JONES conducted administrative business.

058 CHAIR JONES adjourned the meeting at 11:53.

Paula McBride, Committee

Assistant

Kimberly Taylor, Office Manager

Exhibit Summary:

1. Sykes, Testimony, Tax Reform
2. Sykes, Proposed Local Government Component in Statewide Tax Plan, AOC
3. Sykes, Oregon Values Beliefs Summary Report, Tax Reform
4. Hays, Testimony, Tax Reform
5. Crabtree, Testimony, HJR 44
6. Chiccoine, Testimony, 5/24/93, Tax Reform
7. Chiccoine, About Citizens for Oregon Schools, Tax Reform
8. Madden, Testimony, HJR 4
9. Christie, Testimony, Tax Reform
10. Christie, Supporting Articles, Tax Reform
11. Rehwalt, Springfield News Article Equal Tax Would Fix Budget Problem,
4/28/93, Tax Reform
12. Quimby, Testimony, Tax Reform
13. Bartlett, Testimony, Tax Reform
14. Bartlett, Magazine Article by Martin Larsen, Our World In Conflict, Tax
Reform
15. Howard, Correspondence Testimony, Tax Reform

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