

Public Hearing: Tax Reform HJR 4, HJR 5, HJR 10,
HJR 18, HJR 25, HJR 28, HJR 44, HJR 60, HJR 61, HJR 66, HB 2393, HB 2394,
HB 2432, HB 2500, HB 2501, HB 2872, and HB 3388
Tapes 95-98 A/B

HOUSE COMMITTEE ON
REVENUE AND SCHOOL
FINANCE

MAY 25, 1993 8:00 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 Tony Federici
Representative Fred Girod
Representative Gail Shibley
Representative Greg Walden
Representative Jim Whitty

Members Excused: Representative Margaret Carter

Witnesses Present: Sandra Millius, Co-Chair, Human Services Coalition of
Oregon

John Mullin, Co-Chair, Human Services Coalition of Oregon; Director,
Clackamas County
Social Services

Karen Garst, Director, Oregon Community College Association

Bruce Holliday, Beaverton

Rosalie Huss, Direct Legislation League

Walter Huss, Director Legislation League

Kappy Eaton, President, League of Women Voters

Ken Allen, Oregon Council of American

Federation of State, County, and Municipal
Employees

Representative Bob Tiernan, District 24

Staff: James Scherzinger, Legislative Revenue Officer

Steve Bender, Legislative Revenue Office

Paula McBride, Committee Assistant

These minutes paraphrase and/or summarize statements made during this
meeting. Text enclosed in quotation marks reports the speaker's exact
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TAPB 95 SIDB A

011 CHAIR JONES called the meeting to order at 8:05:

020 SANDRA MILLIUS described her organization, including an explanation of
the principles, which she believed could be a guide for a tax reform
package or proposals for Oregon. She supported the plan advocated by Rep.
Van Vliet (HJR 4, HB 2392, and HB 2394), which she explained. She also
supported the Oregon School Board's Association Plan, with some
reservations, which she explained. She clearly stated that "he would
support a tax plan that contained a package of reforms. Her testimony was

based on a handout given to the members, and included a brochure. Exhibit 1
075 REP. BURTON and SANDRA MILLIUS discussed the "gross receipts tax" and
how she would define "adequacy" or "fairness" which she believed necessary

components of a tax plan.

119 REP. SCHOON and SANDRA MILLIUS discussed the issue of who would pay additional taxes in Oregon when there was an increasing number of families in Oregon that are "barely making it."

176 SANDRA MILLIUS expressed support for the "Speaker's Plan" (HJR 60), except she opposed the proposed 2% assessment cap on residential properties contained in that plan. She reiterated that any property tax adjustment would have to be part of a package of reforms. Exhibit 1

200 JOHN MULLIN introduced himself.

205 SANDRA MILLIUS spoke about other "consumption tax" plans, including various forms of a sales tax. She believed any tax plan should include income tax adjustment, and supported current legislation that would create an "earned income tax credit." She particularly believed there should be an income credit for lowincome families. Exhibit 1

262 SANDRA MILLIUS talked about "additional considerations" for tax reform, beginning with "allowing maximum local options to meet local resource needs." Her explanation included ideas concerning maintenance of the infrastructure and of addressing not only current needs but also those of the future. Exhibit 1

315 SANDRA MILLIUS expressed support for HB 3438, which would require the Governor to prepare a tax expenditure report on all exemptions, credits, deductions, and deferrals for taxes other than the income tax. Exhibit 1

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331 SANDRA MILLIUS believed the Oregon Health Care Plan should be funded using an increase in the cigarette tax as an interim funding measure. She thought that the tax reform package should be ratified by the voters.

352 STEVE BENDER clarified that the "gross receipts tax" would be administered similarly to a sales tax, but on a much broader level since it would essentially include all businesses in the economy as opposed to those engaged only in retail transactions. He stressed that the "gross receipts tax" could not be administered by adding additional lines to the Personal Income Tax Return.

374 Members and SANDRA MILLIUS discussed various tax reform issues in Oregon.

TAPB 96 SIDE A

002 Questions and discussion continued with SANDRA MILLIUS.

013 JOHN MULLIN believed that a minimum of \$2.5 billion was needed to fully restore human service budgets in Oregon, but he thought there was a gap of about \$100 million to fully fund all needed human service programs. He talked about cuts that were made in 1991.

034 SANDRA MILLIUS urged members to seek the linkages that exist between human services and those of education and corrections. Cutting services in one area impacts programs in these other two areas.

Questions and discussion

058 SANDRA MULLIUS addressed the issue of economic development and the relationship of it to any tax plan the voters of Oregon may adopt. She believed that programs or tax plans that provided human services would be tied with economic development and that these issues were inseparable.

Discussion

103 SANDRA MILLIUS addressed the issue of what a country or state is "obligated" to provide its citizens, specifically if a country or state

could survive if it was obligated to provide for all the needs of its citizens. She talked about sociological and demographic changes that cause people to need more from their state government.
Questions and discussion

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147 JOHN MULLIN concluded by giving a list of membership to the Committee. He believed there were difficult choices to be made; and although he thought none of the proposals were directly associated with making up the cuts in human services, he urged members to support the tax proposals his organization supported. Exhibit 2

176 KAREN GARST described the Oregon Community College Association (OCCA), and an interim tax committee that had examined broad tax reform principles which were adopted in June of 1992. Additionally, the OCCA facilitated an interim coalition of community groups around the issue of tax reform, and this group was now involved with the Oregon Committee. She related that her Board had endorsed the Oregon School Boards Association tax plan, but were still considering other plans. She addressed the issue of "adequacy" of revenues for community colleges, especially with the tremendous and growing need for adult education as the work place changes. She talked about other matters related to the work force. The second issue she addressed centered on "acceptability;" that is, creating a tax plan that will be acceptable to the public, and mentioned some qualities that would enhance this acceptability. She supported a referral to the voters in November of 1993, and that it would make it more difficult to pass something in Oregon if the vote was postponed to the spring. She urged the sales tax should be dedicated to education. Exhibit 3

Questions and discussion

262 KAREN GARST talked about tuition for community colleges, and the portion of support paid by the General Fund, both before and after Measure 4. She talked about the amount of revenues requested before the Session that would increase community college options.

Questions and discussion

350 KAREN GARST related that her organization had not yet looked at tax concepts other than the sales tax (e.g., gross receipts).

Discussion

385 BRUCE HOLLIDAY read a statement to the members. His statement mentioned all the politicians who had promised "no new taxes." He believed that the state hadn't done anything to remedy the school funding crisis for at least twenty years. Exhibit 4

TAPE 95 SIDE B

002 BRUCE HOLLIDAY continued his testimony, citing what he
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believed the voters had intended by Measure 5. He believed that the voters

would not pass a new tax, even for education, and he explained why. He cited figures about collections on the property tax in Oregon. Exhibit 4
Questions and discussion

097 BRUCE HOLLIDAY believed that education should be the top priority of any state, but he thought the people of Oregon did not believe there wasn't enough money available for the Oregon school system. He cited current budget figures, and he proposed a plan to raise what was needed for education. His proposal included a 8% sales tax on goods and services to replace the total property tax, which would be divided between counties, cities, and education. Exhibit 4
Questions and discussion

211 BRUCE HOLLIDAY explained the advantages of his tax plan, including increased affordable housing and jobs. His neighborhood association supported his tax plan, and he urged members to support a plan that limited spending by government.

Discussion

250 Members asked questions of BRUCE HOLLIDAY about his proposed tax plan.
TAPE 96 SIDE B

006 CHAIR JONES conducted administrative business.

008 CHAIR JONES recessed the meeting at 9:26 and reconvened at 9:52.

019 ROSALIE HUSS revealed that she had talked with people throughout Oregon about the "2% Equal Tax." She believed this tax would be a fair tax, compared with other state taxes that have been unfairly imposed on citizens. She thought representatives had not responded well to information on the "equal tax."

Discussion

065 ROSALIE HUSS wanted to know when the Legislature would do something for the people rather than "taxing them to death." She urged members to put the "equal tax" on the ballot this year.

085 WALTER HUSS gave members information about the initial

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organization that carried the name "Direct Legislation League." He talked about the pressure on Oregonians to increase taxes, but he believed that the people wanted a replacement system rather than an add-on tax. He cited figures of people whom he believed had not paid their property taxes and the number of people facing foreclosure in Deschutes County.

Questions and discussion

226 WALTER HUSS stressed that the current tax system was hostile to new business or industry in Oregon, and that the "2% Equal Tax" would encourage business. He said that "we don't need taxes at all," and he explained this position. Instead of taxes, he believed there should be a "trade charge" on all transactions, and he discussed this concept and the amount of money it would raise. He gave a brief history of his participation in promotion of the "equal tax." He told the members what his proposal included, as follows: (1) repeal Measure 5, (2) replace 36 major taxes and all fees, assessments, and tolls in Oregon with a "2% Equal Tax. He explained how the tax would be assessed and collected, stressing that it would be applied to a much wider base than any previous tax. In his plan, the State Treasurer would become the Executor of the Department of Revenue, and he (sic) would be in charge of disbursement of the revenue raised to all Oregon districts. He believed local control would not be eroded, and he described how not. He

believed he was a "fried of education" because his tax would provide for the abolishment of Measure 5 and for a stable funding source.

TAPE 97 SIDE

A

002 WALTER HUSS continued his explanation of his proposed "2% Equal Tax." He talked about problems people all over the state have had with paying their property taxes.

031 CHAIR JONES recapped the tax proposal made by WALTER MUSS.

040 REP. WALDEN and WALTER HUSS explored how much revenue the "2% Equal Tax" would raise in Oregon.

115 REP. SCHOON and WALTER HUSS discussed what would be excluded from the "equal tax" and how the figures on which the tax was based were derived.

157 REP. BURTON and WALTER HUSS discussed whether or not wages would be subject to the "trade charges" proposed with the "2% Equal Tax."

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206 REP. BURTON and WALTER HUSS explored the position of the State Treasurer under his tax plan.

221 REP. BURTON and WALTER HUSS talked about how the "2% Equal Tax" would deal with out-of-state charges.

257 CHAIR JONES clarified information staff had obtained about property tax accounts in Deschutes County, which WALTER HUSS had used in his explanation of reasons to create the "equal tax."

Discussion

320 REP. JONES expressed her concerns with the "2% Equal Tax."

Discussion

353 WALTER HUSS believed that a large number of people in Oregon supported the "equal tax," and he talked about the effort to get further support.

377 KAPPY EATON talked about the League of Women's Voters longstanding concern about adequate funding for schools in Oregon.

TAPB 98 SIDE A

002 KAPPY EATON continued her testimony, specifically about the need to reform the tax system and ways to go about doing this. She proposed a way to look at what needs to be done, and delineated services that should be provided by the state. Additionally, she believed government should be limited. She urged members to come up with a proposal that would be voted on by the people of Oregon no later than November, and cited further conditions for this proposal, based on information on page 2 of her statement. She offered the support of her organization to ensure success at the ballot for a tax reform proposal. Exhibit 5

055 REP. SHIBLEY and KAPPY EATON talked about the issue of equity with a "goods only" sales tax.

084 REP. BURTON and KAPPY EATON talked about her organization's advocated principles for a tax reform package.

097 REP. BURTON and KAPPY EATON discussed the fact that the League of Women Voters had not supported any particular tax plan. She did believe her organization supported funding for education all the way through K-18.

Discussion

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135 REP. WALDEN and KAPPY EATON explored how much her organization thought should be raised by a tax plan, which she believed should be a long-term, stable solution.

Discussion

185 KEN ALLEN described the membership of his organization and discussed the problems that will be caused by the revenue shortfall in Oregon. He supported both the sales tax and the gross receipts tax as a major component of any tax plan that is proposed. He listed three conditions of any plan put to the voters: 1) adequacy, 2) component for revenue replacement for local government on a needs basis, and 3) address tax shift from business to households.

247 REP. WALDEN and KEN ALLEN discussed the amount of revenue that should be raised by a tax plan.

271 REP. WALDEN and KEN ALLEN explored the ratio of property taxes paid by homeowners to those paid businesses.

Discussion

364 KEN ALLEN reiterated his organizations' main interest is progressivity, which can be achieved only by lowering income tax if a sales tax was part of the tax plan proposed by the Legislature.

Discussion

391 REP. WHITTY talked about the issues of "fairness" and "stability" with a variety of taxes.

TAPE 97 SIDE B

002 REP. WHITTY continued his description of the two issues (fairness and stability) related to various taxes in Oregon.

025 KEN ALLEN believed that businesses wouldn't want to move to Oregon if a higher income tax was imposed, which was one reason he supported a sales tax.

Discussion

051 REP. BRIAN and KEN ALLEN talked about the role of local government in any proposed tax plan, and the criteria for local government receiving raised revenues. KEN ALLEN believed local governments should get a dedicated amount on a "needs" basis.

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Discussion

085 REP. BRIAN and KEN ALLEN explored what sales rate would be needed to provide the necessary revenue.

107 REP. ADAMS and KEN ALLEN talked about what cuts "were still possible in state government," a statement KEN ALLEN had previously made.

117 REP. TIERNAN testified: "...when I first came down here and became associated with all of you up on the bench I thought we were lucky we can get through this next biennium. I thought that perhaps we needed more taxes and a tax plan to get into the next biennium. But perhaps if we were lucky we could get through this one. I quickly have changed my views after looking at the facts. And I have to agree that we all have been privy to the same information, or relatively the same information. But I came here to testify that we don't need any more taxes. I am not convinced now, more than ever, that we need more money." " Why don't we need more money,

because we haven't done a good job with the money we have and there are places we can save." TIERNAN continued with discussion supporting his testimony. Exhibit 6

165 REP. WHITTY explained how the PERS system had collectively bargained for the PERS State contribution.

199 REP. TIERNAN spoke further about the history of PERS . He believed any compensation system had to be evaluated in terms of fairness, and he believed the PERS benefit system was out of control. He wanted state employees to be paid well, but he reiterated that benefits should be changed. He cited comparisons between benefits for the private sector and those for the public sector, and he stressed that some public benefits more than quadrupled those of the private sector.

Discussion

303 REP. TIERNAN talked about sick leave accrual with public sector employees, which he believed would save the state a tremendous amount of money if not allowed. He cited another example of what he believed was a poorly run PERS system. He spoke about hiring and pay issues with state employees specifically, that there hadn't been either a hiring or pay freeze. He mentioned money being spent on training projects by the state.

365 Discussion

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TAPE 98 SIDE B

006 REP. BURTON and REP. TIERNAN discussed the turn over of sick leave of employees upon retirement.

024 CHAIR JONES conducted administrative business.

035 CHAIR JONES adjourned the meeting at 11:45.

Paula K. McBride, Committee
Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Millius, Testimony, HJR 4
2. Mullin, Membership Directory of Human Services Coalition of Oregon, HJR 4
3. Garst, Testimony, Tax Reform
4. Holliday, Testimony, Tax Reform
5. Eaton, Testimony, Tax Reform
6. Tiernan, Table - PERS Projected Employer Contributions Under 199 1 Statutes, Tax Reform

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TAX REFORM - Public Hearings: HJR 4, HJR 5 HJR 10, HJR 18 HJR 25, HJR 28 HJR 28,
HJR 44 HJR 60, HJR 61 HJR 66, HB 2393 HB 2394, HB 2432 HB 2500, HB 2501 HB 2872, HB 3388
Tapes 99-100 A/B 101 A

HOUSE COMMITTEE ON
REVENUE AND SCHOOL FINANCE

MAY 25, 1993 6:00 PM 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 Representative Jim Whitty

Members Excused: Representative Margaret Carter Representative Jim Whitty Representative Fred Girod

Witnesses Present: Joe Simon, Beaverton Education Assoc. Cathy Gwinn, Beaverton Education Assoc. Sue Braithwaite, School Teacher Nora LaBeau, Retired Phil Dreyer, No Sales Tax League Charles Treinen, Oregon Consumers League Russ Farrell, Consumers Opposing Sales Tax John Danielson, Oregon Education Assoc.

Staff: Steve Bender, Legislative Revenue Office
Mary Gottlieb, Committee Assistant

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TAPE 099 SIDE A

006 CHAIR JONES called the meeting to order at 6:05.

014 JOE SIMON encouraged the committee to consider a tax plan that would: 1) generate revenue, 2) last 7 to 10 years, 3) take into account future needs, 4) broad based, and 5) dedicate funds to K-12 education.

056 CATHY GWINN stated that schools have already sustained painful budget cuts across the board. As cuts deepen, the ability of the school to address the needs of our children and society diminishes to a critical state.

Discussion and questions.

120 SUE BRAITHWAITE came to Oregon because of the quality of life and chose Beaverton because of the school system. Beaverton schools have lost control of their district because of the cutbacks in the budget. Participation fees have increased and classes are enlarged.

Discussion and questions.

353 NORA LABEAU testified in support of the 2% Equal Tax by stating that it will eliminate all taxes, fees, and assessment. She believes that this tax will be good for businesses, because they would not have to pay property tax, personal property tax, business licenses, unemployment tax, corporate income tax, etc.

TAPE 100 SIDE A

001 NORA LABEAU continued her testimony.

Discussion and questions.

175 NORA LABEAU added that, after talking to many people throughout the state, it is the general consensus that if all other taxes were eliminated, then these people would be more than willing to contribute more in the form of a sales tax. If this sales tax were the only tax in the state, she thinks the public would be more than willing to advance the sales tax to 5 percent.

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248 NORA LABEAU responded to a question by REP. BURTON by stating that some students leave the state to find lower tuition.

Discussion and questions.

TAPE 099 SIDE

B

001 Discussion continued with NORA LABEAU.

106 PHIL DREYER stated that the only winners under Measure 5 are business property owners, especially those who own commercial centers, skyscrapers, and apartment complexes. Homeowners are losers because appraisals have risen faster than rates have declined. Much of the property tax reduction under Measure 5 will go to absentee owners of Oregon real estate.

217 CHARLES TREINEN urged enactment of an intangible property tax. Income producing property is taxed twice while the intangibles are taxed on income only once and that part based on accrual escapes taxation in many instances.

274 RUSS FARRELL testified that a sales tax will never be accepted by the public, and only so much money can be raised by a sin tax, which he refers to as a hypocrite tax. He did not favor a 10% tax because it is unfair to the lowincome individual. The gross receipts tax and a value added tax are the same and they fall primarily on the working class.

TAPE 100 SIDE

B

001 RUSS FARRELL continued his testimony.

Discussion and questions. ~

132 JOHN DANIELSON stated that most economists who evaluate tax structures throughout the entire country rate the Oregon system as one of the fairest in the nation. Unemployment is relatively high because incoming migration has exceeded the state's capacity to create new jobs. His organization believes any sales tax should be dedicated to the support of K-14. The major problem associated with a sales tax proposal is the question of voter acceptability. Most recent polling shows that the state has experienced a demographic reversal.

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316 JOHN DANIELSON added that the most favorable consideration has been on a 5 percent sales tax on tangible personal property. However, it must exempt necessities such as food consumed on the premises, drugs and medical devices, utilities, and housing.

TAPE 101 SIDE A

001 JOHN DANIELSON continued his testimony.

Discussion and questions.

124 JOHN DANIELSON responded to a question by CHAIR JONES by stating that if Measure 5 is repealed, no one would take funding from schools that have prospered by Measure 5. The problem is how far do we pull down excellent schools to support the poor schools. Discussion and questions.

201 CHAIR JONES adjourned the meeting at 8:10.

Mary Gottlieb, Committee Assistant

Kimberly Taylor James, Office Manager

EXHIBIT SUMMARY

1. Testimony on Tax Reform, Joe Simon, Beaverton Education Association.
2. Testimony to the House Committee on Revenue and School Finance, Cathy Gwinn, Beaverton Education Association.
3. Hearings on Tax Reform Measures, Nora LaBeau, Retired Citizen.
4. What They're Saying About Taxes, Phil Dreyer, No Sales Tax League.
5. Restore Balance to Oregon's Tax Burden, Phil Dreyer, No Sales Tax League.
6. Testimony Before Revenue and School Finance, Charlie Treinen, Oregon Consumer League.
7. Statement of John Danielson, John Danielson, Oregon Education Association.

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