

Work Session: Tax Reform Bills
HJR 4, HJR 5, HJR 10, HJR 18,
HJR 25, HJR 28, HJR 44,
HJR 60, HJR 61, HJR 66,
HJR 71
Tapes 124-125 A/B

HOUSE COMMITTEE ON
REVENUE AND SCHOOL
FINANCE

JUNE 4, 1993 9:00 AM HEARING ROOM A STATE CAPITOL BUILDING

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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
Witnesses Present: Senator Bill Bradbury, District 24
Michael Sykes, Chair, Columbia County Board of Commissioners; President,
Association of Oregon Counties
Diane Rosenbaum, Communications Workers of
America, Oregon State Industrial Union Council
Ray Dean, State Legislative Committee, American Association of Retired
Persons
Chris Dudley, Oregon School Boards Association Jeff Golden, Assistant to
the Senate President
Staff: James Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Terry Drake, Legislative Revenue Office
Steve Meyer, Legislative Revenue Office
Richard Yates, Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 124 SIDE A

008 CHAIR JONES called the meeting to order at 9:23 and introduced the
"Partner's Group" which had worked for the last few weeks on issues of
importance, particularly related to the funding of

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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
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schools and other government services in the future.
022 CHAIR JONES opened a Work Session on Tax Reform.
024 PRESIDENT BRADBURY talked about the effort of his group to develop
consensus on tax reform in Oregon, the membership of which represented
fifteen "key" organizations in the state. The official name was "Partners

for Oregon's Future" (Partners, for short), and he reviewed how their meetings had been organized.

044 The members of "Partners" introduced themselves.

Exhibit 1

051 PRESIDENT BRADBURY named other members that had participated in the Partner's Group that were unable to attend the Work Session. Some of these people were not members but had participated in the meetings.

066 PRESIDENT BRADBURY talked about his role as facilitator for the Partners, and he spoke of the contributions of the Legislative Revenue Office and the Department of Revenue in the process.

073 PRESIDENT BRADBURY delineated the goals of the Partner's Group. He thought that all the members believed revenue replacement was essential, and the group gave consideration to two taxing mechanisms: the sales tax and the gross receipts tax. The Partners remained divided on the two mechanisms, so they did not recommend a specific tax plan. Exhibit 1

093 PRESIDENT BRADBURY discussed the recommended elements for a revenue replacement package, and he named the members who had agreed to this package (consensus was not reached). Exhibit 1

107 MICHAEL SYKES complimented the Committee for their leadership in developing a tax plan for Oregon, and he talked about his experience working with the Partner's Group. He related that the "centerpiece" of their discussions was education, specifically to create an educational system that would "provide for a world-class work force." Additionally, the group insisted that Oregon have health local communities that would be able to provide opportunities for those educated people. He discussed the revenue lost by counties in Oregon due to both Measure 5 and timber issues, and he believed counties were facing tremendous transitional changes.

Exhibit 1

198 DIANE ROSENBAUM explained the diverse membership of her organization, which always has been impacted by the state's

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economy. She talked about what she had taken to the meetings of the Partner's group, which was a commitment to have an educational system that was able to train workers to compete for good jobs. She addressed the third and fourth principles on the list of the handout, related to "income tax relief" and that the "relief should reflect ability to pay." Exhibit 1

265 RAY DEAN described his organization and his participation in the meetings of the Partner's Group. He discussed two needs of public education agreed upon by the group: (1) cessation of program cuts, and (2) provisions for new program ideas. Exhibit 1

321 CHRIS DUDLEY talked about Oregon being "at a crossroads," and he enumerated his concerns in this area. He believed there were problems precipitated by Measure 5 and the economy, but he thought the deeper problem was the need for tax reform. He mentioned the "Education Summit" recently held in Portland, which had made him realize that public schools in Oregon were a key part of the economic health of the state. Although he thought the system was "better than it had ever been," he believed planning had to be done to "prepare students for the 21st Century." He thought a partnership of business, labor, and government had to solve educational issues, which was the purpose of the Partner's Group. Partners had concluded that a consumption tax was needed, but unanswered questions

centered on how much was needed and when the tax should be implemented.

Exhibit 1

432 DIANE ROSENBAUM read the written statement of GARY WILHELMS in support of the Partner's Groups' recommendations for tax reform. Exhibit 2

TAPE 125 SIDE

A

002 DIANE ROSENBAUM continued her reading of the testimony of GARY WILHELMS. Exhibit 2

021 PRESIDENT BRADBURY closed by stating that one of the critical questions that arises out of discussions concerning educational funding was "how much does adequacy cost?" He mentioned considerations that have to be given in relation to that question, like equality in the educational system throughout the state. He explained why his Partner's Group had not presented specific numbers for revenue that had to be raised.

051 CHAIR JONES explained that the House Revenue and School

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Finance Committee had been working to develop credible numbers to determine the amount of replacement revenue that had to be raised in a tax reform plan. She explained the procedure the Committee had developed to achieve this goal.

Discussion

095 JEFF GOLDEN made the point that the Partner's Group's contribution to developing a tax plan, and their pledged support for the plan developed by the Legislature, was a "golden opportunity" to help the tax plan gain approval from the voters. He believed the developed network developed through the Partner's Group would lead credibility to whatever plan was approved. He urged members to seriously consider the recommendations of the Partner's Group.

* NOTE: Questions and discussion between members of the Committee and of the Partner's Group begin here.

161 REP. JONES wanted to know if the Legislature could count on the support of members' organizations for a tax plan, in addition to the pledged support of the Partner's Group.

Discussion

249 REP. BURTON expressed concern that there were not more private sector businesses involved with the Partner's Group. He asked the members present if the plan devised by Associated Oregon Industries (AOI) for \$1.6 billion was an "adequate level" and if they would comment on other provisions of this plan.

Discussion

319 REP. SCHOON wanted to know if educational programs should be maintained at the reduced levels, while targeting new revenue for those proposed programs that were designed to reach proposed "benchmarks."

Discussion

349 REP. WHITTY asked if some members of the Partner's Group would be withdrawing support for a tax they did not endorse (see page 2 of Exhibit 1). He also wanted to know why certain members of the group weren't in the "endorsement group."

375 JEFF GOLDEN read a letter from one member of the Partner's

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Group, whose name was not in the "endorsement group," which explained his position. Exhibit 3

Discussion continued regarding the questions of REP. WHITTY.

TAPE 124 SIDE B

002 Discussion continued on the issues raised by REP. WHITTY.

016 REP. BRIAN expressed hope and concern that the Partner's Group would continue to provide support once the Legislature had developed a specific plan that called for a specific amount of revenue to be raised.

Discussion

061 REP. SHIBLEY talked about development of a "marketing plan", the first stage of which she believed the Partner's Group already had accomplished. She believed the first issue should be "what are we trying to do" rather than "how much are we trying to raise." Her questions to the Partner's Group related to specific educational needs that were not mentioned in their handout. Additionally, she asked members to define the terms in their handout "progress" and "enhanced." Exhibit 2, page 2

Discussion

197 REP. FEDERICI believed it was important to have the Partner's Group as a lobby group for a Legislative tax plan, but this would not help unless the voters, themselves, accepted the plan. He asked whether or not there had been discussion on the local option (whether or not local government could have an additional sales tax, a dedication of part of a state-wide sales tax, and/or a gross receipts tax).

Discussion

313 REP. FEDERICI asked the members if they had considered W R 60, which cause program cuts because it would reduce the decline of Measure 5 cuts to \$10 per thousand.

Discussion

325 REP. ADAMS expressed appreciation for the Partner's Group attempting to find out what the voters wanted from government. He

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thought getting a tax plan out of the Legislature would be easy compared to getting voters to approve it. He asked the members to further define their point "relief should reflect ability to pay." Exhibit 1, page 2

Discussion

401 REP. WALDEN believed the membership of the Partner's Group was heavily

weighted to organizations that used government services, and he thought the success of a tax plan would require the partnership of the people who do not use government services or who, in fact, oppose government interaction. Additionally, there were the people who already supported specific tax plans, some of which wouldn't be the one legislatively approved. He asked the Partners members to talk about how to include those people in the process.

Discussion

TAPE 125 SIDE B

002 Discussion continued about involving people in the development and support of a state tax plan who believe government should be "leaner and meaner."

069 CHAIR JONES asked members if they had agreed upon a date for a ballot measure.

Discussion

077 CHAIR JONES asked if the members of the Partner's Group had discussed other date options and the consequences of those options.

Discussion

085 CHAIR JONES expressed appreciation for the contribution of the Partner's Group and for that of all other groups, but the final responsibility for the development of a tax plan belonged to the Legislature. She asked the members of the Partner's Group to stay open to various tax plan options.

112 CHAIR JONES conducted administrative business.

Discussion

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198 JIM SCHERZINGER explained new material in the members' books, relating to the "adequacy issue." The first handout was information members had requested on the "1995-97 Reduced Budget" adjusted for inflation and population, and incorporating the latest "Revenue Forecast." Exhibits 2 and 3

222 JIM SCHERZINGER referred to another handout, a reproduced chart that had incorporated some changes, which he delineated.

Questions and
discussion

343 CHAIR JONES summarized the information about programs and services that had been funded or not funded with General Fund money for the 193-95 biennium.

361 CHAIR JONES conducted administrative business.

370 CHAIR JONES adjourned the meeting at 11:11.

Paula K.McBride, Committee

Assistant

Kimberly Taylor James, Office

Manager

EXHIBIT SUMMARY

1. Final Recommendations of the Revenue PARTNERS Group, President Bill Bradbury, 6/4/93.

2. Statement from Gary Wilhelms, US West Communications, read into the record by Diane Rosenbaum.

3. Letter to Jeff Golden, from Bill Wyatt, President, Oregon Business Council, 6/3/93.

4. 1995-97 Reduced Budget, based on tentative 9195 reductions adjusted for inflation and population, Jim Scherzinger, Legislative Revenue Officer.
5. 1995-97 General Fund, Reduced Level Budget, Jim Scherzinger, Legislative Revenue Officer.

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