

Public Hearing & 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 126-129 A/B

HOUSE COMMITTEE ON
REVENUE AND SCHOOL
FINANCE

JUNE 5, 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 Margaret Carter
Representative Tony Federici
Representative Fred Girod
Representative Gail Shibley
Representative Greg Walden

Members Excused: Representative Jim Whitty

Witnesses Present: Noel Klein, Special Districts Association of Oregon
Richard Devlin, Member, Metro Council, Portland Bob Duey, Administrative
Services Director, Willamalane Park and Recreation District; President,
Board of Directors for the Special Districts Association of Oregon Hunt
Norris, Lake Oswego Ray Dean, American Association of Retired Persons
(AARP) Chuck Crumb, American Association of Retired Persons (AARP) Julie
and John Maack, Lake Oswego parents Rosalyn Tucker, Portland Public School
parent Isobel Hockett, Portland Public School parent (she did not testify)
Alan Jones, Tigard Parent Scott Winkels, Monmouth Scott Carpenter, Eugene
Fred McDaniel, Vice Chairman, Springfield School Board

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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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House Committee

on

Revenue and School Finance June 5, 1993 Page 2

Witnesses: Betsy Siegrist, 6th Grade Teacher, Hamlin
(continued) Middle School, Springfield; Teacher of
the Year, Springfield
George Fisher, Director of Budget and

Planning,

Springfield School District
Alan Brinkley, Chairperson, Committee on

Tax

Reform in Oregon, City Club of Portland
Eugene Lasater, Siletz, Oregon

Staff: James Scherzinger, Legislative Revenue
Officer

Steve Bender, Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 126 SIDE A

007 CHAIR JONES called the meeting to order at 9:42 and conducted administrative business.

019 CHAIR JONES opened the Public Hearing on "Tax Reform."

021 NOEL RLEIN supported the effort for tax reform in Oregon, and he introduced other witnesses. He presented written testimony to the members. Exhibit 1

037 RICHARD DEVLIN pledged his support to the Committee for a statewide revenue measure developed by the Legislature. The first part of his testimony was verbatim, but he then spoke about regional planning and growth management that the Metro Council had been doing since 1989. He stressed the need to develop a tax package that would pass, but he urged members to include a local option in the plan. Exhibit 2

086 BOB DUEY described his organization and the impact of Measure 5 on the different components of it. He outlined the items he wished to be considered as part of a tax plan. His testimony was verbatim. Exhibit 3
Questions and discussion with the three previous witnesses

243 HUNT NORRIS introduced himself and spoke about his background related to financial matters, particularly school finance. He revealed what he believed were going to be the consequences of Measure 5 (page 1 of his handout). He also talked about what his tax proposal would accomplish (page 2) and about its components.

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House Committee

on

Revenue and School Finance June 5, 1993 Page 3

His testimony was based on the handout. Exhibit 4
Questions and discussion with HUNT NORRIS

TAPE 127 SIDE A

002 Questions and discussion continued between members and HUNT NORRIS.

061 RAY DEAN offered support for the Committee in the effort to develop tax reform. He read from his handout concerning the "Legislative Objectives" of his organization, and he spoke about the motivation of his membership. He reviewed conditions retired people have in Oregon, specifically financial predicaments. He also discussed the issue of "adequacy" related to the funding requirements for "a viable educational system and effective state government programs." He was looking for a equitable distribution of state taxes between individuals and businesses, a ratio that had degraded during the last years. His testimony was based on his handout. Exhibit 5

Questions and discussion

165 RAY DEAN explored the concepts of a tax plan, from his handout, in a section entitled "Tax Reform Criteria." He mentioned his frustration with a state government that doesn't hold itself accountable for dedicated spending. Exhibit 5, pages 2 and 3

Discussion

219 RAY DEAN spoke about the concerns of his organization related to a tax package that might be developed by the Legislature. He supported the "gross receipts tax," and gave his reasoning for this support. Exhibit 5

Questions and discussion with RAY DEAN

294 CHUCK CRUMB explained the polling process used by the AARP relating to

their support for the "gross receipts tax." He related that the full membership had not yet had a chance to vote on this issue.

Exhibit 5

Questions and discussion

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House Committee

on

Revenue and School Finance June 5, 1993 Page 4

331 JULIE MAACK introduced her huSB and, and she spoke about her perceptions of the ramifications of cuts to education in her school district. She stressed the need for Oregon citizens to have a tax system that was "fair and wise." She supported a sales tax coupled with a reduction in the Personal Income Tax (the Associated Oregon Industries' (AOI plan). She urged members to ensure stable funding for an equitable educational system throughout Oregon. Her testimony was outlined in a handout, and she elaborated on each point. Exhibit 6, page 1

Questions and discussion

TAPE 126 SIDE B

038 JOHN MAACK believed that a constitutional amendment for a new tax would give Oregonians some security related to control over government spending in the state. He talked about his experience with taxes in California.

Questions and discussion with JULIE and JOHN

MAACK

113 ROSALYN TUCKER supported the testimony of the two previous witnesses. She expressed specific concern over the loss of local control and the effect of this on schools in the state. She proposed that Measure 5 be amended to allow communities to regain local control, as the prerequisite for a stable and equitable base of funding for schools. She supported a tax system, based on a corporate tax, an income tax, and a consumption tax. If the Legislature chooses a sales tax, she urged members to base it on both goods and services, with as broad a base as possible. She also supported a split-roll tax. Her testimony was based on a handout. Exhibit 7

Discussion

317 ISOBEL HOCKETT briefly testified in support of tax reform, talking about people with whom she has talked who want to live in Oregon because of the good reputation of the educational system.

351 ALAN JONES supported the work of the Committee to develop a tax reform package, and he talked about his work with the Tigard School District. He expressed dismay at the loss of local control for school districts, and he stated that he never had minded paying property taxes because of the quality of Oregon schools. He thought a tax reform package should reinstate local control. He

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House Committee on

Revenue and School Finance

June 5, 1993 Page 5

thought \$3 billion would be needed for education, which was why he thought the AOI proposal would not raise enough money. He asked members to devise

stable funding for education that would reach into the next century. While not liking the administrative issues associated with a sales tax, he said he would support one under certain conditions.

TAPE 127 SIDE

B

002 ALAN JONES continued his testimony. He thought the "gross receipts" tax was basically a good idea, with certain clear provisions. He noted the public was afraid of the sales tax because in other state the rate has risen, and he urged members to adopt a provision in any sales tax proposal that it be deductible from the income tax (like the property tax). He concluded his testimony by urging the committee to develop a tax reform plan.

Questions and discussion between members and ALAN JONES regarding education vs. health etc. in prioritizing for direction of revenues.

095 SCOTT WINKELS explained what he thought the Legislature should do to make a tax reform package succeed with the voters, and he supported HB 2872 which would cap property tax assessments. He also supported the "gross receipts tax" in HB 2432, and he explained his reasoning. His testimony was based on a handout given to members. Exhibit 8

148 SCOTT CARPENTER spoke about his experience with successful ballot measures. He believed a sales tax was "passable," and he enumerated what the Committee should do to reach success with their proposed tax measure. He stressed the campaign would begin on the House Floor with debate of the proposed measure. He opposed any effort to repeal Measure 5, which would necessarily have to be a negative campaign.

Questions and discussion

210 FRED MCDANIEL discussed specific issues with his district and his concern about the future of Oregon education. He supported a dedicated tax measure that would provide stable and equitable funding for Oregon schools. His testimony was verbatim. Exhibit 9, pages 1 and 2, and Exhibit 10

282 BETTY SIEGRIST talked about the realities of financial cuts to

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House Committee on
Revenue and School
Finance

June 5, 1993 Page 6

in her district that resulted from Measure 5, from the perspective of the individual classroom. She also discussed changes that had occurred in education over the past 25 years. Her testimony was verbatim. Exhibit 9, pages 3-5

Questions and discussion

TAPE 128 SIDE

A

002 GEORGE FISHER described Measure 5 cuts to the Springfield school district.

Questions and discussion with witnesses from Springfield schools.

056 ALAN BRINKLEY mentioned a report issued by the City Club, included with his handout. He delineated tax reform considerations his group had made, which were more conceptual in nature than specific. He asked members to ban the use of the term "short fall" in any promotion for a tax package on which voters would vote. He mentioned three types of tax: (1) split roll, (2) a levy authorization at a local level, and (3) acceleration of Measure 5's limitations. His testimony was based on his handout. Exhibit 11

135 EUGENE LASATER testified in support of SJR44 which was a "gross receipts" tax. (CHAIR JONES pointed out that the Committee had not yet seen this bill.) He explained SJR44, which was based on equal funding for all Oregon schools, and the amount of taxation required would be determined from the Department of Education. His testimony was verbatim. Exhibits 12 and 13

Questions and discussion with EUGENE LASATER

221 EUGENE LASATER reviewed how he thought the "gross receipts tax" would impact small businesses. His testimony was verbatim. Exhibit 12, page 2

270 CHAIR JONES closed the Public Hearing on the tax reform bills, and she conducted administrative business.

279 CHAIR JONES recessed the meeting at 11:52 and reconvened at 12:16 and conducted administrative business.

211 STEVE BENDER went through his handout with options for a sales tax, based on a "target number" of \$1.9 billion for net revenue.

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House Committee

on

Revenue and School Finance June 5, 1993 Page 7

There were different plans delineated, with two variations on plans (B) and (C) with [ti] indicating income tax relief and [p] property tax relief. He related that plan (A) had the smallest tax changes, while (C) had the largest. Exhibit 14

338 STEVE BENDER discussed "Plan A." He referred to the members the third page of his handout, which detailed issues that might of concern to the members in relation to this plan. "Plan A" was based on a 3.8% tax rate, and was had material from the 1985 sales tax measure. Exhibit 14

TAPE 129 SIDE A

002 STEVE BENDER continued his explanation of "Plan A" in his handout. Exhibit 14

Questions and discussion

047 STEVE BENDER believed the sales tax would fluctuate more than an income tax, and he explained why. He discussed ways to make a sales tax more stable. The broader the base of the sales tax, the more growth it would have.

088 STEVE BENDER related that figures at the bottom of the page with "Plan A" provided information on "Household/Business Tax Burden." This information showed who would be paying the taxes under this particular plan. From the plans "A" to "C", federal taxes would increase (the sales tax was not deductible; and when income and property taxes were reduced, which were deductible, the Federal burden would increase). Exhibit 14

Questions and discussion of the relation of Oregon tax cuts or increases with the Federal Income Tax.

235 STEVE BENDER used "Plan B" (both the property tax and the income tax options) to explain the relationship of state taxes to the Federal Income Tax. Exhibit 14

Questions and discussion

266 STEVE BENDER explained how much of a 3.8% sales tax ("Plan A") would be derived from tourists per biennium. (STEVE BENDER clarified that all the figures on his handout were for the biennium.) Exhibit 14

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House Committee
on
Revenue and School Finance June 5, 1993 Page 8

Questions and
discussion

285 STEVE BENDER believed that few, if any, people would pay fewer taxes under "Plan A" with a proposed \$100 million in relief. Exhibit 14

Questions and
discussion

384 STEVE BENDER further explained the tax burden on households and businesses under current law and under the impact of "Plan A."

TAPE 128 SIDE B

002 STEVE BENDER continued his explanation of how "Plan A" would effect the taxes on households and businesses. Exhibit 14

Questions and
discussion

019 STEVE BENDER talked about various "Sales Tax Issues" with "Plan A." Exhibit 14, page 3

Questions and
discussion

059 STEVE BENDER talked about consequences to "Plan A" if the tax base were broadened, making it more like the Washington State sales tax. The tax rate would be raised as well. Exhibit 14, page 3

Questions and
discussion

094 STEVE BENDER discussed the third possible tax issue for "Plan A," related to ways to lower the proportion of taxes levied directly on households. Exhibit 14, page 3

127 STEVE BENDER reviewed "Plan B(p)" with the members, which would be designed to give property tax relief and still raise \$1.9 billion from a sales tax in the state. This plan had a rate of 5.0% and also used the 1985 Oregon base. He mentioned the "gross revenues" and "new revenues" with this plan. Exhibit 14, page 4

163 STEVE BENDER went through the sales tax and the property tax issues with "Plan B(b)." Exhibit 14, page 5

Questions and
discussion

231 STEVE BENDER reviewed the information relating to "Plan B(p)"

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House Committee on
Revenue and School
Finance
June 5, 1993 Page 9

for "Household Business Tax Burden." Exhibit 14, page 4

225 STEVE BENDER further explained sales and property tax issues that might arise with "Plan B(p)," which he believed would change if the tax rate were raised to 5%. Exhibit 14, page 5

Questions and
discussion

299 STEVE BENDER talked about the issue of including services in the tax base of "Plan B(p)." He went through other issues, as delineated on page 5 of his handout. Exhibit 14, page 5

313 STEVE BENDER began his explanation of "Plan B(i)", which differed from the first version of "B" only in provided income tax relief instead of property tax relief. Exhibit 14, page 6

Questions and discussion

325 STEVE BENDER explored the tax issues for "Plan B(i).~ Essentially the sales tax issues would be the same as for the other "B" plan, except for income tax issues. He explored how various components of the income tax structure could be changed. Exhibit 14, page 7

Questions and discussion

TAPE 129 SIDE B

002 Questions and discussion continued with STEVE BENDER about a hypothetical tax plan that provided income tax relief, like "Plan B(i)." exhibit 14, pages 6-7

018 STEVE BENDER began his explanation of the "C" plans. Like the other plans, they would raise \$i.9 billion, but the federal taxes would be higher for reasons he explained. This plan would have a 5% tax rate and use a Washington base. He talked about "Plan C(p), which would provide property tax relief. Exhibit 14, page 8

Questions and discussion

044 STEVE BENDER continued his explanation of the first "C" plan, "Plan C(p)," which would provide property tax relief. He mentioned some issues that could be considered with this type of tax. Exhibit 14, page 9

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House Committee on

Revenue and School Finance June 5, 1993 Page 10

084 STEVE BENDER discussed "Plan C(i)," which would have the same tax rate and base as the other "C" plan, but would provide income tax relief. He mentioned issues related to this plan. Exhibit 14, pages 10 and 11

112 Questions and discussion between members and STEVE BENDER concerning the various plans.

255 CHAIR JONES reviewed some matters that would have to be resolved if the property tax was removed entirely on residentiallyoccupied property.

275 JIM SCHERZINGER gave the members some "statistics related to the property tax, based on state-wide averages.

395 CHAIR JONES conducted administrative business.

330 CHAIR JONES adjourned the meeting at 1:44.

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

EXHIBIT SUMMARY

1. Testimony of Noel Klein, Special Districts Association of Oregon.
2. Testimony of Richard Devlin, Metro Council.
3. Testimony of Bob Duey, Special Districts Association of Oregon.
4. Testimony of Hunt Norris.
5. Testimony of Ray Dean, American Association of Retired Persons.
6. Testimony of Julie Maack.
7. Testimony of Rosalyn Tucker.
8. Testimony of Scott Winkels.
9. Testimony of Fred McDaniel, Springfield School Board.
10. Hello from Hamlin, newsletter of Hamlin Middle School's Parent Teacher

Student Association, Springfield.

11. Testimony of Alan Brinkley, City Club of Portland.

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House Committee on
Revenue and School Finance
June 5, 1993 Page 11

EXHIBIT SUMMARY (continued)

12. Testimony of Eugene Lasater, Siletz.

13. Testimony of Eugene Lasater, to Senate Committee on Revenue and School Finance.

14. Explanatory Plans: \$1.9 Billion Net Revenue, Steve Bender, Legislative Revenue Office.

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