

Work Session:
Bill Introduction
HJR 10
Tapes
155 -156
A/B
157 A
HOUSE COMMITTEE ON
REVENUE AND SCHOOL
FINANCE

JUNE 18, 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
Representative Jim Whitty
Witnesses Present: David Griffith, Executive Department - Mark Nelson,
Public Affairs Council
Staff: James Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Mary Gottlieb, Committee Assistant

TAPE 155 SIDE A

004 CHAIR JONES called the meeting to order at 8:13.
006 CHAIR JONES opened a work session to introduce an election bill,
LC3995.
007 STEVE BENDER gave an overview of LC3995 and noted the information to be
added.
030 MOTION REP. SCHOON moved to adopt LC3995, as
amended.
034 ORDER Hearing no objections, CHAIR JONES so
ordered.
045 CHAIR JONES closed the bill-introduction work session and opened the
work session on HJR 10.

These minutes paraphrase and/or summarize statements 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.

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Discussion.

060 CHAIR JONES conducted administrative business.
152 JIM SCHERZINGER discussed the question of Commodity Price Index (CPI),
plus population, and personal income. He noted the growth rates that would
have occurred under the US Index or the Producer Price Index (PPI). He
concluded that CPI plus population would be a limitation.
Discussion on CPI and personal income.
230 JIM SCHERZINGER responded to a question by REP. CARTER by stating that
the spending limit would not effect special-needs children. In the future,
revenue will not grow as rapidly as prices and population.
247 CHAIR JONES recessed the meeting at 8:46 and reconvened at 10:18.

248 CHAIR JONES conducted administrative business.

260 CHAIR JONES asked the members if anyone opposed the language of the current bill.

Discussion concerning new language.

TAPE 156 SIDE A

001 REP. SCHOON suggested that the committee change their recommendation to all covered taxes, charges, and fees that the state collects.

007 JIM SCHERZINGER referenced the Basic Tax Packet, page a7, which states that the General Fund is all taxes, fees, and service charges. On page a8, he pointed out the other taxes and charges that are not General Fund. The graph on page 4 showed the General Fund revenue.

Discussion concerning the General Fund revenue.

077 REP. SCHOON modified his suggestion by stating that he would take out the services, although this does include tuition.

087 CHAIR JONES asked for a consensus on REP. SCHOON's suggestion. No consensus was reached.

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099 CHAIR JONES asked for an agreement to add corporate income tax into covered taxes.

113 JIM SCHERZINGER offered an explanation of a revenue shortfall by stating that if the situation was an emergency that required an expenditure and the legislature wanted to spend from sources that are covered, then the only option would be a vote of the people.

Discussion on spending outside the limit.

211 CHAIR JONES asked for objections to Subsection 4. One member opposed Subsection 4. She recapped by stating that the committee had removed the percentage, added corporate to the first covered taxes, left in Section 4, and looked at an amount to put into the 95-97 biennium.

Discussion with regard to Section 10 and the amount of money for the limitation.

280 CHAIR JONES decided to leave the amount blank until the LC draft.

Discussion concerning the Consumer Price Index (CPI) and the US Index.

340 DAVID GRIFFITH offered an explanation of Exhibit 2, Producer Price Index (PPI) and Consumer Price Index (CPI) graphs. He showed the comparison between the two indexes.

TAPE 155 SIDE B

001 DAVID GRIFFITH continued his testimony with regard to Exhibit 2.

Discussion and questions.

103 JIM SCHERZINGER clarified the meaning of "housing" by stating that if the reference is to real estate prices or mortgage costs, that would be a smaller share of revenue. Utilities would be included in the housing sector.

Discussion continued with the PPI and CPI indexes.

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148 JIM SCHERZINGER discussed the constitutional language and whether the committee should use a time lag or use forecasts. He stated that the language is very broad and that if the forecast is wrong, there would have to be adjustments.

199 DAVE GRIFFITH pointed out that revenue forecasts can have errors associated with them. Looking at inflation or CPI forecasts, there are two sources of error (medical and housing) which may compound or offset each other.

218 JIM SCHERZINGER related that a recent supreme court case in Virginia probably would not effect Oregon. Any case with retroactive refunds have no effect on the PERS case in Oregon because the PERS case is an ongoing issue having to do with the future of retirees. Also, because the Virginia decision depends on the refund statutes of a particular state, the decision may or may not apply to Oregon.

276 MARK NELSON conducted a poll in September which indicated the public support for raising revenue from a sales tax. He related that the public showed support for replacement revenue for schools and very little support for replacement revenue for state government programs. MARK NELSON turned to the February questionnaire which showed how an increase in property tax would effect sales tax support.

TAPE 156 SIDE B

001 MARK NELSON continued with his explanation of February survey.

034 MARK NELSON introduced the June survey which was a public opinion research poll. Voters were asked if they favored or opposed the repeal of Measure 5. Forty-three percent were in favor, 42 percent opposed, and 15 percent were not sure. When the voters were told that repeal of Measure 5 would increase their property taxes, support for repeal dropped dramatically.

050 MARK NELSON went on to explain the Final Results of Property Tax Proposals, Exhibit 6. He reported that voters support a 5 percent sales tax rather than a six percent tax and that they opposed a split-roll tax, which taxes home and business property at different rates.

Discussion and questions.

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099 MARK NELSON stated that if the election were held today, the public would not support a sales tax.

121 MARK NELSON stated that although the public has a negative view of the split-roll tax, the provision to eliminate property taxes on homes only would not do any better. When the public was asked to choose between a reduction in income tax or property tax, the majority chose property tax. Discussion and questions.

311 MARK NELSON responded to a question by REP. GIROD by stating that in the February survey, the public showed support for a 3.5 percent and a 5 percent sales tax. The two-thirds limitation in previous polls has always been viewed as a deterrent to increasing taxes.

Discussion with MARK NELSON and his survey data.

TAPE 157 SIDE A

001 MARK NELSON responded to a question by REP. WALDEN by stating that with a straight sales tax for education and no reduction in income or property

tax, the polls indicated an almost even split.

Discussion and questions.

096 MARK NELSON stated that a small percentage of citizens have children in schools so that there has to be reasons for tax increases other than support for education. It is important to appeal to the higher sense of obligations to the state. He noted that a large number of the people who vote for schools do not have children in school.

128 REP. FEDERICI added that the final results for the split-roll question would be different if the question stated that the property tax on homes would be less.

Discussion and questions for MARK NELSON and his surveys.

184 CHAIR JONES conducted administrative business.

214 CHAIR JONES adjourned the meeting at 12:08.

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Mary Gottlieb, Committee Assistant

Kimberly Taylor James, Office Manager

EXHIBIT SUMMARY

1. LC3995 Draft, Steve Bender, Legislative Revenue Office.
2. CPI and PPI Graphs, David Griffith, Executive Department.
3. Oregon Taxes, September, Mark Nelson, Public Affairs Council.
4. Questionnaire, Oregon Taxes, February, Mark Nelson, Public Affairs Council.
5. Oregon Taxes, June, Mark Nelson, Public Affairs Council.
6. Final Results, Property Tax Proposals, Mark Nelson, Public Affairs Council.
7. Serious Problems Facing the State of Oregon, Mark Nelson, Public Affairs Council.

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