

OREGON TAX SYSTEM Tapes 5960 A/B  
SENATE COMMITTEE ON  
REVENUE AND SCHOOL FINANCE  
FEBRUARY 26, 1993 1:00 AM HEARING ROOM A STATE CAPITOL  
BUILDING

Members Present: Senator Shirley Gold, Chair Senator Brady Adams Senator  
Ron Cease (2:25 departure) Senator Rod Johnson (1:45 arrival) Senator Peg  
Jolin (2:45 departure) Senator Paul Phillips (2:30 departure) Senator  
Tricia Smith (1:35 arrival)

Witnesses Present: Paul Warner, Economist, Executive Department  
Staff: James Scherzinger, Legislative Revenue Officer Steve Bender,  
Legislative Revenue Office  
Jennifer Belkle, Committee  
Assistant

TAPE 59 SIDE A

001 CHAIR GOLD called the meeting to order at 1:17 p.m.

010 PAUL WARNER testified regarding the March Revenue Forecast. Exhibit 1 &  
2.

015 PAUL WARNER stated that the economy is in a slow growth pattern. He  
gave details of the current situation.

020 PAUL WARNER stated that the economy is growing at the average rate of  
5.5% annually. He observed that Oregon is performing better than the  
national average. There are several indicators that point to a recovering  
economy.

030 PAUL WARNER stated that companies are showing reticence to hiring new  
employees. There is, however, increased productivity in the state economy.  
Questions and discussion.

055 PAUL WARNER indicated several areas where job growth is expected to  
increase.

100 PAUL WARNER continued testimony on the Revenue Forecast in comparison  
to the 1991 Session estimates.

112 PAUL WARNER stated that the Executive office is concerned by the tax  
collections which are higher than economic activity would indicate. He  
believed that this will result in slower or weaker payments on April 15 and  
larger refunds.

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

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125 PAUL WARNER discussed the current inheritance tax revenue.

160 PAUL WARNER testified regarding the General Fund Forecast with  
comparisons to the Governor's budget. He indicated that there will be \$57.7  
million dollars available that were not available earlier.

190 PAUL WARNER stated that a better indication will be available in May  
after the next Forecast.

Questions and discussion.

380 JIM SCHERZINGER drew members' attention to a memorandum regarding 2%  
equal tax. Exhibit 3.

TAPE 60 SIDE A

001 JIM SCHERZINGER discussed information on fees and assessments. Exhibit  
4.

Questions and discussion.

140 JIM SCHERZINGER summarized many of the different taxes and how they are

routed to different funds.

244 JIM SCHERZINGER discussed the different impacts that certain taxes and changing the system will have on the economy.

Questions and discussion.

380 JIM SCHERZINGER pointed out the summary of fees and charges from the 1991-1993 budget.

TAPE 59 SIDE B

001 JIM SCHERZINGER continued his testimony.

Questions and discussion.

025 JIM SCHERZINGER stated that there are some fees that are not set in statute.

075 JIM SCHERZINGER testified on material generated by Mike Stinson who could not attend the meeting as scheduled. Exhibits 5 & 6. He discussed the issues of backfills for the general fund and the history of the relationship between fee programs and the general fund.

Questions and discussion.

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150 JIM SCHERZINGER stated that the fee programs have grown relative to the general fund. He noted that higher education charges are one of the best examples of this change.

205 STEVE BENDER discussed goals for the tax system. He referred to Exhibits 6-8 from February 11, 1993.

250 STEVE BENDER discussed the progressive nature of a timber tax.

TAPE 60 SIDE B

001 STEVE BENDER continued his discussion on goals of the tax system. More specifically, the gas taxes and excise taxes.

015 STEVE BENDER stated that cigarette taxes are the most regressive taxes that the state has at this time.

025 STEVE BENDER discussed the characteristics of excise taxes. He stated that administrative costs for new excise taxes can be quite large. He discussed the social policy impact of these taxes which can be used to discourage the use of a particular product.

Questions and discussion.

055 STEVE BENDER discussed the characteristics of the retail sales tax. He stated that while the sales tax is a regressive tax, this effect can be mitigated with the construction of the sales tax.

Questions and discussion.

130 STEVE BENDER mentioned the two sales tax plans that are currently being considered in the House: HB 2394 (Representative Van Vliet) and HB 2500 (Senate Democratic Caucus).

155 STEVE BENDER continued discussion on the retail sales tax.

165 STEVE BENDER pointed out that in general, the sales tax does not keep up with the economy. He stated that it is necessary to expand the base to make the tax less regressive and more productive.

Questions and discussion.

260 STEVE BENDER concluded testimony on the Retail Sales Tax.

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335 CHAIR GOLD adjourned the meeting at 3:07 p.m.

Jennifer Belkle, Committee Assistant

Kimberly Taylor, Office Manager

Exhibit Summary

1. Warner, Oregon General Fund Revenue and Economic Forecast Summary, 3-93
2. Warner, Oregon Economic and Revenue Forecast, 3-93
3. Scherzinger, 2% Equal Tax Memorandum, 2-24-93
4. Scherzinger, Total State Revenue, 2-93
5. Scherzinger, Governor Recommended General Fund Backfills
6. Scherzinger, Relationship of "Fee" Programs to General Fund

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