

Tapes 75-76 A/B & 77A
OREGON TAX SYSTEM
SENATE COMMITTEE ON
REVENUE AND SCHOOL FINANCE

MARCH 10, 1993 1:00 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Senator Shirley Gold, Chair Senator Paul Phillips,
Vice-Chair Senator Brady Adams Senator Ron Cease (arriv ~ 1:25) Senator Rod
Johnson Senator Tricia Smith (arrival 1:50)

Witnesses Present: John Marshall, Oregon School Board Association Gary
Carlson, Association of Oregon Industries Rob Nosse, Oregon Student Lobby
John Danielson, Oregon Education Association

Staff: Steve Bender, Legislative Revenue Office
Jennifer Belkle, Committee Assistant
TAPE 75 SIDE A

001 CHAIR GOLD called the meeting to order at 1:15 p.m.

007 CHAIR GOLD directed members' attention to the revised tax proposal
guide and agenda for this week's Oregon Tax System testimony. Exhibits 1 &
2.

017 STEVE BENDER explained a document which compared the different sales
tax proposals. Exhibit 3.

035 JOHN MARSHALL testified before the Committee regarding the Oregon
School Board Association's plan for school funding, which includes a 5%
sales tax. He discussed the need to solve the longterm funding problem for
Oregon schools. Exhibit 4.

Questions and discussion interspersed.

165 JOHN MARSHALL stated that there needs to be a stable revenue source
dedicated solely to education.

Questions and discussion interspersed.

425 SEN ADAMS raised the concern that the OSB A plan made promises which its
plan was not equipped to fund.

Discussion.

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meeting. Text enclosed in quotation marks reports the speakers exact words.
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001 SEN. ADAMS continued his discussion of his concerns with the
"guarantees" promised in the OSB A plan which do not appear to have adequate
funding.

035 JOHN MARSHALL responded that his organization chose a plan that
partially funded education in order to avoid complete funding from the
state and maintaining some local control.

Questions and discussion.

150 JOHN MARSHALL explained the impact of Measure 5 on the property tax system and how that has impacted school districts. He stated that the state is moving towards a state funded school system.

Questions and discussion.

215 GARY CARLSON discussed tax and fiscal reform in Oregon. He gave a historical overview of his organization's activities since the passage of Measure 5, especially since the 1991 Legislative Session. He stated that he did not support the Governor's budget proposals. He proceeded to describe a three-element proposal advocated by the Associated Industries of Oregon, and mentioned a poll AOI took during the summer and early fall of 1992 throughout the State concerning attitudes about taxes, government, and the economy. Exhibit 5.

Questions and discussion interspersed.

367 GARY CARLSON discussed tax issues and attitudes of citizens regarding taxes in neighboring states.

Questions and discussion.

TAPE 75 SIDE B

001 GARY CARLSON continued his testimony on tax and fiscal reform in Oregon.

Questions and discussion interspersed.

050 GARY CARLSON stated that his organization is a proponent of SJR14 which prohibits unfunded mandates on local government by the state.

Questions and discussion.

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080 GARY CARLSON stated that AOI is fully prepared, after the shortfall is dealt with, to put forth a measure that would replace revenue.

Questions and discussion.

095 SEN. SMITH inquired as to why discussion regarding tax reform must wait until the brutality of the eminent budget cuts is apparent in programs throughout the state.

Questions and discussion.

195 GARY CARLSON reiterated that a certain amount of reduction in current budget levels is necessary.

Questions and discussion.

222 GARY CARLSON asserted that Oregonians have declined in per capita income in recent years, therefore, the ability of taxpayers to support services has also declined. Moreover, he stated that despite this fact, Oregonians rank 11th in their tax burden. He felt the passage of Measure 5 was an indication to the leaders of this state that the level of taxation was too high. He challenged that cutting government spending was not only the right thing to do, but also imperative to convince voters that replacement revenue is necessary.

Questions and discussion.

255 GARY CARLSON explained the lack of provisions for local governments. He stated that this proposal prohibits local governments to increase the amount of the sales tax. He maintained that one of the major concerns the people of Oregon have regarding a new tax system is that the rate will continue to rise.

290 GARY CARLSON stressed that there are many other sources of revenue available to general purpose local governments.

Questions and discussion.

315 GARY CARLSON expressed his doubt that legislation could be drafted for

a constitutional provision that would effectively limit government spending.

Questions and discussion.

385 GARY CARLSON acknowledged that if this legislature balanced the budget within available revenue, there will be a great deal of "pain" in Oregon. He stressed, however, that the resulting "pain" should not be the sole motivator to induce voter approval of a

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refinancing package. He stated that the voters should be encouraged by efforts made to streamline and reinvent government instead.

TAPE 76 SIDE B

001 GARY CARLSON continued his discussion on voter support for a refinancing measure.

015 ROB NOSSE testified on behalf of the Oregon Student Lobby regarding a legislative agenda to provide funding for higher education. Exhibit 6.

128 JOHN DANIELSON testified regarding taxation in the State of Oregon. He reminded the Committee that the per capita income has dropped and that there is a disproportionate number of retirees in Oregon, which are two important factors in determining the ability of the taxpayers to withstand a tax burden.

180 JOHN DANIELSON suggested some bridge financing to alleviate the necessity of some of the budget cuts.

Questions and discussion.

190 JOHN DANIELSON stated that bridge financing is necessary to prevent programs from being destroyed beyond a point of salvation, regardless of future long term solutions to the revenue problem.

210 JOHN DANIELSON stated that the next problem facing this body is the equity of the distribution of funds to school districts. He informed the Committee that metropolitan areas are paying higher value assessment property taxes than other areas of the state, but the distribution of the revenue among the counties is equal.

262 JOHN DANIELSON stated his concern that control of the schools will be handed over to the State Legislature. He stressed that local involvement is essential and must be maintained.

Questions and discussion.

285 JOHN DANIELSON discussed the current solutions being proposed for the revenue problem.

Questions and discussion.

390 JOHN DANIELSON discussed negative aspects of a sales tax proposal.

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001 JOHN DANIELSON continued his testimony regarding a sales tax.

010 JOHN DANIELSON inquired about the possibility of repealing Measure 5 and readdressing the problems in the property tax system. He felt it was

quite clear that a majority of those who voted for Measure 5 believe it was a mistake.

023 JOHN DANIELSON discussed the option of a sales tax and the difficulties faced when attempting to craft an effective proposal.

040 JOHN DANIELSON explained why his organization cannot support the proposal by OSB A.

060 JOHN DANIELSON assured the Committee that the Oregon Education Association would support almost any tax proposal.

077 CHAIR GOLD adjourned the meeting at 3:15 p.m.

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Jenn ~ r Belkle, mmittee Assistant

Kimberly Taylor, Office Manager

Exhibit Summary

1. Bender, Revised Tax Reform Proposals, 3-8-93
2. Oregon Tax System Testimony Agenda
3. Bender, Sales Tax Proposals
4. Marshall, Elected School Boards Plan for Schools
5. Carlson, Government Efficiency Bills, 3-93
6. Nosse, Fair and Adequate Tax Reform, 12-92
7. Nosse, Testimony for Senate Revenue Committee

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