

Tapes 86-87 A/B OREGON TAX SYSTEM

SENATE COMMITTEE ON
REVENUE AND SCHOOL FINANCE
MARCH 18, 1993 1:00 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Senator Shirley Gold, Chair Senator Brady Adams Senator
Ron Cease Senator Joyce Cohen Senator Tricia Smith

Members Excused: Senator Paul Phillips, Vice-Chair Senator Rod Johnson

Witnesses Present: Representative Cynthia Wooten Bob Cantine, Association
of Oregon Counties Mike Sykes, Columbia County Commissioner Mike McCracken,
Oregon Medical Association Jim Carlson, Charles Sheketoff, Human Rights
Coalition

Staff: Steve Bender, Legislative Revenue Office
Jennifer Belkle, Committee Assistant
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001 CHAIR GOLD called the meeting to order at 1:12 p.m.

008 CHAIR GOLD welcomed Senator Joyce Cohen, the newest member of the
revenue committee.

015 REP. WOOTEN testified before the Committee regarding bridge financing,
which she defined as a short term revenue tool that allows both public and
private sectors to have a short term extension to more permanent and stable
long term financing. Exhibits 1-5. ,

040 REP. WOOTEN reviewed her proposed three part plan which hinges on
modest bridge financing to provide a safe transition to long term tax
reform.

105 REP. WOOTEN informed the Committee that the concept of bridge financing
is being discussed by a variety of individuals and organizations.

110 REP. WOOTEN stated that if the third year increase of the plan was
advanced at the full rate for 1993 and 1994, it could pay for the start up
costs of the Oregon Health Plan.

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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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120 REP. WOOTEN discussed the risk of bridge financing being perceived by
the public as a resolution to the revenue crisis, thereby undermining long
term tax reform.

130 REP. WOOTEN informed the Committee that on two previous occasions the
State of Oregon has employed an income tax surcharge.

165 REP. WOOTEN discussed the number of Oregonians affected by an upper
income bracket increase. She stated that the majority of Oregonians would
be unaffected by these changes.

225 BOB CANTINE introduced Mike Sykes to the Committee.

240 MIKE SYKES testified regarding the economic condition of Oregon's

counties and the necessity of replacement revenue for schools and local governments. Exhibit 6.
Questions and discussion.

TAPE 87 SIDE A

001 BOB CANTINE testified regarding tax reform. He stated that the current focus is not on local government, but rather on the unfunded shift of the cost of education. He urged the Committee to find a "niche" for local government and their needs in any tax reform package. Exhibit 7.
Questions and discussion.

071 BOB CANTINE discussed current tax reform proposals and made suggestions regarding aspects of any proposal. He stated that a portion of any tax plan should be invested into local government services in order to compensate for losses that resulted from a statewide proposal. He expressed his concern over loss of local taxing authority.
Questions and discussion.

160 MIKE SYKES reminded the Committee that 23 of the 36 counties in the State of Oregon defeated Ballot Measure 5.
Questions and discussion.

250 MIKE MCCRACKEN testified before the Committee regarding the position of the Oregon Medical Association on tax reform.
Exhibit
8.

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280 MIKE MCCRACKEN discussed the necessity of funding the Oregon Health Plan. He stated that the Oregon Health Plan was necessary because it would expand the eligibility for medicaid to all Oregonians with family incomes below the federal poverty level. He related that under current statute, childless couples and single adults are not eligible for medicaid regardless of their level of poverty.

315 MIKE MCCRACKEN stated that a common element of both bills that comprise the Oregon Health Plan is the package of health care benefits which has been carefully and scientifically developed by the Health Services Commission. He stated that a National Plan developed by the U.S. Congress could be far more expensive for Oregon businesses.

330 MIKE MCCRACKEN stated that the law requiring health insurance will go into effect on July 1, 1995, provided that the medicaid reform portion of the Oregon Health Plan is adopted.

335 MIKE MCCRACKEN stated that since it is clear that President Clinton will approve the waiver for the Oregon Health Plan, the Oregon Legislature must provide the required matching funds. He informed the Committee that it will take an estimated six months from the time the budget is approved before new clients can receive health services.

350 MIKE MCCRACKEN testified that there are over 400,000 Oregonians that are without health care. He asserted that the State cannot wait for the voters to approve a tax reform measure. He also stressed that after lobbying the U.S. Congress and two U.S. Presidents, the State cannot now ask for a deferment of a year or more.

365 MIKE MCCRACKEN reminded the Committee that there is strong voter support for expanding access to health care and reforming the health care delivery system. He stated that since the Federal government has pledged its help, the State must respond by putting the Oregon Health Plan into

effect.

375 JIM CARLSON testified regarding the use of a tobacco tax increase to fund the Oregon Health Plan. Exhibits 9 & 10.

TAPE 86 SIDE

B

001 JIM CARLSON continued his testimony regarding tobacco use and its economic impact on the State of Oregon. He stated that Oregon taxpayers are paying a large portion of the expenses for health care resulting from the consequences of smoking.

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035 JIM CARLSON reassured the Committee that this proposal is not considered to be a revenue replacement plan. He stated that this plan was viewed only as a method of immediate funding for the Oregon Health Plan.

050 JIM CARLSON discussed the results of a survey that overwhelmingly supported a \$.25 tax increase on cigarettes that would be dedicated to the state medicaid program.

065 CHAIR GOLD inquired regarding the status of the Oregon Health Plan. Questions and discussion.

095 MIKE MCCRACKEN discussed the origins of the Oregon Health Plan.

115 MIKE MCCRACKEN stated that a provider tax is another form of a cost shift of health care to the private sector. He stated that by requiring a provider tax, the State would be breaking the spirit of the agreement made on the Oregon Health Plan and endangering its support base.

Questions and discussion.

160 JIM CARLSON stated that the Oregon Health Plan should be financed in the long term by the General Fund.

Questions and discussion.

225 MIKE MCCRACKEN stated that part of the Oregon Health Plan is medicaid reform and coming to grips with the high cost of health care and dealing with it in a rational manner.

Questions and discussion.

350 JIM CARLSON confirmed that this proposal will fund the Oregon Health Plan for this next biennium only.

Questions and discussion.

TAPE 87 SIDE B

001 Discussion continued on the funding of the Oregon Health Plan.

035 CHARLES SHEKETOFF testified before the Committee regarding the need to develop a tax expenditure budget as an effective method of

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achieving efficiency in government. Exhibit 10.

Questions and discussion.

285 CHARLES SHEKETOFF discussed the proposals supported by various organizations support of tax reform. Questions and discussion.

355 CHAIR GOLD adjourned the meeting at 3:00 p.m.

Je fer Belkle, Committee Assistant

Kimberly Taylor, Office Manager

Exhibit Summary

1. Wooten, Testimony before the Senate Committee on Revenue and

School Finance, 3-18-93

2. Wooten, House Bill 3078

3. Wooten, Oregonians' Tax Returns for 1993

4. Wooten, Tables on Income Tax Returns

5. Wooten, Personal Income Tax History, 1-4-93

6. Sykes, Written Testimony

7. Cantine, Testimony Before the Senate Revenue and School Finance Committee Regarding Tax Reform Proposals, 3-18-93

8. McCracken, Testimony Before the Senate Revenue Committee,

3-18-93

9. Carlson, Testimony on Tobacco Tax Proposal, 3-18-93

10. Carlson, Chart, Trend Shows Increasing Support for Tobacco Tax

11. Sheketoff, Written Testimony, 3-18-93

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