

Tapes 1,2 (A/B) Tape 3 (A) Orientation/Oregon Taxes HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE

January 15, 1991 8:00 AM Hearing Room A State Capitol Building .
Members Present: Representative Delna Jones, Chair Representative Carl Hosticka, Vice-Chair Representative Mike Burton Representative Kelly Clark Representative Bev Clarno Representative Mike Nelson Representative Fred Parkinson Representative John Schoon Representative Jim Whitty Staff Present: Jim Scherzinger, Legislative Revenue Officer Linda Leach, Committee Assistant Witnesses Present: Ramona Kenady, Chief Clerk of the House
TAPE 1 SIDE A 005 CHAIR JONES called the meeting to order at 8:00 and conducted administrative business. 017 JIM SCHERZINGER introduced Legislative Revenue staff. 052 CHAIR JONES discussed the direction the committee will pursue. She pointed out Proposed Rules and requested members review them for possible adoption the next day. Exhibit 1 100 CHAIR JONES noted the impact from Measure 5 on Oregon's current tax system. The House Revenue Committee will begin work on Measure 5 implementation after orientation meetings. The orientation will cover Oregon's current tax system. Work on distribution of school funds will begin in the Senate Revenue Committee. Chair Jones noted subcommittees will be formed and will meet once a week. The full committee will meet four times a week. One subcommittee will be Retirement Tax Equity and another will be announced. 154 CHAIR JONES explained that Measure 5 implementation issues will take place prior to replacement revenue issues. 169 REP. HOSTICKA expressed his concern regarding the complete impact of Measure 5 on the entire tax system. He pointed out that there will be "winners" and "losers" because of Measure 5 and those effects must be understood.

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. House Committee on Revenue and School Finance January 15, 1991 Page 2 226 REP. SCHOON commented on a need to review the total tax system, keep an open mind and not approach Measure 5 in a patchwork fashion. 239 REP. WHITTY noted his concern regarding a uniform and common system of education for each child in Oregon. He explained problems with the Coos Bay School District. Safety net districts must be made whole. - 274 CHAIR JONES encouraged committee members consider Oregon's needs and not focus only on individual districts. 285 REP. BURTON agreed that a total picture of Oregon's tax system and effects from Measure 5 must be reviewed. He was concerned about the effects on local government. 340 REP. CLARNO commented on a need to consider urban problems as well as rural problems. 376 CHAIR JONES discussed the makeup of the committee. 384 REP. HOSTICKA noted his concern regarding the committee's charge of dealing with school distribution when a different committee is charged with determination of the amount of money. TAPE 2 SIDE A 002 CHAIR JONES discussed an effort of coordination with the Ways and Means Committee with reference to Rep. Hosticka's concerns (above). 023 CHAIR JONES referred the members attention to Proposed Rules. Exhibit 1 025 JIM SCHERZINGER noted three minor changes in rules from the 1989 Revenue rules. 042 Questions and discussion regarding minority report rules. 070 JIM SCHERZINGER reviewed Tentative Committee Schedule. Exhibit 2 111 Questions and discussion. 158 RAMONA KENADY clarified rules regarding minority reports. 173 Questions and discussion. 195 JIM SCHERZINGER mentioned the State Treasurer is developing bill drafts regarding debt parts in Measure 5. He noted bill drafts will follow soon regarding Measure 5 implementation from the Department of Revenue. He continued his review of the committee schedule. Exhibit 2

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. House Committee on Revenue and School Finance January 15, 1991 Page 3 234 Questions and discussion regarding subjects during orientation meetings. 242 JIM SCHERZINGER explained a presentation will be given on Oregon's current tax system. The orientation material will be compiled and presented in a Basic Tax Packet. He explained the detailed presentation from each LRO (Legislative Revenue Office) economist during orientation. OREGON TAXES 300 JIM SCHERZINGER began his review of the Oregon tax system with Summary of Oregon Taxes. He pointed out the size of personal income tax and property taxes. Exhibit 3 350 JIM SCHERZINGER pointed out revenue funds which are dedicated by constitutional requirement. TAPE 1 SIDE B 001 JIM SCHERZINGER continued with his review of dedicated revenue funds. 056 Questions and discussion regarding a business income tax. 067 JIM SCHERZINGER continued with his review of local taxes. Exhibit 3 079 Questions and discussion regarding administrative costs of local tax collections. 092 JIM SCHERZINGER referred to State General Fund Revenue and pointed out Oregon's heavy dependence on the General Fund. Exhibit 4 129 Questions and discussion regarding tobacco taxes. 142 Questions and discussion regarding impact from federal tax laws. 152 Questions and discussion regarding a balanced budget and a current law regarding estimations. 175 REP. WHITTY noted that cigarette taxes were enacted for social purposes and not revenue purposes. 182 Questions and discussion regarding court fees and liquor revenue and when these revenues were last raised. 196 JIM SCHERZINGER explained the history of court fee revenue. 231 Questions and discussion.

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. House Committee on Revenue and School Finance January 15, 1991 Page 4 293 JIM SCHERZINGER continued with a review of State General Fund Expenditures and pointed out that almost half of the budget is for education, one-quarter of the budget funds human resources, nine percent funds public safety (includes corrections) and the balance is for other programs. He noted in the Governor's recommended budget that the education share increases because of Measure 5 replacement dollars. Exhibit 5 325 REP. HOSTICKA questioned the decrease in property tax relief in the Governor's recommended budget. 350 Questions and discussion. 362 REP. HOSTICKA questioned if the committee will separate what was basic school support and what is replacement money when dealing with distribution of General Fund money to local school districts. 372 JIM SCHERZINGER explained a need to identify a portion of the total appropriation as Measure 5 replacement to be sure the constitutional requirement is met. 398 CHAIR JONES briefly noted legal implications with regard to replacement requirements. TAPE 2 SIDE B 016 CHAIR JONES reminded the committee to deal with a policy of total school distribution and not only view individual districts. 026 CHAIR JONES recessed the meeting at 9:28 and reconvened at 9:46. 032 JIM SCHERZINGER continued with State General Fund Expenditures (by type) and explained state and local shares of the General Fund. Exhibit 5-page 2 058 JIM SCHERZINGER reviewed Sources of Local Revenue 1987-88. He explained why a current compilation of information is not available and that census data is one to two years behind. He explained a required accounting system for schools and he reviewed special districts. Exhibit 6 102 Questions and discussion regarding Exhibit 6. 145 JIM SCHERZINGER referred to Oregon Local Government Direct General

Expenditures 1987-88. Exhibit 7 158 JIM SCHERZINGER reviewed State Budget Detail - Census Bureau which integrates "Other Funds" into a discussion of the state budget. Exhibit 8 178 Questions and discussion regarding breakdown of budget numbers. _ 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. House Committee on Revenue and School Finance January 15, 1991 Page 5 285 JIM SCHERZINGER related the census bureau numbers to the Oregon process. Exhibit 8 300 Questions and discussion regarding Insurance Trust revenues. TAPE 3 SIDE A 001 JIM SCHERZINGER reviewed two pie charts entitled 1991-93 Governor's Budget - All Fund Revenues and explained that the top chart is census related. This provides a picture of where the shifts are in ,definition (census definition and Oregon definition). Exhibit 8, page 2

040 Questions and discussion regarding veteran's loan program. 054 JIM SCHERZINGER explained there will be revenues in the Governor's All Fund Revenues which will not be in the census classification. 109 Questions and discussion regarding pie charts. 137 JIM SCHERZINGER reviewed Oregon Revenue Compared To Other States 198 7-88 and pointed out 1987-88 is the most complete data available. Exhibit 9 151 Questions and discussion regarding state rankings compared to Oregon. 169 JIM SCHERZINGER reminded members that 1987-88 was a "kicker" year. 200 Questions and discussion regarding state rankings and national averages in relationship to Oregon's ranking and capacity issues. 333 REP. CLARK noted his concern regarding what has happened to the Oregon taxpayer over the last twenty years. 340 JIM SCHERZINGER discussed tax levels, inflation factors and income per capita trends. 353 CHAIR JONES noted her interest in Western States comparisons. 390 REP. BURTON commented on the usefulness of comparisons and noted the importance of capacity and effort issues. 391 CHAIR JONES summarized a number of different perspectives when reviewing Oregon's tax structure. 400 CHAIR JONES conducted administrative business and adjourned the meeting at 10:40.

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Linda Leach, Committee Assistant Kimberly Taylor, Office Manager .

EXHIBIT SUMMARY 1. Proposed Rules, LRO, 1/15/91 - Orientation 2. Tentative Committee Schedule, LRO, 1/15/91 - Orientation 3. Summary of Oregon Taxes, LRO, 1/15/91 - Orientation 4. State General Fund Revenue, LRO, 1/10/91 - Orientation 5. State General Fund Expenditures, LRO, 1/11/91 - Orientation 6. Sources of Local Revenue, LRO, 1/12/91 - Orientation 7. Oregon Local Government Direct General Expenditures, LRO, 1/11/91 Orientation 8. State Budget Detail - Census Bureau, LRO, 1/14/91 9. Oregon Revenue Compared To Other States 1987-88, LRO, 1/15/91 .. 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.