

Tapes 22-23 (A/B) Tape 24 (A) Orientation Governor's Recommended Budget Presentation

HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE

January 24, 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 Dick Yates, Legislative Revenue Office Linda Leach, Committee Assistant Witnesses Present: Mike Marsh, Executive Dept., Budget and Management Paul Warner, Executive Dept., Budget and Management TAPE 22 SIDE A 005 CHAIR JONES called the meeting to order at 8:04 A.M. and conducted administrative business. 010 JIM SCHERZINGER presented historical information on the percentage of income that state and local taxes have been nation wide since 1940. EXHIBIT 1 040 JIM SCHERZINGER addressed historical data of Oregon Tax Rankings of the state and local taxes. EXHIBIT 2 070 JIM SCHERZINGER presented how Oregon revenue compared to other states in 1987-88. EXHIBIT 3 GOVERNOR'S RECOMMENDED BUDGET 132 MIKE MARSH overviewed the presentation including revenue on economic forecast leading into a discussion of the Governor's strategies for the budget. 035 PAUL WARNER commented that the revenue forecast is based on the December forecast with current update available March 1. It was pointed out that the forecast is based on a peaceful solution in the Middle East which is not happening. Assessment of the war impact is

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being reviewed with various war-length alternatives in the forecast. The length of the war will have an impact on the recession. 168 Question and discussion regarding financing conflict in the Persian Gulf. 177 PAUL WARNER anticipated, in terms of the Oregon economy, a slowing in growth. It was felt that Oregon economy will come through this recession impacted, but should not experience the depth of the early 1980's recession. The 1991 forecast is more optimistic. 215 Questions and discussion regarding employment growth. 250 PAUL WARNER continued with reference to Schedule I which looks at General Fund Revenues under current law and compares them with the recommended changes made by the Governor. It was noted that based on current law estimates, the General Fund is expected to grow in 1991-93. This is down from what has been experienced in the current biennium. EXHIBIT 4 269 Reference is made to EXHIBIT 4, Page 3 in which each of the Governor's recommended changes are outlined including those affecting personal income tax in relation to the 2 percent kicker. 300 PAUL WARNER addressed the corporate forecast and the Governor's recommendations. Questions are interspersed. 377 PAUL WARNER discussed another large revenue change from a General Fund perspective is the dedication of cigarette tax collections to fund the West Side Light Rail project. The Liquor Apportionment is also addressed. 399 Discussion and questions follow regarding liquor tax markup. TAPE 23 SIDE A 004 PAUL WARNER clarified the function of the Executive Department in the budget and forecasting process. 011

Discussion follows regarding the range of the overall budget forecast. 040 The forecast growth was compared to the rest of the U.S. Reasons for growth were addressed and reference was made to the negative factor involving the timber industry. 072 PAUL WARNER addressed the pension tax income estimate. Discussion continues in relation to federal and state retirees. 088 PAUL WARNER discussed gift and inheritance taxes.

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 24, 1991 Page 3 100 REP. PARKINSON asked how the national housing starts plays a factor in the forecast. 111 PAUL WARNER explained the importance of the housing starts as a forecasting variable. 123 PAUL WARNER reviewed history of Oregon economy during times of recession. Various factors were addressed including natural resources, manufacturing, exports, in-migration, and the development of retirement income. 177 REP. CLARK referred to the economic impact of Measure 5 in relation to job loss. 185 PAUL WARNER responded that there will be a transition from government employment to private sector employment. It is a difficult issue in terms of the economic environment. Oregon taxes are close to the national average and Measure 5 will lower Oregon's average. The question being is that conducive to economic growth. 215 Discussion and questions regarding property tax average reduction. 233 MIKE MARSH continued the presentation by discussing the budget strategies used by the Governor concerning reductions. 1) Look for high performance management, eliminating low performance services and establishing long terms cuts. 2) Make sure essential services are funded. 3) If new areas arise, reductions should be made in the current program to offset new program. 4) Reductions made on the local level are done with the same determination and basis as the state. 5) Fee increases would be done by the entities receiving a benefit. 292 MIKE MARSH explained the 1991-93 budget development telling of the loss of the December forecast due to the passage of Measure 5 and due to less revenue coming to the state as predicted in the forecast. 332 MIKE MARSH continued the presentation with reference to the impact of Measure 5 looking at the 1991-93 biennium. Also shown was the impact of Measure 5 in relation to the 1993-95 forecast and the 1995-97 forecast. EXHIBIT 5 362 Discussion and questions follow regarding EXHIBIT 5 with reference to basic school support replacement revenue. TAPE 22 SIDE B 001 Discussion continues with reference to EXHIBIT 5. 032 MIKE MARSH referred to charts on Page 2 depicting total resources and expenditures of the 1991-93 General Fund Budget. EXHIBIT 5

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 24, 1991 Page 4 053 MIKE MARSH presented the pie chart illustrating the 1991-93 Target Dollar Cuts by Program Area. Discussion and questions are interspersed. EXHIBIT 5, Page 3 150 CHAIR JONES recessed the meeting at 9:12 A.M. and reconvened at 9:28 A.M. 160 MIKE MARSH continued the presentation describing the General Fund Reductions listed on EXHIBIT 5, Page 4. Discussion and questions are interspersed with emphasis on the \$80 million reduction in basic school support. 180 Discussion and questions regarding reductions in higher education. 200 MIKE MARSH presented the Governor's proposed budget with reference to the list of Budget Priorities including replacement revenues, quality workforce investments, livable communities, and management of state government. EXHIBIT 5, Page 5 225 Discussion and questions are interspersed

regarding the Governor's list of budget priorities. 242 MIKE MARSH continued the presentation with reference to the pie chart depicting the \$95.4 million Lottery Distribution. EXHIBIT 5, Page 6 265 Discussion and questions regarding Washington County West Side Light Rail projects and the effects on lottery revenue. 280 MIKE MARSH clarified the Strategic Reserve Fund. 320 Discussion continues with reference to Lottery Distribution. 351 MIKE MARSH concluded the presentation relating to Measure 5 and the General Fund Revenue with reference to the list of future issues needed by the Legislation to support the budget. EXHIBIT 5, Page 7 392 It was clarified that the final issue listed, Property Tax Relief/Reform Measures, does not relate to the current 1991-93 budget. EXHIBIT 5 TAPE 23 SIDE B 000 MIKE MARSH presented a summary of significant fund shifts (General Fund to Other Funds or Federal Funds) based on the Governor's recommended budget. The various executive branch agencies are listed giving the recommended shift of funds. Discussion and questions are interspersed. EXHIBIT 6 030 MIKE MARSH presented a detailed list of fee revenue from a "Draft" exhibit to provide examples of shift changes. EXHIBIT 7

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 24, 1991 Page 5 040 MIKE MARSH explained how rate increases are incurring as well as inflationary increases. Rate increases require legislative action, while inflationary are a result of the market conditions. EXHIBIT 7 045 Discussion and questions follow regarding the fee increases. 060 REP. SCHOON questioned how many of the programs were initiated for the good of the public and now the state is saying they should be self supporting by fee payment. MIKE MARSH explained the direction of the state regarding fees for services. 077 Discussion and questions follow regarding the fund shifts and fee revenue displayed in Exhibit 7. 123 MIKE MARSH explained how the revenue increases are dispersed throughout the various programs. It was clarified that the service is not being increased but funding is being provided through other methods. Questions are interspersed with reference to tuition increases. 170 REP. BURTON questioned how, as a matter of policy, the budget will be balanced with all revenue being placed in the General Fund. Each fund should demonstrate where the revenue enhancements will accrue back to the people who are paying. 185 MIKE MARSH responded how the funds are shifting allowing more maintenance to current programs. 193 MIKE MARSH continued presenting items with reference to payroll tax shift funds. 220 CHAIR JONES referred to other fund increases. EXHIBIT 8 221 MIKE MARSH presented the fund shifts involving the Department of Veterans' Affairs. Discussion and questions are interspersed. 298 CHAIR JONES requested the amount of the increase on the program participants from both sides of the revenue shift. MIKE MARSH responded that the details will be made available to the Committee. 320 MIKE MARSH continued by presenting fund shifts for Education. EXHIBIT 7 350 Discussion and questions follow regarding Federal matching funds for education. 360 MIKE MARSH referred to the fund shifts in the Employment Division. Discussion and questions are interspersed.

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TAPE 24 SIDE A 002 MIKE MARSH presented significant fund shifts in relation to Natural Resources and Public Safety. 020 Discussion and questions follow regarding the Department of Corrections. 040 MIKE MARSH explained the significant fund shifts in Transportation. 050 Discussion and questions follow regarding funding of State Police. 093 CHAIR JONES conducted administrative business. 102 JIM SCHERZINGER referred to two summary pages. The first dealing with the General Fund trying to carry from the December current law forecast to the current law forecast in the budget. Then there is a carrying from the current law forecast to the Governor's recommended resource estimate. EXHIBIT 9 098 JIM SCHERZINGER referred to the second page giving a summary of the shift and the fees and charges pages previously presented by the Executive Department. It was noted that neither the shift figure nor the revenue increase figure is necessarily the same figure you would see on a revenue impact statement. The Executive Department's revenue increase figure is the difference between revenue estimated from this tax or charge for 1991-93 over the prior biennium. Secondly the shift figures don't reflect the amount of the fee increase but the amount of General Fund shift from that increase. EXHIBIT 8 174 REP. BURTON questioned the difference in shifts funds in relation to where the funds are reflected in the budget. 183 JIM SCHERZINGER addressed the difference between the revenue increases and General Fund savings. 200 REP. HOSTICKA requested clarification for the reference to tuition revenue now being a resource for the General Fund. The issue will need to be dealt with carefully. 213 JIM SCHERZINGER pointed out that some other fund increases not shown in EXHIBIT 8 may become Legislative issues. 213 CHAIR JONES adjourned the meeting at 10:29 A.M.

Linda Leach, Committee Assistant Kimberly Tayloor, Office Manager

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EXHIBIT SUMMARY 1. State and Local General Revenue per \$1,000 of Personal Income by Source, LRO, 1/24/91 - Miscellaneous 2. Oregon Tax Rankings, LRO, 1/24/91 - Miscellaneous 3. Oregon Revenue Compared to Other States, LRO, 1/24/91 Miscellaneous 4. Schedule I General Fund Revenues, Executive Department, 1/24/91 Budget p. Measure 5 and General Fund Revenue, Executive Department, 1/24/91 Budget 6. Summary of Significant Fund Shifts, Executive Department, 1/24/91 Budget 7. Impact of the 1991-93 Governor's Recommended Budget on Fee Revenue, Executive Department, 1/24/91 - Budget 8. Other Fund Increases, LRO, 1/23/91 - Budget 9. 1991-93 General Fund Resource Forecast, LRO, 1/23/91 - Budget 10. Oregon Economic Indicators, LRO, 1/24/91 - Miscellaneous

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