

Tapes 95-96(A/B) Tape 97(A) Work Session: HB 2550 Revenue Forecast HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE February 28, 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 Jim Whitty Member Excused: Representative John Schoon Staff Present: Jim Scherzinger, Legislative Revenue Officer Richard Yates, Legislative Revenue Office Steve Bender, Legislative Revenue Office Marlene Stickley, Committee Assistant Witnesses Present: Mike Marsh, Executive Department, Budget and Management Paul Warner, Executive Department, Budget and Management TAPE 95 SIDE A 004 CHAIR JONES called the meeting to order at 8:08 and conducted administrative business. WORK SESSION HB 2550 038 JIM SCHERZINGER overviewed significant items of HB 2550 Summary of Revenue Impacts (as of 2-11-91). Exhibit 1 091 CHAIR JONES questioned if farm use assessment would be an issue this biennium. 108 JIM SCHERZINGER felt farm use assessment would have some affect, explaining a model of one county. 110 Questions and discussion interspersed. 126 CHAIR JONES clarified that the farm bureau proposed the assumptions used in the model.

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 February 28, 1991 Page 2 131 REP. HOSTICKA questioned to what extent committee actions affect the school replacement obligation. 147 JIM SCHERZINGER responded that offset is a good example, clarifying that decisions still need to be made regarding HB 2550. 156 REP. CLARK commented that only technically, legally, and constitutionally required provisions (to implement Ballot Measure 5) should remain in HB 2550. 167 CHAIR JONES viewed the committee's impact on state replacement obligation as how limitations of Measure 5 are defined. 174 JIM SCHERZINGER illustrated affects (offsets) on the tax levy, according to Measure 5. Exhibit 2 243 REP. CLARK cautioned the committee to decide what is constitutionally required according to Ballot Measure 5. 277 Questions and discussion regarding legal issues and offsets. 319 JIM SCHERZINGER explained state replacement obligation. Exhibit 2 332 Questions and discussion regarding state replacement obligation. Exhibit 2 377 JIM SCHERZINGER referred to Measure 5 Implementation Issues (as of 2-16-91), page 3, explaining offset repeals as in HB 2550. Exhibit 3 TAPE 96, SIDE A 001 JIM SCHERZINGER continued explaining offset repeals. Exhibit 3 004 JIM SCHERZINGER illustrated offset repeals in relation to Measure 5 limitations. Exhibit 2 043 JIM SCHERZINGER pointed out Section 343, page 177, line 31-36, of HB 2550, which deals with credits for dissolved districts. 062 Questions and discussion regarding dissolved districts. 073 JIM SCHERZINGER noted the affect of repealing offsets in dissolved districts is different than other districts. 091 REP. CLARK questioned the affect of the offset function. 115 JIM SCHERZINGER explained the affect of the offset function. 132 Questions and discussion regarding severance tax in relation to offsets.

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 February 28, 1991 Page 3 148 REP. WHITTY commented on inequity in Oregon tax system due to public lands located within a taxing district, where no taxes are paid. He commented on Washington's severance tax system. 166 JIM SCHERZINGER noted basic tax packet has been distributed to all members,

which compiles issues of orientation. 181 JIM SCHERZINGER referred back to offset repeals. Exhibit 3 200 CHAIR JONES questioned the result of repealing offsets, if the ,certified levy is above the limits of Measure 5. 205 JIM SCHERZINGER responded that repealing offsets in a district above the Measure 5 limits does not affect that particular district. 210

CHAIR JONES inquired what happens to offset, if nothing is changed in current law, with Measure 5 in effect. 217 JIM SCHERZINGER illustrated the affect on offsets, above and below Measure 5 limitations, according to current law. 245 Questions and discussion regarding illustration of offset limits. Exhibit 2 269 JIM SCHERZINGER continued his illustration of the offset limit. Exhibit 2 287 Questions and discussion continue regarding illustration of offset limits. Exhibit 2 293 JIM SCHERZINGER clarified repealing the offsets (if above the Measure 5 limits) makes no difference to district or taxpayer, but repealing offsets (if below Measure 5 limits) would increase the revenue to the district and increase taxes for the taxpayer. 307 Questions and discussion regarding offsets continued. 378 MOTION Rep. Clark moved that the portion of HB 2550 that repeals the offset be removed. TAPE 95. SIDE B - 001 Discussion regarding Rep. Clark's motion. - 016 ORDER There being no objection, Chair Jones so ordered. 025 CHAIR JONES recessed the meeting at 9:07 and reconvened at 9:22. . These minutes paraphrase and/or suararize statements nede during this meeting. Text enclosed in quotation marks reports the speakers exact ~ords. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance February 28, 1991 Page 4 REVENUE FORECAST 031

MIKE MARSH discussed pages 6 and 7 of Oregon General Fund Revenue Forecast Summary. Exhibit 4 066 REP. WHITTY questioned the growth rate of Oregon. 067 MIKE MARSH answered 1.9 percent, as opposed to the national growth rate average of one percent. ,077 MIKE MARSH continued his presentation and discussed the two percent surplus kicker on page 8. Exhibit 4 084 Questions and discussion regarding page 8, Exhibit 4. 100

PAUL WARNER summarized the revenue forecast pointing out the current recession; the cost of the Gulf war has added about \$30 billion to the estimated federal expenditures for this current fiscal year. 130 REP. CLARK questioned the affect of the Gulf war on the national debt. 132 PAUL WARNER explained the war costs are considered outside of the budget and do not affect the national debt, but will affect credit. 133 Questions and discussion on economic factors. 174 PAUL WARNER discussed the inflation forecast, explaining that an upswing from the recession is anticipated for the second half of this year. Exhibit 4, page 3 230 Questions and discussion regarding Exhibit 4, page 3. 243 PAUL WARNER continued his presentation. Exhibit 4, page 3 280 Question" and discussion regarding population growth and personal income. Exhibit 4 302 REP. WHITTY questioned the percentage of pension income in relation to personal income. 303 PAUL WARNER referred to other labor income on page 37. Exhibit 5 335 Questions and discussion regarding pension income. 342 CHAIR JONES referred to Real Per Capita Personal Income chart. Exhibit 8 356 PAUL WARNER explained timber employment on page 4. Exhibit 4 377 PAUL WARNER discussed comparisons on page 5. Exhibit 4

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389 PAUL WARNER referred to page 6 and 7, explaining comparisons regarding the General Fund revenue and resource forecast. Exhibit 4 TAPE 96. SIDE B 001 PAUL WARNER continued his explanation of page 6 and 7. Exhibit 4 011 PAUL WARNER explained the 2 percent kicker chart on page

8. Exhibit 4 030 PAUL WARNER expressed concerns of the revenue forecast, cautioning the committee that there is evidence of a possibly low inflation rate, which would reduce the revenue growth; emphasized some problems of the U.S. economy. 095 DICK YATES referred to Forecast Summary (March 1990) explaining new facts for the fourth quarter 1990 on pages 1 and 2. Exhibit 6 126 Questions and discussion regarding page 2. Exhibit 6 133 DICK YATES continued his presentation of page 2. Exhibit 6 137 DICK YATES explained change in revenue forecast on page 3. Exhibit 6 145 DICK YATES discussed the effect on 2 percent kicker for 1991 on page 3, and explained reversions. Exhibit 6 150 DICK YATES explained effect on ending balance, page 4. Exhibit 6 160 Questions and discussion interspersed regarding ending balance and reversions. Exhibit 6 175 DICK YATES explained change in revenue forecast on page 4. Exhibit 6 180 Questions and discussion regarding change in revenue forecast. Exhibit 6 213 DICK YATES continued his coverage of page 4. Exhibit 6 235 DICK YATES explained effect on spending limit (page 5) and discussed differences between the proposed budget and the current budget. Exhibit 6 245 Questions and discussion regarding page 5. Exhibit 6 310 DICK YATES continued his presentation of page 5. Exhibit 6

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374 DICK YATES noted a correction in the revenue forecast, page 5, first column should be December and the second column should be March. Exhibit 6 TAPE 97. SIDE A 001 DICK YATES continued discussing change in revenue forecast. Exhibit 6, page 5 026 STEVE BENDER presented a chart which compares Oregon's per capita income to the national average. Exhibit 8 071 CHAIR JONES conducted administrative business and adjourned the meeting at 10:22.

Marlene Stickley, Committee Assistant Kimberly Taylor, Office Manager
EXHIBIT SUMMARY 1. HB 2550 Summary of Revenue Impacts, 2-11-91, LRO - HB 2550 2. Illustration of Offsets, 2-28-91, LRO - HB 2550 3. Measure 5 Implementation Issues (as of 2-16-91), LRO (see Exhibit 10 from 2/18/91 meeting) - HB 2550 4. Oregon General Fund Revenue and Economic Forecast Summary, 2-28-91, Executive Department - HB 2550 5. Oregon Economic and Revenue Forecast, 2-28-91, Executive Department HB 2550 6. Forecast Summary (March 1990), 2-28-91, LRO - HB 2550 7. General Fund Revenue Statement (1989-1991), 2-28-91, Executive Department - HB 2550 8. Real Per Capita Personal Income Chart, 2-28-91, LRO - HB 2550

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