

Tapes 174-178 (A/B) Public Hearing: HJR 2, HJR 5, HJR 24, HJR 50, HJR 52, HJR 63, HB 3007 HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE May 4, 1991 9:00 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 John Schoon (Arr. 10:12 a.m.) Representative Jim Whitty Representative Mike Nelson Members Excused: Representative Bev Clarno Representative Fred Parkinson Staff Present: Steve Bender, Legislative Revenue Office Betty Shuholm, Committee Assistant Witnesses Present: Rep. Beverly Stein, Dist. 14 Sen. Grattan Kerans, Dist. 20 Rep. Bill Dwyer, Dist. 42 Sen. Jim Hill, Dist. 16 Rep. Jim Edmundson, Dist. 39 Steve Robinson, Eugene School Dist. John Mosely, Lane County Lee Hazelwood, Stayton, Oregon Phil Dreyer, Oregon Fair Share George Starr, Oregon Fair Share Candace Bartow, League of Oregon Cities Bonnie Hays, Assn. of Oregon Counties Ross Dey, Oregon State Homebuilders Assn. Bruce Anderson, Ore. State Homebuilders Assn. Robert Van Houte, United Seniors of Oregon Jim Seymour, Stone Soup Coalition Bill Frye, Stone Soup Coalition Sandra Bishop, League of Women Voters Jean Cowan, League of Women Voters Cynthia Xokis, Church Women United, Eugene John Gervais, Redmond Chamber Bruce Bishop, Human Services Coalition Ellen Lowe, Hunger Task Force Diane Rosenbaum, Heart of Oregon Alice Dale, OPEU Cecil Tibbets, AFSCME Lynn Pinckney, Oregon Student Lobby Amand Akchara, Eugene, Oregon , 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 May 4, 1991 Page 2

John Nelson, Springfield, Oregon Ray Swinehart, Eugene, Oregon Wayne Oldaker, Eugene, Oregon TAPE 174 SIDE A 003 CHAIR DELNA JONES called the meeting to order at 9:04 a.m. 022 STEVE BENDER presented a list of tax changes and the effect they would have on the system during the biennium of 1991-93. The possible ,tax changes raised different amounts of revenue, from \$.5 million to \$377 million per year. Exhibit 1 065 SEN. GRATTAN KERANS and REP. BEVERLY STEIN appeared, testifying on behalf of the Democratic Study Group. REP. STEIN presented a background to the lack of funding for the State of Oregon due to the enactment of Measure 5, proposing that a backfill of funding was not necessary. Study should be given to the basic needs. Exhibit 2 129 SEN. KERANS testified that the Democratic Study Group was trying to find a tax structure that could be lived with under present circumstances and also meet the needs of the future. Ability to pay should be the guiding factor. KERANS presented a list of factors to be considered in establishing the new tax system and encouraged the committee to establish a basic plan. 205 SEN. KERANS then presented his personal three step plan for additional revenue to fund State programs with supportive charts. Exhibit 3. 285 SEN. KERANS stated businesses paid 50% of the major taxes in Washington, primarily with a gross receipts tax. Oregon had repealed the inheritance tax, taxes on timber, and there were no taxes on inventory. 333 REP. HOSTICKA inquired as to the relative health of the states that had a gross receipts tax. 342 SEN. KERANS replied by listing many of the large companies that were located in Washington. 358 SEN. KERANS stated his proposal would raise \$1.4 billion which would graduate the tax according to the size of the business and have some offsets for the businesses. TAPE 175 SIDE A 007 SEN. KERANS asked that businesses pay a fair share of the tax load by paying \$1 billion of new taxes, which would bring the balance back to zero.

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~ords For complete context of proceedings, please refer to the tape recording House Committee on Revenue and School Finance May 4, 1991 Page 3 041 REP. HOSTICKA asked that each witness address the question of whether or not the loss of services and educational opportunities took priority over having their plan or a similar plan adopted by the people. At what point should a group give up ownership of their plan and support the plan that can be adopted in order to guarantee that educational opportunity and human services were available. 053 Discussion followed regarding the principles presented in Sen. Kerans' plan. 077 REP BILL DWYER testified in support of HJR 52, stating the bill sought to recapture the windfall given to business and industry as a result of Ballot Measure 5. It would also deal with equity between districts. The shortfall would be made up by a gross receipts tax of .8% or less. HJR 52 was a non sales tax alternative that was fair and should be considered. See Exhibit 4 310 SEN. JIM HILL asked that the House Revenue Committee present a plan during the session to solve the problem of replacement revenue to provide the services Oregon's citizens and business community needed.

TAPE 174 SIDE B 007 SEN. HILL testified in support of HJR 63, explaining it would enact a 4% sales tax on goods-only and a gross receipts tax would raise \$435 million annually to replace funds lost through Measure 5. The funds would be dedicated to kindergarten through 12th grade and would also help community colleges. Both rates would be in the constitution, to ensure stability. He felt the measure would pass because of the Sunset Clause after 5 years. See Exhibits 5, 6. 117 REP. HOSTICKA suggested that in designing a plan to obtain money to replace the losses of Measure 5, it was assuming that before Measure 5 there was the right amount of funding in the State. 130 Discussion followed. 177 REP. CLARK stated Measure 5 was a rate limit on property tax. The replacement amount was not known for the years through 1997 as it was not known what would happen to property values. 200 CHAIR JONES clarified that it was her interest to not come back in 1993 without knowledge of how to move the State forward. It should be dealt with in a manner to gain the support of the people since they will make the final decision. 226 REP. BURTON referred to the timing question, stating concern that something be in place before September 1992 when contracts would be signed and budgets approved.

These minutes paraphrase and/or summarize statements made 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 ~ Revenue and School Finance May 4, 1991 Page 4 256 REP. JIM EDMUNDSON testified in support of HJR 24, asking that ballot Measure 5 not remain on the books as it would cripple Oregon. Two-thirds of the counties in Oregon did not support Measure 5. TAPE 175 SIDE B 001 REP. EDMUNDSON continued to summarize the bad effects of Measure 5 on the wide range of programs in Oregon, stating there would probably be litigation for many years because of the results of the unknowns of Measure 5. 092 REP. CLARK questioned whether the Legislature was the right entity to put the measure on the ballot, as it should be promoted by the people who opposed Measure 5. 100 REP. EDMUNDSON replied that it was necessary to move quickly to put the measure on the ballot as soon as possible and the Legislature could refer it to the voters quicker than the people. 110 STEVE ROBINSON testified that funding was necessary immediately to avoid inestimable harm as financial cuts had been made in the Eugene School District many times before Ballot Measure 5. See Exhibit 7. 193 JOHN MOSELY testified on behalf of several community leaders in Lane County, stating their concern regarding revenues to be restored and the timing of the proposal

to be on the ballot. They pledged their support to provide adequate funding for a better than average education, both for students from kindergarten through the 12th grade and those in college. Because of contract obligations it was important to know the funding of the colleges for the 1993 year by May 1992. Exhibit 8. 282 REP. HOSTICKA summarized the joint resolution of the Assn. of Oregon Faculties, that financial disaster was pending due to Measure 5 which would affect Oregon's system of higher education, therefore the Assn. of Oregon Faculties and the American Assn. of University Professors strongly urged Oregon's political leaders to support a replacement revenue package now. Exhibit 9. 319 LEE HAZELWOOD presented a proposal to increase the corporate income tax rate from 6.6% to 8.6%, eliminate farm use assessment within urban growth boundaries, and eliminate the 2% kicker. See Exhibit 10. TAPE 176 SIDE A 010 Questions and discussion followed. 030 PHIL DREYER testified to the concern of Oregon Fair Share that any new taxation system be based fairly on the ability to pay. Dreyer supported HJR 50, and stated Ballot Measure 5 was not fair as it gave 60% of the property relief to businesses and did not recognize the fact

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 May 4, 1991 Page 5 that renters also paid property tax. Exhibit 11 107 GEORGE STARR presented background information regarding Oregon Fair Share, giving their support to HJR 50 as it would apply the limitations of Measure 5 to owner-occupied residences to give relief to where it was most needed and deserved. Exhibit 12 150 Questions and discussion followed. 200 GEORGE STARR summarized by saying that if \$1 billion could be saved out of the \$1.7 billion which HJR 50 would raise, that money could be added to other new revenue and the balance could be raised without the need of a sales tax. 221 CHAIR JONES called a recess at 11:10 a.m. and reconvened the meeting at 11:25 a.m. 230 CANDACE BARTOW testified that the League of Oregon Cities and the Assn. of Oregon Counties strongly supported the enactment of a new revenue source to fund school losses and return traditional revenues to the State for support of the programs, which would include the funding of counties and cities. Restructuring Oregon's system of government finance to provide for financially sound local government units and school districts was needed as soon as possible. See Exhibit 13, 14 338 CHAIR JONES stated that when the taxes in Oregon were restructured the local governments needed to be partners in the decisions. 358 BONNIE HAYS testified that the Assn. of Oregon Counties was working on a long term policy for government to restructure the system for Oregon and provide the needs of all the citizens. 394 REP. BURTON observed that the systems of our government were antiquated. The desire to handle the problems from a new way of giving government services to people as well as different financing was shared by all phases of government. TAPE 177 SIDE A 001 CANDACE BARTOW replied that government units were working together today that formerly were in adversarial roles. 030 ROSS DEY and BRUCE ANDERSON appeared before the committee. DEY presented a tax proposal which included a sales tax of 4% on goods only dedicated to education, and suggested the income tax bottom base line should be raised. Cities and counties should retain their ability for local option. There was too much exempt property in the State of Oregon, some of which should be paying for fire and police protection. Dey encouraged a constitutional change in November for the sales tax, and the balance of the proposal in 1992. Dey suggested that HJR 2 should be put into the constitution by the Legislature. Exhibit 15

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091 BOB VAN HOUTE testified in support of HB 2950 which would enhance funds for the current biennium for special needs. HB 2950 would be an estate tax on estates in excess of \$600,000, thus providing the amount of funding for the programs provided for senior citizens at \$30 million. There would be a 1993 sunset. HB 2950 would provide a stopgap to fund part of the bill the State would face. Exhibit 16 254 JIM SEYMOUR and BILL FRYE appeared before the committee. FRYE presented a list of programs recommended for cuts that would total \$246.38 million, and the need for \$125.49 million for a list of programs that would not be cut. Frye testified regarding a plan to restore the funding for the \$125.49 million in services. Exhibit 17 365 CHAIR JONES encouraged the witnesses to present these ideas to the Ways and Means Committee as soon as possible. 371 SANDRA BISHOP presented testimony from the League of Women Voters, urging the Legislature to address the issue of replacement revenue before the end of the session. Exhibit 18 TAPE 176 SIDE B 001 SANDRA BISHOP continued her testimony, stating replacement revenue should include an opportunity for local communities to participate financially in the operation of their schools, equity for low income wage earners in the form of tax rebate, exemption of necessities in any sales tax proposal, reevaluation of the total tax structure of the State. The League supported abolition of the 2% kicker and a revision of the spending limit. 020 JEAN COWAN urged the committee to proceed with the process of replacement revenue and testified the League of Women Voters would support an equitable plan. 035 CYNTHIA KOKIS testified in support of replacement revenues to fund health care, child care and housing issues with equity as a guide, and testified the urgency was apparent now. Exhibit 19 085 Discussion followed. 112 JOHN GERVAIS testified in strong opposition to HJR 5. The lottery netted \$50 million for the economic development of Oregon and should not be used for other purposes. Exhibit 20 144 BRUCE BISHOP testified that tax reform should address the windfalls business received as a result of Ballot Measure 5. Several principles were presented for consideration in achieving tax reform. See Exhibit 21. 196 ELLEN LOWE spoke in support of replacement revenues with a possible sunset, user taxes related to basic needs, and the issue of

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long term tax reforms. Suggestion was made that an income surcharge be made on a short term basis. The repeal of the kicker and the expenditure limitation should be made. User related revenues should be required in areas of certain needs of Oregonians. Lowe also supported HB 2394 and HB 258 7. Exhibits 22, 23 326 DIANE ROSENBAUM testified the Heart of Oregon coalition was holding hearings across the State, looking for an equitable solution to tax reform. A set of tax priorities was presented: a gross receipts tax, split rule property tax which provided relief to homeowners only, a restructured personal income tax, and a sales tax as a last resort. A list of programs that would worsen without tax reform was presented. Exhibit 24 TAPE 177 SIDE B 042 MARI ANNE GEST spoke in support of tax reform and not replacement property taxes. Only 30% of

the tax burden would be paid by businesses and 70% would be paid by households under Measure 5. Washington State had a 50/50 split between households and business. Support was voiced for legislation that would be balanced and fair to the general public. OSEA options for tax replacement by priority were listed. Exhibits 25, 26 097 CHAIR JONES stated that it was necessary to recognize that businesses did not pay only through the corporate tax system but also through the personal tax system. Care should be given in using statistics to recognize that fact so that a portion of our citizens were not alienated while developing a plan that would work. 108 ALICE DALE testified to the commitment to not overtax segments of the population but the corporate tax should carry more of the burden. Further testimony was given regarding the necessity of changing the corporate tax structure. Exhibit 27 163 CECIL TIBBETS spoke in support of a modified tax structure which would make some changes in the property tax system, the corporate income tax, the personal income tax-and include a limited, low rate, luxury tax. Measure 5 created a tax shift toward the individual and his proposal would restore the correct balance. Tibbets felt the business community would support the program. 204 REP. CLARK stated the gross receipts tax was not the correct procedure as it would be the least fair tax proposal because it did not consider the difference of income. 222 CECIL TIBBETS continued explanation, summarizing the impact made. 270 Questions and answers followed. 350 LYNN PINCKNEY requested that the Legislature move quickly on tax

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 May 4, 1991 Page 8 reform and emphasized that knowing the amount of funding by spring of 1992 would be too late for higher education. Exhibit 29 TAPE 178 SIDE A 002 LYNN PINCKNEY testified that the timing of the revenue fund would affect faculty contracts as well as the students making plans to attend in the fall and needing financial support. Suggestions were made for tax reform. 022 AMAND AKCHARA addressed the issue of the ability to pay taxes as people who earned less should pay less property taxes. 043 JOHN NELSON presented philosophy regarding the revenue replacement and tax reform. 087 RAY SWINEHART testified regarding the disabled who live at home. There was a need of immediate replacement revenue to avoid harmful results to all concerned. If the disabled were required to leave homes, it would be more expensive to provide for them at the State level. 114 WAYNE OLDAKER testified regarding the situation of funding the handicapped which live in their homes and encouraged the legislature to find funding for these people as soon as possible. 152 CHAIR DELNA JONES adjourned the meeting at 1:07 p.m.

Betty Shuholm, Committee Assistant Kimberly Taylor, Office Manager  
EXHIBIT SUMMARY: 1. Effect of Tax Changes, LRO 5/3/91 - HJR 24 2. Democratic Study Group testimony-- HJR 24 3. Graphs from Senator Grattan Kerans -HJR 24 4. "Non-Sales Tax Measure 5 Replacement Revenue Alternative" Rep. Bill Dwyer - HJR 52 5. Fair School Re-finance Plan, Sen. Jim Hill - HJR 63 6. Newspaper Clippings, Sen. Jim Hill - HJR 63 7. Letter from Board of Directors, Eugene Public Schools - HJR 24 8. Letter from Lane County community leaders - HJR 24 9. Assn. of Oregon Faculties Joint Resolution - HJR 24 10. Proposal from Lee Hazelwood, Stayton, Ore. - HJR 24 11. Testimony from Phil Dreyer, Oregon Fair Share - HJR 50 12. Testimony from George Starr, Oregon Fair Share - HJR 50 13. Testimony from Candace Bartow - HJR 24 14 Oregon Cities and Counties Challenge on Measure 5 - HJR 24

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