

Tapes206-207, (A\B)  
Public Hearing: SJR16,  
SJR17, SJR21  
SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE  
June 18, 1991 1:00 PM Hearing Room A State Capitol Building  
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Members Present: Senator Jane Cease, Chair  
Senator John Brenneman (arrived 1:15, departed 1:45)  
Senator Shirley Gold  
Senator Ron Grensky  
Senator Bill McCoy  
Senator Tricia Smith  
Members Excused Senator Joan Dukes, Vice Chair  
Staff Present: Steve Bender, Legislative Revenue Office  
Mary Ann Zimmermann, Committee Assistant

Witnesses Present: Representative Beverly Stein, District 14 Senator Larry Hill, District 21 Senator Grattan Kerans, District 20 Representative Sam Dominy, District 44 Senator Wayne Fawbush, District 28 Senator Scott Duff, District 29 Representative Lisa Naito, District 15 Representative Gail Shibley, District 12 Representative Tom Novick, District 16 Gary Carlson, Association of Oregon Industries Dale McHaffie, Oregon Metals Council Ross Dey, Oregon Homebuilders Association Don Miner, Oregon Manufactured Housing Association Bob Cantine, Association of Oregon Counties John Danielson, Oregon Education Association Victor Doherty, Eugene Peter Bergel, Oregon Peaceworks B.J. Smith, League of Oregon Cities Linda Lynch, City of Eugene Senator Jim Hill, District 16 Senator Peg Jolin, District 22 Ralph Groener, American Federation of State, County and Municipal Employees (AFSCME)

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005 CHAIR CEASE called the meeting to order at 1:12 and conducted administrative business.

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PUBLIC HEARING - SJR16, SJR17, SJR21

020 STEVE BENDER presented government finance projections dealing with Measure 5 replacement costs. Financial projections for alternative revenues was included in the exhibit. EXHIBIT 1

035 STEVE BENDER discussed the effect of alternative tax changes. EXHIBIT 2

043 STEVE BENDER explained a document depicting replacement revenue proposals and measures which contain a summary of various proposal before the Legislators. EXHIBIT 3

050 CHAIR CEASE introduced the Democratic Study Group comprised of Rep. Stein, Sen. Larry Hill, Sen. Kerans, Sen. Gold, Rep. Dominy, Sen Fawbush, Rep. Duff, Rep. Shibley, Rep. Novick, Rep. Naito and Sen. Dick Springer.

059 REP. STEIN explained the intent of the Democratic Study Group. A list of Oregon Tax Principles was presented. The issue before the state is tax reform as well as tax replacement and the reform needs to be guided by progressive principles. EXHIBIT 4

103 SEN. LARRY HILL presented and discussed a proposal to amend a Senate Joint Resolution to issue a call for action. EXHIBIT 5

120 SEN. LARRY HILL continued addressing EXHIBIT 5. The Oregon Tax Principles (EXHIBIT 4) are included in the proposal (EXHIBIT 5). Reference is made to a proposal based on fairness.

166 SEN. LARRY HILL urged the committee to amend one of the joint

resolutions to include a call for action. EXHIBIT 5

177 SEN. KERANS addressed the principle of fairness from the list of Oregon tax principles in EXHIBIT 4.

230 SEN. GOLD referred to the state beginning on the journey of tax reform.

247 SEN. GOLD discussed HB 2718 with a description of the bill. Reference is made to the income group in EXHIBIT 6.

280 SEN. GOLD testified with an explanation of HB 2718 which is a revenue neutral bill. Reference is made to the income group for all taxpayers, Page 2, EXHIBIT 6. HB 2718 is considered a vehicle for tax change according to the principles in EXHIBIT 4.

323 REP. DOMINY addressed the tax principles of equity among rural and urban areas and the equity among classes of taxpayers. Reference is made to dealing with the Oregon Tax System as a whole entity instead of peacemealing with many replacement revenues. EXHIBIT 4

390 CHAIR CEASE asked if a tax system has been seen that addresses

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" fair share" for paying property taxes.

407 REP DOMINY responded there has been studies regarding the income tax levels. The state of Washington's property tax system was addressed.

Addressing the tax system as a whole will help the inequities found in the state.

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019 SEN. FAWBUSH addressed the standards and timing of the taxation process. Discussion follows regarding taxing standards.

047 SEN. FAWBUSH discussed the timing issue of the taxation process with the suggestion of working through the summer of 1991 on a reform tax package and bring it to the voters in the November 1991 election.

078 SEN. DUFF presented a survey of how Eastern Oregonians feel about Measure 5. Reference is made to Page 11 noting the irresponsibility of the politicians if they defer taking action to find replacement revenues needed to pay for state government services. EXHIBIT 7

095 SEN. DUFF discussed local and county governments. Reference is made to Page 11, EXHIBIT 7.

114 SEN. SMITH asked why the state wide funds should go to local and county governments

118 SEN. DUFF responded with reference to the state impact because the local budget is impacted by a statewide ballot measure (Measure 5).

139 Discussion follows regarding the contentment of citizens from one community paying for safety and fire protection in other communities. It was noted that cities and counties need to be considered.

163 REP. NAITO testified in support of the outlined Oregon tax principles. The "ability to pay" principle was addressed. EXHIBIT 4

196 REP. NAITO also addressed the flexibility principle.

EXHIBIT 4

217 REP. SHIBLEY supported tax reform for Oregon and discussed the principle of adequacy. EXHIBIT 4

306 REP. SHIBLEY supported addressing the tax system as an overall plan and strategy.

342 REP. NOVICK addressed the issue of fairness with regard to the tax system and emphasized Oregonians must believe that the reformed tax system is fair.

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033 GARY CARLSON read prepared testimony in support of SJR16. EXHIBIT 8

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066 SEN. SMITH asked if a revenue estimate has been received for SJR16 and how much revenue could be produced under the measure.

075 GARY CARLSON responded it depends on the exemptions that are in addition to the constitution exemptions.

092 Discussion follows regarding the broad tax base that could be applied to SJR16.

127 SEN. MCCOY questioned if enough money could be raised with all of the exemptions listed in SJR16.

147 JIM SCHERZINGER explained SJR16 could have a broad tax under the restrictions in the measure.

170 Discussion follows regarding the SJR16 sales tax.

182 SEN. SMITH asked for a response to study the Oregon tax system based on the principles in EXHIBIT 4.

190 GARY CARLSON responded that addressing the tax system as a whole is appropriate but the Oregon income tax should not be characterized as a "flat tax".

222 SEN MCCOY questioned having a progressive income tax crafted instead of a "flat tax."

227 GARY CARLSON responded that income tax increases are unpopular and no additional income tax is raised if the income tax is restructured.

244 SEN. GOLD clarified the tax principles (EXHIBIT 4) are developed to measure the entire tax system and anything said about income tax has nothing to do with replacement revenue. It is the intent of the Democratic study group to address the necessary issues in the process to reform the Oregon tax system.

279 DALE MCHAFFIE testified that the Oregon Metals Council is willing to be involved with the process of restructuring Oregon's tax system and supports having a sales tax.

339 Discussion follows regarding the taxing of manufactured products and having a consumable exemption.

372 SEN. MCCOY clarified that the Oregon Metals Council is in support of a sales tax.

376 DALE MCHAFFIE responded with support if a sales tax should happen and is interested in having a consumable exemption.

402 ROSS DEY presented and explained a tax structure reform proposal.  
EXHIBIT 9

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011 ROSS DEY continued addressing a tax structure reform as presented in EXHIBIT 9. Reference is made to the timing element and suggested a two step process beginning with a constitution amendment in the November election and a follow-up in May with a tax package. EXHIBIT 9

030 Discussion follows regarding a survey being developed by the Oregon State Home Builders Association.

059 DON MINER addressed the exemptions provided for shelter in SJR16 and SJR17. Discussion follows.

097 BOB CANTINE presented an overview of the Oregon tax system with reference to fairness.

142 BOB CANTINE voiced concern in Measure 5 becoming a school issue and

local communities cannot be overlooked.

172 BOB CANTINE noted SJR16 would preempt sales tax as an available revenue source to local government. Discussion follows with support of a sales tax that is generated in the local community.

233 SEN SMITH questioned the enactment of a sales tax on the local level. Discussion follows.

269 BOB CANTINE pointed out SJR16 indicates what cannot be taxed but does not address what can be taxed.

289 JOHN DANIELSON commented on social engineering through tax policy. The people of Oregon should have the option for local ability to make decisions.

335 JOHN DANIELSON addressed the fairness of property tax as opposed to a sales tax. The problem with the sales tax is categorical tax shift.

412 JOHN DANIELSON testified in support of a tax packet that includes a component of reinstating at least part of the property tax package which will retain local control and also deal with the question of categorical tax shift.

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020 JOHN DANIELSON continued testimony with the suggestion of submitting a generic sales tax to the voters.

067 VICTOR DOHERTY discussed Oregon being directed away from local control of schools and SJR21 will ensure local control.

090 VICTOR DOHERTY explained SJR21 with conceptual proposals to the measure that are presented in prepared testimony. EXHIBIT 10

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155 PETER BERGEL with reference to SB 821, explained how \$6.5 billion dollars is sent to the federal government from Oregon. EXHIBIT 11

290 PETER BERGEL explained the issue of the federal government receiving a large portion of state funds and a portion of the money should remain in Oregon.

348 B.J. SMITH presented and explained a sales tax proposal from LOC. EXHIBIT 12

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001 B.J. SMITH continued addressing EXHIBIT 12 with reference to local options.

026 LINDA LYNCH presented a letter on replacement revenue. The emphasis on replacement revenue in Eugene was addressed. Exhibit 13

051 SEN. JIM HILL discussed his position regarding replacement revenue and explained an approach to a fair school re-finance plan. Exhibit 14

095 SEN. JIM HILL encouraged the committee to address the issue of replacement revenue in 1991 instead of waiting until next the 1993 Legislative session.

102 SEN. PEG JOLIN shared information regarding sales tax and identified issues raised by people around the state, noting suggestions: 1) To use lottery dollars for school construction; 2) Have property value assessment become more stringent; and 3) The state would maintain the current 30 percent school support.

154 SEN. PEG JOLIN continued addressing sales tax and felt convinced that a sales tax is not the only answer but may require a combination of elements including a small sales tax, an income tax change and possibly a gross receipt tax.

182 RALPH GROENER presented suggestions from Oregon AFSCME for replacement revenue. EXHIBIT 15

200 RALPH GROENER addressed the budget cuts for education.

260 RALPH GROENER explained and discussed the AFSCME suggestions in EXHIBIT 15.

384 RALPH GROENER continued discussing replacement revenue for the state of Oregon. Reference is made to the equity in the state.

460 SEN. GOLD referred to the proposal from SEN. LARRY HILL regarding an interim study.

463 CHAIR CEASE adjourned the meeting at 4:00.

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Mary Ann Zimmermann, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Government Finance Projections, LRO, 6/18/91 - SJR16
2. Effect of Tax Changes, LRO, 6/18/91 - SJR16
3. Replacement Revenue Proposals and Measures, LRO, 6/18/91 - SJR16
4. Oregon Tax Principles, Democratic Study Group, 6/18/91 - SJR16
5. Draft Amendments to SJR, Sen. L. Hill, 6/18/91 - SJR16
6. What HB 2718 Does?, Sen. Gold, 6/18/91 - HB 2718
7. How Do Eastern Oregonians Feel About Ballot Measure 5, Sen. Duff, 6/18/91 - SJR16 -
  8. Written Testimony, AOI, 6/18/91 - SJR16
  9. OSHB A Tax Structure Reform Proposal, Ross Dey, 6/18/91 - SJR17
10. Written Testimony, Victor Doherty, 6/18/91 - SJR21
11. Change National Priorities, Peter Bergel, 6/18/91 - SB 821A
12. Excerpt from the LOC Legislative Report and Positions, LOC, 6/18/91 - SJR16
13. Written Testimony, Linda Lynch, 6/18/91 - SJR17
14. The Fair School Re-Finance Plan, Sen. J. Hill, 6/18/91 - HJR 63
15. AFSCME Suggestions, AFSCME, 6/18/91 - SJR16

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