

**PUBLIC HEARING**

**HB 2338, 2440,2450**

TAPES 69-70, A-B

**HOUSE REVENUE COMMITTEE**

**MARCH 8, 2005 1:00 PM STATE CAPITOL BUILDING**

Members Present:           Rep. Tom Butler, Chair  
                                  Rep. Vicki Berger, Vice-Chair  
                                  Rep. Mark Hass, Vice-Chair  
                                  Rep. Brian Boquist  
                                  Rep. Sal Esquivel  
                                  Rep. Larry Galizio  
                                  Rep. Betty Komp  
                                  Rep. Chuck Riley

Members Excused:           Rep. Andy Olson

Witnesses Present:           Rep. Jerry Krummel, District 26  
                                  Rep. Gene Whisnant, District 53  
Kent Hunsaker, Confederation of Oregon School Administrators (COSA)  
                                  Rob Saxton, Supt., Sherwood School District  
Jeffrey Tashman, Assn. of Oregon Redevelopment Agencies (AORA)

Michelle Deister, League of Oregon Cities

Hasina Squires, Special Districts Assn. of Oregon

Kyle Gorman, Exec. Officer, Clackamas Fire District

Alec Jenson, Exec. Officer, Tualatin Valley Fire & Rescue

Nancy Latini, Asst. Supt., Oregon Dept. of Education

Staff Present:

Paul Warner, Legislative Revenue Officer

Steve Meyer, Economist

Kristi Bowman, Committee Assistant

**TAPE 67, SIDE A**

002 Chair Butler

Calls meeting to order at 1:03 p.m.

OPENS PUBLIC HEARING FOR HB 2338 AND HB 2440

005 Steve Meyer

Gives overview of HB 2338 (Exhibit 1). The bill creates a grant for high-growth school districts as part of the State School Fund distribution. To qualify for the grant the district must have a growth rate of 4% or higher in the previous five years, making the district grant equal to \$2 M. Sherwood is the only district that currently qualifies for the \$2 M, and smaller districts would receive a smaller proportional amount. HB 2440 authorizes school districts to activate urban renewal agencies and adopt urban renewal plans for the purpose of funding school construction and improvements (Exhibit 2). No direct revenue impact until a school district initiates an urban renewal agency and plan.

- 034 Jerry Krummel Testifies in support of HB 2338 because it is a tool that high-growth districts like Sherwood can use to manage resources. The bill changes the census dates to March 15, and the grant allocation would start with the 2005-2006 distribution of state school funds.
- Testifies in support of HB 2440 to provide a more expedited system for planning. Current planning time for new construction is 8 to 10 years. With an urban renewal agency in place the district could bond against anticipated revenues and shorten the planning process to 4 to 5 years. Discusses some disadvantages of the bill: 1) it does not address facility replacement in areas with no growth; 2) it does not address the increased cost of operations. Suggests amendments to address those issues.
- 140 Rep. Gene Whisnant Reads from written testimony in support of HB 2338 and HB 2440 (Exhibit 3). Testifies in support of HB 2338 and HB 2440 because they address the needs of high-growth districts to provide timely school construction and funding for capital construction. Refers to House Bill 2650 (page 1 and 2 of Exhibit 3) that Rep. Whisnant is sponsoring that concerns school districts with declining enrollment. Refers to HB 2964 (page 3 of Exhibit 3) concerning new construction funding.
- 170 Rob Saxton Discusses growth of Sherwood School District. Refers to data in Handout: Instructional and Support Expenditures per Student 2002-2003 (Exhibit 4).
- • Map, page 8
  - • Projected Enrollment, pages 5-6
  - • Per-Student Spending Data, pages 1-3
  - • Housing Submissions, page 7
  - • Oregon School Funding Factors, page 9
- 348 Saxton Discusses costs that Sherwood and other high-growth districts have that static districts do not incur: additional textbooks, technology components, additional buses, materials and supplies, and portable classrooms. Refers to data in Exhibit 4:
- • Levy Rate Projections, page 11

**TAPE 70, SIDE A**

- 030 Saxton Supports HB 2338 and 2440 in order to provide needed funding to support growth issues and add additional facilities
- 044 Rep. Hass Asks if the district has asked for a local option vote.
- 047 Saxton Responds that the district asked the voters in 2000, but the measure failed.
- 051 Rep. Hass Expresses concern that HB 2338 only benefits a few districts
- 060 Saxton Responds that tax relief is needed in Sherwood for facilities and/or per-student funding. Taxpayers are facing five different tax measures to pay for schools.
- 074 Chair Butler Asks for more information regarding the local option tax.
- 076 Saxton Responds that he was not the superintendent in 2000, but he believes the proposed rate was \$1.15 per thousand. The measure failed by about 4%.

- 084 Rep. Berger Asks about the mechanics of the grant.
- 096 Rep. Krummel Discusses the “triggers” that would allocate the \$2 M grant for each school district that qualifies. Further discussion of the grant mechanics with Rep. Berger.
- 132 Meyer Comments that he also interprets the language in the bill as \$2 M per school district that qualifies. Further discussion with Rep. Berger.
- 147 Krummel Additional comments regarding problems with the current State School Fund distribution formula.
- 151 Saxton Responds to Rep. Berger’s question about the mechanics of the grant. States that Sherwood is the only district currently slated for the grant, but there are other area districts that will soon be eligible. Discusses the funding gap between Beaverton and Sherwood.
- 164 Rep. Komp General comments about the current school funding formula.
- 193 Rep. Berger Asks witnesses about the effect and purpose of the apportionment change from May to March

- 200 Krummel Responds that by backing up the apportionment date, the money arrives at the district earlier in the school year.
- 215 Meyer Provides additional information about how funding dollars are calculated against student count.
- 241 Kent Hunsaker Testifies against HB 2338. Discusses handout: District Level ADM 1999-2003-04 School Year (Exhibit 5). It shows the growth and decline of all districts statewide. The bill as it is written could apply to very small districts such as the Diamond district (page 3 of Exhibit 5). Discusses the facilities grant in the current school funding formula. His organization (COSA) does not support a change to the funding formula. Discusses the impacts of declining enrollment as well as growth impacts.
- 357 Rep. Berger Asks Hunsaker what he would suggest to address the rapid population growth in a district like Sherwood.
- 371 Hunsaker Responds that the problem of changing the funding formula without new revenue results in shifting money from one district to another. The facility grant is meant to fund 80% of construction costs and would be the best way to help high-growth districts.
- 420 Rep. Hass Comments about growth rates in Beaverton and Sherwood districts and their impacts.

- 030 Hunsaker Agrees with Rep. Hass' comments. Discusses the funding formula issues and impacts on various districts with different student populations.
- 057 Rep. Hass Asks if a component addressing school consolidation should be considered in the school funding formula.
- 063 Hunsaker Responds that consolidation is unique to every district and difficult to address on a statewide basis.
- 100 Jeffrey Tashman Testifies against HB 2440 because "it is not the right tool for school districts." Explains that urban renewal money is used for investment purposes in order to generate growth and eliminate blight. School districts are not structured to make those kinds of investments. Urban renewal is a good tool for school district development when a joint-use facility can be used by the district and the public. Urban renewal agencies buy sites for schools at a less than fair market value. Submits written testimony (Exhibit 6).
- 161 Chair Butler Asks about impact of property tax in an urban renewal area. Further questions and answers exchanged with Mr. Tashman regarding conflict issues between schools and urban renewal areas.
- 196 Meyer Refers to a section of the bill that addresses blighted areas.
- 205 Rep. Berger Asks Tashman if he knows of other states that use urban renewal agencies for school construction.

- 207 Tashman Responds that he is not aware of any and comments that his knowledge of other states' urban renewal districts is limited.
- 209 Rep. Berger Asks how urban renewal financing and the time limits associated with bonds would impact the longer timeline needed for school construction.
- 225 Tashman Responds that it takes a significant amount of time to raise revenues with bonds at the beginning of urban renewal planning.
- 238 Hasina Squires Testifies against HB 2440. Her group, the Special Districts Assn., does not oppose urban renewal districts but is concerned about the impact of property taxation on special districts. The ability for school districts to create urban renewal districts would impact special districts such as fire districts. Discusses HB 3380 and amendments that will allow an urban renewal agency to "opt out" school and fire protection districts. Refers to testimony already given on SB 402 .
- 304 Kyle Gorman Discusses impacts of urban renewal agencies on rural fire districts such as Clackamas. Believes that urban renewal growth boundary issues need to be addressed. His fire district serves a large urban renewal district, and Gorman discusses the unintended consequences of growth.

**TAPE 70, SIDE B**

- 012 Alec Jenson Discusses current urban renewal projects in the Tualatin Fire District. Supports the "opt-out" legislation as previously stated by Squires.



Supports some components of HB 2440 but is concerned that it shifts revenue from public safety to schools.

066 Michelle Deister Discusses issues on integrating school districts and urban renewal agencies for mutual benefit.

CLOSES PUBLIC HEARING FOR HOUSE BILLS 2338 AND 2440

OPENS PUBLIC HEARING FOR HOUSE BILL 2450

097 Meyer Gives overview of HB 2450 pertaining to two sunset dates affecting the high cost disabilities grant and small school district supplemental fund.

117 Latini Testifies in support of HB 2450 regarding the high cost disabilities grant. Discusses her special committee recommendations: 1) removing the sunset date; 2) raising the threshold from \$15,000 to \$30,000, which would remove 50% of students affected. 3) doubling the weighted factor on student funding

155 Hunsaker Testifies in support of HB 2450. Suggests using some type of an inflation factor to address increased costs over time.

185 Chair Butler Asks Meyer what inflation factors, if any, are used in the school formula.

- 187 Meyer Responds that no inflation factors are used currently. There have been studies but they have not yet been used.
- 200 Chair Butler Comments to the witnesses and LRO staff that determining an inflation factor needs to be addressed along with medical and labor costs associated with high cost disabled students.
- 214 Meyer Refers to table comparing current law funding numbers by school district and the impact of HB 2450 (Exhibit 8). The table incorporates new data from the Dept. of Education.
- 245 Rep. Komp Asks about where in the bill the \$25,000 cost versus the \$30,000 replacement cost is stated.
- 260 Meyer Responds that the amount is not stated in the bill because the bill only addresses the sunset removal. The \$30,000 cost is in the existing statute. An amendment would have to address the cost change.
- 328 Chair Butler Adjourns meeting at 2:48 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee  
Coordinator

Exhibit Summary:

- 1. HB 2338, Revenue Impact Statement, Meyer, 1 pg., 03/07/05
- 2. HB 2440, Revenue Impact Statement, Meyer, 1 pg., 03/07/05
- 3. HB 2338 and HB 2440, Testimony, Whisnant, 3 pp., 03/08/05
- 4. HB 2338 and HB 2440, Handout: Instructional and Support Expenditures, Saxton, 12 pp., 03/08/05
- 5. HB 2338, Handout: District Level ADM, Hunsaker, 3 pp., 03/08/05
- 6. HB 2440, Testimony, Tashman, 2 pp., 03/08/05
- 7. HB 2440, Handout: Facts about Urban Renewal and Tax Increment Financing, Gorman, 1 pg., 03/08/05
- 8. HB 2450, Handout: School Finance Distribution, Meyer, 8 pp., 03/07/05