

**PUBLIC HEARING**

**HB 3460**

TAPES 140-141 A-B, 142 A

**HOUSE REVENUE COMMITTEE**

**MAY 3, 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. Andy Olson
- Rep. Chuck Riley

Witnesses Present:

- Rep. Linda Flores, District 51
- Rep. Arnie Roblan, District 9
- Rep. Debi Farr, District 14

Chuck Bennett, Confederation of Oregon School Administrators (COSA)

John Marshall, Oregon School Boards Assn.

Kent Hunsaker, Confederation of Oregon School Administrators (COSA)

Andi Jordan, Oregon PTA

Otto Schell, Oregon PTA

Laurie Wimmer Whelan, Oregon Education Assn. (OEA)

Brian Reeder, Dept. of Education

Gwyneth Van Frank, Citizen of Eugene

Staff Present:

Paul Warner, Legislative Revenue Officer

Kristi Bowman, Committee Assistant

**TAPE 140, SIDE A**

002 Chair Butler Calls meeting to order at 1:09 p.m.

OPENS PUBLIC HEARING FOR HOUSE BILL 3460

004 Chair Butler General comments about the work of an informal work group that studied the issues surrounding HB 3460. Rep. Hass and Rep. Berger are members of the work group.

031 Rep. Hass Comments that stabilization vs. adequacy was an issue in the work group. The bill doesn't add new money, but it "reconfigures the pots." Adds that if the legislature can reconfigure the pots and stabilize education, then that is a good first step toward something better.

- 043 Rep. Berger Comments on work group issues. Three needs were initially discussed: stability, predictability and adequacy. Doing things the same way and expecting different results won't happen. The bill is a step in the right direction for stability and predictability.
- 070 Chair Butler General comments regarding the contributions of various work group members. Expresses hope that consensus can be reached about issues of stability and predictability and that the committee can have a direct discussion about adequacy.
- 096 Paul Warner Gives overview of HB 3460 (Exhibit 1) which is a dedicated approach to school funding. Discusses the basic approach of HB 3460 and issues raised by the work group. Discusses the mechanics of the funding and potential amendments.
- 320 Warner Discusses handout: California General Fund Revenues (Exhibit 2). Comments on short-term and long-term elasticity rates of various components of the total revenues in California. The higher the elasticity rate, the more volatile the revenue source is.
- 375 Chair Butler Asks about property tax revenues in Oregon pertaining to Measure 50 in relation to short-term and long-term elasticity rates.
- 380 Warner Responds that Oregon rates are generally stable, but due to Measure 50, property taxes would not keep up with inflation and growth in nominal income.

400 Chair Butler Discussion with Warner about property tax issues pertaining to school funding.

**TAPE 141, SIDE A**

010 Chair Butler Expresses concern about inflation issues and the volatility of personal income tax.

027 Warner Comments that over time a dedicated revenue source such as the personal income tax will generate significant revenue growth.  
Comments that a strong reserve fund is needed to offset the short-term elasticity impact on personal income tax.

040 Chair Butler Comments that Rep. Flores, Rep. Roblan, and Rep. Farr are members of the work group and are also members of the House Subcommittee on Education.

045 Rep. Linda Flores Discusses work group issues and gives an overview of HB 3460. The bill is a framework that would provide funding stability. There are options that could be crafted into the bill that would include stability, adequacy, and predictability. Expresses hope that this bill will be part of the solution [of school funding].

087 Rep. Arnie Roblan Expresses concern about the adequacy of school funding. This plan would have a much greater chance of success if it was started in

better economic times. The initial starting point needs to be economically stable.

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| 155 | Rep. Roblan    | Discusses the historical perspectives of the state tax base and school funding. Comments on the loss of local control over being able to raise their local tax base because of statewide ballot measures that have been enacted.   |
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| 204 | Rep. Debi Farr | Discusses stability and adequacy issues. Comments that if the state could send more money to the School Fund, less to the Successful Schools Fund and still put a percentage of the overage into the Education Stability Fund to create a rainy day fund, it would be an extremely important step.   |
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| 246 | Chair Butler   | Comments that Chuck Bennett, Kent Hunsaker, and John Marshall are members of the work group.   |
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| 250 | Chuck Bennett  | Comments that COSA has been supportive of HB 3460 since it was introduced. Whatever budget number is agreed upon is never adequate for education. This bill takes “head-on” the issues of stability and predictability and does offer the opportunity to grow. Comments on work group issues: the starting point, the growth rate, the percentage of personal income tax available, and the division of the budget for operating funds, the Successful School Funds, and a rainy day fund. HB 3460 enabled a full discussion to take place instead of a bidding war that began in January. |
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| 320 | John Marshall  | Comments that the work group was productive. The bill proposes a framework to address fundamental issues of school funding.  |

358 Kent Hunsaker Expresses concern that the proposed budget amount of \$5.2 M for schools will not be adequate. Discusses loss of programs, textbooks, and support staff. HB 3460 does provide stability but “at what cost.”

**TAPE 140, SIDE B**

010 Chair Butler Asks Hunsaker about the proposed percentage number of 50% of personal income tax revenue to be dedicated to the State School Fund.

012 Hunsaker Responds that previous percentages have been @ 55%. Using the 50% number would be proposing a declining amount of state revenues toward schools, resulting in less money going to schools.

025 Chair Butler Asks Marshall to provide written information to the committee on the \$5.318 M amount proposed in the OSBA School Forecast Model.

039 Warner Responds that the \$5.318 M amount is a product of the School Forecast Committee that was created by an executive order of the Governor at the end of 1999. Regarding projections to simulate the effect of HB 3460, Warner discusses the handout: HB 3460—Trend Projection (Exhibit 3). Discusses the projected growth of personal income over the next two biennia. Discusses projected revenue from lottery allotments.

100 Chair Butler Discussion with Warner regarding the 2007-09 projected revenue figures on handout.

131	Chair Butler	Discussion with Warner about the Measure 19 allocation of excess funds to the School Capital Matching Fund sub-account.
160	Rep. Komp	Asks Warner about the calculation used for the \$22 M amount in 2007-09 for the Successful Schools Fund.
162	Warner	Explains the calculation methodology for the \$22 M amount.
175	Rep. Komp	Comments on federal funds that are dedicated to the Successful Schools Fund. Asks if those funds were considered in calculating the Oregon Successful Schools Fund.
190	Warner	Refers to section 4, subsection B of the bill that addresses the federal No Child Left Behind Act. Federal funding is another variable to consider.
208	Rep. Galizio	Asks Warner what effect the capital gains tax cut would have on HB 3460.
211	Warner	Responds that there would be two long-term effects: it would reduce the personal income tax revenue; it would reduce the elasticity/volatility of income tax. Continues with cyclical projection discussion.
270	Rep. Hass	

Regarding the recession scenario, asks if instead of putting money into the Stability Fund, could money be used to rebuild during economic “dips” as the state is in now.

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| 280 | Warner       | Responds that a 3/5 vote is required to withdraw money out of an existing account.  |
| 296 | Chair Butler | Asks about the “ratcheting effect” on the 8% excess process.  |
| 306 | Warner       | The bill refers to the Stability Fund (Section 1, sub. 3) and the legislature would be able to pull in stability money.   |
| 336 | Chair Butler | Comments on the issue of continued student growth and population increases.   |
| 345 | Warner       | Responds that enrollment growth has flattened out, averaging ½ of 1%. There is a relationship between raw student enrollment and the weighted student enrollment. |
| 380 | Andi Jordan  | Testifies in opposition to HB 3460 and reads from written testimony (Exhibit 4).  |
| 426 | Otto Schell  |   |



Testifies in opposition to HB 3460. Comments that adequacy is the biggest issue, and if the funding formula in HB 3460 is less than what is allocated currently, the PTA cannot support the bill.

**TAPE 141, SIDE B**

- 030 Chair Butler Asks Jordan about two statements in her testimony regarding the reliance on income tax for school funding and the removal of lottery funding for K-12.
- 033 Jordan Responds that lottery funds need to stay in the School Funding Formula. Adds that restoration of art, physical education, and second language programs are important to PTA members, and they would be willing to pay for them as shown by parent donations of money and time.
- 057 Rep. Boquist Asks Jordan to define adequacy. Asks if she would define it as a dollar number or a percentage number.
- 063 Jordan Responds that it would be a percentage of the Quality Education Model.
- 080 Laurie Wimmer  
Whelan Testifies in opposition to HB 3460 and reads from written testimony (Exhibit 5). Expresses concerns about adequacy and accountability. HB 3460 retreats from those issues.
- 188 Brian Reeder

Testifies in opposition to HB 3460 because the initial proposal of 50% of income tax is a reduction from where we are today. Agrees with Hunsaker's testimony on that issue. The adequacy question is tied in fundamentally to Oregon's tax structure. Comments on Oregon's comparable state ranking for tax burden on its citizens.

- 250 Chair Butler Discussion with Reeder regarding Oregon's tax-burden status compared to other states.
- 344 Rep. Hass Comments on pending legislation for a tax reform plan that is revenue-neutral.
- 362 Gwyneth Van Frank Testifies that adequacy is fundamental and hopes that the committee can redesign the bill to address that issue. Comments on changes to school districts since Measure 5. Statistics say businesses do not come to Oregon for corporate tax breaks but for the quality of life. Tax breaks need to be tied to performance outcomes such as job creation or public improvement projects around corporate facilities. Tax reform should be discussed, but only as it relates to corporations.

**TAPE 142, SIDE A**

- 030 Chair Butler Asks Warner to discuss potential amendments.
- 040 Warner Discusses potential amendments outlined on handout (Exhibit 1).

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee  
Coordinator

Exhibit Summary:

1. 1. HB 3460, Handout: House Bill 3460 Overview, Warner, 1 pg., 05/03/05
2. 2. HB 3460, Handout: Statistical Features of California General Fund Revenues, Warner, 1 pg., 05/03/05
3. 3. HB 3460, Handout: House Bill 3460 Trend and Cyclical Projections, Warner, 1 pg., 05/03/05
4. 4. HB 3460, Testimony, Jordan, 1 pg., 05/03/05
5. 5. HB 3460, Testimony, Wimmer Whelan, 6 pp., 05/03/05