

**WORK SESSION**

**HB 2338**

**PUBLIC HEARING**

**HJR 55, HB 3460**

**TAPES 145-146 A-B**

**HOUSE REVENUE COMMITTEE**

**MAY 5, 2005 1:30 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. Jerry Krummel, District 26
- Kathy Sansone, Stand for Children
- Dana Hepper, Stand for Children

Cindy Hunt, Legislative Counsel Office

John Marshall, Oregon School Boards Assn. (OSBA)

Staff Present: Paul Warner, Legislative Revenue Officer  
Steve Meyer, Economist  
Kristi Bowman, Committee Assistant

**TAPE 145, SIDE A**

002 Chair Butler Calls meeting to order at 1:35 p.m.

OPENS WORK SESSION FOR HOUSE BILL 2338

014 Rep. Jerry Krummel Testifies that the HB 2338-1 amendment passed out of committee on 04/28/05 did not accomplish what he had hoped. Submits HB 2338-2 amendment (Exhibit 1). The HB 2338-2 amendment removes the high-growth fund from the State School Fund and the School Funding Formula. It will only have a positive impact on districts that qualify. Discusses the various sections of the amendment in more detail.

075 Chair Butler Asks why the creation of a new high-growth fund does not have a [revenue] impact.

078 Steve Meyer Responds that the high-growth fund comes out of general funds, not out of State School Funds.

- 087 Rep. Olson Expresses concern about the \$20 M general fund dollars proposed in the HB 2338-2 amendment.
- 091 Chair Butler Responds that the House Budget Committee would need to sort out the dollar amount. The \$20 M would be outside the school fund formula.
- 102 Rep. Krummel Responds that he will argue “vigorously” for the \$20 M to be kept outside of the State School Fund and the School Funding Formula. Adds that high-growth districts do need some help.
- 115 Rep. Boquist General comments about finding money from other areas of state government to fund schools.
- 120 Rep. Krummel Responds that there are areas in state government or school districts where money can be saved, and he will continue arguing for programs like the high-growth fund.
- 127 Rep. Berger MOTION: MOVES TO RECONSIDER THE VOTE BY WHICH THE HB 2338-1 AMENDMENT TO HB 2338 WAS ADOPTED.
- 130 Chair Butler REP. BERGER MOVES THAT WE RECONSIDER THE VOTE BY WHICH THE HB 2338-1 AMENDMENT TO HB 2338 WAS ADOPTED.

- 138 Chair Butler ORDER: THERE BEING NO OBJECTION, THE MOTION CARRIES AND THE VOTE HAS BEEN RECONSIDERED.
- 139 Rep. Berger MOTION: MOVES THE ADOPTION OF THE HB 2338-2 AMENDMENT.
- 142 Chair Butler ORDER: HEARING AND SEEING NO OBJECTION, SO ORDERED.
- 146 Rep. Berger MOTION: MOVES HB 2338 AS AMENDED TO THE HOUSE WITH A DO-PASS RECOMMENDATION. WITHOUT RECOMMENDATION AS TO PASSAGE, RESCIND SUBSEQUENT REFERRAL TO WAYS AND MEANS AND BE REFERRED TO BUDGET.
- 161 Rep. Riley Comments that he would like to see the money go into the School Funding Formula.
- 167 Rep. Komp States for the record she “won’t be able to support even moving it that far.”
- 171 Rep. Boquist Comments that he has reservations, but if the bill is going to the House Budget Committee, then it will be dealt with there.

172 Rep. Esquivel Expresses concern about the \$20 M amount in the bill while other areas are not being funded. Expresses concern about phantom students in high-growth areas. Adds he cannot support the bill as is.

180 Chair Butler Asks for roll-call vote on the motion to adopt the HB 2338-2 amendment.

188 Chair Butler ORDER: MOTION PASSES 6-3-0. VOTING AYE: BOQUIST, GALIZIO, OLSON, BERGER, HASS, BUTLER. VOTING NO: ESQUIVEL, KOMP, RILEY.

CLOSES WORK SESSION FOR HOUSE BILL 2338

OPENS PUBLIC HEARING FOR HJR 55

236 Paul Warner Discusses handout: HJR 55 (Exhibit 4). The handout lists the similarities and differences with HB 3460. HJR 55 proposes an amendment to the state Constitution to direct the Legislature to appropriate to the State School Fund an amount equal to 50% of projected personal income tax revenues beginning with 2007-2009.

300 Rep. Galizio Asks what the criterion is for the Successful Schools Fund.

303 Chair Butler

Comments that the Successful Schools issue was one discussed in the work group, and he expresses hope that it will be discussed in more depth.

- 305 Warner Comments that one of the discussion items in the work group is a possible cap on the Successful School Fund.
- 307 Kathy Sansone Testifies in opposition to HJR 55 and HB 3460. Reads verbatim from written testimony (Exhibit 5).
- 390 Dana Hepper Testifies in opposition to HJR 55 and reads from written testimony (Exhibit 6). Responds to Rep. Galizio's comment about the Successful Schools Fund. "If schools get rewarded for being successful, then we end up giving money to schools that are already successful and further decreasing investments to schools that are struggling to be successful."

**TAPE 146, SIDE A**

- 033 Rep. Berger Comments on testimony from the witnesses regarding the intent of HB 3460. Adds that their points are well taken, and discussion of the bill is not finished.
- 070 Chair Butler Discusses the Successful Schools topic in Section 4 of the bill with Hepper.
- 103 Rep. Galizio

Comments about his interpretation of the Successful Schools Fund in the bill.

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| 115 | Chair Butler | Comments about the intent of his bill, HJR 55, regarding successful schools.   |
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| 123 | Rep. Komp    | Comments that the reference to successful schools in HB 3460 “sets the vision at the ceiling instead of the floor.”  |
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| 138 | Chair Butler | Asks how Hepper and Sansone would achieve stability in school funding.   |
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| 157 | Sansone      | Refers to the chart attached to her testimony from the Dept. of Education (Exhibit 5). Expresses concern that the spending per student under the proposed Stable School Fund appears to diminish over the next few years. When Stand for Children thinks of stability, they think it means maintaining the current levels of spending, not decreasing. |
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| 178 | Warner       | Comments on the calculations used on the Dept. of Education chart (Exhibit 5). Discusses their calculation of the 9% inflation rate per biennium pertaining to wages and productivity.   |
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| 211 | Rep. Riley   | Comments that in business, the increase in productivity generally comes from new technology and the use of fewer people. Schools are labor-intensive and do not benefit from technology in the same way as businesses do.  |

228 Warner Responds that it in manufacturing it is easier to measure output than it is in schools or the service sector. There is a hope that over time there is an improvement in quality with the same level of resources, but measuring that is another challenge.

239 Chair Butler Discussion with Sansone and Hepper regarding the new funding formula proposed in HB 3460 and HJR 55.

#### OPENS PUBLIC HEARING FOR HOUSE BILL 3460

302 Rep. Riley Comments that what Hepper is saying is that the state should be collecting taxes it already has by getting rid of some the expenditures of the ones the state no longer needs. Agrees with the Chair that it would require a 3/5 vote.

325 Hepper Discussion with Chair Butler on components of Measure 30 that failed in the general election in 2004.

365 Cindy Hunt Discusses why HJR 55 is an amendment instead of a revision. Discusses the difference between a constitutional amendment and a statutory revision. An amendment pertains to only one subject and takes a simple majority to pass through the legislature and is referred to voters. A revision takes a 2/3 vote by the legislature and must be referred to a primary election or special election and then referred to the voters.



- 397 Chair Butler Asks Hunt if the stabilization fund creates a problem as an amendment.
- 401 Hunt Responds that the reason the stabilization portion of HJR 55 does not create a problem is because it is closely tied to other portions of HB 3460. It fits under the umbrella of school finance.
- 421 Rep. Hass Asks if implementing legislation would be needed if this were to go to the voters.
- 423 Hunt Responds yes because in HJR 55 the Successful Schools Program is not spelled out, and the legislature would want to direct the Dept. of Education to do various things as stated in HB 3460. HJR 55 talks about projected revenue forecasts that are “not as specific in the constitutional amendment by design.”

**TAPE 145, SIDE B**

- 019 Chair Butler Comments that revenue information was intentionally left unspecific so that the legislature would ensure they would address some of the issues discussed by the work group.
- 021 Rep. Hass Comments that there are two or three major threshold decisions to consider:
- • Whether to go to the Constitution or not. Expresses concern about who would run the campaign.
  - • Putting specific numbers (e.g., 8%) into the Constitution.
- 038 Chair Butler

Discusses putting the bill into the Constitution. Expresses concern about putting specific percentages into the Constitution, but 50% is a good place to start.

- 055     John Marshall     Testifies on specific numbers stated in HJR 55 and HB 3460. The work group has looked at different scenarios. Believes there could be a different starting point, different percentage of the personal income tax, different biennial growth rate, and different allocation of excess resources between the Successful Schools Fund and the Education Stability Fund. Regarding the issue between constitutional vs. statutory, he is reluctant to put specific numbers in the Constitution because they will be there nearly forever. To start this concept, it ought to be statutory in order to have flexibility, see how the concept works, and see how the economy performs. Adds that the inflation impact is unknown. Regarding the Successful Schools Fund, it was OSBA's idea that funds would be used to assist struggling schools. Refers to a Dept. of Education matrix (not entered as exhibit). Comments that innovative programs should be shared and the Successful Schools Fund could provide the resources to do that.
- 143     Rep. Galizio     Asks Marshall: 1) to comment on the issue that the percentage of income tax going to schools has historically been 55%; 2) what is unique about the school funding issue that necessitates a technical funding mechanism.
- 160     Marshall     Responds: 1) over the last 8 to 10 years the income tax for schools has averaged 55% and lowering the percentage to 50% is a concern. The percentage amount is still open for discussion; 2) schools have a special funding mechanism because unlike other state agencies, the state Constitution mandates that the legislature shall provide a uniform system of common schools. School districts are independent government agencies that rely on a funding mechanism that doesn't always work for schools.

- 192 Rep. Riley Asks about the historical 55% amount for income tax allocation and if it has been adequate.
- 197 Marshall Responds that 55% was close to adequacy until the economy took a nosedive in 2001-2002. The state General Fund and lottery allotment is not enough. There are lots of ideas, but there are not the votes. HB 3460 is about providing stability for school funding. The issue of adequacy will go on.
- 233 Rep. Riley Clarifies Marshall's comments about the 55% allotment.
- 247 Marshall Responds that the last four years have been difficult for school funding. Additional comments on the sustainability of the funding issue.
- 283 Rep. Boquist Refers to the Dept. of Education table in the handout from Sansone (Exhibit 5) and asks about some of the numbers used.
- 299 Warner Comments on his interpretation of the table. Adds that personal income tax is growing in relation to the general fund and will continue to rise unless new revenue sources are added to the General Fund.
- 349 Rep. Berger Asks about the inflation rate used on the table.

351 Warner Responds that it does roughly match the state economist's projection of the annual wage-growth expectation, however, it is not a true inflation factor but only a growth-in-wage factor. Additional discussion with Rep. Berger.

388 Rep. Komp Comments about the Successful Schools Fund. Typically those funds are for staff development and is not money always well spent.

409 Rep. Berger Discusses the grant program that was a work group issue. If personal income grows above 8%, the money still goes to schools and is not taken away.

**TAPE 146, SIDE B**

025 Chair Butler Discussion with Rep. Berger and Rep. Komp about the excess funds proposal.

045 Rep. Esquivel Discusses a Medford school that has a high turnover rate of students but has a 90% attendance rate and is in the top 5% of the state academically. The principal did it by recruiting teachers that she thought would make a difference, and her example should be shared.

067 Chair Butler Adjourns meeting at 3:05 p.m.

Tape Log Submitted by:

Reviewed by:

Kristi Bowman, Committee Assistant

Kim Taylor James, Committee  
Coordinator

Exhibit Summary:

- 1. HB 2338, HB 2338-2 Amendment, Legislative Counsel, 3 pp., 05/05/05
- 2. HB 2338, Staff Measure Summary HB 2338-2, Meyer, 1 pg., 05/05/05
- 3. HB 2338, Revenue Impact Statement, Meyer, 1 pg., 05/05/05
- 4. HJR 55, Handout: HJR 55, Warner, 1 pg., 05/05/05
- 5. HJR 55, Testimony, Sansone, 2 pp., 05/05/05
- 6. HJR 55, Testimony, Hepper, 3 pp., 05/05/05
- 7. HB 3460, Handout: HJR 55, Warner, 1 pg., 05/05/05