

**SENATE REVENUE COMMITTEE**  
**MAY 19, 2005 9:00 AM STATE CAPITOL BUILDING**

Members Present: Senator Ryan Deckert, Chair  
Senator Gary George  
Senator Rick Metsger  
Senator Floyd Prozanski  
Senator Charles Starr, Vice Chair

Witnesses Present: Sen. Joanne Verger, District 15  
Billie Jo Smith, Lincoln County School Board  
Brenda Brown, Lincoln County  
Tom Runions, Lincoln County  
Tim Josi, Association of Oregon Counties  
Jon Oshel, AOC  
Gil Riddell, AOC  
Chuck Bennett, Confederation of Oregon School Administrators  
David Williams, Oregon School Boards Association  
John Marshall, Oregon School Boards Association  
Jeannette Holman, Dept. of State Lands

Staff Present: Paul Warner, Legislative Revenue Officer  
Steve Meyer, Economist  
Barbara Guardino, Committee Assistant

**TAPE 125, SIDE A**

005 Chair Deckert Calls meeting to order at 9:10 a.m.

**PUBLIC HEARING, SB 1043**

012 Steve Meyer Gives overview of SB 1043 (**EXHIBIT 1**). Deals with federal forest reserve receipts that go to county road funds, and whether counties can transfer road money to the county school fund. Currently certain counties are allowed to do this. Refers to chart that lays out the restrictions (**EXHIBIT 2**). The bill generalizes the process to allow all counties to transfer funds from roads to schools when an excess occurs. Refers to SB 1043-4 amendment that restricts when this is allowed, and requires a minimum balance (**EXHIBIT 3**). There is no revenue impact statement.

035 Sen. Joanne Verger Reads written testimony verbatim in support of SB 1043 (**EXHIBIT 4**). The bill is about local control. Explains reason for providing SB 1043-4 amendment.

095 Billie Jo Smith Testifies in favor of SB 1043. Reads written testimony verbatim in support of the bill (**EXHIBIT 6**). Comments on Resolution from Lincoln County School District Board of Directors, side 2 of testimony.

Supports SB 1043-4 amendment.

- 157 Chair Deckert Asks how proponents arrived at twice the annual reserve figure.
- 160 Smith Cannot answer that question.
- 168 Brenda Brown Provides written testimony of Dr. Robert Nelson, superintendent of Linn Benton Lincoln ESD (**EXHIBIT 7**), in support of bill.
- 198 Brown Reads written testimony verbatim (**EXHIBIT 8**), in support of bill. Asks for an adjustment of “a maximum of 1 ½ times the amount received” in order to include other counties.
- 255 Tom Runions Reads written testimony verbatim (**EXHIBIT 9**), in support of bill. Asks that all counties be allowed the option of transferring excess road department funds received from U.S. Forest Service payments to their county schools.
- 319 Sen. Prozanski Questions Runions on the source of the road funds. If road funds come through state tax collections, can they even be diverted? Needs to know source of funds and whether there is any violation in use of road funds.
- 340 Meyer Clarifies, this concerns just the federal forest receipts that go into the road fund.
- 343 Chair Deckert Comments, the state moved to a much decentralized tax structure with Measure 5. The state has never been able to fulfill a full allocation to schools. This is an example of activity across the state to try to find money for schools. Oregon has a funding formula to distribute revenues to schools across the state. Does it concern this panel that this bill waves a white flag on any state solution?
- 380 Smith Responds, that’s the reality we live with. Since 1991, I feel we can’t count on the state to provide a quality education. We must seek other funding. Ideally, the state would provide this funding, but that hasn’t been the case. We have to do something, and will do whatever we can.
- 408 Chair Deckert Asks if Lincoln County has explored the local option.
- 412 Smith The board considered this and decided against it, partly because of the double majority. Also, property taxes in the county are already high and it would be hard to justify. The board might reconsider it.
- 431 Sen. Prozanski Hopes now that there’s a split in power (the two chambers) that there will be some work done during the interim. Also is concerned about setting up for another challenge in equalization and equity. Very few school districts can say they’ve benefited from Measure 5. Our kids are second-and third-class citizens in the world of education.

**TAPE 126, SIDE A**

035 Tim Josi

Testifies in opposition to SB 1043. Provides written slide show to illustrate that roads in Tillamook County are in crisis (**EXHIBIT 10**).

Begins with bar graph at end of presentation (page 12).  
Page 1: As Our Federal Timber Reserves Fall ...Our Roads Go To Pot.  
Page 2: Before the Safety Net

- 075 Josi Page 3: County Road Revenues Needed  
Page 4: Tillamook County Road Department – Pavement Management Program. Current County Road funding picture (major sources)
- 095 Josi Page 5: Pavement Condition Index Rating  
Page 6: Overall average PCI is 51  
Page 7: Funding needed to raise PCI to optimal condition  
Page 8: Value of the County's paved road network is \$268 million
- 113 Josi Pages 9-10: Points in Opposition. Believes this legislation pits schools against counties. It presents a false promise that local funds are available. The school crisis should not be shifted to the counties. The (federal) safety net legislation sunsets September 2006, and there's a huge effort to get it reauthorized. The message from Washington D.C. is, this (federal dollars) may not pass. We ought to continue trying to solve school problems, but let's not do this now. We'll know by next session whether that bill is reauthorized and which counties will have additional dollars.
- 142 Chair Deckert Why can't counties just tell school districts "no?"
- 152 Josi As a lawmaker he sat on a revenue committee and asked not to be put there again because he had to deal with upset parents and teachers. "How do you say no" when schools can't afford to educate their kids?
- 163 Sen. Prozanski Expresses surprise at Josi's testimony. Counties should be telling the state to repeal what's already law, or look at what's happening in the counties that have had this availability. This is a local control option, and counties should be the ones deciding. There's no way Tillamook will be impacted by this bill. It makes no sense to hear people try to take away local control.
- 198 Josi Does not have the answer in terms of counties with additional safety net revenues. Schools and counties have formed a coalition to get this legislation reauthorized. This is not the time to be fighting. Requests putting off this discussion until next session.
- 211 Sen. George That is a very legitimate point. The situation is, we're fighting over the deck chairs on the Titanic. Is sympathetic to the situation.
- 234 Josi When the time is right to have this discussion, it's important that we have it.
- 240 John Oshel Discusses what is an adequate level of reserves. Cash flow for road development must be held in reserve by July 1. The three funding sources – property taxes, timber receipts, gas tax – don't arrive until fall. Also, major expenditures are in the summer before the money is

there, so they need that reserve to cover it. A county trying to get a big project has to save money to pay for it. One of biggest reserve counties is Washington County. The counties with timber revenues have been saving. They are afraid federal funds won't be reauthorized.

- 309 Josi Page 11: USFS Payments to County Roads. If that legislation is not reauthorized, we go back to timber receipts. People are scared.
- 321 Sen. Prozanski Has been in Washington D.C. on the reauthorization issue. Officials in Douglas county felt that if reauthorization occurs, funding won't come until the next cycle. Josi responds, he has not heard this.
- 342 Gil Riddell This safety net was passed during historic budget surpluses. People have told him that it's 51/49 chance at best that it will be reauthorized due to the Iraq war and historic budget deficit. AOC has adopted a resolution before urging re-adoption of the safety net. Oregon gets 54% of national revenues, so is not in a position to take the lead. We have been bankrolling a lot of the activities. There's a genuine risk this will not be reauthorized.
- 358 Sen. Prozanski Asks how many counties on the east side have allowed use of road funds for schools.
- 367 Riddell Responds with examples of counties that have done this. Will submit a written table on this matter.
- 399 Sen. Prozanski If there is a belief that road funds are in such bad shape, wouldn't this coalition be even stronger?
- 422 Josi You put me in a difficult spot. If reauthorization is successful, we need to sit down and talk in a couple years.
- 430 Chair Deckert What's hard for me is that this is just an option for folks, it's not mandatory, and counties must be trusted to make the right call. The climate is that we're just going after anything, not always logical, just whatever you can do (to fund schools).

**TAPE 125, SIDE B**

- 033 Chuck Bennett Testifies in support of SB 1043. Supports the amendment only if it's needed to pass the bill. The bill permits a discussion among counties who've decided to share revenues with their local school districts. The ultimate question is not whether federal legislation will pass, but whether local county officials and school board members want to work out ways of funding their schools. This would allow counties to use funds that are already arriving with a portion assigned to education. Understands Josi's position. Doubts Josi will have a problem saying "no" to his local school districts. This is a classic opportunity for the legislature to allow something to occur at the local level.
- 071 Bennett Expresses concern that the committee hasn't heard from counties that already permit this. This leads to the question whether there is a problem. This bill seems like a classic opportunity to permit local discussion.

086	David Williams	Testifies on the SB 1043-4 amendment. This shuffles the list of exception counties around, adding some and dropping others. It reduces the number from 10 to 8.
102	Chair Deckert	Asks, since Measure 5 and the equalization effort, have there been districts with an increase in their state appropriation?
107	Bennett	Yes, there are those who went up and down in order to arrive at equalization. Oregon did this equalization without a new tax resource to fund it. Most states would not have done this without additional resources.
117	Williams	Adds, most districts after M 5 received higher state appropriation because the burden was shifted from local to state.
123	Chair Deckert	Has never had a good analytical look at how this has played out with no new net resources on the table.
132	Bennett	Served in legislature in the early 1980s. The question of school funding has been an ongoing issue. Lincoln County was right then and is right today.
156	Sen. George	Is not comfortable with the bill but will vote for it since there will be more work done in the Senate Budget Committee.
160	Chair Deckert	Would prefer to pass the bill without the SB 1043-4 amendment.

**WORK SESSION, SB 1043**

171	Vice Chair C. Starr	<b>MOTION: MOVES SB 1043 TO THE SENATE BUDGET COMMITTEE WITH A DO PASS RECOMMENDATION.</b>
173	Chair Deckert	<b>ORDER: THERE BEING NO OBJECTIONS THE CHAIR SO ORDERS. VOTE: 5-0-0 MEMBERS VOTING AYE: GEORGE, METSGER, PROZANSKI, C. STARR, DECKERT</b>

**WORK SESSION, SB 427**

180	Chair Deckert	This bill deals with changes to the school formula. It requires interim work. Is open to what form that work will take.
201	Meyer	See summary from May 17 meeting, SB 427 Issues: High Cost Disability Grant ( <b>EXHIBIT 11</b> ). Questions for discussion include: <ul style="list-style-type: none"> <li>• Sunset (keep, remove, extend)</li> <li>• Expenditures above \$25,000 or 30,000</li> <li>• Maximum Grant: No cap or cap</li> <li>• Other</li> </ul>
220	Chair Deckert	Heard last time that the committee was comfortable with removing the sunset and making it permanent. The second issue is whether to bump the reimbursement from \$25,000 to \$30,000.
247	Sen. George	Compares this reimbursement with buying into an insurance pool. We don't have enough to cover costs, and if we shove the limit to \$30,000 we're just playing games with numbers. Suggests leaving the figure at

\$25,000 and increasing the cap.

- 251 Sen. Prozanski Agrees. Discusses a run that Meyer made for him raising the cap from 11% to 13%. All districts would be taking hits per student; we need to be looking for additional revenue for this (special needs) population.
- 276 Meyer Going to \$17 million for the High Cost Disability Grant would reduce the General Purpose Grant by the same amount. Every district takes a hit on their insurance premium.
- 295 Sen. George What does the average daily membership number look like?
- 305 Meyer Responds, at \$10 billion it's \$15 per weighted student.
- 311 Sen. Prozanski Expresses a concern of a superintendent that there may be a shift in people trying to qualify for disability funds.
- 339 Chair Deckert Would like to know more about the waiver process. Asks Meyer to prepare amendments for extending the cap and one without. Asks committee's consensus on reviewing the entire school formula during the interim.
- 366 Sen. George "Our train is gathering speed and the wall is getting closer. This is going to have to be dealt with" over the interim. Asks if there is any positive incentive for a district to move children up in the cost.
- 415 Chair Deckert Good point. Will work on creating a task force or work group for the interim on this issue.

**PUBLIC HEARING, HB 3183**

- 427 Meyer Summarizes (**EXHIBIT 12**), HB 3183 deals with distribution of the Common School Fund income to school districts. It takes the counties out of the process and substitutes the Dept. of Education so the money goes more directly to the school districts.
- 438 John Marshall Gives brief background of HB 3183. Work group identified a process whereby dollars get from the common school fund to school districts. See Current Law graph (**EXHIBIT 14**) page 1. Reverse side contains the proposed change that sends the money directly for immediate transfer. HB 3183 serves two purposes:
- 1) will speed up receipts from Common School Fund into school districts
  - 2) will give Oregon Dept. of Education data so they can allocate the remainder of the fund

**TAPE 126, SIDE B**

- 025 Jeannette Holman Echoes Marshall's comments and reaffirms that the Dept. of State Lands supports this bill, which streamlines government.
- 041 Vice Chair C. Starr Likes the idea but would like to amend the bill. Would like to see 65% of funds go to classrooms.
- 044 Chair Deckert Committee will hold this bill. Closes public hearing. Adjourns meeting at 10:30 a.m.

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

Exhibit Summary:

1. SB 1043, Revenue Impact of Proposed Legislation of SB 1043-4, Meyer, 5/218/05, 1 pp.
2. SB 1043, Federal Forest Reserve Receipts to County Road Funds, Meyer, 5/17/05, 1 pp.
3. SB 1043, Amendment SB 1043-4, Leg. Counsel, 1 pp.
4. SB 1043, testimony of Sen. Joanne Verger, 5/19/05, 3 pp.
5. SB 1043, County Road Funds, Verger, 2 pp.
6. SB 1043, testimony of Billie Jo Smith, 2 pp.
7. SB 1043, written statement from Dr. Robert Nelson, Smith, 5/19/05, 1 pp.
8. SB 1043, testimony of Brenda Brown, 1 pp.
9. SB 1043, testimony of Tom Runions, 1 pp.
10. SB 1043, slide presentation: As Our Federal Timber Reserves Fall... Josi, 12 pp.
11. SB 427, High Cost Disability Grant, Meyer, 5/18/05, 1 pp.
12. HB 3183, Staff Measure Summary, House Education Committee, Meyer, 14/28/05, 1 pp.
13. HB 3183, Revenue Impact of Proposed Legislation, Meyer, 4/5/05, 1 pp.
14. HB 3183, Current Law chart, Marshall, 2 pp.