

SENATE REVENUE COMMITTEE
MAY 31, 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: Chuck Bennett, Coalition of Oregon School Administrators (COSA)
Laurie Wimmer Whelan, Oregon Education Association (OEA)
Grover Simmons, Oregon State Elks Association
Michelle Deister, League of Oregon Cities
John Phillips, Oregon Dept. of Revenue

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

TAPE 127, SIDE A

005 Chair Deckert Calls meeting to order at 9:07 a.m. Discusses what will occur in committee this week. Opens work session on SB 427, school funding formula for high cost disability grants.

WORK SESSION, SB 427

010 Steve Meyer Introduces SB 427-3 amendment (**EXHIBITS 1, 2**) and SB 427-4 amendment (**EXHIBITS 3, 4**), as requested by the committee. Refers to "SB 427 Issues" sheet distributed May 19 (exhibit 11). SB 427-3 amendment continues the high cost disability grant permanently, retains the \$25,000 floor. Does not continue the small high school supplement fund. The SB 427-4 amendment extends the small high school supplement fund for two more years.

045 Meyer Discusses a third issue, interim school distribution review. Notes, the Chalkboard Project is doing a review of the formula. Is not sure how detailed, but they will probably make some recommendations. A review could entail an informal interim work group or could be dealt with in a separate bill setting up a task force legislatively.

060 Meyer Distributes a draft outline that would be dealt with in SB 427-5 amendment (**EXHIBIT 5**). The School Finance Equity Task Force would consist of two groups: policy and technical. Breaks down the membership in both groups; discusses their purposes.

105 Chair Deckert Asks when the school funding formula was last reviewed.

109	Meyer	Responds, a review was made in 1990, but was not this detailed. Discusses issues that would occur if the committee selected the formal route.
112	Chair Deckert	Likes the idea of an exhaustive review of the formula. Asks the committee for their opinion.
115	Vice Chair C. Starr	Likes the idea, but the Chalkboard Project is already reviewing it. Would like to hear from the education community before moving forward on a new task force.
140	Chuck Bennett	Testifies in regard to SB 427-3 and SB 427-4 amendments. One challenge in Oregon is keeping small school districts afloat. The small high school supplement fund (addressed in SB 427-4) has been successful, and COSA would prefer to see it continue, regardless of future task force discussions. One way to keep these small towns alive is to keep the schools strong. Also, COSA is interested in participating in the school fund formula discussion.
197	Sen. George	Comments on a community called Alpine. The school shut down and became a community center. Afterwards, the grocery store closed as did other businesses. This is happening all over the state.
214	Bennett	Responds with a story of a similar situation in Detroit (Oregon). This is a real problem. Asks the committee to pass SB 427-4 amendment despite upcoming task force discussions.
231	Chair Deckert	Comments that taking \$5 million out of the formula in some ways exacerbates what is already an inequitable situation. Uses an example of Sherwood school district. It says "no" to one district and "yes" to another.
247	Bennett	Agrees. The problem with small districts reaching the level where they can offer a basic education and meet the needs of small populations. This is an attempt to keep those schools open.
268	Chair Deckert	Asks, what other weighting factors are in the formula that will help a small school district?
270	Bennett	Poverty, social factors, the standard weighting factors. They probably don't have special education students.
288	Meyer	There is also the small school correction factor, which gives extra weight for small elementary and high schools. The small high school supplement fund is additional money generated along with the small high school weight.
300	Sen. George	Comments on rising property values in Sherwood, a high growth area. That has to have a significant impact on its tax base, and it seems as though the problem could solve itself.
312	Laurie Wimmer Whelan	Studies have not shown that growth pays for itself. You can't build schools fast enough to accommodate growth.
326	Vice Chair C. Starr	Supports continuing the small school grants and passage of SB 427-4

amendment.

- 345 Meyer Refers to handout from May 17 (exhibit 7) that lists small high school grants. It was run at a different high cost disability amount.
- 355 Wimmer Whelan Testifies in support of SB 427-4 amendment. Extending it two years is a compromise with the understanding that a review of the school distribution formula might be a good idea. Notes, when there's an inadequate funding supply for K-12, everyone scrambles for crumbs. The distribution formula reflects those pains. A review of the formula would help determine what needs to be there. OEA welcomes the idea of a review and will be at the table.
- 412 Chair Deckert Does not see the rationale behind creating a formal task force.
- 427 Wimmer Whelan Agrees, it does not need to be formalized; a small work group might work. OEA's goal is the well-being of students across the state. How to get there is where the fights come in. Will participate whether it's formal or informal. OEA did an analysis of the Chalkboard Project's last review. She will provide it to the committee. Would prefer a quasi-private process.
- 445 Chair Deckert Asks how the project is going.
- 450 Bennett One ongoing discussion is where they will focus. COSA hopes this discussion of the distribution formula will occur in the public forum.

TAPE 128, SIDE A

- 025 Sen. George Asks if Multnomah County is a big winner with SB 427-4 amendment because of its population of high cost students.
- 039 Bennett Correct. It is the center of population for high cost disability students.
- 040 Sen. Prozanski Expresses support for SB 427-4 amendment. Expresses concerns about a fifth amendment and a task force. Asks who participates in the Chalkboard Project. Legislature should not shirk its responsibility on this issue. Comments on who should be involved, including OSEA classified workers.
- 061 Chair Deckert Suggests building this public process into the Chalkboard Project.
- 070 Sen. Prozanski That would be fine, depending on who will be at the table.
- 085 Paul Warner Has spoken with Jim Scherzinger who heads the Chalkboard Project. They have asked for LRO input in the interim. Mr. Meyer will work with them.
- 109 Chair Deckert Hears the committee saying they like SB 427-3 and SB 427-4 amendments. Will re-post this bill for Friday. Closes work session.

PUBLIC HEARING, HB 2237

- 144 Mazen Malik Gives overview of HB 2237 (**EXHIBIT 6**). Requires Oregon State Lottery Commission to adopt alternate dispute resolution process for contract disputes with lottery game retailers. The bill injects (shall not may) in every contract with game retailers as alternative dispute resolution process. This builds on an existing law. What is new is that

the bill requires the lottery to go through the process every time.

186 Chair Deckert

Asks if anyone has questions or thoughts about the bill.

WORK SESSION, HB 2237

190 Sen. George

Expresses surprise that nobody came to speak to this bill.

194 Vice Chair C. Starr

MOTION: MOVES HB 2237 TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.

196 Chair Deckert

ORDER: THERE BEING NO OBJECTION THE CHAIR SO ORDERS. VOTE: 5-0-0. VOTING AYE: GEORGE, METSGER, PROZANSKI, C. STARR, DECKERT

PUBLIC HEARING, HB 2511-A

201 Mary Ayala

Gives overview and revenue impact of HB 2511-A (**EXHIBITS 7, 8**) which adds 4 organizations to the current list of fraternal organizations whose properties are exempt from property tax, subject to certain restrictions.

238 Grover Simmons

Testifies in opposition to this bill and submits HB 2511-A3 amendment (**EXHIBIT 9**). Explains, the purpose of the bill is to add Lions Club, Soroptimist, Rotary and Kiwanis as tax-exempt. Notes, the original bill was so poorly constructed that it would have created a tax on fraternal organizations. Reads from the original bill. The bill also eliminated some language that concerns him – grand and subordinate lodges of – on line 21. Asks that his amendment be passed to restore those words. Opposes the bill without this amendment.

305 Chair Deckert

The committee will not move the bill today since there is nobody here advocating for it.

318 Sen. Prozanski

Notes, HB 2511-A3 amendment will take care of Mr. Simmons' concerns.

330 Michelle Deister

League of Oregon Cities has no particular concerns with this bill.

344 John Phillips

States that line 20 says "includes but not limited to". Dept. of Revenue is unclear about the meaning of "service". It has not been included in this exemption before.

369 Sen. Prozanski

Is unsure of the definition of a fraternal organization. Would this open up service organizations to be defined of fraternal?

393 Phillips

Defines lodge system, ritualistic and fraternal under the IRS code.

417 Sen. Metsger

Asks if there is a legal definition of service.

420 Phillips

Is not aware of one in the property tax statutes. Follow-up discussion with Sen. Metsger.

447 Sen. George

Suggests removing "or service" and including HB 2511-A3 amendment.

451 Simmons

That would restore the system. A cleaner bill would be to name the entities to be added to the list of tax exemptions on lines 24-25. The

amendment does not do that, it just restores the language.

- | | | |
|-----|---------------|--|
| 471 | Phillips | The "or service" would almost certainly require DOR to ask for legal advice. |
| 480 | Sen. Metsger | Suggests defining service to include the four groups. |
| 499 | Chair Deckert | Agrees. Closes public hearing on HB 2511-A. Adjourns meeting at 10:07 a.m. |

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

Exhibit Summary:

1. SB 427, Revenue Impact of Proposed Legislation for SB 427-3 amendment, Meyer, 5/27/05, 1 pp.
2. SB 427, Amendment SB 427-3, Legislative Counsel, 5/27/05, 11 pp.
3. SB 427, Revenue Impact of Proposed Legislation for SB 427-4 amendment, Meyer, 5/27/05, 1 pp.
4. SB 427, Amendment SB 427-4, Legislative Counsel, 5/27/05, 11 pp.
5. SB 427, Draft Outline, Meyer, 5/27/05, 2 pp.
6. HB 2237, Staff Measure Summary, Malik, 5/31/05, 2 pp.
7. HB 2511-A, Staff Measure Summary, Ayala, 1 pp.
8. HB 2511-A, Revenue Impact of Proposed Legislation, Ayala, 1 pp.
9. HB 2511-A, Amendment HB 2511-A3, Simmons, 1 pp.