

**SENATE REVENUE COMMITTEE**  
**JUNE 9, 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: Gary Conkling, Beaverton School District  
Rep. Mark Hass, District 27  
Chuck Bennett, Confederation of Oregon School Administrators  
Laurie Wimmer Whelan, Oregon Education Association  
Robert J. Castagna, Oregon Catholic Conference  
Anthony Grenados, Oregon Catholic Conference  
Patti Whitney-Wise, Oregon Hunger Relief Task Force  
Marcia Kelly, American Assoc. of University Women (AAUW)  
Rep. Diane Rosenbaum, District  
42 Tina Kotek, Children First for Oregon  
Ellen C. Lowe, Oregon Food Bank/United Way  
Ron Cease, Oregon Food Bank, Lincoln County  
Phil Donovan, Housing Alliance  
Donalda Dodson, Oregon Child Development Coalition  
Cassandra Garrison, Oregon Food Bank  
Cynthia Hanna, Multnomah County community advocate  
Robert & Michelle Kroft, Lincoln City

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

**TAPE 137, SIDE A**

005 Chair Deckert Calls meeting to order at 9:15 a.m. Opens work session on SB 427, which pertains to high cost disability grants in the school funding formula.

**WORK SESSION, SB 427**

016 Steve Meyer Compares SB 427-3 and SB 427-4 amendments from last meeting.

023 Meyer Compares SB 427-6 and SB 427-7 amendments (**EXHIBITS 1 and 2**). SB 427-8 amendment deals with all-day kindergarten, and is not a stand-alone amendment.

043 Meyer Introduces SB 427-9 and SB 427-10 amendments (**EXHIBITS 3 and 4**). SB 427-9 states that 65% of monies from state school fund and local formula revenue have to be spent on classroom instruction, beginning in fiscal year 2006-07. Sen. SB 427-10 amendment requires that at least 51% of projected personal income tax revenues

be appropriated to the state school fund.

- 056 Sen. George Explains SB 427-10 amendment. See Stable Schools Plan talking points (**EXHIBIT 5**). This is the House Speaker's plan.
- 079 Gary Conkling Gives overview of SB 427-7 amendment. Focuses comments on the facility grant change. This provision was put into the formula to respond to limitations on bonds that schools can have when they build a new school. There are costs that can't be bonded, and have to be absorbed. The facility factor attempts to help pay some of those costs. When introduced the facility factor had a \$17 million cap. The factor, designed to cover 8% of costs, has never reached this. The amendment changes the cap from \$17 million to \$25 million in the 2007-09 biennium, so it has no impact in the coming biennium.
- 124 Sen. George Asks Conkling whether Measure 47 or Measure 50 blocked schools from putting in computers.
- 134 Meyer Recalls, it was M47.
- 138 Chair Deckert Invites testimony of amendments. Is ready to adopt SB 427-7 amendment.
- 153 Vice Chair C. Starr **MOTION: MOVES ADOPTION OF SB 427-7 AMENDMENT.**
- 156 Chair Deckert **ORDER: THERE BEING NO OBJECTION THE CHAIR SO ORDERS. VOTE: 4-0-1. VOTING AYE: GEORGE, PROZANSKI, C. STARR, DECKERT. EXCUSED: METSGER**
- 161 Meyer Reviews SB 427-8 amendment and its revenue impact (**EXHIBIT 6**). Would allow school districts that have full-day kindergarten to have a formula weight of 1. Encourages schools to adopt full-day kindergarten.
- 173 Rep. Mark Hass Testifies in support of SB 427-8 amendment (**EXHIBIT 7**), a simple school formula change. Refers to fact sheet (**EXHIBIT 8**). Discusses the research on benefits to students. Understands that this would water down the school formula, but this is too basic for educators to ignore.
- 238 Sen. George Comments that years ago his wife formed a kindergarten class. Those children became excellent readers. People don't take the impact of kindergarten seriously enough. Appreciates Rep. Hass' work.
- 256 Sen. Prozanski Asks Sen. Hass if he would be willing to start this in 2007-09 budget instead of 2005-07.
- 273 Rep. Hass Yes, that would be a reasonable compromise.
- 281 Vice Chair C. Starr Expresses concern that all-day kindergarten would not be mandated and would not reach the children who need it most.
- 295 Rep. Hass Responds, the original bill called for that and was criticized for being a mandate. This is the first step toward that direction.
- 329 Chuck Bennett Objects that the committee has taken a bill that preserved some

worthy programs and has grown it to include such changes as school funding issues. This is occurring at a time when school funding numbers “are not going up on the floor.” Adding all-day kindergarten dilutes the available money. This is not being discussed adequately and without a run to see who wins and who loses.

- 377 Sen. George Responds that the two chambers are not far apart in their figures, and there is \$400 million more than anticipated. This is all going to the schools. These amendments fit very well with the idea that we’re stepping up to fund schools.
- 401 Bennett Those are not the amendments he’s concerned with. All-day kindergarten is a good idea, but when you start adding programs, schools will argue there’s not enough funding.
- 456 Sen. George Argues in favor of all-day kindergarten. In the long run it saves money.

**TAPE 138, SIDE A**

- 020 Bennett Agrees, but the bottom line is investment. “You can move these deck chairs around all you want, but they’re still deck chairs and the boat’s still sinking.” Some children will lose from these changes.
- 040 Sen. Metsger Disagrees with Bennett’s comments that all-day kindergarten has been added “on the quick.” Comments on Bennett’s concerns that he hasn’t had a chance to look at the runs. Applauds Rep. Hass for his efforts.
- 091 Bennett Responds, the bottom line is the money. You can dismiss the runs, but moving money around affects kids’ programs.
- 129 Laurie Wimmer  
Whelan Comments on SB 427-8, SB 427-9 and SB 427-10 amendments. OEA has expressed concerns on the distribution formula and what it was designed to do – to capture uncontrollable costs and distribute money fairly. OEA believes adopting SB 427-8 amendment would change the distribution formula. The state simply does not have the resources to “make a bigger pie.”
- 183 Wimmer Whelan Explains OEA’s position with respect to distribution formula changes. Holding the line is the first priority; second is buying back recent program cuts; third is adding new programs. Full-day kindergarten should be a separate bill, separately funded.
- 226 Wimmer Whelan Expresses OEA’s concerns about SB 427-9 amendment. Expresses OEA’s concerns about the SB 427-10 amendment (the Minnis plan). Opposes it.
- 278 Sen. George Wonders why programs that were offered in the past don’t exist today. Believes the money has been diverted to bureaucracies.
- 320 Wimmer Whelan Disagrees with Sen. George that bureaucracy is the No. 1 cost driver. Today’s cost drivers include increased enrollment of disabled students, ESL students, federal mandates and societal problems.
- 355 Sen. George Comments that part of the societal problem is that children are no longer taught sound family values and social skills.

377	Sen. Metsger	Asks for a calculation concerning SB 427-10 amendment.
380	Wimmer Whelan	Responds, it would be significantly less.
389	Rep. Hass	Agrees with Sen. Metsger about runs, but disagrees that wealthier districts would fare better than poorer districts.
417	Acting Chair C. Starr	Closes work session on SB 427. Opens public hearing on HB 2046-A.

**PUBLIC HEARING, HB 2046-A**

449	Lizbeth Martin-Mahar	Gives overview of HB 2046-A ( <b>EXHIBIT 9</b> ). Phases in an increase in the percentage of the federal earned income tax credit (EITC) for Oregon's earned income tax credit. Refers to revenue impact statement ( <b>EXHIBIT 10</b> ).
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**TAPE 137, SIDE B**

020	Martin-Mahar	References research report ( <b>EXHIBIT 11</b> ) which details the impact of 1997 legislation for earned income and working family child care tax credits in Oregon.
044	Martin-Mahar	Discusses revenue impact of the bill beginning in FY 2007-08. Discusses feedback effects.
068	Robert J. Castagna	Testifies in favor of SB 2046-A on behalf of Oregon Catholic Conference, which would make EITC refundable. Comments on how the EITC helps lift people out of poverty.
126	Castagna	Directs members' attention to handout ( <b>EXHIBIT 12</b> ). Refers to a chart on page 4, states that have adopted EITC. Federal EITC is the No. 1 program in lifting people out of poverty. Urges the committee to move HB 2046-A.
177	Anthony Grenados	Reads testimony of Phillip Kennedy-Wong verbatim in favor of HB 2046-A ( <b>EXHIBIT 13</b> ).
203	Patti Whitney-Wise	Testifies in favor of bill on behalf of Oregon Hunger Relief Task Force ( <b>EXHIBIT 14</b> ). Submits testimony from Maureen Goplen ( <b>EXHIBIT 15</b> ).
228	Castagna	Remarks that a key feature of federal income tax reform of 1986 was to eliminate the tax obligation of those below poverty level. Asks the state to follow in those footsteps.
240	Marcia Kelly	Testifies in favor of bill on behalf of AAUW. The bill would allow low income people to put the money back into the economy in the form of school clothes and supplies, rent, etc. Expresses concern that the feedback effect of the revenue impact statement is too low.
290	Martin-Mahar	Explains, creating a tax cut creates buying power for every group.
318	Kelly	Continues questioning the feedback effect.
326	Rep. Diane Rosenbaum	Was a member of a task force on this issue during the interim. Notes, this bill passed overwhelmingly in the House. This will help people at the bottom of the income ladder who are working hard to escape

poverty. Urges passage of HB 2046-A.

- 366 Rep. Prozanski Wonders if this bill will go into work session today.
- 370 Chair Deckert Responds, the bill is not ready to move today.
- 379 Tina Kotek This is an extremely important bill. Addresses Sen. Deckert's concerns about paying for it this biennium. If there is going to be an exception, it should be this bill. To not pass HB 2046-A would be an incredibly missed opportunity. Lack of fairness in the tax structure is on the lower end. Urges moving the bill this session.
- 429 Ellen C. Lowe Testifies in support of bill on behalf of Oregon Food Bank. This is one place where Oregon should reconnect with federal legislation. Notes, the press conference that introduced HB 3490 talked about a tax expenditure that could provide over \$100 million more resources. Not many tax expenditure bills have a prospect of passing to make additional resources available.

**TAPE 138, SIDE B**

- 041 Lowe Continues, Oregon needs to have comprehensive tax reform, and a refundable EITC must be part of that reform. Urges the committee to proceed with this bill.
- 073 Ron Cease Testifies in support of bill. During economic difficulties, people at the bottom of the economy get pounded more. This approach makes sense.
- 093 Chair Deckert Comments on recent newspaper article on the widening economic gap in U.S. This is one small way to confront that gap.
- 104 Cynthia Hanna Gives personal testimony on how income tax refunds and EITC have helped her and other low income people.
- 135 Robert Kroft Gives personal testimony of his financial status and where his money goes. Stresses that "you can fill the budget gap by cutting salaries for all school administrators." Their three children are living with his parents because they can't support them. They spend almost \$1,000/year on taxes and that is ridiculous. Would like to see the state EITC refund retroactive.
- 220 Cassandra Garrison Gives personal testimonial in support of HB 2046-A, how earned income tax credits helped her purchase her first home and climb out of poverty. Asks committee to make state EITC refundable.
- 291 Phil Donovan Testifies in support of bill on behalf of Oregon Housing Alliance. See memo and letter (**EXHIBITS 16 and 17**). This legislation presents a great legacy opportunity. It will impact Oregonians for decades to come.
- 324 Donalda Dodson Testifies in support of bill. Oregon Child Development Coalition helps families with an average annual income of \$13,000. This bill would benefit these families.
- 335 Chair Deckert Recesses meeting until 1:00 p.m.

340 Chair Deckert Reopens meeting in work session on SB 427 at 1:10 p.m.

**WORK SESSION, SB 427**

361 Vice Chair C. Starr **MOTION: MOVES ADOPTION OF SB 427-9 AMENDMENT.**

364 Vice Chair C. Starr Explains SB 427-9 amendment, which designates 65% of education dollars into classrooms. This targets teachers, librarians and teaching supplies.

401 Chair Deckert Likes the amendment, but expresses concern that this amendment might hurt chances for the overall bill to pass. Will vote "no." Calls for a roll call vote.

423 Chair Deckert **THE MOTION, NOT HAVING RECEIVED THE REQUIRED MAJORITY, FAILS. VOTE: 2-3-0. VOTING AYE: GEORGE, C. STARR. VOTING NAY: METSGER, PROZANSKI, DECKERT**

429 Sen. George **MOTION: MOVES ADOPTION OF SB 427-10 AMENDMENT.**

432 Warner Explains trend/cyclical projection simulation charts (**EXHIBIT 19**) from which SB 427-10 amendment was created.

477 Chair Deckert Asks Warner to comment on the contention that this amendment would result in a cut to school funding.

**TAPE 139, SIDE A**

020 Warner Explains, the reasoning behind the 2007-09 start date is the growth rates.

030 Sen. George Asks what would happen if the numbers were to turn down. Would the legislature be prohibited from providing some other source?

038 Warner Responds no, there is nothing in the bill to preclude that.

048 Rep. Butler Comments, there would be no preclusion until the end of the next biennium. There is an extra opportunity to do a look-back.

065 Chair Deckert Once again, will vote "no" on this amendment because he does not know what it would do to the rest of the bill. Asks for a roll call vote.

079 Chair Deckert **THE MOTION NOT HAVING RECEIVED THE REQUIRED MAJORITY, FAILS. VOTE: 2-3-0. VOTING AYE: GEORGE, C. STARR. VOTING NAY: METSGER, PROZANSKI, DECKERT**

085 Vice Chair C. Starr Will vote "no" on SB 427 as amended and file a minority report. If the minority report fails on the floor he will support the amended bill.

087 Vice Chair C. Starr **MOTION: MOVES SB 427 TO THE SENATE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**

095 Chair Deckert **THE MOTION HAVING RECEIVED THE REQUIRED MAJORITY IS DECLARED PASSED. VOTE: 3-2-0. VOTING AYE: METSGER, PROZANSKI, DECKERT. VOTING NAY: GEORGE, C. STARR.**

110 Chair Deckert Adjourns meeting at 1:22 p.m.

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

Exhibit Summary:

1. SB 427, Amendment SB 427-6, Legislative Counsel, 6/7/05, 12 pp.
2. SB 427, Amendment SB 427-7, Legislative Counsel, 6/7/05, 12 pp.
3. SB 427, Amendment SB 427-9, B. Starr, 6/8/05, 1 pp.
4. SB 427, Amendment SB 427-10, George, 6/8/05, 10 pp.
5. SB 427, Stable Schools Plan, George, 1 pp.
6. SB 427, Revenue Impact of Proposed Legislation, Meyer, 6/6/05, 1 pp.
7. SB 427, Amendment SB 427-8, Hass, 6/7/05, 4 pp.
8. SB 427, Extended Day Kindergarten: The Benefits, Hass, 3 pp.
9. HB 2046-A, Staff Measure Summary, Martin-Mahar, 4/26/05, 1 pp.
10. HB 2046-A, Revenue Impact of Proposed Legislation, Martin-Mahar, 4/19/05, 1 pp.
11. HB 2046-A, LRO Research Report, Impact of 1997 Legislation – Earned Income and Working Family Child Care Tax Credits in Oregon, Martin-Mahar, December 2004, 9 pp.
12. HB 2046-A, Center on Budget and Policy Priorities, A Hand Up, Castagna, May 14, 2004, 7 pp.
13. HB 2046-A, written testimony of Phillip Kennedy-Wong, Grenados, 6/9/05, 1 pp.
14. HB 2046-A, testimony of Patti Whitney-Wise, 6/9/05, 2 pp.
15. HB 2046-A, testimony of Norene Goplen, 6/9/05, 1 pp.
16. HB 2046-A, memo from Phil Donovan and Paul Rainey, 6/9/05, 1 pp.
17. HB 2046-A, Housing Alliance letter, Donovan, 2 pp.
18. HB 2046-A, Web article by Michael Leachman, Garrison, 2 pp.
19. SB 427, House Bill 3460 – Cyclical Projection With Adjustments, Warner, 5/17/05, 2 pp.