

**SENATE REVENUE COMMITTEE**  
**March 6, 2003 1:00 PM STATE CAPITOL BUILDING**

Members Present: Senator Ryan Deckert, Chair  
Senator Ted Ferrioli, Vice Chair  
Senator Tony Corcoran  
Senator Charlie Ringo

Members Excused: Senator Lenn Hannon  
Senator Bruce Starr

Witnesses Present: Representative Mark Hass, District 27  
Randall Edwards, Office of Treasury  
Representative Lane Shetterly, District 23  
Senator Frank Morse, District 8  
Representative Krummel, District 26  
Representative Deborah Kafoury, District 43  
Jim Scherzinger, Superintendent, Portland Public Schools  
Carolyn Ortman, Hillsboro School Board  
Cyrel Gable, Corvallis School Board  
Dawn Bonder, Citizens for Beaverton Schools  
Jason Williams, Taxpayer Association of Oregon  
Tina Empol, Corvallis City Counselor  
Theresa Giddings, Beaverton  
John Marshall, Oregon School Boards Association  
Nancy Winston, Beaverton  
Ozzie Rose, Confederation of Oregon School Administrators  
Laurie Wimmer Whelan, Oregon Education Association  
Tim Nesbitt, Oregon AFL-CIO  
Don Schellenberg, Farm Bureau  
Andrea Henderson, Oregon Community College Association

Staff Present: Mazen Malik, Legislative Revenue Office  
Steve Meyer, Legislative Revenue Office  
Paul Warner, Legislative Revenue Office  
Tara Lantz, Committee Assistant

**TAPE 52, SIDE A**

003	Chair Deckert	Calls meeting to order at 1:04pm.
018	Sen. Ringo	Discusses the problems with the public school system and the negative impact on Oregon's economy. Testifies in support of local option funding. States that although the state should fund all schools at an acceptable level, local districts that have differing values and needs should be able to raise that funding level on their own. States that in order to raise public credibility we need to give local districts more accountability. Introduces SJR 18 and discusses proposed amendments.
071	Rep. Hass	States that SJR 18 is not a long term solution to school funding or a tax overhaul, but rather an option to offer local school districts who are asking for help. Responds to equalization questions by saying that the state addressed the equalization problem with the equalization funding formula, which provides an equal floor for all schools, and that local option just allows school districts to build on that floor. Proposes financial incentives for property poor

districts. Exhibit 5.

- 110 Sen. Ferrioli Makes observation that the legislators need to compare districts by capacity and not values because there are many districts that value education as much as anybody but have a real difference in capacity, which will create several different local initiatives. Asks if it wouldn't increase credibility if they established a sunset date by pointing out that someday they will come back to the issue of adequate school funding.
- 183 Sen. Ringo Responds that he believes there was more credibility when the local options had more accountability. Declares that the state needs to provide enough money so that in all districts everyone gets a quality education, but that returning to a local funding system would be a long term improvement.
- Discussion follows.
- 233 Randall Edwards Testifies in support of local options because there is not adequate funding coming from the state and local districts should be able to come up with more money on their own. Discusses the disconnection of schools and local communities as a result of Measure 5. Stresses that the state needs to look at a long-term solution for public school funding. Exhibit 6.
- 281 Rep. Shetterly Discusses the constraints of local districts and testifies in support of SJR 18 and other local option ideas as a solution to those constraints. Responds to the equalization problem by proposing increased funding from the State School Fund for the Local Option Equalization Fund. Discusses time restraints in passing SJR 18. Reads from email from the superintendent of Condon, who supports SJR 18 because it offers equal opportunities for both rural and urban districts. Exhibit 6.

#### **TAPE 53, SIDE A**

- 008 Sen. Morse Expresses initial concern of the bill due to the equalization problem but testifies in support of SJR 18 with the proposed amendments because it provides local districts a lifeline that is needed. States that he doesn't believe it creates an undo differential between districts. States that it is clear that there will be no tax increases or revenue restructuring in the 2003 Regular Legislative Session and that local districts need some options to help themselves. Exhibit 7.
- 097 Sen. Corcoran Disagrees that there would be no impetus for a statewide resolution to the crisis of adequacy. Declares that he does not believe the local option would benefit the poor districts because only the wealthy ones would be able to pass it. Asks how many districts Morse thinks would be able to pass a local option levy.
- 114 Sen. Morse Responds that it is an issue of fairness for those districts that would not support should they hold down those districts that would support. Stresses that the opportunity is there for equalization through the Local Option Equalization Fund.
- 129 Sen. Corcoran Points out that in a lot of districts it is not about whether they won't support but rather they can't and states that if the legislature was really serious about finding a funding solution they would look at a statewide 1 percent increase rather than create a greater gap in equity.
- 149 Sen. Morse Responds that he would support a statewide solution, but that the legislature has to look at what has a better chance of passing.

171	Rep. Krummel	Opposes a short term solution to the school funding problems and proposes a package based on Iowa's school funding system which would set an annual authority for each school district as far as what their per child spending would be and then that the state funding formula would meet 90 percent of the authority based on a quality education model and the local districts would have the authority to go outside of Measure 5.  Questions and answers interspersed.
255	Rep. Kafoury	Discusses history of local option legislation. Testifies in support of SJR 18 because local districts need more flexibility on how to help their local schools. Stresses that local option is a short term and long term solution.
292	Jim Scherzinger	Testifies in support of a local option but stresses that a statewide tax is Portland Public School's first choice and that they support the local option lacking that. Discusses the importance of schools to attract business in the Portland metro area. States that he doesn't believe that a local option would prevent a statewide solution at a later time.
390	Sen. Corcoran	Asks if any school district able to pass a local option would then be sympathetic to a statewide solution.
409	Scherzinger	Responds that he believes so because any local provision is going to be limited and that businesses support a statewide tax because when it is left to local options, competitiveness between districts occurs.
445	Sen. Ferrioli	Asks why it is necessary that there be an equalization funding formula.
472	Scherzinger	Responds that there are several reasons, one being a legal constitutional reason.  Discussion follows.

**TAPE 52, SIDE B**

061	Carolyn Ortman	Testifies in support of SJR 18 because it is an important tool to raise money for local districts, but stresses that there needs to be a long-term solution. States that she doesn't care if has a sunset, as long as the option is there now.
121	Sen. Deckert	Asks if she is sure she doesn't care if it was only for three or five years.
128	Ortman	Responds that only if there is a long term solution.
130	Sen. Ringo	Asks if there is a structural advantage going back to more of a local funding base.
137	Ortman	Responds affirmatively.  Discussion follows.
153	Cyrel Gable	Testifies in support of SJR 18. Gives personal account in the Corvallis public schools. Exhibit 8. Refers members to written testimony from the Corvallis Chamber of Commerce. Exhibit 9.
216	Sen. Deckert	Points out that lacking a statewide solution, communities such as Corvallis will most likely find some way to fund their schools in unique ways.
237	Dawn Bonder	Testifies in support of SJR 18 and granting more local control. Gives personal

account of Beaverton School District. States that in order to gain the credibility in urban areas to pass a statewide solution, the legislature needs to give local districts more control. Exhibit 10.

Discussion follows.

- 407 Sen. Corcoran States that he doesn't agree that helping the rich districts will increase the possibility for a statewide solution.
- 436 Sen. Ringo Declares that if the urban districts don't do something they are going to see a great movement out of public schools which would hurt the entire state.
- 452 Sen. Corcoran States that if Sen. Ringo did actually care about the whole state, he would look more closely at a statewide solution.
- 454 Sen. Ringo Points out that they tried a statewide solution with Measure 28 and it failed.
- 466 Sen. Corcoran Disagrees that there is no support for a statewide solution and states that if there had not been an organized opposition from leadership in the building, it would have passed.

### **TAPE 53, SIDE B**

- 034 Jason Williams Opposes SJR 18 because people are already having a hard time paying property taxes. Proposes eliminating urban renewal, eliminating tax breaks that effect property taxes, getting rid of the CIM and CAM, and selling government owned property that is not being used.
- 080 Sen. Deckert Asks if there are specific state ownership lands that they could point out.
- 083 Williams Responds that he will get that for him.
- 084 Sen. Deckert Asks if the taxpayers association opposes even letting people vote on the bill.
- 091 Williams Responds affirmatively.
- 097 Sen. Corcoran Asks if the Taxpayers Association feels that churches should be put back on the tax rolls.
- 104 Williams Responds negatively.
- Discussion follows.
- 117 Tina Empol Testifies in support of SJR 18. Gives personal account of Corvallis School District. States that her preference would be a statewide solution.
- 159 Theresa Giddings Testifies in support of SJR 18 but also prefers a long-term solution. Gives personal account of Beaverton School District. Exhibit 11. Refers members to written testimony from Christi Feldewerth. Exhibit 12.
- 262 John Marshall Testifies in support of the concept of a local option as a short term solution but stresses the importance of a long term statewide solution. States that the local option needs to be constructed in a way that is easier to understand than the current local option. States the issue of equalization needs to be addressed. Opposes waiting so that there will have to be a double majority.
- 330 Sen. Corcoran Asks if he thinks that putting this out now will decrease the chances of a long-term solution.

- 337 Marshall Responds that there will be some people that will consider this as a solution, but that it is their responsibility to explain to them that it is not the solution and that the level of education funding needs to be raised for everyone.
- 348 Sen. Deckert Asks if Marshall thinks more cities will find solutions on their own, such as Portland, which are not within the guidelines of the state.
- 353 Marshall Responds affirmatively.
- 370 Sen. Ringo Asks if the amendments address his concern about compression.
- 374 Marshall Responds that it's not as clear as he'd like but that he'd have to know more about them.
- 388 Sen. Ferrioli Asks if Marshall thinks a sunset would be appropriate.
- 406 Marshall Responds negatively.
- 416 Sen. Ferrioli Asks about the legal necessity of a funding equalization formula.
- 418 Marshall Responds that he believes in Oregon there is no legal necessity.
- 446 Sen. Ferrioli Asks how many states are under court order for school equalization.
- 448 Marshall Responds approximately half.
- 460 Sen. Ferrioli States that the equity formula for the state was designed for a purpose and there is still a need for it.  
  
Discussion follows.
- 507 Sen. Ringo Disagrees that this is a constitutional issue and reminds the members that the record for passing local options has not been high and that districts are not going to have an easy time passing them now.

**TAPE 54, SIDE A**

- 055 Nancy Winston Testifies in support of SJR 18, but wants a long term solution. Gives personal account of Beaverton School District. Exhibit 13.
- 124 Ozzie Rose Testifies that although he has historically supported a local option he does not support one now because it is not part of a total plan in which there is an adequately funded education for every child and because only a few districts would benefit. Supports a statewide solution, stating that the state cannot live with its current budget and is going to have to talk about revenues. Proposes a \$2 statewide tax for a 21<sup>st</sup> century initiative for schools to fund all schools.
- 207 Sen. Deckert Asks what track record of success the state has for passing a statewide tax increase.
- 208 Rose Responds that the track record for local options is not high.  
  
Discussion follows.
- 263 Laurie Wimmer Whelan Testifies that the Oregon Education Association is officially neutral on SJR 18, but that she echoes everything Rose said. Discusses the history of local options (Exhibit 14). Asks for some data before this is embraced as even a partial solution and expresses concern that local options would not work in the current economic times.

315	Sen. Deckert	Asks what data shows that the legislature would enact a statewide tax.
329	Sen. Corcoran	Points out that you have to put all of the historical defeats of tax increases in the context of the time the questions were asked.  Discussion follows.
381	Tim Nesbitt	Testifies that at best the Oregon AFL-CIO is neutral on SJR 18 but points out that this is nobody's first choice and that the legislature should be addressing what the better choices are. Proposes eliminating tax exemptions and equalizing corporate income taxes with personal income taxes. States that if this passed, voters would be much more unlikely to come back and pass a statewide tax.

### **TAPE 55, SIDE A**

071	Sen. Corcoran	Asks about putting an adjusted gross income as opposed to mortgage on second homes.
079	Nesbitt	Responds that a better approach might be putting a cap on mortgages.
097	Don Schellenberg	Testifies in opposition to local option on property taxes because the Farm Bureau believes that property taxes should be used for property services and a tax based on the ability to pay for social services. Supports local control and a local option income tax.
137	Wimmer Whelan	Points out that the money for the Local Option Equalization Fund would be skimmed off the top of the state school fund, diminishing the allocation of money to all districts.
156	Schellenberg	Disagrees with a statewide property tax.
180	Andrea Henderson	Discusses the positive impact of SJR 18 on community colleges. Asks that the legislature address both Community Colleges and K-12 keeping in mind their differences.
215	Chair Deckert	Adjourns meeting at 3:34pm.

Tape Log Submitted by,

Tara Lantz, Committee Assistant Reviewed by Kim Taylor James

#### Exhibit Summary:

1. SJR 18, Mazen Malik, SJR 18 Explanation, 1p.
2. SJR 18, Mazen Malik, Reference on Education Dollars FY 2001-02, 1p.
3. SJR 18, Mazen Malik, Tax Extended, Tax Imposed, and Reduction Due to Measure 5 Limits, 1p.
4. SJR 18, Mazen Malik, Proposed Amendments to SJR 18, 1p.
5. SJR 18, Representative Hass, Written Testimony, 1p.
6. SJR 18, Representative Shetterly and Randall Edwards, Written Testimony, 2pp.
7. SJR 18, Senator Morse, Written Testimony, 3pp.

8. SJR 18, Cyrel Gable, Written Testimony, 2pp.
9. SJR 18, Cyrel Gable, Written Testimony from Corvallis Chamber of Commerce, 1p.
10. SJR 18, Dawn Bonder, Written Testimony, 3pp.
11. SJR 18, Theresa Giddings, Written Testimony, 2pp.
12. SJR 18, Theresa Giddings, Written Testimony from Christi Feldewerth, 2pp.
13. SJR 18, Nancy Winston, Written Testimony, 2pp.
14. SJR 18, Laurie Wimmer Whelan, Local Option Levy History, 2pp.