

HOUSE SPECIAL SESSION COMMITTEE ON BUDGET RECONCILIATION

February 10, 2002 Hearing Room F
10:00 a.m. Tapes 4 - 5

MEMBERS PRESENT: Rep. Ben Westlund, Chair
Rep. Gary Hansen
Rep. Susan Morgan
Rep. Mary Nolan
Rep. Rob Patridge
Rep. Kurt Schrader
Rep. Lane Shetterly

STAFF PRESENT: Sue MacGlashan, Senior Legislative Analyst, LFO
Ken Rocco, Legislative Fiscal Officer
Dallas Weyand, Principal Legislative Analyst, LFO
Robin LaMonte, Senior Legislative Analyst, LFO
Paul Warner, Legislative Revenue Officer
John Britton, Senior Legislative Analyst, LFO
Annetta Mullins, Committee Assistant

MEASURE/ISSUES HEARD:

WORK SESSION

HB 4015
SB 5574-A
SB 1007
SB 1006
SB 1010
SJR 50
SB 1008

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 4, A		
029	Chair Westlund	Calls meeting to order at 10:25 a.m., opens a work session on HB 5574-A, and closes the work session on HB 5574-A.
035	Chair Westlund	Opens a work session on HB 4015 and turns the gavel over to Rep. Morgan.
<u>HB 4015 – WORK SESSION</u>		
	Sue MacGlashan	LFO. Submits the HB 4015-1 amendments and Fiscal Impact Statement (EXHIBIT A).
042	Rep. Hansen	MOTION: Moves to ADOPT the HB 4015-1 amendments dated 02/09/02.

VOTE: 3-0-2
EXCUSED: 2 - Reps.
Patridge, Westlund

047 **Acting Chair Morgan**

Hearing no objection,
declares the motion
CARRIED.

048 **Rep. Shetterly**

MOTION: Moves HB 4015
to the floor with
a DO PASS AS
AMENDED
recommendation.

Rep. Shetterly

Explains that the amendment reinstates the statutory language of the School Improvement Program.

053

Acting Chair Morgan

VOTE: 6-0-1
EXCUSED: 1 - Rep.
Westlund
Hearing no objection,
declares the motion
CARRIED.
REP. SHETTERLY will lead
discussion on the floor.

055 **Acting Chair Morgan**

Opens a work session on SB 5574-A.

SB 5574-A – WORK SESSION

055 **Ken Rocco**

Legislative Fiscal Officer. Explains that SB 5574-A is the omnibus disappropriation bill that comes from the Senate. The bill includes the Group of Five's proposal for disappropriations to the state budget. The bill includes reductions of approximately \$480 million and includes the Emergency Board action; the net reduction would be approximately \$350 million.

071 **Rep. Shetterly**

MOTION: Moves SB
5574-A to the
floor with a DO
PASS
recommendation.

074 **Rep. Hansen**

States he will be opposing the motion because of the \$112 million cut to K-12 education. Although these are well-grounded cuts, believes a better approach would have

		been to look at increased revenue.
083	Acting Chair Morgan	Welcomes new members Reps. Nolan and Patridge.
088	Rep. Nolan	Comments she wants to echo the comments of Rep. Hansen, and that she will also oppose the motion.
090	Rep. Shetterly	Comments that SB 5574-A represents only a piece of the reconciliation package and the House will have the opportunity to vote on at least a partial restoration of the four percent. Adds that he would not support this without the opportunity to vote on at least some restoration to the K-12 budget.
106		VOTE: 4-2-1 AYE: 4 - Morgan, Patridge, Schrader, Shetterly OBJECTIONS: 2 - Hansen, Nolan EXCUSED: 1 - Rep. Westlund
	Acting Chair Morgan	Noting objections by Reps. Hansen and Nolan, declares the motion CARRIED.
109		REP. WESTLUND will lead discussion on the floor.
112	Acting Chair Morgan	Recesses meeting at 10:30 a.m.
132	Chair Westlund	Calls meeting to order at 5:10 p.m. and opens a work session on SB 1007.
	<u>SB 1007 – WORK SESSION</u>	
133	Dallas Weyand	LFO. Submits Staff Measure Summary and Fiscal Impact Statement on SB 1007, and the SB 1007-2 amendments and Fiscal Impact Statement (EXHIBIT B) . Explains SB 1007 would make changes to the Voters' Pamphlet by reducing the size and changing the way the Voters' Pamphlet is distributed. The SB 1007-2 amendments allow an unlimited number of

		arguments to be filed. It limits the argument that will appear in the Voters' Pamphlet and the rest will be on-line. It changes the fees and addresses some concerns with costs and revenues. It is consistent with the plan of the Group of Five on budget reconciliation.
151	Rep. Schrader	Comments he thinks SB 1007 helps fill a hole and allows some good things to happen with centralized voter registration later on.
156	Fred Neal	A manager in the Elections Division, Secretary of State's office (SOS). Comments they applaud the efforts, and realize that the SB 1007-2 amendments require the SOS to absorb an additional unspecified \$155,000 in budget cuts and they are prepared to address that. Adds that the changes do need to be addressed in SB 5574, the disappropriation measure.
175	Rep. Schrader	Thanks Mr. Neal for his efforts in working with LFO to reach a solution. States he wishes they did not need to raise the fees and there may be an opportunity to do something later on.
181	Rep. Shetterly	Asks what means are available to present to voters the full text of measures.
	Neal	Responds that the text will be available on line and SOS will also be distributing it to each county election office so they can post it. Most public libraries have web access and the SOS site is popular during election cycles.
209	Rep. Nolan	Shows example of 1/8 th page (EXHIBIT C) and asked if printing on both sides would bring in \$20,000, and whether that is the cost for printing and distributing one page of news print.
237	Neal	Further explains that the Voter's Pamphlet contains

		<p>other pages, including voting instructions, drop site locations, and candidate statements. The remaining information, minus the text, is relative to measures. The fees are going up under the SB 1007-2 amendments but only the statewide candidates would be paying the full cost of a page in the Voters' Pamphlet. Those submitting measure arguments would be paying more than the cost of printing those arguments.</p>
265	Rep. Nolan	<p>Asks if we are asking arguments on ballot measures to subsidize the rest of the Voters' Pamphlet.</p>
267	Neal	<p>Responds that would not be an unfair characterization of the effect of the fee increases.</p>
	Rep. Patridge	<p>Comments that while this would be a substantial increase in costs, signatures can be obtained to put a measure in the Voter's Pamphlet for no cost.</p>
278	Rep. Hansen	<p>Comments he thought the purpose was to bring full cost recovery to the pages in the Voters' Pamphlet. Asks what the rationalization was for asking for the fees.</p>
292	Neal	<p>Responds that SOS presented the budget committees and the Group of Five a set of scenarios of cuts at two, four, six, eight, and 10 percent for the SOS budget and a means of addressing those cuts through changes in the format of the Voters' Pamphlet and modification of other programs in the SOS purview. Adds that they have looked at the impact of increasing fees by any number of multipliers for all Voters' Pamphlet fees without restructuring the relationship of the size of the fees.</p>
308	Neal	<p>States that the SB 1007-2 amendments attempt to reduce the cost of the Voters' Pamphlet and to internalize the</p>

320	Rep. Schrader	<p>budgeting of the Voters' Pamphlet through a two-year cycle within the budget. The SB 1007-2 amendments increase revenues and reduce the size of measure arguments. Comments that even with the increased fees he does not believe the fees alone cover the cost of the Voters' Pamphlet. Asks what portion of the cost of the Voters' Pamphlet the fees take care of, and what the effect would be with the SB 1007-2 amendments.</p>
343	Neal	<p>Responds that based on the last election cycle expenditures and revenues, it would take \$2,763,000 to produce the Voters' Pamphlet for this cycle--the primary and general elections. They would expect to derive about \$576,000 from filing fees.</p>
357	Rep. Shetterly	<p>Comments he is not sure that the arguments instead of the text of the measures will inform people better about what they are voting on.</p>
333	Rep. Schrader	<p>MOTION: Moves to ADOPT SB 1007-2 amendments dated 02/09/02 (EXHIBIT B).</p>
335	Chair Westlund	<p>VOTE: 7-0-0 Hearing no objection, declares the motion CARRIED.</p>
340	Rep. Schrader	<p>MOTION: Moves SB 1007 to the floor with a DO PASS AS AMENDED recommendation.</p>
390	Rep. Hansen	<p>Comments he will support moving the bill to the floor. States he has concerns about the format and the costs and will reserve his right to vote no on the floor. Adds that he is likely to support the bill from the standpoint that it can work</p>

		through the primary to see how it works and if there are real flaws there may be some opportunity to make modifications before the general election.
411	Chair Westlund	Comments that he shares Rep. Hansen's concerns.
412	Chair Westlund	VOTE: 6-1-0 OBJECTION: 1 - Nolan Noting objection by Rep. Nolan, declares the motion CARRIED. REP. SCHRADER will lead discussion on the floor.
430	Chair Westlund	Opens a work session on SB 1006.
	<u>SB 1006 – WORK SESSION</u>	
435	Robin LaMonte	LFO. Explains that SB 1006 reduces the number of new judgeships and reduces juror payments as part of the overall 2001-03 rebalancing plan. Submits SB 1006-3 amendments, Staff Measure Summary, and Fiscal Impact Statement (EXHIBIT D). Explains that the SB 1006-3 amendments were drafted in response to a request by Rep. Patridge.
446	Rep. Patridge	Explains that six new judgeships were created during session. The SB 1006-3 amendments retain three and move the remaining three to an effective date of June 30, 2003. While it will create a difference in the cycle, in Section 1(2) if there is an appointment some time later, the cycle can be fixed so they are in cycle with the rest of the judges in the state. The remainder of the amendments are technical changes recommended by Legislative Counsel.
424	LaMonte	Advises that the amendments also include the changes recommended by the Chief Justice and incorporated into HB 4016.

487 Rep. Patridge

MOTION: Moves to ADOPT SB 1006-3 amendments dated 02/09/02 (EXHIBIT D).

Chair Westlund

**VOTE: 6-1-0
OBJECTION: 1 - Schrader
Noting objection by Rep. Schrader, declares the motion CARRIED.**

496 Rep. Patridge

MOTION: Moves SB 1006 to the floor with a DO PASS AS AMENDED recommendation.

Chair Westlund

**VOTE: 6-1-0
OBJECTION: 1 - Rep. Schrader
Noting objection by Rep. Schrader, declares the motion CARRIED.**

Tape 5, A

034 Chair Westlund

Opens a work session on SB 1010.

SB 1010 – WORK SESSION

032 Dallas Weyand

LFO. Submits Staff Measure Summary (EXHIBIT E) and explains the bill sets some administrative procedures for the processing of SJR 50, the referral to the voters for the transfer of funds from the Education Endowment Fund. The bill has no fiscal impact.

035 Rep. Shetterly

MOTION: Moves SB 1010 to the floor with a DO PASS recommendation.

050

Chair Westlund

**VOTE: 7-0-0
Hearing no objection, declares the motion CARRIED.**

REP. SHETTERLY will lead discussion on the floor.

055 Chair Westlund

Recesses meeting at 6:35 p.m.

055 Chair Westlund

Reconvenes meeting at 8:12 p.m. and opens a work session on SJR 50.

SJR 50 – WORK SESSION

062 Paul Warner

Legislative Revenue Officer (LRO). Submits Staff Measure Summary, Fiscal Impact Statement and Revenue Impact Statement on SJR 50, and the SJR 50-4 amendments and the Revenue Impact Statement on the SJR 50-4 amendments (**EXHIBIT F**). Explains that the SJR 50-4 amendments convert the Education Endowment Fund into the Education Stability Fund by amending the Constitution. It allows the legislature to draw from the fund for education purposes or expenditures on public education when certain conditions are met (see SJR 50-4 amendments, page 4). States that the Stability Fund becomes operative on April 30, 2003.

The Education Endowment Fund had a balance of about \$172 million at the beginning of the biennium. LRO estimates the fund balance at the end of this biennium, with the \$120 million transfer, will be \$152 million.

100 Rep. Schrader

Comments that it seems strange there were objections to the Common School Fund, which has a \$750 million balance and here we take about one-half of the Education Endowment Fund, which would have only \$152 million left.

115 Rep. Shetterly

Comments he believes one distinction is that there is an on-going funding mechanism for the Endowment Fund. This doesn't affect that. Explains status of Education Endowment Fund.

Warner

Comments that 15 percent of the lottery earnings would go into this new fund--\$100 million per biennium.

	Warner	Explains that three-fourths of the earnings of the Endowment Fund are used on bonds; this would not affect that.
133	Rep. Nolan	Asks if the State School Fund in paragraph (7) on page four of the SJR 50-4 amendments already exists.
	Warner	Explains that the fund does exist and provides the dollars that flow through the distribution formula to the school districts, roughly \$2.5 billion a year.
142	Rep. Nolan	Asks if the 2003 legislature will have to enact any statute.
	Warner	States the amendment would need some statutory implementing language for the Stability Fund. Legislation would not be required for the initial transfer by the State Treasurer. However, for the Stability Fund to be operational beyond the current biennium, there would need to be some statutory language accompanying it.
157	Rep. Shetterly	Comments that the transfer is self-executing. The part of this that contemplates the recasting of the Endowment Fund as a trust fund will require enabling legislation for the establishment and the on-going operation of the fund. This is the constitutional piece. If it passes, during the 2003 session it will be incumbent upon the legislature to put implementing legislation in place.
172	Rep. Nolan	Asks what happens to the Stability Fund if the 2003 legislature does not enact enabling legislation.
176	Warner	Responds that the fund would not disappear. It would just not be clear about what is to be done with the earnings and how the fund is to be accessed beyond the measures in the bill. States that the fifteen percent of the lottery going

		into the fund would not be affected.
187	Rep. Shetterly	Comments the effect would be that the money would be flowing in but it would be difficult to draw it out and to manage it.
216	Rep. Schrader	Comments that the 2003 legislature is not obligated by the direction of this body and they could decide not to enact legislation.
220	Rep. Shetterly	States he believes there are two parts. The transfer will happen if this passes and the legislature would have no authority to intervene. The question is, could the legislature if the trigger events are in place in May 2003, by a three-fifths vote extract money from the Endowment Fund in addition to the automatic \$120 million transfer. The answer would be yes if the trigger events are in place and there is a three-fifths vote. Believes there would be a huge disincentive to go back to the well and the odds are that the trigger events won't be in place because economic recovery will get the trigger events off.
240	Rep. Schrader	Comments he is a little concerned because there is the establishment of the fund and an appropriation going on. Asks if there is a guarantee that this will not be challenged.
260	Acting Chair Shetterly	States there is no guarantee it will not be challenged.
266	Rep. Hansen	Asks how this matches up to the challenge to the lottery.
	Acting Chair Shetterly	Responds that if the lottery goes away, there is a problem with the funding mechanism for the Endowment Fund. Believes the expectation is that the lottery will not go away and if it does, the fund still exists for the legislature to appropriate money into from any other source.

295	Warner	Explains that the Endowment Fund currently generates earnings that are used to pay the lottery-backed school bonds because that is consistent with education purposes. The earnings for this biennium are a little over \$11 million to pay those lottery-backed bonds. That total debt burden next biennium would be about \$60 million. This would not preclude use of earnings from the fund. The earnings would be less if the principal were withdrawn. Lottery-backed bonds would be paid out of the discretionary lottery funds.
312	Acting Chair Shetterly	Believes if there is risk of a challenge to this, the risk goes down with 40 votes in the House and 20 in the Senate because it would be a Constitutional Revision.
301	Rep. Nolan	Comments that the preferred way to amend the Constitution or revise it is to have public hearings to allow the public to comment.
356	Acting Chair Shetterly	Recess meeting at 8:32 p.m.
359	Chair Westlund	Reconvenes meeting at 8:43 p.m.
362	Rep. Shetterly	MOTION: Moves to ADOPT SJR 50-4 amendments dated 02/10/02 (EXHIBIT E).
342	Chair Westlund	VOTE: 5-2-0 OBJECTIONS: 2 - Hansen, Nolan
373	Rep. Shetterly	Noting objections by Reps Hansen and Nolan, declares the motion CARRIED.
373	Rep. Shetterly	MOTION: Moves SJR 50 be sent to the floor with a BE ADOPTED AS AMENDED recommendation.
380	Rep. Hansen	

		Explains his objection to the motion. States that the Stabilization Fund is needed by the state. To tie the \$120 million that is desperately needed for education to a referendum is not the decision that should be made during this special session. It is a very important bill and is moving incredibly quickly. Suggests that the public, constitutional experts, and financial experts should analyze the proposal and it would not hurt the process. States he will vote no.
406	Chair Westlund	Comments that the \$120 million, while it goes to the State School Fund, has a safety net under it in the form of a Common School Fund. Adds that the voters will have the last say on this.
423	Rep. Nolan	Comments her vote would very likely be different if some total of what has been done in the Special Session was to preserve the \$5.2 billion in funding for K-12. Even if the referral passes in May, the end result of the Special Session would be to cut \$112 million from K-12 funding.
447	Rep. Shetterly	Comments that the amendment made by the Senate and concurred in by the House smoothes the \$112 million between K-12 and some to ESDs. The actual reduction now to K-12 is closer to \$107 million--less than two percent because the ESDs are absorbing some of it based on the formula for distribution.
473	Rep. Morgan	Comments that it would be remiss to not point out that in removing the second year funding from the School Improvement Fund, which is a two percent cut, we also did remove the restrictions on the use of whatever funds the districts have left of the first year of that grant. That will

also have the impact of mitigating some of the two percent cut. In addition, the re-timing and evening out of the payments over the next biennium will get money to the districts sooner than they would have had it before. Believes if one looks at the package as a whole, it will reflect that the bipartisan work that the Group of Five did was extremely sensitive to the K-12 education system.

Adds this is not a package that anyone thinks is a perfect package. There are things in it that all are not satisfied with, but the political realities being what they are, this is the package that has the votes to make it through the system and avoid the total cut level.

**TAPE 4, B
058**

Chair Westlund

067 Chair Westlund
061 Chair Westlund

SB 1008 - WORK SESSION

063 John Britton

077 Rep. Shetterly

080

**VOTE: 4-3-0
OBJECTIONS: 3 - Hansen,
Nolan, Schrader**

**Noting objections by Reps.
Hanson, Nolan and
Schrader, declares the
motion CARRIED.**

**REP. SHETTERLY will lead
discussion on the floor.**

Recesses meeting at 8:52 p.m.
Reconvenes meeting at 11:05
p.m. and opens work session
on SB 1008.

LFO. Submits copies of SB
1008-2 amendments, Staff
Measure Summary, and Fiscal
Impact Statement (**EXHIBIT
G**).

**MOTION: Moves to
ADOPT SB
1008-2
amendments
dated 02/10/02
(EXHIBIT G).**

VOTE: 5-0-2

**EXCUSED: 2 - Hansen,
Nolan**

Chair Westlund

**Hearing no objection,
declares the motion
CARRIED.**

082 Rep. Shetterly

**MOTION: Moves SB 1008
to the floor with
a DO PASS AS
AMENDED
recommendation.**

083

Chair Westlund

**VOTE: 5-0-2
EXCUSED: 2 - Hanson,
Nolan
Hearing no objection,
declares the motion
CARRIED.**

**REP. HAYDEN will lead
discussion on the floor.**

081 Chair Westlund

**Recesses meeting at 11:06
p.m.**

**NOTE: The committee did
not reconvene.**

Submitted By,

Reviewed By,

Annetta Mullins,
Committee Assistant

Adrienne Sexton,
Legislative Analyst

EXHIBIT SUMMARY

A - HB 4015, HB 4015-1 amendments and Fiscal Impact Statement, staff 2 pp

**B - SB 1007, Staff Measure Summary and Fiscal Impact Statement on SB 1007, and SB 1007-2
amendments and Fiscal Impact Statement, staff, 19 pp**

C - SB 1007, example of one-eighth page, Fred Neal, 1 pp

**D - SB 1006, SB 1006-3 amendments, Staff Measure Summary, and Fiscal Impact Statement, staff, 6
pp**

E - SB 1010, Staff Measure Summary, staff, 1 p

**F - SJR 50, Staff Measure Summary, Fiscal Impact Statement, Revenue Impact Statement, and SJR
50-4 amendments, staff 9 pp**

**G - SB 1008, SB 1008-2 amendments, Staff Measure Summary, and Fiscal Impact Statement, staff,
15 pp**