

HOUSE SCHOOL FUNDING AND TAX FAIRNESS/REVENUE COMMITTEE

FEBRUARY 8, 2001 — 1:30 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair

Representative Deborah Kafoury, Vice Chair

Representative Alan Bates

Representative Chris Beck

Representative Alan Brown

Representative Mark Hass

Representative Max Williams (1:42 arrived)

Representative Bill Witt (1:55 arrived)

Members Excused: Representative Janet Carlson, Vice Chair

Staff: Paul Warner, Legislative Revenue Officer

Steve Meyer, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Jean Thorne, Governor's Office

Nancy Heilignian, Oregon Department of Education

Jim Keene, Pendleton School District

Don Schellenberg, Oregon Farm Bureau

Laurie Wimmer Whelan, Oregon Education
Association

TAPE 39, SIDE A

007 Chair Shetterly Meeting called to order at 1:40 p.m.

OPENED PUBLIC HEARING ON HB 2300

017 Steve Meyer Provided a description of the measure and discussed the background.

038 Jean Thorne Presented testimony in support of measure.
(EXHIBIT 1)

115 Vice Chair Why were the top 25% picked?
Kafoury

120 Thorne This is patterned after the 1999 Minority Report for the Local Option measure (HB 2753).

126 Rep. Bates Requested examples for a high and a low district and the effect of one district on the other.

134 Thorne Presented examples citing Seaside and Pendleton.

166 Rep. Bates How many districts, especially low-tax-based districts, would actually participate in this program?

170 Thorne Cited districts that have requested local options and the results.

191 Rep. Williams Referenced §2, (3) of the printed measure sets out the formula; requested how the formula in the measure relates to the charts in the testimony, (Pages 2-5, Exhibit 1).

212 Nancy Heiligman Explained how the formula works and related it to the charts in Thorne's testimony, (Pages 2-5, Exhibit 1).

250 Chair Shetterly Does the formula take into account the experience seen in local options that have passed where the gap differs on a per property basis; the charts look like there is an assumption of a static rate across the base, (Pages 2-5, Exhibit 1)?

270 Thorne "The language needs to be clarified; the Education Department is proposing a technical amendment to ensure that the equity grant would be based on the actual amount of revenue raised by the school district."

- 257 Chair Shetterly Questions and discussion regarding the mechanics of prorating the \$5 million in the Governor's budget.
- 298 Rep. Hass Questions and discussion regarding how the measure would be affected by shifts in property values.
- 326 Rep. Witt Questions and discussion regarding the current local option law cap of \$500 or 10% of the basic ADMw support and wouldn't that make this more equitable over time rather than less equitable.
- 413 Heiligman Presented testimony in support of measure. (Exhibit 2)

TAPE 040, SIDE A

- 028 Jim Keene Presented testimony in support of measure. (Exhibit 3)
- 105 Rep. Witt The gap between Measure 5 and 50 should continue to grow for all districts; won't the \$220 for Pendleton, over time become a larger number, (Page 5, Column 5 title Gap per ADM, Exhibit 1)
- 135 Keene For Pendleton our authority has been compressed and eligibility, based on the formula adjustment would result in a lower maximum equalization grant.
- 142 Rep. Witt If the gap continues to grow won't the limiting factor for most school districts be the \$500 figure rather than the 10% of the formula?
- 161 Keene That was not the patterned exhibited in the last year in Pendleton.
- 168 Rep. Witt Commented that not all districts that pass local option packages are in the same position as Pendleton, in that they receive additional monies.
- 191 Rep. Beck Spoke to representing a district that pays more in taxes and therefore, subsidizes other areas of the states, especially in terms of school funding; asked the philosophical question on how a legislator addresses that issue with the constituency.
- 243 Keene Responded with a two-part answer:

1. The 1999 Legislature granted authority to return to local levies, which was in contrast to a state-equalizing system that made funding uniform.
 2. Ballot Measure 1 was passed and spoke to abiding by the will of the majority.
- 279 Don Schellenberg Presented testimony in opposition to measure. (Exhibit 4)
- 329 Rep. Witt "How is an income tax more equitable than property tax?"
- 349 Schellenberg "There is still a problem of equity, but the ability to pay a tax is not based on value of property; instead it is based on what is earned in a district."
- 359 Rep. Witt "Then should there be property tax at all?"
- 364 Schellenberg "Property taxes are appropriate for property tax related issues; schools are not a property related service."
- 375 Chair Shetterly Are you objecting to passage of the Local Option measure (HB 2753) passed last session rather than this particular measure? Explained what HB 2300 does.
- 384 Schellenberg Explained his interpretation of HB 2300 and acknowledged his error in that interpretation; it is the measure passed last session that they oppose.

TAPE 39, SIDE B

- 002 Laurie Wimmer Spoke in support of the measure.
Whelan
- 036 Rep. Witt Questions and discussion regarding:
1. A review of 1999 legislative action and whether the State's legal obligation is consistent with constitutional requirements.
 2. Whether equalization grants take money from the school state formula; effectively having above-the-line school districts subsidize below-the line districts.
- 079 Ozzie Rose Rep. Witt; the answer to your questions are yes. Spoke in support of the measure and provided

historical background on school spending and current funding methods for schooling in Oregon. This is an evolving process and not the final solution. The ultimate goal is to provide every child in Oregon with access to programs.

- 143 Rep. Bates Questions and discussion regarding the \$500 cap.
- 178 Chair Shetterly Was there any polling on Measure 1 and the two components; if so what were the results?
- 189 Thorne Is not aware of any polling on Measure 1 itself. Provided background information to the 1999 local option measure. The Governor's alternative to vetoing the local option measure from 1999 was Measure 1.
- 240 Rep. Beck Made comments regarding his sense that the legislature should be looking at a bigger picture regarding the funding formula for schools and spoke to communities having the option of choice.
- 300 All Philosophical round table as to local control vs. state funding and the "bigger picture".
- 400 All Continued with philosophical round table on the challenges facing the State, as related to school funding.

TAPE 40, SIDE B

- 025 All Continued with philosophical round table on the challenges facing the State, as related to school funding.
- 101 Rep. Bates For this particular bill will the figure of \$4/student be negligible?
- 109 Chair Shetterly It depends on whether you measure per student or per district.
- 115 Thorne Reviewed how the budget was developed.
- 133 Chair Shetterly Meeting adjourned at 3:10 p.m.

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2300, Testimony, Thorne, 5 pages
2. HB 2300, Testimony, Heiligman, 1 page
3. HB 2300, Testimony, Keene, 1 page
4. HB 2300, Testimony, Schellenberg, 1 page