

**HOUSE SCHOOL FUNDING AND TAX
FAIRNESS/REVENUE COMMITTEE**

MAY 31, 2001 — 1:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair

Representative Janet Carlson, Vice Chair

Representative Deborah Kafoury, Vice Chair (1:19 arrived)

Representative Alan Bates

Representative Chris Beck

Representative Alan Brown

Representative Mark Hass (1:20 arrived)

Representative Max Williams (1:37 arrived)

Representative Bill Witt (1:16 arrived)

Staff: Paul Warner, Legislative Revenue Officer

Steve Meyer, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Jim Craven, American Electronics
Association

Ozzie Rose, Confederation of Oregon School
Administrators

John Marshall, Oregon School Boards Association

Laurie Wimmer Whelan, Oregon Education Association

TAPE 202, SIDE A

005 Chair Shetterly Meeting called to order at 1:15 p.m.

OPENED WORK SESSION ON HB 3640

011 Chair Shetterly For the record the measure has a subsequent referral to the Committee on Ways and Means that was overlooked when the measure was moved out of Committee May 30.

016 Chair Shetterly **MOTION: MOVED THE RULES BE SUSPENDED FOR THE PURPOSE OF RECONSIDERING THE VOTE ON HB 3640. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Hass, Williams, Kafoury, EXCUSED)**

019 Chair Shetterly **MOTION: MOVED TO RECONSIDER THE VOTE WHEREBY THE COMMITTEE PASSED HB 3640 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Hass, Williams, Kafoury, EXCUSED)**

022 Chair Shetterly **MOTION: REQUESTED UNANIMOUS CONSENT TO WITHDRAW MOTION WHEREBY HB 3640 WAS MOVED TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION. HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Hass, Williams, Kafoury, EXCUSED)**

024 Chair Shetterly **MOTION: MOVED HB 3640 TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION AND THE BILL BE REFERRED TO THE JOINT COMMITTEE ON WAYS AND MEANS BY PRIOR REFERENCE.**

Questions and discussion regarding why the

Ways and Means referral.

034

ROLL CALL VOTE: MOTION PASSED 6-0-3

REPRESENTATIVES VOTING AYE: Bates, Beck, Brown, Witt, Carlson, Chair Shetterly

REPRESENTATIVES EXCUSED: Hass, Williams, Kafoury

OPENED WORK SESSION ON SB 660 A-ENG.

047 Chair Shetterly Spoke to his desire to look at the measure as a vehicle to address the access fees, not the Internet commerce aspect of the measure or the amendments that would reinstate the prohibit on the State's cooperation with other states on collecting or enforcing tax laws. To achieve that we would only need the (-A10) amendments, (Reference 05/24/2001, Exhibit 13)?

056 Richard Yates Yes.

059 Jim Craven Spoke in support of the (-A10) amendments, (Reference 05/24/2001, Exhibit 13), which a slight narrowing of the (-A8) amendments, (Reference 05/11/2001, Exhibit 6).

070 Rep. Witt **MOTION: MOVED LC (-A10) AMENDMENTS DATED 05/23/2001 TO SB 660 A-ENG. BE ADOPTED.**

Questions and discussion regarding the differences between the (-A8) amendments, (Reference 05/11/2001, Exhibit 6) and the (-A10) amendments, (Reference 05/24/2001, Exhibit 13).

085 **HEARING NO OBJECTION, THE CHAIR SO ORDERED. (ALL MEMBERS PRESENT EXCEPT Williams, EXCUSED)**

090 Rep. Witt **MOTION: MOVED SB 660 A-ENG. TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**

102 Vice Chair Spoke in opposition to the motion.
Kafoury

121 Rep. Witt Spoke in support of the motion.

- 141 Rep. Hass Spoke to motion — "agreed with Rep. Witt that some of the onerous parts were removed rendering the measure mostly meaningless. Harchenko testified that this is not necessary so I am not sure what the goal is."
- 146 Chair Shetterly Tried to sort the issues out and discussed what the measure is addressing with the (-A10) amendments, (Reference 05/24/2001, Exhibit 13).
- Questions and discussion regarding the Governor's issues with the measure.
- 204 Rep. Beck "Would this create problems for telecom providers, that provide Internet access, in segregating out what can and cannot be taxed?"
- 218 Chair Shetterly "Not under the (-A10) amendments, (Reference 05/24/2001, Exhibit 13), although I believe the (-A8) could have, (Reference 05/11/2001, Exhibit 6)."
- 245 Rep. Beck Questioned the potential of eliminating the taxing telecom use.
- 247 Craven That was an issue that was raised and that was why the (-A10) amendments does not include telecommunications or cable services, (Reference 05/24/2001, Page 1, Lines 11-12, Exhibit 13).
- 264 Chair Shetterly "Is that also why we took out the more cumbersome language from the (-A8) amendments and other bundled services, (Reference 05/11/2001, Exhibit 6)?"
- 266 Craven Spoke to the "core concept" of the measure, as amended by the (-A10) amendments, (Reference 05/24/2001, Exhibit 13).
- 270 Rep. Witt "Does this measure reflect federal policy?"
- 274 Craven "Until October of this year; after that we don't know."
- 276 Chair Shetterly Restated motion.
- 279 **ROLL CALL VOTE: MOTION PASSED 6-2-1**

**REPRESENTATIVES VOTING AYE:
Bates, Brown, Hass, Witt, Carlson, Chair**

Shetterly

**REPRESENTATIVES VOTING NAY:
Beck, Kafoury**

**REPRESENTATIVES EXCUSED:
Williams**

Rep. Starr will carry the bill.

OPENED WORK SESSION ON SB 519 A-ENG.

- 312 Ozzie Rose Presented testimony in support of measure, as amended by the (-A7) amendments; the last two bullets of testimony are not relative. The Superintendents School Funding Coalition has two goals on funding for this session, (Exhibits 1-2):
1. An adjustment over a two-year period for small high schools.
 2. A set path to get to equity with Educational Service Districts (ESD's).

TAPE 203, SIDE A

- 007 Rose Continued with testimony in support of measure, as amended by the (-A7) amendments and constraints on the ESD formula, (Page 1, Exhibit 1).
- 050 John Marshall Spoke in support of the measure, as amended by the (-A7) amendments. (Exhibit 2)
- 125 Rep. Witt Questions and discussion regarding whether ESD funding wasn't being looked at anyhow, spoke to reluctance as to how this addresses fast growing districts that have facility issues.
- 176 Rose The (-A7) amendments do not address all of the issues, this is a compromise proposal given the constraints on the resources for schools, (Exhibit 2).
- 191 Rep. Hass Disagreed with the proposal that these two issues should be married together and questioned whether that is good policy.

- 200 Rose Explained the difference in what is being proposed this time from past legislation and that is to create equity for the total pot of money instead of treating the ESD's separately and spoke to how he believes that makes good policy.
- 219 Rep. Hass "If this is that great of a need why don't we do what we did with the local option measure instead of effectively taking money from other school districts?"
- 220 Rose "I don't think there is more money on the table, with the ESD equity we are only rearranging the money on the table and not creating more money."
- 275 Rep. Beck "If we do nothing what happens?"
- 276 Rose "If nothing is done on SB 519 the small school issue would go away and the money would be distributed through the formula. Discussed what would happen if no action is taken on the ESD piece.
- 284 Rep. Beck "If we are the only state in the country that has gone through equalization without new money then in passage of this measure isn't that one more step in validating that form of equalization without new funding?"
- 300 Rose Spoke to his belief that there is an obligation to children throughout the State to do the best that can be done with what is available.
- 323 Vice Chair
Carlson Noted the diversity of ESD's throughout the State; my concern is that through equalization we don't penalize well-managed and well-run ESD's — how do General Fund dollars combine with separate contracts or are they kept separate in equalization?
- 355 Rose Explained how the General Funds must be spent; the measure, as amended, does not limit an ESD's ability to contract and provide other services that a district wants.
- 393 Rep. Bates Spoke to the driving force behind the first

round of equalization and noted that it is back again with ESD's.

423 Rose

Acknowledged that this measure will not solve everyone's individual interest in their own school district, but summarized the three good recommendations, as he see them:

1. We are moving towards equity among ESD's
2. We are connecting the total funds available to ESD's for all children with a 95/5 split.
3. Every ESD must follow the resolution process and spend 90% of that money the way the districts want it spent.

TAPE 202, SIDE B

019 Vice Chair "This is your proposal in lieu of what is
Carlson coming forward in SB 260 and do you think the (-A7) amendment without what is in SB 519 is a good idea on the ESD side, (Exhibit 2)?"

023 Rose "Unequivocally yes, if it is not put into SB 519 I will be back to ask for it in SB 260."

028 Rep. Bates Spoke to the problems large, fast-growing school districts have with these two pieces.

047 Rose Addressed the problems encountered by small rural districts providing a core curriculum and the obligation that places on the State as long as those districts are allowed to exist.

077 Laurie Wimmer Spoke in support of the (-A7) amendments to
Whelan SB 519. (Exhibit 2)

107 Chair Shetterly You favor the marriage of the ESD formula with the K-12 funding formula?

108 Wimmer Whelan Yes.

LRO Staff Distributed for review:

1. ESD Equalization Framework, submitted by Steve Meyer. (Exhibit 3)
2. The (-A7) Revenue Impact statement, submitted by Steve Meyer. (Exhibit 4)
3. The (-A8) amendments, submitted by

LRO Staff. (Exhibit 5)

154 Chair Shetterly Meeting adjourned at 2:20 p.m.

Submitted by, Reviewed by,

Joan Green Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 519, Testimony, Rose, 2 pages
2. SB 519, (-A7) amendment, (CH/ps) 05/31/01, LRO Staff, 34 pages
3. SB 519, Handout titled "ESD Equalization Framework", Meyer, 1 page
4. SB 519, (-A7) Revenue Impact statement and simulation 12-1 for SB 519 (-A7), Meyer, 4pages
5. SB 519, (-A8) amendment, (CH/ps) 05/31/01, LRO Staff, 1 page