

**PUBLIC HEARING HB 2780, HB 3277  
TAPE 168 SIDES A/B  
TAPE 169 SIDE A  
HOUSE SCHOOL FUNDING AND TAX FAIRNESS/REVENUE  
COMMITTEE**

**May 04,2001 - 1:45 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING**

Members Present: Representative Lane Shetterly, Chair  
Representative Janet Carlson, Vice Chair (Arrived 2:00 PM)  
Representative Deborah Kafoury, Vice Chair (Arrived 2:00 PM)  
Representative Alan Bates  
Representative Chris Beck (Arrived 2:08 PM)  
Representative Alan Brown  
Representative Mark Hass  
Representative Max Williams (Arrived 2:05 PM)  
Representative Bill Witt (Arrived 2:09 PM)

Staff- Paul Warner, Legislative Revenue Officer  
Steve Meyer, Economist, Legislative Revenue Office  
Ed Waters, Economist, Legislative Revenue Office  
Jennifer Wells, Committee Clerk

Witnesses: Marcia Latta, Salem Keizer Public Schools  
John Fairchild, Salem Keizer Public Schools  
Nancy Heiligman, Department of Education  
Gary Conkling, Beaverton and Hillsboro Schools  
Scott Barrie, Oregon Building Industry Association  
Laurie Wimmer Whelan, Oregon Education Association  
Tricia Smith, Oregon School Employee Association  
Tom Linhares, Columbia County Assessor  
John Phillips, Oregon Department of Revenue  
Michael Gay, Representing Rep. Starr, District 3  
Brian Reeder, Department of Education  
Representative Jerry Krummel, District 27  
Frank McNamara, Confederation of Oregon School Administration  
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005 Chair Shetterly Meeting called to order at 1:56 PM. as a subcommittee.  
Convened as full committee at 2:00 PM with the arrival of Vice  
Chair Carlson and Vice Chair Kafoury.

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### **OPENED PUBLIC HEARING ON HB 2780**

020 Marcia Latta Salem Keizer Public Schools have requested that HB 2780 to find a solution to a problem we were having with some student transportation. With the help of Department of Education we have found a solution. Introduces John Fairchild and Nancy Heiligman to explain the solution and the issue.

022 Nancy Heiligman With clarification in administrative rules the Department of Education can solve Salem's problem. Need to clarify existing practice in terms of the transportation reimbursement in the State School Fund. There will be very little impact.

031 John Fairchild It makes far better sense to make a clear clean distinction ensuring that determination for services is based on an academic component.

039 Rep Hass This seems to effect the higher districts or more populated areas, is that because of the efficiencies, or what causes that?

042 Nancy Heiligman The reimbursement would apply to programs that have an academic component.

044 Chair Shetterly Clarifies that the fix that was achieved through accommodation is not the same fix that is reflected in the bill or the Revenue Impact.

#### **CLOSED PUBLIC HEARING ON 2780**

#### **OPENED PUBLIC HEARING ON HB 3277**

080 Steve Meyer Authorizes school districts to decrease the exception value of property tax revenues (from new construction and incremental gain in property tax in urban renewal areas) provided for in the State School Fund grant formula. Establishes period for decrease in exception value for current year plus succeeding four years, effective January 01, 2003. Limits use of the exception value for current year.

102 Scott Barrie This measure captures the incremental increase in property values from construction and dedicates that money to capital construction of schools. Currently local government benefits from new construction when it moves into the area. The local government keeps those proceeds that are generated from the incremental increase. Oregon Building Industry Association (OBIA) is interested in getting some of that incremental increase

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dedicated to school capital construction. (Exhibit 2)

116 Gary Conkling Presented testimony in support of measure. (Exhibit 3)

192 Rep Kafoury You mentioned earlier that this bill was similar to a bill that was heard last session. How is this bill different?

200 Gary Conkling One of the differences is that this bill would go into effect not this biennium but the subsequent biennium. It has no impact on the calculation of total funds for schools that we all have debated. The calculation for the exception value may also be slightly different.

315 Rep Witt Gary, have you thought about how this bill might fit in some way with the bill the Treasurer brought to this committee a couple of weeks ago? I think it was HB 3370 that provides for a statewide system of trying to address school construction needs through general obligation bonds.

350 Gary Conkling You can look at State-issued general obligation bonds perhaps as the tool to assist districts that don't have growth. I think that it would make sense to contemplate the possibility of not necessarily having each and every school district go out and try to bond these particular growth increment bonds, which will have property tax support behind them; in fact having a statewide bonding facility for this kind of a pool. The combination of those two might produce a nice package.

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025 Rep Krummel Wanted to call attention to the (-A4) amendments. One of the things that was suppose to have occurred when the bill was originally amended in Congress was that the (-A4) amendments relate to urban renewal districts. What it does is two things. It will make the bill prospective as far as urban renewal districts are concerned. It will also allow that the urban renewal district will actually split the money with the school district on a 50/50 basis only on the inclement value.

065 Chair Shetterly What would be the revenue impact of this either to the districts or to the state general funding formula over the next four years?

076 Steve Meyer Still working on a number but I would expect that number to be between 25 to 50 million in the first year; double that in the second year and so on until completion of the full five-year phase in.

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084 Lori Wimmer Whelan Spoke in opposition to the measure. (Exhibit 7)

130 Tricia Smith Spoke against the measure. The mechanic of the A engrossed HB 3277, section 2 through 2 D describe how this money comes to the fund and how it comes out of the fund. What happens is the assessor determines how much the property is valued at and then determines how much the growth has increased the value of that property. Then the assessor determines what the exception value is which is the difference between the original value and the new value and then determines what the operating taxes on that exception value are. Then determines what 20% of the operating taxes of the exception value are. That 20% of the operating taxes of that school district then goes to the State. Local property tax revenue is transferred to the State Treasurer and goes into a new fund called the School Capital Project Fund. There is nothing in this bill that says you get your money back.

217 Rep Witt This idea of local property tax revenue staying within the local district may be technically true but isn't that really a myth because of equalization? If local property tax revenue truly stays within the district, then it should also be true that the State apportions money from state tax revenues in a very unequal manner.

226 Tricia Smith I would agree with you. I don't believe the State allocates equal dollars to each school district because it offsets State dollars based on local revenues. If my school district raises more in local revenues than your school district does, my school district will get less State funding than yours will.

233 Rep Witt So based on that analysis the equalization formula and the way that it is used really creates an economic myth to this reality that local property taxes stay within the district. Isn't that true?

237 Tricia Smith Does not agree with that statement. Believes the local property tax does stay within the district. How much money the State gives the district may vary depending on that amount.

248 Rep Witt I except the fact that local property tax revenue stays within the local district. In reality the legislature in the way it funds schools through the school equalization formula takes directly into account the local property tax dollars that stay within the district. From an economic standpoint this idea that this money is sacra-

sane and stays within the local district is a false reality. In reality

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From an economic standpoint this idea that this money is sacrasane and stays within the local district is a false reality. In reality the State immediately adjusts what it gives to equalize those dollars.

270 Frank McNamara Spoke in opposition of measure  
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069 Michael Gay Spoke in support of the measure  
114 Tom Linhares Oregon County Assessors do not have any issue with the policies regarding whether taxes on exception value should be or should not be used to offset the School Funding Formula. Is concerned that whatever is decided in the bill it is something that County Assessors can understand and can calculate accurately and consistently through out the State.  
221 John Phillips The definitions are critical. Oregon Department of Revenue requires following the law and calculating the taxes correctly. Oregon Department of Revenue wants to caution about the wording of this measure.

295 Brian Reader This bill takes currently operating revenues and requires that they be spent for capital projects. Doing that redistributes those moneys that our currently operating moneys to districts that have the highest gross in exception value. (Exhibit 8)  
360 Rep Witt Isn't it true that all districts have capital need requirements that develop overtime?

366 Brian Reader Many districts have maintenance needs that are quite severe, which may not fall into the capital category.

**CLOSED PUBLIC HEARING ON 11113277**  
375 Chair, Shetterly Meeting Adjourned at 3:15 PM

Submitted by,, Reviewed by,  
Kim Taylor James  
Jennifer Wells  
Committee Clerk Revenue Office Manager

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### Exhibit Summary:

1. HB 2780, Measure Description, School Transportation Revenue, Economist, Steve Meyer, 7 pages
2. HB 3277, Testimony, Scott Barrie, Oregon Building Industry Association, 1 page
3. HB 3277, Testimony, Gary Conkling, Beaverton and Hillsboro school districts, 2 pages
4. HB 3277, Staff Measure Summary, Economist, Steve Meyer, 2 pages
5. HB 3277, (-A4) Amendments, (DJ/ps) 5/4/01, Steve Meyer, 1 page
6. HB 3277, Fiscal Analysis of Proposed Legislation, Economist, Steve Meyer, 1 page
7. HB 3277, Testimony, Laurie Wimmer Whelan, 1 page
8. HB 3277, Testimony, Brian Reeder, 4 pages

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