

CONFERENCE COMMITTEE ON HJR 19

JULY 4, 2001 – 3:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair
 Representative Janet Carlson
 Representative Mark Hass
 Senator Roger Beyer
 Senator Steve Harper (absent 3:16 p.m. to 3:30 p.m.)
 Senator Mae Yih

Staff: Paul Warner, Legislative Revenue Officer
 Richard Yates, Legislative Revenue Office
 Carol Phillips, Committee Assistant

Invited Testimony: Kate Richardson, Chief of State, State Treasury
 John Lattimer, Audit Division Director, Secretary of State

TAPE 1, SIDE A

005 Chair Witt Meeting called to order at 3:16 p.m.

OPENED WORK SESSION ON HJR-19

007 Richard Yates In review, stated that HJR-19 deals with sending to voters in the next May primary election a constitutional amendment that would allow general obligation (G.O.) bonds to be issued up to one-half percent of the statewide value of taxable property. The purpose would be limited to funding the Oregon Opportunity Act at Oregon Health & Science University (OHSU) with \$200 million.

015 Chair Shetterly Added that in previous discussions, HJR 46 contained general fund matching for K-12 capital construction bonds. To that end, the (-A3) amendments have been created.

019 Carlson MOTION:
 MOVES THE (-A3) AMENDMENTS TO HJR-19 BE ADOPTED.

024 Kate Richardson Testified in support of the (-A3) amendments and stated that they represent HJR 46, which was passed in the House but did not emerge from the Senate Revenue Committee. The K-12 general obligation bonding authority was removed in the Rules Committee. The (-A3) amendments simply reinstate that K-12 bonding authority and would place the question before voters. There is no implementing language in the (-A3)s. (Exhibit 5.)

- 059 John Lattimer Testified in support of the (-A3) amendments. An audit report was recently issued by the Secretary of State's office that indicated major concern from the Department of Education about the state of school facilities around Oregon. There are many problems within school districts in funding construction of new buildings as well as basic maintenance of existing structures. For example, if a boiler needs replacing but there are no funds set aside for that, the school takes money from their operating funds to replace the boiler.
- 077 Lattimer Added that many states face court challenges over inequality of school facilities. Courts are saying under basic constitutional provisions for equal education many states are not fulfilling that obligation because they are not funding all school facilities equally. This issue has not been brought to a court in Oregon yet, but it could be a possible problem in the future.
- 088 Rep. Carlson Asked for explanation of how the matching aspect of the program would operate.
- 095 Richardson Responded it is anticipated that because local bond measures would have already been passed in order to activate the matching aspect, a school district would estimate the cost of a particular project. If matching funds are available, then it reduces the amount they need to ask from local voters.
Further questions and answers followed.
- 111 Lattimer Added that there is a wide disparity among different school districts in their ability to have local voters approve bond issues for capital improvements to schools. School buildings in one district were actually condemned because bond issues were rejected two or three times, and failing water and electrical systems could not be replaced or repaired.
- 128 Richardson Explained that the (-A3) amendments would address both the maintenance and refurbishing needs of older schools and the building of new schools in fast-growing districts.
Further questions and answers followed.
- 156 Sen. Yih Asked for clarification regarding how matching funds for capital costs would be obtained.
- 160 Richardson Responded that the specifics would be addressed in implementing legislation, which is not part of HJR-19 or this legislative session. A work group decided to simply pose the question to voters first, then deal with specific implementation in a future legislative session should the voters approve the concept. The Board of Education would probably administer the program, and applications for matching funds would be submitted to it for approval and distribution.

- 206 Sen. Yih Stated she was surprised to see maintenance and repair of public schools listed in the (-A3) amendments as one of the provisions. Pointed out maintenance should come under good building management, and schools should set aside a reserve for repair and maintenance rather than go out for bond measures to cover those costs.
- 216 Lattimer Responded that schools do have maintenance funds in their budgets, but because schools do not always have enough money for their operating costs, they utilize maintenance funds. Thus, when they require maintenance or repair funds that have already been spent, they have to go to the public. Currently bond funds at the local level cannot be used for maintenance but only for capital expenditures, so they have to build a new building.
- 236 Sen. Yih Reiterated that good preventive maintenance would avoid facing large maintenance projects. Under proper management large projects (like replacing a boiler) should be taken care of as preventive maintenance. With good management many large expenses could be avoided.
- 245 Chair Shetterly Agreed with Sen. Yih, but added sometimes bad circumstances or bad luck play into the situation.
- 255 Richardson Pointed out that the maintenance and repair issue is just one small part of the (-A3) amendments. It is not anticipated that this bonding would generally be used for maintenance or deferred maintenance costs. Some of the other problems that districts face are much more extensive than just a boiler or a roof. They face broad renovations needed to update with technology and structural (seismic) concerns.
- 271 Rep. Hass Stated Sen. Yih brought up a good point about management. Asked for a comparison of revenue bonds vs. general obligation bonds and how their use would translate into cost savings.
- 279 Richardson Answered that general obligation bonds are much cheaper than revenue bonds and offer the best interest rate available to the state. Using the \$200 million OHSU funding as an example, general obligation bonds would save \$70 million in interest, compared with revenue bonds.
- 313 Chair Shetterly VOTE:
ROLL CALL VOTE: MOTION FAILS: 3 – 3 – 0
SENATORS VOTING NO: R. BEYER, HARPER, YIH
REPRESENTATIVES VOTING AYE: CARLSON, HASS,
SHETTERLY
- 323 Sen. Harper Offered a vote explanation. Stated the main objection is approving the concept this year to be implemented next biennium, but not

funding the resolution directly. The idea has merit, but it should be funded up front.

- 343 Chair Shetterly MOTION:
MOVES THE HOUSE CONCUR IN THE SENATE AMENDMENTS DATED JUNE 22, 2001 AND THE RESOLUTION BE READOPTED.
- 349 Chair Shetterly VOTE:
ROLL CALL VOTE: MOTION PASSES: 5 – 1 – 0
SENATORS VOTING AYE: R. BEYER, HARPER, YIH
REPRESENTATIVES VOTING AYE: CARLSON, SHETTERLY
REPRESENTATIVE VOTING NO: HASS
Rep. Shetterly will carry the resolution on the House Floor.
- 359 Rep. Carlson Offered a vote explanation. Stated she is very much in favor of the OHSU program, but is disappointed the K-12 (-A3) amendments aspect could not be included.
- 368 Rep. Shetterly Agreed and appreciated the comments of Sen. Harper. Understands that sometimes it takes two or three legislative sessions for an idea to make it through the legislative process.
- 376 Rep. Hass Reiterated that high-growth school districts in Washington and Deschutes counties are in need of financial aid. They can do only so much with the funding they have. It seems like the legislature is ignoring those pleas for help and thought HJR-19 might be the tool to answer their call.
- 387 Sen. R. Beyer Agreed with Sen. Harper's comments. Would like to see his Open Enrollment for Schools Bill coupled with something like HJR-19. Then parents would have the opportunity to send their children to any school in the state that they choose. Would like to see these two ideas that would both help education move together.
- 403 Rep. Shetterly Adjourned meeting at 3:43 p.m.

Submitted by,

Reviewed by,

Carol Phillips
Committee Assistant

Kim Taylor James
Revenue Office Manager

Exhibit Summary:

1. HJR-19, Yates, Fiscal Impact Statement, 1 pp.
2. HJR-19-A, Yates, Staff Measure Summary, 1 pp.
3. HJR-19, Yates, Staff Measure Summary, 1 pp.
4. HJR-19, Yates, Fiscal Impact Statement, 1 pp.
5. HJR-19, Richardson, Written testimony undated, 4 pp.

6. HJR-19, Lattimer, Written testimony dated February 19, 2001, 3 pp.
7. HJR-19-A, Legislative Revenue Office Staff, (-A3) amendments (CH/ps) 7/2/01, 2 pp.