

**PUBLIC HEARING AND WORK SESSION: SB 933**

**WORK SESSION: SB 260, SB 764**

**TAPES 116-117, A/B**

## **SENATE REVENUE COMMITTEE**

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**April 24, 2001 — 8:10 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING**

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Members Present: Senator Ted Ferrioli, Chair

Senator Lee Beyer, Vice Chair

Senator Susan Castillo

Senator Tony Corcoran

Senator Gary George

Senator John Minnis

Members Excused: Senator Charles Starr

Staff: Paul Warner, Legislative Revenue Officer

Steve Meyer, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Carol Phillips, Committee Assistant

Witnesses: Laura Pryor, Gilliam County Judge

Bill Penhollow, Association of Oregon Counties

Jacob Brostoff, 1000 Friends of Oregon

John Marshall, Oregon School Boards Association

David Campbell, Superintendent, Clackamas ESD

**TAPE 116, SIDE A**

005 Chair Ferrioli Meeting called to order at 8:25 a.m.

010 Richard Yates Gave overview of SB 933, which allows intergovernmental entities created to operate, maintain, repair, and modernize roads to issue general obligation bonds and to levy taxes and fees for payment of debt service. Limits outstanding bonds to 2% of the Real Market Value of taxable property within the entity. The (-1) amendments delete the word "roads" and inserts "transportation facilities" within the bill.

#### OPENED PUBLIC HEARING ON SB 933

040 Laura Pryor Testified in support of SB 933. Stated there has been no increase in transportation funding in rural eastern Oregon counties in ten years. Four counties (Wasco, Sherman, Gilliam, and Wheeler) group together in order to maintain roads, and did so to build a jail. In another example, crushed rock is a necessary commodity to maintain rural county roads. But sometimes mobile crushers from the Department of Transportation are not available when needed. If several counties band together, they can collectively purchase enough crushed rock to last four or five years.

Questions and answers interspersed.

096 Chair Ferrioli Summarized by stating SB 933 would allow counties to join with other counties and governmental entities for the purpose of bonding on a local levy for the production of transportation facilities. SB 933 has been heard by the General Government and Transportation committee and sent out with a Do Pass recommendation.

Questions and answers interspersed.

129 Bill Penhollow Testified in support of SB 933. Stated for the record that the Association of Oregon Counties supports SB 933. Added the bill would provide another tool that counties consider in addition to

district authority and road authority they currently have.

Comments, and questions and answers interspersed.

199 Jacob Brostoff Testified in support of the bill. Read Exhibit 3.

CLOSED PUBLIC HEARING ON SB 93

OPENED WORK SESSION ON SB 933

- 229 Vice Chair L. MOTION:  
Beyer  
MOVES (-1) AMENDMENTS TO SB 933 BE ADOPTED.
- 231 Chair Ferrioli ORDER:  
HEARING NO OBJECTION, THE CHAIR SO ORDERED.
- 233 Vice Chair L. MOTION:  
Beyer  
MOVES SB 933 AS AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.
- 237 Chair Ferrioli ORDER:  
HEARING NO OBJECTION, THE MOTION CARRIES: 5-0-2  
SENATORS EXCUSED: STARR, CORCORAN  
Sen. Ferrioli will carry the bill on the Senate Floor.

CLOSED WORK SESSION ON SB 933

- 255 Steve Meyer Discussed (-3) amendments (Exhibit 4) to SB 260 in great detail. It is intended that within

four years there will be full equity of funding among education service districts (ESDs).

386 Chair Ferrioli Stated that most of the wording in the (-3) amendments was a direct result of recommendations from the ESD task force, discussions held in Senate Revenue Committee, or additions and concerns of individual Committee members. The issue yet to be resolved is actual distribution of the funding formula.

Questions and answers interspersed.

#### INVITED TESTIMONY

420 John Marshall Thanked Senator Ferrioli and Senate Revenue Committee members for their patience and diligence in dealing with this extremely contentious issue. The process of balancing the interests of 21 education service districts is not dissimilar to the equalization of over 300 school districts decade ago. Stated he is charged with representing the interests of all 21 ESDs. Currently there is great disparity in the number of dollars allotted to each ESD, and that has a great impact on services provided to students served by those ESDs.

455 Marshall Stated it might be relatively easy to approach equalization in one fell swoop. Determining an average amount, bringing those over the average down and those under the average up sounds like a good idea, but it is not possible. It is not realistic from a policy perspective, and it is certainly not possible from a political one. The ESD task force determined that a four-year plan would be the best approach to reach equalization, but some are of the opinion that timeframe is too fast.

#### TAPE 117, SIDE A

035 Marshall A rational approach might be to construct a plan where the ESDs at the lowest end of funding

see there is movement toward equalization, while ESDs at the top realize the same thing. Believes the majority of ESDs realize that in order to do that, all ESDs above the mean face a reduction in funding. Those moneys would go to the ESDs below the mean to help them get closer to equity.

Questions and answers interspersed.

- 099 David Campbell Offered possible alternative percentages to achieve equalization.
- 160 Chair Ferrioli Stated there will be a ten-minute recess for members and ESD personnel to analyze Exhibit 7.
- Further discussion with questions and answers interspersed.
- 174 Marshall Made suggestions regarding further study by ESD representatives.
- 208 Chair Ferrioli Stated that, although it would be beneficial to have more information provided by ESDs themselves, the original ESD task force did not have statewide representation by ESDs and there was no legislative connection.
- Questions and answers interspersed.
- 226 Marshall Stated that, on the contrary, there was a legislative connection on the prior task force, but the members did not seem too interested in the subject. Feels the highest funded ESDs would think the proposed 3% reduction too much, and those ESDs below the mean would feel it is not enough money or fast enough to help them.
- 290 Chair Ferrioli Regarding the proposed equalization strategy, stated that the glide path was four years and not

achieving full equity until the first year of the next biennium.

- 318 Meyer Clarified that the strategy in Exhibit 7 applies to 2001-03 only. Reaching equity after that depends on how much the appropriation might be for the next biennium, on whether changes are made to reduce the hold harmless districts, and how much of that gap is closed and if the appropriation for the funding would be sufficient to eliminate the gap.
- 330 Chair Ferrioli Stated the question of service equity still remains. The task force recommendations were for four-year equity, but the question of defining equity was not resolved, i.e. service or ADMw equity. Until remaining questions of equity are solved, there is every reason to try to protect the small and remote districts, the self-funded, and the "oddball" formulas in certain counties.
- 365 Chair Ferrioli Recessed meeting from 9:16 a.m. to 9:34 a.m.
- 366 Chair Ferrioli Stated there were some interesting conversations during the recess. The issue seems to be (1) whether 3% across the board above the median to be applied below the median, or (2) go with differential closure on distribution formula.
- 394 Marshall Stated there does not appear to be a consensus. Of the 21 ESDs a majority of them would support the outlined approach, but there are those not willing to take reduction at the top and those at the bottom who do not believe the proposal toward equalization moves fast enough.
- 409 Sen. George Based upon Mr. Marshall's comment:  
  
MOTION:

MOVES SB 260 IN ITS ORIGINAL FORM  
TO THE SENATE FLOOR WITH A DO PASS  
RECOMMENDATION.

411 Chair Ferrioli Stated this meeting was not in Work Session. Stated members needed to select an approach (either 3% or differential) and at this point favored the 3% approach because it stays to a more conservative glide path and also preserves a slightly better political center to support the bill.

Comments, and questions and answers interspersed.

491 Sen. Corcoran Pointed out that the Chair tapped in a Work Session, to which the Chair said he was probably correct.

**TAPE 116, SIDE B**

077 Chair Ferrioli Stated he still needed consensus for the 3% issue. Asked members for their opinions.

083 Chair Ferrioli Explained there was a motion on the floor to approve SB 260 in its original form without any adjustments discussed over the past 15 weeks. Asked members for their opinions. Stated the Chair opposes the approach of moving the original bill without all the considerations made over the last few months.

091 Sen. Minnis Stated he would vote no and serve notice of possible minority report.

093 Sen. George Stated he had permission to relate to the committee the position of Senator Starr (who is excused from the meeting). Senator Starr's position would be to support the motion made by Sen. George to move the bill in its original form. Senator Starr will not be able to attend this meeting for another 20 minutes.

- 098 Chair Ferrioli Observed that proxy voting is not allowed, but appreciated Sen. Starr's position.
- 099 Sen. Castillo Stated she is prepared to support the motion.
- 114 Vice Chair L. Beyer Stated he believes SB 260 moves toward equalization too fast. Would feel more comfortable with a six-year (three biennia) process applied in equal steps.
- 126 Sen. Corcoran Agrees with Vice Chair L. Beyer. Concerned with Multnomah districts. Feels the bill should be passed from this committee to the House side for further corrections.
- 135 Chair Ferrioli Asked Senator Corcoran if he would like to see a bill put out from this committee that would do the best job possible. SB 260 could be scheduled again later in the week for further consideration incorporating issues brought forward by Senator Minnis. The formula could be applied, and this committee could send out a bill with broad consensus, rather than one that will simply die on the House side.
- Further discussion, with questions and answers interspersed.
- 158 Chair Ferrioli Stated the Chair would entertain a motion to amend with a differential closure conceptually rather than the 3% to preserve the work done by this committee over the past 15 weeks. It would be a better approach than sending SB 260 as originally proposed to the House side.
- 164 Sen. Minnis Stated he is not opposed to sending the bill out with a Minority Report because the Chair has the power to appoint a conference committee.
- 172 Chair Ferrioli Stated the question is on the table for a motion to vote SB 260 in its original form. In the



absence of Senator Starr, who has very strong concerns about the issue, this committee will adjourn until he can be present to consider this vote as well.

177 Chair Ferrioli Said SB 764 is moved forward to be heard at the next regularly scheduled committee meeting.

179 Chair Ferrioli Adjourned meeting at 9:47 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 933, 1000 Friends of Oregon, (-1) amendments (GAC/ps) 4/19/01, 1 pp.
2. SB 933, Yates, Staff Measure Summary, 1 pp.
3. SB 933, 1000 Friends of Oregon, Written testimony dated April 23, 2001, 1 pp.
4. SB 260, Sen. Ferrioli, (-3) amendments (CH/ps) 4/23/01, 10 pp.
5. SB 260, Meyer, Staff Measure Summary, 1 pp.
6. SB 260, Meyer, Revenue Impact Statement, 1 pp.
7. SB 260, Meyer, 2001-02 ESD Revenue Estimates, 2 pp.