

**INFORMATIONAL MEETING: INVITED TESTIMONY**

**ON SCHOOL FINANCE**

**PUBLIC HEARING & WORK SESSION:**

**HB 2130, HB 2133**

**TAPES 022 - 023 A/B, 024 A**

**HOUSE REVENUE COMMITTEE**

**JANUARY 27, 1999 ñ 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING**

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Members Present: Rep. Ken Strobeck, Chair

Rep. Anitra Rasmussen, Vice Chair

Rep. Deborah Kafoury

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Lane Shetterly

Rep. Jim Welsh

Rep. Max Williams

Rep. Bill Witt

Staff: Steve Meyer, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Susan Browning, Oregon Dept. of Revenue

Ozzie Rose, Confederation of Oregon School Administrators (COSA)

John Marshall, Oregon School Boards Association

Laurie Wimmer, Oregon Education Association

**TAPE 022, SIDE A**

009 Chair Strobeck Called meeting to order at 8:30 a.m.

**PUBLIC HEARINGS, HB 2130 & HB 2133**

011 Chair Strobeck Noted that there were no witnesses to testify in public hearings for HB 2130 and HB 2133. Closed public hearings, opened work session on HB 2130.

**WORK SESSION ñ HB 2130**

014 Ed Waters Reviewed HB 2130 and its amendments. Changes some administrative procedures for taxpayer conference decisions resulting from tax audits. Would require use of certified mail for certain contacts with taxpayers.

020 Waters Directed membersí attention to HB 2130-1 amendments (EXHIBIT 1) lines 5-6. Requires continuing current procedure of sending conference decisions by certified mail unless taxpayer says otherwise.

Directed membersí attention to HB 2130-2 (EXHIBIT 2). Requires regular mail unless taxpayer requests certified mail.

052 Susan Browning Spoke in opposition to HB 2130-2 amendments; spoke in favor of HB 2130-1 amendments. Dept. of Revenue wants to send conference decision letters by certified mail. Does not intend to address notice of deficiency mail. This would result in major fiscal impact.

083 Chair Strobeck Notice of deficiency was not the intent of the amendment.

095 Rep. Williams Clarified, this is not what was meant. Also, noted that Department of Revenue mails 140,000 ñ 150,000 notices of deficiency per year, and it would not be practical to send them certified.

122 Vice Chair Rasmussen **MOVED -2 AMENDMENTS TO HB 2130 BE ADOPTED.**

133 Rep. Witt Expressed concern that change would favor Department of Revenue. Spoke in support of ñ1 amendments, in opposition to ñ2 amendments.

Discussion and questions interspersed concerning which amendment would protect taxpayers.

155	Rep. Witt	Spoke in support of adoption of HB 2130-1 amendments.
170	<b>VOTE n HB 2130-2</b>	<b>ROLL CALL VOTE: 8-1-0</b>  <b>REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, ROSENBAUM, SHETTERLY, WELSH, WILLIAMS, VICE CHAIR RASMUSSEN, CHAIR STROBECK</b>  <b>REPRESENTATIVES VOTING NO: WITT</b>
183	Vice Chair Rasmussen	<b>MOTION: MOVED HB 2130, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.</b>
188	<b>VOTE</b>	<b>ROLL CALL VOTE: 8-1-0</b>  <b>REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, ROSENBAUM, SHETTERLY, WELSH, WILLIAMS, VICE CHAIR RASMUSSEN, CHAIR STROBECK</b>  <b>REPRESETATIVES VOTING NO: WITT</b>  <b>REPRESENTATIVES EXCUSED:</b>  <b>MOTION CARRIES. REP. WILLIAMS WILL CARRY.</b>
198	Chair Strobeck	Closed work session on HB 2130. Opened work session on HB 2133.
<b><u>WORK SESSION, HB 2133</u></b>		
202	Waters	Reviewed HB 2133. Allows refundable personal and corporate income tax credit based upon claim of right income adjustment. Distributed fiscal impact statement. (EXHIBIT 3)
215	Rep. Shetterly	<b>MOTION: TO MOVE HB 2133 TO THE FLOOR WITH A DO PASS RECOMMENDATION.</b>
220	<b>VOTE</b>	<b>ROLL CALL VOTE 9-0-0</b>  <b>REPRESENTATIVES VOTING AYE: KAFOUREY, MERKLEY, ROSENBAUM, SHETTERLY, WELSH, WILLIAMS, WITT, VICE CHAIR RASMUSSEN, CHAIR STROBECK.</b>  <b>REP. WITT WILL CARRY.</b>
235	Chair Strobeck	Closed work session on HB 2133. Opened informational meeting with invited testimony on school finance.

## **INFORMATIONAL MEETING: SCHOOL FINANCE**

- 258 Ozzie Rose Testified on school distribution formula. Formula is result of move from locally funded system to state funded system, developed in 1990. It attempts to establish fair, proportionate distribution of monies throughout the state. Three major adjustments: Special education, English as separate language, at-risk children. Other adjustments are for small and remote schools and teacher experience.
- 312 Rose Discussed reasons for formula, possible changes to formula.
- 417 Rose Gave brief history of school funding. Discussed small and remote schools. Issue is, can small districts offer all they need to and meet the required standards? Legislature will need to address this.

## **TAPE 023, SIDE A**

- 050 Rose Discussed school transportation costs per student. Cost varies widely per district. Average cost is \$166 per student. Superintendents have discussed creating incentives for finding ways to reduce transportation costs.
- 090 Rose Discussed equity formula. Schools are closer to equity than ever before.  
Discussed timing on distribution of money to schools.
- 129 Rose Discussed ESD (Educational Service Districts) equity problems. Divide dollars per student, results vary widely. Legislature will have to address in conjunction with total resources.
- 142 Rose Discussed question of regional cost ñ whether every student should have equal opportunities, costs vary widely.
- 180 Rose Current law now caps total amount of money that goes to schools. State has historically underestimated property taxes so not to come up short.  
  
Entire school fund gets distributed each biennium. In 1993, state collected \$60 million more than estimated. Now there is a cap so that if property taxes and timber taxes have been underestimated, that will be distributed, but part would go toward interest on bonds. This creates problems for school districts.
- 219 Rose Bigger issue, if funds are underestimated, legislators will make estimate in spring 1999, some districts will receive too much money and state will have to bill them.

238	John Marshall	<p>Referred to Oregon School Funding: A Then-and-Now Overview (EXHIBIT 4).</p> <p>In moving toward state finance system, people will suggest changes that will benefit their own districts. Urged caution against focusing on formula factors when overall problem might be the level of appropriation.</p>
285	Marshall	<p>Discussed possible timing issues, including payment. Oregon Education Association will provide a set of suggestions on how to change distribution formula.</p>
318	Marshall	<p>Discussed problems with ESD.</p>
334	Marshall	<p>Testimony concerning local option.</p>
370	Laurie Wimmer	<p>Directed members' attention to Oregon Education Association-Oregon Association of Classified Employees (OEA-OACE) (EXHIBIT 5). Agreed with Marshall and Rose in most items; disagreed on issue of distribution formula for special education. This is to the point of crisis. Teachers and classified personnel have formed a task force to discuss how to serve special education children better. Caseloads are too high, resulting in severely limited contact with children. Too much paperwork.</p>
433	Wimmer	<p>Suggested ways to accommodate extra workload for special education students: Hire separate administrator to do paperwork; reconfigure formula to accommodate extra workload.</p>

**TAPE 022, SIDE B**

019	Wimmer	<p>Discussed appropriation.</p> <p>Discussion and questions concerning Wimmer testimony.</p>
077	Marshall	<p>Concerning question on local option task force, report should be available in early May. Rasmussen expressed concern that this is late for purposes of legislature. Task force will be available for discussion before that.</p>
139	Rep. Merkley	<p>Expressed concern whether more money is needed, and how does that affects distributions elsewhere?</p>
158	Rose	<p>Addressed question, "How much is enough. Last session, OEA believed there wasn't enough money, so legislature raised it. Issue of what is enough varies among school districts. Local communities answered this themselves until state moved away from local funding. Unintended consequence of M5 is that state has lost communication with communities. Now, Ways and Means has to answer question of "enough".</p>

243	Rose	1991-00 Oregon will spent 55-60% the rate of inflation in students. That is 3.8% of general fund, down from 5% in 1970.
269	Marshall	OEA hasn't come up with answer, but is making progress. Question isn't how much is enough, but what level of education do we want for our children and how do we get it.
309	Wimmer	<p>Need as defined by local communities versus the state and economic deficiencies. Question of local control rests in hope that state restore local control. Also, tension in economic principal versus parents' feelings.</p> <p>Solve tension by "enhancements" (grant distribution formula) distinct from K-12 appropriation. Target would be based on local needs. Local communities are the best judges of what they need.</p>
404	Rep. Witt	Expressed interest in regional cost differences not currently in formula.
412	Rose	Regional costs are driven by other costs in community, such as cost of housing. More costly in urban areas than rural areas. There are differences, just no consensus on assumptions that drive the differences.

**TAPE 023, SIDE B**

029	Wimmer	Example of special education services in Douglas County.
051	Rep. Witt	Asked why a local administrator would oppose local option.
065	Rose	Gave brief history on local option. Supports local option, although OEA members don't necessarily agree. Suggested income tax local option. People oppose local option based on past huge discrepancies.
119	Marshall	Discussed statewide standards by which children will be measured. Difficult to explain how to do this when discrepancies are so great. Agreed with Rose on local option.
141	Rep. Witt	Asked why 54% funds go toward instruction versus 46% for support.
159	Rose	Percent of support and instruction depend on what is counted.

191	Rep. Rosenbaum	Questions concerning Then-and-Now Overview, comparing percentage of investment to nearly 10 years ago.
198	Marshall	This was to show that state is spending less money now on students than in bad times. Interested in concept of "rainy day fund". Can't assume good times will last.
235	Rose	Addressed reason for cap on amount that goes to schools.  Discussion and questions interspersed.
312	Chair Strobeck	Commented on critical mass size of districts, weights. Commented, there is a service equity issue due to size.
318	Rose	Discussed debate under forcing unification, consolidation in small communities.

**TAPE 024, SIDE A**

030	All	Continued discussion and questions.
105	Chair Strobeck	Adjourned meeting at 10:27 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

**Exhibit Summary:**

1. HB 2130, Waters, HB 2130-1: Proposed Amendments to House Bill 2130, 2 pp.
2. HB 2130, Waters, HB 2130-2: Proposed Amendments to House Bill 2130, 2 pp.
3. HB 2133, Waters, Fiscal Analysis of Proposed Legislation, 1 p.
4. Informational Meeting, Marshall, Oregon School Funding: A Then-and-Now Overview, 1 p.
5. Informational Meeting, Wimmer, OEA-OACE, 3 pp.