

## **HOUSE REVENUE COMMITTEE**

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**JULY 10, 1999 - 10:00 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: Paul Warner, Legislative Revenue Officer

Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Steve Meyer, Economist, Legislative Revenue Office

Joan Green, Committee Assistant

Witnesses: Gil Riddell, Association of Oregon Counties

Gary Conkling, Sprint, U.S. Cellular, Voicestream and Beaverton and Hillsboro School Districts

Bruce Shaull, Sprint

Brian DeLashmutt, Nextel Communications

Sharon Scott, Citizen

Jerry Scott, Citizen

Bill Linden, Oregon Historic Property Association

John Tess, Oregon Historic Property Association

Marge Kafoury, City of Portland

Lynn McNamara, League of Oregon Cities

Laurie Wimmer, Oregon Education Association

Ozzie Rose, Confederation of Oregon School Administrators

Vickie Totten, Oregon Community College Association

Rep. Roger Beyer, House District 28

Rep. Terry Thompson, House District 4

Jim Scherzinger, Portland Public Schools

Jon Chandler, Oregon State Home Builders Association

Cindy Hunt, Legislative Counsel

**TAPE 217, SIDE A**

005      Chair Strobeck      Meeting called to order at 10:10 a.m.

WORK SESSION ON SB 559 A-Eng.

012      Lizbeth Martin-  
            Mahar      Described the (-A3) amendment and the revenue impact statement, which deletes the original contents of the bill and inserts a portion of the intangibles bill (HB 2050). It exempts all licenses granted by the Federal Communications Commission from personal property taxation for centrally assessed telecommunication companies. (Exhibits 1-3)

047      Gary Conkling      Presented testimony in support of measure, as amended by the (-3) amendment. (Exhibit 4)

103      Bruce Shaul      Spoke in support of the measure, as amended by the (-3) amendment.

106      Brian DeLashmutt      Spoke in support of the measure, as amended by the (-3) amendment.

114	Sharon Scott	Spoke in opposition to the measure, as amended by the (-3) amendment.
129	Jerry Scott	Came to speak on SB 559, in its original form.
137	Rep. Witt	How do other western states handle taxation of Federal Communication Commission (FCC) licenses?
139	J. Scott	Does not know.
140	S. Scott	"I'm not familiar with the details; my concern is what is happening on a national level and the possibility of central government ending up in the hands of corporations. As businesses monopolize court rulings are being lost over major businesses."
147	Rep. Witt	Requested staff respond to how other states handle taxation of FCC licenses, particularly in the western United States.
150	Martin-Mahar	Testimony stated that a large number of the western states (Idaho, Washington, California) have exempted intangibles.
155	S. Scott	"Oregon doesn't need to fall in line just because nationally, everyone else is moving in this direction."
159	Chair Strobeck	Spoke to prior testimony on HB 2050 and this is a lesser version of what was discussed earlier.
170	Vice Chair Rasmussen	MOTION: MOVED (-A3) AMENDMENT TO SB 559 A-ENG. BE ADOPTED.
173	Rep. Merkley	Is the State obliged, under other legislation, to compensate local districts for loss revenue?
181	Chair Strobeck	Not under current law, however under HB 2139 future decisions would obligate the State to compensate for loss revenue to local districts.
185	VOTE	HEARING NO OBJECTION TO ADOPTION OF THE (-A3) AMENDMENT, THE CHAIR SO ORDERED.

185	Vice Chair Rasmussen	MOTION: MOVED SB 559 A-ENG., AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.
189	Vice Chair Rasmussen	This particular tax break makes the most sense and is willing to support it.
197	Rep. Rosenbaum	Given that this has an accelerated effect and the impact to schools of approximately \$400,000; will passage of this measure have the effect of less money being on the table in the current budget negotiations for the schools?
204	Martin-Mahar	This will lower the property tax that school districts will be able to collect, if schools do not receive additional general fund money then the allocated amount will be less statewide.
218	Rep. Witt	Spoke in support of the measure, it is important to maintain a competitive business environment in the State.
226	VOTE	<p>ROLL CALL VOTE: MOTION PASSED 8-1-0</p> <p>REPRESENTATIVES VOTING AYE: Kafoury, Merkley, Shetterly, Welsh, Williams, Witt, Vice Chair Rasmussen, Chair Strobeck</p> <p>REPRESENTATIVES VOTING NAY: Rosenbaum</p> <p>Vice Chair Rasmussen will carry the bill.</p>

#### WORK SESSION ON SB 497

231	Lizbeth Martin- Mahar	Reviewed SB 497, which allows a property tax exemption for tax years 1992-23 and 1993-94 for trucks equipped with a sewer cleaner that are held under lease or lease-purchase agreements by a sanitary authority. (Exhibit 5)
286	Gil Riddell	Spoke in support of the (-2 and -4) amendments. (Exhibits 6-7)
302	Rep. Witt	What is the logic of not refunding the interest, if the taxes are going to be refunded?
304	Riddell	<p>The bill, in the original form ignores 3 issues:</p> <ol style="list-style-type: none"> <li>1. The application was not filed for 2 years, as required by statute.</li> </ol>

2. For those 2 years the lease did not reflect the savings of the property tax exemption, required by statute.
3. The Department of Revenue denied the appeal.

329	Bill Linden	Described the purpose of the Historic Properties Association.
338	John Tess	Discussed the mission of the Historic Properties Association and the composition of membership.
		Spoke in support of the (-9 and ñ10) amendments. (Exhibits 8-9)
364	Tess	The (-9) amendment is primarily technical corrections to the measure and reviewed the amendment section by section beginning with ß3, (Page 1, Exhibit 8).

**TAPE 218, SIDE A**

005	Tess	<p>Reviewed the (-10) amendment, which deals with the removal of the penalties for restoration of older, historic buildings in two areas:</p> <ol style="list-style-type: none"> <li>1. The addition of housing to an existing historic building would not be penalized, (Pages 1-2, Exhibit 9).</li> <li>2. An incentive would be provided for new construction that does not exceed the net rental square footage available to the building to begin with, (Page 2, Exhibit 9).</li> </ol>
049	Martin-Mahar	How is a commercial property's frozen value treated, if they reapply for a second term under the (-9) amendment; is it reset at the new assessed value or is it kept at the original frozen value from 15 years ago?
054	Tess	Uncertain how that would be treated by the (-9) amendment; spoke to pending court cases, as they pertain to reapplication.
059	Martin-Mahar	The (-9) amendment does not clarify that?
059	Linden	Spoke to a recent tax court case and the ruling pertaining to that case. The (-9 and ñ10) amendments do not attempt to change that.

066	Rep. Rosenbaum	Is new construction on certified property not eligible for that same tax treatment, across the board?
071	Tess	Concurred, with a few exceptions.
076	Rep. Rosenbaum	But it would not apply for an addition or the building of condos?
078	Tess	If the building were being converted to condos then it would be allowed a special assessment, but not the new construction.
106	Rep. Rosenbaum	Referenced ß4 of the (-10) amendment, why are the changes being made retroactive to 1995 for residential property, (Page 3, Exhibit 9)?
109	Tess	Clarifies and resolves an outstanding issue on one particular property.
119	Rep. Rosenbaum	That construction should have been taxed and was not and you are requesting this new provision to forgive taxes that should have applied?
123	Tess	It was unclear whether taxes should or should not have applied.
129	Rep. Rosenbaum	How does ß4 apply only to that one property, couldn't it apply to any new construction that happened since 1995 on residential property, (Page 3, Exhibit 9)? That is a pretty wide effect beyond the one case described.
134	Tess	This is the only situation we are aware of out of the approximate 900 buildings taking advantage of special assessment.
140	Kafoury	What is the revenue impact on this?
141	Martin-Mahar	This is the first we have seen the amendments.
151	Marge Kafoury	Just saw the (-9 and ñ10) amendments. Opposed this issue last session and if the amendments are the same as proposed last session, the City of Portland is in opposition. The City of Portland would be willing to continue a discussion during the

interim as to the necessity of the provisions in the (-9 and ñ10) amendments. (Exhibits 8-9)

200	Lynn McNamara	Spoke in opposition to the (-9 and ñ10) amendments. (Exhibits 8-9)
219	Rep. Kafoury	Is the residential historic property tax exemption a 10-year exemption?
222	M. Kafoury	It is currently a 15-year exemption.
227	Rep. Merkley	How soon could staff prepare a revenue impact on the amendments?
232	Martin-Mahar	Would need to review data available on historical property. I am uncertain that condominiums are broken out to determine the impact if it were extended for another 15 years.
253	Chair Strobeck	What is the feeling of the committee on the amendments proposed by the counties?
255	Rep. Witt	Supports the (-1) amendment, (reference May 4, 1999 meeting, Exhibit 2) and the (-4) amendment, (Exhibit 7)
264	Rep. Shetterly	This is a bail out no matter what is done; I would support the (-2 and ñ4) amendments. (Exhibits 6-7)
284	Rep. Witt	Requested clarification, is the interest to be paid by the taxpayer to the county or vice versa?
289	Martin-Mahar	The bank paid \$7,796 to Douglas County; the choice is to pay back the full \$7,796 or \$4,400.
294	Rep. Witt	The \$7,796 includes the interest?
295	Martin-Mahar	Concurred.
295	Rep. Witt	If relief is going to be given under the bill then we need to give the relief and give

\$200/year to the County so that their costs for processing can be recovered.

302 Rep. Kafoury Does not support the bill; the Laura Attebury case (SB 125) comes to mind and that was not forgiven.

308 Rep. Witt Spoke to the differences between the two measures.

316 Rep. Witt MOTION: MOVED (-1) AMENDMENT TO SB 497 BE ADOPTED.

321 Chair Strobeck Recessed until 11:00 a.m.

321 Chair Strobeck Reconvened at 11:00 a.m.

331 Rep. Witt WITHDREW MOTION TO ADOPT THE (-1) AMENDMENT TO SB 497.  
MOTION WITHDRAWN.

#### WORK SESSION ON HB 2753

345 Steve Meyer Reviewed the (-3) amendment, which would allow school districts to seek voter approval of a local option property tax. The content of the bill is within the (-3) amendment. (Exhibit 10)

Referenced the local option property tax table and a revenue impact statement for the (-3) amendment. (Exhibits 11-12)

370 Meyer Reviewed the (-3) amendment, section by section, beginning with B1(2), (Page 1, Exhibit 10).

431 Chair Strobeck Does the (-3) amendment place a limit on the time these taxes are imposed?

435 Meyer No, however all of the constitutional provisions would still need to be complied with.

446 Chair Strobeck If a local option were adopted it would be in place until it is repealed?

447	Meyer	In the statutes yes, there is still a limit of the five years for operating local options and ten years for capitol local options in the constitution.
454	Chair Strobeck	If the voters approved local options then it would be a five-year duration and then it would need to be re-voted on?
458	Meyer	Yes, however I believe more than one local option levy could exist at the same time, if the cap allowed it.
460	Chair Strobeck	For different districts?
461	Meyer	Possibly for the same district.
465	Chair Strobeck	House leadership requested that there be a limited duration on the amount that could be collected under voter approval local option. The constitution limits that to five years for operating and ten for capital?
472	Meyer	Correct.
473	Rep. Shetterly	Clarified that a school district could have overlapping local options, but each one would have been separately approved.

**TAPE 217, SIDE B**

047	Rep. Rosenbaum	Requested clarification on the revenue impact statement; under <i>Measure Description</i> (2) and (3); is it the lesser of parenthesis (1) or (2). Are those two different sets of figures in (2)?
052	Meyer	It is the lesser of the three items listed in each parenthesis.
054	Rep. Rosenbaum	The \$500 per weighted student in (3) is a third measure?
055	Meyer	Concurred.

056	Rep. Rosenbaum	Shouldn't it read the lesser of (1), (2) or (3) instead of "and" (3)?
056	Rep. Shetterly	The language in the bill is clear.
062	Rep. Merkley	Discussed the hand-engrossed (-4) amendment, which would use the "Kansas" plan and would balance out the inequities by compensating for districts or in terms of their property tax base per student. (Exhibit 13)
116	Laurie Wimmer	Spoke in support of the (-4) amendment. (Exhibit 13)
138	Ozzie Rose	The Confederation of Oregon School Administrators is in opposition to a local option until there is adequate and equitable funding, as testified to earlier this session. However, should the legislature move in a local option direction the "Kansas" plan would be a desirable way to place the limits and would support the (-4) amendment. (Exhibit 13)
158	Rep. Shetterly	What would the fiscal impact be? My concern in adopting the Kansas plan is that the State does not know the extent of its obligation, especially 4-6 years down the road.
168	Rose	"The bottom line is the State does not know the commitment that would need to be made to subsidize the Kansas plan." Spoke to the fear, among those districts that were "poor" that the progress made towards equalization could be lost with the adoption of local option.
179	Wimmer	That fear is a reason that it would become effective in the 2001-03 biennium and this would be an incremental, slow process that evolves over a number of years, if you base it on voter behavior.
189	Rep. Merkley	Referenced the local option property tax chart; a number of school districts would have very little incentive. Noted the challenge for a district to pass a levy for a possible gain of \$100-200/student. (Exhibit 12)
		"The 75 percentile target was chosen to cut off the end of the bell curve of some very rich districts that would make this a very expensive strategy and thus moderate the expense factor."

200	Rep. Shetterly	The (-3) amendment attempts to maintain equity, by providing limitations, while not implicating State general fund dollars. (Exhibit 10)
218	Wimmer	The (-4) amendment tries to address the potential problem that to achieve the same amount of dollars an affluent area could affix a small amount of money to the property tax, whereas a poorer neighborhood might have to double their property tax. (Exhibit 13)
228	Rep. Rosenbaum	Questioned Mr. Rose's previous testimony and that he was opposed to a local option until the State had reached an adequate level of funding; is it your opinion that hasn't happened yet?
232	Rose	No; the Association's concerns are with adequacy and equity and many are not satisfied that has been achieved.
243	Rep. Rosenbaum	Does the (-4) amendment provide a pathway for poorer districts to benefit from local option in the future? (Exhibit 13)
250	Rose	"The districts have very intense feelings; the (-4) amendment does modify the concerns of the poorer districts, but these types of changes are difficult."
261	Rep. Welsh	Based on the composition of my district, local option is difficult for me to vote for or against. Referenced Measure 5, 47 and 50; could there be possible future lawsuits because this would be countering the intent of those ballot measures?
273	Rose	I don't believe there is a basis for lawsuits under Measure 50; the Constitution allowed it but it was legislatively prohibited.
282	Wimmer	The (-3) amendment might introduce concerns about lack of equity over time. (Exhibit 10)
291	Rep. Terry Thompson	Spoke in opposition to local option in any form. "If it is the desire of the State to treat children equally throughout the State you will stay away from a local option."
311	Rep. Witt	"Do you feel the fact that this will cause some districts to have more funding than others is justification to block those districts and communities that are willing to enact local option to needed funding?"

320	Rep. Thompson	"To achieve adequate school funding for the whole State we must all pull together, enacting local option would pull us apart."
345	Chair Strobeck	What is the name of the school district in Newport? (For purposes of identifying school district on the local option property tax table.)
345	Rep. Thompson	There is one countywide school district.
351	Vice Chair Rasmussen	Directs members attention to the school districts listed under Yamhill on the local option property tax table; these are timber dependent communities and very marginal, (Page 6, Exhibit 12). "Willamina cannot even take care of basic maintenance issues, knowing there are physical defects in their school buildings, as a timber dependent community and the cash flow does not allow for the fundamentals let alone any extensions."
386	Vickie Totten	Presented testimony in support of measure. (Exhibit 14)
		If the (-3) amendment is adopted the community colleges would request that ORS 280.057 be repealed and stipulate that the school district would receive that amount. (Exhibit 10)
447	Chair Strobeck	Is there an amendment drafted that would show the language repeal?
448	Totten	No.

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**TAPE 218, SIDE B**

025	Jim Scherzinger	Spoke in support of the measure and described how Portland would like to use the local option, if granted. Would not oppose the Kansas plan; spoke to a revenue analysis done several years ago by Legislative Revenue Office on how much it would need to be subsidize.
053	Rep. Witt	Couldn't the Kansas plan have a negative impact on the Portland school district; for example if several of the districts that were below the 75 percentile passed local options and Portland did not?

056	Scherzinger	"It could, but I don't believe the dollar amount would be significant. Anything done today could be adjusted next session."
071	Rep. Rosenbaum	"Rep. Thompson poses a more political question; which is that a downside to local option is that it would take us all out of the same boat and put some districts in yachts and other districts in dinghies. This would make it more difficult to come to a long term, permanent solution to the school funding issue. Your response?"
083	Scherzinger	"It is a matter of degree and it is important to put appropriate limits on a local option; both of these proposals have limits. The current formula does not reflect the differences in costs for special programs that exist in different districts."
108	Rep. Shetterly	Recommended that the Kansas plan be reviewed during interim, as it may very well have merit. Would support moving the (-3) amendment at this time. (Exhibit 10)
121	Chair Strobeck	MOTION: MOVED (-3) AMENDMENT TO HB 2753 BE ADOPTED.
123	Rep. Welsh	As stated earlier, this is a difficult issue for me to vote on either way. Local option is a difficult vote. Concurred with Rep. Shetterly that the Kansas plan has merit, will support the Chair's motion.
131	Rep. Witt	Will support the (-3) amendment; it is clear that equalization is not equal. The (-3) amendment will provide the opportunity for many districts to provide additional funds.
151	Rep. Rosenbaum	Spoke to conflicted points-of-view regarding local option; cannot support the motion because of an inadequate budget, overall and some districts clearly will not be able to make use of this measure because of the economy and property tax base. This does not move us ahead in terms of an ultimate funding solution. I would prefer to vote on the (-4) amendment.
166	Rep. Merkley	Will I have an opportunity to move the (-4) amendment later?
168	Chair Strobeck	If the (-3) amendment fails.
169	Rep. Merkley	"The two are not mutually exclusive, in fact the (-4) was specifically written as an add-on to the (-3) amendment."

173	Chair Strobeck	"SB 497 was tabled earlier today because of the last minute amendments and members unwillingness to support a bill that has no revenue impact. I'm not inclined to jump on board and support a hand-engrossed bill that is introduced at the last minute."
180	Rep. Merkley	<p>"This was addressed earlier in the session. This measure was scheduled at the last moment, with short warning, at the end of the session. When this is the leadership style of the committee then it is necessary for members to try to do good legislation within those parameters."</p> <p>Spoke to the strong concerns with the (-3) amendment, as it stands alone because it uses the local option to provide a quality basic education to a select few of our children.</p> <p>Spoke to concern that such an important issue and deal with it at the last meeting and in that context the principal needs to be established that legislation will not be passed for the well off, but that the whole State is in the same boat. The (-4) amendment takes a step in preserving that principal and would encourage the opportunity to move that amendment after action is finished on the (-3) amendment.</p>
215	Chair Strobeck	Called Rep. Merkley on his prior comments, the formula and the local option have been out there for weeks; reviewed legislative history on local options issue. As to the issue of equity I don't recall an outcry when the Portland district received \$25 million in one-time money last biennium. There is merit in studying the Kansas plan and I would not object to that.
244	Rep. Witt	Noted for the record that local option and the formula have been on the table all session and everyone has known that they would be dealt with this session.
250	VOTE	<p>ROLL CALL VOTE: MOTION PASSED 6-3-0</p> <p>REPRESENTATIVES VOTING AYE: Kafoury, Shetterly, Welsh, Williams, Witt, Chair Strobeck</p> <p>REPRESENTATIVES VOTING NAY: Merkley, Rosenbaum, Vice Chair Rasmussen</p>
265	Rep. Rosenbaum	Referenced the community college issue; is there going to be an opportunity to address that or is it too late?
269	Chair Strobeck	Without an amendment or statutory reference I think it might be best to address it on the Senate side.

281	Rep. Rosenbaum	Spoke to her desire to see that issue incorporated into the measure.
283	Chair Strobeck	MOTION: MOVED HB 2753, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.
285	VOTE	<p>ROLL CALL VOTE: MOTION PASSED 6-3-0</p> <p>REPRESENTATIVES VOTING AYE: Kafoury, Shetterly, Welsh, Williams, Witt, Chair Strobeck</p> <p>REPRESENTATIVES VOTING NAY: Merkley, Rosenbaum, Vice Chair Rasmussen</p> <p>Chair Strobeck will carry the bill.</p>
294	Rep. Merkley	<p>Served notice of a minority report.</p> <p>Discussion regarding timelines of minority report filing.</p>
311	Chair Strobeck	Recessed until 12:05 p.m.
312	Chair Strobeck	Reconvened at 12:15 p.m.
WORK SESSION ON HB 2566		
313	Steve Meyer	<p>Handouts before members include:</p> <ol style="list-style-type: none"> <li>1. The (-7) amendments in "rough draft" format. (Exhibit 17)</li> <li>2. Outline of 1999 school finance legislation proposals. (Exhibit 15)</li> <li>3. School formula revenue summary run #52 relating to the (-7) amendments. (Exhibit 19)</li> <li>4. School revenue proposal table. (Exhibit 22)</li> <li>5. Revenue impact statement for HB 2566-7 amendments. (Exhibit 16)</li> </ol>
341	Meyer	Referenced the outline of 1999 school finance legislation proposals and began reviewing the concepts of the measure, as it relates to the (-7) amendments, beginning with Education Service Districts (ESD) revenue distribution. (Exhibits 15 and 17)

**TAPE 219, SIDE A**

027	Vice Chair Rasmussen	Referenced the (-10) amendment, which deal with the ESDís and have significant agreement amongst ESDís, school boards and school administrators. I would like to reserve the opportunity to return to the (-10) and see how they might be integrated into the (-7) before the end of the day. (Exhibit 18)
035	Meyer	Continued with review of the outline of 1999 school finance legislation proposals, as it relates to the (-7) amendments, beginning with the facility grant. (Exhibits 15 and 17)
047	Rep. Rosenbaum	The \$10 million cap is being eliminated so it would be necessary to estimate how much construction there is likely to be to get the school effect?
050	Chair Strobeck	No, there is a specific number (\$13.1 million); it is based on costs filed with the Department of Education.
053	Rep. Rosenbaum	It can't go up like an unlimited amount if there is anticipated new construction?
054	Chair Strobeck	It is related to how much actual new construction there is.
064	Rep. Roger Beyer	Spoke in opposition to the provisions in the (-7) amendment relating to "high growth school districts", (Pages 17-18, Exhibit 17) and the "urban enhancement grant", (Pages 28-29, Exhibit 17).
121	Chair Strobeck	Spoke to schools in his district, which are already full to maximum; it is not correct to say, "they have available space" there is immediate cost impact for areas that are totally maxed out.
134	Rep. Beyer	In some of the 32 high growth school districts it is the case that space is available and it acts as a bonus to these districts to have the extra students. That is not the case with all of the school districts. Continued with testimony in opposition to the provisions in the (-7) amendment relating to "high growth school districts", (Pages 17-18, Exhibit 17) and the "urban enhancement grant", (Pages 28-29, Exhibit 17).
170	Chair Strobeck	Referenced the school revenue runs, you do not object to the additional small school weight, as proposed? (Exhibit 19)

174	Rep. Beyer	No.
185	Chair Strobeck	All of the factors were designed to address local issues that are extraordinary circumstances. "If this is viewed on a pure per student basis and isolate the two districts cited by you (Molalla River with SB 622 would be at \$5377/student and Colton will be at \$5400/student). Beaverton, even with a new facility and \$14/student growth is at \$5235, almost \$200 below Colton. Where is the equity in that?"
201	Rep. Beyer	The entire funding formula is not fair, but I don't think it is right to add extra money to 30-40 districts through the formula and leave out the other 150 districts.
208	Chair Strobeck	That is what we are doing with the added small high school weight.
211	Rep. Beyer	Clarified that 150 districts are left out, not a 170; 32 schools get money through the growth grant and about 10-12 districts get money through the small schools piece. There is a difference with small schools that must be recognized; there are not multiple teachers in multiple areas.
229	Rep. Terry Thompson	Spoke in opposition to the (-7) amendment, (Exhibit 17) and referenced the Lincoln County figures in the school formula revenue summary #52, (Page 6, Exhibit 19).
288	Meyer	Continued with review of the outline of 1999 school finance legislation proposals and lottery bonds, (Page 1, Exhibit 15), as it relates to the (-7) amendments, (Page 11, Exhibit 17).
350	Meyer	Continued with review of the outline of 1999 school finance legislation proposals and high growth school districts, (Page 2, Exhibit 15), as it relates to the (-7) amendments, (Page 17, Exhibit 17).
425	Vice Chair Rasmussen	Reviewed the (-10) amendment, which addresses the following issues: <ul style="list-style-type: none"> <li>1. Equity issues between school districts and ESDs in B2 of the amendment, (Page 1, Exhibit 18).</li> <li>2. Language changes in the charge to the interim task force in B4, (Pages 4-7, Exhibit 18).</li> <li>3. Language dealing with the Oregon Public Education Network (open network), which supplies internet connections to school districts throughout the State in B6, (Pages 7-8, Exhibit 18).</li> </ul>

042	Vice Chair Rasmussen	The (-7) amendment, (Exhibit 17) and the (-10) amendment, (Exhibit 18) may be somewhat in conflict with each other, but there are key sections that could be moved from the (-10) amendment, (Exhibit 18) into the (-7) amendment, (Exhibit 17).
054	Meyer	Reviewed the (-9) amendment, which would allow districts to receive an advance payment of 2001 State school funds in 1999-2000. That was a provision that was available in the 1997-99 biennium and, as I understand the (-9) amendment, is a rewrite that would allow the same thing to occur in the coming biennium. (Exhibit 20)
062	Rep. Shetterly	Reviewed the (-6) amendment, (Exhibit 21), which, according to Cindy Hunt in Legislative Counsel, could conceptually be amended into the (-7) amendment in lieu of B's 22-28, (Pages 18-28, Exhibit 17).
084	Ozzie Rose	<p>Spoke to issues that the School Funding Coalition Steering Committee wanted to accomplish this session:</p> <ol style="list-style-type: none"> <li>1. Remove the cap from the facility fund and fully fund it.</li> <li>2. Make some adjustments to the small school formula to make small school districts viable.</li> <li>3. ESD equity.</li> <li>4. Study regional services as provided by the ESDs</li> <li>5. Once the highest level of funding was obtained address whatever special needs are left with respect to the Portland situation.</li> </ol>
140		<p>Commented on the proposed (-6 and -7) amendments, as they relate to the issues brought forward by the School Funding Coalition Steering Committee:</p> <ol style="list-style-type: none"> <li>1. Support the elimination of the cap from the facility fund, (Page 11, Exhibit 17).</li> <li>2. Oppose the high growth addition in B20-21, (Pages 17-18, Exhibit 17).</li> <li>3. Support the adoption of the hand-engrossed (-6) amendment for small high schools, (Page 1, Exhibit 21).</li> <li>4. Support repeal of section on direct funding (B22-28) and put the \$7 million into the State school fund and let the formula run, (Pages 18-28, Exhibit 17).</li> </ol>
205	Chair Strobeck	How big a variation currently exists before we get out of equity, by your definition?
207	Rose	Spoke to the statutory definition of equity. However, many issues need to be addressed on an individual basis to determine equity.

239	Chair Strobeck	Spoke to Mr. Rose's prior testimony before committee and the statement that there should not be any more weights; the weights that were placed ought to be retained and nothing more added, is that correct?
242	Rose	Those comments were in the context that the school district superintendents currently have a survey out as to how the weights are working.
257	Chair Strobeck	Your testimony today would be to eliminate student growth, but put in the added small high school piece?
260	Rose	<p>The superintendents took the position of not making any major changes and do three things:</p> <ol style="list-style-type: none"> <li>1. Remove the cap from the facility fund.</li> <li>2. Make some adjustment to small schools.</li> <li>3. Do something about ESD equity.</li> </ol> <p>The list above is viewed as the best, in a Band-Aid approach, to helping all school districts.</p> <p>Referenced the runs, districts with Individualized Education Programs (IEP) over 11% are not reflected in any of the runs. (Exhibit 19 or 22)</p>
294	Chair Strobeck	In the future the new small high school should be folded into the permanent small school weights?
300	Rose	It is more expensive on a per student basis to teach advanced classes to a small high school of less than 350 students. My point is that if small schools are going to be viable then they must be funded or the next step is unification.
326	Rep. Merkley	Referenced (-7) amendment, §20(b), could you have a very large district with a very low growth rate that might qualify whereas there might be a very small district with a very high growth rate that might not qualify under this definition, (Page 17, Exhibit 17)?
338	Rose	Concurred, a percentage can present inequities also.

349	Chair Strobeck	That is why a number was used rather than a percentage.
352	Rep. Merkley	Why are we approaching it in this manner rather than just helping a district to build schools when needed?
359	Chair Strobeck	Often times the need is immediate and there is not the time to go through the process necessary to erect a building; a district needs immediate facilities to house the increase in students.
385	Gary Conkling	Spoke in support of the (-7) amendment.
450	Conkling	Continued with testimony in support of the (-7) amendment.

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025	Conkling	Continued with testimony in support of the (-7) amendment.
065	Jon Chandler	Spoke in support of the (-7) amendment.
106	Rep. Witt	MOTION: MOVED (-7) AMENDMENT TO HB 2566 BE ADOPTED.
116	Rep. Shetterly	Requested Rep. Witt recede from that motion to allow moving the (-6) amendment into the (-7) amendment.
118	Chair Strobeck	Requested that prior to accepting any motions the Committee discuss where they want to end up.
121	Rep. Witt	WITHDREW MOTION.
124	Chair Strobeck	Legislative Counsel has advised that a rough draft of the (-7) amendment, (Exhibit 17) can be acted on today and the blanks will be filled in tentatively by Committee today or they will be filled in based on policy decisions.

Stated issues Committee must decide:

1. Small school.
2. Portland adjustment.
3. ESD hold harmless provision.
4. High growth school districts.

Begins with the ESD hold harmless provision that would provide the same amount as last year. That was just for one year correct?

143	Vice Chair Rasmussen	It would be for one biennium.
151	Chair Strobeck	Asked if there was disagreement with the (-10) amendment, (Exhibit 18).  Asked if there was disagreement with the (-9) amendment, which deals with advance payment.
158	Rep. Merkley	Is this borrowing against the anticipated funds from a local option?
162	Meyer	It is borrowing against future State school fund dollars.
163	Rep. Merkley	Is the underlying theory that one anticipates a local option will kick in the second year to replace those?
165	Meyer	That is one possibility; another is that the sooner a district gets that money the sooner they earn interest.
170	Chair Strobeck	Requested if there was any problem with the (-9) amendment, (Exhibit 20).  What is the purpose of the (-6) amendment other than making it a regular ongoing part of the formula, (Exhibit 21)?
173	Rep. Shetterly	That is exactly what the amendment does.

180	Rep. Witt	Inclined to oppose the (-6) amendment; I can't support taking one element and putting it into the formula, if we don't do it for the others.
193	Rep. Shetterly	Small schools is in the formula already, this would simply adjust the formula.
198	Chair Strobeck	"Does not disagree, however this is something that could be addressed in the interim. My comfort level would be to do this on a temporary basis rather than locking it into the formula. I would be inclined not to support the (-6) amendment. I haven't seen a run that shows how many districts lose under an additional small schools adjustment."
221	Meyer	The appropriation is \$3.5 million a year when dealt with outside the formula, if it is put inside the formula and include that \$3.5 million it would still be a small additional shift from other districts to these small school districts to about \$4.1 million a year.
228	Chair Strobeck	With that information I feel even more strongly about keeping it outside this time.
232	Meyer	With the ESD provisions there would be a shift of K-12 dollars to ESDs of approximately \$1.5 million for the hold harmless and open is about \$1.25 million a year for a total of \$2.5 million.
240	Rep. Witt	The (-10) would shift about \$2.5 million away from school districts and into ESDs that otherwise would not be there?
244	Meyer	Concurred.
245	Rep. Witt	I would not support that.
246	Chair Strobeck	The decision is to either keep some of the ESDs at the ADMw amount even if they lose substantially into having to layoff or hold them harmless and fund them.
260	Rose	Spoke to the ESD issue: <ol style="list-style-type: none"> <li>1. A group is being moved up, but to balance those above it takes an extra \$1.5 million.</li> <li>2. The open funding is the effort made to get a statewide network on board, but there is no operating money and if that is not forthcoming then it will substantially roll back what has been accomplished.</li> </ol>

281	Rep. Williams	Is it approximately \$3.5 million for both pieces?
285	Meyer	The figures are approximately \$1.1 million for the open funding and \$1.5 ESD hold harmless provision, each year.
291	Rep. Rosenbaum	Is this a stopgap in case SB 622 does not pass or does this pull it out of SB 622?
294	Vice Chair Rasmussen	This is independent of SB 622.
305	Meyer	The open money is for operations and would not be duplicated by SB 622 for equipment and other connection costs.
309	Chair Strobeck	Requested discussion on the fast growing districts component in the (-7) amendment.
314	Rep. Welsh	"I have not wanted to move that at all, feeling it is not necessary at this point in time, but I will not oppose the Chair at this time. I will hold my nose and vote for it. The time has come for a decision and I am prepared to make that decision. I believe we could do something else, but I understand the issue and I am here to protect the small school provisions that are already established."
330	Rep. Shetterly	Will support, although is conflicted on the issue.
334	Chair Strobeck	Discussion on the urban enhancement issue or Portland component.
336	Vice Chair Rasmussen	Spoke to concern that at \$4 million it is not enough to address the problem, we need to go further.
362	Chair Strobeck	The legislature is attempting to replace \$25 million of one-time money to the Portland school district. Spoke to concerns with the Portland school district, but it is necessary to maintain equity throughout the State.
395	Vice Chair Rasmussen	Spoke to the concerns with the Portland public schools, discussed personal impact on her and her family. There is a need and it is my hope work will continue yet this session.

427 Rep. Witt Under the (-9) amendment how much money might Portland be able to move forward into the early part of biennium?

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010 Meyer Roughly \$9-10 million.

018 Rep. Witt The benefit would be they could pick up additional dollars through a local option?

020 Meyer That is a possibility, yes.

021 Rep. Merkley Noted that the City of Portland has three school districts and discussed the disparities in those three districts. Does not support the urban enhancement helps only one of the school districts and that makes me uncomfortable, although I don't have a solution.

Spoke to the high school high growth school districts and the amendment to put it into the formula rather than having a fund. Cannot support the high growth proposal for the reasons stated.

064 Chair Strobeck Should the (-9) and (-10) amendment be adopted separately or be brought into the (-7) amendment?

071 Cindy Hunt Recommended adopting the satellite amendments into the (-7) amendment and be very clear as to which amendment prevails over which (i.e. the (-9) would prevail over the (-7) amendment).

075 Chair Strobeck MOTION: MOVED (-9) AMENDMENT INTO THE (-7) AMENDMENT WITH THE (-9) AMENDMENT PREVAILS. HEARING NO OBJECTION, THE CHAIR SO ORDERED.

081 Chair Strobeck MOTION: MOVED (-10) AMENDMENT INTO THE (-7) AMENDMENT WITH THE (-10) AMENDMENT PREVAILS, AS IT RELATES TO THE ESD PROVISIONS.

080 Meyer If that were done would B2 of the (-10) amendment allow the State school fund money



REPRESENTATIVES VOTING AYE: Kafoury, Rosenbaum, Shetterly, Welsh, Vice Chair Rasmussen

REPRESENTATIVES VOTING NAY: Merkley, Williams, Witt, Chair Strobeck

177	Chair Strobeck	MOTION: MOVED (-7) AMENDMENTS TO HB 2566, AS PREVIOUSLY AMENDED BY THE (-6), (-9) AND (-10) AMENDMENTS, WITH THE PROVISION THAT THE BLANKS WILL BE FILLED IN WITH THE APPROPRIATE CALCULATIONS BASED ON POLICY ACTIONS BE ADOPTED.
184	VOTE	ROLL CALL VOTE: MOTION PASSED 5-4-0  REPRESENTATIVES VOTING AYE: Shetterly, Welsh, Williams, Witt, Chair Strobeck  REPRESENTATIVES VOTING NAY: Kafoury, Merkley, Rosenbaum, Vice Chair Rasmussen
191	Chair Strobeck	MOTION: MOVED HB 2566, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.
194	Rep. Merkley	Requested clarification about the blanks in the (-7) amendments.
199	Chair Strobeck	The ESDis some specific dollars need to be indicated in the bill.
201	Rep. Merkley	Will it go to the floor with those blanks in the measure?
201	Chair Strobeck	The blanks will be filled in prior to going to the floor, based on the policy decisions that were just made.
208	Rep. Rosenbaum	Are the summary documents going to be revised to reflect the adoption of the amendments?
211	Meyer	Yes.
216	VOTE	ROLL CALL VOTE: MOTION PASSED 5-4-0

REPRESENTATIVES VOTING AYE: Shetterly, Welsh, Williams, Witt, Chair Strobeck

REPRESENTATIVES VOTING NAY: Kafoury, Merkley, Rosenbaum, Vice Chair Rasmussen

Chair Strobeck will carry the bill.

231 Rep. Kafoury Served notice of a possible minority report.

240 Chair Strobeck Meeting adjourned at 1:59 p.m.

Submitted by, Reviewed by,

Joan Green Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 559, Martin-Mahar, SB 559-A3 Revenue impact statement, 1 page
2. SB 559, Martin-Mahar, (-A3) amendment, (DJ/ps) 07/08/99, 1 page
3. SB 559, Martin-Mahar, Chart of intangibles exemptions for FCC licenses only, 1 page
4. SB 559, Conkling, Written testimony, 1 page
5. SB 497, Martin-Mahar, Senate staff measure summary, revenue and fiscal impact statements, 3 pages
6. SB 497, Riddell, (-2) amendment, (DJ/ps) 05/05/99, 1 page
7. SB 497, Riddell, (-4) amendment, (DJ/ps) 05/05/99, 1 page
8. SB 497, Tess, (-9) amendment, (DJ/ps) 07/10/99, 10 pages
9. SB 497, Tess, (-10) amendment, (DJ/ps) 07/10/99, 3 pages
10. HB 2753, Meyer, (-3) amendment, (CH/DJ/ps) 06/14/99, 7 pages
11. HB 2753, Meyer, HB 2753-3 Revenue impact statement, 1 page
12. HB 2753, Meyer, Chart of local options property tax, 6 pages
13. HB 2753, Rep. Merkley, (-4) amendment, (DJ/ps) 07/10/99, 2 pages
14. HB 2753, Totten, Written testimony, 2 pages
15. HB 2566, Meyer, Outline of legislation proposals, 2 pages
16. HB 2566, Meyer, HB 2566-7 Revenue impact statement, 2 pages
17. HB 2566, Rep. Strobeck, Rough draft of (-7) amendment, (CH/ps) 07/10/99, 29 pages
18. HB 2566, Rep. Rasmussen, (-10) amendment, (CH/ps) 07/10/99, 8 pages
19. HB 2566, Meyer, School formula revenue summary #52, 10 pages

20. HB 2566, Rep. Strobeck, (-9) amendment, (CH/ps) 07/10/99, 2 pages
21. HB 2566, Rep. Shetterly, (-6) amendment, (CH/ps) 07/06/99, 15 pages
22. HB 2566, Meyer, School revenue proposal, 8 pages