

WORK SESSION ON SB 346 A

HB 2332, AND HB 2143A TAPES 193 - 194 A/B

HOUSE REVENUE COMMITTEE

JUNE 2, 1997 - 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Rep. Lee Beyer, Vice Chair

Rep. Tom Brian, Chair

Rep. Tony Corcoran

Rep. Randall Edwards (arrived at 9:17 a.m.)

Rep. Anitra Rasmussen

Rep. Lane Shetterly (left meeting 9:05 a.m.)(returned 9:48 a.m.)

Rep. Mark Simmons (arrived at 9:10 a.m.)

Rep. Ken Strobeck

Members Excused: Rep. Leslie Lewis

Invited Testimony: Rep. Ken Messerle, Coquille, District 48,

Rep. Tim Josi, Bay City, District 2

John Young, Superintendent, Northwest Regional ESD

Harold Riggins, Superintendent of Schools of Administrative School

District No. 10, which includes Seaside, Gearhart, and Cannon Beach

Ozzie Rose, Confederation of Oregon School Administrators

Betsy Biller, Director of Communications for Hillsboro School District

Bill Dixon, Albany School District

Staff: Steve Meyer, Economist

Brian Reeder, Economist

Carol Phillips, Committee Assistant

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TAPE 193, SIDE A

006 Chair Brian Opened meeting at 8:58 a.m.

OPENED WORK SESSION ON HB 2332

- 021 Rep. Ken Messerle HB 2332 was initiated on behalf of the Coos Bay Art Museum, but it now includes other museums around the state as well. This bill refers to a situation where someone interpreted the law differently from how it had been interpreted in the past. Asked that the bill be made retroactive so the Coos Bay Art Museum would not have to pay \$30,000 in property taxes for the past year. Unless there are Amendments made to the bill, it will take effect as of 1998.
- 038 Brian Reeder Exhibit A - 2332 (-2) Amendments. Reeder's understanding is that the Coos Bay Art Museum had worked out their prior year tax problems and currently does not owe any taxes.
- 042 Rep. Beyer Asked if the time line could be moved up one year to 1997.
- 044 Reeder Responded there may be a timing issue that requires a 1998 date but will look into it.
- 048 Messerle Added that in his conversation with the mayor of Coos Bay learned that there is a tax bill due, and the mayor asked if the bill could be made retroactive. Questions and discussion interspersed.
- 060 Reeder Stated that the property of museum has been turned over to the city. The testimony of the head of the museum pointed out that, other than a small amount of tax on the gift shop portion of the museum, prior year taxes have been forgiven.
- Chair Added that the property had been shifted to the ownership of the city to avoid 1996

066 Brian property taxes. Felt the time line should be changed to 1997 instead of 1998.

071 Chair Brian ASKED FOR TEMPORARY SUSPENSION OF RULES TO HAND ENGROSS HB 2332 (-2) PAGE 3 LINE 4 TO CHANGE YEAR FROM 1998 TO 1997.

HEARING NO OBJECTION, THE CHAIR SO ORDERED.

085 Rep. Beyer MOVES (-2) AMENDMENTS TO HB 2332 BE ADOPTED.
HEARING NO OBJECTION, THE CHAIR SO ORDERED.

MOVES HB 2332 AS AMENDED TO THE HOUSE FLOOR WITH DO PASS RECOMMENDATION.

ROLL CALL VOTE: MOTION PASSES: 5 - 0 - 4

088 Rep. Beyer REPRESENTATIVES VOTING AYE: CORCORAN, RASMUSSEN, STROBECK, BEYER, BRIAN.

REPRESENTATIVES ABSENT: EDWARDS, LEWIS, SHETTERLY, SIMMONS.

Representative Lehman will carry the bill on the House Floor.

CLOSED WORK SESSION ON HB 2332

OPENED WORK SESSION ON HB 2143

108 Reeder Outlined subject matter of HB 2143 which makes changes to enterprise zone law allowing zones in sparsely populated counties to have separate areas of a zone more than 12 miles apart. It is a way of getting two geographically separated but economically connected areas to be included in the same zone. It also allows businesses that miss a filing deadline to qualify for remaining years in enterprise zone once paperwork is in order. Prohibits those zones from getting full four or five year exemption period, but they would get the remaining period once paperwork is filed. One Amendment specifically deals with Astoria enterprise zone area, and there are proposed Amendments which will change dates to line up with new assessment dates under Measure 50. The preference of the Economic Development Department and Legislative Revenue was to prepare the Amendments for discussion in the Senate in order to get the bill going now.

136 Chair Brian Reiterated the request to move HB 2143 "as is" with intent of inserting the Astoria-Clatsop County language and the dates on the Senate side. Asked Members for their comments.

MOVES HB 2143 TO THE HOUSE FLOOR WITH DO PASS RECOMMENDATION.

ROLL CALL VOTE: MOTION PASSES: 5 - 0 - 4

Vice
141 Chair
Beyer

REPRESENTATIVES VOTING AYE: CORCORAN, RASMUSSEN, STROBECK,
BEYER, BRIAN.

REPRESENTATIVES ABSENT: EDWARDS, LEWIS, SHETTERLY, SIMMONS.

Representative Beyer will carry the bill on the House floor.

CLOSED WORK SESSION ON HB 2143

OPENED WORK SESSION ON SB 346

165 Rep.
Josi

Exhibit C - (-30) Amendments to SB 346. These are hoped to be the final draft of an attempt to remedy a problem that happened when the ESDs in Tillamook, Clatsop, Columbia, and Washington counties were merged into the Northwest Regional ESD. The tax rate in Tillamook county had been \$1.04 per \$1,000 of timber revenue, Clatsop county \$1.05 per \$1,000, Columbia county 31 cents per \$1,000, and Washington county 18 cents per \$1,000. Because Washington county represents about 80% of the students in the new Northwest Regional ESD there was a new consolidated ESD rate of 30 cents per \$1,000.

182 Rep.
Josi

Said this created quite a drop in revenue for Tillamook and Clatsop counties. Considerable time has been spent on working up Amendments that would take care of this problem on a short term basis, and that is what the (-30) Amendments do. The (-30) sunsets in two years, and long-term solutions to this problem will be pursued.

194 Rep.
Josi

Stated the rate may be raised from 30 cents a thousand to 45 cents a thousand. It may not be successful, but that is something an interim revenue committee could look at. A fallback measure could reconstitute the Northwest Regional ESD without Washington county. That is somewhat controversial, but it is an option. Has talked personally with each Representative on the Revenue Committee, with the exception of Rep. Strobeck, about this issue.

221 John
Young

Exhibit C - (-30) Amendments. Believes Rep. Josi's summary was a good overview of the problem, which exists because forest fee dollars are distributed on a pro rated basis based upon the tax rate of each taxing agency. Going from \$1.05 in Clatsop county to the proposed 30 cents per thousand will create a large reduction in funding. The counties have lost about \$900,000 in revenue that would have been used for services for students. The (-30) Amendments are a good, solid, temporary fix to the problem in that it draws the funds to make up the difference between what the ESD would have received under 1995-96 higher tax rates and what the ESD would receive under lowest tax rate.

Harold

As a result of the ESD merger, the unintended consequence is school districts in Clatsop and Tillamook counties will lose over \$3 million in special education services alone. The (-30) Amendments will not restore those resources but will allow schools over the next

Riggins 257 biennium to adjust to equity mandates. Discussed Exhibits D, E, F (Oregon Department of Forestry Revenue Projections: Clatsop State Forest). Lengthy questions and discussion interspersed regarding ramifications of tinkering with tax rate.

TAPE 194, SIDE A

025 Various Continuation of complicated questions and discussion regarding tinkering with tax rate.

082 Meyer Exhibit G - (-31) Amendments. These Amendments deal with Rep. Edwards' proposal regarding auditing of school districts, i.e. this Amendment would require annual audits include of factors used to compute the state school fund distribution formula. That would include an audit of student count and other pertinent factors relative to the formula.

092 Meyer Exhibit H - (-37) Amendments deal with ESD distribution and is one approach to trying to solve the loss of Measure 5 amounts in the second year of the 1998-99 biennium. For 1997-98 the Amendments keep the current language in SB 346 where the distribution is 71.33% of Measure 5 loss and 100% of Measure 50 loss. The bill applies to both years; the (-37) applies to 1997-98 only. New language addresses 1999-00 distribution. Intent is to try to give each of the ESDs about the same amount they would have got as though there were a Measure 5 loss number available.

161 Meyer Exhibit I - School Finance Issues. This is a list of topics prepared by Meyer for Members for their use in deliberating SB 346. List is divided into K-12 Distribution, Additional Issues, and ESD Distribution. Questions and discussion interspersed.

238 Meyer Stated that payments are made monthly October, November, December, January, February which could take the form of adding the December payment of 8 1/3% to the November payment. Does not know that any delays beyond a month are anticipated.

248 Chair Brian Asked if moving the December distribution of about 8 1/3% to November would adequately cover a potential problem.

256 Ozzie Rose Responded that he has not done a statewide poll so cannot answer the question accurately. "Front end loading" to some extent is necessary however. Another approach would be to give most of the funds to schools early as was done ten years ago.

269 Rep. Rasmussen Has heard in the bill now there is provision for granting \$800,000 for out of state placement of severely disabled students. Both Hillsboro and Albany have submitted testimony saying that if out-of-state placement is going to be paid for, then there will be many more applying for out-of-state under a proposal to explore covering any educational plan that costs more than four times the district average ADMw. Questions and discussion.

313 Rose Pointed out that the \$800,000 is a number that covers anticipated out-of-state placement costs for severely disabled students.

325 Betsy Biller Stated when they saw this component proposed in formula it was pointed out that there are in-state placements, even in-district placements, that cost school districts substantially more than four times ADMw. Their Medically Fragile program has students arrive in ambulances from their residential care facilities, and they have one-on-one medical attention all day long. They had at one time a child who cost the district \$40,000 for one year because of severe disability costs. Questions and discussion interspersed.

397 Bill Dixon Their proposal was to change the Out-of-State Disabilities Placement Fund to a Disabilities Placement Fund so it would cover in-state placements as well and to increase the fund to \$2,000,000 to cover the costs for additional placements. Their concern about out-of-state placements is it is harder for the school district to monitor students placed out of state and more difficult and costly for parents to monitor or visit the students. The school district is responsible to a certain degree for reimbursing the parents for visits. Albany School District has a situation of placing a disabled student in-state, but it will cost the district \$72,000 a year for that one student. Questions and discussion interspersed.

427 Rep. Edwards Asked how the estimate of \$2,000,000 was calculated, and when was the last time the weighting factor of two was addressed. Recent discussions have proved that two times ADMw is not adequate.

444 Meyer Senate Revenue Committee had a sheet showing the out-of-state placements, which totaled nine last year. The last year of cost estimates for those students was about \$500,000; and not knowing what the exact count for this year would be, decided to use \$400,000 as a starting point.

463 Rose Responded to Rep. Edwards' question about student weighting. All the weights were established at the 1991 legislative session.

TAPE 193, SIDE B

038 Rep. Edwards Asked if inflation or other factors are addressed when utilizing the weighting amount. Asked if it costs more today to keep these disabled children in a school. Questions and discussion interspersed.

058 Rose Stated that the needs of the disabled students are being met. However, the distribution formula is not a spending formula; it is an effort to fairly allocate state moneys and the districts decide how to spend them. Questions and discussion interspersed.

102 Biller Added that if a school district provides a program for severe needs students, sometimes parents go shopping for a school district that can accommodate their special needs child.

115 Various Miscellaneous questions and discussion.

205 Chair
Brian Adjourned meeting at 10:05 a.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

- A. HB 2332, Reeder, (-1) Amendments, (DJ/ps) 5/28/97, 1 page
- B. HB 2332, Reeder, (-2) Amendments, (DJ/ps) 6/2/97, 3 pages
- C. SB 346, Meyer, (-30) Amendments, (CH/ps) 5/27/97, 2 pages
- D. SB 346, Riggins, Oregon Department of Forestry Projections, 11/11/96, 3 pages
- E. SB 346, Riggins, Oregon Department of Forestry Projections, 11/11/96, 3 pages
- F. SB 346, Riggins, Oregon Department of Forestry Projections, 11/11/96, 3 pages
- G. SB 346, Meyer, (-31) Amendments, (CH/ps) 5/28/97, 2 pages
- H. SB 346, Meyer, (-37) Amendments, (CH/ps) 6/2/97, 2 pages

I. SB 346, Meyer, School Finance Issues, 1 page

J. SB 346, Bennett, Memorandum dated 6/2/97, 2 pages

K. SB 346, Bennett, The Regional Advantage video