

PUBLIC HEARING ON

SB 998 AND SB 715

TAPES 104 - 105 A/B

**SENATE REVENUE COMMITTEE**

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**APRIL 7, 1997 - 9:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING**

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Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair (left at 9:52 a.m.)

Sen. Joan Dukes

Sen. Tom Hartung

Sen. Randy Leonard

Members Excused: Sen. Verne Duncan

Witnesses: Earl Fisher, Superintendent, Columbia School District 5j

Ozzie Rose, Confederation of Oregon School Administrators

John Marshall, Oregon School Boards Association

Al Shannon, Oregon Department of Education

Laurel Whitehurst, Legislative Aide to Sen. Joan Dukes

Howard W. Olsen, St. Helens

Susan Browning, Department of Revenue

Debra Buchanan, Department of Revenue

Staff: Ed Waters, Economist

Steve Meyer, Economist

Carol Phillips, Committee Assistant

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**TAPE 104, SIDE A**

004 Chair Baker Opened meeting at 9:07 a.m.

OPENED PUBLIC HEARING ON SB 715

023 Steve Meyer Exhibit A - SB 715. Allows a school district to be divided into smaller districts and deals with the administrative procedures for that division. Section 1 on page 1 beginning line 23 allows the Boundary Board at the request of the School District Board or by petition of electors to request a change in the boundaries of a school district to divide it into two smaller districts.

035 Meyer Section 2 page 2 beginning line 31 deals with the basis for a boundary change. Section 3 page 2 beginning line 34 deals with procedure for request for change. Also contains language for naming and numbering the new districts. Section 4 page 3 beginning line 28 deals with effective date of change. Boundary change would take effect the end of the fiscal year in which the boundary change became effective.

046 Meyer Section 5 page 4 beginning line 5 states that old school board can take action until a new board is elected and takes office for the smaller districts. The old board can deal with budget preparation and other essential activity until the new boards are elected. Section 7 page 4 beginning line 15 is all new language that deals with the Boundary Board, employees, school employees keeping seniority, how real and personal property is divided, distribution of debt, etc. for both smaller districts created from previous one district. Section 8 page 5 beginning line 4 deals with division of assets and liabilities.

075 Meyer SB 715 deals with debt and serial levies, but does not deal with the regular tax levy for the new districts. If the old district goes away, then the tax base for the old district goes away as well. Sees no language in the bill that would require voter approval on tax levy authority before a division could take place. Not clear if old district can be a surviving district, or if it goes away completely. The bill contains no reference to ESDs either. Questions and discussion.

Has a school district considering dividing. There is a K-12 in two separate counties. Subject has been discussed for over two years in those communities. School board asked if it was legal to divide. Legislative Counsel said it was legal but there were gray areas in the law. If separation was completed and then challenged at a later time, Counsel could not be sure

- 110 Sen. Dukes what the outcome would be. The purpose of SB 715 is not to create something which does not exist today, but to clarify the situation in such a way that should separation happen, the school district will be able to fully implement it. Petition in progress to get this matter on ballot in September. In this particular case they are looking at one section of the district withdrawing from remainder of district. School District Columbia 5j would continue to exist, it would simply be smaller. Have had guidance from varying sources. Questions and discussion.
- 138 Sen. Dukes Understands there is another district on the coast looking at the possibility of doing something similar. Trying to make it easier for anyone in future attempting same. Have had guidance from Clatsop County ESD regarding how to create school boards because existing law is unclear as to how to get a school board started after dividing. Questions and discussion.
- 181 Chair Baker Asked Sen. Dukes how to make sure the surviving districts are viable districts. If legislature creates statewide policy on separation, it may create something where corners of districts peel off for various reasons which may not be viable and acting more in protest than from geographic need. Would also like information from ESDs regarding their current process regarding boundary adjustments.
- 196 Sen. Dukes Policy has been as long as there is a K-12, it constitutes a district. That policy is worth looking at. It would be difficult for any piece of this district to be less viable than the current district is. But that is just this situation and not necessarily all others.
- 202 Chair Baker Would hope that the legislature in the 1999 or 2001 sessions as a "Super School Board" looks at boundaries and districts around the state and has an omnibus bill to start addressing some of those historical anomalies which should not exist. Questions and discussion.
- 228 Earl Fisher Columbia 5j was put together in 1966 when four separate districts merged because a large mill was built in the middle of the present district. At that time people thought merging was financially sound. Measure 5 was passed in 1991, and the mill lost great deal of value in terms of funding education for the district. As a result 5j has been significantly harmed over the last six years. In 1992 5j had to lay off 25% of its staff; this year 5j must lay off another 10%.
- 251 Fisher People in the two ends of the district have tremendous identification with their local high schools. Napa High was built in 1919. The Clatskanie end on the east side has great pride in its high school, too, and all the schools at that end of the district. Now faced with situation where both ends of district have great pride; but 5j is in a financial position which makes sense in many ways to begin to close places down, and that is contentious.
- 273 Fisher The Napa end is concerned that at some point the district will be forced to close the high school. Concerned about busing students 24 miles, and over an icy pass during winter, to Clatskanie High. Napa does not want its high school to close and is pursuing activities to see if it can operate as a separate district, as it did prior to 1966, without fear of losing

program or the school entirely.

289 Fisher Napa end of district is more of a hinterland for Astoria. People go there for shopping, church, etc. Similarly, at the Clatskanie end of district people go to Longview, Washington for shopping, church, jobs, etc. No intermixing between communities because of the distance. Local attorney told them separation was impossible. Another attorney said it could be done. District wants to split. Napa end insistent on having more money flow their direction. Clatskanie end not eager to send Napa any more. Need clarification that district can split. There is a difference between being properly funded and viable. Believes there is in statute a way to divide assets and debt.

373 Chair Baker Has some concern regarding the language which predates Measure 5. There should be a balance between need and value. Asked for more detail regarding population centers. Asked about amount of time to transport students from one end of district to the other.

394 Fisher Approximately 700 students in Napa, of which 201 are in the high school. About 1,100 students in Clatskanie, with about 330 in the high school. Depending on precise location from one end of the district to the other, the bus ride would be 30 to 45 minutes. More likely students would be brought to a central area and then bussed from there, so the total travel time would be in excess of an hour.

421 Chair Baker Asked Fisher if he is aware of any other districts in similar situations. From information presented today, it sounds as if the school district is a candidate for separation. Concerned if a bill were to be presented that there may be some kind of control by the ESD or language regarding natural boundaries or separation of population areas to enable an ESD to intervene or approve a process before it got out of control.

#### **TAPE 105, SIDE A**

023 Fisher Knows of no other district in a Class A, AA, or AAA that has two high schools within a district which would make natural groupings similar to Columbia 5j situation. Larger metropolitan areas have multitudes of schools in natural groupings.

030 Sen. Dukes Sen. Tarno's name is on this bill because there is a similar situation in his senate district on the coast.

038 Chair Baker Although not signed up to speak, Chair Baker invited Ozzie Rose, John Marshall, and Al Shannon to do so because of their involvement with schools across the state. Asked them to specify points the Revenue Committee should be looking at if the Committee is to proceed on this bill.

046 Ozzie Rose Suggested looking at viability of existing K-12 districts around the state as funding issued is being struggled with. A bill like the one being contemplated must specify an existing K-12 group which wants to separate. There should be some way to determine if new entities will adequately provide resources to run good K-12 programs. Clarify taxing authority issue.

The whole issue of school unification and merger since 1991 has been a difficult one and has been dealt with every session since that time. Would hate for the legislature to create a situation where some school districts would view this as an opportunity to de-merge.

078 John Marshall The recent personnel problem in Sandy several weeks ago was exacerbated because of the recent unification; there wasn't a community around the school system. Would not like to see something that would create greater tensions than already exist. If there were a way that this bill would apply only to the Clatskanie situation, that would help. Advised the Committee to be careful to not open a Pandora's box.

Columbia 5j currently has constitutional authority for its tax base. The bill should have language dealing with that authority, whether it be retained or split between the two new districts. State School Fund assumes that the district will levy its full tax authority as property taxes are a portion of the equalized revenues at the local level. Questions about division of assets; process set forth in Chapter 330 for that. Currently ESD boards act as Boundary Boards for school districts. They are required statutorily to approve petitions filed upon them. If the ESD does not approve, it goes to State Board of Education for their approval. Checks and balances would be through the remonstrance process where citizens in each district could call the issue to a vote before the people.

078 Al Shannon

120 Sen. Dukes Asked Mr. Shannon, "If voters say yes, the Boundary Board can say no?"

121 Shannon Replied that was not what he was saying. The Boundary Board is statutorily required to approve it. If the voters do not like it, they can file a Petition for Remonstrance Election in either of the proposed districts. An affirmative vote goes forward, a negative vote stops the process of separation. Questions and discussion.

139 Marshall Under normal circumstances, the issue of boundary change or merger must be brought before Boundary Board somehow, and there are two ways to do that. If Boundary Board advises citizens it plans to go ahead with a separation, the public has 20 days to object and file a remonstrance. Current situation in Clatskanie with the vote occurring, if this bill were to pass and go into effect 90 days after the end of legislative session and not be in effect when the election is held, then that election would have no effect on this issue at all. The parties would have to start over again.

166 Sen. Dukes It was decided that it would be "cleaner" under current statute if the patrons enacted the separation themselves rather than go through a Boundary Board exercise.

173 Chair Baker A better way might be to submit a petition to the ESD and go forward that way rather than have a vote because a vote could confuse the issue.

177 Marshall The whole structure of Chapter 330 has been to reduce the number of school districts. Questions and discussion.

CLOSED PUBLIC HEARING ON SB 715

OPENED PUBLIC HEARING ON SB 998

- 212 Sen. Dukes Two years ago when the legislature was working on the reconnect issue, some Oregonians were placed in a situation where if they were not able to take a credit in a given year they lost it. Have been working with the Department of Revenue and Legislative Counsel on a way to take that credit in later years and not lose it. This applies to only a small number of people in a very specific situation.
- 235 Ed Waters Referred to SB 998 which permits certain taxpayers who are unable to totally claim makeup or offset between Oregon and federal depreciation schedule. Certain taxpayers were not able to make it up because of insufficient tax liability. Would allow those to carry forward makeup for up to ten years.
- 258 Laurel Whitehurst Exhibit B - LC 454-1. As Sen. Dukes described, SB 998 is designed to help a constituent, Mr. Howard Olsen, who is a retired tug boat maintenance manager in St. Helens.
- 291 Howard W. Olsen Under HB 2204 which was passed in the 1995 legislature, it requires a one-time catch-up between accelerated cost recovery system by the federal government and depreciation by Oregon. He bought a rental home in 1981 on federal accelerated cost recovery and 25-year straight line in Oregon. 1996 law requires him to write off the total difference in depreciation between the two on 1996 taxes. On 1996 federal return depreciation will be completed but will have ten years left on Oregon return.
- 313 Olsen He retired in 1994, and in 1995 had no tax liability from Oregon because of low income. SB 998 says it will take \$12,000 from his tax basis with zero tax benefit. If this had happened while he was still working, it could be absorbed. Wants to set basis aside as a non-depreciable asset so he can claim it, or let him continue on 25-year depreciation schedule he utilized under state tax.
- 360 Susan Browning Exhibit C - SB 998 Outline. The change made in 1995 works fine for most taxpayers, but there are some with lower income or credits that are being hurt.
- 382 Debra Buchanan Discussed page two of Exhibit C. Questions and discussion interspersed.

**TAPE 104, SIDE B**

- 005 Browning Discussed Exhibit B - LC 454-1 which stipulates that a person may elect to claim as an addition or subtraction. If a taxpayer has filed already for 1995, they may revoke that election and go back to original structure, one time only.
- 016 Buchanan The 1995 amendment to HB 2204 required taxpayers to claim a subtraction on their 1996 return even though it might not be to their benefit.

- 019 Chair  
Baker Asked why a change was passed in 1995.
- 020 Browning It was an amendment introduced to reconnect but not in initial reconnect to the federal language. It was an amendment proposed by another party.
- 025 Buchanan What this change would do, rather than making 1996 a subtraction a requirement, it would make it an election. For a person who has not filed yet their 1996 tax return, they can look at their own circumstances, and either take the subtraction or claim the addition, or not make that election. For a person who has already filed their 1996 return, they would be able to look at their situation and file an amended return to revoke what is now an election.
- 045 Chair  
Baker Asked that Legislative Counsel draft language, get a Revenue Impact Statement, then come back and reexamine this issue.
- 049 Sen.  
Dukes Thanked the Department of Revenue for their work on this issue and asked that when this is sent to Legislative Counsel could it come back looking like the LC 454-1 Draft. Have been trying for a year to work this out with Legislative Counsel.
- 055 Chair  
Baker Adjourned meeting at 10:05 a.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

A. SB 715, Meyer, Revenue Impact Statement, 1 page

B. SB 998, Browning, LC 454-1 Draft (DJ/ps) 8/22/96, 3 pages

C. SB 998, Browning, SB 998 Outline, 3 pages