

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.

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School Funding  
Public Hearing: B 2204

House Committee on  
State and School Finance  
January 30, 1994 Page

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HOUSE STATE AND SCHOOL FINANCE COMMITTEE

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JANUARY 30, 1994 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

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Members Present: Rep. John Schoon, Chair  
Rep. Ron Adams  
Rep. Lee Beyer (excused at 10:05 am)  
Rep. Tim Josi  
Rep. Tony Federici, Vice Chair  
Rep. Jane Lokan  
Rep. Anita Rasmussen  
Rep. Ken Strobeck  
Rep. Jim Welsh

Witnesses Present: Teresa McKue, Administrative Services  
Jan Dean, Dept. of Administrative Services

Staff: James Scherzinger, Legislative Revenue Officer  
Steve Bender, Legislative Revenue Office  
Terry Drake, Legislative Revenue Office  
Rhonda Wehler, Committee Assistant

TAPE 16 SIDE A  
007 Chair Schoon -calls he meeting to order at 8:30 am  
015 Teresa McKue -explains Governor's budget  
036 Chair Schoon -asks why Human Resources budget increased while schooling  
was flat funded -phasing into federal requirements  
049 McKue -case load increases, phased into federal welfare reform  
-OR only state s showing reduction in welfare  
-clarifies reduction in health program from appropriated budget  
120 All -questions and discussion  
124 McKue -overview of budget  
-Governorequalization 3 year phase in is comfortable  
159 Jan Dean-  
167 Terrry Drake -explains terminology of criteria for school funding  
258 All -questions and discussion  
260 Terry Drake -1997-99 \$ available to fund K-12  
291 Rep. Adams -asks what 98% meant to Governor  
296 McKue -all funds that come to a school, making adjustments for Measure 5  
-incorporates population growth, inflation, PERS reductions,  
316 Terry Drake -based on second year 94-95 is base for general operating  
revenues  
329 Rep Rasmussen -asks  
350 Jan -growth level, governor's #s don't show growth level  
361 Terry Drake -errors in data and projection, Dept. of Education figures  
showed a lot more kids coming in now holding to 1.2 figure  
394 Chair Schoon -what happens if more money asked for  
395 McKue -go back through budget and re-prioritize  
TAPE 33 SIDE A  
006 McKue -no contingency funds  
012 Welsh -prpoviding for inflation and student growth and nothing for  
equalization??  
090 McKue -answers that Gov. chose not to break thngs down but to allow for 3  
yeara phase in  
096 Rep Beyer -not much growth this biennium, huge jump in next biennium  
035 McKue -additional appropriation #s not available  
-current healthy economy not expected to continue  
051 Vice Chair Federici -factor in possible property tax to be discussed on  
February 14

060 All -questions and discussion  
112 Rep. Adams -would like to see equalization from this point  
-asks for figures from Governor for equal steps for equalization over the  
next three years  
136 Rep Welsh -adjust for what came in  
Rep Lokan -asks for definition of current law estimate  
160 McKue -same as current service level :factors consists of taking program  
in this biennium without any changes, what would it cost, add inflation,  
population or case load increase  
178 Chair Schoon -two types of budgets, education K-12 included pay increses  
184 McKue -step increases for employees  
193 Chair Schoon -pay system (merit) has now become automatic and isn't  
considered pay increase no control over this  
203 McKue -considered as step increases step-system includes 7 steps in a  
range  
-decisions up to school districts to determine step increases, employee  
benefits  
240 All -questions and discussion  
273 Rep. Adams -in corporate world pay increases are not merit, but automatic  
322 McKue -satisfactory performance necessary for pay increases  
331 Terry Drake -shape of curve vs \$ amount for equalization  
383 Rep Strobeck -asks where point is to bring equalization  
388 Dean -not \$ per student  
TAPE 30 SIDE B  
005 -questions and discussion  
023 Chair Schoon -recesses meeting at 9:25 am  
030 Chair Schoon -reconvenes meeting at 9:45 am  
HB 2204  
048 Steve Bender -explains reconnect  
-connect with federal definitions of taxable income for two reasons:  
-lower complexity for taxpayers  
-increases ability of DOR to monitor compliance  
-examples gross income minus costs businesses not taxed separately from  
individuals  
-purchasing personal item is not deductible but if item is used in  
business, it is deductible  
-looks at changes federal government made and legislators determine if OR  
will connect to all the changes  
-purpose to connect to definition of taxable income determined on December  
31, 1994  
-revenue reconciliation act major change in 1993  
-different income to report from federal and state because: 1. legislatures  
made a decision because we don't agree with how feds define taxable income  
2. changes made that legislature hasn't looked at yet  
271 Steve Bender -refers to Exhibit A, Section 32, Constitution of Oregon,  
legislative authority to another body  
-HB 2204 connects from a distant past to a more recent past  
303 -summarizes main points of HB 2204  
319 -refers to page 9, HB 2204, adopts all of federal reconnect, only lists  
differences  
343 -brings overview HB 2204 suggesting adoption of all changes Congress  
made brought at request of DOR, Oregon Society of CPAs will bring  
explanations, is policy statement that must be cleared by Governor this is  
a revenue raiser, not revenue loser  
TAPE 31 SIDE B  
007 Steve Bender -explains Exhibit B, Revenue Impact of HB 2204  
-\$30.3 million brought in this biennium if reconnect is adopted  
-\$10.5 million if non-reconnect provisions are adopted  
036 Chair Schoon -notes it is easier to have a clean reconnect bill without  
housekeeping issues  
056 Steve Bender -explains OR does not tax Social Security benefits  
-examines Exhibit C, Tax Form 1040  
-clarifies that gifts are not taxable income, except for gifts above  
\$30,000  
-moving expenses are new to federal form, decision to be reconnected for OR  
-adjusted gross income is costs minus deduction from earning that income  
-OR connects legally to line 37, practically connecting to line 32  
(adjusted gross income)  
-beyond that OR does not connect  
-new tax bill may be adopted federally before OR legislature is out  
-congress considering adopting an exemption for children (not reconnect  
issue since it is a credit issue)  
-congress is considering lowering rates for married taxpayers--also not a  
reconnect issue since it is below line 37  
206 -expand usages of IRA's, allow more people to be eligible to make  
deductions (that is a reconnect issue since it is before line 37)  
215 -refers to Exhibit D, Form 40, Oregon Individual Income Tax Return  
-will not tax interest from bonds in OR, but will from other states  
-explains reconnect will include lines 14-20  
316 -refers to Exhibit E, Short form  
329 -Refers to Exhibit F Form 40P for part year residents, and Exhibit G,  
Form 40 N for non-residents  
TAPE 33 SIDE A  
005 -continues to explain part year and non-resident status  
062 -taxing on rates for all of income  
-federal percentages, net amt. on line 51 is OR amt.  
117 -presents Exhibit G (Form 20) Oregon Corporation Excise Tax Return  
125 -presents instruction book for Form 40 and 40S Exhibit H  
- presents instruction book for Form 40 N and 40 P Exhibit I  
155 All -questions and discussion  
178 Chair Schoon -adjourns meeting at 10:55 am