

Work Session: HJR 10
Tapes 150-151 A/B
152 A

HOUSE COMMITTEE ON
REVENUE AND SCHOOL
FINANCE

JUNE 16, 1993 8:00 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Representative Delna Jones, Chair
Representative John Schoon, Vice Chair
Representative Ron Adams
Representative Tom Brian Representative
Mike Burton Representative Margaret Carter
Representative Tony Federici
Representative Fred Girod
Representative Gail Shibley
Representative Greg Walden
Representative Jim Whitty

Witnesses Present: Senator Bill Bradbury, Senate President,
District 24
John Lattimer, Legislative Fiscal
Officer
Rep. Tony Van Vliet, District 35
Doug Wilson, Legislative Fiscal Office
Staff: James Scherzinger, Legislative Revenue Officer
Steve Bender, Legislative Revenue Office
Paula McBride, Committee Assistant

TAPE 150 SIDE A

006 CHAIR JONES called the meeting to order at 8:20, and she conducted administrative business.

026 CHAIR JONES opened the Work Session on HJR 10 and tax reform.

030 PRESIDENT BRADBURY testified as a member of the "Partner's Group." He addressed the question of adequacy; that is, how much a new tax would have to raise, even if it was dedicated to education. He discussed goal parameters reached by the Partners' Group on tax reform in Oregon. He related that he, his staff, Legislative Revenue, Legislative Fiscal, and the Executive Department had attempted to determine the revenues needed for education through tax reform. However, he emphasized that the number he presented was not endorsed by the Partner's Group. He

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referred to information in a report entitled "How Much is 'Adequate': A Quantitative Proposal for Revenue Replacement" which contained recommendations on funding for educational goals, including proposed benchmarks for education. Exhibit 1
Questions and discussion

202 PRESIDENT BRADBURY related that the numbers on page 5 of his report were based on the most up-to-date school formula. Exhibit 1

Questions and discussion about distribution of revenues to the educational

system in Oregon.

243 PRESIDENT BRADBURY stated he would like to dedicate half of the lottery revenue to educational reform in Oregon.

Questions and discussion of funding for education

315 PRESIDENT BRADBURY explained what he believed the \$2.9 billion gap in his report represented. Exhibit 1

Questions and discussion

350 PRESIDENT BRADBURY related that he did not yet have figures on how much HB 3565 would cost (related to educational reform). He talked about HB 3565 as part of the goals from his report. Exhibit 1

Discussion

TAPE 151 SIDE A

002 Questions and discussion continued with PRESIDENT BRADBURY.

037 PRESIDENT BRADBURY agreed that his report was about "need" for education rather than about specific funding. He thought the revenues could come from a variety of sources rather than just one. He did urge the dedication of any new tax to education. Exhibit 1

Discussion

055 REP. SHIBLEY asked staff to compare and/or add together the figures from the presented report with earlier numbers on the General Fund.

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General
discussion

100 CHAIR JONES referred to page 5 from PRESIDENT BRADBURY's report, and she asked staff to explain the term "adequate."

116 JIM SCHERZINGER drew a graph on the white board concerning appropriations for students in Oregon districts, related to the 1994-95 school formula. He also described what the graph would look like if a permanent school formula were adopted based on equity throughout the educational system. With that particular permanent formula, some districts would lose a substantial amount of dollars, which he discussed.

Questions and
discussion

209 JIM SCHERZINGER related that the information he presented was based on the question "What additional dollars would it cost to maintain the upper districts where they are yet shift to a permanent formula (this would mean raising all districts to the upper level). He mentioned what was already included in the formula, and addressed the issue of how much it would cost to maintain those higher districts if this change were done immediately (over \$600 million for the biennium).

Questions and
discussion

265 JIM SCHERZINGER explained the choices in PRESIDENT BRADBURY's report and the revenues needed for these options.

Questions and
discussion

314 JIM SCHERZINGER related that the "average" level in his graph (the permanent formula level) was a district that received about \$4000 per student, whereas from the formula for 1994-95 the Portland district would receive about \$4500 per student.

Questions and
discussion

376 JIM SCHERZINGER discussed the issue of "equity" as addressed through the proposed school formula.

393 CHAIR JONES recalled a report the Interim Committee had heard related to equity in school funding.

Questions and
discussion

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TAPE 150 SIDE B

020 Questions and discussion continued concerning the issue of "equity" in funding of Oregon schools.

055 JIM SCHERZINGER discussed the "local option" as related to school funding and the school distribution formula. He thought the formula would be substantially reviewed after the sales tax was passed.

078 TERRY DRAKE discussed the local option in relation to the equity question and relevant court cases.

Discussion

117 CHAIR JONES believed the Committee would never actually achieve equity in school funding, and she stressed that the school distribution formula was devised only to lessen the differences between districts and move toward equity. She believed that some of the differences between districts could never be quantified.

Questions and
discussion

224 JIM SCHERZINGER further clarified figures with the school funding formula, and he discussed the issue of "growth" in relation to it. He explored events that might effect the formula.

276 CHAIR JONES asked members to review their Tax Reform Matrix. Exhibit 2

280 STEVE BENDER explained the changes that had been made to the matrix. Exhibit 2

Discussion

303 CHAIR JONES pointed out two other handouts in the members' books. The first was a sales tax plan that reflected the options presented by the "Partner's Group" (see Exhibit 1). The second was a table that showed a tax reform proposal done by the Senate Revenue and School Finance Committee.

Exhibits 3 and 4

329 CHAIR JONES related that the members' must reach tough decisions during the next few days, particularly what amount of money they want to raise with a sales tax. She conducted administrative business.

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349 CHAIR JONES recessed the meeting at 9:38 and reconvened at 10:17.

352 CHAIR JONES continued the discussion of the issue of "adequacy."

Starting from a base of \$3.7 billion, she wanted current figures on the lottery from Legislative Fiscal. In reference to the report submitted by PRESIDENT BRADBURY (pages 67), she wondered about specific revenue needed for higher education in Oregon because of population growth. Exhibit 1
417 STEVE BENDER talked about the numbers assigned for population growth in the educational system.

TAPE 151 SIDE B

002 JIM SCHERZINGER discussed the inflation and population assumptions contained in a graph and chart in the members' books (previous exhibit, but date and number unknown).

Questions and discussion relating information from PRESIDENT BRADBURY's report and the information provided by staff. Exhibit 1

061 JIM SCHERZINGER believed the \$1.37 base assumed an inflation figure of 3.9% and a population growth of 1.7% per year.

Discussion

075 JIM SCHERZINGER provided information requested by members on his presentation of the school distribution formula, related to the number of "weighted" students below and above the average line of his graph.

Questions and discussion

088 JIM SCHERZINGER corrected information in a graph contained on page 5 of the report from PRESIDENT BRADBURY. Exhibit 1

106 CHAIR JONES asked members to address the issue of "adequacy." She wanted to use a base of \$1.37 billion based on the current service budget, but she asked if this number included inflation and growth.

120 JIM SCHERZINGER explained current service budget was from the 1991-93 level, and that the service budget for 1993-95 did not

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include inflation in some circumstances, which he delineated. He thought that inflation and population growth assumptions were included in the 1995-97 budget predictions.

139 CHAIR JONES asked members to use the \$1.37 base and then add to it General Fund revenue needs. She began by asking if they were interested in funding the Oregon Health Plan from the General Fund, at \$200 million.

Discussion

189 STEVE BENDER related that if the cigarette tax was increased by 10 cents, that would raise about \$52 million for the full biennium (In the Governor's budget, this money would be used to help fund the Oregon Health Plan).

Discussion

216 STEVE BENDER confirmed the fact that for every 10 cent increase in the cigarette tax, there would be around a 4 to 5% reduction in consumption.

Discussion

229 CHAIR JONES thought that if the increased cigarette tax was passed by the Legislature, the amount left to be raised for the Oregon Health Plan would be \$150 million. She asked members if they agreed.

Discussion

314 CHAIR JONES noted agreement on the \$150 million figure for the Oregon Health Plan as a General Fund revenue need.

316 CHAIR JONES asked members if they wanted to consider "restoring lottery backfill."

Discussion

323 REP. BURTON explained what the phrase "restoring lottery backfill" meant in terms of actions taken by the House Appropriations Committee.

349 JIM SCHERZINGER talked about the amounts that will be shifted from General Fund programs into the lottery, which, in the Governor's budget, were treated as a cut. Therefore, these

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programs were not in the shortfall estimate for 1995-97. He discussed what it would cost if the programs were restored back to the General Fund.

371 JOHN LATTIMER relayed that the House Appropriations Committee was only now working on this issue; therefore, he thought it would be "presumptuous" to present a fiscal analysis of what the "backfill" might be.

Questions and
discussion

402 JOHN LATTIMER related that the fiscal figure for the "lottery backfill" was based on ongoing General Fund programs, as identified in the Governor's Budget and the Senate Plan.

408 CHAIR JONES clarified that the bills related to the "lottery backfill" were SB 1076 and SB 755.

Discussion

425 CHAIR JONES said that for purposes of discussion the number of \$100 million would be used for the category "lottery backfill."

Discussion

TAPE 152 SIDE A

018 REP. VAN VLIET believed the figure \$100 million for "lottery backfill" was on the low side, particularly because of the "shift of the community college dollars into the lottery fund." He mentioned components of the "backfill" that represented "legitimate dollars," about which he didn't know yet what the House Appropriations Committee would decide.

Questions and
discussion

082 CHAIR JONES concluded that \$100 million would be the number used for the "lottery backfill," and she stipulated that this number was a "moving target."

084 DOUG WILSON clarified the numbers used for the "lottery backfill" from the Governor's Budget. He reviewed what the Senate added to that and for what purposes.

Questions and
discussion

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151 CHAIR JONES asked JOHN LATTIMER about the \$1.37 billion 199395 educational budget contained in PRESIDENT BRADBURY's report (see Exhibit 1), specifically, what it would cover and what was included in the projected costs of other categories.

177 JOHN LATTIMER discussed the derivation and meaning of the number related to the category for "Higher Education" in Exhibit 1. Exhibit 1, page 6

Questions and discussion

242 JOHN LATTIMER further explained the components of the \$106 million delegated to the category "Higher Education" in the report from PRESIDENT BRADBURY. Exhibit 1

Questions and discussion

325 CHAIR JONES conducted administrative business.

349 CHAIR JONES adjourned the meeting at 11:14.

Paula K. McBride, Committee Assistant

Kimberly Taylor James, Office Manager

EXHIBIT SUMMARY

1. How Much Is "Adequate"?: A Quantitative Proposal for Revenue Replacement, Senate President Bill Bradbury.
2. House Revenue Committee Tax Reform Proposal, Steve Bender, Legislative Revenue Office.
3. \$2.435 Billion Plan, Steve Bender, Legislative Revenue Office.
4. Senate Revenue Committee Tax Reform Proposals, Steve Bender, Legislative Revenue Office.

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