

Tapes138-139(A/B) Tapes140-141 (A) Work Session: SB 815A HOUSE COMMITTEE
ON REVENUE AND SCHOOL FINANCE

March 29, 1991 8:00 AN Hearing Room A State Capitol Building

Members Present: Representative Carl Hosticka, Acting Chair*
Representative Mike Burton Representative Kelly Clark Representative Bev
Clarno Representative Mike Nelson Representative Fred Parkinson
Representative John Schoon (arrived 8:43) Representative Jim Whitty
Members Excused: Representative Delna Jones, Chair Staff Present: Jim
Scherzinger, Legislative Revenue Officer Terry Drake, Legislative
Revenue Office Linda Leach, Committee Assistant Witnesses Present:
Senator Larry Hill, District 21 Ozzie Rose, Confederation of Oregon
School Administrators Ron Chastain, Chastain Economic Consulting TAPE
138 SIDE A 005 CHAIR HOSTICKA* called the meeting to order at 8:14 and
conducted administrative business 016 SEN. LARRY HILL related a
situation regarding Lane Community College and the impact due to
language in Ballot Measure 5. He requested adjusted language to include
in the base year taxes passed before November, 1990 (prior to Ballot
Measure 5). 056 Questions and discussion regarding estimates for
community colleges. WORK SESSION - SB 815 A 148 JIM SCHERZINGER
discussed a correlation between SB 815 and other measures. He reviewed
three areas: 1) Appropriation bills. 2) SB 815A distributes
appropriations. 3) HB 2550 provides instructions. Exhibit 1 194 JIM
SCHERZINGER reviewed Major Policy Summary of SB 815. Exhibit 2

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. House Committee on Revenue and School Finance March 29, 1991
Page 2 210 REP. CLARK questioned the distribution in 1990-91 and
changes relevant to SB 815. 216 JIM SCHERZINGER reviewed the frozen
Basic School Support formula from 198 9 Legislative Session. Reference
was made to the addition of a hold harmless for districts. 246 CHAIR
HOSTICKA commented on the distribution of school funds which is
currently in a "holding pattern" for one more year. ,260 JIM SCHERZINGER
continued review of Basic School Support. 276 JIM SCHERZINGER explained
replacement revenue in SB 815. 301 Questions and discussion follow
regarding a special equalization account. 336 REP. CLARK questioned the
Senate Revenue's policy decision as to why \$30 million will go to
equalization without regard to revenue loss from Ballot Measure 5. 352
JIM SCHERZINGER responded with the belief that replacement cost would be
lower and there is no requirement in Measure 5 to fund 100 percent
replacement for each district. Constitutional obligation was addressed.
395 JIM SCHERZINGER explained the minority report from Senate Revenue
Committee which would shift the 90 percent to 95 percent. 430 REP.
CLARNO asked if the factor of willingness and ability to pay was
calculated for a special equalization account. TAPE 139 SIDE A 007 JIM
SCHERZINGER responded there was no factor for the current tax effort in
the local district. The calculation was based on the level of spending.
020 Discussion and questions continue regarding an equalization
component. The replacement dollar was addressed. 043 Questions and
discussion regarding any legal implication to depart from a dollar for
dollar distribution. 057 REP. WHITTY was concerned with the fairness of
the distribution formula. 066 JIM SCHERZINGER explained the K-12
replacement issue in SB 815. Questions are interspersed. Exhibit 2

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. House Committee on Revenue and School Finance March 29, 1991
Page 3

112 JIM SCHERZINGER explained the Community College replacement in SB 815. 120 Questions and discussion follow regarding the community college formula for distribution of funds. 150 REP. CLARK questioned language relating to K-12 replacement. Reference is made to the shifting of the distribution. Exhibit 2 176 Questions and discussion follow regarding K-12 replacement. 183 JIM SCHERZINGER reviewed minimum state replacement obligation. Exhibit 2 214 OZZIE ROSE testified on behalf of the Education First Coalition and reviewed members. 230 OZZIE ROSE explained the coalition concern with SB 815A was the Senate Revenue Committee's focus on low spending districts. He reviewed the coalition's proposed amendments to SB 815. Exhibit 3 290 Discussion and questions follow regarding a hold harmless principle. 300 OZZIE ROSE related the first year is a transition period and hold harmless is legitimate. The second year will be driven by per student costs and needs. 330 Discussion follows regarding a hold harmless proposal and equalization among districts. TAPE 138 SIDE B 002 REP. NELSON questioned the size of the forty-one districts that would be held harmless. 008 OZZIE ROSE responded that the forty-one districts are basically smaller. 010 REP. NELSON commented that the districts being held harmless are small remote areas and the hold harmless is not for the benefit of the larger districts. 017 REP. BURTON voiced concern in while holding some districts harmless others may be impacted. 023 Discussion follows regarding hold harmless with reference to the issue of equity. 031 OZZIE ROSE reviewed a proposed amendment to SB 815A which deals with an equity grant. Exhibit 3

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. House Committee on Revenue and School Finance March 29, 1991
Page 4 044 Questions and discussion. 060 OZZIE ROSE reviewed a proposed amendment which would guarantee growth to all districts. Exhibit 3 077 OZZIE ROSE explained a proposed amendment making all tax bases and levies prior to June 1, 1991 eligible for replacement dollars. Exhibit 3 090 OZZIE ROSE reviewed a proposed amendment which would cap the state's responsibility for replacement dollars. Exhibit 3 100 Questions and discussion regarding coalition proposals. 224 OZZIE ROSE reviewed a proposed amendment where excess replacement dollars (driven by assessed value) would be dedicated to equity. Exhibit 3 248 OZZIE ROSE described a proposed amendment relating to WOST (Western Oregon Severance Tax) offsets. Exhibit 3 277 Discussion and questions regarding the WOST fund distribution. 292 OZZIE ROSE summarized the Education First Coalition focus related to fairness and equity which goes beyond low spending districts. 306 CHAIR HOSTICKA recessed the meeting at 9:45 and reconvened at 9:57. 325 TERRY DRAKE compared SB 815A to the proposal from Education First Coalition. Exhibit 4 Questions and discussion interspersed. TAPE 139 SIDE B 006 Discussion regarding a hold harmless provision. 026 TERRY DRAKE pointed out that the Coalition proposal is based on the same principal as SB 815 with targets altered. Questions and discussion interspersed. 076 Questions and discussion regarding funding of Basic School Support. 090 JIM SCHERZINGER clarified a special equity fund proposed in SB 815A. 121 TERRY DRAKE addressed the rationale for the component of special equity and equalization.

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. House Committee on Revenue and School Finance March 29, 1991
Page 5

156 Questions and discussion follow. 160 TERRY DRAKE continued comparing issues in SB 815A and Proposed Coalition amendments. Questions and discussion regarding replacement dollars as a budget balancer in both proposals. 181 JIM SCHERZINGER clarified that the term "dollar for dollar" is based on a six percent formula from the prior year. 91 Questions and discussion regarding replacement and basic dollars (floating v. fixed). 204 TERRY DRAKE explained a "growth grant" in the Coalition proposal which directs money to districts under the limit which do not have any growth in their taxing authority. 228 TERRY DRAKE reviewed history of a severance tax reserve fund. Exhibit 4 314 Questions and discussion regarding policy behind a severance tax reserve fund. 350 CHAIR HOSTICKA suggested to review WOST in detail at a future Revenue meeting. 360 Questions and discussion regarding current distribution of severance tax reserve fund and how the Coalition proposal affects districts currently receiving reserve funds. 420 RON CHASTAIN addressed a "roller coaster" effect of offsets and forecasting uncertainty. TAPE 140 SIDE A 002 Questions and discussion regarding districts currently receiving severance tax reserve funds. 043 JIM SCHERZINGER explained that Measure 5 is creating a state financed school system and the districts will receive same amount of replacement revenue whether from severance tax or replacement dollars. 059 Questions and discussion regarding the mechanical distribution of WOST funds. 112 TERRY DRAKE continued comparisons between SB 815A and the Coalition proposal. Exhibit 4 170 Questions and discussion regarding urban renewal impact.

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. House Committee on Revenue and School Finance March 29, 1991
Page 6 185 CHAIR HOSTICKA clarified that SB 815A carries any excess revenues to the following year and the Coalition proposal directs excess revenues to equity. 195 JIM SCHERZINGER presented 1991-92 Estimate of HB 2550 Impact (after offsets) for Lane County. The estimates illustrate the competition issue and the increase in state obligation. Exhibit 5 248 TERRY DRAKE presented five School Finance Simulations which compares SB 815 A and the Coalition proposal. Exhibits 6, 7, 8, 9, 10 Questions and discussion interspersed. TAPE 141 SIDE A 002 TERRY DRAKE continued his review of School Finance Simulations. Questions and discussion interspersed. 057 CHAIR HOSTICKA questioned a \$10 million difference in totals for Coalition A and Coalition B Simulations. Exhibit 10, page 8 071 Questions and discussion regarding \$10 million difference as pointed out by Chair Hosticka. 103 TERRY DRAKE responded to Chair Hosticka and pointed out that Coalition B is a "richer plan" than Coalition A under existing law. 107 TERRY DRAKE explained urban renewal data is not available to include in simulations. 114 CHAIR HOSTICKA conducted administrative business and adjourned the meeting at 11:07.

Linda Leach, Committee Assistant Kimberly Taylor , Office Manager

EXHIBIT SUMMARY 1. Blackboard Illustration, 3/29/91, LRO - SB 815 2. Senate Bill 815 Major Policy Summary, 3/29/91, LRO - SB 815 3. Testimony

from Confederation of Oregon School Administrators, Ozzie Rose, 3/29/91
- SB 815 4. Blackboard Illustration, Comparisons SB 815 and Coalition
Proposal, 3/29/91, LRO - SB 815 5. Lane County's 1991-92 Estimate of HB
2550 Impact, 3/27/91, LRO - SB 815 6. School Finance Simulation Run # SB
815 - A, 3/28/91, LRO - SB 815 7. School Finance Simulation Run #
Coalition - A, 3/28/91, LRO - SB 815 8. School Finance Simulation Run #
SB 815 - B with \$20.3 million severance tax reserve, 3/28/91, LRO - SB
815 9. School Finance Simulation Run # Coalition - B with \$20.3 million
severance tax reserve, 3/28/91, LRO - SB 815 10. School Finance
Simulation Run# SB 815 and Coalition Comparisons, 3/28/91, LRO - SB 815