

SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

February 18, 1991

1:00 PM Hearing Room A State Capitol Building

Members Present: Senator Jane Cease, Chair Senator Joan Dukes, Vice Chair Senator John Brennehan Senator Shirley Gold Senator Ron Grensky Senator Bill McCoy Senator Tricia Smith

Staff Present: Terry Drake, Senate Revenue Office
Mary Ann Zimmermann, Committee Assistant

Witnesses Present: Janet Neuman, Acting Director Division of State Lands
Pam Wiley, Deputy Director Division of State Lands Karen Brazeau,
Department of Education
Gil Riddell, Association of Oregon Counties
John Marshall, Oregon School Boards Association (OSB A)
Dale Penn, Oregon District Attorneys Association Roger Kirchner, State
Treasury Office

TAPE 45, SIDE A

005 CHAIR CEASE called the meeting to order at 1:15 P.M. and conducted administrative business.

PUBLIC HEARING - SB 237

018 TERRY DRAKE reviewed SB 237 referring to a Revenue Analysis of Proposed Legislation. A historical look at the Common School Fund was addressed explaining the income from the fund is dedicated to schools with only the investment earnings being distributed. EXHIBIT 1

035 TERRY DRAKE referred to a 1987 Legislative decision taking administrative costs of the fund from the income flow rather than principle. Another decision allowed the investment of these funds into the stock market rather than interest bearing funds in an attempt to build up principle.

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048 TERRY DRAKE explained SB 237 says the State Land Board can reinvest rather than distribute the dividend earnings that will be accruing from moving into stocks. Currently the dividend earnings are required to be distributed.

077 SEN. MCCOY asked how much was given to the schools every year. The response was about 14.3 million dollars.

081 TERRY DRAKE pointed out the main source of income for the Common School Fund is timber.

092 JANET NEWMAN addressed how SB 237 is meant to augment the process in the 1987 Constitutional and statutory change allowing the Division of State Lands to alter the way investment was done with the Common School Fund.

110 JANET NEWMAN explained SB 237 adds to investment discretion of the Land Board the dividend income from stock. The Land Board would have increased flexibility with the aim of allowing further growth in the principle and further distribution over time to the school districts.

121 PAM WILEY referred to a flow chart depicting the change SB 237 is addressing. EXHIBIT 4

150 PAM WILEY presented five guidelines established by the Land Board on how to treat capital gains, dividends and the level of stock investment.

EXHIBIT 3

168 PAM WILEY reviewed how SB 237 gives the State Land Board the same discretion with respect to dividend income as it currently has with capital gains. The precise effect this will have on school districts is hard to predict because the earnings made within the last year are unknown. Only about 2 percent of the principle is currently invested in stocks.

186 PAM WILEY mentioned that when this Constitutional amendment went into affect in 1989 there was a significant effect in taking operating expenses out of distributable income causing concern of the school districts.

194 SEN. MCCOY asked how much in terms of dollars was removed.

197 PAM WILEY referred to a chart illustrating Common School Fund distribution. EXHIBIT 5

209 JANET NEWMAN clarified the term "contribution" means revenue or income and the primary contribution is timber sales receipts.

216 SEN. MCCOY asked if a separate fee has to be paid when the State Treasurer goes out to sell the bonds.

223 ROGER KIRCHNER responded that the treasury is funded by fees assessed on invested funds which are earned early in each biennium and

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would reflect insignificantly on the amount of money being addressed. The answer regarding a separate fee will be researched and brought back to the Committee.

247 JANET WILEY concluded by emphasizing SB 237 requires nothing to happen to the dividend income but is a flexibility provision for the Land Board to reinvest or to distribute funds with no Legislative, financial impact.

269 CHAIR CEASE questioned line 10 of SB 237 regarding administrative costs of the State Parks and Recreation Department.

390 TERRY DRAKE referred to statutes 390.715 and 390.725 which clarified reference to the ocean shoreline which is jointly managed by both agencies.

310 JOHN MARSHALL shared concerns regarding the Common School Fund and the changes brought about by SB 237 in regard to distribution. The unstability of school finance causes concern when the flow of income is affected. It was suggested for OSB A and the Division of State Lands to evaluate economic projections in relation to the Common School Fund.

400 Discussion and questions follow regarding Common School Fund effect on the decided school distribution formula.

418 CHAIR CEASE asked the Division of State Lands to meet with OSB A and get back to the Committee before the work session on SB 237.

425 CHAIR CEASE closed the hearing on SB
237

PUBLIC HEARING - SB 441

TAPE 46 SIDE A

016 TERRY DRAKE pointed out that SB 441 has a revenue but no fiscal impact. A historical presentation was given displaying the various revenue sources that come into the County School Fund.

038 TERRY DRAKE referred to a blackboard illustration displaying the different sources of revenue. The requirement of the county to raise a certain amount of money to be distributed to individual school districts was addressed. EXHIBIT 6

057 TERRY DRAKE presented a list of state statutes which are revenue

sources for the County School Fund with the Federal Forest Fund being the largest. EXHIBIT 6

096 Discussion and questions follow regarding the various sources of revenue for the County School Fund. It was pointed out that the total amount of money coming from these sources is about \$40-45 million. Reference was made to the possibility of some of the sources being outdated.

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133 TERRY DRAKE explained how SB 441 removes the requirement of the county to contribute the ten dollar per child or the 1965 levy amount. The depicted statutes would be covered by money raised from other laws.

191 GIL RIDDELL supported SB 441 and explained the Attorney General opinion on Measure 5 provided the county to levy the required money allowing it to fall under the school funding category in Measure 5.

214 The effect on some specific counties was addressed.

228 GIL RIDDELL suggested an amendment on line 21 of SB 441 referring to a drafting error and inserting the phrase "and dedicated to schools" after the word "county" in line 20.

243 SEN. SMITH asked what is the anticipated impact on a county that has in the past levied property taxes and does not have access to the other sources of revenue listed in Exhibit 6. Would those counties be required to take the money out of their portion of the 10 dollars?

257 GIL RIDDELL responded that the county would have the option of placing the required amount of money in either the school or non-school category. Measure 5 imposes the requirement on counties to contribute to the school fund and the money would probably come from the General Fund. SB 441 removes the requirement of a specific contribution from a county to the County School Fund.

277 SEN. DUKES addressed counties having a levy specifically for the County School Fund with the proportion under Measure 5 still being distributed to schools.

284 GIL RIDDELL explained SB 441 would remove the requirement that the counties provide a specific dollar amount to the County School Fund.

288 Discussion and questions follow regarding the legality of removing funds that have been approved by voters through a levy. The intent of SB 441 was addressed.

330 SEN. DUKES asked if SB 441 would affect a levy passed by a county to meet their obligations under a County School Fund.

337 TERRY DRAKE suggested more research is necessary and obtaining data on what each county is levying.

362 SEN. DUKES felt the County School Fund could possibly be eliminated because the funds are automatically distributed instead of being held.

397 GIL RIDDELL emphasized the need to sort out the issue of contribution of County General Fund to schools due to Measure 5.

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TAPE 45 SIDE B

007 KAREN BRAZEAU recapped the patch work system developed for funding Special Education with reference to the County School Fund being one of the pieces of the patchwork. The four state operated Special Education programs that are recipients of the Fund were addressed.

025 KAREN BRAZEAU pointed out in some instances the billing for Special Education goes to the Handicapped Child Fund.

043 KAREN BRAZEAU suggested that until more answers are before the Committee in terms of specific revenues and billings that no decision be made on SB 441.

052 SEN. DUKES asked if it make sense to fund Special Education out of the County General Fund.

055 KAREN BRAZEAU responded to the nonsensical way Special Education is funded and felt more information is needed before SB 441 is considered.

077 SEN. GOLD discussed considering a bill of this kind cannot be considered within itself as a state wide issue but needs to be tied in with other bills going on in the Legislature.

092 CHAIR CEASE pointed out that the staff will provide a county by county distribution and dollar amount along with a breakdown of where the money for the County School Fund came from county by county.

103 JOHN MARSHALL urged the Committee to look at the county numbers to see exactly where the County School Fund comes from and how much goes out to the Special Education programs giving perspective on the dollars and sources involved.

111 DALE PENN addressed the issue involved in the drafting of line 21 in SB 441 . A suggested amendment to SB 441 was presented to the committee.

EXHIBIT 9

133 CHAIR CEASE closed the hearing on SB 441.

136 CHAIR CEASE adjourned the meeting at 2:25 P.M.

Mary Zimmermann, Committee Assistant
Kimberly Taylor, Office Manager

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EXHIBIT SUMMARY

1. Revenue Analysis of Proposed Legislation, LRO, 2/18/91 - SB 237
2. SB 237 Status Display, LRO, 2/15/91 - SB 237
3. Testimony of-Janet C. Neuman, Division of State Lands, 2/18/91 - SB 237
 4. Flow Chart, Division of State Lands, 2/18/91 - SB 237
 5. Bar Graphs, Division of State Lands, 2/18/91 - SB 237
 6. Blackboard Illustration, LRO, 2/18/91 - SB 441
 7. SB 441 Status Display, LRO, 2/15/91 - SB 441
8. Fiscal Impact Assessment, Legislative Fiscal Office, 2/15/91 - SB 441
9. Amendment to SB 441, Oregon District Attorneys Association, 2/18/91 SB 441
10. Oregon Economic Indicators, LRO, 2/18/91 - Miscellaneous

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