

Tapes 47-48, (A\B)
Work Session -
School Distribution
SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

February 19, 1991

1:00 PM Hearing Room A State Capitol Building

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

Staff Present: Jim Scherzinger, Legislative Revenue Officer
Mary Ann Zimmermann, Committee Assistant

Witnesses Present: Jim Brown, Department of Revenue

TAPE 47. SIDE A

005 CHAIR CEASE called the meeting to order at 1:18 P.M. and conducted administrative business.

030 JIM SCHERZINGER presented a draft for a Long Term Formula explaining the various policy goals to be addressed for distributing school funds.

EXHIBIT 1

055 SEN. BRENNEMAN suggested rewarding a district willing to take risks and assume higher goals be worked into a formula.

065 It was clarified that changes and additions will be discussed after the bill is introduced.

071 JIM SCHERZINGER explained how Section 2 and 3 repeals the existing Basic School Support formula. Section 4 addresses the effective date of the formula being the second year of the biennium. EXHIBIT 1

080 JIM SCHERZINGER clarified Exhibit 1 is a statement of purpose and repealing needs.

095 JIM SCHERZINGER presented an explanation of the tax calculation in HB 2550 as an introduction to the second proposed draft which is a first year formula. EXHIBIT 2

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105 JIM SCHERZINGER explained the first year formula depends on how much revenue a district lost from Measure 5. The question of how to calculate that loss is addressed.

115 JIM SCHERZINGER presented a list of policy changes in HB 2550 explaining the unclarity of the impact on state replacement obligations. EXHIBIT 4

115 JIM SCHERZINGER discussed how a district calculates it's tax levy under current law. EXHIBIT 2

175 JIM SCHERZINGER explained the district tax calculation under Measure 5 in HB 2550. The process is the same as under current law but there are no offsets which is a policy issue to be decided by Legislation. EXHIBIT 2

185 SEN. BRENNEMAN asked about the philosophy of eliminating the offsets.

188 JIM SCHERZINGER responded that it does not matter if taxes are offset or not in districts over the Measure 5 limit and the offsets in districts under the limit create more revenue. Discussion follows regarding the offsets.

206 SEN. BRENNEMAN commented on circumventing Measure 5 and producing more revenue could cause trouble with the taxpayers.

217 SEN. GRENSKY questioned if the offsets are something to be negotiated under Ballot Measure 5. It was clarified that the offsets are statutory.

238 JIM SCHERZINGER reviewed that in HB 2550 there are no offsets and the certified levy is the same to calculate tax rate extended to property. Reference is made to the amount the districts lose under Measure 5.

260 CHAIR CEASE asked if HB 2550 addresses the process of certification of the amount lost and a time certainty.

263 JIM SCHERZINGER responded that there is a process in the measure for certification of the amount lost but reference is made to the state replacement obligation for lost revenue due to Measure 5.

290 Discussion and questions follow regarding amount lost to districts over the Measure 5 limit. Emphasis is on necessary adjustments depending on the policy decision in calculating the lost tax revenue made in HB 2550.

310 JIM SCHERZINGER addressed meeting the state revenue obligations for districts under the Measure 5 limit.

326 Discussion and questions follow regarding the tax calculation in reference to state replacement for schools.

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371 JIM SCHERZINGER explained the calculation of the minimum state replacement for schools in 1991-92. EXHIBIT 2

408 JIM SCHERZINGER, referring to a blackboard illustration, presented the calculations done in the Legislative Revenue Office research report depicting the 1990-91 school operating property taxes. EXHIBIT 3

TAPE 48 SIDE

A

008 Discussion and questions continue regarding tax calculation for state revenue replacement.

049 JIM SCHERZINGER presented a summary of policy issues that could effect the state replacement revenue figures. EXHIBIT 4

070 JIM SCHERZINGER explained that if a formula was adopted based on lost revenue then the additional revenue obtained from higher value growth will reduce the state's obligation. Value growth directly affects the state obligation more than the amount going to schools from property tax.

080 Discussion and questions follow regarding the state replacement obligation.

102 SEN. GRENSKY suggested inserting language into HB 2550 in which the state assumes an increased assessed value for areas that have not reassessed their properties.

115 JIM SCHERZINGER referred HB 2338, passed in the 1989 Legislative Session, which increased the funding in the assessor's office and required the Department of Revenue to thoroughly review the assessment process.

123 JIM BROWN responded that HB 2338 funding began in July, 1990 so figures are not available. The Committee was reminded that the funding for HB 2338 may be affected as property taxes go down under Measure 5 because a main source for funding the bill is increased interest rate on delinquent taxes.

138 CHAIR CEASE questioned since there has not been a Constitutional

requirement for real market value, is there a possibility of a lawsuit for delinquent counties.

146 JIM BROWN responded that now many districts are in a rate based system which loose money when assessments get behind causing some basis for court action.

158 JIM SCHERZINGER recapped the kinds of policy decisions in the HB 2550 summary of revenue impacts. A correction was made deleting "minimal replacement effect" dealing with the line, "assume all taxpayers pay urban renewal 'levy'". EXHIBIT 4

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167 JIM SCHERZINGER addressed the other taxes and charges which were not analyzed in the Measure 5 Research Report (RR390). EXHIBIT 4

179 JIM SCHERZINGER presented the first year formula proposal now being drafted by Legislative Counsel. EXHIBIT 5

183 CHAIR CEASE described the draft which has no dollar amount but assumes a distribution of Basic School Support under the current frozen formula at whatever level is agreed upon by the House and Senate. Ten percent is taken off the top of the property tax dollar for dollar replacement and put into low spending districts.

215 CHAIR CEASE counted those senators not present at 2:00 P.M. as being absent including: Senators Smith, Brenneman, Dukes, Grensky, and Gold.

212 JIM SCHERZINGER discussed the proposed first year formula as distributing the basic school support in the same manner as the 1990-91 formula with adjustments for student population change and for inflation. The establishment of the Public School System Replacement Fund was addressed.

288 JIM SCHERZINGER pointed out the need to determine how much is lost as well as the formula itself.

299 CHAIR CEASE relented on counting the Senators' absent today but they will not be excused while working on a distribution formula.

325 CHAIR CEASE asked for a list of policy decisions that should be addressed by the Committee and issues to be included in HB 2550.

332 JIM SCHERZINGER explained the difficulty will be in trying to construct a formula without knowing what policy decisions will be made in HB 2550. Reference was made to the massive undertaking in going through HB 2550 and the timeline involved.

380 CHAIR CEASE recommended making some assumptions about the HB 2550 policy decisions and as the process moves along changes will need to be made.

402 Reference is made to receiving the requested information regarding school funding systems in other states. Some of the information has been returned but involves long term information.

423 CHAIR CEASE felt dealing with a first year formula is more urgent.

436 JIM SCHERZINGER presented a joint press release by the President of the Senate and Speaker of the House dealing with the level of Basic School Support. EXHIBIT 6

TAPE 47 SIDE
B

040 SEN. SMITH questioned if the same percentage was being assumed for

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each district in the first year formula. Discussion follows regarding the percentage distribution. EXHIBIT 5

052 CHAIR CEASE reminded the Committee the suggested first year formula was in Legislative Counsel for drafting but the decisions will still need to be made by the Committee.

076 JIM SCHERZINGER addressed policy issues the Committee needs to decide on including the frozen basic formula with a minimum disruption goal at the level of appropriation.

091 Discussion and questions follow regarding the least amount of disruption for all districts. Reference was made to policy decisions that need to be addressed by the Committee.

130 SEN. GRENSKY asked if the Committee would consider a bill in which the Legislature would fund Basic School Support at a level exceeding the amount indicated in the joint press release. EXHIBIT 6

139 Discussion follows regarding bills with subsequent referral to the Ways and Means Committee.

165 SEN. GRENSKY questioned discussing replacement dollars and not Basic School Support at the same time.

172 SEN. SMITH commented the Committee's goal is to develop a formula no matter what the level of Basic Support is this biennium.

182 SEN. GRENSKY addressed the separate issues of having two formulas.

195 SEN. DUKES felt a long term formula can be decided on to apply to the first year of the 1991-92 biennium.

224 SEN. SMITH referred to a fallback position of using the first year formula if the attempt of adopting a long term formula will not happen during this session. Preference was to work on a long term formula.

238 SEN. GOLD felt developing a first year formula has nothing to do with completing a long term formula. A first year formula must be developed and then move on to a long term formula with the time span allowed in the Legislature.

262 Discussion and questions follow regarding which formula to begin working on first.

315 SEN. BRENNEMAN voiced concern about areas of the state that have kept rates down for a long period of time could be treated unfairly in a first year formula and maybe it would be more equitable to work on a long range formula.

340 Discussion follows regarding the equity issue in relation to a first year formula.

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378 CHAIR CEASE supported the idea of getting the first year formula established and then concentrate on the long term formula.

385 SEN. GRENSKY asked if a long term formula could be operable by May 1, 1991.

397 CHAIR CEASE felt a long term formula would be impossible because of lack of funds to make it work and the more theoretical the long term formula the easier to agree but the clash will be in the second year.

414 CHAIR CEASE focused on looking at both types of formula with a first year formula addressing the immediacy of distribution.

TAPE 48 SIDE

B

030 SEN. SMITH commented on the political reality of making a decision but would like to address equal access to education for the children of Oregon and dollar for dollar replacement does not address equality.

037 CHAIR CEASE addressed the issue regarding meeting attendance.

062 CHAIR CEASE adjourned the meeting at 2:47 P.M.

Mary Ann Zimmermann, Committee Assistant
Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Long Term Formula, LRO, 2/19/91 - School Distribution
 2. Tax Calculation, LRO, 2/19/91 - HB 2550
 3. Blackboard Illustration, LRO, 2/19/91 - HB 2550
 4. HB 2550 Summary of Revenue Impacts, LRO, 2/11/91 - HB 2550
 5. First Year Formula, LRO, 2/19/91 - School Distribution
 6. Joint Press Release, President of the Senate & Speaker of the House, 2/12/91 - School Distribution
 7. Fiscal Impact Assessment, Legislative Fiscal Office, 2/18/91 - SB
- 237

T quotation marks

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