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General Fund Revenue Forecast Work Session: SB 815, SB 814

SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

February 28, 1991

1:00 PM Hearing Room A State Capitol Building

Members Present: Senator Jane Cease, Chair Senator Joan Dukes, Vice Chair (arrived 1:40) Senator John Brenneman Senator Shirley Gold Senator Ron Grensky Senator Bill McCoy (arrived 1:31) Senator Tricia Smith

Staff Present: Jim Scherzinger, Legislative Revenue

Officer

Terry Drake, Legislative Revenue Office

Mary Ann Zimmermann, Committee Assistant

Witnesses Present: Chris Dudley, Oregon School Boards Association (OSB A) TAPE 59. SIDE A

005 CHAIR CEASE called the meeting to order at 1:19 P.M. and conducted administrative business. It was announced that the General Fund Revenue Forecast presentation would be bypassed today.

WORK SESSION - SB 815

011 JIM SCHERZINGER referred to the SB 815 Issue List recalling the Committee had been working on the second issue of Amount and Source of Equalization. EXHIBIT 1

030 CHAIR CEASE reviewed the Committee's decision to distribute the Basic Funds in the same manor as the previous year and the computer runs presented today assume it is the level of \$602 with the state replacing \$367 million for dollar property tax and the local value growth would be the factor with the \$30 million from value growth going into equity on the basis of a target of 90 percent of the median and getting up to 75 percent of that. If the value growth does not produce a savings in the General Fund of the \$30 million then the difference between \$30 million and whatever less was needed would come out of the dollar for dollar replacement cost.

059 TERRY DRAKE explained the loss of funding in some districts is due to the frozen formula for Basic School Support reflecting a decline in enrollment. Examples were addressed. EXHIBIT 3

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107 TERRY DRAKE pointed out a labeling error under the 3E column in Exhibit 2. It should read \$30 million instead of \$20 million. The difference between the 3E column and 3C column was discussed. 3C is the simulation of the system being considered by the Committee with the unknown being how much percentage dollar per dollar relief. The 3E column assumes the availability of 95 percent replacement. EXHIBIT 2

115 TERRY DRAKE explained the second computer run which gives the detailed summary of 3C depicting the gains and losses and percentages. EXHIBIT 3

120 TERRY DRAKE presented the third computer run which gives the detail for 3C containing the Basic and Ballot Measure 5 Levy, Replacement and Special Equalization components all compared to the 1990-91 figures. EXHIBIT 4

125 TERRY DRAKE explained the fourth computer run which gives the detailed components for the 3E simulation. EXHIBIT 5

155 JIM SCHERZINGER presented Draft 3-C which offer recommendations on the SB 815 Issues List (Exhibit 1) EXHIBIT 6

160 CHAIR CEASE pointed out that it has already been decided that the Basic formula in Section 1 of SB 815 remains the same.

168 JIM SCHERZINGER read Section 3 in Draft 3-C. Discussion is interspersed. EXHIBIT 6

210 SEN. SMITH asked for clarification of Section 3, Sub 2.

215 JIM SCHERZINGER explained the funds referred to in Section 3, Sub 2 is the Elementary and Secondary school account which is replacing lost revenue in the district (Replacement Pot) and the Special Equalization account is the Equalization Pot.

239 JIM SCHERZINGER depicted Section 3 in a blackboard illustration. EXHIBIT 7

247 SEN. SMITH asked where the value growth money would be in relation to the blackboard illustration.

252 JIM SCHERZINGER explained the value growth money is local property tax dollars going to schools so it is not in the replacement fund depicted in Exhibit 7. The appropriation of \$197 million is explained. \$167 is placed in the Elementary and Secondary (E & S) and the \$30 million goes into the equity portion. If more money than \$167 is needed, \$30 million will go to equalization and if the Constitutional requirement is not met then money will come out of Basic.

323 It is clarified that the blanks in Section 3 of Draft 3-C will be determined after the passage of HB 2550.

360 Reference is made to HB 5063 which addresses appropriation.

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394 JIM SCHERZINGER recapped that the SB 815 issue of Amount and Source of equalization is laid out in Section 3. EXHIBIT 6

415 CONSENSUS CHAIR CEASE asked if there was any objection to Section 3 in Draft 3-C.

TAPE 60 SIDE A

000 DISCUSSION

009 SEN. GRENSKY voiced objection because the equalization amount should be greater than \$30 million.

023 SEN. BRENNEMAN objected because he feels more should go into Basic.

040 SEN. GRENSKY asked for clarification of Section 3, Sub 2.

046 JIM SCHERZINGER explained Section 3 with reference to the blackboard illustration. EXHIBIT 7

070 SEN. GRENSKY objected to taking the necessary money of out Basic but feels it should come out of General Fund instead.

075 JIM SCHERZINGER explained the appropriation bill (HB 5063) is worded that if there is not enough money to meet the obligation, it comes out of Basic.

084 Discussion follows regarding it being better policy to have the amendment drafted by adhering to the wording in HB 5063.

102 It was felt there would be sufficient funds for the first year.

108 ORDER CHAIR CEASE noted the objections to Section 3 of Draft 3-C amending SB 815 and so ordered.

114 JIM SCHERZINGER noted the next issue on the list in Exhibit 1 which deals with the shape of the equalization formula and is referenced to Section 5 of Draft 3-C.

118 JIM SCHERZINGER read Section 5 of Draft 3-C. EXHIBIT 6

125 CONSENSUS CHAIR CEASE asked if there were any objections to Section 5 of Draft 3-C amending SB 815.

130 ORDER There being no objection, CHAIR CEASE so ordered.

139 JIM SCHERZINGER referred to the next area dealing with the replacement account for Elementary and Secondary schools. The issues of how to define how much a district loses and limitations were discussed. This issue is dealt with in Section 7 of Draft 3-C. EXHIBIT 6

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187 SEN. DUKES questioned the wording in Section 7, "106 percent of the total taxes imposed by these districts in 199091." and how that affected the offsets.

196 JIM SCHERZINGER felt the question of offsets will have to be defined when dealing with revenue lost.

200 JIM SCHERZINGER explained Section 7 is attempting to define the statewide obligation for replacement. How offsets will be handled will depend on decisions made on HB 2550.

215 Discussion and questions follow regarding the offset issue.

243 SEN. SMITH questioned the process of dealing with the offset issue prior to the passage of HB 2550.

257 SEN. GRENSKY echoed the concern regarding offsets and suggested including the condition that in the event offsets are repealed by the Legislature the amount set aside for replacement dollars and equalization would be increased.

276 Discussion continues regarding the offset issue.

295 JIM SCHERZINGER presented a conceptual amendment to be included in the drafted amendments to SB 815 with regard to the statewide calculation that if offsets are repealed then the state obligation will be appropriately adjusted.

326 SEN. GOLD wanted to see the drafted language before it is incorporated into SB 815.

330 CONSENSUS CHAIR CEASE saw no objections to Section 7 of Draft 3-C amending SB 815.

331 ORDER There being no objection, CHAIR CEASE so ordered.

333 JIM SCHERZINGER explained that on a district by district basis money is sent out in proportion to the calculated amount lost by each district creating higher levy incentives. The Committee has the option of drafting into the SB 815 how the money should be distributed. Questions are interspersed.

370 SEN. SMITH addressed those districts who passed levies in September or November, prior to the passage of Measure 5, should be allowed to include this levy in this formula. It was explained that an option could be included in the draft. Questions are interspersed.

TAPE 59 SIDE B -

011 CHRIS DUDLEY explained it is the opinion of OSB A not to limit districts ability to seek voter approval of property tax in the amount they deem necessary to keep their programs at a reasonable level.

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022 SEN. SMITH reviewed that Section 7 only deals with the lost revenue as a result of Measure 5 so the districts not at the \$15 dollar limit would not be affected by this issue. The levying authority is not the issue.

029 CHRIS DUDLEY explained the liability can be capped at 6 percent.

049 SEN. SMITH feels anything levied through the November 1990 election should be replaced. It was voiced as being reluctant to replace dollars that districts levied over the limit after the November 1990 ballot.

064 CHRIS DUDLEY rebuked the indication that districts are seeking levy approval to enhance their share of the \$15 dollar limit.

075 SEN. SMITH voiced interest in replacing an individual districts up to 6 percent and if they vote 7 percent then the district will have to pay the additional percentage.

080 SEN. DUKES questioned the proportionate distribution of replacement dollars.

114 CHRIS DUDLEY explained the first preference would be if the liability is capped at 6 percent growth then districts would be able to seek voter approval and if that levy increase growth is more than 6 percent then figure a prorate deduction for each district.

125 SEN. DUKES addressed replacement distribution being larger for districts having the levy approval.

145 CHRIS DUDLEY believes the state needs to guard against the total liability and a limit needs to be placed. The assumption is that levies statewide are going up 6 percent so the question is can any district ask for levy increase. OSB A prefers not to set a percentage limit on what a district can ask for, but set the limit on what the obligation will be.

187 SEN. SMITH reviewed the understanding that every district would get the 6 percent regardless of having a tax base which is a reasonable allowance.

217 CHRIS DUDLEY addressed two Constitutional limits, one limits the levying authority and the other is the limitation that can be extracted from the property tax payer.

230 JIM SCHERZINGER explained the proportionate lost revenue with reference to a blackboard illustration. The issue is to prevent fluctuation by fixing the proportion that was in the 1990-91 year. EXHIBIT 8

258 CHAIR CEASE felt the Committee wants to fix the proportion.

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260 SEN. SMITH wanted to fix the proportion at the level the voters decided it would be prior to knowing that Measure 5 passed. Levies that passed in November should be considered.

266 JIM SCHERZINGER recapped the issue of what about districts that have no growth but would receive 6 percent replacement.

300 MOTION SEN. DUKES moved, in concept, to accept the amendment in which the state's obligation shall not exceed 106 percent of what the districts were getting in the 199091 year.

305 ORDER There being no objection, CHAIR CEASE so ordered.

314 SEN. GOLD asked for assurance that SB 815 would not create any additional demands on the General Fund in reference to the Timber Severance.

334 JIM SCHERZINGER explained the effect of removing offsets from the state obligation. It was pointed out that the House Revenue and School Finance Committee decided to keep the offsets. Two schools of thought was addressed

in relation to the state obligation in reference to offsets. EXHIBIT 8 -
390 SEN. GOLD referred to the clarity of a one year formula not being a
precedent for a long term formula.

TAPE 60 SIDE B

018 SEN. DUKES voiced concern in addressing the Western Oregon Severance
Tax in which the timber companies obligation was reduced because of ballot
Measure 5 which means schools will receive less because of less offsets.

035 CHAIR CEASE voiced the Committee's agreement with Sen. Duker concerns.

039 SEN. GRENSKY referred to the March 1 deadline and pointed out that only
an estimate is necessary by March 1 and also the deadline refers to Basic
School Support and not replacement dollars. The concern of rushing
decisions to meet a deadline which is not necessary was addressed.

052 JIM SCHERZINGER referred to the next issue listed in EXHIBIT 1 which
deals with a possible shortage in the replacement fund.

060 CONSENSUS CHAIR CEASE asked if there was an objection to taking
necessary funds from the Basic School Support if there is a shortage in the
replacement fund.

061 ORDER There being no objection, Chair Cease so ordered.

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063 JIM SCHERZINGER addressed the next issue being, if there is an excess
beyond the \$30 million dollar equity need and replacement fund need, then
the excess is placed into the next year's replacement fund. Discussion and
questions are interspersed.

075 CONSENSUS CHAIR CEASE asked if there was an objection to placing excess
funds, beyond the \$30 million equity need and replacement fund need, into
the next year's replacement fund.

078 ORDER There being no objection, CHAIR CEASE so ordered.

079 It was explained that the Education Service Districts are addressed in
the same manner that the K-12 is handled.

083 JIM SCHERZINGER read Section 6 in Draft 3-C dealing with Community
Colleges. EXHIBIT 6

099 CONSENSUS CHAIR CEASE asked for objections to treating the Community
College funds in the same way the K-12 funds are treated if the amount is
less than the amount due.

101 ORDER There being no objection, CHAIR CEASE so ordered.

102 JIM SCHERZINGER explained the Community College Account is distributed
by the rule of the office of Community College Services and if the amount
is not enough it is pulled out of Community College aid. It was pointed out
that more money can not be adopted for Community Colleges unless it is
approved by the Ways and Means Committee.

120 MOTION SEN. DUKES moved to adopt Section 6 in Draft 3-C amending SB
815 . EXHIBIT 6

121 ORDER There being no objection, CHAIR CEASE so ordered.

123 It was pointed out that Legislative Counsel would write the bill in the
appropriate way to handle references.

130 JIM SCHERZINGER referred to the list of SB 815 issues with reference to
Type of Appropriation which deals with the fact that the way Appropriation
is handled in the Ways and Means Committee is important to SB 815.

135 JIM SCHERZINGER explained that the way SB 815 is drafted creates a
replacement fund outside of the General Fund which has it's own interest
earning.

140 CONSENSUS CHAIR CEASE asked for objection to handling the replacement
fund in the same way as Basic School Fund in that any interest earnings be

placed into the General Fund.

140 ORDER There being no objection, CHAIR CEASE so ordered.

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146 CHAIR CEASE questioned looking at the actual language of SB 815 or moving the bill out today and looking at the language of the bill after it has been moved out of the Committee.

157 JIM SCHERZINGER reviewed the offset language would say the 6 percent would be from the certified levy and the state obligation would not exceed 106 percent of the total taxes certified by the districts less any taxes imposed by the districts at any revenue received as offset.

167 SEN. GOLD asked who would be paying.

170 JIM SCHERZINGER recapped the state obligation would be the full certified levy of the district, plus 6 percent, minus any amount raised by Measure 5, and minus any amount offset against that certified levy.

180 SEN. GOLD clarified this is a one year obligation and if timber money goes to the state that would create additional money for the state to meet the obligation. Discussion follows.

190 CONSENSUS CHAIR CEASE acknowledged consensus of the Committee to adopt the state obligation being the full certified levy, plus 6 percent, minus any amount raised by Measure 5, and minus any amount offset against that certified levy.

195 MOTION SEN. SMITH moved SB 815 to the Senate Floor as amended in wording and concept with a do pass recommendation.

200 VOTE In a roll call vote, the motion was adopted. (5-2)

AYES: Senators McCoy, Smith, Gold, Dukes, Cease.

NAYS:

Senators Brenneman, Grensky.

205 SEN. GRENSKY served notice of the intent to file a minority report.

210 CHAIR CEASE will carry SB 815 to the floor.

211 CHAIR CEASE adjourned the meeting at 3:00 P.M.

Mary Ann Zimmermann, Committee
Assistant

Kimberly Taylor, Office Manager

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EXHIBIT SUMMARY

1. SB 815 Issues, LRO, 2/27/91 - SB 815
2. Short Term School Finance Simulation Run Summary #3-C & #3-E, LRO, 2/28/91 - SB 815
3. Short Term School Finance Simulation Run Summary #3-C, LRO, 2/27/91 SB 815

4. School Finance Simulation #3-C, LRO, 2/27/91 - SB 815
5. School Finance Simulation #3-E, LRO, 2/28/91 - SB 815
6. Draft 3-C, LRO, 2/28/91 - SB 815
7. Blackboard Illustration, LRO, 2/28/91 - SB 815
8. Blackboard Illustration, LRQ, 2/28/91 - SB 815
9. Forecast Summary March 1991, LRO, 2/28/91 - General Fund Revenue

Forecast

10. General Fund Revenue Statement 1989-91, Executive Department, 2/28/91 - General Fund Revenue Forecast
11. Oregon General Fund Revenue and Economic Forecast Summary, Executive Department, 2/28/91 - General Fund Revenue Forecast
12. Oregon Economic and Revenue Forecast, Executive Department, 2/28/91 - General Fund Revenue Forecast

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