

**REVENUE:** Revenue statement issued

**FISCAL:** Fiscal statement issued

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**Action:** Do Adopt the A-Engrossed Measure  
**Vote:** 3 - 2 - 0  
**Yeas:** Burdick, Metsger, Devlin  
**Nays:** Boquist, Ferrioli  
**Exc.:** -  
**Prepared By:** Erin Seiler, Administrator  
Jim Stembridge, Committee Staff  
**Meeting Dates:** 6/2, 6/17

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**WHAT THE MEASURE DOES:** Revises Oregon Constitution to exempt local taxing districts from Constitutional limitations on bonded indebtedness beginning January 1, 2011, if bonded indebtedness is incurred to finance capital costs and there is approval by the people at May 2010 primary election. Allows state to incur indebtedness to provide matching funds to school districts to finance capital costs. Requires that bond proceeds be used to match school district general obligation bonds approved by voters for capital costs. Provides for repayment of bonds. Prohibits use of bond proceeds for operating costs of school districts. Specifies that indebtedness must be incurred as general obligation bonds. Transfers moneys from school capital matching subaccount to school capital matching fund.

**ISSUES DISCUSSED:**

- Impact on school districts
- Changes in definition of capital construction
- Ballot Measure 5 and Ballot Measure 50

**EFFECT OF COMMITTEE AMENDMENT:** No amendment.

**BACKGROUND:** The current school finance system is the legacy of two constitutional property tax measures, Ballot Measure 5 enacted in 1990 and Ballot Measure 50 enacted in 1997. These two measures capped local property taxes and placed responsibility on the state for making up the difference. In response to the measures, the Legislative Assembly increased state funding from less than 30 percent of the state budget in 1990-1991, to about 70 percent in 2001-2002.

Funding for new school buildings remains the primary responsibility of the local school district and is usually financed through bond sales. However, the legislature created a State Facility Grant that became effective in the 1999-2000 fiscal year to be used for classroom equipment outside the bonded debt. This facility grant may be no more than eight percent of construction costs, and the biennial limit was raised to \$25 million beginning in 2007-2009, to be prorated at less than eight percent, if the eight percent of eligible costs exceeded \$25 million during the 2005 Legislative Session.

House Joint Resolution 13-A redirects funding from the school capital matching subaccount to match funds for a broader range of capital expenditures and repay state general obligation bonds issued to provide matching funds. House Joint Resolution 13-A also allows local taxing districts to incur bonded indebtedness to finance capital costs, notwithstanding constitutional property tax limitations.

6/24/2009 8:48:00 AM

*This summary has not been adopted or officially endorsed by action of the committee.*