

REVENUE: Revenue statement issued

FISCAL: Fiscal statement issued

Action: Do Adopt with Amendments to the A-Eng. Measure (Printed B-Eng.)
Signers of the Report: Sen. Boquist and Sen. Ferrioli
Prepared By: Erin Seiler, Administrator
Meeting Dates: 6/2, 6/17

WHAT THE MINORITY REPORT DOES: Revises Oregon Constitution to create personal income tax credit for new full-time and part-time employment positions created by taxpayer, upon approval by the people at next regular election. Apportions credit for each new full-time employment position at \$3,000 and for each new part-time employment position an amount equal to \$3,000 multiplied by total number of full-time positions created. Specifies for receipt of tax credit positions must be filled between July 1, 2009 and December 31, 2009; remain filled for at least 12 consecutive months; and create a net increase in number of full-time positions for June 1, 2009 payroll. Establishes \$10 million maximum for credits allowed to all taxpayers. Sunsets tax credit on January 2, 2013.

ISSUES DISCUSSED:

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

EFFECT OF MINORITY AMENDMENT: Replaces the measure.

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-B redirects funding from the school capital matching subaccount to match funds for a broader range of capital expenditures and to repay state general obligation bonds issued to provide matching funds. If the minority report is adopted, House Joint Resolution 13-B would create personal income tax credit for new full-time and part-time employment positions created by taxpayer.