



Date: March 3, 2015
To: House Revenue Committee, Chair Barnhart and Members
From: Laurie Wimmer, OEA Government Relations
RE: *HB 2672 [Regarding SIP school money abatement]*

On behalf of OEA's 42,000 members, I am honored to support HB 2672, which contemplates a process to reimburse Oregon's State School Fund for property tax losses that result from county Strategic Initiative Program decisions.

Ever since it was enacted in 1993, the economic development tool of property tax abatement through the "SIP" programs has resulted in losses of local property tax revenues to the education sector. The education community has had no voice in these decisions. While fees are set for local governments to receive in lieu of some of the abated property taxes, schools have not formally been similarly accommodated. When the Legislature further developed a plan to reimburse local government losses through 50 percent of SIP recipient employee income taxes – the infamous "gain share" plan – schools were again left out. Finally, whenever those same SIP recipient enterprises receive preferential excise tax treatment through state-level tax breaks, the General Fund is reduced, which thereby cuts the resources available for a more robust State School Fund in still another way. According to the Tax Expenditure Report, fully \$3 billion of economic development tax breaks exist among Oregon's 378 total tax expenditures.

Because of this situation, Oregon has disinvested in its public education system year after year for nearly two decades. Reading the headlines, one learns that our classes are nearly the largest, our school year among the shortest, our absentee rates are high, and our graduation rates are low. The 78th Legislative Assembly is poised to once again fall short of fully funding our schools, because of a lack of sufficient resources. Whenever new tax breaks are added to the list, we further whittle away the money that would otherwise be available for core services such as education, yet hundreds of millions of dollars in new tax breaks are proposed each session, requiring only a simple majority vote to pass. By contrast, to raise revenue, a three-fifths vote is needed, making the refilling of the pot politically unlikely. When local governments also reduce available revenues, this simply exacerbates the problem. We have been told by Legislative Revenue that every local property tax dollar foregone translates to a 33-cent hit to the state General Fund because of how the school funding formula spreads these revenue losses.

We asked for HB 2672 as a way to finally draw a connection between local government abatement decisions and the deleterious impact to public education budgets that such decisions cause. We asked for a plan that would reimburse those property tax losses to the State School Fund by deducting the state pass-through resources those same counties would otherwise receive, to hold harmless our students and the schools that serve them. LC proposed the method found in this version of the bill – use of economic-development lottery dollars, but we have since learned that the fund would reimburse schools just \$1 for every \$10 lost, so an amendment needs to be written that would tap a better-resourced pass-through account. We would also support making this concept a part of a larger conversation on SIP modernization, should this committee designate a work group for this purpose.

Thank you for your support of this common-sense effort to properly fund Oregon's public schools.