

HB 3427 Student Success and Revenue

Co-Chairs Smith-Warner and Roblan, Vice-Co Chairs Smith and Knopp and members of the Committee

The Oregon Women's Rights Coalition wants to commend you on your efforts to strengthen the educational system in Oregon and provide more adequate funding than has been done in the post Ballot Measure 5 decades. It is past time to find funding for education.

As the Coalition for the Common Good reminded the Revenue Subcommittee in February

"1. School operating revenues have not kept pace with growth in personal incomes or real market property values since Measure 5 was approved in 1990.

- Real market values are up 6X since 1990
- Personal income is up about 4X since 1990
- School operating revenue (including ESDs) are up about 3X since the 1989-91 biennium

2. School operating revenues have dropped from 3.8% of personal income in 89-91 to about 2.8% in 17-19.

3. If revenue stayed at the same proportion of income in the absence of Measure 5 (and Measure 50), school operating revenue would be about \$16.3 billion for 17-19 instead of \$12.1 billion -- a difference of \$4.2 billion for the biennium, or over \$2 billion per year."

Source: Paul Warner, PhD., former Oregon Legislative Revenue Officer

Cuts to the education system were not gradual, however.

Under Measure 5 the education funding would gradually ratchet down to \$5 per thousand. The state would replace the reduced property tax dollars. In the 1991-93 LFO budget Measure 5 replacement dollars made up by the state accounted for \$435 million in the State School Fund. The 1993-95 biennium was a different story. The Measure 5 replacement dollars were \$1,460,700,00.... Almost a billion and half dollars. The legislatively approved budget for the

Basic School Fund was \$1,098,200,000 or a \$550,000,000 cut to the service level achieved in the 1991-93 biennium. That \$550 million would be \$890 million in today's dollars.

Cuts were also made to the service levels for the Department of Education, Community Colleges, the Department of Higher Education and the State Scholarship Commission.

In 1994 Ballot Measure 11 was passed with sentencing guidelines that ballooned the public safety dollars and led to major spending on more correctional facilities. The passage put yet another requirement on the state general fund, funded mainly by income taxes.

For 1995-97 the Measure 5 replacement dollars for the State School fund were over \$2.5 billion. After that the Legislative Fiscal office rarely mentions the backfill for property tax so it is difficult from a layperson's access to track the backfill.

By 1998/99 the state share of funding schools had risen to 70% up from the 28% level in 1990/01.

In 2000, with a legislative referral the "Kicker" was put on the ballot and now is in the Constitution.

Other actions affected the legislature's ability to fund education. The legislature made the decision to change how corporate taxes were apportioned for their tax liability in Oregon. Instead of paying based on equal shares of payroll, property and sales in Oregon. The legislature changed so that by July of 2008 corporations paid only on sales in the state.

Over the same time there were many tax credits and property tax exemptions 'to stimulate business'. Some of the tax treatments, in fact quite a few, are connected to Federal credits that then affect Oregon's income taxes, both personal and corporate. Because Oregon is connected to the Federal tax code with a rolling reconnect it takes action by the legislature to disconnect from those Federal actions. There are some that provide some societal benefit but not as many as provide businesses advantages.

When property taxes are exempted, about 41 percent of that exemption is funding for education. There are many exemptions with more on the horizon.

It is 29 years since Ballot Measure 5 this fall. We must find additional funding for the state education system and take pressure off the rest of general fund spending.

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