



March 29, 2013

Co-Chairs' PERS plan heard

The Senate Rules Committee and the House Rules Committee held a special joint hearing this week to hear the details of the plan to modify PERS as crafted by the Co-Chairs of the Ways and Means Committee.

Senate Bill 822 was introduced by the Co-Chairs on Monday, and by Wednesday it had its first hearing before a packed hearing room. The Co-Chairs, Sen. Richard Devlin (D-Tualatin) and Rep. Peter Buckley (D-Ashland), have been working on their proposal for several months and discussed some aspects of their plan when they unveiled their budget for the 2013-15 biennium earlier this month.

Under their plan the Co-Chairs estimate about \$805 million savings in PERS costs for the next biennium. About \$455 million of the cost savings come from changes to the cost-of-living adjustment (COLA) that PERS retirees receive, and eliminating the tax benefit for PERS retirees living out of state. The rest of the savings would come from deferring some of the PERS cost increases into the following biennium by directing PERS to reduce (i.e. "collar") the rate that PERS-covered employers pay into the system by 1.9%.

The bill alters the COLA paid to retirees by establishing a graduated COLA of marginal rates based on the level of a retiree's benefit. Retirees would receive the current 2% increase on their first \$20,000 of retirement income. The COLA would then gradually decrease; 1.5% on retirement income between \$20,001 and \$40,000, 1% on retirement income from \$40,001 to \$60,000, and .25% on all retirement income above \$60,000. To give the PERS agency enough time to implement this new formula, for the first year of the coming biennium the COLA rate will drop from 2% to 1.5% for all retirement income regardless of the amount.

The bill also eliminates the increased benefit that out-of-state PERS retirees receive to pay the Oregon income tax on their PERS pension, even though they do not pay the tax. This provision has been in almost every bill proposed to modify PERS this session and it is estimated that it would save about \$55 million next biennium.

"This is a difficult issue and the reason it is so difficult is because lawmakers are caught between two promises. Retirees were promised decent pensions, and we have promised to fund schools at a level that ensures students in Oregon receive a world class education," Rep. Buckley told the committee. "We cannot keep both promises. Our K-12 education system must be our highest priority. We

need to provide the best opportunities we can for kids and we need to work to ensure we avoid teacher layoffs, larger class sizes and more furlough days."

Sen. Devlin commented, "If we want to begin rebuilding our schools and other services we all count on, we must move quickly to achieve these savings. I hope the Senate and House will act swiftly to enact our proposal so we can turn our attention to the education budget."

In addition to modifying PERS, the Co-Chairs did discuss other aspects of their budget plan. They indicated that while some savings must come from PERS to contain costs, the other side of the equation – raising some revenue – must also be addressed. "This plan asks for upper middle and higher income workers and retirees to make a sacrifice that will help us stabilize PERS and begin to rebuild our schools. At the same time, we found a way to protect lower and moderate income retirees, and ensure that all retirees still will get a cost of living increase," said Buckley. "This plan can only succeed if we all stretch ourselves, and ask higher income households and large corporations to give something as well. Cuts in spending on tax breaks are the other key piece of stabilizing funding for schools."

Following the Co-Chairs' presentation, the joint committee heard over three hours of public testimony on SB 822. Sen. Tim Knopp (R-Bend) led off the testimony and told the committee, "Schools and local governments need significant, bold PERS reform. SB 822 is not bold PERS reform. A timid approach to this crisis is no solution. Until there is reform that provides meaningful relief to local classrooms, there is no reason to have a discussion about increased revenue." Sen. Knopp indicated he was bringing amendments to SB 822 that would bring it more in line with SB 754; the proposal brought forward by OSBA has been estimated to save in excess of \$1.2 billion next biennium. He also indicated that he would propose changes beyond those contained in SB 754 that could potentially save in excess of \$2 billion next biennium.

Testifying in opposition to SB 822, OSBA Deputy Executive Director Jim Green told the committee, "We applaud the Co-Chairs' effort in attempting to address the PERS cost increases that our school districts will be facing next biennium and into the future, but it simply does not go far enough in addressing the issue we are facing. The plan only minimally reduces the rate increases for next year and beyond, and some of that is accomplished by simply not making the required payments into the system. Skipping payments on a debt owed is no way to run your house, your business and it is definitely no way to run a state." Green asked the committee to focus on the

promise that Rep. Buckley mentioned that we, as a state, have made to our schoolchildren. “The promise of a world-class education for our children and their ability to be competitive in a global economy cannot be realized without significantly addressing the costs of this system next year and the continued growing costs we know are coming if we do nothing,” Green added.

As to the issue of new revenue through either addressing some of the tax expenditures or deductions within our tax system, Green told the committee, “OSBA will stand in support of addressing the revenue side of the debate too. We realize the problem of adequate and stable school funding cannot be solved by addressing our PERS costs alone. We must look at our revenue system as well and ensure we have the adequate resources to deliver on our promise for children. We cannot only look at one side of the equation. We must address our growing costs with PERS, but we also must address adequate revenues for our programs.”

The committee also heard testimony from retirees and current employees who contended that SB 822 goes too far and is unconstitutional. Most who testified in opposition indicated that this was another “slap in the face” of public employees. They argued that they had taken lower pay during their working years for a retirement benefit that would meet their needs after their working careers. Almost all who testified in opposition indicated that the COLA reform being proposed is a violation of the contract right they were guaranteed under the system, and they appeared confident the Supreme Court would overturn any of the changes being proposed. Supporting their view was Greg Hartman, an attorney representing the members of most of the public employees unions in the state known as the PERS Coalition. He told the committee, “The COLA is part of the statutory contract and cannot be modified as is being contemplated in SB 822, or in any of the other legislation being proposed this session.”

However, the committee also heard from Bill Gary, an attorney working with a coalition, including OSBA, to make modifications to the COLA. He has already issued a legal opinion that concludes that while the COLA is part of the contract, it can be modified by the Legislature. Gary told the committee that the Legislature has modified the COLA before, and that he believes “the Supreme Court would find the modifications being proposed allowable.”

Following the hearing Wednesday, the Senate Rules committee met Thursday morning to take additional testimony on SB 822. Following a brief public hearing, the committee went into work session on SB 822. Again, the committee heard from Sen. Tim Knopp, and he offered two sets of amendments. The first amendment would have altered SB 822 to mirror the language in OSBA’s bill – SB 754. That amendment was defeated on 3 to 2 vote along party lines with the Democrats opposing the amendment, and the Republicans supporting. Sen. Knopp also offered a second amendment that would make additional changes beyond SB 754 and result in even greater savings. Again that amendment was defeated along party lines. Ultimately the committee approved SB 822 with no

amendments and moved the bill to the Joint Ways and Means committee for further consideration. The vote was not unanimous and again broke down along party lines.

SB 822 is now in the possession of the Ways and Means Committee and it is a widely held belief that it will sit in that committee as the leaders of the Legislature continue their negotiations on the overall budget for the 2013-15 biennium – including what a complete PERS reform and revenue package could look like – and gain the necessary majority for passage.

For more information on SB 822, SB 754 and PERS proposals in general, please contact Jim Green at jgreen@osba.org.

View SB 822 here:

<http://www.osba.org/Resources/Article/Legislative/BillTracking.aspx?s=13&t=&r=&q=822&c=50&key=SB%2008220&ptadd=:%20SB%200822%20Details>

View SB 754 here:

<http://www.osba.org/Resources/Article/Legislative/BillTracking.aspx?s=13&t=&r=&q=754&c=50&key=SB%2007540&ptadd=:%20SB%200754%20Details>

View Bill Gary’s legal opinion here:

http://www.osba.org/~media/Files/Resources/Legislative/SB754_Gary_Letter-3-11-13.pdf

Education roundup: Vision screening and tuition in public schools

On Monday the House Education Committee took testimony on a proposal to prohibit school districts in Oregon from charging tuition for non-resident students who attend school full-time. Current law allows school districts in Oregon to charge tuition for education programs ranging from full-day kindergarten to attendance as a full-time student.

House Bill 2748, and proposed amendments to the bill, would prohibit school districts from charging tuition for full-time school programs for in-state students beginning with the 2013-14 school year. The amendments contain provisions that would “grandfather” current tuition-paying students through the 2017-18 school year and allow districts to fix tuition for out of state students.

The committee heard testimony from staff and students of the Riverdale School District who worried about how the loss of tuition revenue would impact their budget. Interim Riverdale Superintendent Michael Taylor told the committee that 21% of the district’s budget comes from tuition, and he expressed concern over the loss of these funds and the impacts on the district’s educational programs.

Committee members continue to debate the merits of the bill, which may be up for a vote as early as April 1.

Wednesday, the House Education Committee heard a proposal to require public school students to receive a

vision screening or eye exam from a health care professional before their first enrollment in kindergarten or first grade. Currently, schools are required to perform periodic vision and hearing screenings for their students.

House Bill 3000, and proposed amendments to the bill, would require that parents and guardians show proof that their child age 7 or younger has had his or her eyes checked by a healthcare professional when first enrolling in head start or public school. The bill would not require schools to exclude students who have not received a vision screening.

The committee heard impassioned testimony from Sen. Richard Devlin (D-Tualatin), who grew up with an undiagnosed vision problem. He shared his story of falling behind academically and the embarrassment he felt when his parents were told that he might lack the intelligence to succeed in school. Representatives of the Lions Club and other organizations also shared stories of students lives turned around with proper diagnosis of vision problems.

The bill is expected to be sent to the House for a vote the week of April 1. Please contact Morgan Allen at mallen@osba.org if you have additional questions.

View HB 2748 here:

<http://www.osba.org/Resources/Article/Legislative/BillTracking.aspx?s=13&t=&r=&q=2748&c=50&key=HB%2027480&ptadd=:%20HB%202748%20Details>

View HB 3000 here:

<http://www.osba.org/Resources/Article/Legislative/BillTracking.aspx?s=13&t=&r=&q=3000&c=50&key=HB%2030000&ptadd=:%20HB%203000%20Details>

Senate Education Committee hears bill to modify school district boundaries

The Senate Education Committee held a hearing this week on a bill that would alter the process for changing school district boundaries. **Senate Bill 600** is being proposed in an attempt to overrule a decision made by the Hillsboro School Board to deny a boundary change for a proposed housing development in the Hillsboro School District.

The developer asked the Hillsboro School Board to alter its boundary to allow the property to become part of the Beaverton School District. The developer argued that the community of interest for this piece of property is better served as a part of the Beaverton School District than as a part of Hillsboro. The Hillsboro Board disagreed and voted against allowing the property to become part of the Beaverton School District. In response to this action the developer asked that SB 600 be introduced to change the manner in which boundaries can be changed – and essentially take school boards out of the process in certain circumstances. The backers of SB 600 indicated that their

proposal would have limited application, but in the way it is written it could have a broader impact than they anticipate.

Under the bill, a petition to alter a school district boundary would be required to be approved by the district boundary board under certain circumstances. They include:

- if it were submitted by a city that is amending its comprehensive plan and land use regulations to plan and zone land annexed to the city as the result of an urban growth boundary expansion that occurred within three years before the date of the submission of the petition; and:
- Made findings that a change in the boundary of the affected school district would:
 - Decrease total transportation costs for the affected school districts, and
 - Result in greater efficiencies in the delivery of educational services.

Under changes made during the 2011 Legislative Session a school district boundary board is now the county governing body, which is either the County Commission or the County Court, depending on the county of the school district.

Testifying in opposition to the bill, OSBA Deputy Executive Director Jim Green told the committee, “This bill does not only impact the decision made by Hillsboro, this bill will impact other areas of the state, and dramatically changes what control school boards have over their boundaries. This places control over boundary changes in a city council’s hands and has them making determinations about school transportation issues and educational delivery issues that are within the purview of locally elected school boards. This violates the long-held value in Oregon that locally elected school boards should be the entity accountable for issues related to local school districts. Simply because one person does not like the decision of the Hillsboro School Board is not reason enough to hand over a decision like this to a city council.”

No further action is currently scheduled on SB 600. If you have questions concerning SB 600 please contact Jim Green at jgreen@osba.org.

View SB 600 here:

<http://www.osba.org/Resources/Article/Legislative/BillTracking.aspx?s=13&t=&r=&q=600&c=50&key=SB%2006000&ptadd=:%20SB%200600%20Details>

Health Insurance Exchange bill gets hearing

House Bill 2118 was heard this week in the House Health Care Committee chaired by Rep. Mitch Greenlick (D- Portland). The bill amends Oregon Revised Statute 741.310 related to the Oregon Health Insurance Exchange.

The Oregon Health Insurance Exchange was enacted last session and will come online beginning January 2014, with specific criteria including employers with no more than 50 employees. Then, beginning Oct. 1, 2015, the exchange is open for districts and eligible employees of districts.

The Legislature continues to monitor the progress of the Oregon Health Insurance Exchange with informational hearings that were regularly scheduled during the interim legislative days and now during the 2013 Legislative session.

This bill was supported by several associations. The bill adds additional criteria that will be used when qualified health insurers begin offering plans on the exchange. Specific additions include: reasonableness of estimated costs contributing to premium levels, past insurer performance, quality improvement activities, service areas and past rate increases related to proposed rate increases.

Several employee groups submitted a letter of support to the committee that stated, “Many of our members, and the people they serve, will enter the health insurance exchange market, and exchange holds the promise of making health care work better for all Oregonians. We realize that there will be some transitional adjustment as new, uninsured populations enter the individual and small group private market in the first open enrollment.”

But the insurance industry indicated in testimony that HB 2118 “will create unnecessary redundancy and likely confusion between the role of the state’s insurance regulator, the Oregon Insurance Division and the public corporation overseeing the state’s health insurance exchange, Cover Oregon. Furthermore, we’d like to point out that all health plans in Oregon intending to sell products through the Exchange must become accredited by March 2014.”

The committee had several clarifying questions but adjourned with no further action on this bill.

Questions about legislative issues?

Contact the OSBA Legislative Services Team:

800-578-6722 or 503-588-2800

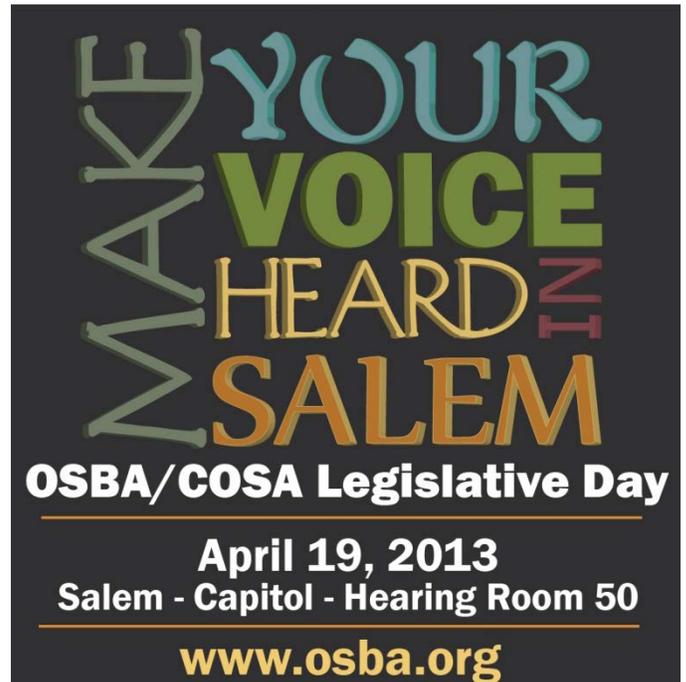
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Contact your legislator

Find your legislators’ contact information on the Oregon Legislature’s website:

- House - <http://www.leg.state.or.us/house/>
- Senate - <http://www.leg.state.or.us/senate/>

To contact your legislator by phone, call the Capitol Switchboard at 1-800-332-2313.



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OSBA/COSA Legislative Day
April 19, 2013
Salem - Capitol - Hearing Room 50
www.osba.org



PACE DAY
First Attendee FREE (registration & hotel)
April 26, 2013
Doubletree by Hilton Portland