

# OSBA Legislative Highlights



*the Promise*  
OF OREGON

**February 16, 2016**

## Quarterly revenue forecast released

The Office of Economic Analysis released its quarterly revenue projections for March 2016 which showed a modest increase since the close of the 2015 legislative session. State Economist Mark McMullen told members of the House and Senate Revenue Committees that, "Oregon's economy is doing relatively well right now and that has generated an increase of a little more than \$69 million in General Fund and Lottery Fund revenues for the state since the end of the 2015 session."

While that is generally good news, committee members also heard that under current estimates the state may have less revenue than what was originally anticipated for the 2017-19 and 2019-21 biennia. According to the estimates, the state will have roughly \$166 million less in revenue than what was forecasted at the end of the session for the 2017-19 biennium, and about \$150 million less for the 2019-21 biennium. "We really cannot avoid the impact that falling corporate profits and the falling stock markets are going to do to our personal and corporate income taxes going forward in Oregon," McMullen told the members. Oregon's General Fund revenues are so reliant on income tax collections that any hit to the economy that lowers incomes for personal or corporate taxpayers has an immediate impact on Oregon's General Fund revenues.

School district budgets could even be more stressed in the 2017-19 biennium and beyond due to continuing growing costs related to the Public Employees Retirement System (PERS). The PERS Unfunded Actuarial Liability (UAL) stands at almost \$20 billion. This is due to the fact that the Oregon Supreme Court essentially eliminated the cost savings created during the 2013 session by ruling most of the changes enacted during that session as unconstitutional. In addition to that ruling, the PERS fund is not earning at the level anticipated by the PERS actuary. Currently the actuary anticipates the system will earn 7.75 percent, but the fund has only earned 2.1 percent. These issues, as well as other system changes within PERS, will keep employer contribution rates for most school districts above 20 percent for several years to come.

"While we are pleased with the current quarterly forecast, and that most economists agree Oregon's economy is stable for the time being, we are somewhat concerned about that stability long term," stated OSBA Deputy Executive Director Jim Green. "This is good news in the short term, but as school districts begin their next round of budgeting and looking into the future, we are

concerned about the continued strength of our economy, and even more concerned about looming large increases in costs associated with PERS and what that means for programs and services for students across Oregon," Green added.

## Update on key education-related bills in the 2016 session

In addition to being limited to 35 days, the number of bills that can be introduced during the even-year "short sessions" is capped as well. Around 300 bills have been introduced and OSBA staff are tracking about 50 which would impact K-12 school districts, education service districts (ESDs) and community colleges.

Here is a quick recap of actions related to key education policy bills OSBA is following this February:

- **House Bill 4057** was approved on a 55-0 vote in the House on February 11. The bill requires the Oregon Department of Education (ODE) to survey school districts about programs (including costs, if available) and promising practices intended to improve achievement for students impacted by poverty. ODE will also include how much State School Fund (SSF) each school district receives from the poverty weight as part of the report.
- **House Bill 4130** proposes changes to Oregon's public records law. Several amendments to the original bill are circulating. OSBA staff have been in contact with school district staff about proposed changes to address any concerns from the field. As of this writing, the bill is scheduled for a work session in the House Rules Committee on February 15. It appears that the amendments have addressed major district concerns (no caps on actual cost recovery for complex records requests and deadlines that do not exempt summer/spring/holiday breaks). If the committee agrees, HB 4130 will be sent to the Ways and Means Committee for its consideration.
- **Senate Bill 1566** was amended on February 10 in the Senate Education Committee to extend Oregon's "open enrollment" sunset date from July 1, 2017, to July 1, 2019. The practical impact is that there will now be "open enrollment" during the 2017-18 and 2018-19 school years. Both the House and Senate Education Committee chairs have indicated a willingness to convene

stakeholders between the end of the February session and the beginning of the 2017 session to discuss the complexities and confusion created by having both “open enrollment” and interdistrict transfer options available to districts. House Bill 4119, which proposed eliminating the sunset on “open enrollment,” received a public hearing in the House Education Committee on February 10; due to agreement on the two-year sunset extension in the Senate, that bill will not be moving forward.

- **Senate Bill 1537** has been proposed in an attempt to enact tighter guidelines and sideboards for so called “5th year” high school programs and was approved by the Senate Education Committee on February 10; the bill now goes to the Ways and Means Committee. The bill is an attempt to target the programs to “at risk” students and limits the amount districts can claim from the SSF to a 0.75 weight. It would also prohibit students eligible for the Oregon Promise from entering 5th year programs, require ODE to report on how many students are enrolled and the financial impact on the SSF, and asks for recommendations from ODE and the Higher Education Coordinating Commission (HECC) on a long-term, sustainable source of funding for the program.

These are just a few of the bills OSBA is following this February. Contact OSBA Legislative Specialist Morgan Allen ([mallen@osba.org](mailto:mallen@osba.org)) for more information.

View House Bill 4057:

<https://olis.leg.state.or.us/liz/2016R1/Measures/Overview/HB4057>

View House Bill 4130:

<https://olis.leg.state.or.us/liz/2016R1/Measures/Overview/HB4130>

View Senate Bill 1566:

<https://olis.leg.state.or.us/liz/2016R1/Measures/Overview/SB1566>

View Senate Bill 1537:

<https://olis.leg.state.or.us/liz/2016R1/Measures/Overview/SB1537>

## Unemployment benefit bill passed by the Senate

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A bill that would provide certain school district employees unemployment benefits during the summer and other school breaks was passed by the Senate on Tuesday, February 9. **Senate Bill 1534** amends ORS 667.221 and would make a change to allow certain educational personnel access to unemployment benefits during summer and winter breaks.

School districts’ classified employees are not eligible to receive unemployment benefits during summer and

winter breaks. ORS 657.221 outlines the ineligibility of this employee classification to receive a benefit during holidays and breaks. SB 1534 was drafted to correct a small technical issue that arises when a classified employee leaves the employment of a school district and seeks work elsewhere. If the employee has not found a job and a school break begins, that former employee has his/her unemployment benefit stop for the duration of that break. SB 1534 would allow an employee who is actively seeking work under the regular Employment Department rules to continue receiving the benefit because he/she has left the school district’s employment for just cause.

Senate Bill 470 (2015) was passed in the Senate last session and stalled in the House when the U.S. Department of Labor (USDOL) contacted Oregon’s Employment Department saying the proposed law was inconsistent with federal law. Oregon has since asked the USDOL for an official ruling involving this technical issue, but has not yet received an opinion. The Employment Department has asked for an opt-out clause to be included in SB 1534 that would negate the law if the USDOL rules against Oregon on this issue.

The bill is headed to the House and is scheduled for a public hearing in the House Business and Labor Committee on Wednesday, February 17.

For additional information contact Lori Sattenspiel at [lsattenspiel@osba.org](mailto:lsattenspiel@osba.org).

View Senate Bill 1534:

<https://olis.leg.state.or.us/liz/2016R1/Measures/Overview/SB1534>

## Bill to study how school districts spend their money approved by Senate Committee

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The Senate Education Committee approved a bill to require the Oregon Department of Education (ODE) to conduct an evaluation of expenditure variations among school districts. **Senate Bill 1541**, sponsored by Sen. Mark Hass (D-Beaverton), requires ODE to review expenditures in multiple categories, including instruction, support services, administration, transportation and business services. The bill also directs the department to identify and evaluate factors that may affect expenditure levels in a category, including class size, staff levels, staff compensation and the length of the school year, and to determine whether these variations are related to student outcomes, including attendance and absenteeism, standardized test results and graduation rates.

ODE representatives told the committee this study would allow the department to find out how well school districts are spending the resources they receive. ODE also told the committee the study could be completed with existing data the department receives from districts and would not require any new data from districts.

“School districts do not need to be told by the Oregon Department of Education how well they are spending their money, or how they ought to be spending their money,” testified OSBA Deputy Executive Director Jim Green. “Each one of our 197 school districts is very different and serves different student populations, and each spends its funds according to the district’s long-term goals and needs and its budget priorities for the district’s students and communities. Another study on how school districts spend their funds is not going to improve outcomes for students. Bureaucrats sitting in Salem and reviewing numbers do not see what is actually going on in our schools and in our communities. If people want to tell school districts how to spend their funds, then they should serve on local school district budget committees or run for a school board,” Green added.

SB 1541 now heads to the full Senate for consideration.

View Senate Bill 1541:  
<https://olis.leg.state.or.us/liz/2016R1/Measures/Overview/SB1541>

## Minimum wage bill clears the Senate

Oregon will have the highest minimum wage rate in the nation if **Senate Bill 1532** becomes law. The bill completed its first hurdle as it passed out of the Senate on a 16-12 vote late Thursday, February 11. The Senate debated the bill for more than six hours before approving it.

SB 1532A contains a phased-in three-region wage rate beginning in July 2016. To view the various regions and the rates for those regions, see last week’s OSBA *Legislative Highlights* story here: [www.osba.org/News%20Center/Announcements/2016-02-08\\_LH\\_MinimumWage.aspx](http://www.osba.org/News%20Center/Announcements/2016-02-08_LH_MinimumWage.aspx). At the completion of the six-year phase-in of annual increases, Oregon will have the highest minimum wage rate in the nation.

Sen. Michael Dembrow (D-Portland), chair of the Senate Workforce and General Government Committee, outlined for the Senate how the minimum wage issue has evolved from the early discussions during the 2015 legislative session. “A work group of stakeholders met regularly during the last several months, discussing the impacts and benefits of increasing the minimum wage, along with testimony and the governor’s input; now you have the bill before you.” Dembrow added, “A three-tiered system better serves the needs of Oregon’s farmland-laden counties in the east, while addressing soaring housing and other costs of living in the Portland area.”

SB 1532A will impact school districts, and while it is difficult to quantify for each district, statewide estimates show the impact to be more than \$30 million annually for school districts. These estimates do not account for the wage compression or the “ripple effect” of the annual increases. Eventually the increases will affect districts’

collective bargaining salary schedules and can create a duty to bargain for school districts.

The bill was scheduled to be heard in the House Business and Labor committee on February 15.

Contact Lori Sattenspiel ([lsattenspiel@osba.org](mailto:lsattenspiel@osba.org)) or Tyler Shipman ([tshipman@osba.org](mailto:tshipman@osba.org)) for more information.

View Senate Bill 1532A:  
<https://olis.leg.state.or.us/liz/2016R1/Measures/Overview/SB1532>

## Contact your legislator

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

- House – [www.oregonlegislature.gov/house](http://www.oregonlegislature.gov/house)
- Senate – [www.oregonlegislature.gov/senate](http://www.oregonlegislature.gov/senate)

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



See more information about the 2016 PACE Day: Safe & Secure Schools and register at: <http://pace.osba.org/Calendar/Events/2016-04-21-PACEDay.aspx>.