

OSBA Legislative Highlights



the Promise
OF OREGON



June 23, 2017

With no “Grand Bargain” in sight, revenue-raising bill turns up heat

After a three-hour, often-acrimonious debate, the House passed a bill that would increase Oregon revenue by an estimated \$196 million in 2017-19. [House Bill 2060](#) limits the number of people who can take a business tax exemption created in the “Grand Bargain” of the 2013 special session.

Democrats characterized the exemption as a give-away being used by health care and legal professionals while providing little help for small businesses or job creation as it was intended. Republicans said it would hurt hundreds of small businesses in every district.

The bill passed 31-28, but Republicans have suggested it could be challenged in court if it passes the Senate. Republicans say it is a tax increase and therefore the Oregon Constitution requires a three-fifths supermajority to pass it. The Legislative Revenue Officer said the tax changes could be passed by a simple majority in both houses because they expand the tax base but do not directly change tax rates. The Oregon Supreme Court may have to decide.

Nobody in the Capitol is happy. The Legislature shuffled forward this week, moving a few bills and hearing a few more, but it appears that Democrats and Republicans are at an impasse. Democratic leaders have said revenue reform won't happen this session, and it



House Republican Leader Mike McLane (R-Powell Butte) speaks passionately of the Oregon Constitution on Friday before a vote challenging the ruling that House Bill 2060 could pass on a simple majority vote. (Photo by Jake Arnold, OSBA)

doesn't look like there will be a major deal to address governance needs in education funding, stable revenue generation, cost control or the unfunded Public Employees Retirement System liability. And unlike 2013, when Gov. John Kitzhaber was able to engineer a series of compromises called the “Grand Bargain,” no such leadership seems likely this year.

Amendments to [House Bill 2061](#) surfaced Tuesday that could translate to more than \$550 million in new revenue in 2017-19, mostly by repealing existing business tax exemptions or broadening how existing business taxes are calculated. These amendments lurched into the House Revenue Committee, which met on short notice.

One amendment would do the same as HB 2060. Another would prevent businesses from writing off employee compensation over \$1 million, thus increasing the businesses' taxable income. That would increase Oregon revenue by an estimated \$160 million in 2017-19. A third amendment would limit business deductions for larger corporations, adding \$209 million to the General Fund in 2017-19, according to LRO estimates.

The Legislative Revenue Office has said this bill also would require only a simple majority to pass.

The amendments for HB 2061 did not receive a vote, but House Revenue Committee Chair Phil Barnhart (D-Eugene) warned the committee to be ready. At this time in the session the committee can meet with an hour's notice, so “everything is very much in flux,” Barnhart said after the hearing.

Revenue reform has been closely tied to the bill to fund the State School Fund. [Senate Bill 5517](#) would appropriate \$8.2 billion for K-12 public education, but education advocates, school district officials and legislators of both parties agree that is not enough. It was passed by the Senate 25-5 despite widespread testimony that Oregon should do better for its children. When it came up for a vote in the House on Tuesday, Rep. Barbara Smith Warner (D-Portland) proposed it be postponed.

“We are still working hard to find a way to make strategic new investments in our schools by containing costs and reforming our revenue system,” said Smith Warner in her motion. Smith Warner is vice chair of the House Revenue Committee.

House Republican Leader Mike McLane (R-Powell Butte) urged an immediate vote on the State School Fund, pointing out there is no cost-containment bill for the House to consider and the state has record revenue.

“No amount of political jockeying is going to change the numbers in this state,” he said Tuesday.

In the end, the House voted on a party-line vote to hold Senate Bill 5517 over to Tuesday, June 27.

The rationale behind holding the bill another week was much discussed in the Capitol this week. It could be that House leadership, including Speaker Tina Kotek (D-Portland), reasonably expect to be able to add more money to the bill. The State School Fund is the largest single appropriation that the Legislature makes, so it also has political value as a bargaining chip. There are a few policy initiatives that are not quite dead, including a transportation funding package that Democrats and Republicans both want. But beyond the reasons stated by Smith Warner, everything else is speculation.

One final item of interest: the sine die motion, [Senate Concurrent Resolution 31](#), was introduced Wednesday. Introduction of that measure signals the beginning of the end each session. It gives everyone in the Capitol something to point to when venting frustration with this session. As the session winds down, most say that little has been done to solve significant policy challenges facing the state.

And there is no reason to think it will get better any time soon. Leadership in both chambers and both parties are unable to compromise. Most significant policy bills died a long time ago, casualties of the anemic budget situation. And advocates for both business and labor are sharpening knives and already preparing ballot measure campaigns for 2018.

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Funding committee hears Farm-to-School funding bill

The Joint Ways and Means Education Subcommittee listened to testimony Wednesday about Oregon’s popular Farm-to-School program.

The program, created in 2011 by the Legislature, awards grants to school districts to purchase Oregon food products and to develop agriculture- or garden-based educational activities. In 2015, the Legislature expanded it to include a grant program based on the number of lunches served by school districts during the previous school year under the United States Department of Agriculture’s National School Lunch Program.

The program has been generally viewed as successful, but the cost of continuing it is more than \$5 million. Testimony about [House Bill 2038](#) demonstrated the program’s popularity with the agricultural community and anti-hunger stakeholders alike.



“Oregon is a leader in the Farm-to-School movement,” a statement from the Oregon Farm Bureau said. “These programs provide positive educational and health outcomes to Oregon students. In addition, much of the funding provides healthy, local food to schools. OFB has long promoted the use of domestic and locally produced farm products in Oregon’s schools and supports efforts to maintain this program.”

Partners for a Hunger-Free Oregon also showed support.

“Farm-to-School benefits kids who eat nutritious meals at schools and learn about where food comes from,” testified Matt Newell-Ching, public affairs director for the group. “Many schools have integrated nutrition and vocational education with their Farm-to-School programs. It also benefits Oregon agriculture by connecting farms and producers with schools. It’s a win-win and deserves to continue.”

Many other stakeholders, including La Grande School District, testified in favor of the bill.

The future of the bill is uncertain. Although the policy is roundly considered good, funding remains an issue this session. It is unclear if the Legislature will choose to prioritize funding this program over others. OSBA will monitor the bill.

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Native American curriculum bill heard in funding committee

The development of a K-12 curriculum on the Native American experience in Oregon received a hearing before the Joint Ways and Means Education Subcommittee on Tuesday. [Senate Bill 13](#) would require the Oregon Department of Education to make the curriculum available by the 2019-20 school year.

Committee testimony was entirely in support of the bill. Modesta Minthorn, linguist for the Confederated

Tribes of the Umatilla Indian Reservation, testified about the effects a Native American curriculum could have.

“When the state invests in culturally based education and provides historically accurate curriculum, Native American students will get reinforcement of their identity,” she said. “And with that reinforcement, teachers will see enhanced socio-emotional well-being. Studies and classroom experience will tell you this positively affects math and reading test scores. SB 13 will help our tribe to tell our story using our voice.”



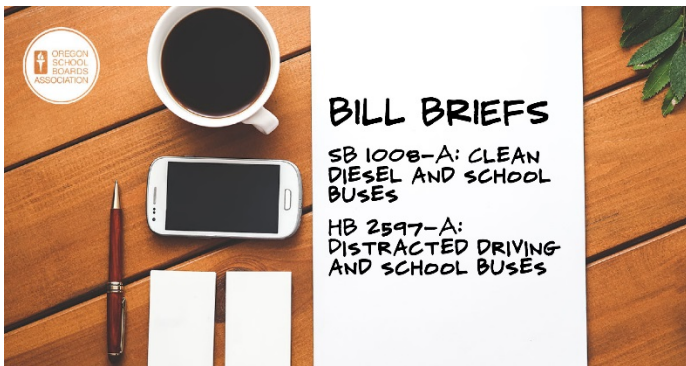
Rep. Julie Parrish

The committee discussion delved into the details. Rep. Julie Parrish (R-West Linn) asked Cindy Hunt, director of legislative and government affairs for ODE, how the curriculum would be distributed. Hunt indicated there would be some variety, specifically in consideration of “the relationships local districts have with tribes,” but that ODE had experienced success in the past with a “train the trainer” model. ODE trainers show district teachers the curriculum, and those teachers then train other teachers.

Gov. Kate Brown has indicated this is one of her priority bills for education this session, which points toward the bill moving out of committee. It has not been posted for a work session, though. OSBA will monitor the bill.

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Bill Briefs



UPDATE: Clean diesel and school buses

[Senate Bill 1008-A](#)

What it does: The bill would require 2007 and older diesel engines to be replaced or retrofitted with new emission-reducing parts. The retrofit rules include school buses. (For more details, see [“Clean diesel bill keeps on chugging”](#).) OSBA has been involved in the discussions.

Although industry and the environmental community agree that spending money on school buses should come first, they have differences on how to address urban emissions and how to spend the Volkswagen settlement fund to address Oregon air quality.

What’s new: SB 1008-A was amended again Wednesday, narrowing the scope of the emission policy. First, it authorizes Oregon to accept the Volkswagen funds and allow the Department of Environmental Quality to handle the settlement money and any allocations based on decisions by the Legislature. Second, it applies some of those dollars to deal with old school buses. School districts will continue to provide a portion of the retrofit or bus replacement costs. DEQ will work with the Oregon Department of Education as money becomes available and notify school districts of the process.

What’s next: The bill moves to the Ways and Means Committee and awaits further action.

UPDATE: Distracted driving and school buses [House Bill 2597-A](#)

What it does: The bill would expand the 2007 distracted driving law by prohibiting any person from operating a motor vehicle while using a mobile communication device. The definition of mobile hand-held device was also expanded. A court challenge led to the bill, which was drafted to assist law enforcement with enforcing the 2007 law. It includes stiffer penalties for the first, second and third offenses while adding an affirmative defense to the law. However, the expanded definition of hand-held devices captures industries that use radios for dispatching purposes, which includes school buses.

What’s new: The bill has received lots of attention by industries pulled into the expanded law. The bill was heard Thursday and amended to exempt school buses from the rules on two-way radios, which allows schools to continue with district policies for bus drivers.

What’s next: The bill moved out of the committee and is headed to the Senate floor for a full vote. If successful, the bill will return to the House floor for a concurrence vote. A bill that has been changed by the second chamber must return to the chamber of origin to receive a second vote to accept (or concur) additional changes to the bill.