

TAPES 017 - 018 A/B, 19 A

## HOUSE REVENUE COMMITTEE

JANUARY 25, 1999 ñ 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

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Members Present: Rep. Ken Strobeck, Chair

Rep. Anitra Rasmussen, Vice Chair

Rep. Deborah Kafoury

Rep. Lane Shetterly

Rep. Jim Welsh

Rep. Bill Witt

Absent: Rep. Jeff Merkley

Rep. Max Williams

Rep. Diane Rosenbaum

Staff: Steve Meyer, Economist, Legislative Revenue Office

Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

### TAPE 017, SIDE A

005 Chair Strobeck Called meeting to order at 8:30 a.m.

016 Rep. Welsh MOTION: INTRODUCTION, AS COMMITTEE BILL, OF LC 205 (EXHIBIT 1)  
RELATING TO CORRECTION OF ERRONEOUS MATERIAL IN OREGON TAX

LAW. HEARING NO OBJECTION, THE CHAIR SO ORDERED.

- 027 Steve Meyer Began slide presentation on School Finance: Sharing state and Local Resources. (EXHIBIT 2)
- 051 Meyer K-12 Dollars Pay For
- Teaching 530,000 students
  - Employing 34,000 teachers and aids
  - Employing 19,000 support staff
  - Operating 1,240 school sites
  - Operating 198 school districts
- 069 Meyer K-12 Students, division of public and private sector students.
- 087 Meyer K-12 Resources (Audited). Graph of all-funds total, inclusive of all federal dollars, general fund, other funds, enterprise funds, capitol funds, etc.
- 129 Meyer Beginning Balance ñ Includes unused bond receipts.
- Bonds (net) = bond sales - bond service costs/payments on old bonds.
- 147 Meyer Continued with K-12 Revenue 1996-97 Audit; three primary revenue sources:
- Property Taxes
  - All Other Local
  - State School Fund
- 193 Meyer K-12 Expenditures 1996-97 Audit (pie chart) ñ 47% goes for instruction salary and benefits; 23% for support salary and benefits.
- 221 Meyer Comparisons To Neighboring States 1996-97 (page 4).
- 231 Meyer K-12 Revenue Per Student - 1996-97 Comparison, (page 4). Oregon ranks on an average nationally.
- 251 Meyer K-12 Revenue Per Student ñ 1996-97 Comparison, (page 5). Oregon ranks 23<sup>rd</sup> nationally.
- 287 Meyer K-12 Revenue Sources ñ 1996-97 Comparison: state and local revenues as compared to other states.

298	Meyer	K-12 Revenue Sources 1996-97 Comparison, (page 6): Oregon ranks 33 <sup>rd</sup> .
320	Meyer	K-12 Average Daily Attendance Per Teacher 1996-97 Comparison: Oregon is slightly above U.S. average. In small part it can be connected to classroom size, although it is not a direct measure to classroom size.
350	Meyer	K-12 Average Daily Attendance Per Teacher ñ 1996-97 Comparison, (page 7): Oregon ranks 6 <sup>th</sup> in average daily attendance per teacher.
378	Meyer	K-12 and ESD Funding and the State and local components important to the formula.
381	Rep. Witt	Of the K-12 expenditures 54% were instruction related and 46% were support related. Would like comparison of how Oregon compares to other states and to the U.S. average. Meyer will find this out.
400	Meyer	Before Measure 5, (page 8) - Primarily local funding from property taxes.
415	Meyer	State funding to: <ul style="list-style-type: none"> <li>• Provide flat grants per student</li> <li>• Help offset differences in value per student</li> <li>• Fund percent of transportation costs</li> </ul>

**TAPE 018, SIDE A**

021	Meyer	<p>After measure 5 and 50 (page 8)</p> <p>Primarily state funding to:</p> <ul style="list-style-type: none"> <li>• Replace local property taxes</li> <li>• Move toward equalizing revenue per student</li> <li>• Pay most of student transportation costs</li> </ul> <p>Limited local property taxes because:</p> <ul style="list-style-type: none"> <li>• Measure 5 limits tax rate</li> <li>• Measure 50 sets tax rate and limits property value increases</li> </ul>
043	Vice Chair Rasmussen	The Stateís involvement is only to make up the difference between the local effort and the State allocation; the State does not take away local money from a school district, correct?

052	Meyer	<p>If the local revenue is more than the formula dictates there is no recapture on the part of the State.</p> <p>State School Fund Adopted 1991, (page 9) ñ the Stateís response to the limitations of Measure 5.</p> <p>Oregon Constitution hasnít changed in the requirement of a uniform system of schools.</p>
083	Rep. Witt	<p>Referred to Withers case and questioned how that applied to Oregon and the uniform system of schools and equalization.</p>
090	Meyer	<p>Explained the Withers case and how it applied to Oregon.</p>
111	Meyer	<p>State School Fund 1997-99 - Appropriations from the General Fund and Lottery Fund for:</p> <ul style="list-style-type: none"> <li>• K-12 School Formula Aid</li> <li>• Youth Corrections Education Program</li> <li>• Disabled Out-of-State Placement</li> <li>• Education Service Districts</li> <li>• ESD Network Technology (OPEN)</li> </ul>
132	Meyer	<p>State School Fund 1997-99 Biennium (page 10) pie chart. General fund, 89%, lottery, 11%.</p>
145	Meyer	<p>Local Formula Revenue</p> <ul style="list-style-type: none"> <li>• Operating property taxes collected</li> <li>• Private timber taxes ñ roughly \$25 million/year</li> <li>• Common School Fund - \$22 per student</li> <li>• County School Fund ñ host of sources for this fund</li> </ul>
191	Meyer	<ul style="list-style-type: none"> <li>• State Managed county trust forests</li> <li>• ESD equalization funds ñ approximately \$3.9 million that Grant and Mollala ESDís share with their local school districts. Money should be counted only once.</li> <li>• Revenue in lieu of property taxes ñ minor component</li> <li>• Supplantable federal funds ñ canít substitute federal funds for state or local funds. Minor revenue source.</li> </ul>
232	Meyer	<p>Not included in local formula: voluntary revenue to the school, like gifts, other kinds of grants or donations either public or private.</p>
245	Meyer	<p>State and Local Revenue Allocation ñ End of 1997 Session Estimates, (page 11) for:</p> <ul style="list-style-type: none"> <li>• ESD (Education Service Districts)</li> <li>• K-12 School</li> </ul>

289 Meyer Total Revenue Cap, K-12 and ESD  
Explained Cap Ò Estimates due to M50 implementation.

Discussion and questions concerning distribution cap.

350 Meyer K-12 and ESD Revenue (70/30 split), (page 12).

367 Meyer Additional K-12 State Funding 1997-99 Biennium

- One-time Classroom Needs
- School Security Costs
- Capital Bond Program

Discussion and questions interspersed.

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**TAPE 017, SIDE B**

025 Meyer State School Fund Distribution, (page 13)

- K-12 Schools
- ESD

032 Meyer Distribution Principles

- Share school funding sources statewide
- Let each district decide how to spend its allocation

060 Meyer

- Adjust funding only for uncontrollable cost differences
- Avoid incentives to increase district allocation

Discussion and questions interspersed.

108 Meyer State School Fund ñ Permanent Equalization Formula (page 14)

Explained "permanent".

116 Meyer Equalization Formula General Format:

State Revenue + Local Revenue = Students x Base Funding Per Student x Cost Factors

142	Meyer	Equalization Formula Cost Factors, (page 15).
155	Meyer	Formula Student Counts <ul style="list-style-type: none"> <li>• ADM ñ Average daily membership</li> <li>• ADMr ñ ADM with kindergarten half-weighted</li> <li>• ADMw ñ ADMr adjusted by student cost weights</li> <li>• Extended ADMw ñ Higher of current or prior hear ADMw</li> </ul>
200	Meyer	Student Cost Weights ñ Special Education and At Risk, (figures come from Department of Human Resources) (page 16).
207	Meyer	Cost-wise, special education is highest, students in poverty second. Since 1992-93, fastest growing cost weight is English as second language, which has doubled.  Discussion and questions interspersed concerning ESL growth. Meyeris will identify areas of concentration.
387	Meyer	Student Cost Weights Grades and School
423	Chair Strobeck	Recessed 9:53 a.m. Reconvened meeting at 10:00 a.m.
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<b><u>TAPE 018, SIDE B</u></b>		
017	Chair Strobeck	Reconvened meeting at 10:00 a.m. Directed membersí attention to exhibits provided by Ed Waters. (EXHIBITS 3, 4, 5, 6)
030	Meyer	Continued slide presentation with Student Counts ADMr vs. ADMw, (page 17).
040	Meyer	Teacher Experience Adjustment
095	Meyer	Transportation Costs ñ Reimburse 70% of approved costs, (page 18):
122	Meyer	Transportation (bar chart) - 30 % local, 70% state aid.
172	Meyer	Formula Revenue K-12 1998-99, (page 19):

General purpose, 96.4%; transportation, 3.6%.

185	Meyer	New Facility Grant
201	Meyer	Equalization Formula, (page 20): State revenue + local revenue
240	Meyer	Equalization Formula Example: State revenue + local revenue
285	Meyer	Equalization Formula Examples: District, (page 21). Equalization areas differ for two reasons: <ul style="list-style-type: none"><li>• Transportation costs different</li><li>• Teacher experience factors are different.</li></ul>
372	Meyer	Temporary Formula Constraints 1997-99, 1999-00, (pages 21-22).
398	Meyer	1998-99 Constraints: <ul style="list-style-type: none"><li>• Flat Grant</li><li>• Stop-Loss Grant</li></ul>
441	Meyer	1999-00 Constraints, (page 23): <ul style="list-style-type: none"><li>• Flat Grant</li><li>• Stop-Loss Grant</li></ul>
<b><u>TAPE 019, SIDE A</u></b>		
022	Meyer	Cap Calculation, intended to phase down districts receiving flat and stop-gap grants over a three-year period to \$4,800/student.  Illustrates cap calculation with a graphic example.
053	Chair Strobeck	Adjourned meeting at 10:30 a.m.

Submitted by, Reviewed by,

Joan Green Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. LC Draft 205, Chair Strobeck, 93 pages
2. Orientation, Meyer, School Finance, 39 pages
3. Orientation, Memo ñ Federal Tax Subtraction, Waters, 1 page
4. Orientation, Handout ñ Oregonis Surplus Kicker, Waters, 2 pages
5. Orientation, Graph ñ Department of Revenue performance measurements, Waters, 2 pages
6. Orientation, Charitable Check-off History, Waters, 5 pages