

**INFORMATIONAL MEETING:
INVITED TESTIMONY ON SCHOOL FINANCE
TAPES 025, 026 A/B**

HOUSE REVENUE COMMITTEE

JANUARY 28, 1999 ñ 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Rep. Anitra Rasmussen, Vice Chair

Rep. Deborah Kafoury

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Jim Welsh

Rep. Max Williams

Members Excused: Rep. Ken Strobeck, Chair

Members Absent: Rep. Lane Shetterly

Rep. Bill Witt

Staff: Steve Meyer, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Irv Nicholi, Superintendent, Forest Grove School District

Bob Richards, Asst. Supt., Forest Grove School District

Nancy Heiligman, Eugene School District

Yvonne Katz, Superintendent, Beaverton School District

Jim Scherzinger, Portland Public Schools

Kathy Humes, Coalition for School Funding NOW

David Campbell, Superintendent, Clackamas Education Service Dist.

TAPE 025, SIDE A

005	Vice Chair Rasmussen	Called meeting to order at 8:33 a.m.
023	Irv Nicholi	Directed members' attention to newsletter "A New View of K-12 Funding" (EXHIBIT 1).
036	Bob Richards	Explained the concept of "New View". After Measure 5, the whole paradigm of school funding changed. Now, school districts must combine state and local resources. Chart, page 2: Increased State Resources -- Measure 5 combined local and state resources.
057	Nicholi	Chart, page 3: Where Are The State's Priorities? Historical perspective over past decade. K-12 school funding has not kept up with inflation -- 28% increase in funding compared to 116% increase for public safety.
088	Nicholi	Page 4: Historical Perspective Since 1991-93 Page 5: 1997-99 Biennium to 1999-2001 Page 6: The Long-Term Trend of Educational Funding Priorities in the State of Oregon. Spiral effect downward.
127	Nicholi	Some Comparative Percentage Increases/Decreases: 1991-93 to 1999-2001 Biennia. Vast majority of educators favor Oregon's school reform movement, but they need the funds to implement it. School districts have lost staff, teacher/pupil ratios have grown.
157	Nicholi	Page 7: The Downward Spiral of K-12 Funding.
171	Nicholi	Concluded, the K-12 funding proposed in the governor's budget for 1999-2001 would require most districts to make significant cuts.
192	Richards	Refer to The Inequity of ESD Support To School Districts (EXHIBIT 2) Large disparities among school districts. Chart, page 2: ESD Support Per ADMr in 1996-97. Difference of \$350 per student. Page 3: Inequity in ESD Support: 1996-97

258	Rep. Merkley	Asked basis of statement of \$2 million cut. What is inflation assumption?
266	Nicholi	Inflation as well as growth. Inflation assumption based on governor's budget. Discussion and questions interspersed.
336	Nancy Heiligman	4-J Testimony before the House Revenue Committee (EXHIBIT 3) Eugene District believes current funding formula is basically sound. Offered suggestions for adjustment: State School Fund Formula <ul style="list-style-type: none">• Special Education ñ Recommend establish a fund for extremely high cost special education students.
404	Heiligman	<ul style="list-style-type: none">• Cost of living adjustment• Transportation Grant
445	Heiligman	Education Service District Funding <ul style="list-style-type: none">• Equalize ESD funding Capital Funding <ul style="list-style-type: none">• Maintain the current level of funding for classroom needs and capital repairs.
<u>TAPE 026, SIDE A</u>		
008	Heiligman	Eugene suffered \$18 million in reductions under equalization, so issued bonds to pay for computers, textbooks, repairs and equipment. Under M47 and M50, Eugene can no longer issue bonds for those purposes. Depend on capital funding for this, and for care of aging buildings. Summary. Questions concerning testimony, stop-loss districts, out of state placement costs.
056	Heiligman	Costs are higher for small rural school districts. Many expenditures are justified in order to maintain level of education. Sudden loss of revenue harder for district to cope with than flat-funding.
087	Yvonne Katz	Testified that Oregon school districts have not yet reached equity.

Referred to "1998-99 Projected State School Funding Per Extended ADMw" (**EXHIBIT 4**). Beaverton has cut \$63 million in last 4 ½ years.

Beaverton is in process of trimming money out of its current programs. Opening three new schools at same time.

- 145 Katz Referred to last page of exhibit 4 "Strategic Financial Decision Making".
- PERS Mandate
 - 3 New Schools
- Legislature is not accounting for rapid population growth. Urged legislature to stay on course, avoid categorical funding.
- 205 Katz Gave brief recent history of Beaverton School District. District funding per student has dropped from \$4,393 to \$3,900, plus inflation. Between 1991-92 and 1997-98 Beaverton lost \$800 in inflation alone. In real dollars, unadjusted for inflation, this loss is \$262 per student.
- 222 Katz Measure 5 cuts included: General administration, 12.2%; central support, 39.5%; instructional support, 40.3%. District growth has been 26% since passage of Measure 5.
- 249 Katz Directed members attention to ESDs, equity. Directed members attention to yellow chart, page 2. Beaverton is third poorest ESD in Oregon.
- 307 Katz Summarized: Concurred with previous testimony on special education. Urged state to open a statewide fund to take care of these high-cost students. Also, urged state open a fund to take care of its deteriorating school facilities.
- Distributed handout on State funding of K-12 education since 1990. (**EXHIBIT 5**)
- 387 Jim Scherzinger Reviewed his first four months with Portland Public Schools. They asked him, how big is the shortfall, and why does Portland have a problem when other districts don't?
- 422 Scherzinger Directed members attention to Portland Public Schools General Fund Snapshot" (**EXHIBIT 6**): Compared figures from 1990-91 to 1998-99. Permanent revenue has dropped 16% since 1999-91. Substantial shift in shares of spending. Number regular teachers down 12%. Staff down 17%.

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- 045 Scherzinger Page 2, budget forecast: "General Fund Outlook, Governor's Budget ñ December 1998". Estimate \$26.5 million shortfall for FY 1999-2000, not counting distressed schools fund.

068 Scherzinger Discussed resource assumptions, expenditures.

145 Scherzinger Page 5: Why do we have a problem when others are okay? Past mistakes, particularly Management Information System. Portland is not the only district with shortfalls.

180 Scherzinger Portland's central service costs are not high.

Directed members' attention to "Portland Salaries Compared to other metro districts" (**EXHIBIT 8**).

Salaries higher in urban areas than rural.

272 Scherzinger Summarized: District is working on building costs. Also, special education costs more in Portland District. Portland has more kids in higher cost classifications than other districts.

Conclusion: Portland faces unique problems of high urban costs, high poverty and social costs. Higher salaries in urban areas.

Distributed handouts on cost per student by major spending category by fund and federal placement dated December 1, 1997. (**EXHIBITS 7 AND 9**)

330 Rep. Shetterly Asked for Scherzinger's perspective on ESD equalization.

335 Scherzinger Equalization is going to happen. Problem is, services offered by ESDs differ substantially, so it's difficult to talk about equalization. Formula doesn't distinguish special education costs because everyone is at cap. ESD buffers that to an extent.

399 Kathy Humes Coalition for School Funding Now.

Described Coalition: Nonpartisan statewide coalition of businesses, community leaders, teachers, citizens, elected officials, etc. Goal: Stable and adequate long-term funding for schools. Education will determine future of our children and our state.

Two bedrock principles of Coalition's advocacy:

1. No Oregon school district should have to cut its level of services due to inadequate state funding
2. There must be an effort to provide resources to meet educational achievement standards established by legislature in 1991.

- 025 Humes In the next week, Coalition will announce the funding levels that it believes will meet these principles. Changes in formula will impact bedrock principles. Coalition will do all it can to facilitate decisions.
- Discussion and questions concerning Coalition's estimated funding figure.
- 080 Dave Campbell Directed members attention to "ESD Funding History" (**EXHIBIT 10**):
- Pre-1977 ñ Equalization and operating budgets were voted on each year
- 1997-1991 ñ For all but a few ESDs, equalization function was eliminated
- 1991 ñ Measure 5 compression began
- 119 Campbell 1993 ñ Measure 5 compression continued
- 1995 ñ Legislature addressed unification issues, reduced number of ESDs from 29 to 21
- 1997 ñ Measure 5 compression was complete; Measure 50 was passed
- 153 Campbell 1998-99 Fiscal Year
- 175 Campbell Page 2: "ESD Summary Funding Information". Noted, North Central ESD is substantially higher.
- 210 Campbell Page 3: "ESD Funding for the 1998-99 Year"
- Discussion and questions concerning who is working on a solution.
- 280 Vice Chair Rasmussen Adjourned meeting at 10:15 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. Informational, Nicholi, A New View of K-12 School Funding, 8 pp.
2. Informational, Richards, The Inequity of ESD Support to School Districts, 8 pp.
3. Informational, Heiligman, School District 4J Testimony before the House Revenue Committee January 18, 1999, 2 pp.
4. Informational, Katz, 1998-99 Projected Average State School Funding Per Extended ADMw, 3 pp.
5. Informational, Katz, State Funding of K-12 Education Since 1990, 6 pp.
6. Informational, Scherzinger, Portland Public Schools General Fund Snapshot, 5 pp.
7. Informational, Scherzinger, Cost per Student by Major Spending Category by Fund, 6 pp.
8. Informational, Scherzinger, Portland Salaries Compared to other Metro Districts, 7 pp.
9. Informational, Scherzinger, Federal Placement December 1, 1997, 2 pp.
10. Informational, Campbell, ESD Funding History, 3 pp.