

**INFORMATIONAL OVERVIEW -- SB 346A**

**INFORMATIONAL HEARING -- HB 2019, HB 2052,**

**HB 2068, HB 2351, HB 3549**

**TAPES 146, 147 A/B**

**HOUSE REVENUE COMMITTEE**

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**APRIL 28, 1997 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING**

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**MEMBERS PRESENT:** Rep. Tom Brian, Chair

Rep. Lee Beyer, Vice-Chair

Rep. Randall Edwards

Rep. Leslie Lewis (Arrived 9:02 a.m.)

Rep. Anitra Rasmussen

Rep. Lane Shetterly (Arrived 9:00 a.m.)

Rep. Mark Simmons (Arrived 8:52 a.m.)

Rep. Ken Strobeck

**MEMBERS EXCUSED:** Rep. Tony Corcoran

**WITNESSES PRESENT:** Sen. Ken Baker

Rep. Mark Simmons

Sandra Braden, Cove

Rep. Frank Shields

Ossie Rose, Confederation of Oregon School Administrators

**STAFF PRESENT:** Jim Scherzinger, Legislative Revenue Officer

Barbara Guardino, Committee Assistant

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**TAPE 146 SIDE A**

020 Chair Brian Called meeting to order at 9:43 a.m. Introduced Sen. Baker who presented an overview of SB 346, proposed 1997-99 school funding formula.

**INFORMATIONAL OVERVIEW - SB 346A**

024 Sen. Baker Gave brief background of bill. When lawmakers put formula together, it was with funding formula for \$4.050 billion. An extra \$60 million has been added since. Advised committee to get final budget figure before creating a final formula.

Two issues to be addressed:

1) With old budget figure, Senate Revenue Committee only allocated 71 % of Education Service Districts (ESD's). That number should be 75 %. Glaring concern with non-equity regarding ESD's in different parts of state. Clarified, 75 % relates to districts' tax base figures.

2) Urged committee to take serious look at funding \$2 million program for technology through ESD's.

062 Sen. Baker Commented on thinking in the formula: Portland PERS (Public Employees Retirement System) and Portland's desegregation program is a good move to bolster that community. PERS program (funded at \$13.1 million a year) will be paid off in 9-10 years. Desegregation program, bill does not increase, but sunsets in eight years.

Senate Committee looked at two innovative things:

1) Out-of-state disability fund: Nine disabled children cost the state \$50-200,000 per year to educate. If placed out of state, local districts suffer a great financial burden. Senate Committee put in \$400,000 per year into bill as an insurance policy to ensure local budgets are not devastated.

2) Facility grant: State has great disparity in its school facilities. With growth factors, many districts have portable classrooms. Superintendents from North Clackamas and Beaverton schools testified that

when they build a new wing, the cost is 10 - 12 % above capital construction costs, to equip rooms with furniture, lab equipment, etc. Beaverton district came up with idea of giving every classroom a certain number of dollars. Senate Committee looked at this idea and ran into problems. Came up with formula for the state to share half of cost of equipment, with state grant up to 6 % of total cost.

- 126 Sen. Baker Legislative Revenue Office ran a simulation of an unconstrained formula, and Senate Revenue Committee agrees with that scenario. Essentially, schools are at equity now. Taking into account unconstrained formula, approximately 6 % variation.
- 142 Vice Chair Beyer Asked Baker to clarify what he means by "unconstrained formula."
- Explained, unconstrained formula is permanent formula. In 1991, Legislature put permanent formula in place. The legislature has made minor modifications since. The formula does not include adjustments for flat-funded districts. Legislature put in place, two-year modifications that sunset.
- Senate Revenue Committee figured 6 % range would top out at about \$4,700 per student.
- 146 Sen. Baker Two districts receive more. He believes they "have been cheating the system." Petersburg District has been double-counting students with the flat-funding and stop-loss provisions. They were moving students back and forth from The Dalles School District. Double-counted to the amount of \$600,000. Also, Riverdale District gets \$7,500 per student. School board chairman admitted they are trying to build a private school. They have a \$1.5 million surplus, and probably intend to use this money to create a private school.
- 18 smaller districts with good community support are well-run and don't fit the model. Senate Revenue Committee decided that if these districts collect above \$4,700 per student, state will reduce their money slowly over a four-year period. By end of next biennium, every system in Oregon should be at permanent formula amount.
- 194 Sen. Baker Expressed concern about lawsuits filed two years ago in Deschutes County. Judge concluded funding formula was unconstitutional. Judge backed off, but has filed another lawsuit now. Believes lawmakers must make a radical change in the formula, or this lawsuit will be successful.
- 274 Sen. Baker Expressed concern for adequate funding for schools, believes this bill provides that. Not possible to determine perfect number. That was not the Senate Committee's objective
- 310 Vice Chair Beyer Asked, what is ADM (Average Daily Membership) number used to target dollar amount for permanent formula.
- 315 Sen. Baker Great amount of inequity throughout state, teacher salaries, building facilities and programs are all different. Cannot put target dollar amount because of these disparities. Does not believe it is possible to define a basic education. Must look at outcomes, objectives, and come up with baseline objectives.

- 340 Vice Chair Beyer Argued, that is what permanent formula does, it says all things are equal.  
This is good for some districts and not for others.  
Formula treats every student equally, not every district. Some districts are run better than others. Lawmakers could make every district in state uniform, put every teacher on same salary. This is not desirable.
- 356 Sen. Baker
- 396 Jim Scherzinger Presented an overview on school finance (EXHIBIT A).

**TAPE 147 SIDE A**

Refer to (EXHIBIT A)

Overview entitled "School Finance - Sharing State and Local Resources" (page 1)

"K-12 Dollars Pay For"

"Before Measure 5" (page 2)

"After Measure 5 (and Measure 47)"

035 Scherzinger "Distribution of State and Local Dollars" (page 3)

"Distribution Principles - Permanent Formula Logic"

\* Allocate all state and local general operating funds

\* Let school districts decide how to spend their allocation

\* Create funding differences only for non-controllable cost differences

( Avoid incentives for districts to increase their allocation

"Permanent Formula - General Format" (page 4)

099 Scherzinger "Permanent Formula - Cost Factors"

"Student Counts" (page 5)

"Student Cost Weights"

123 Scherzinger Questions and discussion concerning student cost weights

Additional weights for running smaller school, based on relatively complex formula. Maximum weight per student is 2. Weighting adds about 16 % to total number of students.

"Student Count" (page 6)

201 Scherzinger "Teacher Experience Adjustment to Base Funding Per Student"

Average teacher experience plus or minus \$25. As average teacher experience rises, salaries rise.

230 Scherzinger "Transportation Costs" (page 7)

274 Rep. Edwards Asked, on these factors, (weights, costs etc.) where does information come from?

285 Scherzinger Answered, Department of Education has a section that is responsible for calculating allocations. Each district required to submit information to them, through series of reports. Department calculates formulas from this information. Districts are required to keep uniform system. Department does not do lot of auditing.

Continued overview: "Transportation" (page 7)

352 Scherzinger "Permanent Formula" (page 8)

"Permanent Formula Example"

### **TAPE 146 SIDE B**

"Permanent Formula Examples" (page 9)

027 Scherzinger Formula explains differences in funding per student due to these factors: Target per ADMw (Average Daily Membership weighted); Plus experience; Times adjustment; Target adjusted, etc.

"Temporary Formula 1995-97"

"Constrained Formula -- 1995-97 Biennium" (page 10)

042 Scherzinger Flat grant; stop loss; equalization

"Formula Distribution - 1996-97 Estimate"

"Formula Distribution - 1996-97 Estimate" (page 11)

077 Scherzinger Equalization, flat grant, and stop loss districts

"Revenue Per Weighted Student - Districts over 5,000 students"

"K-12 School Revenue" (page 12)

097 Scherzinger Combination of state and local aid

Questions and discussion

Noted, this chart addresses criticism that total funding is less than in 1991. This is not true according to the chart. Most of increase in cost is reflective of low spending

- 118 Vice Chair Beyer districts being brought up.
- 123 Scherzinger Explained, districts like Portland are flat funded minus about 5 %, so would have less general operating revenue now than it did right after passage of M5.  
"Revenue Per Student - adjusted for inflation"
- 135 Scherzinger 8 % fewer dollars per student in 1996 than in 1990-91  
"Local Formula Revenue" (page 13)
- 155 Vice Chair Beyer Questions and discussion  
Asked whether money for special needs children is included or excluded.
- 160 Scherzinger It is excluded because that money is generally dedicated.  
"K-12 State and Local Revenue - Formula Distribution"
- 179 Scherzinger "State School Fund (SSF) - Appropriations From the General Fund and Lottery fund" (page 14)  
"ESD Mergers" (page 15)
- 199 Scherzinger 29 districts before 1993; 21 after 1995 merger legislation  
"ESD Purposes"  
"Education Service Districts - State Funds" (page 16)  
State funds 71.3 % of M5 property tax loss  
Local revenue  
"Education Service Districts - 1995-977 Biennium"  
"Education Endowment Fund" (page 17)
- 258 Scherzinger Begins July 1, 1997, to fund public education  
"State School Aid If No Legislative Action"
- 321 Scherzinger Overview entitled "Legislative Action Would Be Required To:" (page 18)

**INFORMATIONAL HEARING - HB 2019, HB 2052,**

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- 348 Chair Opened informational hearing, beginning with HB 2351, sponsored by Reps. Roger

Brian Beyer and Mark Simmons.

**HB 2351**

- 366 Rep. Simmons HB 2351 addresses inequities in small school funding. Legislative policy decision made about 1990 that small schools within certain mile range would not receive small school correction dollars, even though they had the costs of a small school. Elgin High School, for example, funds are cut so low it is below state standards.
- 412 Rep. Simmons Refer to SB 346-A24 Proposed Amendments to A-Engrossed Senate Bill 346 (EXHIBIT B). Amendment would provide small schools with half what they would receive if they had been eligible for full small schools reduction. Provides short-term answer to problems these small schools are facing.

**TAPE 147 SIDE B**

- 035 Vice Chair Beyer Asked if -A24 the same as HB 2351.
- 041 Rep. Simmons Essentially it is the same, except HB 2351 asks that all small schools receive full small school adjustment dollars. Amendment asks for half. Statewide, 55 - 60 districts would be affected by this.
- 052 Rep. Rasmussen Asked, how much this change would cost, and how it would affect other school districts.
- 055 Rep. Simmons About \$14 would be added over the biennium. It affects almost every other school district in the state in a positive way.  
Refer to written testimony, verbatim (EXHIBIT C)
- 096 Sandy Braden Cove School has already had to make drastic cuts, nothing else to cut. Cannot offer students even the basic necessities i.e. business courses (typing, accounting, computers skills). Fears school will be forced to close. The school cannot consolidate. Mileage issue makes no sense.  
  
Asked for long-term solution to school funding problem.

**HB 2052**

- 190 Rep. Shields Explained, he introduced HB 2052 at request of David Douglas High School, which has been a leader in implementing many positive aspects of 21<sup>st</sup> Century Schools Act. This includes all-day kindergarten. Additional time has significant benefits. Students in all-day program have higher literacy test scores, less absences. Fits better with family schedules.
- 233 Chair Brian HB 2052 alters school formula to reflect all-day kindergarten programs. When legislature passed HB 3565, they urged schools to move into 21st century reforms. One suggestion was all-day schools. Makes no sense to urge this then not fund it.  
Asked whether this would add .5 per kindergarten student. Shields answered in the affirmative.
- Rep. In regard to a school in his district that took two half-time kindergarten classes and

244 Edwards merged them into one. Would the formula pick that up as two half-times?

261 Rep. Shields These children would be considered half-time (.5).

### **HB 3549**

283 Chair Brian Suggested sponsors Edwards, Rasmussen and Strobeck present HB 3549 during Tuesday, April 29 committee meeting.

299 Ossie Rose Confederation of Oregon School Administrators commissioned feasibility study in relation to regional cost factor connected with formula. A draft of study is being prepared. Noted results are similar to a study done by the Legislative Revenue Office in 1991.

Questions and discussion

363 Chair Brian Recessed at 10:24 a.m. until 3 p.m.

Submitted by, Reviewed by,

Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

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### **EXHIBIT SUMMARY:**

A. SB 346, Scherzinger, School Finance slide presentation, 18 pp.

B. SB 346, Simmons, Proposed Amendments to A-Engrossed Senate Bill 346, 3 pp.

C. HB 2351, Braden, testimony of Sandra R. Braden, 4 pp.

D. SB 346, Scherzinger, Fiscal Analysis of Proposed Legislation, 1 p.

E. SB 346, Revenue Impact of Proposed Legislation, 10 pp.

F. SB 346, Scherzinger, Staff Measure Summary, 2 pp.



G. SB 346, Scherzinger, State School Fund Permanent Equalization Formula, 1 p.

H. SB 346, Scherzinger, SB346A Example for Flat Funded District above Cap, 1 p.