

SPEAKER'S EDUCATION FUNDING COUNCIL

April 16, 1997 Hearing Room F

5:30PM Tapes 1 - 3

MEMBERS PRESENT:

Rep. Lynn Lundquist, Chair Gary Conkling

Vern Ryles, Vice-Chair Sal Cox

Rep. Randall Edwards Stephen Greer

Rep. Ken Strobeck Jonathan Hill

Judy Kamisky Boyd Applegarth

Jack Bierwirth Regina Ortiz-Shepherd

John Byrne Gary Withers

Mike Collins Duncan Wyse

EXCUSED: Tim Carman

Mike Donahue

Jim Jamieson

Peggy Lynch

Dale Weight

STAFF PRESENT:

Margaret Hunt, Co-Administrator

Christine Deboy, Co-Administrator

Julie Havel, Administrative Support

MEASURES/ISSUES HEARD:

Informational Meeting

*** Introduction**

*** Invited Testimony**

*** New Business**

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

Tape/#	Speaker	Comments
Tape 1, A		
005	Chair Lundquist	Calls meeting to order at 5:35 pm. Asks members to introduce themselves and give brief background information about themselves.
012	Gary Conkling	Beaverton and Hillsboro School District Representative. States he helped found the Business Education Compact in Washington County, which works for educational development and excellence.
021	Regina Ortiz-Shepherd	Substitute schoolteacher, Sandy, Oregon, states she was actively involved in the Sandy teacher strike earlier this year as a volunteer liaison between the two sides.
031	Jonathan Hill	Superintendent, Lake County Education Service District, states he has been very involved in rural education issues, and is a member of the Teacher's Standards and Practices Commission and the Private Industry Council.
035	John Byrne	Former President, Oregon State University, states he currently works as a National Consultant on Higher Education. Began his career in Oregon as a faculty member and Chair of the OSU Oceanography Department, and served as the Administrator of the National Oceanic and Atmospheric Administration under President Reagan.
044	Mike Collins	Pendleton lawyer and is serving his last term on the Pendleton school board, is a member of the Fair Dismissal Appeals Board and is a past president of the Oregon School Boards Association.
048	Gary Withers	Finance Manager, Intel, states he has a background in finance and four children in the Beaverton School District.
051	Rep. Randall Edwards	District 15, states he worked for State Treasurer Jim Hill for four years prior to being elected. States he has a background in municipal finance, and states education funding needs to have top priority and long term funding solutions need to be found, so he is looking forward to working with this group.
061	Boyd Applegarth	Former Beaverton School District Superintendent, states he has served as an interim Superintendent in three smaller districts. States he has also served on the Teachers Standards and Practices Commission, and helped the Department of Education conduct study regarding the definition of education.
069	Vern Ryles	Vice-Chair, states he is a private businessman who has been active in community service and is currently sunsetting the Workforce Quality Council for the state.
078	Sal Coxe	7th & 8th grade-blend teacher, Damascus Middle School, states she specializes in 8th grade and has been an inside district consultant on assessment.

084	Duncan Wyse	President, Oregon Business Council, and has two daughters in Portland Public Schools.
090	Jack Bierwirth	Superintendent, Portland Public Schools, gives history of his role in trying to re-vamp the school budgets of 700 districts in New York state, and states his experience there has given him first-hand knowledge in the issue of fairness in funding formulas and how it ties in with academic results.
106	Rep. Ken Strobeck	District 6, states he served on the Revenue Committee both during the last session and the interim, and is currently on the committee this session as well. States his interest in education was the prime motivator that inspired him to run for election, and is also currently involved in the re-write of ballot measure 47.
119	Judy Kamisky	3rd & 4th grade-blend teacher, Gresham School District.
123	Stephen Greer	Certified Public Accountant, Bend, states he has worked with school districts on a wide range of financial issues from how to deal with levy failures, reductions in force, and ballot measures' five and 47.
135	Margie Hunt	Chief of Staff, Speaker Lundquist.
138	Chair Lundquist	District 59, Powell Butte, states he came into this process because he had been involved in "lay-lobbying" for many different groups, and continues to do that as a legislator.
151	Chair Lundquist	States he does not want to be here in the next biennium struggling with how to best utilize the state's education dollars, and how to go about distributing them. States they have had very little direction in that arena. Adds there are a lot of parents who want accountability when it comes to how the legislature is spending their dollars on education.
186	Chair Lundquist	States he wants to make it very clear that he does not want this effort to result in merely another study, and this is not a partisan situation, but rather an issue that is about the future of Oregon, and states it is time for results.
236	Chair Lundquist	States in addition to this effort, it his intention to put the "kicker" dollars into a Rainy Day Fund for education, if they are successful in keeping those dollars, and he is hoping to consider the idea of local option. States they do not intend to re-create the wheel, and are not trying to upstage anybody, they are simply set on a challenge that no one else has been able to do so far, and they will succeed, if at all possible.
264	Ryles	States for him, the critical issue is to identify the kind of outcomes they want to have, and they must have an accountability process and a model that will enable them to deliver on whatever those outcomes are, whether they are Certificates of Initial Mastery (CIM) and Certificates of Advanced Mastery (CAM), or something else. States if they have that model, he believes they can fund it easily because people will step up to the challenge of the funding if they are assured that the model is going to produce the outcome.
339	Chair Lundquist	States he has no pre-conceptions of the product that comes out of here, but he does have a timeline. Adds he wants something to happen before they undertake this process during the next biennium. Adds this is a "roll-the-shirtsleeves-up issue" and prefers to meet informally around round tables in the future.

TAPE 2, A		
010	John Lattimer	Legislative Fiscal Officer, gives overview of the General Fund and Lottery Spending (EXHIBIT A).
046	Collins	Asks if the property tax relief he is referring to was already spent, if it would have been spent if it wasn't for measure five, or how it was treated.
055	Lattimer	Explains in the late 1970's and early 1980's, that is actual property tax relief that was appropriated out of the state budget and was appropriated for property tax relief. Explains when measure five was passed, the property tax funding for schools was essentially shifted to the income tax funding for schools. Explains how it affects school funding, and how the numbers indicate that.
068	Greer	Asks for and receives confirmation that the figures in exhibit A represent total taxes.
079	Lattimer	Continues presentation on the changing composition of the General Fund and lottery budget shifts 1989-91 to 1995-97.
115	Lattimer	Explains we are a "one-legged" stool, and our revenue is now stimulated only by personal income tax. Smaller portions of the revenue pie come from lottery, corporate income taxes, and insurance, tobacco, liquor, inheritance, and courts taxes.
144	Lattimer	Explains how population drives the state's budget.
155	Chair Lundquist	States the biggest single mover of the budget forecasts are based on the number of people who will be incarcerated in our prisons.
162	Lattimer	Explains they shifted the forecasting from a commission to the people who do the economic forecasts for the state, and are now beginning to get much better forecasts, because the earlier forecasts were too high.
170	Bierwirth	Asks whether chart in exhibit A represents age or number of people incarcerated.
175	Lattimer	Explains.
225	Lattimer	Continues presentation, giving overview of human resources spending from 1989-91 through the projected 1997-99 biennium.
240	Lattimer	Explains the real concern is our rapidly growing senior population, which tends to require expensive medical care.
278	Bierwirth	Asks about Cost of Living Adjustment (COLA) vs. chart showing the whole range of people.
279	Lattimer	States he does not have that.
288	Lattimer	States they are very concerned about the 1999-01 budget balance, because they can predict a growth allowance in revenues of \$317 million but the estimated actual growth in cost is almost a billion. States these numbers are based on the December forecast, so they are not current, but both expenditures and revenues have gone up in the March forecast and they will in June as well. Explains we are creating a budget requirement for the next biennium, and prison populations, Department of Human Resources caseloads, general inflation, and K-12

		enrollments are going to drive this budget up again, and we will not have the resources to fund it.
353	Hunt	States one of the frequently asked questions the Speaker's Office receives is why, if it's a period of such good prosperity, are they so short of dollars.
358	Lattimer	Explains it is mainly because we have shifted from a local resource to a state resource to fund a very large part of our governmental expenditures. States many people do not understand that the state does not get any property tax. States fortunately, the economy has been increasing the income tax, but not enough to offset the property tax losses.
370	Rep. Edwards	Asks what the overall budget is for the state.
380	Lattimer	Explains. States it is roughly 9.3 billion dollars, but some estimates have been higher.
380	Wyse	Asks if they've considered combining property taxes for schools with the state budget so they can compare school trends overall with the state trends.
406	Lattimer	States Jim Scherzinger will be giving that information.
330	Jim Scherzinger	Legislative Revenue Office, gives overview of school revenues in Oregon.
TAPE 1, B		
011	Scherzinger	Explains breakdown of the average property tax on an owner-occupied home since 1979. Gives brief history of evolution of property tax system from early 1980's to post-measure five, and compares its impacts on school funding.
048	Rep. Edwards	Asks for clarification about measure five compression on the non-schools.
050	Scherzinger	Explains rate went down to \$5.00 per thousand and for non-schools it was capped at \$10.00 per thousand.
067	Greer	Asks about sources for infrastructure.
085	Scherzinger	Explains estimated difference between current property taxes for operations vs. those under measure 47, and its percent of loss as a result, stating the biennial loss is roughly \$1.01 billion.
120	Chair Lundquist	Asks for brief sketch comparing measure 50 to measure 47 with regard to effects on these numbers.
132	Scherzinger	Explains under measure 50, that number is more of a solid \$800 million compared to the estimate under 47.
130	Wyse	Asks how much of the loss would be to schools.
132	Scherzinger	Explains their loss would be a little less than half, but the legislature has the authority to allocate the losses any way they want, and he has been assuming a proportional allocation of the loss.
135	Wyse	Asks for clarification as to how much there would be under measure 50, and if that would be about half.
		Explains it is roughly about \$450 million to \$550 million under measure 50, so

140	Scherzinger	at \$800 million, it would be somewhere in the neighborhood of \$360 million to \$440 million.
142	Scherzinger	Explains overhead showing all taxes imposed for state and local government in Oregon before measure five, and Oregon's ranking with other states in 1992-93, and Oregon ranked #17. So if the other states haven't moved, Oregon is down in the 43rd or 44th range.
157	Chair Lundquist	Asks for and receives clarification that there is typically not that much movement in these numbers.
177	Chair Lundquist	States it is very scary for him to look at this chart (K-12 revenue and revenue per student adjusted for inflation) and think what will happen once the economy slows down, which is what prompted him to propose the rainy day fund.
227	Scherzinger	Explains revenue per weighted student in terms of equity per student per district. States about 20 percent of the students are currently in districts that are flat-funded and are above the other districts, and about 80 percent are in districts that are equalized amongst themselves. States he believes in the next biennium's budget, that will change quite a bit.
285	Strobeck	Asks for explanation of impact on new construction as it came onto the tax rolls and what happened to it under measure five vs. measure 47.
290	Scherzinger	Explains with property tax, under the pre-measure five system, they had a levy-based system, so new growth in an area basically did not generate revenue to the local district. Explains the reason it did not is because the levy grew at 6 percent a year regardless of the economic growth in the area, if they're under a tax base. If the district was not under a tax base, it would grow by whatever voters were willing to approve for the operating levy. So generally speaking, economic growth did not produce additional revenue before measure five. When measure five passed, the areas under compression received additional revenues based on economic growth, but the state school fund formula would, in effect, make it a statewide resource, because state aid would decline by the amount of that additional property tax revenue that came in through growth.
336	Scherzinger	Continues explaining that if on the other hand, a district has additional students because of the growth, and the student count went up, and the district would get more revenue from that source. So it was a more indirect effect on schools, because only more students would generate additional revenue. Explains there was nothing in the formula that would deal with the capital needs of the districts, which would increase with rapid growth in student population, so the districts would have to go to the voters for that money, because there were relatively few state funds available for capital needs.
350	Rep. Strobeck	Asks about the perception that, in high growth areas, where the property values are going up dramatically, that when people's taxes go up by 20 percent, they assume that extra 20 percent is going to the schools as revenue, when it really isn't.
363	Scherzinger	Clarifies that, because of the school funding formula, that is correct. States under measures 47 and 50, economic growth will generate more revenue for all districts on the property tax side. States the whole purpose of equalizing funding for schools was to make the funding for schools separate from what's going on with the property tax.

384	Wyse	Asks if the logical conclusion is that the local property tax for schools would be a statewide tax.
364	Scherzinger	Explains yes, for K-12 schools, but they still have Educational Service Districts (ESDs), which are much more property tax driven, and community colleges are around 50 percent property tax driven.
400	Scherzinger	Concludes presentation.
TAPE 2, B		
003	Chair Lundquist	Asks Applegarth to share his experience and involvement in the state's educational system.
004	Applegarth	Explains in 1990, the Department of Education asked if he would chair a study to develop a basic definition of a basic education for Oregon. Gives overview of study's results.
059	Chair Lundquist	States they need to start someplace, and they need to go into workgroups at some point, but before they can do that, they must develop a mission statement or charge as to how to get there, and asks for input.
076	Hill	Asks if the work of this committee is going to get into the area of the source of the tax, or if they are going to leave that issue for someone else.
076	Chair Lundquist	Replies he wants this to be a complete package, because it won't do any good if they come up with an educational model but they can't fund it.
082	Bierwirth	States he believes they have some advantages over other parts of the country, and uses analogy of car parts used to fix a car. States we have already defined what "kind" of car it is, which is the first basic thing we must know in order to "fix" the car and in order to know how much the "repairs" will cost. With regard to education, states they have a pretty well defined program.
110	Coxe	States she is in agreement, and asks if they are starting with current law that already exists regarding benchmarks.
120	Chair Lundquist	States he does not want to reinvent the wheel.
125	Applegarth	States the difficult question will be how to fund this.
132	Bierwirth	Notes there is some interesting legal case law that makes an adequate education, in effect, a "property right" of a student. And the end product is very nebulous, which could result in a student suing the state because he or she did not get an "adequate education" which he or she had a right to. Uses example of student needing foreign language to get a certificate of initial mastery, but if the district does not offer foreign language, the student has a compelling case with regard to his or her rights to earn that certificate.
178	Chair Lundquist	Asks if the fundamental question is first to answer what the "total cost package" is and then decide from there where to break it down into percentages.
190	Wyse	States we need to step back and ask what is the underlying theory of the structure of governments as school boards --if it is it the building we're funding, the students, or the curriculum.

206	Byrne	Asks if they are limiting this to K-12, or all publicly supported education.
214	Chair Lundquist	States they might also consider student-teacher ratios, but maybe they should also consider higher education as well in this.
223	Hunt	States perhaps they need to include higher education in the model --with regard to leniency in the school of education.
235		Discussion held on the need to prepare teachers to meet these standards as well as the students.
254	Conkling	Shares his frustrations with `what if" scenarios that aren't based on the reality of the current revenue situation, such as with the property tax measures that have placed constraints on the education system. States people do not understand their tax system, or the educational funding system. Urges council to consider the realities that constrain them on the revenue side, and try to connect them to what the expectations are.
303	Rep. Strobeck	States they would not have had create this council if they had had this discussion during this biennium. States he does not hear that there is agreement or understanding on a "standard" of education among people in this building. States the public may support education, but there's a huge "disconnect" when it comes to paying for that education.
349		Discussion continues on issue of resources, and how all the pieces aren't fitting.
382	Bierwirth	States political problem with regard to larger vs. smaller, more rural districts not adequately preparing their students for university admission requirements.
TAPE 3, A		
004	Collins	States the standards are probably not enough to lay out the specifics of what they need to include in a quality education, and those problems present a liability. States the biggest job they have to do once they agree on what a quality education should be, is to come up with a methodology to figure out how much that should cost. States he thinks there are some models they could look at once they get into that process.
023	Coxe	States if they start with HB 2991 and what it lays out as required, but they create a standard education to include things such as art and music, and the CIM and the CAM as required, which were left out of HB 2991, asks what they are going to leave as a funded mandate vs. an unfunded mandate.
029	Collins	States he believes everything they are hearing is very accurate, and stresses the importance of having adequate school buildings, and what it really costs to run the entire picture instead of just what goes in inside a classroom.
045	Chair Lundquist	Asks Ryles to compile a "mission statement" to bring to the next meeting, of where the committee is going to go, and what direction it needs to head in. Asks for input from members on what timeframe best suits their schedules.
059	Hunt	Reminds committee that these are public meetings, but they could still meet in another room that might be able to accommodate them breaking into work groups.
074		Discussion held on the need to devise a mission statement, and the logistics of meeting to create the statement through different sub- groups formed within the

		council.
093		Discussion continues on potential meeting times and what works best for members.
105	Chair Lundquist	States he is excited about this effort, feels this is a very talented group, and he feels they can be successful.
127	Hunt	Highlights contents of notebook (EXHIBIT B).
151	Byrne	Asks how often the committee intends to meet.
159	Chair Lundquist	Asks if once a month works for everyone.
168	Chair Lundquist	States Hunt will get specific dates to them, but next meeting will be somewhere around the first week in May. Adjourns meeting at 7:40 pm.

Submitted By, Reviewed By,

Julie Havel, Margaret Hunt,

Administrative Support Administrator

EXHIBIT SUMMARY

A - General Fund and Lottery Spending overview, John Lattimer, 43 pp.

B - Speaker's Education Funding Council studies, articles, and analyses, staff, 43 pp.