

Public Hearing & Work Session: HB 2437  
Tapes 55-56 A/B  
57 A

HOUSE COMMITTEE ON  
REVENUE AND SCHOOL  
FINANCE

MARCH 8, 1993 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING

Members Present: Representative Delna Jones, Chair

Representative John Schoon, Vice Chair

Representative Ron Adams

Representative Tom Brian

Representative Margaret Carter

Representative Tony Federici

Representative Fred Girod

Representative Gail Shibley

Representative Greg Walden

Representative Jim Whitty

Members Excused: Representative Mike Burton

Witnesses Present: Walter Koscher, School Finance Coordinator, Department  
of Education

Linda Warberg, Administrator and Head Teacher, Silver Crest School  
District, Silverton, Oregon

Representative John Meek, House District #5

Bill (William) Steffen, Member, Silver Crest  
School District

Ozzie Rose, Confederation of Oregon School  
Administrators

Homber Kearns, Superintendent of Salem Schools and Co-Chair, Coalition for  
School Funding

Dick Eisenhauer, Superintendent of Roseburg

Schools, President, Oregon Association of School Executives, and Co-Chair,  
Coalition for School Funding

Charles Starr, Superintendent of Central Linn School District and Co-Chair,  
Coalition

for School Funding

Rick Burke, Department of Education

Charles "Steve" Farrell, Superintendent/  
Principal, Elkton School District

Staff: James Scherzinger, Legislative Revenue Officer

Terry Drake, Legislative Revenue Office

Paula McBride, Committee Assistant

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meeting. Text enclosed in quotation marks report the speaker's exact words.  
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TAPE 55 SIDE A

005 CHAIR JONES called the meeting to order at 9:06 and conducted  
administrative business.

020 TERRY DRAKE explained the school formula passed by SB 814 during the  
1991 Legislative Session. The formula is in essence a state-funded school  
system (Measure 5 altered the locally-funded school system prior to that

time). The system works primarily from student counts, and is designed to equalize resources across school districts on a per student basis. A weighting system is used, based on various types of students. In his description, he explained the factors that were included in the formula, and he gave examples of how weighting influences funding for districts. He also discussed "small school corrections" to the formula. He wrote material on the white board that was also contained in a handout to the members.

Exhibit 1

Questions and discussion

152 TERRY DRAKE believed the "unification bill" (SB 917, 1991 Legislative Session) will have virtually no impact on the school formula; however, if in the process of unification, the decision is made to physically centralize services and close down a small school, SB 917 would have an impact. He believed this would be a local decision as to where the physical units are placed and how they are maintained. He stressed that, inevitably, when consolidation of districts takes place, a review of the service delivery system takes place, and some impact would occur.

179 TERRY DRAKE continued his explanation of the school formula, using an example of funding for an imaginary district.

Questions and discussion

323 TERRY DRAKE related that HB 2437 resulted from the Interim process and was designed to remedy a situation where the school formula was constrained in 1992-93. It attempts to equalize resources by limiting both the top and bottom of the formula.

345 CHAIR JONES clarified the issues leading up to the writing of HB 2437. She said if there had been no constraints imposed last Session, many districts in Oregon would be receiving less than they had during the previous year, but a limit of 0% was established for these schools. Other districts that had lower spending but also lower property values would get tremendous increases in a oneyear

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formula, and a cap of 25% on school funding was established for these districts. She clearly emphasized that the "local option" was no longer a viable one in the state because of Measure 5. HB 2437 is an attempt to deal with the school distribution formula and move forward equality between districts.

441 TERRY DRAKE described the old school distribution formula and the differences with the new formula after the 1991 Legislative Session. In 1991 there was 13.2% difference between all districts, whereas for 1994 there will be an approximate 7.4% difference.

Questions and discussion

TAPE 56 SIDE

A

002 Questions and discussion continued with TERRY DRAKE concerning the school distribution formula.

029 TERRY DRAKE said HB 2437 continues with the theory of constraining the

school formula, perhaps more narrowly. A growth in the system is foreseen (i.e., growth of total resources available to the school system; not the case at this point), and HB 2437 provides a formula for determining where the cap and bottom is in the formula. It stipulates that whatever the minimum bottom growth rate is, the maximum growth rate cannot be any larger than twice that amount.

Questions and discussion

069 CHAIR JONES said HB 2437 was drafted with the belief there would be additional money for the system rather than less, but that is not the case at this point. She believed the people testifying would talk about how their districts would fare with less money if HB 2437 was implemented. She conducted administrative business.

Questions and discussion continued concerning the school formula.

113 WALTER KOSCHER related that at least three quarters, to 90 percent, of all large school districts have tax rates above 12.50 and therefore under compression.

121 CHAIR JONES opened the Public Hearing on HB 2437.

125 LINDA WARBERG testified about how the school formula had

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effected the Silver Crest School District in Silverton, Oregon, which has only one school and is on the verge of unifying with Silverton High District. Her testimony was verbatim. Exhibit 2

Questions and discussion

220 LINDA WARBERG continued her testimony, advocating an adjustment of the school distribution formula. Exhibit 2

Questions and discussion

331 REP. JOHN MEEK briefly discussed four areas of concern: (1) clarification of the accounting of students in districts and when that takes place; (2) new schools where there is no weighting factor initially; (3) transportation issues. He suggested changes in the formula to deal with these issues.

Questions and discussion

38S REP. MEEK mentioned his fourth area of concern: He believed the first section in HB 2437 was too vague, and he voiced his concerns about language in it.

Questions and discussion

TAPE 55 SIDE B

002 Questions and discussion continued with REP. MEEK.

022 BILL STEPHEN testified as a School Board member for Silver Crest School, and he talked about the effect of the school distribution formula on his district. There has been a reduction in funding for their students, which he talked about. He proposed either eliminating the cap, or that a hold harmless level should be established at the 1992-93 for those schools capped at 25% by changes in the school formula during the last Legislative Session.

Questions and discussion

131 OZZIE ROSE introduced the three co-chairs of the superintendents' coalition committee that worked during the past years on the distribution formula, and that produced the "x/2x" formula in HB 2437. He believed the

three people represented three different types of school districts in Oregon.

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168 HOMER KEARNS spoke about the purpose of his organization and its structure. The group formed to create a common voice in assisting the legislature in two areas: (1) the appropriation, and (2) the formula.

221 DICK EISENHAUER described two basic principles of his group: (1) the work done by the 1991 Legislative Assembly was good and that SB 814 created a sound distribution formula. However, he thought there should be a commitment to equity in what was becoming a state-funded system; and (2) he stressed that the commitment to equity had to be achieved without harming other districts. He said his group had operated under the assumption that there would be increased, not decreased, funding. They developed the x/2x formula, which had been presented to the Interim Joint Revenue and School Finance committee. To maintain equity he suggested there be a \$5 million "pot" set aside added to the formula that would be distributed to the lower-spending districts (those at the 25% cap).

301 CHARLES STARR described his district. He described the handout given by his group, which related information from the proposal of the Oregon Association of School Executives (OASE), which refers to the 1992-93 allocation and suggests changes in the formula (without implementation of the \$5 million "equity reserve"). Resource information in the handout referred to 199394. Exhibit 3

TAPE 56 SIDE B

002 CHARLES STARR continued speaking about proposed revisions in the school distribution formula. Exhibit 3

Questions and discussion with OZZIE ROSE

084 CHAIR JONES mentioned that "he will be putting together a working group to determine how the \$5 million "pot" would be distributed.

Questions and discussion with OZZIE ROSE

186 HOMER KEARNS believed the collection of data on students was adequate, but not perfect. He thought that better information could be gathered in specific categories (e.g., special education). He also stressed that they didn't have very good information about how children were doing in Oregon schools based on a national standard.

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Questions and discussion interspersed with OZZIE ROSE, HOMER KEARNS, DICK EISENHAUER, and CHARLES STARR

269 RICK BURKE related that prior to the SB 814 formula, there was a special handicapped child fund, but at its best it reimbursed only about 9% of district excess costs for special education. He explained the mechanisms of SB 814 on the current distribution of funds to special education

programs.

Questions and discussion

291 OZZIE ROSE related that the elimination of Section 1 in HB 2437, which was designed to place constraint" on the formula, would mean that money would be distributed through the old formula. If \$300-400 million more were appropriated, HB 2437 would work well.

Questions and discussion continued with OZZIE ROSE

392 OZZIE ROSE described how distributions are based on estimates of attendance, obviously determining the funding of a school district.

Questions and discussion

TAPE 57 SIDE A

002 Questions and discussion continued with OZZIE ROSE, HOMER KEARNS, DICK EISENHAUER, and CHARLES STARR.

069 OZZIE ROSE said HB 2437 addressed the issue of-new school buildings openings, stating that the increase in students is the only way to get additional funding. He stressed that districts do not get adjustments specifically for new buildings.

090 STEVE FARRELL requested the members make a change to the distribution formula in relation to the distance factor (distance from the nearest school district). He gave an example of problems with the distance factor in his district.

Questions and discussion interspersed

134 RICK BURKE said the Oregon Revised Statute does not use the word "generally" as mentioned in Exhibit 1 regarding the distance factor. He mentioned an appeal process for the distance factor within the Department of Education, and he believed this system was

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incredibly complex.

164 TERRY DRAKE discussed the concept of "sparsity" within the distance factor calculation. He said "sparsity" isn't the only means by which a district can qualify for a small school correction. He mentioned possible examples.

Questions and discussion with STEVE FARRELL

223 CHAIR JONES closed the Public Hearing on HB 2437 and conducted administrative business.

234 CHAIR JONES adjourned the meeting at 11:16.

Paula K. McBride, Committee Assistant

Kimberly Taylor, Office Manager

#### EXHIBIT SUMMARY

1. State School Fund, SB 814B, Terry Drake, Legislative Revenue Office.
2. Testimony of Linda Warberg, Silverton, Oregon.
3. 1992/93 - 1993/94 Change: OASE Proposal vs. Formula (Without \$5m Equity Reserve), Ossie Rose, Homer Kearns, Dick Eisenhauer, and Charles Starr, Coalition for School Funding.
4. Testimony of Steve Farrell, Superintendent/Principal, Elkton Public Schools.

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