

February 7, 1991 8:00 AM Hearing Room A State Capitol Building

Members Present: Representative Delna Jones, Chair - Representative Carl Hosticka, Vice-Chair Representative Mike Burton Representative Kelly Clark Representative Bev Clarno Representative Mike Nelson Representative Fred Parkinson Representative John Schoon Representative Jim Whitty

Staff Present: Jim Scherzinger, Legislative Revenue Officer Linda Leach, Committee Assistant Witnesses Present: John Augenblick, Consultant, Van de Water & Associates, Denver, Colorado Mary Fulton, Analyst, Education Commission of the States (ECS) TAPE 48 SIDE A 005 CHAIR JONES called the meeting to order at 8:05 and introduced John Augenblick and Mary Fulton. 031 JOHN AUGENBLICK described three topics of focus: 1) The way schools were funded before the system froze because of Measure 5. 2) What is going on in other states. 3) Options for dealing with Measure 5. 080 JOHN AUGENBLICK summarized his understanding of the Oregon Education System, commenting on the characteristics of the old system: 1) Districts are reimbursed for a fixed proportion of transportation expenditures. 2) Districts are provided with a proportion of their basic expenditures. 3) Equalization help is provided based on wealth of district. 125 JOHN AUGENBLICK explained the perspective of Oregon's varying proportion paid for various fiscal adjustments and pointed out Oregon's aid for education is lower than most states.

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance February 7, 1991 Page 2

145 JOHN AUGENBLICK summarized Oregon's difference is due to structure and low state share, which produces variation in spending related to wealth of school districts. 151 JOHN AUGENBLICK reviewed spending variations but questioned the relation to the needs of school districts. 160 JOHN AUGENBLICK focused on reduction of reliance in property taxes due to Measure 5 and how to deal with the loss. 185 JOHN AUGENBLICK recounted historical changes Oregon has made in funding schools which have been designed for specific needs with no guidance for a new system. Encouraged the committee to make a decision on what is to be accomplished in the educational financial system before structuring it. 200 JOHN AUGENBLICK overviewed the major problems of the states: Legal, Structural, Fiscal; most states have a combination of the three. 218 JOHN AUGENBLICK described legal issues around the country offering examples of various states found unconstitutional in their educational system and the rebuilding of their educational and/or financial system. 300 JOHN AUGENBLICK referred to problems of Texas, and other court decisions around the country. 340 JOHN AUGENBLICK pointed out how equity is the basic issue raised in the various court cases. The three ways of presenting equity include too much variation, the relationship between wealth and spending, and the constitution wording. The questionable word in the Oregon constitution is "uniform". 429 JOHN AUGENBLICK talked about structural problems and dealing with Measure 5. States have several concerns, one of which is how to define a basic level of funding for education. TAPE 49 SIDE A 001 JOHN AUGENBLICK discussed foundation programs and defining levels. 010 JOHN AUGENBLICK

addressed the problem of states attempting to identify the factors affecting education cost in various districts; programs, characteristics of pupils (wealth), and districts (size). These need to be addressed in the funding formulas. 070 JOHN AUGENBLICK claimed a factor of concern in education differences is regional cost, giving examples. 083 JOHN AUGENBLICK identified training and experience as concerns.

,/ These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks ' reports the speakers exact words. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance February 7, 1991 Page 3

099 JOHN AUGENBLICK introduced another perplexing issue facing the states is the question of determining the fiscal capacity of school districts. Most rely on property wealth, but some consider income, even though income is not collected locally for the purpose of funding the schools. Gave examples of how states determine wealth, using property tax. 123 JOHN AUGENBLICK addressed another problem states deal with is handling districts spending above the minimum level. 156 JOHN AUGENBLICK offered alternatives to provide a limit of year to year increases and discussed equalization of teacher retirement programs, explaining school districts in the state (together) fund teacher retirement. 163 JOHN AUGENBLICK reported states are struggling with providing fiscal incentives to school districts. 214 JOHN AUGENBLICK predicted fiscal problems will become the basis for school financing. 220 JOHN AUGENBLICK focused on options Oregon has when dealing with Measure 5. Following are five possible options: 1. State could replace the lost property tax revenue. 2. State could increase state funding under the current formula requiring almost no local contribution. 3. State could authorize a new source of local income other than property taxes. 4. State could provide a Flat Grant and any property tax revenue would be outside of that program. 5. State could take the current "foundation system" and create a real foundation program under which the property tax revenue would be counted as a deduction of local school districts. TAPE 48 SIDE B 001 JOHN AUGENBLICK discussed variations regarding Measure 5 options. 009 JOHN AUGENBLICK recommended the committee not make decisions based on the incurable disease of "printoutitis", which forces decisions based on individual districts. Many states have commissions that evaluate the equity of their educational system. 030 Questions and discussion. 043 CHAIR JONES recessed the meeting at 9:05 and reconvened at 9:21.

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance February 7, 1991 Page 4

043 JOHN AUGENBLICK reminded committee of handouts: Exhibit 1 Policy Questions Exhibit 2 - School Finance Issues in 1990 - Table 1 (spending levels) - Table 2 (teacher salary levels) - Table 3 (percent changes of pupils and teachers) - Litigation (out of date) 109 REP. NELSON requested comments on transportation being a factor in distribution. ;10 JOHN AUGENBLICK expounded on foundation formula, which deals with the needs of each district. Districts are grouped into setting categories and each setting category has its own foundation level; there are eight total foundation levels. 130 Questions and discussion regarding distribution factor. 145 JOHN AUGENBLICK described the foundation

programs of Colorado and Kentucky. - 195 REP. WHITTY questioned what can be done about distribution because numbers in cost of instruction differ between districts due to the economy. 220 JOHN AUGENBLICK answered that objectives should be set and later review data. In order for a training and experience factor, the qualifications of teachers in each school district must be known. Explained cost of education, according to Texas, and a prediction of teacher salaries indexing. 290 JOHN AUGENBLICK suggested the committee identify goals and objectives. 305 REP. HOSTICKA questioned how other states deal with variation between school districts due to collective bargaining and compensation schedules. 310 JOHN AUGENBLICK replied most states do not directly deal with collective bargaining and compensation schedules. Some states have a state-wide salary minimum. Collective bargaining has not entered as a factor states use in allocating money. 330 REP. HOSTICKA inquired if variation based upon wealth is still significant from a legal standpoint. 340 JOHN AUGENBLICK responded that most cases of variability in spending can be explained. 360 REP. HOSTICKA asked if courts would find a situation unconstitutional if tax and wealth were not factors regarding variability.

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance February 7, 1991 Page 5 375 JOHN AUGENBLICK explained a current Minnesota court case regarding a cost of living factor. 405 CHAIR JONES questioned what variance seems reasonable. 430 JOHN AUGENBLICK acknowledged that 20-25 percent variation, due to wealth or tax effort, is reasonable. TAPE 49 SIDE B 001 JOHN AUGENBLICK contributed examples of other states' variance. 019 REP. CLARK quizzed how many court cases have been decided under the state constitution as opposed to federal constitution. 020 JOHN AUGENBLICK cited a federal case. 030 REP. CLARK questioned if there have been court cases where fundamental rights, according to the constitution, have been argued. 056 JOHN AUGENBLICK provided examples where this has been argued. 072 REP. CLARK commented that Oregon laws don't create disparity and wealth of districts. 089 JOHN AUGENBLICK clarified the Supreme Court of the United States found wealth not to be a suspect classification. 108 JOHN AUGENBLICK viewed replacing lost revenue in the same way as the hold harmless provisions of state laws and encouraged the committee not to use replacement theory as the basis for allocating money. 123 REP. CLARK questioned if there are provisions in law for advisory opinion when there is legal dialogue between courts and legislature. 130 JOHN AUGENBLICK alleged power of the court can be strong and provided an example. 154 REP. CLARK interjected current unconstitutionality is legislative failure combined with voter failure. 164 JOHN AUGENBLICK discussed wealthy districts which required legislature to determine a recapture mechanism. 194 REP. BURTON inquired how states account for equity of districts when responding to people of those districts. 223 JOHN AUGENBLICK implicated the equity expectations of people as wanting tax collection and the allocation of state aid procedure being independently fair.

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance February 7, 1991 Page 6

250 REP. BURTON considered the close relationship of school districts

and questioned disproportionate costs of instruction. 283 JOHN AUGENBLICK replied that is why some states have created a system where a higher proportion of experience is given a training and experience index. 307 REP. BURTON questioned if there is a recommended standard for equity. 334 JOHN AUGENBLICK answered no, and explained efforts in this direction by money being allocated on the basis of relative improvement, not absolute standard. 370 REP. BURTON expressed concern of failing to meet policy objectives that will create a good educational system, because finance questions must be answered first. TAPE 50 SIDE A 005 JOHN AUGENBLICK presented efforts of states to improve quality. 015 CHAIR JONES suggested committee identify its objective. 020 REP. SCHOON questioned how to improve system and product, aside from the finance. 033 MARY FULTON emphasized the importance of establishing goals and objectives; ECS is working on ways to help states evaluate these. 076 REP. SCHOON questioned if a study has determined why individual programs are so successful. 080 JOHN AUGENBLICK depicted programs as being difficult to judge because testing is not satisfying, but research shows important factors that explain how well pupils perform are those factors that are beyond the control of the schools. 102 JOHN AUGENBLICK discussed providing incentives. 108 REP. NELSON questioned consolidation of districts to county. 113 JOHN AUGENBLICK noted most people view consolidation to improve education and less to save money. Fiscal incentives have encouraged districts to share administrators and/or programs, in turn, expecting certain education opportunities to be available. 140 CHAIR JONES recognized the benchmark process. 153 Questions and discussion.

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance February 7, 1991 Page 7 166 MARY FULTON commented on pilot programs and regulations. 185 CHAIR JONES conducted administrative business and adjourned the meeting at 10:30.

Transcribed by: Marlene Stickley Linda Leach, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY 1. Policy Questions That Might Be Addressed In Order to Achieve Major School Finance Goals, 2/7/91, John Augenblick - School Distribution 2. School Finance Issues in 1990, 2/7/91, John Augenblick - School Distribution 3. John Augenblick biography, 2/7/91, John Augenblick - School Distribution

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.