

Tapes 244-247 (A/B) Tapes 248-249 (A) Public Hearing: SB 814A Work
Session: HB 3467A, HB 3213A HOUSE COMMITTEE ON REVENUE AND SCHOOL
FINANCE

June 14, 1991 8:00 AM Hearing Room A(am)/D(pm) 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 Terry Drake, Legislative Revenue Office Steve Bender,
Legislative Revenue Office Dick Yates, Legislative Revenue Office Linda
Leach, Committee Assistant Witnesses Present: Representative Tony Van
Vliet, Joint Ways and Means Committee, District 35 John Lattimer,
Legislative Fiscal Officer Ozzie Rose, Confederation of Oregon School
Administrators John Augenblick, Consultant, Augenblick, Van de Water &
Associates (conference call from Denver, Colorado) Mary Fulton,
Education Commission of the States (conference call from Denver,
Colorado) Melinda Lee-VanBossuyt, Newberg, Oregon Leroy Benham, Newberg
School Board Giles Parker, Coos Bay Schools Francis Charbonnier,
McMinnville School District Phil Carver, Central School District,
Independence, Oregon John Dracon, Central School District Frank
McNamara, Portland School Districts Walter Koscher, Department of
Education Ron Chastain, Economist, Salem, Oregon Margaret Nichols,
Eugene School District Representing North Clackamas School District,
Lake Oswego School District, Portland School District, Tigard/Tualatin
School District, Beaverton School District, Corvallis School District,
Ashland School District Frank Brawner, Oregon Bankers Association

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 June 14, 1991
Page 2 TAPE 244 SIDE A 004 CHAIR JONES called the meeting to order at
8:08 and explained that Rep. Van Vliet will review a \$50 million
(approximate) shortfall in revenue. 016 REP. VAN VLIET reviewed the
Governor's recommended budget amount of basic school support and Measure
5 replacement for schools. He explained estimated revenues for the first
year of school funding (SB 815) were reduced by \$50 million for
Community Colleges. However, an amount for community colleges was not
deducted from the second year estimate which is the reason for the \$50
million shortage. Ways and Means does not intend to touch the \$1.092
billion set aside for school replacement revenue (2nd year). The Ways
and Means Committee is reviewing options to find \$50 million (examples:
PERS retirement funds, ending balance, HARRP). He addressed tight basic
budgets. Exhibit 1 075 Questions and discussion regarding options for a
solution and political implications from the \$50 million error. 122
Questions and discussion regarding an impact on House Revenue Committee
and the review of SB 814A. 135 Questions and discussion continued
regarding illustration from Rep. Van Vliet and the budget (ending
balance). Exhibit 1 172 Questions and discussion comparing first and
second year school finance formula (percentage loss/increase, total
resources available to the system, how error was made). 240 CHAIR JONES
conducted administrative business. PUBLIC HEARING - SB 814 A 280 OZZIE
ROSE believed the formula in SB 814A was "sound" and discussed all
students having access to quality education in relationship to state
educational goals set in HB 3565. He noted the expense related to goals
in HB 3565. 300 OZZIE ROSE compared current school funding to proposed
statewide funding in SB 814A (funding students, not districts). He
reviewed student weighting factors in SB 814A (special education, at

risk, Union High v. elementary). 386 Questions and discussion regarding class size for younger grades compared to high school factors and costs. OZZIE ROSE did not support the state setting the local classroom size.

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 June 14, 1991 Page 3 TAFE 245 SIDE A 001 OZZIE ROSE explained the development of the 95% to 125% funding range based on current budgets (maximum loss of 5%, maximum increase 25%). 032 OZZIE ROSE supported a "place holder" in the formula for a regional cost of living difference and he provided examples. 055 OZZIE ROSE explained that good data is not available for "at risk" students and the mobility of young people and believed adjustments should be made in these categories in the future. Questions and discussion follow. 075 OZZIE ROSE discussed the budget process in relation to transportation allocation. He pointed out depreciation cost requirements in SB 814A and cautioned the committee about some areas where the committee should not be involved. 089 Questions and discussion regarding a cost of living factor (cost of educational services to children). 134 REP. BURTON supported some local discretion and referred to Proposed Amendments SB 814-A16 from North Clackamas relating to occupational skills and a proposed weighted factor. Exhibit 2 148 REP. CLARK questioned the weighting of vocational education students. 150 OZZIE ROSE did not support weighting vocational education students. He gave examples of factors which should not be dealt with now. He did not believe that necessary information is available to address the vocational education issue properly for all school districts. 163 Questions and discussion regarding weighting of vocational education students. 183 CHAIR JONES discussed the formula in SB 814A and conducted administrative business. She recessed the meeting at 8:53 and reconvened at 9:09. 200 CHAIR JONES discussed the Committee's procedure for SB 814A and a conference call with John Augenblick and Mary Fulton. 270 JOHN AUGENBLICK summarized his letter dated June 13, 1991 which is a review of SB 814A. He answered a series of questions which were submitted to him from the Committee. Exhibit 3

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 June 14, 1991 Page 4 340 JOHN AUGENBLICK answered question one relating to local option. A local option property tax is acceptable (as permitted by Measure 5), but the option should be narrow. He provided examples of local option growing large in wealthy districts which in the long run can compromise the equity of the school finance system. He gave examples of other state's efforts in equalizing local option. 381 JOHN AUGENBLICK answered question two relating to special education weighting. He supported special education weighting and believed SB 814A proposed 2.0 weighting factor was reasonable (if only one weight for special education). He gave examples of other states providing more than one weight for special education to reflect the wide cost variation. 423 JOHN AUGENBLICK answered question three relating to poverty (if poverty was a good measure of "at risk" students). He did not believe that poverty was a good measure. The best measure of "at risk" students is to identify the students (who they are and not what their characteristics are). He reviewed a lack of data in this area and other states effort in

identifying "at risk" students. He understood the need to use poverty as a proxy or an indicator of "at risk" students. 467 JOHN AUGENBLICK answered part two of question three relating to the factor of .4 assigned to "at risk" students in SB 814A. He explained the lack of available data to answer the question, but other states tend to weight lower than .4 for "at risk" category. TAPE 244 SIDE B 023 JOHN AUGENBLICK answered question four relating to a cost of living index as an appropriate factor. He noted the difficulty relating to this factor and suggested the factor relate to cost of education, rather than the cost of living. He gave examples (teachers who do not live in the boundaries of school districts). Cost of education requires research and supported a "place holder" in the school finance formula. 052 JOHN AUGENBLICK answered question five relating to transportation. He believed the proposed 70% funding of transportation was inappropriate. He suggested to predict transportation expenditures and fund 100%, and then apply the same adjustment factor to transportation as the adjustment to the targeted grant. Part two of question five related to a teacher experience factor. He is not opposed to a teacher experience factor, but noted concerns and supported a small percentage of actual cost. 082 Questions and discussion clarifying SB 814A relating to teacher experience factor which provides for 70% of actual differential.

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 June 14, 1991 Page 5 090 JOHN AUGENBLICK answered question six relating to statewide bargaining. He did not believe a direct link exists between statewide bargaining and increased state school funding. He discussed statewide bargaining in some states. 121 Questions and discussion. 129 JOHN AUGENBLICK believed a rationale was needed to justify the \$4500 targeted amount. 150 Questions and discussion regarding weighting in relationship to performance. 180 JOHN AUGENBLICK answered question seven relating to local option and the high cost of special education. He explained why he did not support special education as a justification for local option. 210 Questions and discussion regarding various factors which may affect local option. 262 REP. HOSTICKA questioned a way to recognize local effort in the foundation grant approach. 297 Questions and discussion regarding a state calculation based on the maximum amount which can be derived from a local property tax. 366 Questions and discussion regarding an urban education factor (question from audience). 373 JOHN AUGENBLICK emphasized two urban adjustment components: 1) Cost of education index. 2) "At risk" pupil. 400 Questions and discussion regarding defining and monitoring equity. JOHN AUGENBLICK noted the range of 95% to 125% funding requires a time limit which will indicate the Legislature's intention to fully implement the school finance formula. TAPE 245 SIDE B 018 MARY FULTON concluded the review of SB 814A and agreed with comments from John Augenblick. 029 Questions and discussion. 051 MELINDA LEE-VAN BASSUYT supported the formula in SB 814A and related her concerns of adequate school funding. She encouraged equality for all Oregon children. 088 LEROY BENHAM reviewed his background and interest in children's issues. He believed a comparison to the "status quo" was a mistake and reviewed the impact from Measure 5.

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 June 14, 1991 Page 6

111 GILES PARKER cautioned the committee to move slowly in the cost of living factor and pointed out the decreased wage index in Coos County. He believed SB 814A was a "good" formula. 128 FRANCIS CHARBONNIER supported SB 814A. He reviewed the effects on education in McMinnville because of low spending. He commented on a transition period and that the range of 95% to 125% funding was adequate for implementation. 148 PHIL CARVER explained that Central School District has a high tax rate, but is low spending. He reviewed budget cuts and inadequate programs in Central School District. 168 CHAIR JONES conducted administrative business and recessed the meeting at 10:03. She reconvened the meeting at 2:12 as a subcommittee until a quorum was reached at 2:20. She reviewed the committee's schedule for dealing with SB 814A. 204 JOHN DRACON testified in support of SB 814A and cautioned the committee in relationship to a cost of living factor (40% of Central School District's teachers live in Corvallis or Salem). 215 Questions and discussion regarding calculation of teacher experience factor in SB 814A formula and determination of teacher salary. WORK SESSION - SB 814 A 311 CHAIR JONES requested input from the committee regarding testimony from John Augenblick. 330 REP. BURTON was concerned with factors not included in SB 814A and why the Senate Revenue Committee did not include certain factors. 350 CHAIR JONES summarized issues from John Augenblick: 1) Local option. 2) Cost of education. 3) Transportation. 4) Teacher experience. 5) Statewide bargaining. 6) Outcomes. 7) Urban education. She discussed the Committee's procedure for dealing with SB 814A. TAPE 246 SIDE A 009 REP. WHITTY was concerned with the transportation formula and an attempt to change the numbers. 027 Questions and discussion regarding committee procedure.

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speaker's exact words. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance June 14, 1991 Page 7 033 REP. HOSTICKA requested clarification on teacher experience and remarks made by John Augenblick. He noted that the teacher experience factor is not a "one way phenomenon" (districts receive more money if they employ more experienced teachers; and a subtraction for less experienced teachers). 047 Questions and discussion. TRANSPORTATION ISSUE 056 TERRY DRAKE reviewed the Senate Revenue Committee's development of the transportation component in SB 814A formula. 091 Questions and discussion regarding a prospective look at ADM (average daily membership) and two adjustments to formula. CHAIR JONES suggested to treat transportation in a similar manner. 110 Questions and discussion regarding data requested by the Department of Education from all school districts for their transportation costs. TERRY DRAKE noted factors placed in the transportation factor and other issues discussed in Senate Revenue Committee (efficient districts, contract for transportation). 160 Questions and discussion regarding why some districts show zero for transportation costs on school finance simulations. Terry Drake pointed out that most recent data was used if school districts did not respond to a transportation questionnaire. Exhibit 4 LOCAL EFFORT 246 REP. HOSTICKA was interested in a school finance simulation which assumes that each district makes the full effort allowable under Measure 5. 260 TERRY DRAKE estimated a savings of \$4 million based on a simplified assumption (including community colleges) as suggested by Rep. Hosticka. 280 Questions and discussion

(extreme examples if the formula is adjusting for certain situations - Jewell School District). 300 TERRY DRAKE cautioned that the 1990/91 expenditure estimates are a snapshot picture and many factors will affect 1992/93 expenditures. 338 Questions and discussion regarding possible amendments relating to local effort in relationship to local dollars available from Measure 5 provisions. 363 Questions and discussion regarding offsets (timber receipts, gas receipts).

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 June 14, 1991 Page 8 TAPE 247 SIDE A COST OF EDUCATION 010 RON CHASTAIN presented information regarding cost of educational services and believed the \$4500 target amount buys different services around the state. Exhibits 5, 6 066 Questions and discussion. 076 RON CHASTAIN reviewed Expenditures/ADM Ranked by Size of District Unified Districts and 150 Smaller Unified Districts. Exhibit 6 092 Questions and discussion. 102 REP. WHITTY was concerned that varying class sizes are not reflected in charts from Ron Chastain. 116 RON CHASTAIN referred to Cost of Living Index from American Chamber of Commerce Researchers Association. Exhibit 7 165 RON CHASTAIN reviewed Regional Cost of Service Districts. Exhibit 8 233 Questions and discussion regarding wage comparisons, lack of data, pay scales for different communities for different reasons. RON CHASTAIN pointed out his use of regional weighting rather than by districts for cost of education. 320 CHAIR JONES requested input from the Committee on cost of education factor in the school finance formula. 386 Questions and discussion. TAPE 246 SIDE B 005 MARGARET NICHOLS summarized written testimony from the following school districts: North Clackamas, Lake Oswego, Portland, Eugene, Tigard/Tualatin, Beaverton, Corvallis, Ashland. Exhibit 9 Questions and discussion interspersed regarding proposal presented by Margaret Nichols, including local option. LOCAL OPTION 179 Questions and discussion regarding local option as a "placeholder" in the formula and a required accounting system for accurate estimates of weights.

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 June 14, 1991 Page 9 259 MATTHEW PROPHET agreed with testimony from Margaret Nichols. He believed a perception problem exists regarding districts wanting to be held harmless. Hold harmless means to prevent maximum damage which equates to receiving in 1992/93 the same amount as 1991/92. 312 Questions and discussion regarding a "hold harmless" perception. 338 CHAIR JONES recessed the meeting at 3:46 and reconvened at 4:12. WORK SESSION - HB 3467A 360 CHAIR JONES reviewed the committee's interest in a cap for an existing tax credit and proposed expansion in HB 3467A. She referred to Proposed Amendments HB 3467-A 0 which are modified by Proposed Amendments HB 3467-All. Exhibits 10, 11 375 FRANK BRAUNER reviewed deficiencies in current law which led to HB 3467. He explained a current 10-year period and a need to extend to 20 years in HB 3467 (ability to sell loan and maintain tax credit). He reviewed a proposed cap of \$37.5 million in loan amounts. Exhibit 10 TAPE 247 SIDE B 018 DICK YATES estimated the maximum biennial impact of \$3 million (with a \$37.5 million cap). He estimated \$1.5 million impact for the 1991/93 biennium. 024 Questions and discussion regarding examples of tax credit and timetables. 050 FRANK BRAUNER reviewed Proposed Amendments HB 3467-All which address a situation where fifteen Oregon banks have

joined in a statewide effort called Network for Affordable Housing (NOAH). The proposed amendments add NOAH as a lender in order to qualify for a current tax credit and proposed expansion under HB 3467. Questions and discussion follow. 089 MOTION REP. HOSTICKA moved adoption of Proposed Amendments HB 3467-A10, 6/13/91 as modified by Proposed Amendments HB 3467-All, 6/14/91. 091 ORDER There being no objection, CHAIR JONES so ordered. 100 MOTION CHAIR JONES moved HB 3467A as amended to the floor with a do pass recommendation. 110 VOTE In a roll call vote, the motion was adopted (8-0). AYES: Reps. Parkinson, Whitty, Burton, Clark, Clarno, Nelson, Hosticka, Jones. EXCUSED: Rep. Schoon.

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 "d School Finance June 14, 1991 Page 10 WORK SESSION - HB 3213A 136 CHAIR JONES explained HB 3213A relates to the soil and water conservation districts. 149 JIM SCHERZINGER referred to Proposed Amendments HB 3213-A7 which incorporates previous amendments already adopted by the Committee. HB 3213 allows fees to be charged for administering water management plans (water quality standards up to EPA settlement) and is limited to the Tualatin basin. The proposed amendments address a concern related by John Powell and the intent of the bill as described previously by Rep. Meek (HB 3213-A7 removes Section 3 and clarifies Section 2 - ties proposed fees to water management plans as listed in HB 3213A). Exhibit 12 200 CHAIR JONES noted the inclusion of a sunset date of January 1, 1996 (add Section 5) as previously discussed by the Committee. 217 MOTION CHAIR JONES moved adoption of Proposed Amendments HB 3213-A7 as amended with Section 5 (sunset date of January 1, 1996). 230 DISCUSSION 247 ORDER There being no objection, CHAIR JONES so ordered. 250 MOTION REP. CLARK moved HB 3213A as amended to the floor with a do pass recommendation. 260 VOTE In a roll call vote, the motion was adopted (7-0). AYES: Reps. Schoon, Burton, Clark, Clarno, Nelson, Parkinson, Jones. EXCUSED: Reps. Whitty, Hosticka. WORK SESSION - SB 814A 272 CHAIR JONES conducted administrative business. 292 CHAIR JONES requested input from the committee relating to the school finance formula. 320 Questions and discussion regarding weighting factors. 330 REP. BURTON questioned the rationale for arriving at factors (budgetary or political). He discussed a possibility of heavier weighting for ESL (English as a second language) and used Woodburn as an example. 357 REP. SCHOON believed in the future there should not be weighted factors and that the Legislature should work toward a cost per student formula. He gave examples.

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. Home Committee on Revenue and School Finance June 14, 1991 Page 11 374 Questions and discussion regarding cost of education per student. REP. BURTON questioned if weighting is driven because of limited funds. 396 OZZIE ROSE explained each district does not have exactly the same proportion of various burdens which is reflected in the weights. He provided examples. TAPE 248 SIDE A 001 Questions and discussion regarding data for weighting factors. 044 Questions and discussion regarding federal funds from Chapter 1 program. 081 Questions and discussion regarding range of 95% to 125% funding and how percentages were decided. 103 REP. PARKINSON questioned the inclusion of federal funds in the school finance simulations (would that provide a truer picture?). 109 WALTER KOSCHER explained the inclusion of federal

funds will not change numbers very much. 123 Questions and discussion regarding federal school finance funds. 155 CHAIR JONES discussed a local component effort and provided direction to staff. 190 Questions and discussion regarding assumptions made when reviewing local effort. 272 CHAIR JONES summarized other areas requiring work: cost index system, small and necessary schools, local effort, poverty or "at risk" issues, amount needed to keep districts at zero cuts and what impact "hold harmless" has on other districts. 342 Questions and discussion (staff direction and clarification). TAPE 249 SIDE A 001 CHAIR JONES conducted administrative business. 044 CHAIR JONES adjourned the meeting at 5:10.

Linda Leach, Committee Assistant Kimberly Taylor, Office Manager

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 June 14, 1991 Page 12 - EXHIBIT SUMMARY 1. Blackboard Illustration, Rep. Van Vleit, 6/14/91 - Miscellaneous 2. Proposed Amendments SB 814-A16 (See Exhibit 6 from House Revenue 6/13/91 meeting) - SB 814 3. Summary of SB 814A from John Augenblick and Mary Fulton, 6/13/91 (See Exhibit 11 from House Revenue 6/13/91 meeting) - SB 814 4. School Finance Simulation, 6/9/91 (See Exhibit 17 from House Revenue 6/11/91 meeting) - SB 814 5. Educational Service cost, Ron Chastain, 6/14/91 - SB 814 6. Graph ADM Expenditures, Ron Chastain, 6/14/91 - SB 814 7. Cost of Living Index, Second Quarter 1990, American Chamber of Commerce Researchers Association, 6/14/91 - SB 814 8. Regional Cost of Service Districts, Ron Chastain, 6/14/91 - SB 814 9. Testimony from Margaret Nichols, Eugene School District (from 9 school districts), 6/14/91 - SB 814 10. Proposed Amendments HB 3467-A10, 6/13/91, LRO - HB 3467 11. Proposed Amendments HB 3467-All, 6/14/91, LRO - HB 3467 12. Proposed Amendments HB 3213-A7, 6/14/91, LRO - HB 3213 13. Testimony from Central Linn School District 552C, 6/13/91 - SB 814 14. Testimony from Woodburn Public Schools, 6/13/91 - SB 814 15. HB 3467 Lender's credit for low-income housing, LRO, 6/14/91 - HB 3467

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