

June 18, 1991 8:30 AM Hearing Room D 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: Terry Drake, Legislative Revenue Office Steve Bender, Legislative Revenue Office Linda Leach, Committee Assistant Witnesses Present: Ozzie Rose, Confederation of School Administrators Walter Koscher, Department of Education Paul Warner, Executive Department Frank McNamara, Portland Public Schools

TAPE 254 SIDE A 005 CHAIR JONES called the meeting to order at 8:42. WORK SESSION - HJR 68 010 STEVE BENDER reviewed clarifying language regarding the participation of the League of Cities, Association of Oregon Counties and Special Districts Association in a proposed legislative process for developing replacement revenues. He reviewed Proposed Amendments HJR 681. Exhibit 1 026 Questions and discussion. 030 MOTION CHAIR JONES moved adoption of Proposed Amendments HJR 68-1. 032 ORDER There being no objection, CHAIR JONES so ordered. 035 MOTION REP. WHITTY moved HJR 68 as amended to the floor with a do pass recommendation.

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 18, 1991 Page 2 038 VOTE In a roll call vote, the motion was adopted (8-0). AYES: Reps. Whitty, Burton, Clark, Clarno, Nelson, Parkinson, Schoon, Jones. EXCUSED: Rep. Hosticka. 045 Committee at ease from 8:46 - 8:47. WORK SESSION - SB 814 A 060 STEVE BENDER referred to a summary of Amendments to SB 814A. He explained Proposed Amendments SB 814-A18 are mostly technical. Exhibits 2, 3 115 STEVE BENDER reviewed Proposed Amendments SB 814-A18 relating to expanding the scope of transportation costs. Exhibit 2 (paragraph 2 under SB 814-A18) 147 Questions and discussion. 181 STEVE BENDER continued review of scope of transportation costs and provided examples. He noted that the Senate Revenue Committee did not discuss how broad or narrow transportation costs should be. The Senate Revenue Committee did discuss the distance of transportation and the mandate of certain types of services. 204 TERRY DRAKE added that the Senate Revenue Committee reviewed transportation safety issues, but did not address field trips or sports activities included as imburseable transportation costs. 230 STEVE BENDER interjected that sports and other (non-classroom) activities are not available for imbursement in SB 814A. 239 Questions and discussion regarding safety issues relating to transportation (page 2 of SB 814A). 249 REP. WHITTY was concerned with an impact on rural school districts because of excluding some transportation costs (activities). He wanted consideration of distances for all transportation. 279 Questions and discussion regarding cost of transportation and definition of field trips (extension of classroom learning experience). 301 OZZIE ROSE pointed out that the Senate Revenue Committee attempted to reflect the current practice (relating to approved transportation costs) and raised imbursement to 70% from 57% (approximate) reimbursement. He noted that certain activities are currently not approved transportation costs. 317 Questions and discussion. 330 REP. WHITTY requested the fiscal impact from Proposed Amendments SB 814 -A18.

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 18, 1991 Page 3 339 CHAIR JONES wanted to review technical amendments before discussion of cost. 354 CHAIR JONES clarified that SB 814A lists the covered transportation costs and does not list excluded costs. She did not believe transportation issues were isolated to urban and rural. 373 CHAIR JONES pointed out that some issues presented by staff were not discussed in the Senate Revenue Committee. 386 Questions and discussion regarding Committee procedure. TAPE 255 SIDE A 003 CHAIR JONES clarified that current covered transportation costs include "in lieu" of transportation and field trips (extension of classroom experience), but does not include activities. 011 Questions and discussion regarding approved transportation costs. 032 WALTER KOSCHER clarified Proposed Amendments SB 814-A18 reflect current practice as to approved transportation costs. 044 Questions and discussion. 048 STEVE BENDER continued his review of Proposed Amendments SB 814A18 which expand the scope of local revenues that are subtracted in the school finance calculation. Exhibit 2 (paragraph 3 under SB 814-A18) Questions and discussion interspersed (equity across the state, federal funds received by school districts, mineral receipts-offsets). 169 TERRY DRAKE cautioned the committee regarding a policy decision relating to federal forest fees (similar to Committee discussion). 191 Questions and discussion regarding estimation of forest revenue. 212 STEVE BENDER reviewed Proposed Amendments SB 814-A18 relating to withholding state funds from school districts. Exhibit 2 (paragraph 7 under SB 814-A18). 237 STEVE BENDER reviewed Proposed Amendments SB 814-A19 relating to adjustment of the transportation grant. Exhibit 4 277 Questions and discussion. 289 Questions and discussion regarding calculation of transportation grant. 310 CHAIR JONES noted that the Committee was not in a position to deal with Proposed Amendments SB 814-A19.

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 18, 1991 Page 4 333 Questions and discussion regarding Committee procedure. 365 CHAIR JONES wanted to review the school finance formula with necessary adjustments to follow. 395 Questions and discussion regarding the lack of transportation cost data. 404 STEVE BENDER reviewed a request from Rep. Hosticka relating to a cost of living factor, an interim study and authority for the Joint Interim Committee to place factors in the formula prior to effective date of SB 814 A. Proposed Amendments SB 814-A17 substitute Rep. Hosticka's suggestion because Legislative Counsel did not believe the authority was allowable. Exhibit 5 457 REP. HOSTICKA reviewed timelines and an opportunity to place data in the formula before effective date of SB 814. TAPE 254 SIDE B 001 REP. HOSTICKA continued with his explanation. 034 Questions and discussion regarding cost of educational services. 052 REP. HOSTICKA believed the current formula relating to teacher experience subtracts too little if teachers are inexperienced and adds too little if teachers are more experienced which builds incentives to have less experienced teachers. Proposed Amendments SB 814-A20 fully funds experience. He believed any special factors should be fully funded with no artificial incentives built in. The second part of Proposed Amendments SB 814 -A20 limits special education to 11% (recommended the Department of Education as an average) of ADM (average daily membership) unless the DOE reviews and approves a request. The reason for limitation on special education is to

protect from districts which may over classify special ed students. Exhibit 6 084 STEVE BENDER reviewed Proposed Amendments SB 814-A21 relating to necessary small elementary schools. Exhibits 2, 7 100 Questions and discussion. 103 OZZIE ROSE related a concern from very small schools that the formula in SB 814A was difficult for them. He reviewed the Senate Revenue Committee discussion regarding setting the number of students for qualifying schools. The current number of 250 students works for high schools, but 250 students over funds elementary schools. 127 WALTER KOSCHER proposed the maximum elementary school size qualifying for the extra weight to be 125 and keep high schools at 250. He referred to graphs to support his proposal. Exhibit 8

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 18, 1991 Page 5 134 Questions and discussion regarding the data used to determine the maximum number of students in the proposal from the Department of Education. Exhibit 8 268 WALTER KOSCHER supported a floor (at some time in the future) of approximately 10 ADM in order for a school to fund one teacher. 300 REP. CLARNO was concerned that a school may appear to be over funded when in fact a school has been under funded for a long time (which is the basis for computation). Questions and discussion. 327 WALTER KOSCHER explained the graphs are based on student/teacher ratio. Exhibit 8 368 STEVE BENDER reviewed a section in Proposed Amendments SB 814-A21 which insures that districts receive no less in fiscal year 1992-93 than in 1991-92. He also reviewed a section relating to a subtraction in the calculation of the state grant based on the full amount a district can collect in local property taxes which is reflected in School Finance Simulation #21. Exhibit 9 TAPE 255 SIDE B 004 CHAIR JONES questioned School Finance Simulation #21 relating to zero grants in some categories and how adjustments are made for districts which do not levy the maximum amount under Ballot Measure 5. 022 TERRY DRAKE explained why the simulation would show some districts receiving zero student and transportation grants (example: Clackamas County - Maple Grove). 037 Questions and discussion. 094 CHAIR JONES conducted administrative business and recessed the meeting at 10:12. She reconvened the meeting at 2:09. 104 Questions and discussion regarding per student amounts relating to School Finance Simulation #21. 187 TERRY DRAKE presented School Finance Simulation #17a which is a comparison of 1990/91 to 1992/93. Exhibit 10 Questions and discussion interspersed regarding School Finance Simulation #17a.

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 18, 1991 Page 6

TAPE 256 SIDE A 010 TERRY DRAKE clarified (from a previous discussion) two choices for raising the floor from 95% minimum funding to 100%: 1) Put more money into the system. 2) Move money around in the grant system. He provided examples. 063 Questions and discussion. 075 TERRY DRAKE explained an approximate amount of \$40 million (above \$1.092 billion in Simulation #21) needed to bring the floor up to 100% funding. 084 CHAIR JONES questioned input from the Committee on two issues: 1) Reduce poverty factor from 1.4 to 1.25. 2) Maximum local effort

(district by district) calculated in the formula. 102 REP. SCHOON questioned "other resources" some districts may receive which are not included in the formula. 109 CHAIR JONES discussed federal funds some districts receive relating to poverty issues which cannot be used as offsets. She noted that the formula from the Senate is not scientific in relationship to the poverty factor. 126 REP. PARKINSON explained he could probably support 1.25 poverty factor, but he was concerned with the effect on the total picture if he supports "pieces" of the formula which the Committee is reviewing. 137 CHAIR JONES asked if the Committee was satisfied with the school finance formula in SB 814A. 145 REP. BURTON supported a factor for vocational education and referred to Proposed Amendments SB 814-A16. Exhibit 11 158 Questions and discussion. 177 REP. PARKINSON did not believe a factor for vocational education was workable because some schools have vocational education opportunities and others do not. 186 REP. WHITTY noted some schools in the safety net previously had vocational education. He was concerned with a factor only for those schools which have vocational education currently. 210 REP. SCHOON supported a standard amount for school districts and a departure from factors. He provided examples. 234 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 June 18, 1991 Page 7 238 REP. SCHOON understood a need to weight elementary and high schools (provided the sum equals one). 245 TERRY DRAKE explained kindergarten has a .5 factor in the formula and is included in elementary. 255 REP. SCHOON noted his support of vocational education, but noted that vocational education should not receive weighting now. 260 Questions and discussion regarding Committee procedure. 293 Questions and discussion regarding if the school finance formula drives toward equalization. 344 Questions and discussion regarding inequalities in schools. Transportation provided as an example. 347 Questions and discussion regarding cost of education per student (without transportation). 375 Questions and discussion regarding current level of expenditures. TAPE 257 SIDE A 005 CHAIR JONES explained the weights are intended to deal with the cost of education and noted examples of weighting for special education and transportation. 010 Questions and discussion regarding Committee procedure. The Committee will review summary of Proposed Amendments to SB 814A. Exhibit 2 021 CHAIR JONES reviewed SB 814-A17 relating to a cost of education factor (authorizes State Board of Education to adopt a cost of living factor by rule). In SB 814A the cost of living factor is a placeholder and subject to study. 034 Questions and discussion regarding calculation of cost of education. 059 PAUL WARNER pointed out a difference between cost of education and cost of living. He believed research was required and noted the lack of resources within the Executive Department. He suggested a study be completed by Oregon University. He noted preliminary information of a cost of living index would be available October 1. 086 Questions and discussion regarding factors affecting cost of education and cost of living which are not measurable in dollars (location decisions, willingness to move to a community).

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 18, 1991
Page t 101 REP. HOSTICKA suggested to leave the cost of education as a
placeholder (as currently in SB 814A). 105 CHAIR JONES agreed and noted
data would be available for the 1993 Legislative Assembly. 109
CONSENSUS CHAIR JONES noted no objection to Proposed Amendments SB
814-A18 relating to definition of "taxes". Exhibit 2 (paragraph one
under SB 814 A18) 114 CONSENSUS CHAIR JONES noted no objection to
Proposed Amendments SB 814-A18 relating to verification of projected
calculation. Exhibit 2 (paragraph four under SB 814-A L8) 120 Questions
and discussion regarding correcting language relating to initial and
final adjustments to the distribution. Exhibit 2 (paragraph five under
SB 814-A18). 135 CONSENSUS CHAIR JONES noted no objection to Proposed
Amendments SB 814-A18 relating to initial and final adjustments to the
distribution. 137 CONSENSUS CHAIR JONES noted no objection to
Proposed Amendments SB 814-A18 relating to ORS 327.094. Exhibit 2
(paragraph six under SB 814-A18) 142 Questions and discussion regarding
withholding of state funds from a school district. Exhibit 2 (paragraph
seven under SB 814-A18) 175 CONSENSUS CHAIR JONES noted agreement
that more discussion and information was required regarding withholding
state funds from a school district. 187 CONSENSUS CHAIR JONES noted
no objection to expanding scope of transportation - room and board "in
lieu" of transportation. Exhibit 2 (paragraph two, section "a" under SB
814-A18) 197 CONSENSUS CHAIR JONES noted no objection to expanding
scope of transportation - transporting students between facilities.
Exhibit 2 (paragraph two, section "b" under SB 814-A L8) 209
CONSENSUS CHAIR JONES noted no objection to expanding scope of
transportation - field trips. Exhibit 2 (paragraph two, section "c"
under SB 814-A18)

These minutes paraphrase and/or summarize statements made during this
meeting. Text enclosed in quotation marks reports the speakers exact
wordb. For complete context of proceedings, please refer to the tape
recording. House Committee ~ Revenue and School Finance June 18, 1991
Page 9 231 CONSENSUS CHAIR JONES noted no objection to expanding
scope of local revenues which are subtracted in the calculation - moneys
received "in lieu. of property taxes. Exhibit 2 (paragraph 3, section
"a" under SB 814-A18) 240 CONSENSUS CHAIR JONES noted no objection to
expanding scope of local revenues which are subtracted in the
calculation - relating to federal funds. Exhibit 2 (see paragraph 3,
section "b" under SB 814- A18) 246 Questions and discussion regarding
expanding scope of local revenues which are subtracted in the
calculation relating to "other revenues". Exhibit 2 (paragraph 3,
section "c" under SB 814-A18) 352 CONSENSUS CHAIR JONES noted no
objection to delete from Proposed Amendments SB 814-A18 a section
relating to other revenues. Exhibit 2 (paragraph 3, section " c" under
SB 814-A18) 367 MOTION REP. HOSTICKA moved adoption of Proposed
Amendments SB 814-A18 as amended. 372 ORDER There being no objection,
CHAIR JONES so ordered. 384 Questions and discussion regarding
Committee procedure. 393 REP. WHITTY was concerned with School Finance
Simulation #17A for a two year period and that #17A does not reflect his
request. Exhibit 10 TAPE 256 SIDE B 001 Questions and discussion
regarding School Finance Simulation #17A and comparisons using "per
student". 089 REP. WHITTY questioned if a rule existed relating to a
cash carryover for school districts. 094 OZZIE ROSE was not aware of a
rule relating to cash carryover. He noted that school districts have
been encouraged to build a cash carryover because of uncertainties. 105
REP. BURTON pointed out a possible percentage rule relating to cash

carryover in the Portland Public Schools. 107 FRANK MCNAMARA explained a rule which requires a review and approval of the local school district budget (Portland). 112 CHAIR JONES conducted administrative business and adjourned the meeting at 3:33.

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 18, 1991 Page 10 Linda Leach, Committee Assistant Kimberly Taylor, Office Manager EXHIBIT SUMMARY 1. Proposed Amendments HJR 68-1, 6/17/91, LRO - HJR 68 2. Summary of Amendments to SB 814A, LRO, 6/18/91 - SB 814 3. Proposed Amendments SB 814-A18, 6/17/91, LRO - SB 814 4. Proposed Amendments SB 814-A19, 6/17/91, LRO - SB 814 5. Proposed Amendments SB 814-A17, 6/17/91, LRO - SB 814 6. Proposed Amendments SB 814-A20, 6/17/91, LRO - SB 814 7. Proposed Amendments SB 814-A21, 6/17/91, LRO - SB 814 8. Graphs, New Sparsity Adjustments for Grades 1-8, Walter Koscher, 6/18/91 - SB 814 9. School Finance Simulations #21 (See Exhibit 3 from 6/17/91 House Revenue Meeting) - SB 814 10. School Finance Simulation 17A, 6/18/91, LRO - SB 814 11. Proposed Amendments SB 814-A16, North Clackamas School District, 6/12/91 - SB 814 12. Testimony from Sherwood School District 88J, 6/18/91 - SB 814 13. Testimony from Tigard-Tualatin School District, 6/17/91 - SB 814 14. Legislative Revenue Simulation - Long Term School Finance, 6/18/91, LRO - SB 814 15. Data Dump 6/7/91, School Finance Simulations, LRO - SB 814

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.