

Tapes 258-259 (A/B) Tapes 260-261 (A) Work Session: SB 814A HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE June 20, 1991 9:00 AM Hearing Room D State Capitol Building Members Present: Representative Delna Jones, Chair Representative Carl Hosticka, Vice-Chair Representative Mike Burton (8:30 arrival) Representative Kelly Clark Representative Bev Clarno Representative Mike Nelson Representative Fred Parkinson Representative John Schoon Representative Jim Whitty Staff Present: Steve Bender, Legislative Revenue Office Terry Drake, Legislative Revenue Office Linda Leach, Committee Assistant Witnesses Present: Ozzie Rose, Confederation of Oregon School Administrators Rick Burke, Department of Education TAPE 258 SIDE A 005 CHAIR JONES called the meeting to order at 8:23. The work of the committee for the day focussed on laying out the options before the committee, dealing with the formula, and then with implementation of the formula. 023 REP. CLARNO noted for the record her concern about the process of having SB 814 in the Senate for 5.5 months and then having the House in a compressed mode review the bill. WORK SESSION - 8B 814 A 034 OZZIE ROSE outlined the difficult progress in reaching some kind of compromise. ROSE discussed various computer simulation runs noting the following: 1) ESDs have proceeded through the process with 100% property tax replacement. Exhibit 1 054 REP. CLARK questioned why some school districts are losing funds, yet ESD's are not. OZZIE ROSE responded ESD's are totally run off local property taxes with a mix of state money. Discussion continued on the possibility of reducing the amount of property tax replacement ESDs might get. 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 CommLttee on Revenue and School Finance June 20, 1991 Page 2 144 CHAIR JONES asked if because ESDs perform various functions in various parts of the state what would be the impact to some of those districts. 155 OZZIE ROSE responded the services that ESDs provide are varied and did not think cutting the amount would be a good idea. 163 OZZIE ROSE supported establishing the principal that districts who are not levying to capacity must levy the same as other districts. Questions and discussion 173 REP. CLARNO commented on the policy of recognizing local effort with the exception where the local area does not have the ability--the students would be penalized. 191 REP. JONES interjected there be a "floor" under those districts so they cannot loose because of either ability or unwillingness. Questions and discussion 201 REP. CLARNO cautioned against tieing unwillingness to inability. Discussion 230 REP. HOSTICKA clarified local effort is not how much money is raised, it is what the rate is. If property values go down and a district raises less money, there is no problem, however, if the rate is lower than it could be, there is a problem with the state making up the difference. Discussion 242 OZZIE ROSE continued his earlier discussion (meter 034) suggesting additional placeholders to the Senate plan: 2) cost of educational services, and 3) the cost of vocational education. ROSE suggested putting the cost of educational services in the formula with a .00 factor as a placeholder. In 1993, have data to work with that. Expand the idea of the vocational education (North Clackamas concerns) by putting a factor in the formula labeled secondary options with a .00 placeholder. 269 REP. CLARK voiced his agreement with a vocational education placeholder. Discussion 281 REP. WHITTY interjected if the committee did not deal with equity the gap would get wider and equity would never happen. OZZIE ROSE agreed. REP. WHITTY continued the decision then is not dollars, but equity or no equity.

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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 20, 1991 Page 3 304 REP. JONES responded the question before the committee was if some of the factors are appropriate to put into the formula to look at the issue equity. Discussion on the weight of the placeholders in priority in the 1993 Legislature. 370 REP. CLARNO stated she was not willing to accept additional suggested placeholders. 379 OZZIE ROSE continued from his perspective of the school administration, the committee has before it three options: 1) the formula has sound basis, however, the formula could satisfy all if the committee could find \$10-20 million more to bring all the districts up to zero, 2) referring to run #25, move the -5 & 25 to -1 & 25, or 3) hold zero at one end, then move the top to 20 or 21; if the committee chooses to keep the 25 where it is and then -1 or so at bottom, then the result is essentially all districts between 0-25 are moved down 1%. TAPE 259 SIDE A Questions and discussion 037 OZZIE ROSE responded to questions the reasoning behind the 25% is, if equity is to be achieved, some districts receive fairly significant boosts with money for inflation and growth. 060 REP. HOSTICKA questioned how districts with a 25% boost would likely use the money. 068 OZZIE ROSE gave examples noting every school district is in different straights for a variety of different reasons. Discussion of possible roll up costs and "stop loss" points for discussion in 1993. 160 OZZIE ROSE responded to questions there were no factors included in the formula to get additional funds for areas with wild & scenic areas. Questions and discussion 218 TERRY DRAKE provided clarification on computer simulation #25. 247 CHAIR JONES clarified \$1042 million was a figure which would be available for the funding formula which included 49.3 for community colleges which should have been held out. In addition, another \$50 million was held for flexibility. The Senate put the \$50 million into the formula instead of holding it out for adjustments. When the House received the formula it had \$49.3 million that should not have been included, and \$50 million which was supposed to be used as an

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 20, 1991 Page 4 adjustment. The result is the formula is over \$100 million more than the formula originally would have had. CHAIR JONES explained the Ways and Means Co-Chairs will find ways to make up the \$49.3 million difference. CHAIR JONES explained \$50 million was removed so that it could be used as adjustment, therefore, computer run #25 does not include the \$50 million. In addition, the poverty level at 125 and the 90% replacement for ESD are also differences from the Senate version. Questions and discussion TAPB 258 BIDE B 017 REP. CLARK noted 100% replacement to ESDs and questioned why they were held harmless. 023 OZZIE ROSE responded the ESDs receive all local moneys and the services provided local districts help districts. 047 Questions and discussion. 050 TERRY DRAKE explained the Senate Committee saw the ESDs as some kind of a safety net for districts that might have exceptional special education costs who might loose under the single weighting for special education. 088 OZZIE ROSE finished his discussion commenting the value in placeholders is to get the Legislative Revenue Office and the Department of Education on track to get good data for next session. 090 General questions and discussion. 257 CHAIR JONES gave direction to staff regarding Rep. Clark's concerns about holding ESDs at 100% and Rep. Whitty's concerns about tracking actual expenditures, biennium to biennium. 290 Questions and discussion 337 REP. HOSTICKA noted his

interest in lowering the rate in 1% increments to 20%. Discussion TAPE 259 SIDE B 030 CHAIR JONES appointed a working group (CLARK, NELSON, DRAKE, ROSE) to work toward a computer run to get closer to hold harmless and move toward equity and recessed the meet at 9:53. 060 CHAIR JONES reconvened the meeting at 1:39.

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 20, 1991 Page 5 086 REP. CLARK reported the working group reached an idea to present that would move toward solving the political problems facing the #25 run. In the first year of basic school support distribution an \$8 million appropriation had been set aside for special education. Because the formula in SB 814 weights special education at about +1 per student, the \$8 million is available to be distributed slightly differently. The idea reached was to take the \$8 million and direct it towards the bottom of the runs in an attempt to get those districts who loose under the #25 run closer to hold harmless. Questions and discussion 115 RICK BURKE clarified the special education appropriation was \$8.3 million. 123 REP. CLARK clarified the \$8 million was not new money, but it is a question of how to distribute special education money and the shift from the 1991-92 year to the 1992-93 year because of the weighting formula in the factor. REP CLARK recommended moving ESDs from 90% to 85%. REP. CLARK noted he and Rep. Nelson do not agree on this issue. Questions and discussion 177 REP. NELSON interjected the idea of changing the formula to lower Multnomah ESD's funding. 192 REP. CLARK explained other ideas included taking a larger share of the Multnomah ESD cut or to identify rural (Wallowa-Wheeler-Grant) vs. nonrural ESDs. 220 TERRY DRAKE explained the three ESDs, in essence, are the revenue raiser for the school districts and distribute out the property tax resources to the individual school districts--they have a major & different function in school funding. DRAKE explained he assumed in the computer runs the committee would exempt that portion of the ESD that serves the revenue raising function, but not the other component that serves the same purpose as other ESDs. 243 CHAIR JONES noted REP. NELSON's concern the function the ESDs provide is very distinct for the three ESDs and should not be cut. CHAIR JONES further clarified the working group proposal as: Use 8.3, the 3.75 to bring up bottom and not touch top level. 268 RICK BURKE clarified the Department of Education is going to recommend to the Legislative Fiscal Office to create a reserve for extraordinary handicapping conditions in the range of \$50,000-100,000. 274 CHAIR JONES continued her clarification using 8 for purposes of discussion, the 3.75.

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 20, 1991 Page 6 293 TERRY DRAKE explained REP. Nelson's proposal would be less than \$100,000, 3.5 would provide plenty of latitude. Discussion 393 TERRY DRAKE directed members attention of computer run #29. Exhibit 2 Questions and discussion TAPE 260 SIDE A 010 RICK BURKE explained the during the year of the appropriation (SB 815) of \$805 for state aid of schools, the schools also receive categorical aid to school on behalf of the handicapped child program and/or the trainable mentally retarded program reaching about \$13 million. The Governor's budget contained about \$26 million for both years of the biennium. Half was spent in the

first year, however, through the ways and means process the residual became smaller--\$8.55 million. Probably \$5 million of the \$13 million was subtracted to fund the early intervention program leaving the \$8.55 that is the counterpart to the original \$26 million. If the \$1.092 is appropriated, districts will receive the equivalent of 100% of what they would have spent for special educational services in the two accounts. BURKE continued he believed a one-time policy decision to use the residual \$8.55 million dedicated to a choice the committee would make did not really have an effect on the districts as a loss of gain of resources in so far as it relates to the special education programs. Questions and discussion 084 CHAIR JONES restated the proposal before the committee was to bring up the bottom with the \$8.25 million (including putting aside \$300,000 for extraordinary handicap reserve fund), about 3.5 for ESDs down to 85% (giving the consideration of Rep. Nelson regarding the rural ESD function of the three counties discussed), reaching 11.5. 104 REP. HOSTICKA noted that run #21 compared to run #29, transportation funding rose \$1 million. 111 REP. WHITTY explained the initial run #17 contained an error in Coos Bay transportation costs of \$812,000 which should have been \$900,000. 129 TERRY DRAKE explained transportation is weakest the data. Other adjustments were also made. Figures used for 1992-93 are estimates. Questions and discussion

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local effort when a local effort component is not included in the school finance formula. 017 Questions and discussion clarifying Rep. Hosticka's motion. 096 VOTE In a roll call vote, REP. HOSTICKA'S motion to amend CHAIR JONES' motion was adopted (5-4). AYES: Reps. Burton, Schoon, Whitty, Hosticka, Jones. NAYS: Reps. Clark, Clarno, Nelson, Parkinson. 105 CHAIR JONES clarified the motion before the committee was her motion as amended by Rep. Hosticka (include a local option component). 108 Questions and discussion regarding impact on simulations when local effort is included. 133 UNANIMOUS CONSENT CHAIR JONES asked for unanimous consent to reconsider the vote on Rep. Hosticka's motion to include a local effort component. 144 ORDER There being no objection, CHAIR JONES so ordered. 145 MOTION WITHDRAWN REP. HOSTICKA withdrew his motion to include a local effort component in the school finance formula. 146 ORDER There being no objection, CHAIR JONES so ordered. 140 CHAIR JONES clarified that the motion before the committee is her original motion without the local effort component. 150 Questions and discussion regarding the elimination of the negative figures (hold districts harmless) and the breakdown of an additional \$62 million which is needed to hold district harmless. CHAIR JONES clarified: 1) \$50 million came out of the formula. 2) Reduce ESD replacement. 3) Use \$8.25 million special education fund. 190 VOTE In a roll call vote, CHAIR JONES' motion was adopted (6-3). AYES: Reps. Clark, Parkinson, Schoon, Burton, Hosticka, Jones. NAYS: Reps. Clarno, Nelson, Whitty.

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Linda Leach, Committee Assistant

Kimberly Taylor , Office Manager EXHIBIT SUMMARY 1. School Finance Simulation #25, LRO, 6/19/91 - SB 814 2. School Finance Simulation #29, LRO, 6/20/91 - SB 814

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