

Tapes 23-24, (A\B)
Public Hearing/Invited
School Distribution
SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

January 30, 1991:00 PM Hearing Room A State Capitol Building

Members Present: Senator Jane Cease, Chair
Senator Joan Dukes, Vice Chair
Senator John Brenneman
Senator Shirley Gold (arrived 1:45)
Senator Ron Grensky
Senator Bill McCoy
Senator Tricia Smith (arrived 1:30)

Staff Present: Jim Scherzinger, Legislative Revenue Officer
Mary Ann Zimmermann, Committee Assistant

Witnesses Present: John Danielson, Oregon Education Association (OEA)
John Marshall, Oregon School Board Association (OSB A)
Ozzie Rose, Confederation of School Administrators (COSA)
Mike Holland State Commissioner Office of Community College Services
Debbie Lincoln, Deputy Commissioner, Office of Community College Services
TAPE 23, SIDE A

005 CHAIR CEASE called the meeting to order at 1:20 P.M. and conducted administrative business.

021 JIM SCHERZINGER presented an outline of the Measure 5 Implementation Issues. This is organized according to the topics with reference to where they can be found in the HB 2550. EXHIBIT 1

SCHOOL DISTRIBUTION - PUBLIC HEARING - INVITED TESTIMONY

131 MIKE HOLLAND and DEBBIE LINCOLN presented background on distribution of Community College funds which have been based on the Full Time Equivalency (FTE). Agreement was reached by Community College Services to present a new model of funding Community Colleges.

197 MIKE HOLLAND presented the report on the State Funds Distribution Formula for Oregon Community Colleges. Unfortunately this new model does not work under the Measure 5 limitations. EXHIBIT 2

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225 MIKE HOLLAND proposed adopting a "status quo" model. The Governor's proposed budget gives the Community Colleges a flat revenue which is the same as the last biennium. The Community Colleges are trying to insure that the amount of dollars received from the last biennium be the same during this upcoming biennium.

275 MIKE HOLLAND expressed concern for the committee to look carefully and thoughtfully to the distribution of Community College funds otherwise they will have to resort back to an FTE system which is not the best.

282 MIKE HOLLAND referred to EXHIBIT 2, page 1 displaying the historical look at how distribution of Community College funds has occurred during the current biennium.

311 MIKE HOLLAND referred to EXHIBIT 2, Page 2 displaying an option for

199 1-93 money distribution allocating the money received from Grant and Aid so more is received the second year than the first.

330 MIKE HOLLAND explained the third option for distribution on EXHIBIT 3, Page 2 which has a disproportionate amount of money coming to Community Colleges the first year with less coming the second year. It is undecided which option the State Board will accept.

368 MIKE HOLLAND presented an historical outlook of how the FTE formula has worked over the last twenty years. EXHIBIT 2, Page 4

384 CHAIR CEASE asked if there are any other constitutional mandates for funding Community Colleges other than what is noted in Measure 5. MIKE HOLLAND replied the answer is no.

410 Discussion and questions follow regarding the funding of Community Colleges and the constitutional requirements for funding education.

TAPE 24 SIDE

A

000 Discussion and questions continue regarding the funding of Community Colleges.

030 Reference is made to the Compression Competition Factor in revenue distribution.

059 SEN. GRENSKY asked how many Community Colleges will experience a roll back in the amount of revenue they will receive by virtue of Measure 5.

067 DEBBIE LINCOLN responded that 14 of the 16 Community Colleges will experience loss and by the third year all will be receiving a loss.

075 SEN. GRENSKY asked how the Community College Board agreed on operating with the same funds as previous year.

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080 MIKE HOLLAND responded the attempt will be to distribute the Property Tax replacement to come back to the districts in the way it was lost thus keeping the playing field level. Then the Grant and Aid portion can be handled in a prorated manor.

090 SEN. GRENSKY asked a question concerning Community Colleges having the higher tax levies being rewarded under the proposal.

098 MIKE HOLLAND responded that Community College districts having higher property tax levies will receive more of the lost property tax replacement funds than districts with lower tax levies. But the dollars they receive in disproportionate numbers makes sense because they lost a disproportionate share of those dollars.

107 SEN. GRENSKY pointed out another argument of all taxpayers throughout Oregon will now be placing money into the General Fund which is being reallocated based on decisions made in the individual districts.

114 MIKE HOLLAND responded these distribution questions need to be addressed and must be accommodated within a Community College formula.

136 SEN. GRENSKY expressed a hope that the precedent set by the Community Colleges will not be binding on the committee when addressing K-12.

146 DEBBIE LINCOLN clarified the figures on the distribution estimates seen on EXHIBIT 2.

SCHOOL DISTRIBUTION - PUBLIC HEARING - INVITED TESTIMONY

175 OZZIE ROSE & JOHN MARSHALL testified to support the proposal contained in HB 2431.

180 OZZIE ROSE explained the bill dealing with the appropriation of Basic School Support Fund, Education Levy Replacement Fund and targeted student equity.

185 OZZIE ROSE suggested the following items:

1. The State fund the 1991-92 Basic School Support Fund by March 1, 1991 at a level required to use the existing and temporary formula adopted by the body in 1989.
2. Distributing the Ballot Measure 5 replacement dollars to districts on a dollar per dollar loss basis for 1991-92.
3. An appropriation of 12 million dollars or targeted program equity be included in local school districts.
4. By June 1, a new formula for distributing State aid to schools be developed.
5. For the 1992-93 year, the Ballot Measure 5 replacement dollars be combined with whatever is appropriate for Basic School Support and distributed through a single formula.

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205 OZZIE ROSE explained a group is working to develop the new formula consisting of various organizations and individuals having some technical knowledge of the problem and representation of various districts.

260 SEN. GRENSKY clarified that not everyone serving on this working group is in support of the dollar per dollar replacement.

276 OZZIE ROSE commented on the rational of the items in HB 3431. The short term issue is balancing the upcoming budget. The long term issue is heading toward a state funded school system or a state funded system of schools. These important issue are related to a distribution scheme which cannot be addressed in the next 30 days.

340 OZZIE ROSE felt the State could fund the current school finance formula which has been in effect for the last two years with the districts knowing the Basic School Fund and their property tax if the legislature would approve the dollar for dollar replacement cost.

345 OZZIE ROSE clarified that if the initial appropriation is made and distribution in done in the suggested manor then the various districts can make the local decisions on how to stretch those resources through the next thirty month time frame. The argument is for giving the districts clear indication of available resources so planning can begin for the next thirty months.

TAPB 23 SIDE

B

000 OZZIE ROSE continued addressing support of HB 2431 because time is needed for developing a new distribution formula.

025 SEN. GRENSKY strongly addressed the distribution issue with money targeted for equity wondering how can the amount of money spent be equalized per child state wide.

034 OZZIE ROSE responded by looking at the total program, every school district would receive the Basic School Support they are receiving this year plus the Consumer Price Index (CPI) and any growth or decline in student ratio. There would be a guarantee of 6 percent growth on local taxes if they have levying authority.

054 SEN. GRENSKY observed that under Measure 5, each district can no longer support themselves in a certain way, but now the State will distribute the money state-wide. SEN. GRENSKY asked how it can be justified for the various districts to receive their fair share because of having been taxed differently.

075 JOHN MARSHALL responded the desire to provide all schools adequate funds. The reality is there is not enough money so a look must be made at

limited resources and how they are allocated and try to direct the funds to do the least damage to the most people.

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090 SEN. GRENSKY discussed how certain districts will not receive the quality education because their funds will be cut off.
095 JOHN MARSHAL responded the lower funded districts around the state will see some growth in both Basic and Property Tax replacement. By the second year of the biennium, hopefully another revenue source will be in place.
113 CHAIR CEASE commented on other equity problems around the state.
120 SEN. GRENSKY expressed concern for those districts that cannot wait another year because last year's budget isn't going to do it for them.
139 OZZIE ROSE explained the need for more money from the Governor's budget the first year helping all school districts through this first year. The second year the poorer districts will get a fairer share with a new formula.
147 SEN. GRENSKY expressed concern for the hollow words of equalizing school districts for next year if there is a new revenue source.
158 OZZIE ROSE explained that a new formula is being rewritten which will help the poorer districts.
163 CHAIR CEASE referred to the Legislative Revenue Office Research Report showing the list of all districts and their loss being replaced by the state. EXHIBIT 3
185 SEN. GRENSKY is concerned the taxes from one county being distributed to another county.
226 SEN. GRENSKY asked if this scheme for distribution is legal. OZZIE ROSE responded he has no legal opinion but it can't be any more legal or illegal than what has been done.
238 JOHN MARSHAL commented they are on the side of the people and have attempted to come up with a mechanism to fade into this new system. There is a need to divide the biennium into two years so districts can get ready to continue providing quality education.
278 SEN. DUKES expressed support in the working coalition putting together a new distribution formula but hope they look past property tax replacement and consider per student dollar amounts.
306 CHAIR CEASE pointed out the real questions is does Oregon want to operate a system of education with one revenue source which also competes with the others including corrections, human resources, etc.
SCHOOL DISTRIBUTION - PUBLIC HEARING - INVITED
TESTIMONY
327 JOHN DANIELSON emphasized OEA is participating with OSB A and COSA in the development on a new distribution formula.

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350 JOHN DANIELSON commented on looking at this issue of replacement

revenue from a legal aspect. The bottom line is that Measure 5 allows for lost property taxes to be replaced but the question was not addressed of it being replaced in another district. The need is to keep the system together. OEA agrees with Mr. Rose and would like the appropriation contained in HB 2431.

406 JOHN DANIELSON commented that if equity is going to be addressed then all financial components need to be considered.

TAPE 24 SIDE B

000 JOHN DANIELSON continued discussion in support of HB 2431 and developing a new distribution formula.

042 SEN. GOLD welcomed the prospect of seriously developing a formula that might work in strengthening the school systems.

082 CHAIR CEASE adjourned the meeting at 2:55 P.M.

Mary Ann Zimmermann, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Measure 5 Implementation Issues, LRO, 1/30/91 - Measure S
2. Distribution Packet, Office of Community College Services, 9/24/90 - School Distribution
3. Impact of Measure 5 1.5% Property Tax Limit Research Report, LRO, 9/6/90 - (See Exhibit 1, 1/25/91 Senate Revenue Meeting - Measure 5)

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