

Tapes 32-33, (A\B) Public Hearing -  
John Augenblick Presentation  
SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

February 6, 1991:00 PM Hearing Room A State Capitol Building

Members Present: Senator Jane Cease, Chair Senator Joan Dukes, Vice Chair  
Senator John Brennehan Senator Shirley Gold Senator Ron Grensky Senator  
Bill McCoy Senator Tricia Smith

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

Witnesses Present: John Augenblick, Consultant, Van de Water & Associates,  
Denver, Colorado  
Mary Fulton, Analyst, Education Commission of the States (ECS)

TAPE 32. SIDE A

005 CHAIR CEASE called the meeting to order at 1:09 P.M. and welcomed the  
House Education Committee including: Representatives Carolyn Oakley, Vera  
Katz, Bruce Hugo, Delna Jones, Mike Nelson, Bob Pickard, and Walt  
Schroeder. The Senate Education Committee was also welcomed represented by  
Senators Shirley Gold, Bill McCoy, Joan Dukes, Ron Grensky, Paul Phillips,  
and Cliff Trow. Sen. Peter Brockman was not in attendance. -

020 CHAIR CEASE presented a brief overview of the impact of Measure 5  
explaining the need for guidelines on the implementation of Measure 5.

044 CHAIR CEASE introduced Mr. Augenblick by presenting a brief  
biographical history.

PUBLIC HEARING - JOHN AUGENBLICK PRESENTATION - INVITED TESTIMONY

055 JOHN AUGENBLICK introduced MARY FULTON and explained his job of  
traveling to states helping with their problems.

067 JOHN AUGENBLICK planned to describe problems and activities in other  
states and offer options open to Oregon.

~.

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

Senate Committee on  
Revenue and School Finance  
February 6, 1991 Page 2

086 JOHN AUGENBLICK addressed Legislative dealings with the funding of  
education.

092 JOHN AUGENBLICK summarized his understanding of the Oregon Education  
System commenting on the money placed in the Equalization fund is far less  
than other states.

104 JOHN AUGENBLICK explained the perspective of Oregon's varying  
proportion paid for various fiscal adjustments (transportation, current  
operating expenditures, special education).

126 JOHN AUGENBLICK pointed out Oregon's aid for education is lower than  
most states. There is also variations in expenditures to school districts  
relating to their wealth. This type of situation triggers court

involvement.

133 JOHN AUGENBLICK reviewed the variations in spending related to wealth but questioned the relation to the needs of the school district. The two hallmarks of school finance systems are needs and the ability to pay.

150 JOHN AUGENBLICK focused on Oregon's loss in property tax and the question of dealing with that loss.

158 JOHN AUGENBLICK recounted historical changes Oregon has made in funding schools which have been designed for specific concerns with no guidance for a new system.

179 JOHN AUGENBLICK expressed the importance for Oregon making the decision of what is to be accomplished in the educational financial system before structuring the system.

185 JOHN AUGENBLICK gave an overview of what is going on around the country explaining the three basic problems in school finance: Legal, Structural, and Fiscal problems. Most states have a combination of the three with Oregon's being a fiscal and structural problem.

201 JOHN AUGENBLICK described legal issues around the country offering examples of various states found unconstitutional in their educational system. The example found in Kentucky led to the rebuilding of their educational system.

230 JOHN AUGENBLICK made reference to problems in Texas which offers good reason why it is best to stay out of the courts.

242 JOHN AUGENBLICK continued giving examples of court decisions in other states.

282 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".

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

Senate Committee on  
Revenue and School Finance  
February 6, 1991 Page 3

347 JOHN AUGENBLICK addressed how courts view education and how local control is the justification for variation.

377 JOHN AUGENBLICK continued with the second problem in school finance being structural which is partially caused by increases in state and federal mandates and also by attempting to rationalize the system. A final cause for the structural problem is the lack of Legislative interest in reimbursing districts for past expenditures.

400 JOHN AUGENBLICK interpreted the basic issues dealt with by the Legislatures around the country is defining the elements of a minimum, basic educational program. Examples are given of other states.

TAPE 33 SIDE A

009 JOHN AUGENBLICK addressed the problem of states attempting to identify the factors affecting education cost in various districts; programs, characteristics of pupils (poverty), and characteristics of the districts (size). These factors need to be addressed in the funding formula.

041 JOHN AUGENBLICK claimed a factor in education differences are regional cost. Many states respond to this factor in their funding formula.

052 JOHN AUGENBLICK offered another issue facing the states is the question of determining the fiscal capacity of school districts. Many rely on property wealth but some states consider income.

058 JOHN AUGENBLICK address another problem states deal with is handling districts spending above the minimum level.

074 Discussion continued with district spending limitations.  
076 JOHN AUGENBLICK offered another approach of limiting budget increases by equalizing the teacher retirement system.  
086 JOHN AUGENBLICK presented a final concern of states is how to provide fiscal incentives.  
099 JOHN AUGENBLICK continued the presentation with reference to the third basic problem in school finance which is fiscal. Variation in different states are discussed.  
110 JOHN AUGENBLICK focused on options Oregon has when dealing with Measure 5. Following are five possible options.  
1. The state could replace the lost property tax revenue.  
2. The state could increase state funding under the current formula requiring almost no local contribution.  
3. The state could provide a flat grant and any property tax revenue would be outside of that program.

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

Senate Committee on  
Revenue and School Finance  
February 6, 1991 Page 4

4. The 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  
5. The state could authorize a new source of local income other than property taxes.

159 JOHN AUGENBLICK discussed each of the five possible options individually. The positive and negative aspects were addressed concerning the first option of replacing lost property tax revenue.  
188 JOHN AUGENBLICK provided strengths and weaknesses of the second option which would increase state funding.

203 Discussion continued with reference to the third option of offering a flat grant pointing out the needs of school systems must still be addressed.

227 JOHN AUGENBLICK favored the fourth option of using a true foundation program because it is sensitive to differential needs, designed to insure an adequate base, and can consider varying property tax capacities. The weaknesses are also addressed.

235 JOHN AUGENBLICK discussed the last option of finding a new source of local revenue.

252 JOHN AUGENBLICK concluded by commenting on the difficulty of his choosing between these five options for Oregon because more information is necessary.

275 JOHN AUGENBLICK recommended not to 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. He urged the Legislature to consider all districts when making decisions.

310 REP. KATZ, with reference to Kentucky, asked Mr. Augenblick's opinion on measuring outcomes for school funding and would he group schools by demographic profiles with built in factors.

333 JOHN AUGENBLICK clarified Kentucky is a foundation program with multiple tiers allowing districts to raise additional money. There is no relationship between the base money that goes out and the performance. Discussion continued explaining Kentucky's program.

394 JOHN AUGENBLICK responded to funding based on demographics explaining that grouping needs to be based on uncontrollable cost factors.

TAPE 32 SIDE B

012 JOHN AUGENBLICK continued discussing factors involved in grouping for funding purposes.

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

Senate Committee on  
Revenue and School Finance  
February 6, 1991 Page 5

021 SEN. GRENSKY asked Mr. Augenblick's opinion if the Oregon educational system is legal at the present time.

030 JOHN AUGENBLICK responded that plaintiffs could make some arguments concerning Oregon's system. One main problem is paying the same proportion of cost is often viewed as inequitable. Also looking at the word "uniform" in the Oregon Constitution would cause the courts to address the legality.  
050 Discussion and questions follow regarding the legality involved in the equity issue.

060 SEN. GRENSKY-asked how the disparity of cost per student compares with other states.

078 JOHN AUGENBLICK explained it is not unusual to see wide range disparity, but what is different is the reasons for the disparity.

095 JOHN AUGENBLICK explained unconstitutional court decisions are characterized by inequity to the district's wealth and not related to the tax rates.

116 SEN. GRENSKY asked which state Mr. Augenblick considered having the optimum educational system.

120 JOHN AUGENBLICK's response was Florida with only 67 county school districts and a property tax limit of ten million. Discussion follows in regard to wealth equity.

142 SEN. GOLD referred to SB 120 containing statements of goals and outcomes leading up to an evaluative system. Mr. Augenblick was asked to critique the bill.

176 SEN. TROW asked for a good definition or description of education that can be used as a mechanism for funding.

189 JOHN AUGENBLICK suggested reference to the complex definition in North Carolina which is working. Other states are mentioned including Texas, and Vermont.

220 Discussion and questions follow regarding definition of education.

231 REP. JONES asked if defining education is a necessary part of funding, but instead define outcomes.

240 JOHN AUGENBLICK cautioned the fairness in defining outcome without being willing to pay the districts enough money to produce those outcomes.

277 SEN. KATZ commented on the theoretical agreement of final goals so direction is clear during the development of a funding system.

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

Senate Committee on  
Revenue and School Finance  
February 6, 1991 Page 6

286 JOHN AUGENBLICK acknowledged the possibility of establishing a goal dealing with outcome but it needs to be addressed with careful terminology.

301 REP. JONES asked for comments on the Legislature effectively reaching the optimum for districts in relation to size and salary.

321 JOHN AUGENBLICK responded to the years of research addressing the

relationship between cost and size. The state needs to distinguish the definition of districts being small by choice or by necessity.

373 REP. JONES wanted comments on salary and collective bargaining in terms of equity.

379 JOHN AUGENBLICK clarified that states do not directly look at collective bargaining but some states contain training and experience factors in the funding formula.

TAPE 33 SIDE B

005 REP. JONES inquired about factors involved in growing districts.

009 JOHN AUGENBLICK referred to a study dealing with the fiscal impact of decline which concluded states should be able to respond to decline after five years. Many states have adjustments for growth.

029 SEN. GOLD commented on funding in terms of outcome and the need for guidelines in operating that type of program.

055 JOHN AUGENBLICK referred to Kentucky eliminating statutes because their goal was to reach a particular outcome. Providing services based on outcome is not the current trend but rather based on input requirements. A transition is necessary if moving from an input to an outcome system.

080 Discussion and questions follow regarding input versus outcome goals.

095 REP. PICKARD addressed Mary Fulton in offering advice for Oregon.

100 MARY FULTON emphasized the need of a direction, to also deal with a transition if an outcome system is the goal. Benchmarks need to be established to evaluate the course of direction.

125 REP. PICKARD wanted clarification of the relationship Oregon has with the Education Commission of the States (ECS). The response was an open door policy.

140 SEN. GRENSKY wanted feedback on the U.S. Department of Education saying the choice of schools is the way to go in the future.

151 MARY FULTON responded there are two sides to the issue and it is important to address the reasons for wanting the choice of schools.

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

Senate Committee on

Revenue and School Finance

February 6, 1991 Page 7

Many factors need to be considered.

171 REP. OAKLEY asked if Missouri has a program in which the different school districts are rated.

177 JOHN AUGENBLICK commented on Missouri's accreditation system with discussion leading to comparison of other states in which individual schools are being accredited.

206 REP. SCHROEDER addressed concerns dealing with local control.

213 JOHN AUGENBLICK explained the variety of levels in local control when looking at how much to spend versus how to spend the resources.

229 SEN. PHILLIPS commented on society's desire for instant gratification. Has there been a model or recommendation to widen the spectrum of time so a workable, legal system can be developed?

256 JOHN AUGENBLICK recommended setting benchmarks along the way as guidelines to reaching the long term goal.

295 SEN. PHILLIPS asked for a guide in developing these benchmarks.

309 JOHN AUGENBLICK recommended looking at West Virginia's model but it is based on input and the interest addressed here seems to be outcome.

318 CHAIR CEASE acknowledged a bill is being drafted dealing with distribution in which goals are addressed.

327 MARY FULTON followed up by explaining there is not an available model and the benchmarks need to be flexible to allow for change.

339 SEN. SMITH referred to Kentucky in relation to the autonomy issue and what is done if goals are not met after the districts are given funding.  
364 JOHN AUGENBLICK, with reference to Kentucky, responded on a variety of levels-of involvement to schools not meeting performance. The school districts only have the autonomy when meeting the established goals which are measured through testing.  
405 MARY FULTON addressed needs for a new testing system in Kentucky to measure outcome therefore an implementation period was established. Discussion follows dealing with testing theory.  
440 CHAIR CEASE adjourned the meeting at 3:02 P.M.

Mary Ann Zimmerman , Committee  
Assistant  
Kimberly Taylor, Office Manager

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

Senate Committee on  
Revenue and School Finance  
February 6, 1991 Page 8

#### EXHIBIT SUMMARY

1. John Augenblick Bio, John Augenblick, 2/6/91 - School Distribution
2. School Finance Issues in 1990, John Augenblick, 2/6/91 School Distribution
3. Policy Questions that Might Be Addressed in Order to Achieve Major School Finance Goals, John Augenblick, 2/6/91 - School Distribution
4. Video of proceedings of February 6, 1991 Senate Revenue and School Finance Committee meeting - Distribution Oversized Exhibit

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