

Tapes 57-58, (A\B)
Public Hearing:
SB 814, SB 815
Possible Work Session
SENATE COMMITTEE ON REVENUE AND SCHOOL FINANCE

February 27, 1991 1:00 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 1:35) Senator
Ron Grensky Senator Bill McCoy Senator Tricia Smith

Staff Present: Jim Scherzinger, Legislative Revenue
Officer

Terry Drake, Legislative Revenue Office
Mary Ann Zimmermann, Committee Assistant

Witnesses Present: Norma Paulus, Superintendent of Public
Education

John Danielson, Oregon Education Association (OEA) Greg McMurdo, Department
of Education

TAPE 57. SIDE A

005 CHAIR CEASE called the meeting to order at 1:27 P. M. and conducted
administrative business.

PUBLIC HEARING - SB 814, SB 815

009 NORMA PAULUS advocated support of SB 815. The statute requires the
Superintendent to present a budget to the school districts by March and
three reasons were addressed for meeting that deadline:

1. It is the law.
2. The school districts need lead-in time to plan for September.
3. District collateral support is lost due to ballot Measure 5.

038 JOHN DANIELSON rebuked the comments of the February 26, 1991 Senate
Revenue meeting in which Ozzie Rose indicated dropping the first year
formula if the proposed dollar amount was not met. It was urged to continue
working on the first year formula. Reasons for doing this was addressed.

067 GREG MCMURDO discussed Mr. Rose's comments from the February 26 meeting
and explained it is the intent of Confederation of Oregon School
Administrators to support addressing the first year formula.

These minutes paraphrase end/or s umma rize 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.

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077 CHAIR CEASE closed the public hearing.

079 CHAIR CEASE conducted administrative business in regard to the
Committee's agenda. It was suggested to work on the long term formula two
days a week and spend the other three days addressing the short term
formula.

095 SEN. GRENSKY suggested the possibility of breaking into a subcommittee
if the need arises.

105 Discussion follows regarding the Committee's agenda.

WORK SESSION - SB
815

125 CHAIR CEASE addressed the House Revenue Committee's decision to have an
assessment year beginning in July which means there will be value growth
causing less property tax replacement. The possible amendments due to the
decision in the House Revenue Committee was addressed.

158 Discussion and questions follow regarding the stability of the July 1 date. The identification date versus the valuation date was addressed with the valuation date change having little effect on the distribution decisions.

178 JIM SCHERZINGER presented information which could cause variation in value. Other issues in HB 2550 could effect replacement cost.

226 JIM SCHERZINGER presented a list of SB 815 Issues the Committee needs to address. EXHIBIT 1

230 JIM SCHERZINGER presented two hand engrossed bill drafts of SB 815 which provide leeway in the amount of equalization depending on what happens to the replacement cost requirement. EXHIBIT 2 and 3

154 JIM SCHERZINGER referred to Exhibit 1 explaining the first issue of Basic Formula which deals with approving the frozen appropriation formula one more year.

265 MOTION SEN. GRENSKY moved to use the same distribution formula as in the 1990-91 school year.

269 ORDER There being no objection, CHAIR CEASE so ordered.

273 JIM SCHERZINGER explained the second issue deals with the amount and source of equalization listed in Exhibit 1. SB 815 places \$20 million into an equalization formula the first year removing it from the replacement dollars. Different figures can be considered as suggested in the hand engrossed changes in Exhibit 2.

300 JIM SCHERZINGER explained and depicted the hand engrossed changes in a blackboard illustration. EXHIBIT 4

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TAPE 58 SIDE A

003 CHAIR CEASE questioned the replacement figures and the captured money from value growth as an additional equity amount.

010 Discussion and questions follow regarding the blackboard illustration. EXHIBIT 4

029 JIM SCHERZINGER continued explaining school distribution in relation to replacement cost and equity amounts.

043 SEN. GRENSKY clarified that SB 815 allocates \$20 million out of the \$197 Basic and the valuation could interpret the replacement as being up to \$30 million.

058 Discussion and questions follow regarding the difference between the \$20 and \$30 million dollars being discussed with reference to Exhibit 4. Where the money comes from is addressed.

106 JIM SCHERZINGER clarified that the computer runs were estimated with a 9 percent property tax estimated growth including levy assumptions from Measure 5. If the replacement cost is \$30 million less, the distribution will not necessarily be the same. The numbers being residual and shiftable was addressed.

140 SEN. GOLD asked which source of money would be used first, the \$20 million or the \$30 million dollar.

150 CHAIR CEASE explained there would be a replacement from which \$20 million would be taken to use for equity. In addition, anything gained would be added to equity causing a potential of \$50 million.

160 SEN. GOLD asked if there is a potential of \$30 million available for an equity situation then why is the \$20 million still a consideration.

165 SEN. DUKES responded that \$50 million buys more equity than \$20 million. It was clarified that the actual amount is not yet a definite.

172 SEN. GOLD preferred that the unknown figure which could be up to \$30

million gets used first and the \$20 million would be used only if the other figure doesn't come to the required sum.

185 JIM SCHERZINGER explained that is what the hand engrossed amendment is saying that the money would first be taken out of the excess funds.

Reference was made to the blackboard illustration. EXHIBIT 4

206 SEN. DUKES referred to the computer runs which depict how the various school districts stand financially and the \$20 million does little for the low spending districts while minimizing the damage for the more stable districts. The \$30 million is not a definite and it is

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important to maintain the assurance of the \$20 million.

234 SEN. GOLD agrees with guaranteeing the \$20 million but is concerned with the manor of where it is taken. The preference would be to switch the amounts.

251 SEN. GRENSKY supported dedicating the \$20 million and receiving any additional money by virtue of the new valuation creating greater equity.

290 SEN. GOLD wants to reserve the dollar for dollar hold harmless.

305 Discussion and questions follow regarding hold harmless and the equity issue.

335 SEN. DUKES pointed out the Legislature ultimately has an obligation to establish an equitable educational system in Oregon.

Attempting to get the numbers up to \$50 million is moving closer to that goal. Discussion follows.

434 CHAIR CEASE recapped the proposed amendment is the amount of Basic which will be determined in another bill, the replacement, whatever that will be, will take \$20 million off the top into equity and capturing any available funds and add that into an equity effort.

TAPE 57 SIDE

B

447 JIM SCHERZINGER referred to the blackboard illustration depicting the process problem involved and how the funds can easily be affected.

038 SEN. DUKES commented on the lack of definitions in SB 815.

043 CHAIR CEASE recessed the meeting at 2:26 P.M. and reconvened at 2:39 P.M.

057 JIM SCHERZINGER asked if there should be a limit on the amount that would come out for equalization.

059 CHAIR CEASE preferred having a \$30 million dollar cap on the second equalization portion.

060 SEN. GRENSKY suggested having a cap placed on the amount.

070 CHAIR CEASE directed the staff to draft language in which Basic and Replacement, with the \$20 million for equity up to \$30 million, may be captured with the value growth using the July 1 value date.

080 Discussion follows regarding the drafting language for the amendments in SB 815.

109 SEN. GOLD pointed out three other choices: 1) using the \$20 million as originally proposed, 2) using the hand engrossed proposal (Exhibit 2), and 3) using the \$20/\$30 million proposal.

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118 SEN. SMITH asked if computer runs could be made depicting what the three choices would do in terms of total dollars and what each district would have spending per student.

124 JIM SCHERZINGER explained the problem of the relationship to HB 2550 to this distribution formula and getting figures on amounts lost. The equity figures could be fairly accurate but would not show which districts would be paying.

136 SEN. SMITH would like discussion on potential language to take care of districts which would be operating at a smaller figure than their current budget.

156 TERRY DRAKE discussed using \$30 million in the special equalization formula which lowered the negative figures caused mainly by declining enrollment.

181 JIM SCHERZINGER referred to the next issue on the list dealing with the kind of formula for equalization. EXHIBIT 1

190 JIM SCHERZINGER presented a blackboard illustration depicting the various effects of reaching the goal of getting districts to a statewide average. EXHIBIT 5

209 CHAIR CEASE wanted the goal of having as many students as possible brought up to the average spending!

214 JIM SCHERZINGER explained the need to decide on the general shape of the curve depicted in Exhibit 5.

220 SEN. GRENSKY recapped the objective as being to get everyone up to an equalization point which would mean the flatter the line and the closer to the average would be best.

233 JIM SCHERZINGER referred to the blackboard illustration proposing the question of wanting to bring more districts toward the average or give money to the lower spending districts first.

249 SEN. BRENNEMAN felt the goal should be 90 percent but as more money becomes available raise from 50 percent to the highest figure possible.

261 JIM SCHERZINGER addressed the percentage and making the goal higher as the money becomes available.

274 Discussion continues regarding sliding the percentage with 95 percent being the goal. The problem of not knowing the dollar amount until the tax amount is levied was addressed.

325 SEN. SMITH presented the possibility of having language providing a range for the equity figure.

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336 JIM SCHERZINGER recapped the goal of always funding 50 percent of the goal but as more money is obtained the goal is raised.

347 SEN. DUKES suggested putting in a not to exceed dollar figure instead of percentages. This much will be distributed through this formula for equity.

366 JIM SCHERZINGER declared there can only be one variable.

372 CHAIR CEASE pointed out the Committee wants to reach as many students and possible and not bringing a smaller number of students to the statewide

average.

377 SEN. DUKES suggested changing the 90 percent for increasing amounts such as \$20 million would make it 90 percent and \$30 million would make it some other percentage.

389 JIM SCHERZINGER suggested supplying \$10 million increments with options.

395 TERRY DRAKE recapped setting a goal and establishing a goal which would move up.

402 Discussion and questions address accomplishing two goals without going higher than-95 percent.

415 CHAIR CEASE adjourned the meeting at 3:05 P.M.

Mary Ann Zimmermann, Committee Assistant

Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. SB 815 Issues, LRO, 2/27/91 - SB 815
2. Hand Engrossed SB 815, LRO, 2/27/91 - SB 815
3. Hand Engrossed SB 815, LRO, 2/27/91 - SB 815
4. Blackboard Illustration, LRO, 2/27/91 - SB 815
5. Blackboard Illustration, LRO, 2/27/91 - SB 815

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