



SCHOOL FUNDING TASK FORCE

November 12, 2013

Hearing Room C, State Capitol Building, Salem, OR

Members Present:

Sen. Richard Devlin, Chair
Rep. Betty Komp, Vice-Chair
Sen. Fred Girod
Rep. Sherry Sprenger
Kelly Devlin
John W. Hayes, Jr. PhD
Claire Hertz

Steven Isaacs
Sena Norton
Bobbie Regan
John Rexford
Heidi Sipe
Michael Wolfe,

Members Excused:

Staff:

Brian Reeder, Asst. Supt., Research & Data
Analysis, ODE

Jan McComb, Legislative Coordinator, ODE
Michael Elliott, Fiscal Analyst, ODE
Michael Wiltfong, Director, School Finance, ODE

The task force convened at 1:05 pm. All members were present. Staff person Brian Reeder introduced himself and asked the panel to introduce themselves.

ELECTION OF TASK FORCE CHAIR - Work session

MOTION: Rep. Komp nominated Senator Devlin as chair.

Vote: Hearing no objection, the motion carried.

ADOPTION OF RULES – Work session

Chair Devlin suggested that a vice chair also be elected. He distributed amended rules that included a vice-chair.

MOTION: Devlin moved adoption of the amended rules.

VOTE: Hearing no objections the motion passed.

ELECTION OF VICE CHAIR – Work session

MOTION: Devlin nominated Rep. Betty Komp as vice chair.

VOTE: Hearing no objections, the motion carried.

TASK FORCE CHARGE, DELIVERABLES, PARAMETERS, TIMELINE

Brian Reeder reviewed the bill, its charge, and when the report is due

Discussion:

- Possible scope of HB 2506; what topics the task force could discuss.
- The formula hasn't been re-visited in many years; it is difficult politically to make changes.
- Recent issues that have arisen that question how the state funds certain programs, such as juvenile corrections and long term care and treatment.
- Need to look at what we're doing, how were doing it.

REVIEW OF THE SCHOOL FUNDING DISTRIBUTION FORMULA

Michael Elliott, Fiscal Analyst, Oregon Department of Education

Elliott reviewed the current formula (slide show posted).

Discussion:

- How equity is established in the law. Was it in response to threatened lawsuits?
- Largest carve out is the transportation grant.
- History of poverty calculation.
- Economies of scale for large districts not included in the formula.
- Process of ESD equalization, services provided by ESDs.
- Sub-grants and whether they've changed over time.
- How weights are defined.

HISTORY OF THE 1991 SCHOOL FUND DISTRIBUTION FORMULA

Jim Scherzinger, former Legislative Revenue Officer

Ozzie Rose, former director, Confederation of Oregon School Administrators

Scherzinger (handout) and Rose reviewed the history of the distribution formula. Major points:

- In 1978, the legislature funded a study that documented the school funding disparities with recommendations. It is still used by states today. The Legislature was always concerned about inequities, but until Ballot Measure 5, there wasn't the impetus to look at it. People wanted a fair formula.
- Four principles were used: share all school resources; districts decide how to spend money; adjustments made only for factors outside district control; minimize incentives to change behavior. They felt that local districts were better positioned to know how to best spend the money.
- Using factors beyond the control of the district, like external measures of poverty, were ideal.
- The transportation grant was discussed a great deal, but they couldn't create one that had incentives for economies.
- Issues: What is equity? Equity of resources, opportunity, or outcomes? Tradeoff between equity and creating unwanted incentives (identification bias); what if districts are not spending allocated amount on the particular purpose; community identity; tradeoff between state funding and adequacy.

- Passage of Ballot Measure 50 corrected problems created by a citizen's initiative but maintained the goals to limit property tax growth rates and allow local option taxes. To correct for the inequity, the legislature adopted a system to equalize the power to tax.
- Equity issues revolve around tradeoffs between equity for students statewide; adequacy; local control (vote with your feet; and the fairness of the property tax itself.

Rose stated that equity was important, but was often in the eye of the beholder. Adequacy and stability are also important. This is not a new issue. Equity of taxpayer is also an issue. In 1977, the formula placed more emphasis on the equity for the taxpayer. In 1981, the state split transportation 70% (state paid) and 30% (district paid); the 30% was for equity. The state has added factors to the formula since then. For example, high cost-low incidence was added. In 1997, The Governor created a commission on school funding with a goal of reducing reliance on property taxes, creating greater stability, and distributing state aid for equity. Legislators and stakeholders knew in 1991 that the formula might need updating. A cost-of-living factor was considered but not included; it was difficult to reconcile higher urban costs with rural scarcity issues/costs. With the formula, more state funds were used and Oregon saw an increased interest from Legislators in having a say in how the money was being spent. Carve outs (money taken off the top and not run through the formula) were added. Prior to 1999, ESDs didn't have a formula, but got an ADM-based formula then. In 2013, with districts withdrawing from their ESD, that raises another equity issue.

Discussion:

- How to minimize incentives for school districts in order to gain more funding.
- 1991 formula was created in the context of the creation of the 21st Century Schools Act.
- What's changed since 1991 in terms of accountability (examples: achievement compacts, 40-40-20; Chief Education Officer).
- What principles the task force should adopt in terms of amending the formula.
- Can you pay for outcomes?
- What was the thinking of the definition of "equity" in 1991?
- Equality of opportunity, equality of outcomes; on what should the emphasis be?
- How Oregon students are doing nationally, and was the formula a factor in that outcome?
- Possible data needs to help inform the discussion.
- On what data were the various weights determined? And what process was used?
- How much money we spent on the analysis of the effectiveness of the SSF? Zero?
- Whether economies of scale were considered in 1991? Mill City v. Beaverton, for example.
- School size (and small classes) drives costs more than district sizes
- ESD funding; ability to levy taxes.
- Have we ever looked at what we what from education, and how much that costs?
- Quality Education Model purpose and cost (best practices).
- Whether the single weight is adequate.
- Tweaking has been done, in an effort to create more equity.
- Charter school funding formula; how that process was created.
- Whether there's any state support for homeschoolers.
- 5th year high school students.
- Value of identifying issues, and their order of magnitude; what's important.

DISCUSSION: GOALS OF A DISTRIBUTION FORMULA

Chair Devlin suggested spending 2-3 meetings discussing the issues before deciding on a direction/work plan.

Reeder reviewed his document (posted) on equity, suggesting that this could be an initial place to start, to frame the work and work plan. Equity of resource inputs, equity of opportunity, equity of outcomes: all are important discussion points.

Incentives for valued outcomes may be desirable. The task force needs to be aware of whether a factor or decision creates unintended consequences. He suggested that members send him their ideas and use that as a foundation for the work plan.

Discussion:

- Level of federal funding; supplanting state funded-activities with federal funds

NEXT STEPS, MEETING SCHEDULE

Will send out query for next meeting date. Would like to share committee roster with each other.

ADJOURN

Chair Devlin adjourned the committee at 4:30 pm