6-5-1987

Report on Long-term School Finance Reform Summary of Recommendations

City Club of Portland (Portland, Or.)
Majority Recommendations:

1. The Majority of your Committee recommends that the following six principles guide the Oregon Legislature, the Oregon Department of Education, other public leaders, and local school districts and school boards in designing a new system of stable and equitable school finance for Oregon:

a. All of the revenue necessary for each school district to provide a basic educational program should be collected on a statewide basis.

b. The Oregon Education Fund should:
   1. use revenues assessed at a rate or rates that do not distinguish by geographic area;
   2. be constitutionally dedicated to funding basic education;
   3. incorporate all current miscellaneous local sources, such as the County School Fund;
   4. incorporate all current state contributions, such as the RSSF and the Common School Fund; and establish an appropriate growth factor for the dedicated general fund appropriations such as the BSSF; and
   5. offset current local property tax collections to the extent of any new revenue source or sources incorporated in the Oregon Education Fund.

c. The Oregon Department of Education should distribute the Oregon Education Fund among school districts on a per-pupil basis.

d. School districts should retain local control over how they provide a basic educational program with the per-pupil grant provided by the state as long as they demonstrate to the state that the program satisfies all state requirements.

e. School districts should retain local control over, and use local financing for, any educational programs not included within basic education and over any educational decisions requiring more than the state per-pupil grant to provide a basic education.

f. Local school boards should not have the authority to close schools upon their determination that insufficient funds exist to maintain a school program.

2. The Majority of your Committee recommends serious consideration, by the legislature or any taskforce appointed by the Governor, of a sales tax and a statewide property tax as the two most feasible new sources of revenue for financing basic education. (The Majority does not recommend either one or exclude the possibility of other sources of
Further study of new revenue sources should be done in conjunction with a review of Oregon's overall tax system to ensure that the burden of financing basic education is spread equitably among individuals, as well as among school districts.

Minority Recommendations:

1. The Minority recommends that Majority Recommendation No. 1 be amended to add the following principles:
   
a. No other state or local governmental unit shall be allowed to collect or expend revenues from the new statewide revenue source for basic education. The Oregon Education Fund shall be collected and expended exclusively for basic education.

   b. Any intentional or inadvertent tax relief such as income or property tax reductions, created by educational finance reform, should guarantee insofar as possible that such relief is permanent or long term.

2. The Minority recommends deletion, in Majority Recommendation No. 2, of the statewide property tax as an alternative for future consideration.

3. In addition, the Minority recommends that the City Club continue this Committee's inquiry by authorizing a new Study Committee. The direction of the study should be to consider further the financing of public secondary and elementary education in Oregon under the guiding principles recommended by this Committee and under such other criteria as the new Study Committee might identify. The new Study Committee should be directed to broaden its analysis to reform of the general governmental finance system and to prepare for debate by the City Club the key features of an initiative proposal or a recommendation that the present system of school finance be retained or modified. Any proposal should be presented in adequate time for placement on the general election ballot in November, 1988. The study should be conducted independently of, but with due consideration of, the study promised by the Governor.