

SENATE REVENUE COMMITTEE
MARCH 16, 2005 8:30 AM STATE CAPITOL BUILDING

Members Present: Senator Gary George
Senator Rick Metsger
Senator Floyd Prozanski
Senator Charles Starr, Vice Chair

Members Excused: Senator Ryan Deckert, Chair

Witnesses Present: Brian Reeder, Dept. of Education
Kent Hunsaker, Confederation of Oregon School Administrators
Tricia Smith, Oregon School Employees Association
Sen. Vicki Walker, District 7
Kate Richardson, State Treasury

Staff Present: Paul Warner, Legislative Revenue Officer
Steve Meyer, Economist
Mazen Malik, Economist
Barbara Guardino, Committee Assistant

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005 Vice Chair C. Starr Calls meeting to order at 8:38 a.m. as a subcommittee to await a quorum.

PUBLIC HEARING, SB 427

010 Steve Meyer Gives overview of SB 427. Revenue Impact of Proposed Legislation (**EXHIBIT 1**). Changes the calculation of the transportation grant in the school equalization formula. Makes the grant the greater of 2 numbers.

030 Sen. Metsger Explains his basis for sponsoring this bill. It is designed to provide flexibility to school districts. There is currently no incentive for reducing the cost of transporting students.

053 Sen. Metsger Of importance:

- SB 427 does not take away the mandate for transportation. Refers to School Finance Distribution (**EXHIBIT 2**).
- Any reduction in the transportation grant goes to regular distribution so the money is still in the system.

080 Sen. Metsger Closing comments: The question is when the state gives dollars to local school districts, should those dollars be flexible, or should the state dictate how they are spent? Flexibility would maximize their value in these difficult times.

090 Brian Reeder Opposes SB 427 as written. See written testimony (**EXHIBIT 3**). Responds to Sen. Metsger's description of the bill and its purpose. Dept. of Education supports the intent of the bill, but disagrees with

converting a grant based on the number of students in a district. They vary tremendously in transportation costs due to geography. This bill will steer money away from rural areas.

- 126 Reeder Agrees with the spirit of the bill and would be glad to work with the committee on amendments.
- 134 Sen. Prozanski Asks what would be the nature of the amendments.
- 143 Reeder Responds, DOE has 2 viable approaches, each with advantages and disadvantages:
1) Determine based on district circumstances what it should cost to operate an efficient transportation system.
- 175 Vice Chair C. Starr Seems like it would be simple to come up with an effective formula based on miles per student.
- 191 Reeder 2) Second approach solves that problem. That is to base a grant on past experience of each transportation system.
Contends that basing a grant on past experience is the better approach.
- 235 Sen. Prozanski Would like to see a blending of approaches. The state should be able to figure out factors and use past costs as a gauge for efficiency. The biggest issue is whether this can be accomplished mid-session. Perhaps this issue would be better dealt with during the interim.
- 264 Reeder Believes DOE has most of the data and could generate estimates in 4-6 weeks.
- 275 Sen. Prozanski Follow-up questions concerning data on busses.
- 291 Sen. Metsger Shares Mr. Reeder's concerns about unintended consequences. Is interested in discussing possible solutions.
- 320 Reeder The key is making sure schools get to keep any savings they generate.
- 345 Kent Hunsaker Opposes SB 427 on behalf of COSA. The OSEA Steering Committee (consisting of 40 superintendents) reviewed this bill and gave feedback on their concerns. Costs vary greatly per student depending on the district. The bill does not change any of the inputs, and therefore would hurt small, high-cost districts over time.
- 416 Hunsaker Points out a strong correlation between districts that contract out and those that don't. Suggests leaving the system the way it is and providing districts that save money with some monetary incentive to decrease costs.
- 456 Sen. Metsger Disagrees with Mr. Hunsaker's contention that school districts would be unable to reduce costs.

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- 025 Hunsaker Responds, explaining how it would work. The other option would be to do nothing. There are efficient systems, but even they would lose

money over time under this bill.

- 051 Tricia Smith OSEA represents transportation providers. Opposes SB 427. OSEA appreciates sponsors keeping transportation the mandate as it is. Parents can't provide transportation to children, particularly the rural and poor.
- 066 Smith Discusses inefficiencies and the background of the transportation funding formula. It was a reimbursement formula because transportation cost are largely beyond the control of a district, in relation to fuel, driver pay, children moving, etc.
- 103 Smith Discusses inefficiencies as observed by bus drivers. Dept. of Education should be able to determine whether transportation costs are appropriate before they approve them. SB 156 allows Secretary of State to build a state school fund for performance audits.
- 148 Smith Contracting out bus driver service is not efficient. Bus drivers have to go through extensive training. If their benefits were reduced, it would be more difficult to find good drivers.
- 168 Smith Suggests considering SB 156.
- 179 Sen. Metsger Comments on Ms. Smith's points on efficiency. Asks her to cite examples of "bus barn" inefficiencies in the transportation system.
- 195 Smith Has not researched this, although members provide examples to her. Most common is not enough drivers and too many bosses. Also there's a lot of waste in route design. Look at management.

WORK SESSION, SB 718

- 215 Mazen Malik Refreshes members' memories on what this bill does. Directs members of Oregon Investment Council to declare conflicts of interest in writing not later than one business day after discovering a conflict.
- 226 Malik Presents SB 718-1 Amendments (**EXHIBIT 4**) which extend 1 business day to 3 business days, and reduce the penalty from \$1,000 to \$250.
- 275 Sen. Vicki Walker Discusses compromises made with Chair Deckert and State Treasurer's Office on the bill.
- 290 Kate Richardson Concurr, all agree on the current amendments. Reiterates that this bill addresses a *potential* conflict of interest, not an existing one.
- 301 Sen. George Opposes -1 amendments. Believes the fine should be substantially higher than \$1,000, not lower.
- 311 Sen. Walker Explains, the fine is for a potential conflict. It does not change the fine for an actual conflict of interest.
- 326 Sen. Metsger **MOTION: MOVES ADOPTION OF SB 718-1.**
- 328 Vice Chair C. Starr **ORDER: THERE BEING NO OBJECTION THE CHAIR SO ORDERS.**

VOTE 4-0-1

MEMBERS VOTING AYE: GEORGE, METSGER, PROZANSKI, C. STARR

MEMBERS EXCUSED: CHAIR DECKERT

325 Sen. Metsger **MOTION: MOVE SB 718 AS AMENDED TO THE SENATE FLOOR WITH A DO PASS RECOMMENDATION.**

330 Vice Chair C. Starr **ORDER: THERE BEING NO OBJECTION THE CHAIR SO ORDERS.**

VOTE 4-0-1

MEMBERS VOTING AYE: GEORGE, METSGER, PROZANSKI, C. STARR

MEMBERS EXCUSED: CHAIR DECKERT

340 Vice Chair C. Starr Closes work session on SB 718. Adjourns meeting at 9:27 a.m.

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

Exhibit Summary:

1. SB 427, Revenue Impact of Proposed Legislation, 3/15/05, Meyer, 1 pp.
2. SB 427, School Finance Distribution, 3/14/05, Meyer, 6 pp.
3. SB 427, Senate Education Committee, Testimony of Brian Reeder on SB 427, Reeder, 1 pp.
4. SB 718, (LC 2110), proposed -1 amendments, 3/11/05, Malik, 1 pp.