

**HOUSE REVENUE COMMITTEE**  
**MAY 6, 2003 8:30 AM STATE CAPITOL BUILDING**

Members Present: Representative Lane Shetterly, Chair  
Representative Wayne Scott, Vice Chair  
Representative Joanne Verger, Vice Chair  
Representative Phil Barnhart  
Representative Vicki Berger  
Representative Pat Farr  
Representative Mark Hass  
Representative Elaine Hopson  
Representative Max Williams

Witness Present: Senator Devlin, District 19  
Dr. William A. Korach, Lake Oswego School District  
Ozzie Rose, Confederation of Oregon School Administrators  
John Marshall, Oregon School Boards Association  
Representative Macpherson, District 38  
Jim Scherzinger, Superintendent, Portland Public Schools  
Laurie Wimmer Whelan, Oregon Education Association  
Kathryn Weit, Oregon Counsel on Developmental Disabilities  
Brian Reeder, Department of Education

Staff Present: Paul Warner, Legislative Revenue Officer  
Steve Meyer, Legislative Revenue Office  
Kathy Tooley, Committee Assistant

**TAPE 156, SIDE A**

055 Chair Shetterly Calls meeting to order at 8:45 a.m.

**OPENS PUBLIC HEARING ON SB 550-A AND SB 819-A**

070 Steve Meyer Provides description of SB 550 which creates a High Cost Disabilities Grant and increases grants for high transportation cost districts. Exhibit 1. Provides description of SB 819 which increases the limit for the amount of school local option tax revenue excluded from school local revenue in the school equalization formula and allows districts with small high schools to merge and maintain the extra student weight for small schools for four years Exhibit 2. . Notes that it has a subsequent referral to Ways and Means and discusses revenue impact. Exhibit 3.

125 Senator Devlin States that both bills have strong support from the Senate. Discusses history of local options. Testifies in support of SB 819-A because it is a modest adjustment to a much needed local option and it gets rid of the disincentive for small high schools to merge. Points out that it is not a solution to school funding, but a tool for districts to solve part of the problem.

209 Dr. William Korasch Spoke in favor of 819A because it gives school districts options while they wait for a statewide solution. Discusses the Lake Oswego school district. Refer to written testimony. Exhibit 4.

350 Rep. Verger Asks what kind of salary increases the Lake Oswego school district will be giving.

355	Korasch	Responds that teachers will be getting 3.5% increase due to a contract signed 3 years ago.
375	Rep. Verger	Asks if it is possible to ask teachers to take a decrease.
377	Korasch	Responds that they are in those negotiations, but can't discuss them presently.
368	Ozzie Rose	Testifies in favor of SB 819 because it gives districts options and gives an incentive to merge small schools. Testifies in favor of SB 550 and discusses task forces on special education and small schools. Points out that none of these are solutions, but rather tweaks to the formula that help. Suggests that they raise the bar for reimbursement of special education students so that everything above \$25,000 per student is reimbursed and that there is a sunset so that the legislature will have to revisit the issue.

**TAPE 157, SIDE A**

035	Chair Shetterly	Asks if anyone is working on an amendment.
037	Rose	Responds that he has had meetings and that someone was supposed to be thinking about it, but he isn't sure.
043	Rep. Farr	Asks if everything above \$25,000 would be reimbursed.
045	Rose	Responds positively.
052	Rep. Farr	Asks if he suggests a two-year sunset.
053	Rose	Responds affirmatively.
055	Rep. Berger	Asks what they would be trying to determine if they sunset the bill and bring it back in 2005.
058	Rose	Responds that they need to determine how effectively the bill addresses the problems with the formula.
067	Rep. Barnhart	Asks if this bill would likely not affect most schools, except for small school districts that have 1 or 2 high cost students.
073	Rose	Responds affirmatively.
083	Rep. Verger	States that every child is the same in the eyes of the legislature and anything to encourage giving more money to one school district creates discrepancy in the level of education offered. Asks where allowing local options will lead them in the future.
111	Rose	Responds that the ideal situation would be to fund schools adequately so that every school district received what it needed. States that local options do create differences and that there should be restrictions on how much is allowed. Testifies that SB 819 is an acceptable amount.
137	Rep. Verger	Expresses concern that increasing local options will prevent further statewide solutions.
160	Rose	Agrees that they should be trying to solve the greater problem, but points out that they aren't capable of solving the greater problem right now and that by making these adjustments, it will make things a little better.

Discussion follows.

- 177 Rep. Farr Asks if there has been any discussion on sun setting SB 819 in order to put pressure on the Legislature to come up with a universal solution.
- 185 Rose Responds that he has not heard any discussion.
- 190 Rep. Barnhart Asks if the local option tax is the increment amount between Measure 5 and Measure 50.
- 198 Rose Responds affirmatively.
- 202 Rep. Barnhart Asks how many school districts this applies to.
- 208 Rose Responds that he doesn't know.

Discussion follows.

- 212 John Marshall Discusses the task forces on special education and small schools and how SB 550 attempts to change the formula to reflect the differing needs of school districts. Offers support for SB 819 because school districts are different and there should be some ability to connect those needs back to the local community. Discusses the history of the local option and the changes due to the current economic situation. States that the state has equalized resources but that equity, which means that every child has equal access to educational programs, has not been achieved. Explains the small high school merger incentive.
- 395 Rep. MacPherson Testifies in support of SB 819 because the funding formula has moved school districts away from their local community and that this would in some measure restore that connection.

**TAPE 156, SIDE B**

- 022 Rep. Barnhart States that this bill will not affect most communities and asks if any districts in Rep. MacPherson's legislative district would benefit from this bill.
- 039 Rep. MacPherson Responds positively and discusses the Lake Oswego school district.
- 047 Rep. Hopson States that she will support the bill, but asks about kids that live in communities that don't want to tax themselves.
- 070 Rep. MacPherson Responds that equalization to provide for all children is good, but questions whether it is desirable to move toward such strict uniformity that there is no reflection on the differences and aspirations of school districts.
- 077 Chair Shetterly States that he is not concerned that anyone would mistake SB 819 for the "big fix".
- 087 Jim Scherzinger Testifies in support of SB 550 and SB 819. States that the high need special ed bill is a move toward better equalization. States that Portland Public Schools' special education costs were much higher than what they were allocated. Discusses mandates that require the state to provide services, creating an increased proportion of spending on special ed in local districts.
- 130 Rep. Barnhart Asks if SB 550 would result in a net increase in state funding to the Portland Public School District.
- 133 Scherzinger Responds affirmatively.

135	Chair Shetterly	Asks if the transportation grant piece would reduce funding?
144	Scherzinger	Responds affirmatively and discusses net gains and losses.  Discussion follows.
155	Laurie Whimmer Whelan	Offers support of both bills because they are good policy rationales. Points out that SB 819 would keep pace with inflation and the original intent of the local option bill. Discusses history of local options. States that these bills combined are a compromise and not a substitute for a decent budget or long-term solution. Expresses concern that without these bills, districts will lose some of their biggest supporters to private schools.
224	Katheryn Weit	Testifies in support of SB 550. Discusses drivers for the high cost of special education students and the need for additional data. Supports putting a sunset on the bill.
267	Rep. Verger	Expresses support for the small high school merger incentive and asks if that could also help with the problem of declining enrollment schools by providing full funding over a period of four years until they are able to adjust.
285	Wimmer Whelan	Responds that it is a possibility.
292	Brian Reeder	Offers support for both bills. Discusses the uncertainty of the amount of local option that could be raised. Gives examples of different school districts.  Discussion follows.
389	Rep. Hopson	Asks for the numbers of high cost students and small high schools would be affected.
395	Reeder	Responds that he doesn't have numbers with him.  Discussion follows.
404	Reeder	Points out that SB 819 doesn't have a big effect now because of the Measure 5 limit.

**TAPE 157, SIDE B**

002	Meyer	Discusses revenue impact of SB 550 and the estimates for the school transportation grant. Exhibit 5. Discusses the K-12 special education estimates. Exhibit 6.
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**CLOSES PUBLIC HEARING ON SB 550 A and SB 819 A**

059	Chair Shetterly	Meeting adjourned at 10:06 a.m.
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Tape Log Submitted by,

Kathy Tooley, Committee Assistant Tara Lantz, Committee Assistant

Exhibit Summary:

1. SB 550 A, Steve Meyer, Staff Measure Summary, 1p.
2. SB 819 A, Steve Meyer, Staff Measure Summary, 1p.
3. SB 819 A, Steve Meyer, Revenue Impact Statement, 1p.
4. SB 819 A, William Korach, Written Testimony, 4pp.
5. SB 550 A, Steve Meyer, Revenue Impact Statement, 3pp.
6. SB 550 A, Steve Meyer, K-12 Special Education Estimates, 1p.