

## SENATE COMMITTEE ON EDUCATION

March 20, 2003 Hearing Room C  
3:00 PM Tapes 38-39

**MEMBERS PRESENT:** Sen. Charles Starr, Chair  
Sen. Ryan Deckert, Vice-Chair  
Sen. Ted Ferrioli  
Sen. Bill Morrisette

**MEMBER EXCUSED:**

**STAFF PRESENT:** Jan McComb, Committee Administrator  
Anna Suess, Committee Assistant

**MEASURE/ISSUES HEARD:** SB 405 – Public Hearing  
SB 760 – Public Hearing  
SJR 7 – Work Session

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These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

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<u>TAPE/#</u>	<u>Speaker</u>	<u>Comments</u>
<b>TAPE 38, A</b>		
005	Chair Starr	Calls meeting to order at 3:05 PM and opens a public hearing on SB 405.
<b><u>SB 405 – PUBLIC HEARING</u></b>		
010	Jan McComb	Committee Administrator. Provides a summary of SB 405.
015	Rob Kremer	Executive Director Oregon Charter School Service Center. Provides further elaboration on SB 405.
100	Susan Giller	Developer and Administrator of the Field of Dreams Public Carter Middle School. Proponent of SB 405. Provides written testimony in support of SB 405 ( <b>EXHIBIT A</b> ).
120	Giller	Continues discussion on SB 405: <ul style="list-style-type: none"><li>• Charter Schools and Municipal Audit Issues</li><li>• Charter school law ORS 297.435</li></ul>
180	Sen. Ferrioli	Asks for clarification on the difference between a Certified Public Accountant (CPA) and a bookkeeper.
185	Giller	States a CPA has a college degree certification and has taken a CPA exam. States that under the municipal audit law you are required to have a certified CPA perform a municipal audit and financial statement.
195	Sen. Ferrioli	Asks for clarification of the differences from CPA and general bookkeeping services.
200	Giller	Asks for elaboration on the question.
202	Sen. Ferrioli	States he is not certain if the bookkeeper is capable of providing the same certifications that a CPA can provide. States that the CPA is responsible for legal compliance for funding, and states he is unsure if a general bookkeeper can be held accountable.
210	Giller	States that the mandates for a municipal audit and the CPA standards have a larger rate per hour. States that charter school are not excluded using a CPA to do the bookkeeping, however

230	Sen. Ferrioli	the mandates for which a CPA charges for a municipal audit versus a CPA that is doing regular business accounting. States that he believes that a CPA needs to be involved in the administration of public funds of charter schools..
240	Giller	Agrees.
250	Giller	Begins discussion on the Public Employees Retirement System (PERS).
285	Catherine Lay	President, Oregon Charter Schools. Begins discussion in support of SB 405 and provides written testimony ( <b>EXHIBIT B</b> ).
350	C. Lay	Continues testimony: <ul style="list-style-type: none"> <li>• Teaching staff cost comparisons</li> <li>• PERS</li> <li>• Cost of Municipal Audits</li> </ul>
<b>TAPE 39, A</b>		
020	C. Lay	• Concludes testimony.
050	William Lay	Executive Director of the Pioneer Youth Corps. Provides testimony in support of SB 405.
125	Laurie Wimmer Whelan	Oregon Education Association. Provides testimony in opposition to SB 405. States that the bill provides a lapse of financial accountability. States that the removal of PERS for Charter Schools is also unacceptable.
170	Sen. Ferrioli	Asks what the municipal standard does for a school district, and what is accomplished by the standard.
184	Whelan	Defers the question to another more informed entity.
187	Sen. Ferrioli	Asks for clarification of current tier-1 employees in charter schools, unless they moved from a public school. States that the language states that charter schools may offer PERS or may offer an alternative program. Asks if there may be a positive influence for Tier 1 and Tier two members.
210	Whelan	States that employees moving over from school districts into a charter school would not have their service credits would not be credited to their accounts.
215	Sen. Ferrioli	States that the employee would be aware of this when they moved over to a charter school.
222	Whelan	States that the idea of optional is not an employee option, it is a charter schools option.
230	Sen. Ferrioli	States that the issue is negotiable through contracts.
235	Whelan	States that department feels that all public entities to remain in PERS to maintain its stability.
240	Sen. Ferrioli	Comments on the compelling public interest to reduce the cost of PERS.
245	Whelan	Restates the Associations opposition to SB 405.
245	Kris Oliveira	CPA. Provides testimony in support of SB 405 and provides written testimony ( <b>EXHIBIT C</b> ).
320	Oliveira	Continues testimony: <ul style="list-style-type: none"> <li>• Municipal Audits</li> <li>• Costs of Municipal Audits</li> <li>• Governmental Reporting Model</li> <li>• Concludes testimony</li> </ul>
415	Sen. Ferrioli	Asks for clarification between accountants and accountancy.
435	Oliveira	States that an accountant has a four year degree, but has not

		taken a CPA exam. A CPA is licensed, whereas a bookkeeper has no accrediting standards.
450	Sen. Ferrioli	States that there is a CPA standard level that charter schools should be maintained.
<b>TAPE 38, B</b>		
030	Oliveira	States that the bill does not remove the requirement for an audit. States there will be a CPA involved in the charter school audit process.
035	Joanie Gillis	Oregon Department of Education (ODE). Provides testimony on SB 405.
085	Chair C. Starr	States that it is clear that many private non-profit organizations receiving public funds for their services are not subjected to the audit requirement.
090	Gillis	Responds.
100	Al Shannon	Employed by the Oregon School Boards Association. Provides testimony in support of SB 405.
165	Sen. Morrisette	Asks if the research cited in the testimony is from hand notes or from text.
170	Shannon	States the testimony was directly from the administrative rules from the Secretary of State's office.
175	Sen. Ferrioli	States that the need to specify the need for CPA's to be involved in the municipal audit process.
180	Shannon	Agrees. States that this would be better than exempting charter schools from the audits.
190	Rob Kremer	Comments on the municipal audit requirements and provides comment on the stability of PERS.
235	Chair C. Starr	Closes the public hearing on SB 405 and opens a work session on SJR 7.

**SJR 7 – WORK SESSION**

<b>250</b>	<b>Sen. Morrisette</b>	<b>MOTION: Moves SJR 7 to the floor with a BE ADOPTED recommendation and BE REFERRED to the committee on Revenue.</b>
		<b>VOTE: 3-0</b>
		<b>EXCUSED: 1 – Deckert</b>
<b>260</b>	<b>Chair C. Starr</b>	<b>Hearing no objection, declares the motion CARRIED.</b>
270	Chair C. Starr	Closes the work session on SB 760 and opens a public hearing on SB 760.

**SB 760 – PUBLIC HEARING**

275	Sen. Bruce Starr	District 15. Provides summary and testimony in support of SB 760.
335	Chair C. Starr	Asks if the bill passed and the district became a charter district would it still have the authority for bonding new construction and other provisions of the state school funding mechanisms as opposed to what occurs with most charter school start ups.
340	Sen. B. Starr	Confirms.
345	Whelan	Points out numerous concerns to SB 760.
		<ul style="list-style-type: none"> <li>• Possible school districts converting to charter districts will limit choices for parents</li> <li>• Possible school districts converting to charter schools in the hopes of receiving federal funds would limit state funds.</li> <li>• Possible cost burdens to the state for annual audits</li> <li>• Professional accountability of teachers</li> </ul>

450	Chair C. Starr	<ul style="list-style-type: none"> <li>• Concludes testimony</li> </ul> <p>States that Charters by design can operate for a lower costs, so the state provides less money, at times 50% less, and asks why it would not be advantageous for school districts to convert to charter schools.</p>
460	Whelan	Responds.
<b>TAPE 39, B</b>		
020	Gillis	ODE. States the department is concerned that SB 760 will limit the choices for parents.
060	Rob Kremer	Elaborates on the differences between school districts and charter schools.
090	Sen. Deckert	Asks about municipal accounting and states that the same standards should be set for both school districts and charter schools.
110	Kremer	Provides clarification on the municipal accounting audits for charter schools.
120	Sen. Deckert	States that the ability to go back and review both charter schools and school districts should be similar records to do comparisons.
130	Chair C. Starr	Asks that as it is a provision of the charter school legislation law that students can opt into a charter school would it not follow that students from out of district could opt in.
143	Kremer	Confirms.
141	Chair C. Starr	Closes the public hearing on SB 760 and adjourns the meeting at 4:35 PM.

**EXHIBIT SUMMARY**

- A – SB 405, written testimony, Susan Giller, 4 pp**  
**B – SB 405, written testimony, Catherine Lay, 3 pp**  
**C – SB 405, written testimony, Kris Oliveira, 5 pp**