

INFORMATIONAL MEETING

TAPES 017-018 A/B, 219 A

SENATE REVENUE COMMITTEE

January 24, 2001 — 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Senator Ted Ferrioli, Chair

Senator Lee Beyer, Vice Chair

Senator Susan Castillo

Senator Tony Corcoran

Senator Gary George

Senator John Minnis

Senator Charles Starr

Staff: Paul Warner, Legislative Revenue Officer

Steve Meyer, Economist, Legislative Revenue Office

Carol Phillips, Committee Assistant

Witnesses: Stan Bunn, Superintendent of Public Instruction, Dept. of Ed.

Nancy Heiligman, Director, School Finance, Dept. of Ed.

Susan Massey, Chair of ESD Task Force, State Board of Education

Chuck Bugge, Superintendent, Hood River School Dist.

David Campbell, Superintendent, Clackamas ESD

Judge Mike McArthur, Sherman County

Judge Laura Pryor, Gilliam County

Jim Doherty, Chairman of the Board, North Central ESD

Mike Carroll, Mitchell School District Superintendent

Dick Wold, Superintendent, Sherman County School District

Rob Myers, Project Coordinator for Frontier Learning Network

Jonathan Hill, Superintendent of Lake County ESD

Dennis Mills, Harney County ESD Superintendent

TAPE 017, SIDE A

- 005 Chair Ferrioli Meeting called to order at 8:34 a.m.
- 022 Stan Bunn Oregon Department of Education — A Decade at a Glance. Discussed slides regarding Per Pupil Funding, Average Teacher Salary, Equalization, Reading Benchmarks, Mathematics Benchmarks, School Enrollment, Teacher- Pupil Ratio, Annual Dropout Rate, and Four Year Dropout Rate. Exhibit 1.
- Questions and answers interspersed.
- 111 Bunn Proposes the school funding formula be raised from 11% to 13% for special education cap. Has found that most of the schools are actually at 12.8%, so a move to 13% would be adequate.
- Questions and answers interspersed.
- 122 Chair Ferrioli Asked if 13% would be high enough to alleviate the current special education pressures.
- 135 Bunn Responded it would not alleviate all the pressures but would potentially remove a lot of extra paperwork created between 11% and

12.8% funding. Paperwork could then begin at the level it should...13%. Believes all funding paperwork processes could be streamlined.

Comments, and questions and answers interspersed.

206 Chair Ferrioli Stated that the quality education goals in statute are the CIMCAM, Certificate of Initial Mastery, and the Certificate of Advanced Mastery. Some legislative members believe the Quality Education Model is already in statute. It is not, but suggested that it should be. It is one set of recommendations to move toward.

Comments, and questions and answers interspersed.

237 Bunn Asked if, with per-student equalization, there is a need for a new level of questioning regarding equalization that requires levels beyond the data available currently for Quality Education Models. There are serious questions and discussions that must occur regarding these issues.

Comments, and questions and answers interspersed.

279 Bunn Stated that through legislative accomplishment in partnership with schools a School Report Card has been created and it has identified 40 low-performing schools for 2000. Said it is absolutely necessary to provide help for those 40 schools. The current data collection system in the state is being discontinued, so funding is essential to replace it with a new system. Agreed that the legislature needs to keep after schools to ensure improving quality of student education. Even though there has been progress, it must be continued.

Extensive comments, and questions and answers interspersed.

TAPE 018, SIDE A

- 038 Sen. Minnis Asked if the witness would comment on the current situation with the Portland Public Schools Board or had any insight regarding solutions that might be targeted at some of the legitimate issues brought forth by a crisis team. It appears on the surface that the school district is incapable of responding either quickly.
- 049 Bunn Responded that large urban school districts face special challenges. Portland has one of the highest public school populations in relation to city population than many other urban areas. Portland performs well compared with other urban areas, but they still have "special and unique" problems, i.e. areas of poverty, etc. that are not exclusive to urban areas, but unique. Believes the school board will solve the problems over time.
- 068 Sen. Minnis Pointed out that there are problems not only in the Jefferson High School area, but Roosevelt and Marshall as well. The issues they have in common are low-income housing and people at the poverty level. Asked if anyone was brainstorming for ways to resolve the issues.
- 079 Bunn Stated there is no "silver bullet" to alleviate the problems. The problems grew over time, and solutions will have to come over time. Stated these are issues not about schools but are issues and opportunities around communities, families, church organizations, etc. Stated Portland schools made progress as indicated on the Report Cards recently made public.
- 094 Sen. Beyer Pointed out that Portland schools are doing as well as they can, but believes it is social problems that are leading them into educational problems, i.e. low-income, poverty, etc.
- Extensive further comments, and questions and answers followed.

193 Susan Massey Discussed ESD Task Force Recommendations. Exhibit 2. Stated that "a child is a message we send ahead into a time we will not see." Thanked those who work in the ESDs on behalf of children.

Questions and answers interspersed.

201 Massey Stated recommendations suggested by the ESD Task Force:

1. Affirm the need for a statewide system of regional education service agencies.
2. Retain the "special district" structure of regional service delivery with some statutory modifications to enhance local decision-making, flexibility, and diversity of services.
3. Categorize regional education services as basic administrative, resolution, and entrepreneurial services.
4. Make permissive, instead of mandatory, the statutory requirement for two appointed, non-voting members of ESD boards.
5. Create board member zones so that all of Oregon's counties have at least one member on an ESD board of directors.
6. Retain the remaining elements of the current governance structure.
7. Retain state requirements for professionally licensed ESD administrators.
8. Maintain an accountability structure for ESDs.
9. Retain the name "Education Service District" for Oregon's statewide system of regional educational service providers.
10. Use guidelines that established criteria for reorganizing ESDs.
11. Reduce the number of ESDs in Oregon from 21 to 14, and reorganize the 14.
12. Provide an opportunity for ESDs slated to be consolidated to petition the State Board of Education to join another contiguous ESD of their choosing.

13. ESDs affected by consolidation may submit an alternative organizational plan to the State Board of Education.
14. Through legislative action, provide planning grants to affected ESDs sufficient to offset costs associated with reorganization.
15. Where practicable, maintain satellite offices to mitigate excessive travel for staff who provide direct services to students.
16. Amend the statute to include a remonstrance process to accommodate ESDs wishing to consolidate voluntarily.
17. Complete the reorganization of ESDs no later than 6/30/2005.
18. Establish a ratio of funding.
19. Permit local school districts to receive dollars in lieu of services.
20. Phase in over four years the implementation of the recommended formula for distributing state funds to ESDs.
21. Review the factors in the K-12 distribution formula annually during the phase-in period followed by biennial review.
22. The Department of Education should study the special funding needs of ESDs that serve the sparsely populated regions of the state.
23. If the property taxes levied by an ESD are greater than the total state allocation of funds based on the formula, allocate the excess on an ADMw basis.
24. The Oregon Department of Education should develop a common system for budgeting.
25. Permit ESDs to offer their services free of boundary restrictions to other ESDs, local school districts, and other public and non-profit service providers.
26. Permit ESDs and the constituent school districts to make decisions locally about the nature and extent of special education and related services that are provided regionally.
27. Reformulate the purpose of ESDs that is stated in statute.

409 Chuck Bugge Addressed issues regarding the funding aspect of the above recommendations. The funding system provides an allocation to ESDs by a percentage of the basic state school fund. He supports that formula because there is a provision that allocates a high percentage of funding formula directly to resolution services. Regarding equity, which has become a system for funding K-12 school districts in Oregon, it is probably reasonable that ESDs provide a similar formula for their funding process. Asked that committee members keep in mind that ESDs provide services that may not be achieved by small or rural school districts, so some consideration should be made for that.

469 David Campbell Began discussed of Report to Oregon Legislature January 24, 2001. Exhibit 3.

TAPE 017, SIDE B

037 Campbell Reviewed page 4 regarding ESD Funding History.

Questions and answers interspersed.

091 Campbell Discussed page 5 ESD Funding for the 1998-1999 Year. Attempted to justify the difference in allocations ranging from \$52.16 per student in Crook-Deschutes ESD and \$2,053.29 per student in North Central ESD. Stated that in trying to go to a middle level, there simply was not enough money to go to a middle.

102 Chair Ferrioli Asked because of the vast difference in allocation between the two examples, did Mr. Campbell imply that more student services exist in North Central ESD than in Crook-Deschutes ESD?

109 Campbell Suggested that there are more services that the school districts pay for in the North Central

ESD, but agreed that the level of service was comparable. Agreed with Chair Ferrioli that the Allocation Per ADMw was not a valid figure for this comparison. Said he would provide further information on this issue. Further discussion of Exhibit 3.

248 Judge Mike
McArthur

Stated he has spent a lot of time reviewing the plan and recommendation, but finds that the process adopted to deal with this issue is slightly flawed. He had served on another task force in which information was gathered, public testimony was taken, and then recommendations were made. In this case, however, the decision was made, a draft was adopted, and then public hearings were held after the fact. Believes the funding issue is too narrow. Believes the make-up of the committee was slightly skewed to favor certain areas. What may be called "specialized" services in small districts would be "general" services in large districts.

Questions and answers interspersed.

339 Judge Laura
Pryor

Stated she attended a hearing in Gilliam County in the middle of one afternoon. Although it was harvest time, the courtroom was packed. Businesses closed down so everyone could attend the meeting. The community was very concerned about the ESD report and how it would affect the local economy. Pointed out that in Gilliam County taxes before Measure 5 were \$46.00 per \$1,000, and \$30.00 of that went to the school district. These people funded their schools, and they are still trying to do that. Recommended that committee members keep in mind a list of the counties by population, and that may help them in dealing with equalization problem.

Comments, and questions and answers interspersed.

038 Jim Doherty Stated there are many dimensions to the proposal that are disturbing to many people in the rural areas but wanted to speak to the issue of economy of scale. Said it was important to keep in mind that most rural districts have 100 to 200 students. ESDs provide different functions and do different things in different areas of the state. ESDs step in to provide those services not always available at the schools. ESDs serve different functions in different area. An ESD in a rural area is not the same organization that it is in an urban area. Until that issue is accepted, what ESDs do will not be viewed as equitable.

Comments, and questions and answers interspersed.

150 Mike Carroll Added that it is difficult for people not associated with small school districts to really understand the situation. He is Superintendent of school district with 80 students. There are no other administrators in his district, so he has to perform many functions. Five teachers cover all grades 7-12, so they do not have a lot of extra time. ESDs provide services that largely are not necessary or needed in large school districts. But with the five hours maximum of time designated for travel to and from a district to provide services, that leaves only three or four hours of time to provide that service, and that's not enough.

230 Dick Wold From 1989 to 2000 was with Port Orford/Langlois School District, which was served well by Curry County ESD. In mid-90s Curry County and Coos County ESDs were merged into one entity. Curry County was opposed to the merger. After the merger the district had to go from not having to buy any services to now having to purchase \$250,000 to \$300,000 per year. Bigger is not better. Exhibit 4 — Charts.

315 Rob Myers Thanked the members of the ESD Task Force for their efforts in preparing their recommendations; however, he disagrees

categorically with most of the recommendations they made. Will provide detailed information to the committee members in written form at a later date.

369 Jonathan Hill Discussed page 1 — Who Are We? Pointed out that the seven counties scheduled for possible merger into one ESD contain 31% of the landmass of Oregon (30,035 square miles) but only 1% of K-12 students. Stated it is difficult to understand how one could conceive this would be a more efficient service delivery system when you consider the extraordinary size of the geography. The ESD Task Force was made up of representatives from regions with average characteristics to discuss average data. Their average report with average recommendations cannot possibly begin to address the reality of conditions in Grant County, Harney, Lake County, North Central, and Wallowa ESDs. There is a fundamental "lack of fit" for their situations.

Exhibit 5- Who Are We? Exhibit 6 (video: oversize exhibit).

450 Dennis Mills Stated that in the formula for equalization, the Harney ESD would be cut 62% in one year. The perception among some people is that small ESDs are incompetent and ineffective. The fact is Harney ESD has set standards in Eastern Oregon that others envy. Through creative partnerships and careful use of tax dollars, small ESDs have demonstrated that bigger is not better. Exhibit 7 — Harney ESD 1999-2000 Annual Report.

TAPE 019, SIDE A

042 Chair Ferrioli Adjourned meeting at 10:24 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. Bunn, Oregon Department of Education, A Decade at a Glance, 7 pp.
2. Massey, ESD Task Force Recommendations, 34 pp.
3. Campbell, Report of Oregon Legislature January 24, 2001, 8 pp.
4. Wold, written testimony: Charts, 11 pp.
5. Hill, written testimony: Who Are We?, 7 pp.
6. Hill, oversize exhibit, video
7. Mills, Harney ESD 1999-2000 Annual Report, 81 pp.