

## SENATE REVENUE COMMITTEE

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

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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: Rep. Elaine, Hopson, District HD2  
Tillamook

Laura Pryor, Gilliam County Judge

John Widenoja, Board Chair, Lake County ESD

Todd Herberg, Superintendent, Northwest Regional  
ESD

Earl Fisher, Superintendent, Clatskanie School District

Larry McMacken, Superintendent, Astoria School  
District

Mike Vermillion, Superintendent, Lane ESD

**TAPE 036, SIDE A**

- 005 Chair Ferrioli Meeting called to order 8:38 a.m.
- 017 Paul Warner Briefly talked about the bills to be discussed during next week's Senate Revenue Committee meetings, one of which will be the return of SB 260.

**OPENED PUBLIC HEARING ON SB 260**

- 049 Rep. Elaine Hopson Gave testimony on the subject of Educational Service Districts (ESDs). Stated she is a long-time professional educator, and as such can see several points of view on the issue. Said there are four points of view to be considered:

1. History she has encountered with ESDs,
2. Process used by the ESD Task Force, of which she was a member,
3. The recommendations made by the ESD Task Force, and
4. The reasons for implementation of the recommendations.

She became Superintendent of Tillamook School District. At that time the Tillamook ESD served three school districts with a total enrollment of 3,500 students. The Tillamook ESD soon merged with what was later the Northwest Regional ESD, which serves about 100,000 students. They are now in the same ESD that serves Beaverton with over 30,000 students and Jewel with less than 200 students. Because of the merger their districts lost over \$500,000 per year in ESD funding.

Supports the reduction in number of ESDs from 21 to 15. However, does not know how it can be justified for students in one area to be allotted \$150 per student and over \$2,000 in another. Finds that hard to justify in any way. Hates to take away from one group to give to another, but how can the money be distributed better? Thinks the situation will end in litigation if the funds are not distributed more evenly.

Questions and answers followed.

- 193 Chair Ferrioli Commented on Rep. Hopson's testimony. Pointed out that the recommendations from the ESD Task Force focus on dollars-per-ADMw student. Also pointed out that no two ESDs provide the exact same services. Understands that the \$150 vs. \$2,000 per student figures initially do not look understandable. Asked Rep. Hopson if she was suggesting that the issue be strictly dollars for equity and just flatline every student, regardless of the services provided.
- 210 Rep. Hopson Said as a base it should be equal ADMw allocation across the board. Then if there was something really abhorrent about the way that comes out, then maybe it should be tweaked.
- 242 Chair Ferrioli Restated to the witness that she advised flatlining the ESDs, but make adjustments in the funding formulas to compensate for differences in services.
- Extensive comments, and further questions and answers interspersed.
- 259 Rep. Hopson Agrees there may be a core group of services that all ESDs provide, but services for special education are the most notable. The services for one special education child could be \$40,000 for one year as opposed to some special education students who are in regular classrooms with no additional cost incurred. Stated that schools in Portland and Beaverton don't need ESDs because they're in urban areas where all services are readily available. Even though the larger districts don't need ESDs as such, particularly in special education, it is still beneficial to everyone. Continued comments, with questions and answers interspersed.

- 025 Rep. Hopson Continuation of comments, questions, and answers.
- 042 Chair Ferrioli Restated that the issue seems to be coming up with an equalization formula based on ADMw and ESDs, then solving the disequities inside the funding formula.
- 059 Sen. Castillo Asked the witness to speak to the issue some people have raised about focusing not so much on equity in funding but equity in services, making sure there is equity of services around the state in the ESDs, and then figuring out the funding to provide that.
- 066 Rep. Hopson Said in a perfect world she would go for that. But if looking for equity of services, that creates a problem because the ESDs provide different services for different districts and areas. Thinks that when dealing with the Department of Education, the ESDs are the natural way for that to be handled.
- 084 Sen. Minnis Asked why ESDs exist in the first place, and what is their purpose? They are not mandated by constitution. Wonders why money is given to ESDs...shouldn't it just be given to the districts and let them purchase services from whomever they choose?
- Questions and answers followed.
- 165 Judge Laura Pryor Spoke representing the five Frontier Rural ESDs regarding SB 260. Stated that the federal government has decided to break "rural" into separate categories: Urban Rural, Rural, Frontier Rural, and Uninhabited Rural. Believes the five Frontier Rural ESDs in her area provide a structure that accomplishes two critical objectives: They collectively provide a minimum level of education that any child in Oregon has a right to, and they allow schools within their district to aspire to meet the state

education requirements in curriculum development, shared resources, teacher training, and counseling/special education.

The region these five Frontier Rural ESDs serve has a student population of no more than 1,500 ADMw, have at least 40 miles minimum between each school, and the population of the region is 1.5 persons per square mile (total population 35,000) located over 27,000 square miles. This includes seven counties, five of which have the lowest per capita income in the state.

Addressed the issue that her ESD has \$2,000 allotted per student, but the ESD serves the three counties with the least population in the state (about 5,000 people) with the lowest per capita income...it equals that in Appalachia. Their ESD and schools could not survive if the funding was flatlined to \$200 per student.

Regarding the question of why ESDs exist, stated that if ESD funds were to be given directly to the schools, the schools in Frontier Rural Oregon would have to recreate something like an ESD anyway. They could not meet in any way even the special education component of what the ESDs do now. It would be impossible.

Questions and answers followed.

### **TAPE 036, SIDE B**

027 John Widenoja Stated that it is 115 miles from Lakeview, OR to their farthest component district (North Lake School). Feels flatlining of ESD funds should be done after equalization of services, delivery of services, and equalization of opportunity for students in rural locations. Does not feel the ESD Task Force Recommendations treat his district in a way that would allow continuation of current services.

Questions and answers interspersed.

106 Sen. Minnis Stated that it appears there is a clearly defensible position to create a distribution formula for ESDs, or simply terminate ESDs altogether and render the entire argument moot. Suggested sending the money directly to the districts and let them purchase services however they choose.

159 Todd Herberg Discussed Exhibit 3: Northwest Regional Education Service District. Conveyed their absolute support of the ESD Task Force Recommendations regarding ESD funding equity and support the four-year plan to achieve that equity. The Northwest Regional ESD was created through legislative action in 1996 by the consolidation of four ESDs from Clatsop, Columbia, Tillamook, and Washington counties.

To point out the great disparity in their funding compared with Multnomah County (which includes Portland), stated that even though both areas have approximately the same number of students (101,493 vs. 104,695) Multnomah receives over \$25 million dollars more in funding for its ESDs. They would prefer to see immediate equity, but they understand that is not practical and so support the four-year plan as a compromise to alleviate the great disparity in funding.

Questions and answers followed.

257 Earl Fisher Stated that the Clatskanie School District is unique. He understands the desire for equity of services and equity of dollars, but his district has been financially hurt by Measure 5. Part of the dilemma is that their ESD is underfunded. They need many kinds of services the ESD provides for them, but without adequate equitable funding, they won't get them. Feels that the "suffering" has to be distributed evenly to all districts. Declared it is not fair for some ESDs to receive over \$2,000 per student and other ESDs receive only \$150 or so. Demands equity.

378 Larry  
McMacken

Added that their ESD has not been able to provide full special education programs or more extensive special education programs because the dollars have not been available to pay for them. Before the 1994 consolidation those services were available.

Related a recent situation in a neighboring school district. A student and family lived in a county where special education services for high cost/low incidence children were provided by an ESD. When the student was placed in a foster home in a different school district, those costs (between \$80,000 and \$100,000 a year) had to be absorbed by the student's new school district and placed a burden on the school budget.

Obviously supports the issue of ESD funding equity so that small school districts won't be financially damaged by costs like this.

Questions and answers interspersed.

**TAPE 037, SIDE B**

019 Sen. George

Referred to a report from the Oregon Department of Education, Office of Special Education that contained information pertinent to this discussion. Said that theoretically ESD funding could be leveled if two things were done first. For the child with significant disabilities, the dollars should follow the child. If regional operations of the Oregon Department of Education (that deal with autistic, blind, and hearing-impaired students) were expanded to literally provide those services to the ESD or district, that would help in leveling the funding. It appears the main stumbling block is all districts trying to provide services for special education students. Asked the committee and witnesses if expanding on those two points might help to solve the inequity problem.

033 Chair Ferrioli Agreed that the dollars should follow the child, and that's a good point not discussed before.

Comments, and questions and answers interspersed.

079 Mike Vermillion Discussed Exhibit 4: written testimony. He is Co-Chair of the Oregon Association of School Executives School Funding Steering Committee, which supports the ESD Task Force Recommendation on ESD funding equity, and is moving away from endorsing forced ESD consolidation.

Questions and answers interspersed.

184 Chair Ferrioli Adjourned meeting at 10:12 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 260, Ferrioli, Written testimony dated December 26, 2000, 1 pp.
2. SB 260, Pryor, Photographic testimony, 8 pp.
3. SB 260, Herberg, Written testimony, 5 pp.
4. SB 260, Vermillion, Written testimony, 1 pp.
5. SB 260, Heiligman, ESD Task Force Recommendations, Volume 4, 261 pp.