

**PUBLIC HEARING: SB 61**

**WORK SESSION: SB 509**

**TAPES 071-072, A/B**

## **SENATE REVENUE COMMITTEE**

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**March 13, 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 John Minnis

Senator Charles Starr

Members Excused: Senator Gary George

Staff: Paul Warner, Legislative Revenue Officer

Richard Yates, Legislative Revenue Office

Carol Phillips, Committee Assistant

Witnesses: Ozzie Rose, Confederation of Oregon  
School Administrators

John Marshall, Oregon School Boards Association

### **TAPE 071, SIDE A**

005 Chair Ferrioli Meeting called to order at 8:37 a.m.

015 Chair Ferrioli Explained that the Chair has a different view of SB 509 than some committee members, in that it is a technical correction left over from the time when forced small school consolidation was

mandated. Others view it as just an ordinary formula adjustment. Because it was determined that all school related bills be arrayed together for side-by-side comparison before any action would be taken, it was decided that SB 509 be taken back for reconsideration to be held with all school bills.

#### OPENED WORK SESSION ON SB 509

028 Chair Ferrioli MOTION:

THE COMMITTEE BY ACCLAMATION  
MOVES TO SUSPEND THE RULES.

031 Chair Ferrioli ORDER:

HEARING NO OBJECTION, THE RULES  
WERE SUSPENDED.

054 Sen. Minnis MOTION:

MOVES TO RECONSIDER THE VOTE BY  
WHICH SB 509 WAS SENT TO THE  
SENATE FLOOR WITH A DO PASS  
RECOMMENDATION.

057 Chair Ferrioli ORDER:

HEARING NO OBJECTION, THE MOTION  
PASSES. 5 — 0 — 1

#### CLOSED WORK SESSION ON SB 509

#### OPENED PUBLIC HEARING ON SB 61

063 Chair Ferrioli Reminded the committee that SB 61 extends the ADMw to a five-year period and provides a "glide path" instead of a precipitous cliff in front of school districts regarding funding. Stated that this bill also extends the actual head count of students beyond the physical number of students present in the system at any given time.

077 Paul Warner Discussed Exhibit 1, which arrays four school funding bills side-by-side for committee review. Stated there are some key technical decisions to be made before dealing with the bills.

Discussion, and questions and answers interspersed.

095 Chair Ferrioli Asked the members the following question: Will we, according to best judgment, do something for schools that have precipitously lost ADMw through a mill closure or loss of economic base through some situation that caused population dislocation? Is that something this committee thinks is a reasonable thing to do? If that is true, then districts suffering real stress from rapid increase should be addressed, too.

Questions and answers interspersed.

159 Chair Ferrioli Observed that early in the session members were admonished regarding school funding that over the course of many corrections, there will be some that cancel. The issue that keeps returning is: Is there a real issue in terms of equity either with current ADMw formula or with ESD funding? Notwithstanding at least one opinion, other opinions to the contrary indicate yes. There is an actionable issue at equity if ESD funding formulas are ignored. And, yes, there are some distribution questions, even within the current formula, about equity. And that is identified by looking at services provided.

172 Chair Ferrioli Stated that unless the Senate Revenue Committee agrees to some principles as a committee, nothing will be achieved. The Chair's opinion is that something must be done within the formula to adjust the ADMw for schools that have precipitously lost population that they fall below minimum funds necessary to operate their schools. At the other end of the scale, the Chair feels something must be done

for schools that have had precipitous increases in student population.

- 193 Chair Ferrioli      Advised that there is interest in asking that the facilities grant program for infrastructure to be increased to \$25 million. The Legislative Fiscal staff is even studying the prospect of schools leasing facilities as an option. Some school districts might be able to follow a "population bubble" through their system without building a new school. Overall numbers in certain areas may remain constant, but the student population ages and changes. For that reason, some neighborhood schools may no longer be supportable.
- 213 Warner              In answer to a question from Sen. L. Beyer, stated that the current extended funding formula looks at the current year compared with a previous year. The higher of those two is the number used to calculate. Further explained technical aspects of how the funding is determined.
- 251 Sen. Minnis        Asked why if an area has declining school enrollment, declining population, and a declining industrial base, to what extent is it the state's role to maintain a school district in a region that is economically dying?
- 259 Chair Ferrioli      Replied that all areas of Oregon are economically changing. Whether or not an area is economically dying depends on if the infrastructure that keeps people in a community disappears. The forest products industry could be likened to other cyclical industries like steel in the midwest states through the "rust belt" or cotton 100 years ago in the south. Eventually other economic opportunities replace those that declined or disappeared. Public policy is what has driven the forest products downturn in some communities, and the cattle downturn in others.

- 294 Sen. Minnis Requested Problem-Example-Justification from the Chair.
- 295 Chair Ferrioli Problem: Heppner, Pioneer Resources mill closure.
- Example: 100 jobs lost, and those 100 families took about 150 students out of the local school district.
- Result: Over \$1 million lost in high school funding.
- Dilemma: Does the school district absorb the loss by cutting programs and teachers, thereby lowering their opportunity to recruit another industrial base into the community because the schools are perceived as being in decline? This is not just a social issue or social question but an economic development one.
- 319 Chair Ferrioli Added that the Oregon Economic Development Department and the 1999 legislature created twelve new enterprise zones, six of them east of the Cascades. One of them is in Heppner and takes in the closed mill site in order to redevelop it. But the question is: Should the school be allowed to fail while this redevelopment is going on? Which comes first: A good hospital and a good school system to recruit business to an area, or recruit new business and then try to restart a closed hospital and a deteriorated school district?
- Comments, and questions and answers followed.
- 372 Chair Ferrioli Remarked that the question has been asked: Is the state in the business of creating new ghost towns? In eastern Oregon, it appears public policy at the federal level is designed to displace population out of communities. The forests were shut down, grazing was shut down, mining was shut down, and the people are forced to seek jobs in cities.

More comments, and questions and answers followed.

- 389 Vice Chair L. Beyer Said that projected school population is expected to decrease slightly. Without more students added to the system, most of the smaller communities and inner-city schools may have decreasing student populations. Conversely, the suburban schools will have increasing populations. The question is: Do we want to maintain quality of existing large schools and protect small schools at the same time? In order to do that, you need a bigger pot of money.
- 424 Chair Ferrioli Responded that it is only a difficult question if you do not live in one of those small communities whose existence is threatened by the closure of a school. Large communities have choices and options. Small communities have time and distance against them in terms of choices and options. The issue is: Are we going to have equal education for all students in the state of Oregon on a service basis? Or, are we going to cast small schools adrift, and anything that gets done in terms of equity comes at the expense of the large schools. The focal point of that issue is SB 61.
- 455 Sen. Castillo Said no one on the committee does not want to help the smaller school districts. But the difference comes in how to go about it. Stated further that if all the other schools are first adequately funded in all ways for all things, then of course remaining money should go to the small schools.

**TAPE 072, SIDE A**

- 032 Chair Ferrioli Responded that decisions have to be made within the existing parameters, i.e. what resources are currently available, not what are the resources we wish were available. Commented that in a perfect world this discussion would not be necessary. But we do

not live in a perfect world.

Continued discussion with questions and answers.

- 044 Chair Ferrioli Said if the committee thinks something should be done about schools precipitously losing students, then that should be moved into the column of "Yes, we should do something about it." Same with schools that have grown so fast they cannot cope with the growth, that goes in the same column. Same with doing something with the formula that acknowledges the special education paper chase, then that goes in the Yes column. If in doing anything for equalization and staying within the formula for growth then we have moved toward equity, have not destroyed budgets, and have stayed within the capabilities of the legislature. The Equality Education Model is not going to be fully funded this legislative session because revenue predictions are down.
- 081 Vice Chair L. Beyer Reminded the Chair that we are at relative equity now on funding per student through the adjusted formula. We know are not at a point where the money allows each school district to provide the same level of services. There are great variations in the services provided, based on the fact that those decisions are made by local school boards.
- 089 Chair Ferrioli Agreed with Sen. Beyer's comment about relative equity, but with certain exceptions. Those exceptions have been expressed in the array of school funding bills before the committee. If the committee is not willing to deal with the exceptions, then it should put an end to discussions about funding formulas, and report to Leadership that the status quo is the best approach because the committee cannot agree on what to do with the exceptions. There are communities in extremity looking to this legislature for assistance. If we are going to help them, we should do it. If we are not going

to help them, they should be told now.

- 104 Sen. Corcoran Disagreed with the Chair. Wants to hear opinions from Ozzie Rose and John Marshall. Wants to hear what a group of administrators says about these problems. In their opinion do we let go of these small school districts or keep them at the expense of the larger districts?
- 133 Ozzie Rose Said that discussions in his organization start out the same as was just heard in this hearing room. All the answers involve moving money from one place to another. The debate has been going on since the 1999 session, and all agree the system is at relative equity...but. The group concluded that just rearranging the money was not worthwhile. Declining enrollment is a very serious problem to certain school districts.
- Heppner has a county school district with three high schools. Unless there is an adequate base maintained, then it is a disservice to students to keep schools open. It has been suggested that Heppner move its students to Ione, or vice versa. But that has to be decided locally. In actual fact, Ione is in worse shape than Heppner. One of the problems with the Chair's concern about declining enrollments and large growth districts, is that if both are done together, more money would be taken away from Beaverton for declining enrollment than you would give them for growth. In the end, is that worthwhile? Affirmed that the pot is not big enough to address every school district's problems.
- 199 Rose Stated that McMinnville schools would not benefit from declining enrollment change, would not benefit from high growth, and would not benefit from special education adjustments. Every single change being discussed would cost McMinnville money. Average districts are like average students: the ones who do not cause trouble, who do their homework, and are functional people, but the system takes from



them to be applied to the demands of at-risk and special education students. Half the school districts fit into the middle category. But that does not solve the problem of the small ones struggling to survive or the problems of the suburbans growing so fast they cannot keep up.

215 Rose

Stated that the Chair has spoken with him on numerous occasions to try to deal with these issues. It boils down to "either help find an answer or get out of the way" in dealing with the school issues. Echoed the perception of others regarding these bills that the pot is not big enough to address everyone's perceived needs. Sen. Minnis is of the opinion that school funding is more than adequate; but if the pot is not enlarged, the funds will not be distributed in a way to solve everyone's description of their problems.

237 Chair Ferrioli

Stated that this discussion ratifies what the Senate Revenue Committee is after, and that is factual input from all parties involved. Commended committee members for their insightful questions. Said the committee was finally having some genuinely pertinent discussion. Personally does not feel the pot will get any larger this session. Agrees that although there is not enough money to address all needs for all schools to their satisfaction, whatever is done will have to come from what is available, and no more.

252 Chair Ferrioli

Said that in some instances the "but" is bigger than the formula. Yes, there is equity, "but"...If that is the case, this committee has an obligation to forthrightly articulate what is the exception and do something about it. Not to do that leaves those students in those schools, whether over-crowded or under-populated, without access to equal education in Oregon. There is agreement that adjustments need to be made in the formula, and that Mr. Rose will help make those adjustments.

- 268 Rose Added that regarding this subject there is a science issue, a pragmatic issue, and a political issue and gave an example of each aspect.
- 282 Chair Ferrioli Commented that what Mr. Rose just said is absolutely the best presentation heard to date of what this committee is up against in dealing with the school funding formula issue. Added that the way to help the students is to let go of the political posturing each member brought with them to the capitol. If no one has any intention of relinquishing their personal stance, school issues may just as well be tabled indefinitely and the committee move on to the other important issues it must address before the session ends.
- Comments, and questions and answers followed.
- 380 Sen. Starr Stated there is a whole different side to this issue. Believes that fundamentally the state has invested in programs that are not as productive as they could be made. Approximately 40% of the IEP (Independent Education Program) are named as such because they cannot read. Believes intensive phonics instruction, instead of whole language, would benefit most of that 40%. Arizona and California have passed by initiative the curtailment of bilingual education. Asked how much it is costing Oregon to teach bilingual classes, and how much would it benefit by starting children with English immersion and intensive phonics?
- 433 Rose Questioned if the 40% figure quoted by Sen. Starr was accurate. Believes the best direction for action on the IEP question is to spend the next two years sorting out exactly what is being provided for pre-school through high school for the students involved. Does not believe concept of "average" works any longer.
- 474 Chair Ferrioli Said from information he has reviewed, feels

that IEP programs and referrals to them show him that the Independent Education Program is one of the only tools that teachers have, so they make referrals that may not be appropriate, but it is their only option.

**TAPE 071, SIDE B**

- 037 Sen. Minnis Commented that this committee should seriously consider the history of the creation and formation of the ADMw. Wants to see a compelling need, reason, or justification for moving outside the ADMw in this distribution formula to deal with funding problems. In one sense all school districts have problems, but the formula should not be changed to accommodate anything over equity. On the other hand, specific drastic issues should be addressed.
- 050 Sen. Minnis Pointed out that schools in his district stand to lose \$1 million each, but Portland appears to gain \$99,000. Ten or fifteen years ago Portland had a student population of about 80,000, but today they are down to about 47,000, yet they still have facilities to accommodate 80,000 students. Feels that SB 61 tends to move money all over the state, as opposed to addressing particular problems that need correction. Personally believes a small schools initiative is necessary.
- 084 Rose Added that there had been one point of view expressed that the fifty smallest school districts be fully funded, then distribute the remaining dollars among the rest of the districts. A formula covering an extreme range would be very difficult to make work.
- 093 Sen. Minnis Commented that demographics show the population is shifting and relocating. Many are heading for schools in his district. The problem occurs because Portland keeps being accommodated because of its perceived political muscle, but they don't have the number of students to validate that

accommodation. The Portland school district refuses to adjust to meet its actual need. Perhaps some of those empty school buildings could be sold.

110 Chair Ferrioli Agreed there is political clout along the I-5 corridor. But at the other end of the spectrum, there is a moral issue that works to the benefit of the smaller school districts. People do not want to see community schools die, and their communities along with them.

Further comments, with questions and answers followed.

143 John Marshall Stated that his most difficult task over the last ten years has been to try to represent the interests of 198 school districts in the debate over the formula and how formula changes should be made to fix particular problems in certain school districts. The issue is how to direct the limited resources available to the schools needing help the most. Feels the small high schools have particularly important needs. Not all necessary costs (books, lab supplies, etc.) can be met through bonds

230 Marshall Agrees with Ozzie Rose that the issue of special education is bigger than simply increasing the funding amount from 11% to 13%. It has been suggested that retaining the 11% cap forces a greater examination of exactly the specific needs of each student. Believes the whole issue of special education should be examined in a broader sense. For example, should there be a limit on a school district's financial liability to accept the most severe low-incidence high-cost students. Should there be a fund set aside in either Human Resources or the Department of Education to help with the extremely expensive and severely disabled students that the state "babysits" to move them along through the system at great expense for ancillary services. Sooner or later the larger issue will have to be addressed. Has heard from more than one

source that the fastest growing segment of a school district's budget is in special education costs.

- 259 Marshall Summarized by stating that the most severe needs in districts should be identified and then attempt to strike a balance providing "a little bit here and there" enough to begin to focus on the problems and help those districts with severest need while at the same time not trying to "upset the apple cart". Sees that the committee is trying to strike a political balance.
- 277 Chair Ferrioli Observed that after hearing the testimony of Ozzie Rose and John Marshall, determined there is no purpose in scheduling further hearings on funding bills until actual recommendations have been received. Unless the Chair sees broad base of support from this committee, there will not be a broad base of support on the Senate or House floor. The Chair did not come to Salem to provide political opportunities for the airing of philosophies. If nothing is going to be done to help the schools, then the subject will be dropped, and the committee will turn its attention to other matters.
- Further comments, with questions and answers followed.
- 343 Chair Ferrioli Asked that video copies of today's Senate Revenue Committee meeting be provided to the Co-Chairs of Ways & Means and the leadership in the capitol to be provided for their review. Feels this hearing has been the first best and most honest discussion about what this committee can do. Believes the committee can address the science, pragmatic, and political issues as described by Ozzie Rose.
- 363 Sen. Castillo Agreed today's discussion was helpful. Feels the 90 legislators at the capitol have the ability to step up and find more funding in order to

help all students be successful.

- 399 Sen. L. Beyer Said he feels like a surgeon telling his patient, "Well, you have one leg left."
- 401 Sen. Starr Said he will be working very hard to be sure funding dollars are spent in ways that are most productive. Agrees there are needs that must be met but it will be difficult. A great number of students are not getting the help they need.
- 416 Sen. Minnis Does not share Sen. Castillo's view that there is not enough money. He would like proof that there is not enough. He will respond where there is justification and truth. But where there are allegations and name-calling, he will not respond. Unless the public education system responds to changes in technology and how the world works today, there will always be dissention.

**TAPE 072, SIDE B**

- 031 Chair Ferrioli This committee should not be arguing about the size of the pot of money for school funding, nor should it argue about the adequacy of funding. In point of fact, more money will be spent on education this session than ever before. Asked the committee to stop posturing, focus on the business of the committee, and make the simple decision if adjustments will be made or not.
- 055 Chair Ferrioli Adjourned meeting at 10:03 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. Meyer, School Revenue Formula bill comparison data, 8 pp.