

**WORK SESSION AND
INVITED TESTIMONY
SB 61, SB 252, SB 509
TAPES 089-090, A/B**

SENATE REVENUE COMMITTEE

March 29, 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

Members Excused: Senator Charles Starr

Staff: Paul Warner, Legislative Revenue Officer

Steve Meyer, Economist, Legislative Revenue Office

Carol Phillips, Committee Assistant

Witnesses: Ozzie Rose, Confederation of School
Administrators

TAPE 089, SIDE A

005 Chair Ferrioli Meeting called to order at 8:48 a.m.

OPENED WORK SESSION ON SB 61

INVITED TESTIMONY ON SB 61

019 Ozzie Rose Discussed Exhibit 1. Acknowledged that John Marshall, Oregon School Boards Association, is in agreement with the information contained in Exhibit 1, which was compiled in meetings with 40 school district superintendents. Stated that making any change in the formula would cause problems for all school districts. The recommendations made do not solve all districts' problems. But they are rational recommendations in terms of what can be done now and what kinds of things can be planned for next session. The School Funding Coalition Steering Committee that met on March 16, 2001, makes the following recommendations:

108 Rose Small School Fund Distribution Formula:

1. Support continued use of the Distribution Formula without changes for 2001-2003.

114 Rose Small Schools:

1. Establish a Small District Supplement Fund of \$4.5 million per year for 2001-2003. Direct the Oregon Department of Education to establish criteria and a process for Small Districts (those with high schools of less than 350 ADMw) to access this fund during the 2001-2003 biennium.
2. Direct the Oregon Department of Education to conduct a study of the relationship between size, cost, and programs needed in Oregon's small school districts.

155 Rose Special Education Funding:

1. Allocate \$150,000 from the Small School Fund to the Oregon Department of Education for the purpose of conducting a review of the funding of program and services currently provided for Oregon's children with disabilities.

179 Rose Education Service Districts (ESDs):

1. Support the four-year phase-in of equity as originally proposed by the ESD Task Force. Oppose the alternative proposal to create \$1,000,000 floors for the small ESDs and provide special education funding for certain high cost students.

181 Rose

Referred to the Small School Supplement Fund and the breakdown per school per student in Exhibit 1. Stated that the initial concept is to assign \$9 million to the Small School Supplement Fund, and the money would be available to districts with high schools of fewer than 350 students in grades 9 through 12 or 267 students in grades 10 through 12. Under the proposal, each qualifying district would receive a grant of \$200 per student attending their high school. That would total about \$3 million of the \$4.5 million for each year. The remaining \$1.5 million would be distributed on a "needs" basis. Criteria for determining need would include but not be limited to district size, declining enrollment, staffing ratios, ending fund balances, and ESD resources available. Not more than \$1.5 million would be distributed through this process. Would be sunseted after two years.

250 Chair Ferrioli

Asked Mr. Rose if, at the end of this process and before the bill reaches the governor's desk, people would be able to see how the program would fit their needs and what the access path would be.

267 Rose

Stated school districts need to know by July at the latest what their funding might be so they can plan accordingly. Believes three weeks are needed to complete the deliberations and determine how much will go to each district.

Extensive comments, and questions and answers interspersed.

- 031 Chair Ferrioli In response to comments by Sen. Corcoran, reiterated that the subject under discussion is the funding formula. Stated that the total funding amount will be in the range of \$5.1 to \$5.228 billion. Regardless of the number, the task here is how to process that number to an end product for all districts.
- 056 Rose Continued comments with questions and answers interspersed. Stated this discussion is regarding a Small District Supplement ...not a Small School Supplement. High schools have been used as a way to distribute the funds, but the high schools will not be told how to spend the money when it is received.
- 111 Sen. Minnis Asked that before these bills are passed out of committee, would like to see specific information regarding what Portland and Eugene school districts will receive. Has a hard time being sympathetic to the Portland public school system. Wants to understand more about the dynamics involved in metropolitan area schools. Census data show the inner city Portland area school population is drastically decreasing, and east Multnomah county population is increasing. Portland schools used to have 80,000 students, but today have only 47,000. Why should those schools still be funded at a maximum level?
- 138 Chair Ferrioli Responded that dynamics do change, but school activists and parents should not be asked for their opinions before any decisions are made in this committee. Economists, demographers, and Portland State University Center for Population Studies personnel should be consulted to learn about the actual demographics for the Portland metropolitan area as they look today and may be in 20 years. At that point, public policy implications would be for the legislature to conclude. Facts, and not emotions, should compel actions taken.
- Extensive questions and answers interspersed.

246 Vice Chair L. Beyer Stated he feels fairly positive about this plan as presented by the 40 superintendents. Said there are some sparks of brilliance in the plan. Pointed out that in larger communities with a number of high schools and a number of course offerings, students within those districts can be provided with a choice, for example, of going to an industrial arts program at one high school or a language program at another high school. But in districts with only one high school, there may be no choice of program.

Questions and answers followed.

297 Sen. Corcoran Commended Mr. Rose on the work done by the superintendent committee in compiling the data in Exhibit 1. Stated that the perception of "offsets" is a major concern among the general public. Believes if there was one helpful thing this committee could do, it would be to define what is an offset and what is not and what the true volume of dollars going into any school district might be.

361 Chair Ferrioli Responded regarding offsets many of the small communities have struggled with that same question. It is great to have a forest products industry located in a community when timber harvesting happens. But the money people see coming to small local school districts is directly offset by reductions in the general fund when doing the ADMw distribution. This is not extra money for schools in rural communities. Every student in Oregon benefits because the ADMw pressure is less.

General comments, and questions and answers followed.

393 Chair Ferrioli Summarized that in fact there will be almost \$700 million in new revenue going into the school funding formula. That is new money, and it is more money. The concept of winners and losers is corrosive to the school funding discussion. Because of increased energy and

roll-up costs, there will be program adjustments in virtually every school district. Further clarified that if the recommendations in Exhibit 1 are accepted and moved forward, the small school funding formula based on the existence of small districts with small high schools of fewer than 350 students does not create an entitlement in that school district. The money will go into the district because it is a step toward a stabilization for small districts. Those districts will make the decision on where the money will go.

437 Chair Ferrioli Agreed with members of Senate Revenue Committee and appreciates the diligence of the superintendents in establishing the figures set forth in Exhibit 1. However, is not entirely happy with the recommendations because if they are approved, actions requested by others will be denied. It means saying "No" to the Superintendent of Public Education who asked the legislature to consider a specific adjustment for the Independent Education Program (IEP). It means saying "No" to adjusting the glide path for those districts with rapidly declining enrollments who had specifically asked the legislature to extend the ADMw formula to give them more time for stabilization and recovery. It means saying "No" to the rapidly increasing school districts who asked for consideration of a mechanism to allow them to accommodate that growth. It means saying "No" to those districts that asked for consideration of addressing the issue of school-approved extra-curricular event transportation.

475 Chair Ferrioli On the other hand, what this does is recognize that among the professionals in the field of education, there is a clear indication that the small school districts do not have the ability and resiliency they need to deal with fixed costs and declining enrollments. It does give the maximum amount of ADMw allocation to school districts to make their own decisions with.

TAPE 089, SIDE B

042 Chair Ferrioli Continued summarization. Requested Mr. Rose, Mr. Marshall, Mr. Meyer (Legislative Revenue Office), Mr. Warner (Legislative Revenue Office), and appropriate Legislative Counsel to draft a series of amendments for inclusion into the bill with the correct relating clause to incorporate the recommendations heard at this meeting today. Asked committee members to explain this funding process to colleagues in their caucuses and in peer groups.

070 Sen. Minnis Requested time to consider all the school data before amendments are drafted...not to rush into it. Has concerns about the ESD issue and wants it addressed in separate amendments. Has a huge concern about ESDs, which are not constitutionally mandated at all. Suggested reviewing service equity and service delivery over the biennium.

088 Chair Ferrioli Welcomed the suggestion from Sen. Minnis and believes the ESD issue should be addressed separately from the other components of the recommendations made by Mr. Rose and Mr. Marshall in Exhibit 1. General consensus was to move forward on this project. Will ask that drafting of amendments as discussed move forward.

Questions and answers followed.

CLOSED WORK SESSION ON SB 61

134 Chair Ferrioli Adjourned meeting at 9:52 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 61, SB 252, SB 509, Rose, OASE School Funding Steering Committee recommendations, dated March 16, 2001, 5 pp.