

## SENATE REVENUE COMMITTEE

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April 17, 2001 — 8:10 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: Jonathan Hill, Lake Education Services District

Todd Herbert, Northwest Regional ESD Superintendent

### TAPE 110, SIDE A

005 Chair Ferrioli Meeting called to order at 8:26 a.m.

006 Chair Ferrioli Stated a different approach to the equalization formula had been devised and would be discussed this morning.

OPENED WORK SESSION ON SB 260

112 Steve Meyer Discussed Exhibit 1: SB 260 ESD Equalization Issues. The main issues are:

- Equalization as dollars
- Relation to K-12
- Implementation path
- Legislation for 2001-03 only
- Resolution process
- Voluntary mergers
- Sharing revenue with component districts (Grant/Wallowa)
- Formula revenue less than local revenue
- Balance to total funds available
- Administration

068 Chair Ferrioli Asked for discussion regarding equalization in terms of service equity and ADMw. Previous discussions were spent debating if equity funding for ESDs could be reached just on an ADMw basis. It became clear from testimony that services provided by each school district and each ESD exist in different configurations. No two ESDs and suite of services can be the same because of the totally different nature of each district. Some services are provided through the school districts and some services can be provided only through ESDs. The question of equalization of dollars was played off against the question of equalization of services.

115 Meyer Discussed Exhibit 2: Minimum ESD State and Local Revenue per ADMw Extended. Compared 1999 funding amounts by statute compared with Option 1-Larger Gap Higher % Increase and Option 2-Same Percent of Gap Increases.

Comments, and questions and answers interspersed.

#### INVITED TESTIMONY

235 Jonathan Hill Talked about core body of services and basic level of services provided by ESDs and the issues encountered in delivering services in sparsely populated regions of the state. Mr. Hill

has long been of the opinion that \$1.8 million dollars would be the minimum amount necessary to provide a minimum level of service. Lake ESD is currently funded at just over \$575,000 to service an area over 8,000 square miles.

- 289 Chair Ferrioli Asked Mr. Meyer if there was an adjustment in his deliberations to increase funding to the five smallest ESDs with special emphasis on Lake and Jefferson ESDs because they are funded well under the \$1 million threshold.
- 295 Hill Pointed out one of the issues Lake ESD has in the current biennium is the fact that when the base line or hold harmless figure is driven by ADMw, the ESD is concerned because it is in an area of dwindling enrollment. If the ESD is funded by dollars per student, it loses money.
- 312 Vice Chair L. Beyer Stated one way to address the equity issue would be to define exactly what a minimum level of services is that can be obtained at the \$1 million level, and then fund by ADMw above that amount.
- 327 Chair Ferrioli Agreed there was logic to that suggestion. But stated that if an adjustment is made based on size and critical mass, then those dollars must come from some other source. ESDs at the high end of the funding scale said they could get along on existing funding streams.
- General discussion, and questions and answers interspersed.
- 398 Chair Ferrioli Stated that declining student populations affect ESDs as well as school districts.
- Extensive comments, and questions and answers interspersed.

027 Chair Ferrioli Observed that the clear path seems to be to either take the task force's recommendation, or follow the approach in Exhibit 1, which may be a faster step toward equity.

034 Meyer Responded that the approach in Exhibit 1 dictates dealing with the next biennium for legislation, and then having further legislation or not for setting up a continuing formula or process to get to some final version of ESD equalization.

039 Chair Ferrioli Stated that would suggest the ESD Task Force stay in existence to continue studying the ESD issue. If equalization is the goal, then the subject must be addressed by this 2001 legislature because future sessions may have entirely different ideas.

045 Meyer Exhibit 1 shows a fallback equalization formula if future legislators did nothing regarding the ESD issue. Pointed out there is no fallback formula for ESDs in place if there is no future legislation.

Questions and answers interspersed.

074 Todd Herbert Stated Northwest Regional ESD is very interested in the continuing discussions regarding ESD equalization. Pointed out that each of the 20 school districts the ESD serves is reducing programs, and any further reduction of ESD funding would necessitate further reductions. If any further funding reductions are to be made, Mr. Herbert requested representatives from each of the 20 school districts be allowed to testify how their programs would be adversely affected.

Questions and answers interspersed.

128 Herbert Commented further about the funding disparity among different ESDs. Gave example of school

districts in the Multnomah ESD because they were concerned they might lose "Outdoor School" that is fully funded by the Multnomah ESD. Schools in the Northwest Regional ESD pay for their own "Outdoor School" through fundraisers at school level, with PTAs, etc. The issue for Northwest Regional is the disparate level of funding to provide basic special education services.

144 Sen. Minnis Suggested Mr. Herbert speak with Senator Dukes (Astoria) about the services provided by Northwest Regional to the Astoria area. Senator Dukes asked that no additional money be given to the Northwest Regional ESD because she feels the services provided by the Northwest Regional ESD are not adequate for people in the rural areas.

154 Chair Ferrioli Stated that if services are readily available in a community, they are usually obtained at less expense. If not available, they have to be provided by someone; and there is no real way to compare services that are delivered. Has no doubt that in many areas ESDs are the best possible mechanism to get services to school districts. For schools located the farthest away from a metropolitan center, comparisons look worse. Equity will not be reached until the same suite of services is available to all students in all communities, either from school districts or from ESDs.

192 Herbert Further comments comparing similar situations existing in Lake County and remote parts of Tillamook County and ESD dollars available to service those regions. Asked why Lake ESD should get more money than Northwest Regional should. Northwest Regional states they have exactly the same challenges in serving small remote school districts over a large geographic area. Says that since they are funded lower than other districts they do not have the resources to provide services adequately.

- 231 Chair Ferrioli Asked Meyer for clarification regarding resolution process as outlined on Exhibit 1.
- 234 Meyer Responded that SB 260 says 90% of formula dollars must be allocated by resolution process. Under an all-formula scenario, 100% of the formula dollars would be subject to the resolution process.
- 249 Meyer Regarding possible mergers, stated Willamette and Yamhill is a possibility. If that merger takes place, the average for the ESD would change. It might do nothing, or it might cause slight redistribution.
- Further comments, and questions and answers interspersed.
- 285 Meyer Recapped revenue sharing situation between Grant and Wallowa ESDs, who share roughly 80% of their local property tax revenue and state school fund revenue with their component school districts. At present the shared revenue is counted as local revenue to those districts in the K-12 equalization formula. SB 260 proposes doing away with that process. If the sharing is discontinued, how do you count those dollars that were shared? One approach would be to shift about \$3.8 million state school fund dollars from ESDs to K-12 to make up what would be missing, or leave the process in place as it is now. At some point, depending on where equalization ends up, there would be a possibility of local revenue being more than what the formula says that district should have. If so, how do you count the excess property taxes?
- Further explanation and discussion regarding the process, with questions and answers interspersed.
- 405 Meyer Discussed what would happen if formula revenue is less than local revenue and balance

to total funds available.

Questions and answers interspersed.

453 Chair Ferrioli Listed issues to be discussed before SB 260 is moved from this committee.

**TAPE 110, SIDE B**

029 Chair Ferrioli Continued issues to be deliberated regarding SB 260.

049 Chair Ferrioli Adjourned meeting at 9:25 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

**Exhibit Summary:**

1. SB 260, Meyer, Equalization Issues, 1 pp.
2. SB 260, Meyer, Minimum ESD State and Local Revenue per ADMw Extended, 1 pp.