

PUBLIC HEARING: SB 622

WORK SESSION: SB 260, SB 479, SB 499

TAPES 113-114, A/B

SENATE REVENUE COMMITTEE

April 19, 2001 — 8:10 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

Ed Waters, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Carol Phillips, Committee Assistant

Witnesses: David Campbell, Superintendent,
Clackamas Education Service District

Jerry Bennett, retired Education Service District
director

TAPE 113, SIDE A

005 Chair Ferrioli Meeting called to order at 8:20 a.m.

OPENED WORK SESSION ON SB 260

- 023 Chair Ferrioli Discussed Exhibit 1. The Chair recommended the following to continue the process of equalization:
- Set minimum per ESD district at \$750,000 in 2001-02 and \$1 million in 2002-03. Biennial revenue of \$0.9 million.
 - "Freeze" or hold harmless ESDs "above" the state average per student using the greater of prior year total dollars or dollars per student. Biennial revenue of about \$1.2 million.
 - Allocate remaining budgeted increase to ESDs with funding "below" the state average per student. Biennial revenue of about \$6.8 million.
 - Follow the Interim Task Force guidelines for allocation to districts "below" the state average per student.
- 081 Chair Ferrioli Discussed Exhibit 2 and funding levels for specific ESDs. The biggest adjustments have been made to those ESDs with the largest disequities in order to move toward equity.
- 097 Chair Ferrioli Returned to Exhibit 1 to continue with discussion. Regarding Administration, gave the following requirements:
- Adopt Interim Task Force recommendations.
 - Require school districts and ESDs with 20,000 or more ADMw to offer for competitive bid contracts for services normally provided by other school districts or ESDs.
 - Require these school districts and ESDs to disclose criteria on which contracts for services were awarded.
- 118 Chair Ferrioli Regarding 2001-03 Task Force activity, specified:

- Provide a comparable definition of "services" offered by ESDs and school districts.
- Provide a catalog of services offered by ESDs school districts.
- Correlate "service" costs to a uniform chart of accounts.
- Conduct a 'gap analysis' of "services" and specifically identify deficiencies.

144 Steve Meyer Discussed Exhibit 2: ESD Revenue Estimates, Simulation 3. The main points are:

- Assumes State School Fund at Governor's recommended budget of \$4,979.1 million.
- Sets base revenue at higher of prior year ADMw or total revenue.
- Sets target revenue at 5% of component districts total as if all funds through K-12 formula.
- Grants higher of base if above target or base plus percentage gap if below target.
- Numbers for Grant and Wallowa include dollars shared with component districts.

INVITED TESTIMONY

203 David Campbell Discussed points covered at previous meetings of the Senate Revenue Committee regarding the ESD funding issue. Pointed out that the data in Exhibit 2 is similar to what the ESD Task Force determined over the last two years as a way to reach equity.

Questions and answers interspersed.

242 Chair Ferrioli Stated that equity would probably not be achieved within a two-year period or a four-year period.

269 Campbell Stated that the higher funded ESDs would support flat funding as opposed to the Task Force recommendation because it would provide a much better scenario for them. Feels there would be support for what is presented in

Exhibit 2.

Further comments, and questions and answers interspersed.

351 Chair Ferrioli Discussed Exhibit 1 "Administration" in greater detail.

361 Campbell Described resolution process in providing ESD services. Gave examples of how ESD services are in fact "market driven". Provided extensive detail on how ESD services are provided, reported, and accounted for.

Questions and answers interspersed.

TAPE 114, SIDE A

027 Campbell Continued comments regarding ESD service delivery and reporting.

045 Chair Ferrioli Said that some people question why ESDs are needed at all, citing other states that do not utilize them. Questioned how people would know that their particular ESDs are delivering the best suite of services available to students.

059 Campbell Further comments regarding education service districts and the ongoing debate about if they should exist or not and if ESD funding money should simply be given to school districts to allow them to find their own services.

Continued comments, and questions and answers interspersed.

139 Sen. Minnis Extensive comments regarding ESD services, the free market approach to services, and options available to school districts.

192 Chair Ferrioli Stated maybe there should be a reporting

process so ESDs can "show their work" regarding market driven choices. If in fact provision of services is market driven, it should be more apparent to members of the public and concerned parents of students.

- 217 Campbell Commented further on provision of ESD services.
- Questions and answers interspersed.
- 274 Sen. Minnis Commented on Reynolds School District in his senate district and stated it is one of three high schools in the nation to receive a particular award. The school is very innovative and adaptive in meeting needs of its students. Reynolds asks what it can do instead of waiting for solutions to be provided for them. Wants to see that kind of spirit and attitude instilled in those within education community. Would like to see innovative thinkers instead of protectionists simply trying to hang onto their jobs and not doing what is best for students. Wants to see specific examples of brilliance in dealing with the issue.
- 325 Campbell Agreed with Sen. Minnis. Further comments on ESD issue.
- 359 Jerry Bennett Stated that no other public entity comes close to providing the economies of scale that regional service providers do. Further discussion regarding provision of services.
- 459 Chair Ferrioli Thanked Mr. Bennett for his input, but pointed out that the sticking point still seems to be the demonstration of the existence of market forces.

TAPE 113, SIDE B

- 036 Sen. Beyer Asked Mr. Campbell if the ultimate goal is still at some point to reach fiscal monetary equalization among the ESDs. It is under-stood

there is a base level of funding that all ESDs need to operate, but above that, is equalization still the goal?

- 044 Campbell Responded that was the directive received from prior legislative groups. Believes to achieve equity in four years would be too disruptive, but ten years would be too long.
- 077 Chair Ferrioli Pointed out that SB 260 still needs a lot of work before it can be passed from this committee. Although the Task Force Recommendations get to part of the problem, there are still anomalous situations. There is the Grant/Wallowa county ESD antique funding formula. There are two ESDs so tiny that it is amazing how they can exist at all. Two contentious issues this committee must deal with are 1) Northwestern ESD is still outside of any usable formula to achieve equity because it has the same student population as Multnomah but receives only 30% of the funding Multnomah does; and 2) some committee members want to see market forces demonstrated in provision of services to students.
- 151 Sen. Minnis Stated he liked Mr. Campbell's statement that he would rather attempt reaching equity one biennium instead of over two or three. Knows there must be other ways to approach the issue. For example, Washington state has only nine ESDs that serve twice as many students because they made choices on how to deliver services. As long as Oregon has 22 ESDs protecting their own turf, nothing will change.
- Assorted comments, and questions and answers followed.
- 232 Various Comments from each member regarding their personal feelings toward SB 260.

- 034 Chair Ferrioli Summarized that members seem to want equity in four years, that some anomalies still must be dealt with, emphasis should be placed on the resolution process, the Task Force must be charged with service equity and gap analysis, and it must demonstrate that the resolution process works.
- 052 Bennett Comments regarding summary provided by the Chair. Believes even a small step toward equity will make a difference. Those at the top will have to give up a little to help those ESDs in need.
- 112 Chair Ferrioli Reminded members that those ESDs above the mean will be reduced 2%, to be applied to those at lowest end. This will be a two-year step toward a four-year process. Listed issues to be resolved and addressed in amendments yet to be drafted.
- Extensive comments, and questions and answers interspersed.
- 256 Chair Ferrioli Stated that if members are in agreement, SB 260 will be rewritten with amendments and be brought back for further discussion.
- Further discussion, and questions and answers interspersed.

CLOSED WORK SESSION ON SB 260

OPENED PUBLIC HEARING ON SB 622

- 320 Chair Ferrioli Stated that the issues raised in SB 622 had been resolved, so there was no further need for the bill.

CLOSED PUBLIC HEARING ON SB 622

OPENED WORK SESSION ON SB 499

- 326 Chair Ferrioli Because of lateness of hour, this bill will be

held over and placed on next week's calendar.

CLOSED WORK SESSION ON SB 499

OPENED WORK SESSION ON SB 479

333 Chair Ferrioli Because of lateness of hour, this bill will be held over and placed on next week's calendar.

CLOSED WORK SESSION ON SB 479

338 Chair Ferrioli Adjourned meeting at 10:05 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 260, Meyer, SB 260 ESD Funding, 1 pp.
2. SB 260, Meyer, ESD Revenue Estimates Simulation 3, 1 pp.
3. SB 479-A, Waters, Revenue Impact Statement, 1 pp.