

WORK SESSION:

SB 61, SB 509

TAPES 095-096, A/B

SENATE REVENUE COMMITTEE

April 4, 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 (absent 8:43 to 9:43 a.m.)

Senator John Minnis

Senator Charles Starr

Staff: Paul Warner, Legislative Revenue Officer

Steve Meyer, Economist, Legislative Revenue Office

Carol Phillips, Committee Assistant

Witnesses: Ozzie Rose, Confederation of Oregon
School Administrators

Senator Ken Messerle, Senate District 24

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005 Chair Ferrioli Meeting called to order at 8:43 a.m.

019 Steve Meyer Gave overview of SB 61-2. Discussed (-2) amendments, which create a Small School District Supplement Fund. They transfer \$4.5 million per year from the State School Fund to

the Supplement Fund in 2001-2003. Defines small school district as districts with high schools having fewer than 350 ADM for 4 grades and 267 for 3 grades. Requires the State Board of Education to adopt rules.

INVITED TESTIMONY ON SB 61

- 051 Ozzie Rose Stated he was familiar with the contents of the (-2) amendments, but said technical issues would be addressed in the forthcoming (-3) amendments now being prepared in Legislative Counsel. Outlined technical changes to be included in the (-3) amendments.
- Questions and answers interspersed.
- 100 Sen. Corcoran Stated he cannot support this for two reasons. It is not nearly enough money in his opinion and is not even close to the \$29 million talked about previously, and it does not get money to the timber dependent areas discussed in previous hearings.
- 135 Chair Ferrioli Explained that the School Finance Distribution (Exhibit 4) is the mechanism by which all dollars will go into the formula (whether that is \$5.21 billion or some amount greater or lesser than that). It does not deal with the questions of forest receipts. If those dollars end up in the formula, they will be distributed through the formula. If those dollars end up somewhere else, then this formula would not be applied to those dollars. Trying to focus only on the distribution formula itself. We do not know at this point what the dollar amount to be distributed will be. That will be known with the May forecast.
- 147 Vice Chair L. Beyer Clarified that this discussion is about shifting \$9 million additional dollars to small high schools, keeping in mind that \$9 million has previously been shifted, for a total of \$18 million shift to small districts with small high

schools.

- 159 Rose Stated the problem with the \$29 million timber money is that it did not reflect how the formula works. This issue addresses only the formula and how money is distributed. It has nothing to do with the \$29 million timber money.
- Further comments, and questions and answers interspersed.
- 206 Sen. Messerle Testified he is frustrated with how SB 61 has evolved. The original purpose for the bill was to extend the glide path for schools with precipitous declining student populations. Concerned with SB 61-2 because it cuts out completely areas, referred to by Sen. Corcoran, that have been under severe situations for a long time. Suggested as an alternative to basing parameter on size of high school or district, it should be based on length of time the school or school district has been in a reduced enrollment period and on a percentage of reduction to the total district. This would cover all schools and districts.
- 233 Sen. Messerle Frustrated that he has had no contact with any school board administration, Confederation of Oregon School Administrators, or anyone else regarding what is happening to this bill. As a sponsor of this bill, believes it would be common courtesy to talk with him before a bill is substantively changed. Believes the (-2) is missing the point. Knows the argument is "Don't mess with the formula". But when the legislature was extending the formula to the fast-growing districts, no one objected to messing with it. Stated there are severe problems with school districts meeting their requirements, but does not see relief in sight for them.
- 253 Chair Ferrioli Apologized to Sen. Messerle for not communicating fully with him regarding changes to the bill. When SB 61 was first heard it its original form, the committee disconnected

from the concept of multiple adjustments to the formula. SB 61 was the vehicle re-used to discuss the issues. SB 519 could be used instead of SB 61. SB 519 addresses school-activity transportation costs, which probably will be a "non-starter" this session.

Questions and answers followed.

- 333 Chair Ferrioli Asked Sen. Messerle if he would like SB 61 to be returned to its original configuration and function or be used by this committee as a vehicle to amend the entire school funding formula, knowing there is another vehicle that could be used to do that.
- 345 Sen. Sen. Messerle Responded he would leave that decision to the committee.
- 357 Sen. Minnis Stated he is totally confused by the figures contained in Exhibit 4.
- 385 Chair Ferrioli Explained that the adjustment would be applied to small districts having a high school with a population of fewer than 350.
- 392 Sen. Minnis Agreed with Sen. Messerle that the bill does not get to the point. Believes a group of people should be formed who know what they are trying to accomplish. Stated the bottom line is "Are we meeting the needs of the people?"
- 403 Chair Ferrioli Observed that so far the committee has spent 13 weeks on this bill, and there have already been two meetings of groups of people debating how the bill should work. The professionals basically have said: Leave the formula alone. However, there is recognition of the small school district situation. After hundreds of hours of consideration by professionals, the adjustment formula brought forth was a small district adjustment involving \$9 million over

this biennium for small school districts with high schools of 350 or fewer students. The allocation would be \$4.5 million per year on an ADMw basis for \$3 million of that , with the remainder being distributed on a "needs" grant basis.

444 Sen. Minnis Wants to find a solution. Whether the Confederation of Oregon School Administrators or other groups like it is irrelevant. The question is: Are we meeting the needs of the people we are trying to identify by this process? Does not buy the argument from groups that this is the way we've always done it, so that's the way it has to be done now.

461 Chair Ferrioli Observed that from all the school issues brought before this committee, only the approach in the (-2) amendments has received consensus. Some members feel there is not enough money for education. Other members feel there is more than enough money, but no accountability. An approach has to find approval from this committee first before it reaches the Senate floor. This appears to be the only version with consensus. The (-2) amendments were constructed only because this committee expressed consensus.

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040 Sen. Corcoran Observed that the formula should be left alone, continue to do studies, but the \$29 million federal money has to be outside the formula and not be part of the \$5.2 billion. Has a problem with pitting Portland and Eugene against timber communities by keeping the \$29 million in the formula and counting it toward the \$5.2 billion.

068 Chair Ferrioli Agreed with Sen. Corcoran, but pointed out this bill is not the vehicle for that issue. This bill has only to do with the distribution formula, not amounts of dollars.

- 076 Sen. Messerle Stated he has been on Coquille school boards for 14 years and has seen a lot of losses. Constituents are not trying to say they should be held harmless. They know they have to reduce costs. But because of losses of enrollment, they cannot cut costs fast enough to keep up. They are in a difficult situation and need help.
- 093 Vice Chair L. Beyer Stated the real issue is: Is the timber money outside the school formula? If it is, then there is not \$5.2 billion for schools.
- 117 Sen. Minnis Appreciated the discussion on if the \$29 million is inside or outside the \$5.2 billion. Asked if the \$29 million should be treated differently because there is a specific purpose for it. Believes the \$29 million should be outside the formula.
- 143 Chair Ferrioli Stated that the "inside or outside" question has yet to be answered. If outside, it makes a significant difference to all the timber dependent communities that have suffered greatly for a decade. The \$29 million distribution and small school allocation could make the difference between having schools in a tailspin of decline over the next five years or could actually create synergy in their education systems as recruitment vehicles to bring new industries in communities that desperately need new jobs. Believes that is what Congress intended.
- 157 Vice Chair L. Beyer Suggested honoring the Congressional mandate on distribution of the \$29 million and the continuation of studies, but making no changes in the formula.
- 184 Chair Ferrioli Does not believe forest dollars belong in the formula. The main problem is not the rapidly growing districts, because students bring the dollars with them. The problem is the rapidly declining schools and districts lose money...

period. This committee has the alternative to do nothing with the funding formula, and the formula used in the previous biennium will be used in the next biennium, or the committee can move on the (-2) amendments as part of

SB 61 or SB 519. The Chair is inclined to ask committee to take an action that will move this bill before another committee with another set legislators where the arguments can be remade and looked at from different perspectives. That might make a difference in the outcome, but maybe not.

- 250 Sen. Castillo Observed that comments from all members show great concern for the issue. No school has enough money, and they are all struggling with their individual problems.
- 295 Chair Ferrioli Stated that the job of this committee is to distribute roughly \$700 million more dollars into the school funding equation. The question is, how shall we distribute that \$700 million more? Stated that the likelihood of a conference committee to discuss the different points of view is very high. Asked committee members if SB 61 as is or SB 519, gutted and stuffed with the (-2) and (-3) amendments, should be the vehicle for moving this issue forward.
- 340 Sen. Corcoran Stated he will not support movement of any bill unless there is clear understanding that the \$29 million is out of the formula. Of that \$29 million, does not believe all of it should go to affected timber communities. Believes they were already subsidized by equalization and other means. Suggested \$20 million for the timber communities and the other \$9 million for schools affected by rapid growth.
- 376 Chair Ferrioli Reiterated that regardless if the \$29 million federal forest receipts money is inside or outside the formula, the equation remains the same. The forest receipts is a separate issue.

- 387 Vice Chair L. Beyer Disagreed with that explanation. Would be unwilling to do any-thing to the formula if the \$5.2 billion is reduced by the \$29 million.
- 404 Sen. Castillo Stated that nothing has been said yet to address Sen. Messerle's concern as stated earlier.
- 419 Sen. Minnis Believes it would be in the committee's best interest to take a few days to further consider the issue.
- 431 Chair Ferrioli Stated that if the (-2) amendments are not moved into SB 61, Sen. Messerle's concern about the glide path is still viable, because as currently written, it relates only to the glide path. If SB 61 is amended today with the (-2) amendments, that would be a gut and stuff.

TAPE 095, SIDE B

- 020 Chair Ferrioli Stated there are still many people in the building who have not had the opportunity to express their concerns toward this bill. If there is to be a political compromise, it should involve them. Asked Mr. Rose if the bill were amended further to exclude federal forest dollars inside the funding formula, what he thought the impact would be. Asked Mr. Rose if the bill were amended further to include language excluding the federal forest dollars inside the funding formula, what would the effect be?
- 063 Rose Replied that if the \$29 million were distributed outside the formula, does not believe Coos Bay would like that, and does not believe Sen. Minnis' districts would like that. If nothing other than rearranging of the \$29 million is done, that is what will occur. No matter how the money is shifted around, it will simply create another set of concerns.

Comments, and questions and answers interspersed.

- 128 Chair Ferrioli Stated that feelings are so strong to keep the \$29 million outside the formula and so strong to back the \$5.2 billion, that this committee can take messages to their caucuses that we have "hit a wall". Believes there will be considerations and compromises made on the House side. Not backing up one inch on the \$5.2 billion or on the idea that the \$29 million is a special appropriation that has nothing to do with timber receipts. Is inclined to take SB 519 to the committee, add in the (-2) and (-3) amendments, move the bill to the House, and let them have at it.
- 164 Vice Chair L. Beyer Asked Mr. Rose if his group would have come to the same recommendation if they thought it meant the overall pot would have been reduced by \$29 million, and then redistributed.
- 170 Rose Responded he was uncertain.
- 180 Chair Ferrioli Stated the main sticking issue among members seems to be the federal forest receipts \$29 million. Feels the best course to follow at this time is to take SB 519 with the (-2) and (-3) amendments to the committee and leave SB 61 to stand or fall on its own merits. Asked if there was consensus to advise Sen. Messerle that his bill stands intact and to move (-3) amendments into SB 519. Admonished the committee to either move this bill or walk away from it.
- Extensive comments, and questions and answers interspersed.
- 347 Chair Ferrioli Stated that starting next Tuesday, April 10, 2001, Senate Revenue will meet at 8:10 a.m.
- 375 Chair Ferrioli Again stated that the Chair will schedule SB

519 with the intention of moving the (-3) amendments into it, and expects committee members to return having been informed by their caucuses about direction.

395 Chair Ferrioli Adjourned meeting at 10:02 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. SB 61-2, Meyer, (-2) Amendments, (CH/ps), 4/3/01, 12 pp.
2. SB 61-2, Meyer, Staff Measure Summary, 1 pp.
3. SB 61-2, Meyer, Revenue Impact Statement, 1 pp.
4. SB 61-2, Meyer, School Finance Distribution, 8 pp.