

## SENATE COMMITTEE ON PUBLIC AFFAIRS

June 7, 1999 Hearing Room B

3:00 P.M. Tapes 66 ñ 67

**MEMBERS PRESENT:** Sen. Gene Derfler, Chair

Sen. Joan Dukes, Vice-Chair

Sen. Marilyn Shannon

Sen. Charles Starr

Sen. Thomas Wilde

**MEMBER EXCUSED:**

**STAFF PRESENT:** Brian E. Smith, Administrator

Rachel E. Halupowski, Administrative Support

**MEASURE/ISSUES HEARD:** SB 1181 Public Hearing and Work Session

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
<b>TAPE 66, A</b>		
000	Chair Derfler	Opens meeting at 3:00 p.m. and opens public hearing on SB 1181.
<b><u>SB 1181 PUBLIC HEARING</u></b>		
011	John Marshall	Oregon School Boards Association (OSBA). Presents <b>(EXHIBIT A)</b> . Supports SB 1181 with the ñ5 amendments. Defers to Ron Wilson.
021	Ron Wilson	Director of Labor Relations, OSBA. States the Department of Administration (DAS) will calculate an allowable growth factor for employees of school

		districts. States the ñ5 amendments will still create a safe harbor for public schools in lieu of collective bargaining, if an offer meets the DAS allowable growth factor and maintains contract language on all other issues.
045	Chair Derfler	Asks if SB 1181 with the ñ5 amendments stops the negotiation process.
048	Wilson	States no. States that if a school district chooses an offer above the DAS allowable growth factor, the school board must justify the offer and provide a rationale. Believes the ñ5 amendments will return the focus of school districts to educating children.
098	Wilson	States there is increased pressure on school boards to be more accountable for results, cost containment, cost controls, and improving student achievement.
101	Vice-Chair Dukes	Asks if the bottom line is to deter school boards from giving raises.
111	Wilson	States the allowable growth factor will limit the process of lengthy collective bargaining negotiations.
116	Vice-Chair Dukes	Asks if this is acceptable to only one side.
117	Wilson	States he does not know if that is the case. States the DAS allowable growth level is unknown at this time.
130	Vice-Chair Dukes	Asks if school boards are giving away too much now in negotiated salaries.
138	Wilson	States there is incredible pressure on school boards from the labor unions. States the average salary for teachers in Oregon has raised 10 percent faster than the national average.
145	Vice-Chair Dukes	Asks if the 10 percent trend is a bad thing.
146	Wilson	States it is not a bad thing, but there is a need to reallocate financial resources differently.
157	Chair Derfler	States the school boards have no incentives to negotiate tight contracts when the Legislature is paying the bill. States there is a limit as to what the public is going to give the state government to fund education.
170	Vice-Chair Dukes	States that if this trend continues the Legislature will become the school board for all of Oregon.
176	Chair Derfler	States that Oregon can go to statewide collective bargaining.

180	Vice-Chair Dukes	States the local voters used to be the control.
186	Marshall	States that since the Legislature is providing the bulk of the funds there needs to be assurance that the funds are wisely spent.
236	Marshall	Believes it is appropriate to put limits on spending and to make local officials accountable for either going above or below those limits.
241	Sen. Shannon	States she met with students and teachers and their response to current education issues was "no more cuts." Discusses her views about the current education system.
291	Sen. Shannon	Asks what are "economic indicators." Asks if those indicators are the same from county to county. Asks if there are limitations placed on administrator salaries.
346	Wilson	States the ñ5 amendments cover teachers, administrators, and classified employees compensation issues.
348	Sen. Shannon	Asks if that is the same in and outside the Portland area.
350	Wilson	States the allowable growth factor will take into account regional factors. States the ñ5 amendments would allow a school district to exceed the allowable growth factor if a justified rationale is presented. States that school boards can vary from the allowable growth factor to fit their specific needs.
393	Sen. Shannon	Asks if there is concern about paying janitors in Burns the same wages paid to janitors in Portland.
401	Wilson	States that could be a concern but SB 1181 identifies the growth factor, it does not dictate salaries.
408	Sen. Shannon	Asks if that is the legislative intent.
409	Wilson	States yes.
411	Sen. Starr	Asks if SB 1181 with the ñ5 amendments includes step increases.
421	Wilson	States yes.
422	Sen. Starr	Asks if those step increases are part of the compensation package.
430	Wilson	States step increases are considered real money.

435	Chair Derfler	States schools exist to educate children, not to employ teachers. States that salaries are dependent on class size and other factors.
452	Wilson	Agrees.
453	Chair Derfler	Reiterates the need to discuss what is best for children.
<b>TAPE 67, A</b>		
001	Tricia Bosak	Oregon Education Association (OEA). Opposes the ñ5 amendments. States the ñ5 amendments undercut the bargaining process and violate the tenets of the collective bargaining statute.
018	Jim Sager	President, OEA. Opposes the ñ5 amendments. States the ñ5 amendments do not address the overall business cost a school district will face in the coming years. Discusses wage increases compared to the national averages.
041	Chair Derfler	Asks if the 10 percent increases include staff increases and benefits.
042	Sager	States it does. States that language issues are important in the collective bargaining unit. States the focus needs to be on students. States over the past several years there has been a movement to find new ways to address collective bargaining. Believes this legislation may lead to the end of collective bargaining.
092	Sager	States there is a natural limit built into the process because the funding is determined by the Legislature. Discusses the St. Helens contract issues by using the OEA collective bargaining model.
115	Sen. Shannon	Asks if any programs were cut due to the St. Helens negotiation.
119	Sager	States there were changes made in the way funding was done, but to say there was a program cut is inaccurate.
120	Sen. Shannon	States the teachers bargain for higher wages, but the Legislature gets the blame for cutting programs.
122	Sager	States he will not dispute her comment. States that to increase standards and provide greater opportunities for students, there will be a constant tug-of-war between the provider of resources and the provider of services.
125	Chair Derfler	Asks if the bargaining is easy.
126	Sager	States it is not easy.

127	Chair Derfler	Explains he has received letters from school board members complaining about OEA's treatment of the board and students.
132	Sager	States he cannot dispute that people have complaints.
138	Chair Derfler	Asks if he needs to harass the children in school along with the board members.
140	Sager	Disagrees that OEA harasses students in school.
142	Chair Derfler	States there are problems and he could provide letters showing the issues.
145	Sager	Agrees there are issues. Discusses issues from two educators who are leaving Oregon and the profession due to not only salary issues but working environments.
162	Sen. Shannon	States the newer teachers are leaving because the older teachers are at the higher end of the wages and it takes a long time to make those higher wages. Asks if the responsibility is with OEA as well as the Legislature.
179	Sager	States it depends on how one interprets the issue.
193	Sen. Shannon	States that teachers become teachers for specific reasons.
201	Sager	States she is right.
208	Tim Nesbitt	Oregon State Council of Service Employees International Union (SEIU). States there is a need to provide adequate funding for Oregon schools. States SB 1181 with the 5 amendments would eliminate all bargaining once an agreement has been made. Opposes placing any ceiling over the right of bargaining. Believes the bargaining process should determine what is reasonable and affordable.
258	Nesbitt	States there are situations that could arise that would require the school board and the union latitude to bargain over increases above an arbitrary limit established by the allowable growth factor. States SB 1181 proposes a form of wage control. Opposes SB 1181.
284	Sen. Shannon	Asks if he bargains for a private employees union or a public employees union.
289	Nesbitt	States he is not bargaining for either, but he is overseeing a union council.
290	Sen. Shannon	Asks if the union employees are public or private.
291	Nesbitt	States it is both.

295	Sen. Shannon	States there are differences in public and private employment concerning wages and benefits.
303	Nesbitt	Believes the Portland teachers are not overpaid, but if there is a perception that they are the Portland School Board and those parents need to get involved in budget deliberations.
309	Chair Derfler	States the problem is that the Legislature pays the bill but is not involved in the bargaining process. Explains an alternative to SB 1181 would be to perform the bargaining process at the state level.
317	Nesbitt	States the legislative budget deliberations take into account the current service levels based on inflation and expected student enrollment.
322	Chair Derfler	States the current service level is 4.5 and Nesbitt is asking for 4.95. Asks if the Legislature can match the schools needs at the current service level.
328	Nesbitt	States, unfortunately, it does not work the same in all school districts.
330	Chair Derfler	States the Legislature does none of the negotiations but pays the bill. Believes that does not work. States there needs to be a way to control costs.
339	Nesbitt	States he served on an audit committee to squeeze every available dollar for schools. States the recent settlement resulted in a 3 percent pay increase for teachers and classified employees.
351	Chair Derfler	Asks if this is the only increase in salary.
356	Sager	States the cost increase for payroll came in at 3.1 percent.
363	Sen. Starr	States the teachers in the Portland area are receiving between a 5.9 and 8 percent annual increase under the new contract.
370	Sager	Asks if he needs clarification of the accuracy of those statistics.
372	Sen. Starr	States it is the Oregon School Boards Association (OSBA) report.
375	Sager	States that those moving toward the professional salary level, taking a minimum of 14 years to make it, would receive that type of an increase.
376	Sen. Starr	Clarifies 5.9 to 8 percent.
382	Sen. Shannon	Asks what the teachers are complaining about.

395	Sager	States that teachers in Corvallis went five years with frozen salaries. Discusses freezes with inflation. States that teachers feel they are under attack because of bills passed this current Legislative Session.
429	Chair Derfler	States the Governor suggested the school boards and OEA come to some type of an agreement. States OEA is not trying to work things out.
436	Sager	States he does not know to whom Sen. Derfler is referring. States no one from OSBA has contacted him.
444	Chair Derfler	Explains there was an individual who had requested a meeting with OEA and the request was denied.
448	Bosak	Clarifies that regarding SB 1180, Mr. Dudley requested to meet with OSBA and she personally met with him. States she was not approached regarding SB 1181.
453	Chair Derfler	States that she had met with Mr. Dudley on SB 1180 and refused to talk to him.
454	Bosak	States that she did sit down and talk with him. States they discussed the amendments OSBA was proposing.
461	Chair Derfler	States he may be misinformed.
462	Bosak	States she did talk with him.
470	Sen. Shannon	States that Corvallis has funding issues.
482	Chair Derfler	Asks if there is a problem with only letting the Legislature pay the bills.
<b>TAPE 66, B</b>		
001	Sager	States that school districts will need to budget with the sum of funding determined by the Legislature.
024	Sen. Starr	States that step increases are real increases, with real dollars and increased wages. States the Legislature is in a difficult position to provide adequate funds. States SB 1181 is a balance.
074	Sager	Discusses differences with Wisconsin's school districts and levy controls. States it does take an Oregon teacher an average of 14 years to rise to the professional level of salary.
097	Chair Derfler	Agrees and believes it is difficult to staff schools with new hires because of low

		starting salaries.
100	Sen. Starr	States that teachers salaries have increased throughout the years, but beginning salaries are very low and after 14 years of service the teacher's salaries are very high. States there is difficulty in balancing out the system.
131	Steve Lanning	Oregon American Federation of Labor and Congress of Industrial Organizations (AFL-CIO). Presents <b>(EXHIBIT B)</b> . Opposes SB 1181 with the ñ5 amendments. States it is imperative to emphasize the full acceptance of the principal and procedure of collective negotiation. States SB 1181 undermines free collective bargaining.
162	Tricia Smith	Oregon School Employees Association (OSEA). Opposes SB 1181 and the ñ5 amendments. Discusses issues concerning classified employees and the need to base those salaries on the local market. Discusses issues raised with Paul Warner of the Legislative Revenue office.
112	T. Smith	States concern for Section 4, 3c. States the ñ5 amendments address only monetary issues in contract negotiations. Discusses non-economic issues and states these issues must be addressed through negotiations.
162	T. Smith	States there are 16,000 classified school employees who are OSEA members, 57 percent of them work for an hourly wage for nine months a year and are not eligible for unemployment insurance. States it is inappropriate to lump all school employees into SB 1181. States that after Ballot Measure 5 passed, schools were no longer able to bargain with their classified employees.
312	T. Smith	States that school districts are not protected from legislative mandates.
328	Jean Thorne	Governor's Education and Work Force Policy Advisor. States the Governor's office offers the ñ3 amendments and opposes SB 1181 with the ñ5 amendments because they take away collective bargaining rights. States the Governor believes the focal point needs to be broadened to include the entire local school district budget for major spending decisions.
378	Thorne	Explains the ñ3 amendments will require the State Superintendent of Public Instruction to consult with DAS legislative fiscal and revenue offices, and provide school districts an estimate of the revenue they can expect for the next three fiscal years.
428	Thorne	States it is imperative for school districts to keep commitments made for long term spending. States the ñ3 amendments provide better protections for state level policy makers. Asks the committee to support the ñ3 amendments.
450	Sen. Starr	Asks where the current service level estimations are discussed in the ñ3 amendments
459	Thorne	States there is no specific reference to current service levels and currently there

		is no definition in statute. States page 1 lines 8 through 11 shows the intent.
<b>TAPE 67, B</b>		
001	Chair Derfler	Asks why new salaries are negotiated when students are using old textbooks. Asks what would stop a school district from negotiating money for books and supplies instead of focusing only on salaries.
010	Thorne	States a school district knows its budget, and if there is no money to cover all costs the school board would need to go back locally and explain the deficit.
018	Chair Derfler	Asks where in their proposal it requires the school board to maintain a certain level of expenditure.
021	Thorne	States that before a school district undertakes the commitment for longer term funding, they need to explain to their patrons the results that will occur.
037	Chair Derfler	Asks what will happen if the current service levels are higher than what the Legislature is willing to pay.
041	Thorne	States the current service level is an established figure.
044	Chair Derfler	Asks what is controlling the growth of the service level.
047	Thorne	Explains there should be agreement about budgets among Legislative Fiscal/Revenue, the Department of Education, and DAS.
061	Chair Derfler	States there are no consequences in the proposal.
065	Thorne	Clarifies that the ñ5 amendments do not require the local school district to balance the funds.
076	Chair Derfler	States the current service levels can now be easily figured.
085	Thorne	States the first time school districts know what the current service level is for their specific budgets is after the Governor's budget is issued.
088	Chair Derfler	Asks if school boards wait until the Governor determines the current service level.
090	Thorne	States that is generally when the school districts show concern that the amount provided for by the current service level would not be sufficient.

092	Chair Derfler	Asks how this can be avoided next time.
094	Thorne	States the Governor's office may provide information nine months in advance.
098	Chair Derfler	States if the Governor's office can figure out the current service level, why not the school districts.
100	Thorne	States the budget decisions were not made until further into the process.
106	Chair Derfler	Clarifies that the budgets are projected out two years and the current service level should be easily determined.
110	Thorne	States the districts were surprised by the current service level and believe the funding is insufficient.
113	Chair Derfler	States there is nothing in the ñ3 amendments to require the school districts to maintain a specified level of spending.
116	Thorne	States if the school districts are exceeding the current service level, they must provide a plan to their local community outlining how to stay within the budget.
119	Sen. Starr	States by giving the school districts more time they can develop a better argument for more money.
124	Thorne	States if the information is given early, the school district would not make commitments they could not fulfill.
130	Sen. Starr	Comments that this session has only had five months to make the case that the budget amount available is inadequate.
135	Thorne	Believes an early budget determination would not allow school districts to use "prior commitments" as an excuse to request a larger budget.
153	Chair Derfler	Closes public hearing and opens work session on SB 1181.
<b><u>SB 1181 WORK SESSION</u></b>		
161	Chair Derfler	Asks the advantages of the ñ4 amendments.
165	Sen. Shannon	States the ñ4 amendments would remove classified employees. Explains that custodian wages should be based on cost of living in the custodian's community as opposed to having all custodians make the same wages as a custodian in Portland.

171	Sen. Dukes	<b>MOTION: Moves to ADOPT SB 1181-3 amendments dated 6/7/99.</b>
177	Sen. Starr	States the ñ3 amendments do not limit future growth and are not the amendments he chooses to pass.
182	Vice-Chair Dukes	States the school boards need to know early what their spending limits are and the ñ3 amendments will accomplish this.
200	Chair Derfler	States it would not be difficult to project the service levels two years from now.
208	Vice-Chair Dukes	Gives examples of what happened the last time funds were budgeted.
217	Chair Derfler	Clarifies that capital expenditures were used as current service levels.
218	Vice-Chair Dukes	States the Legislature told the school boards to use capital expenditures to figure current service levels. States this was done so that there would not be a freeze on funding for regular operating systems.
231	Chair Derfler	Disagrees that the school boards did not know what the current service levels would be. Agrees that the school boards did not know how much funding they would receive from the Legislature.
242	Sen. Starr	States the ñ3 amendments take the Legislature out of the process, but provides for future advocating for more funds.
260	Chair Derfler	States the Department of Education can currently give the school districts a projected current service level for the next three years.
271	Sen. Shannon	Asks if SB 1181 should be sent out to the people for a vote if the Governor plans to veto it.
281	Chair Derfler	States it is too early in the process to decide whether to send this to the voters or not.
282	Sen. Shannon	States she is not sure if SB 1181 should be sent to the Governor.
		<b>VOTE: 2-3</b>  <b>AYE: 2 - Dukes, Wilde</b>  <b>NAY: 3 - Starr, Shannon, Derfler</b>

	<b>Chair Derfler</b>	<b>The motion Fails.</b>
<b>302</b>	<b>Sen. Shannon</b>	<b>MOTION: Moves to ADOPT SB 1181-5 amendments dated 6/7/99.</b>
		<b>VOTE: 3-2</b> <b>AYE: 3 - Starr, Shannon, Derfler</b> <b>NAY: 2 - Dukes, Wilde</b>
	<b>Chair Derfler</b>	<b>The motion Carries.</b>
<b>311</b>	<b>Sen. Shannon</b>	<b>MOTION: Moves SB 1181 to the floor with a DO PASS AS AMENDED recommendation.</b>
		<b>VOTE: 3-2</b> <b>AYE: 3 - Starr, Shannon, Derfler</b> <b>NAY: 2 - Dukes, Wilde</b>
	<b>Chair Derfler</b>	<b>The motion Carries.</b>  <b>SEN. DERFLER will lead discussion on the floor.</b>
<b>330</b>	<b>Chair Derfler</b>	<b>Closes work session and adjourns meeting at 5:00 p.m.</b>

Submitted By, Reviewed By,

Rachel E. Halupowski, Brian E. Smith,  
Administrative Support Administrator

**EXHIBIT SUMMARY**

**A ñ SB 1181, written testimony, John Marshall, 3 pp**

**B ñ SB 1181, written testimony, Steve Lanning, 2 pp**

**C ñ SB 1181, -5 amendments, staff, 4 pp**