

PUBLIC HEARING ON SB 346

TAPES 056 - 057 A/B

SENATE REVENUE COMMITTEE

FEBRUARY 25, 1997 - 9:00 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair

Sen. Joan Dukes

Sen. Verne Duncan

Sen. Tom Hartung

Sen. Randy Leonard

Witnesses: John Charles

Staff: Steve Meyer, Economist

Carol Phillips, Committee Assistant

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TAPE 056, SIDE A

005 Chair Baker Opened meeting at 9:10 a.m.

OPENED PUBLIC HEARING ON SB 346

Goal today is to encourage another placeholder bill with different paradigm because no

matter how much time is spent on the formula approach it is fundamentally flawed. It is doomed to fail because it is totally immune from any market forces. Confident that Sandy teachers' strike would not have happened if money was allocated through parents rather than through institutions. Problem in allocating revenue through monopoly institutions is that it eliminates competition; and without competition there is no effective chance of constraining school finance costs. Throwing money at the problem does not solve it. Studies have shown once you get beyond a certain base amount of expenditures, putting more money into a system has no effect on student performance. Fundamental problem is schools are open-ended entitlement. There is no direct link between those who benefit and those who pay. Therefore, there cannot be any fiscal discipline. It is impossible when money is run through state-owned providers to replicate fiscal incentives which exist in the marketplace. Proposal is to change from a system run on taxation and monopoly service to one based on competition and user fees. Subsidies would not through school districts but through families. Since 1869 Vermont families have received vouchers to use as they choose on their children's education. The ability of consumers to go elsewhere imposes discipline of the market.

031 John
Charles

Exhibit A - Oregon's Private Schools: A Report on Private School Options. This is not the definitive analysis on what private schools in Oregon are spending. According to this data private schools are spending approximately one-half the amount spent in public schools per student with no noticeable effect on student performance.

093 Charles

Challenged data stating schools in the Senator's district do not spend as much per student as Charles' data indicates. Clackamas High School is within one mile of LaSalle High School; and as far as the Senator knows, both schools spend approximately \$4,000 per student. Sen. Dukes stated you cannot compare private schools with public schools for cost and student outcome. Private schools have the ability to accept or reject students. They do not have to face or pay for some of the problems public schools have, such as paying large amounts for severely learning disabled children, etc.

116 Chair
Baker

Curious what kind of options a single working parent would have if they were making minimum wage with their children in local public school, and they could not afford a car or insurance. Charles answered that if the local school was really successful, no one would have anything to worry about. If revenue were administered through the parent rather than through the school, and everyone liked the school, and the school announced what the tuition would be but the money was in the hands of the parent, nothing would really change. The parent would be no worse off. But if the school were not successful and the parent resented having to send his/her children there by virtue of randomness of where he/she lived, then the parent would have choices they do not have today. In fact, teachers may split off from the bad school and set up multiple schools in neighborhoods because they know revenue is out there to be had by successful teachers. A year or two later that parent may have three choices, not one, and he/she can choose which is best for his/her children. Poor people would benefit and have choices if money was given to them instead of to the school district.

180 Sen.
Leonard

Questioned how a low-income single parent would have school location options available to them even though they cannot afford a car or insurance to transport their children to different schools? It appears to be a system designed for an elite level of society, not

202 Sen. Leonard working class people. Charles responded that he sees it exactly the opposite. Right now if people have the means they can escape a school they don't like by moving to another district or sending children to private school. The current system works okay if you have enough money. Today you really do not have much choice if you are a working class low-income single parent. If children in that situation are going to a school they hate or the parent hates, they have no option; and that is the problem with monopolies.

239 Charles The question is where would money come from to be distributed to families to utilize on the school of their choice. An answer may be from sale of state trust lands. Oregon is one of 22 states which received lands at the time of statehood for the express purpose of supporting schools. Oregon's trust lands are mostly grazing lands in southeastern Oregon and the Elliott State Forest. While the Common School Fund has about \$328 million in stocks and bonds, it has \$1.1 billion in real estate. The total rate of return on the \$1.1 billion of real estate is 0.5% annually. Attorney General concluded in 1992 that the sole obligation of the Land Board as trustees is to get maximize rate of return within the context of what a prudent person would do. The state loses money on lands that the trustees have a legal trust obligation to maximize revenues for schools. Grazing lands valued at \$35 - \$100 an acre, and these lands comprise only 2% of public lands in the state. Questions and discussion interspersed.

348 Charles Hope is that if these lands were sold the state would not take \$1 billion of revenue and put it back into the current monopoly system. Shielding people from competition simply necessitates the same drill every two years. However, if the \$1 billion, along with 15% of lottery revenues allocated to the Education Trust Fund every two years, is used in a voucher system, it would be possible to start lowering school taxation and still give people a better education and choice. If people get a better education and their taxes get lowered, a lot of people would be happy. Questions and discussion interspersed.

TAPE 057, SIDE A

001 Sen. Bryant A \$1,000 voucher per student would have a dramatic effect in Oregon as encouraging private schools. This may create repercussions to the public schools, which still have to be maintained, but with only maybe 70% of the students who were there before a voucher system. They still have utility costs, physical plant, etc. And there would still be some students who had to be dealt with who the private schools would not, i.e. the severely handicapped and those which take more time, money, and effort. How do you address those types of specific details to make sure Oregon still has a good public education system with adequate funding? Charles responded that there is no single answer to all these situations. As soon as competition is introduced, costs go down. If revenue is in hands of families, how to get students into particular school? Anything equal to or slightly less than what has been the rate recently would be quite adequate for a voucher amount.

052 Charles Anything that can be done to reward people for cost savings regarding education is good. This type of transitional strategy allows for a small start, use the first two or so years to see how the concept is working, and go from there. There are enough parents and families in Oregon who would be willing to try a different approach to school funding.

Asked Charles how voucher system would affect transportation systems costs and how does it co-exist with model. Charles stated that if people had vouchers which gave them

060 Chair
Baker more choices of where their children could go to school, they would be happy to figure out how to get them there. In the absence of monopolies, there would likely be many more smaller schools closer to where people live. Chair Baker asked Charles if he envisions the state still paying the \$60,000 to \$200,000 per student cost for out-of-state placement of severely disabled students. Charles responded that given the potential windfall from the sale of state lands, he does not see any problem.

105 Sen.
Leonard Stated that the concept on the sale of state lands is intriguing; but considering that the amount of school funding being talked about is \$4.9 to \$5.3 billion, and the state lands value is \$1.1 billion, it is only 20% of the two-year school funding budget. Although \$1.1 billion is a lot of money, Sen. Leonard does not see it as very much in the larger scheme. Further questions and discussion.

180 Charles His own child does not like school and is a student that most schools do not want. The child has been through many high schools and other types of institutions. There is a market for a school for this type of child. For the past 20 years schools in East Harlem, New York have worked on a choice system and worked amazingly well. Questions and discussion.

212 Chair
Baker Asked Charles what he thought would happen if an urban area school district adopted the voucher idea, said they were going to close their schools, and advised parents they could use neighboring district schools. Charles stated that people are used to choice in every other aspect of their lives, so what would be so difficult about choice in their children's education? He believes people would be happy to experiment in that way.

245 Sen.
Duncan Still not hearing how this would deal with the equity concern. It appears to him this would create more of a class system.

269 Chair
Baker Adjourned meeting at 9:56 a.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

Exhibit Summary:

A. SB 346, Charles, Student funding data, 3 pages