

WORK SESSION ON SB 346 TAPES 087 - 088 A/B

SENATE REVENUE COMMITTEE

MARCH 24, 1997 - 9:00 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING

Members Present: Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair

Sen. Joan Dukes (arrived at 9:28 a.m.)

Sen. Verne Duncan

Sen. Tom Hartung

Sen. Randy Leonard

Witnesses: Ozzie Rose, Confederation of Oregon School Administrators

Walter Koscher, Department of Education

Bonnie Hobson, Portland Public Schools

Staff: Steve Meyer, Economist

Carol Phillips, Committee Assistant

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005 Chair Baker Opened meeting at 9:08 a.m.

OPENED WORK SESSION ON SB 346

018 Ozzie
Rose Exhibit A - Equity 1997/98. Chair asked him to take a look at the issue of what would happen if the formula is not constrained. What is true equity as defined with the formula at the present time? A computer run was generated with the same \$2.7 billion without constraining the formula. The statewide average is still \$4,432 per student. Everyone will not get to the same equity number because of transportation, which is not paid on a per student basis and because of teacher experience.

030 Rose With \$2.7 billion for the next year, the following is the range of differences that are within the definition of equity: For all districts, the highest district is \$5,841 per student, which is 32% above the mean; and the lowest is \$4,114 per student, which is 7% below the mean. Have done this over the last five years with computer runs; and by and large for districts of 200 or more, there is a range of plus or minus 6% to 8% every time this is done. Equity does not mean every student at the exact same dollar amount. Questions and discussion.

073 Chair
Baker Regarding the Deschutes County judge's decision, the analysis said that historically state has been driven by local support from property taxes anywhere from \$7,600 from Petersburg and Riverdale down to \$4,100 or so, and that was no longer a way to look at equity. Internal factors must be weighed as well. The opinion Chair Baker saw mentioned nothing about questions of equity of facilities or teacher experience or transportation costs. Chair Baker gets two things from that opinion. One, can no longer look at historical anomalies that are there in the recent past. Two, very clearly says that in the court's opinion the legislature had a political will to deal with this. Therefore, the courts need to intervene.

089 Rose Under the definition of equity as defined by the formula, the range is there. The judge was relying on the argument that the formula was equity, and that is what the plaintiffs had put forward. The judge's opinion said the formula had not been implemented. Even unconstrained, there is a variation bigger than most anticipate or realize because they have not looked at the situation that closely in that manner.

103 Sen.
Bryant Stated that the judge recognizes that not all districts will be same because of the transportation and other factors. As long as that is not a sham to get around equity, the judge is saying "implement the formula".

107 Rose Does not think the judge or anyone else realizes how big that difference is. Does not think it is commonly understood there will be plus or minus 6% to 8% range all the time.

116 Walter
Koscher Exhibit B - Average Daily Membership. Was asked by Chair Baker to discuss transfer of students between Petersburg and The Dalles. Would like to make two points. One is that those students did stay at Petersburg. It was a matter of where the count was made not where the student attended classes. Second, it was the choice of the parents to have the students placed at Petersburg School District, even though they resided at The Dalles. Certain parents preferred not to send their students to the "big city" school and preferred they go to the smaller Petersburg school. Dollars being switched around, but kids stay in same district.

- 128 Koscher Talking mainly about 80 to 100 elementary students. Petersburg decided ones of the ways to survive was to use the interaction between two different statutes to enhance their funding for themselves and possibly for The Dalles. There is a statute which allows the students to be counted with the district of attendance instead of their resident district if there is an agreement between the boards of the two school districts. The second statute is the extended ADMw the way it is used in the funding formula. Compared figures from 1992 through 1997. Nothing illegal about this, but seems unethical. In effect, students are being counted in both places in the same year. Questions and discussion interspersed.
- 181 Sen. Duncan Curious if Petersburg got more money than they should have.
- 191 Sen. Leonard If the students were counted in Petersburg in 1996, but also counted in The Dalles, then The Dalles received money for each student and so did Petersburg in the same year?
- 195 Koscher Stated in effect, yes, that is what happened. The Dalles has had declining enrollment over the years. This arrangement has not been as beneficial to The Dalles because of declining enrollment. Petersburg and The Dalles changed their agreement every year. Questions and discussion.
- 239 Sen. Leonard Asked if it was a conscious decision made by Petersburg to enter into different agreements to use the highest of two-year ADMw to gain more money per student.
- 243 Koscher Answered that his understanding is that they understood what they were doing. They had asked Koscher if there was anything illegal about this, to which Koscher told them no.
- 252 Sen. Duncan Regarding state dollars that went out to fund students, did more dollars go out than should have gone out under this scheme?
- 256 Koscher The same number of state dollars went out, but they were distributed differently. In effect, they were using somewhat of a loophole that allowed the count to be the higher of either the current or the prior year. By shifting students between the two districts using 1996-97, in effect they were counting them in Petersburg once because they were there that year, and at The Dalles a second time because they were there in the prior year. Yes, those two districts received more funding than they otherwise would have. But as far as state dollars distributed, it is the same dollars.
- 283 Rose Petersburg was one of the districts which should have been required to unify under the 1991 law, but they have avoided that to date. They claim they have a high school now that they do not want to unify.
- 299 Chair Baker Exhibit C - Letter from Chenoweth School District regarding how Petersburg has used their additional money to build school buildings without having to go out for bonding when everyone else has to. Questions and discussion.

- 327 Koscher In answer to Chair Baker's question of how Petersburg got their student costs so high, replied he assumed it was just a small wealthy school district that had considerable property in its district and very few students. Under the old locally funded formula, that allowed them to have a fairly rich program.
- 333 Sen. Leonard Asked Mr. Koscher what the original intent was behind allowing the school district to use the highest of the current or preceding year ADMw to determine their school funding.
- 338 Koscher The idea stems from the old funding formula where there was a decline allocation. This was supposed to take the place of the decline allocation to allow districts an easier way to come down if they were losing students so they do not have to make immediate adjustments for declining enrollment. This smoothes over the declining enrollment problem that districts have.
- 349 Sen. Leonard Asked Koscher if he was aware that when Petersburg School District asked Koscher about the legality of what they wanted to do and their purpose that they were going to be creating an essentially different contractual relationship with The Dalles in order to boost their ADMw? Asked is Koscher talked with Attorney General's office before he told them what they wanted to do was legal.
- 354 Koscher Stated he did not, and did not discuss it with any attorney anywhere. He said the statutes were there to allow for this kind of transaction to happen.
- 381 Sen. Leonard Stated it seemed evident that the intent was to defraud the state.
- 382 Chair Baker That is why Chair is proposing they be brought down to \$4,700 like everyone else.
- 393 Sen. Duncan Not defending their actions at all because Petersburg is really committed to their School District, but has problems with what is going on right now.

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- 003 Rose Districts did different things to avoid loss of funding because they were committed to their schools. Remember that decisions Petersburg or others made may have been legal or illegal, but those were adult decisions made to keep students in schools. Any sudden change made now impacts students in those schools. That should be kept in mind no matter what decisions are made.
- 017 Sen. Duncan Asked if possibly Nevada students were coming into Crane schools. General consensus was no.
- 035 Sen. Dukes Reminded Chair Baker that a few weeks ago he appointed a subcommittee on ESDs, most specifically the northwest ESDs to be comprised of Sen. Duncan, Chair Baker, and herself. Wanted to be sure that the subcommittee does meet to discuss ESD situation.

- 037 Steve Meyer Exhibit D - SB346 (-16). Read and discussed highlights of this Amendment. This replaces the (-10). Deals with out of state placement of disability students. Suggested name change to fund; it is now Out-of-State Disabilities Educational Fund.
- 051 Sen. Duncan Recommended change to Out-of-State Disabilities Placement Education Fund. Questions and discussion.
- 081 Sen. Duncan MOVES (-16) AMENDMENTS TO SB 346 BE ADOPTED AS AMENDED.
HEARING NO OBJECTION, THE CHAIR SO ORDERED.
- 090 Meyer Exhibit E - SB 346 (-17). Read and discussed highlights of this Amendment. Replaces the old (-15). This is the facility grant amendment. Also discussed Exhibit F - SB 346 Facility Grant Estimates from New Building Survey. Questions and discussion interspersed.
- 219 Rose In reference to pre-manufactured structures, that means complete structures. No one is going to bring in an auditorium or similar type of building pre-made. Some districts may need to build an administration facility, so we should take away from them the right to this as part of their building. The definition of pre-manufactured means classrooms, not large types of buildings. Questions and discussion.
- 330 Sen. Dukes Suggested this be brought back to Revenue Committee's attention in two years. With what has been brought to the attention of the Revenue Committee in the last two weeks, they have become very skeptical of school districts because of how creative districts have been compelled to become because of lack of money.
- 353 Chair Baker Asked Meyer to work with Legislative Counsel to come up with different options for wording.
- 357 Rose Asked a question on another part of the bill. On the part where there is \$10 million and then pro rate if not enough and took off so much per year, if the Department distributes entire \$10 million the first year of the biennium, then a building comes on line the second year, do they go back and take some away that was distributed, or how would that be handled?
- 368 Chair Baker Stated it would be foolish to distribute full \$10 million in first year. For the record, asked Ozzie Rose if he is generally in favor of starting to look at construction and other costs, to which Rose answered in affirmative.
- 378 Rose There is a need for recognizing that facilities are a problem. School infrastructure across country is in bad shape and needs to be addressed. Questions and discussion.

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- 002 Meyer Exhibit G - SB 346 (-18). Deals with PERS and desegregation costs. Read and discussed Amendments. Questions and discussion interspersed.
- 111 Chair Baker Asked Committee's preference regarding cap. Asked Meyer to work with Legislative Counsel and put in a cap of \$6 million in future years. Questions and discussion interspersed.
- 151 Bonnie Hobson Exhibit H - Written testimony dated 3/17/97 regarding Portland School District transportation costs. Read entire testimony. Portland contracts out about two-thirds of services and owns own fleet of buses to cover remaining one-third. Do not provide transportation for high school students. They get to school on their own or use public transportation, and that saves the state a large amount. Questions and discussion interspersed.
- 387 Rose Flat funded districts are getting more money than they are supposed to. If they are flat funded and their transportation costs change, they must take it out of somewhere else in their budget. But they get more than the formula allows them, too.
- 412 Chair Baker Adjourned meeting at 10:28 a.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

A. SB 346, Rose, Equity 1997/98, 1 page

- B. SB 346, Koscher, Average Daily Membership, 1 page
- C. SB 346, Baker, Letter and newspaper article regarding Petersburg, 2 pages
- D. SB 346, Meyer, (-16) Amendments, (CH/ps) 3/17/97, 2 pages
- E. SB 346, Meyer, (-17) Amendments, (CH/ps) 3/17/97, 8 pages
- F. SB 346, Meyer, Facility Grant Estimates from New Building Survey, 2 pages
- G. SB 346, Meyer, (-18) Amendments, (CH/ps) 3/17/97, 8 pages
- H. SB 346, Hobson, Written testimony dated 3/17/97, 8 pages