

Informational Hrg

SENATE COMMITTEE ON EDUCATION

January 24, 1991                      Hearing Room 343 3:00 p.m.                      Tapes 5-6  
MEMBERS PRESENT: Sen. Shirley Gold, Chair Sen. Bill McCoy, Vice-Chair  
Sen. Joan Dukes Sen. Peter Brockman Sen. Ron Grensky Sen. Paul Phillips  
Sen. Cliff Trow STAFF PRESENT: Jan Barga, Committee Administrator  
Angela Muniz, Committee Assistant WITNESSES: MARGIE LOWE, Budget  
Supervisor, Executive Department DEWEY HARRIS, Budget Analyst, Executive  
Dept. TOM MCCLELLAN, Budget Analyst, Executive Dept. -

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TAPE 5, SIDE A

005 CHAIR GOLD: Calls the hearing to order at 3:15 p.m.

COMMITTEE INFORMATION

018 MARGIE LOWE, Budget Supervisor, Executive Department: Gives an overview of how education expenditures fit in with overall state budget. Displays a pie chart showing distribution of general fund. Expenditures to education comprise more than half of the overall resources in the general fund. New segment of pie includes 12% of funds for replacement revenues due to Measure 5. Portions of the pie: basic school support - 24%; higher education - 13%; other education - 6%.

SEN. TROW: Look at percentages and you see what that does to a pie that is already overcommitted. There was never enough money in the general fund to do what needed to be done. If you add a new slice it's a new commitment. It hurts its ability to do everything it's been doing before. Senate Committee on Education January 24, 1991 - Page 2

054 LOWE: Agrees. Some think the governor's budget has plenty of room because it increases by 17 percent. But when take out the replacement revenue it increases by only 2 percent and inflation for the biennium is 9.5 percent.

SEN. PHILLIPS: Is the chart strictly general fund? LOWE: Yes. Other significant pieces of the pie are human resources (24%) and public safety (9%). A recent poll showed the public wants expenditure cuts but not in major portions of the pie. Displays a bar graph on effects of Measure 5 over time without any replacement revenues. If education continues to grow, by 95-97 biennium there would only be 15% of the general fund available for other programs. Reviews handout titled "Education Program Area" (EXHIBIT A).

135 DEWEY HARRIS, Budget Analyst, Executive Department: Governor's budget assumes: replacement costs for Measure 5 will be \$633 million. -replacement revenues placed in community colleges grant and aid and basic school support. Governor's budget proposes the office of community colleges be established as a separate state agency. Budget will be transferred from education department to community colleges.

SEN. TROW: Does that assume another board for the community colleges?

HARRIS: No, it does not. The board of education would serve over both the department and the community colleges.

SEN. PHILLIPS: Is this agency reorganization purely executive? Do we have to enact something to make sure the division does occur?

HARRIS: We have legislation in place requesting it be done. Refers to recommendations in the handout titled "Department of Education" (EXHIBIT B). The department decided to make reductions in programs that were not priorities. 200 SEN. MCCOY: How much is the OMSI grant the budget eliminates? HARRIS: \$273,500. CHAIR GOLD: What is encompassed in the 13% reduction in the professional development and mentor programs?

HARRIS: We'll have a breakdown prepared prior to the presentation to Ways and Means. Continues outlining reductions.

SEN. TROW: What investigation has been made into the legitimacy of using lottery funds for programs rather than projects, especially continuing programs?

LOWE: Sought advice from the attorney general during the last interim while devising Gov. Goldschmidt's Children's Agenda proposal. An informal opinion advised that it was a workforce development issue - completing an education makes a person better to the overall work force - so it was possible to use lottery funds.

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SEN. TROW: If that interpretation becomes official doesn't it open up the lottery fund for anything in education? LOWE: We haven't explored the farthest limits of eligible uses for lottery funds. SEN. TROW: We need more than an informal opinion about whether this is possible. LOWE: We are seeking that advice. 265 CHAIR GOLD: Confirms that the lottery funding for the Oregon Prekindergarten Program is above the current funding. JAN BARGEN, Committee Administrator: What are the reductions in the Child Development Specialist program? HARRIS: It is part of the overall student services category. BARGEN: Does that mean that the base went away? HARRIS: It's the youth development program not the Child Specialist Development program that has been cut. Makes a correction in EXHIBIT B about funding source for 2 + 2 programs. The 2+2 program will be funded with general fund dollars transferred from the economic development department. 299 SEN. TROW: You will transfer general fund monies to the program so it's not up for cuts, but it will be funded? LOWE: Initial funding for the 2+2 was general fund appropriated in the 1989 session. The funds were placed in economic development then transferred by emergency board action to the department of education. This would continue the same level of support. HARRIS: Highlights policy issues of basic school support and the role of workforce development. CHAIR GOLD: Asks again for greater detail in reductions in professional development and mentor programs. HARRIS: Provides dollar amounts for reductions. -OMSI program, \$273,750 (corrects previous mention of \$273,500). -professional development program, \$656,709. mentorship program, \$553,158. CHAIR GOLD: What remains in the programs? HARRIS: Remaining dollars in OMSI, none. -professional development program, \$4.4 million. -mentorship program, \$3.7 million. Senate Committee Report on Education January 24, 1991-1! - e 4

359 SEN. GRENSKY: The Special Education Programs are federally regulated, and thought we were doing the bare minimums already.

HARRIS: The department has not lost all its responsibility on those programs. The department conducted an analysis making sure the state was not in violation of the federal programs. SEN. PHILLIPS: Are you cutting the outreach programs in OMSI?

LOWE: This is a new grant within the education department. Cuts are in state support going toward outreach program, not money used to operate the museum.

SEN. PHILLIPS: List seems to be mostly outreach and the impact dispersed to more rural areas. Am I reading too much into this?

419 LOWE: There are reductions that effect all students in the state.

HARRIS: Moves to budget for Office of Community Colleges (EXHIBIT B). Explains the budget includes plans for the Office of Community Colleges to be a separate state agency.

TAPE C, SIDE A

011 SEN. DUKES: Do you have dollar figures with creating a separate state agency for community colleges?

HARRIS: Just over \$264,000. Money is not additional. It will be transferred to the new agency from the department of education budget already dedicated for community college activities.

SEN. DUKES: Does the governor's budget reflect money anywhere else for the creation of this area?

HARRIS: No. Essentially, it is a buy back of services.

LOWE: Proposal allows the Office of Community Colleges to purchase its fiscal and personnel services from the education department.

SEN. GRENSKY: On the replacement revenues: Is that a dollar for dollar replacement for what the community colleges are losing or just a portion?

LOWE: The figure matches with estimates from legislative revenue on the impact of Measure 5 on community colleges. This simply provides the resources in a total amount equal to what the community colleges will lose. The budget does not speak for allocation methods.

047 SEN. GRENSKY: Did the governor's office decide we needed to replace money dollar for dollar at the community college level and not at K-12? Senate Committee on Education January 24, 1991- Page 5

LOWE: Legislative Revenue advised that \$633 million for education was total amount needed to replace resources lost to education - kindergarten to community college. Hasn't been informed that assumptions about the figures have changed.

SEN. TROW: Did the ESD's get anything for replacement?

LOWE: Their share of funding is included in dollars to K-12 education.

CHAIR GOLD: As we decide basic school support that's how they get their share.

SEN. DUKES: Why now to break community colleges out as a separate state agency? HARRIS: Believes establishing community colleges as a separate agency will improve the use of resources. Now there is confusion about accounting for the budgets of both agencies.

SEN. DUKES: Wouldn't a good computer system work?

HARRIS: No. Information is difficult to get because the budgets are intertwined.

CHAIR GOLD: Were the decisions made compatibly by the education department and community college services or by the executive?

108 LOWE: Both the office of community college services and the education department proposed decision packages supported by the state board of education that led to the recommendations. The legislation and decision packages were also supported by the governor in her budget.

SEN. DUKES: Main concern is why do this in a fiscally short biennium. If having trouble tracking dollars it seems there must be a shorter answer than to create another agency.

SEN. PHILLIPS: Did legislative fiscal recommend this? How much interaction did they have?

LOWE: Has been confusion over the years because the office of community college services and the grants that support community college are in a continuum of being a part of the education department and being a separate agency. Community college resources budgeted separately. The separation is needed for matters of clarity and communication.

SEN. DUKES: You're saying a difficult budget process was a major factor in creating the separate agency.

162 LOWE: The difficult budget was not really a factor. It's not driven by fiscal issues. The timing factor was incidental.

SEN. DUKES: Will this come before the committee later?

CHAIR GOLD: Yes, probably. Refers back to policy about state's ability to support and expand Early Intervention services (EXHIBIT B, PAGE 1). Understands that the program is being eliminated.

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LOWE: Education department's resources for Early Intervention have increased over last biennium. Reductions made in mental health and disability services. Better than half of the resources remain to support the program. It will reduce the ability to serve children but it won't eliminate it.

CHAIR GOLD: If you count in federal loss and mental health loss, money

will be about half of what's left in. Saddened by depletion of one prekindergarten program. The Oregon Prekindergarten Program was kept and both have similar goals. What was the rationale involved?

LOWE: In the design of lottery funded programs, the governor tried to meet some goals of the Oregon Progress Board. The lottery funding for prekindergarten was considered a high priority. Were expecting to lose the federal resources. Didn't feel we could make the reduction somewhere else to keep the program in place.

SEN. TROW: Could ask if lottery funds can be used for this program.

295 SEN. PHILLIPS: Have Head Start, Great Start, and now Oregon pre-kindergarten. Who put all of these programs together and decided to fund some but not all?

LOWE: No written matrix for this after Gov. Goldschmidt released his children's agenda. Didn't want to push at boundaries of funding social programs with economic development dollars.

340 CHAIR GOLD: Not completely in agreement that the Early Intervention program is purely a social service.

Requests committee's permission to draft a bill that would allot lottery funds for the eliminated program. There was no objection.

SEN. GRENSKY: If you think people will support increased funding for land use planning, the light rail and other programs while handicapped children get no help, then you are missing the boat. Asks Lowe to relay his objections to the governor.

400 TOM MCCLELLAN, Budget Analyst, Executive Department: Refers to higher education budget (EXHIBIT B, PAGE 3).

SEN. TROW: Is the surcharge recommended by the governor?

TAPE 5, SIDE B

019 MCCLELLAN: Governor hasn't made a firm commitment. The budget figures reflect the surcharge.

SEN. GRENSKY: Why don't you call it a tuition increase instead of a surcharge.

MCCLELLAN: Some call it a Measure 5 surcharge. It will eventually be taken off. The chancellor's office preferred to treat it as a special assessment surcharge.

SEN. TROW: Is it a one time assessment.

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MCCLELLAN: It is per student, per term for the year.

061 SEN. TROW: This is the way to reduce accessibility. Those who can afford it will come, those who can't afford it will stay away.

MCCLELLAN: There is pressure to offset the cuts in some manner. Tuition is about the only way to do that. Access is important to the governor. Twenty percent of the surcharge is earmarked to financial aid. SEN.

PHILLIPS: How do the increases put Oregon in comparison to other West

Coast schools? MCCLELLAN: We'd be the highest on the West Coast and one of the highest in the nation. SEN. GRENSKY: Asks for information on enrollment reductions due to cuts. MCCLELLAN: Estimate a 10% reduction in students, about 6,000 students. Process derived from a formula used by the chancellor's office. 101 SEN. DUKES: Are Sports Action lottery funds going to higher education now?

MCCLELLAN: Yes, although very little because of the backspill to the lottery. Distribution is 88% to intercollegiate athletics and 12% to scholarships and financial aid.

SEN. DUKES: Is equipment acquisition using certificate of participation being done? MCCLELLAN: Has been done. Department of Higher Education has a list of equipment they plan to purchase.

SEN. PHILLIPS: Faculty salary increases have been put off, and the Legislature made a commitment to increase salaries. Governor's recommendation of \$10 million doesn't seem like enough?

MCCLELLAN: The \$10 million is an allocation from the emergency board during the interim. Governor Goldschmidt committed \$50 million, but Governor Roberts could not find the money to met the commitment.

SEN. PHILLIPS: Then the commitment we gave is just wind.

MCCLELLAN: Faculty salaries is one of the chancellor top priorities, but he has fewer resources to work with.

175 SEN. TROW: Both candidates for governor endorsed the \$50 million commitment made by Goldschmidt before Measure 5 took away the resources to do this. If we don't find replacements for the lost revenue by the next biennium the situation will be worse for all state government.

SEN. DUKES: Is the governor putting the decision to the chancellor that if you want increases in salary you eliminate more positions?

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MCCLELLAN: Governor is giving the chancellor wide discretion in drafting the higher education budget. Increases for faculty salaries are part of the larger pot, but there is no special increase in the budget.

SEN. DUKES: In the overall state budget, has a percentage been earmarked for state salary increases? SEN. TROW: There is about \$60 million in a pot that will be allocated after collective bargaining.

SEN. GRENSKY: Where is money for capital construction going?

231 MCCLELLAN: They are all non-general fund projects. The \$113 million is the general fund amount requested by higher education for capital construction. Reviews scholarship commission budget (EXHIBIT B, PAGE 4). SEN. TROW: Is 10% cut from the need grant program? It doesn't make sense to cut the need grant program at the same time tuition is increased. MCCLELLAN: Yes. There was an attempt to do something there.

303 SEN. TROW: The need grant program is for all students in higher education. It's going to further restrict accessibility of poorer students to higher education. CHAIR GOLD: Could you give examples of the term special payments? MCCLELLAN: It is funds transferred directly to an individual or organization. It does not fund a person, services or supplies. LOWE: Examples are grants for aid to dependent children and

resources the state transfers to community colleges and school districts. SEN. TROW: Explain the PESIC programs. MCCLELLAN: Stands for Purchase of Educational Services from Independent Colleges. Recommend cutting the program that provides grants to students going to independent colleges. Looked for vertical cuts in low priority programs. 352 CHAIR GOLD: It's another access question. MCCLELLAN: Moves to Office of Educational Policy and Planning (OEPP) budget (EXHIBIT B, PAGE 5). SEN. DUKES: What position from this program will be eliminated. MCCLELLAN: A deputy position will be cut. 400 SEN. TROW: Why wasn't this program cut completely. Senate Committee on Education January 24, 1991- Page 9

MCCLELLAN: This agency will play a visible role in the governor's administration. It will be more focused on job training and retraining. SEN. TROW: This agency will change the way it looks. MCCLELLAN: Workforce issues will take precedence in the next biennium. Continues reviewing budget. Ed-Net will be a separate state agency. It was an action by the emergency board. Received \$8 million lottery appropriation. Will only receive half this biennium because of lottery shortfall. The governor recommends \$3.8 million of lottery funds go to the program to meet the \$8 million amount. SEN. TROW: Will it come under any agency's review as a separate agency? MCCLELLAN: It will report to the executive department. 458 SEN. DUKES: How many new state agencies in this budget? LOWE: Only the office of community college services and Ed-Net. DUKES: The emergency board doesn't make the final decision on creating agencies. LOWE: The attorney general advised that a statute provided sufficiency for Ed-Net to be a separate agency. TAPE C, SIDE B 028 SEN. DUKES: Ed-Net has great potential, but never visioned it as a separate state agency. CHAIR GOLD: Are the expenses cut from the Governor's Assistant for Education travel expenses? MCCLELLAN: Position was reorganized so it doesn't have as many expenses.

CHAIR GOLD: Why was this singled out. MCCLELLAN: Currently three agencies split the dues. One was dropped and the remaining two will pick up the additional cost. 055 SEN. TROW: Is the Governor's Science Council eliminated completely? MCCLELLAN: Yes. CHAIR GOLD: Clarifies OEPP program. Major focus will be workforce. The original concept of think tank for preschool to higher education won't be the focus. MCCLELLAN: We won't lose that area completely. It is a recognition that workforce and education go together. Senate Committee on Education January 24, 1991 - Page 10

SEN. TROW: Comments on accessibility to education. Some people shifting to the workforce.

085 BARGEN: Presents charts on money in Early Intervention programs (EXHIBITS C AND D). Saves discussion for later meeting.

CHAIR GOLD: Concerned about mandating Early Intervention programs onto school districts when they can't afford them. Wants to refrain from doing so in the committee bill drafts. Adjourns the hearing at 4:50 p.m.

Submitted by: Reviewed by: Angela Muniz Jan Bargaen ( )  
Assistant Administrator

EXHIBIT LOG:

A - Summary: "Education Program Area" - Margie Lowe - 7 pages B -

Summary: Education budgets - Dewey Harris - 5 pages C - Chart: Early  
Intervention money - Staff - 1 page D - Chart: Early Intervention money  
- Staff - 1 page

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