



March 8, 2013

Co-chairs release spending plan for next biennium; State School Fund hearings next week

The co-chairs of the Ways and Means Committee (Sen. Richard Devlin and Rep. Peter Buckley) on March 4 released what they called a “Turning Point Budget” for the 2013-15 biennium.

“At the cornerstone of this budget is an investment in education,” stated Sen. Devlin in his opening comments on the budget release. “We are creating resources for the State School Fund in the amount of \$6.75 billion. That is roughly a billion more for our K-12 system than last biennium.”

The co-chairs explained those numbers further by stating that the direct appropriation to the State School Fund would be \$6.55 billion, and an additional \$200 million in cost reductions related to the Public Employees Retirement System (PERS) cost for school districts. “Our schools—and most importantly, our students—cannot afford two more years of reduced resources and opportunities. Bringing the K-12 budget to the equivalent of \$6.75 billion is the centerpiece of our budget proposal,” Rep. Buckley said.

In addition to the State School Fund, the co-chairs also commented on the proposed budget for some of the governor’s education initiatives. “Our budget assumes legislative support for the initiatives for Oregon Reads, Connecting to the World of Work, and Post-Secondary Aspirations,” stated Sen. Devlin. The co-chairs did not provide specific funding levels for these initiatives, stating that the funding levels will depend on further elaboration on program objectives and overall revenue available in the 2013-15 biennium. One area where the co-chairs differed with the governor’s recommended budget was related to the governor’s proposal to reduce funding support for ESDs by \$120 million to support regional centers for teacher preparation. The co-chairs stated, “We acknowledge the need for this important work, but believe mandated special education and other needed services in our school districts cannot be provided adequately with a reduction in ESD funding of such size. We encourage the governor and other advocates to restructure their proposal in order to move forward on this issue.”

Two key issues within the co-chairs’ budget are reforms to PERS and reductions in tax expenditures. Both will be challenging issues for this Legislature. “We acknowledge that our targets for both PERS savings and

reductions in tax expenditures have uncertain paths in the Legislature, but we believe it is our obligation to present to the Legislature and the state as a whole a framework for recovery and reinvestment,” commented Buckley.

The co-chairs indicated they would seek some reform to the cost of living adjustment (COLA) for retirees, but suggested it may look different than the governor’s proposal. Sen. Devlin explained, “We are looking at some sort of COLA cap for the first year, and then a tiered COLA proposal going forward. This would create \$400 million in savings systemwide this biennium. This proposal is fair and equitable and is likely to withstand legal challenges according to what we are being told by counsel.” In addition to a COLA reform, the co-chairs’ proposal also includes the elimination of the tax benefit paid to out-of-state retirees for an additional savings of \$55 million system wide for the 2103-15 budget cycle. The co-chairs would also ask the PERS Board to “collar” about 1.9 percent of the proposed rate increase on PERS-covered employers, thereby increasing available statewide resources by \$350 million. The co-chairs did not provide specifics but added that PERS and its actuary were looking at this proposal to calculate an accurate impact.

Speaking on the issue of PERS reforms, Rep. Buckley said, “The crisis in education demands PERS changes. It is time to call the question on the COLA for PERS. These will not be easy choices for our colleagues. These are people’s lives, not just numbers on a page. These reforms will impact people’s lives and we need to always be mindful of that point.”

The co-chairs also discussed their desire to see some form of tax expenditure reform, but left the details of any particular elimination or modification of any tax expenditure up to the House and Senate committees on Revenue.

“We are encouraged by the increased investment in education above the governor’s recommended budget the co-chairs announced this week,” commented OSBA Executive Director Betsy Miller-Jones. “Our school districts across Oregon have made numerous cuts to their programs, employees and school days over the last several years in order to balance their budgets. Our children have paid the price for these reductions. This proposed budget is a step in the right direction. However, even under this budget we will still have districts facing financial challenges. We applaud the co-chairs’ efforts and we will work with them over the coming months.”

“OSBA is also encouraged that the co-chairs have attempted to address the growing cost of PERS in their

budget plan,” Miller-Jones added. “OSBA has been working with a coalition of groups on this issue for some time and we are pleased to see some movement to recognize this growing cost. We know that whatever is proposed must be balanced, equitable and withstand legal challenges. The co-chairs’ proposal is a good start to this difficult conversation and we believe that further reforms and savings are available and legal beyond what the co-chairs proposed. These are difficult issues and we appreciate the co-chairs bringing them to the forefront in the budget discussion.”

The co-chairs stated their desire to complete the State School Fund portion of the budget by late March or early April. The Education Subcommittee of Ways and Means has scheduled the State School Fund appropriation bill (**Senate Bill 5519**) for public hearings next week, March 12-14, in Hearing Room F at 8:30 a.m.

You can read more about the co-chairs’ proposed budget at: http://www.leg.state.or.us/comm/lfo/2013-2015/2013-15JWMCo-ChairsBudget_030413.pdf

View Senate Bill 5519 here: <http://www.osba.org/Resources/Article/Legislative/BillTracking.aspx?s=13&t=&r=&q=sb 5519&c=50&key=SB 55190&ptadd=: SB 5519 Details>

Contact Jim Green, OSBA Deputy Executive Director, at jgreen@osba.org if you have questions about the co-chairs’ budget.

House Revenue Committee considers measures to protect local option levies from “compression”

Last week, the Senate Revenue Committee held a hearing on how to deal with “compression;” this week it was the House Revenue Committee’s turn.

A quick refresher: Measure 5 capped property taxes for schools at \$5 per \$1,000 of real market value (RMV). If the property taxes assessed on a property exceed these Measure 5 limits (including taxes assessed through local option levies), the taxes are reduced until the \$5 limit is reached through a mechanism commonly known as “compression.” Voter-approved levies are reduced first, all the way to zero, before collections for the school district’s permanent tax rates are impacted. The significant loss of voter-approved school revenue across Oregon has prompted the Oregon School Boards Association to call on the Legislature to provide “compression” relief to school districts and other local governments.

On March 7, the House Revenue Committee held its first hearing on **House Joint Resolution 7**, sponsored by Rep. Sara Gelser (D-Corvallis). HJR 7 would refer an amendment to Oregon’s constitution that would increase the Measure 5 permanent rates for education to \$7.50 and allow local districts to ask their voters to increase the permanent rate up to the new \$7.50 limit. Any additional funds above the current permanent rate would be kept by

the district and not count as local revenue in the school funding formula. HJR 7 would also take school district base rates and local option levies out of compression due to the increase in the permanent rate limit.

The committee also heard **House Joint Resolution 8** and **House Joint Resolution 13**, introduced at the request of Rep. Jules Bailey (D-Portland). HJR 8 would refer an amendment to Oregon’s constitution which would make local option levies immune from the impacts of “compression.” HJR 13 would reset assessed values for properties at the time of sale to real market values; assessed values were capped as a result of Measure 50. These measures are identical to SJR 10 and SJR 11 (see the story in last week’s *Legislative Highlights*).

Two school board members traveled to Salem to share stories about how compression has impacted their ability to provide services to their students. Tigard-Tualatin School Board Chair **Maureen Wolf** told committee members that her district’s levy “...will lose almost \$5 million to compression while collecting only \$3.8 million...I come before you to recommend that communities be given the opportunity to fully support their local schools through the effective use of local option levies.” OSBA Legislative Policy Committee and West-Linn Wilsonville School Board member **Betty Reynolds** noted that “the voters of our district have consistently voted by large margins to support smaller class sizes, but that wonderful community support is losing out to compression.”

While many school board members across Oregon await legislative action to undertake a comprehensive review of Oregon’s system of funding schools and other vital public services, March 7th’s hearing was a reminder that there are measures that can dramatically improve school funding in districts across Oregon without costing the state a dime. OSBA Legislative Specialist Morgan Allen told the committee that “compression” of school property tax base rates and local option levies will leave districts unable to collect almost \$100 million dollars of local tax revenue this year. He added that if a local community chooses to raise money for its schools, the school district should be able to collect the full value of the money approved by their voters.

If you have a “compression” story to share, or would like to get involved with this issue, contact Morgan Allen at mallen@osba.org.

View House Joint Resolution 7 here: <http://www.leg.state.or.us/13reg/measpdf/hjr1.dir/hjr0007.intro.pdf>

View House Joint Resolution 8 here: <http://www.osba.org/Resources/Article/Legislative/BillTracking.aspx?s=13&t=&r=&q=hjr0008&c=50&key=HJR00080&ptadd=: HJR0008 Details>

View House Joint Resolution 13 here: <http://www.osba.org/Resources/Article/Legislative/BillTracking.aspx?s=13&t=&r=&q=hjr0013&c=50&key=HJR00130&ptadd=: HJR0013 Details>

See March 1 *Legislative Highlights* story on Senate Joint Resolution 10 and Senate Joint Resolution 11: http://www.osba.org/News%20Center/Announcements/2013-02-28_LH_Compression.aspx

House Ed Committee takes up school security upgrades

On March 6, the House Education Committee held its first public hearing on **House Bill 2337**. Sponsored by Rep. Mitch Greenlick (D-Portland), the legislation would authorize the state to issue bonds totaling up to \$18.75 million to be used as matching funds for school security infrastructure or upgrades. OSBA Secretary-Treasurer and Portland Public Schools Board member **Bobbie Regan** provided testimony in support of the bill.

Regan told the committee that since the tragedy at Connecticut's Sandy Hook Elementary, parents and educators have spent time asking questions about how we can protect our children and keep our schools safe. She noted that other states provide state support for safety and security improvements and urged the committee to do the same.

"In 2010, Oregon voters approved a constitutional amendment allowing the state legislature to incur debt to pay for capital construction in schools," said Regan. Noting that the state has yet to issue such bonds, she told the committee that passage of HB 2337 would begin to address safety and security improvements in schools by "...provid(ing) state matching grants to school districts to make security improvements, including key card access, video surveillance, exterior lighting, door reconfigurations and more."

Regan closed by telling the committee that the average age of buildings in Portland Public Schools is 65 years and without state funds to make all the necessary safety and security upgrades, Portland and districts across the state will have to delay needed safety improvements.

The committee is considering several other proposals to use proceeds from state general obligation bonds to provide technology, safety and capital improvements to public schools and is expected to take up this issue later this session. Contact Morgan Allen at mallen@osba.org if you have any questions.

View House Bill 2337 here: <http://www.osba.org/Resources/Article/Legislative/BillTracking.aspx?s=13&t=&r=&q=2337&c=50&key=HB23370&ptadd=: HB 2337 Details>

Career and Tech Ed bills receive hearings

The Legislature addressed the issue of career and technical education (CTE) in two committee hearings this week. The House Higher Education Committee, chaired

by Representative Michael Dembrow (D-Portland), took up **House Bill 2110**, and the Senate Education Committee, chaired by Senator Mark Hass (D-Beaverton), reviewed **Senate Bill 498**. Both bills appropriate general fund money to the Oregon Department of Education (ODE) for career and technical education grants to be awarded in the upcoming biennium.

Last biennium under House Bill 3262, the CTE Revitalization Grant was created and funded at \$2 million; the ODE was charged with administering the grant. School districts submitted proposals under the rules of the grant, which prescribed a need for partnership with and support from local business and/or industry.

During the Senate Education and Work Force Development hearing, Rep. Dembrow and Senate Majority Leader Diane Rosenbaum (D-Portland) led off the testimony on the heavily supported SB 498, saying, "The first round of (CTE) grants allowed 21 schools to offer new or improved vocational programs. These programs meet two critical needs. They provide a path to family-wage jobs and match the needs of employers. Schools applying for funds must show close community partnerships and demonstrate that the curriculum meets skill-set requirements of existing employers and/or emerging industries. The CTE Grant is a tool that will help districts achieve in one area of the 40-40-20 goals, specifically the middle 40% goal."

Testimony continued with teachers and, most importantly, students who spoke about the impact of the opportunity to experience the "real work world." Student Morgan Welch said, "Now I understand what teachers and parents tell us about the importance of networks." Legislators hearing the students and teachers tell about the importance of these programs sat in awe of the powerful and enthusiastic testimony.

The Oregon School Boards Association is very supportive of the bill and there was no opposition to it. The Senate Education and Workforce Development unanimously moved the bill out of committee and sent it to the Ways and Means committee to wait further action.

View House Bill 2110 here: <http://www.osba.org/Resources/Article/Legislative/BillTracking.aspx?s=13&t=&r=&q=hb 2110&c=50&key=HB21100&ptadd=: HB 2110 Details>

View Senate Bill 498 here: <http://www.osba.org/Resources/Article/Legislative/BillTracking.aspx?s=13&t=&r=&q=sb 0498&c=50&key=SB04980&ptadd=: SB 0498 Details>

Congress fails to act on sequestration – education cuts looming

With passage of the March 1st deadline for Congress to deal with automatic spending cuts to education and other federal programs, Oregon schools and students

stand to lose significant resources. Most troubling, the education funds that will be cut as a result of “sequestration” support low-income students and special education, English Language Learners and Head Start programs.

Specifically, the Oregon Department of Education (ODE) projects that Oregon will lose about \$23 million annually in support for education programs. These cuts include:

- \$10.2 million reduction in Title I funding equal to a 6.6 percent cut;
- \$6.4 million reduction in IDEA funding equal to a 4.7 percent cut;
- \$3.5 million for Head Start and Early Head Start; and
- \$3 million in federal funds for other programs, including English Language Learner programs.

While full details about implementation of the cuts are still being finalized, most of the cuts won't begin until July 2013. ODE officials expect the education spending cuts to impact the 2013-14 school year. As more information becomes available, we will share those resources.

For questions, contact Morgan Allen, OSBA legislative specialist, at mallen@osba.org.

Listen to OSBA Secretary-Treasurer and Portland Public Schools Board member **Bobbie Regan** speak about sequestration at:
http://www.osba.org/News%20Center/Announcements/2013-03-05_Bobbie_Regan_interview.aspx

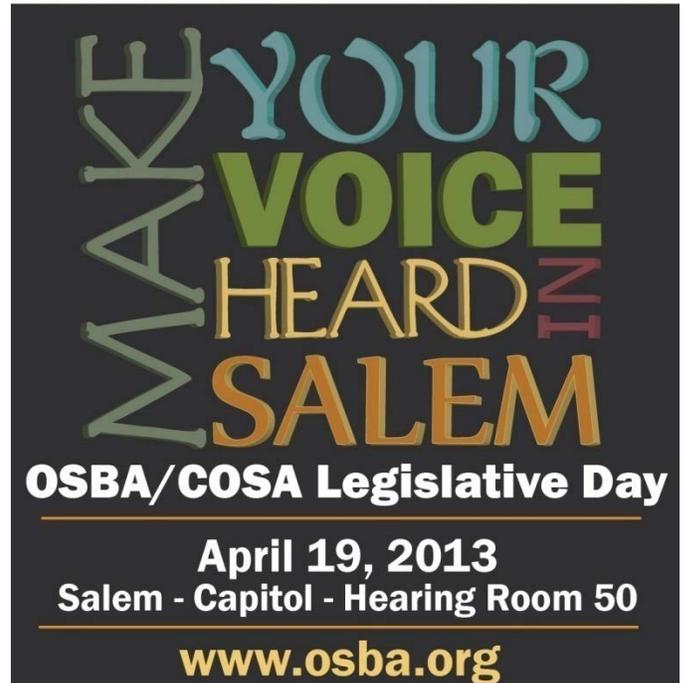
Contact your legislator

Find your legislators' contact information on the Oregon Legislature's website:

House - <http://www.leg.state.or.us/house/>

Senate - <http://www.leg.state.or.us/senate/>

To contact your legislator by phone, call the Capitol Switchboard at 1-800-332-2313.



The graphic features the text "MAKE YOUR VOICE HEARD IN SALEM" in large, stylized, multi-colored letters. Below this, it reads "OSBA/COSA Legislative Day" in white, followed by "April 19, 2013" and "Salem - Capitol - Hearing Room 50" in white. At the bottom, the website "www.osba.org" is displayed in yellow.

Register online for the OSBA/COSA Legislative Day at:
http://www.osba.org/Calendar/Events/Legislative_Day-2013.aspx