

MINUTES

Joint Work Session of the

BOARD OF DIRECTORS

Corvallis School District 509J, 1555 SW 35th Street, Corvallis, OR, 97333
Greater Albany Public School District 8J, 718 Seventh Avenue SW, Albany, OR 97321
Philomath School District 17J, 1620 Applegate Street, Philomath, OR 97370

I. CALL TO ORDER AND ROLL CALL

The meeting was called to order at 7:00 p.m. in the Board Room of the Corvallis School District Central Administration Building, 1555 SW 35th Street, Corvallis, Oregon. The secretary recorded those present as listed below.

<p><u>Present From Corvallis</u> Kari Rieck, Board Chair Donna Keim, Board Vice Chair Blake Rodman, Board Member Anne Schuster, Board Member Dawn Tarzian, Superintendent Kathy Rodeman, Business Services Director Julie Catala, Executive Assistant to the Superintendent</p> <p><u>Present From Greater Albany</u> Liisa Reid, Board Chair Frank Bricker, Board Member Russ Allen, Director of Business and Operations</p>	<p><u>Present From Philomath</u> Rose Cook, Board Chair Rick Wells, Board Vice Chair Betsy Anderson, Board Member Marilyn Slizeski, Board Member Pete Tuana, Superintendent Darin Davidson, Business Manager</p> <p><u>Others Present</u> Sara Gelser, State Representative Frank Morse, State Senator Andy Olson, State Representative Ed Wright, Senator Morse's Policy Analyst</p>
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II. PLEDGE OF ALLEGIANCE

Corvallis School Board Chair Rieck led the group in the pledge of allegiance.

III. WELCOME AND INTRODUCTIONS

Chair Rieck led introductions and welcomed the group. She said this meeting is a unique way for the districts to share information and understand the impact that legislative actions have on our districts.

IV. DISCUSSION REGARDING MANDATORY INSURANCE POOLING

A. Presentations by District Business Managers

Corvallis School District Business Manager Kathy Rodeman drew the group's attention to several documents at their places. Of those documents, she referenced Senate Bill 0426 (SB 0426), related to the mandated Oregon Educators Benefit Board and briefly described what the bill was about:

- ? It ends the ability of individual school districts and school boards to determine the benefits they have for their employees and who the benefits are provided by.
- ? It establishes a state-wide board that would select the plans that are adopted. She pointed out that proponents of the bill claim they will attempt to offer "like plans" but it is not possible to fully match up because of the variety of existing plans throughout the state.
- ? It entails extra hoops a district must jump through if on a self-insured plan.

Ms. Rodeman said that in her perspective this bill takes an optional state-wide insurance program, the Oregon School Boards Association (OSBA) Trust, which covers almost 100,000 lives, and creates a state-run mandate. In doing that, she said she has to wonder what the benefits are. She said that underwriters and actuaries say "economy of scale" reaches the maximum when about 100,000 members are covered by a plan. She said Corvallis School District is currently able to tailor its offerings from our self-insured (for dental and vision insurance) and OSBA (for health insurance) programs to what we think are the best benefit packages for our employees. She added that the district can do that in a way that allows quick response to market conditions in terms of being able to change a benefit because we see an increase coming and our employees are willing to trade that off for a lesser benefit of some kind. She said the proposed bill represents a loss of flexibility that will work against the district. In the estimate received from OSBA, costs to the Corvallis School District are expected to increase over \$1.3 million over the biennium if we went to the Public Employees Benefits Board (PEBB) plan.

Greater Albany Public School District Business Manager Russ Allen prefaced his comments by stating that the Albany School Board has taken no stance on this issue, and today's comments are his own and not reflective of the district. He said he echoes Ms. Rodeman's comments primarily, adding that he is leery of how a government-run monopoly would save anybody any money. A pool already exists (through OSBA) but there is also competition. There's a free market for school districts right now for health care, and there are plenty of options available to districts, even if they do not want to belong to a pool.

Senator Morse joined the meeting at 7:10 p.m.

Mr. Allen opined that PEBB is a great example of why we shouldn't go to a single pool, adding that he doesn't see any cost savings. PEBB is an example of what a government-run monopoly would look like in terms of health care but it's also not a really good feel for what we would see as school districts because PEBB is a single employer operation with the premiums fully paid by that one employer. We have 199 employers and they all currently pay a different amount of money for health insurance. He doesn't believe there's any requirement in the bill to ensure that districts would have to pick up the full cost of health insurance – he assumes the caps negotiated into employee contracts would apply. But in his experience from labor negotiations, the further away the premium is from the cap, the harder the individuals at the bargaining table are going to bargain for a cap that's closer to that premium. Initially there wouldn't be any direct cost to the employer, if the premiums are higher, but it would certainly be to the employee, but the employer would eventually take the brunt because of the pressure there would be to increase that cap to close the gap between the premium and the employer contribution. It takes away local control to determine benefits, whether that local control is the employees or employer or a combination of the two; it takes away local control to determine what the benefits are.

Philomath School District Business Manager Darin Davidson echoed the points made by Ms. Rodeman and Mr. Allen. He said the main thing he wanted to point out for his district is the flexibility Philomath School District has with its contracts, which entail a lot of clauses that create win-win situations for both the district and the employees. He fears that would go away under a state-run system.

Chair Rieck opened the floor for discussion.

Albany School Board Member Frank Bricker opined that the cost estimates provided by OSBA are false and pointed out that Albany's employment contracts have caps. He added that he doesn't necessarily think it's a good bill.

In response to a question from Philomath School Board Member Marilyn Slizeski, State Senator Frank Morse provided a brief history of how the bill came about.

State Representative Sara Gelser said since the bill has been around a long time, there's entrenchment from the Oregon Education Association (OEA) and OSBA. She encouraged everyone to focus on the information to make the best decision to get as much money as possible into classrooms.

State Representative Andy Olson said his concerns stem from the reducing figure identified by the bill's proponents as cost savings: the first figure given, in 2003, was \$200 million; that figure was then reduced to \$100 million and then to \$40 million.

In response to a question from Corvallis School Board Member Blake Rodman, Senator Morse said the expected savings comes through anticipated economy of scale in administration if more lives are covered and the belief that greater buying power could be leveraged with providers, following the theory that more purchasing power results in better rates. He said he doesn't see

that applying in this instance, and he doesn't see how that magnitude of savings will come just through administrative costs. His concern is that every district has variable expenses, some high and some low, and that per OSBA, the first year a district enters into the plan it would enter at its existing costs. But soon it would migrate up to essentially the Service Employees International Union (SEIU) benefit plan, which is the richest of all the benefits. That's risk – migrating to the highest level, rather than staying at your current cost basis. He said he has as great a passion as any of his colleagues to find scarce resources and apply them more effectively, but he hasn't been convinced that this is the only way to do it.

Representative Gelser said she's not necessarily convinced that this bill is the way to do what Senator Morse just described, but there are some statements made by OSBA that concern her: costs will migrate up to the SEIU plan level; all districts would move to the place where employees aren't making a contribution to their health care benefit, and; there wouldn't be co-pays. She said the bill allows districts to keep their caps; there's no collective bargaining power given to PEBB, and; PEBB must provide a variety of different types of programs. She said the comparison between PEBB and OSBA Trust uses different plans; there's more in the PEBB plan, so of course it will cost more. She said it would be helpful to have numbers that compare apples to apples and that reflect the fact that school districts will continue to have the ability to have caps as well as the ability to negotiate with employee groups around premium levels and caps and determine trade offs against salary increases vs. benefit increases.

Mr. Davidson said he is frustrated as he attempts to explain this bill to board members and the community with the small amount of information available about how the savings will come about, how the plan will be structured, and what control districts maintain vs. what control the state maintains. It's almost impossible to put numbers to it.

Senator Morse mentioned an amendment he will propose at tomorrow's senate committee hearing. His Policy Analyst, Ed Wright, provided highlights about the amendment: given that the risk pools are large enough, because of the OSBA, OEA and PEBB pools, he doesn't see a reason to have a sole provider benefits plan board. The amendment removes the sole providership from the bill. It allows PEBB to be one of the choices that districts can contract with, so it can compete head-to-head with OEA, OSBA, Kaiser Permanente, etc., so that school boards can decide from the market place where they can get the best service plan for their employees and for their situation, rather than having it settled at the state level. He said another option is to scratch the bill and modify the statutes for PEBB to allow districts to contract with PEBB; then, after a few years, districts can analyze whether or not they are being better served. School districts will contract with the best providers.

Mr. Wright pointed out that the initial cost to set up the board is \$5 million, which is not noted in the bill.

Corvallis School Board Chair Kari Rieck said her concerns include the fact that this is mandatory, as well as about some of the bill's language that indicates to her that only one carrier might be available for districts. She said she wants to ensure that districts can negotiate and rely on the expertise of their business managers to constantly look for ways to save money. She likes the opportunity to change statute to allow districts to contract with PEBB if that's what they want to do, or to have different organizations offer pooling.

Mr. Allen said he takes issue with a comment made by Representative Gelser that both sides of the issue are engaged in a clash of good intentions, both wanting to save money, and that it's really a dueling of actuaries. Mr. Allen said he has talked to enough "Uniserv" (stands for Unified Service) representatives to know that, while there is certainly that aspect of it, one of the big pushes from OEA on this is to strip OSBA of the revenue that is generated from the OSBA Trust. That has been an issue for OEA for many, many years. With the conversations he's had with the Uniserv representatives of OEA, that's as much driving this as is cost savings. They feel that at the legislative level OSBA is the enemy of OEA and that their lobbying efforts are paid for through the cut that OSBA takes off of the insurance, and they want to deny OSBA that revenue.

Representative Gelser said the colleagues she's talked to who support this measure say OSBA is not a factor for them. Their issue and desire is to be as accountable for taxpayer money as possible and be able to realize as much savings as possible in order to direct as many dollars as possible to the classroom.

Mr. Allen said Albany's teachers' union for years paid thousands of dollars out of their own pockets to stay with a plan that wasn't OSBA and they told the district that the reason their union would pay literally hundreds of thousands of dollars more a year, if you looked at the collective union, is because they didn't want OSBA to receive the union's dollars. And they were willing to pay that to keep the plan out of OSBA for that very reason.

Albany School Board Chair Liisa Reid said the teachers just let the district switch to OSBA last year by a pretty strong majority, and effectively it was probably the largest raise a lot of their employees have received in years. Mr. Allen said it took a new Uniserv representative and a new teachers' union president in order for that to happen.

Mr. Wright said he's looked at some of the plans outside OSBA Trust and found that the cost per individual and per couple is considerably less than through Kaiser Permanente through the PEBB plan, which is almost twice as much for individuals and 55% more for couples.

Mr. Rodman referred to a statement made earlier by Mr. Allen about negotiated caps and noted that employee contributions would theoretically make up the balance of the cost increases. He said it is hard for him to see how an employee union would smile on that. Mr. Allen said Albany's teachers' union was voluntarily doing that for years because they have the right to name their carrier; they were voluntarily picking up the extra costs year after year just to keep the money from going to OSBA. He said he has been at the bargaining table where the premium

being discussed is fairly close to the cap and he's been at the bargaining table where the premium being discussed is a long way away from the cap; he knows the difference in the tenor of the discussions. This bill will create an upward pressure on the caps at the bargaining table.

Ms. Rodeman agreed with Mr. Allen's sentiments and added that Corvallis has been saving approximately \$200,000 a year since it self-insured for dental and vision. The district offers a side-by-side traditional plan for dental insurance and Willamette Dental, which is like an HMO for dentistry. Ms. Rodeman said she's very concerned about being pushed into any plan that takes away the district's ability to offer those services to its employees. The employee co-pay differs significantly under each of those plans. Part-time employees' ability to get dental insurance will be lessened if they are forced into one-size-fits-all dental insurance. She said she agrees with Mr. Allen's representation about upward pressure; Corvallis would immediately see upward pressure through bargaining on the contribution for benefits. She said we're going to see enough of that already without having employees pick up another \$100 a month.

Representative Olson said one of the things he's taking into consideration about this bill is why four districts have been excluded if this is such a great deal. He said the four districts are Portland, North Clackamas, Beaverton and Medford, of which Portland and North Clackamas have the two most expensive health care premiums. He said he believes districts should be able to decide for themselves.

Mr. Bricker opined that those four districts were excluded because they have a lot of votes in both chambers; exclude those votes and the proponents of the bill have no chance for them to vote against it and there will be no pressure from their legislators.

Discussion ensued about the actual overall cost of the program. Representative Olson said he's heard that it could cost as much as \$38 million. Senator Morse said OSBA's last estimate was \$168 million of additional annual costs; there's an assumption that the cost of the plans will migrate to the highest level.

Discussion ensued about a "risk pool" and how rates are impacted.

Mr. Davidson referred to the argument about caps that districts have negotiated, saying that Philomath has a tiered system of plans, one of which has a \$1000 deductible that a lot of the district's employees choose in order to have no out of pocket costs. If an employee is single-covered in that, they are nowhere near the cap, so there is a savings. But at the high end, we're going to the cap regardless. So there is a savings to us, even with the cap. He added that Philomath saves \$80,000 a year by having a tiered system vs. a composite. Philomath Superintendent Pete Tuana said he is concerned that the bill will require a composite system.

Ms. Rodeman said she has never seen solid details backing up the estimated savings, from either the Republicans or the Democrats. She said there is not enough information to make a decision that is this large and affects so many school districts.

Representative Olson commented that this is the third legislative session dealing with this bill. He said he supports spending dollars to do a research project to get the evidence needed to make an informed decision, and have it ready for the next session.

Representative Gelser said the bill doesn't name the four districts Representative Olson referred to earlier; there are opt-out criteria and those four districts are the only ones that meet the criteria.

Representative Olson reported that all four of those districts have already come forward on that issue.

Ms. Slizeski said a question she has is why there would even be opt-out criteria if this is a good idea for the state; if there are opt-out criteria, why wouldn't they be available to all districts.

Representative Gelser said she believes the motivation of the state would be that if districts are spending less on health insurance they can spend more state school funds on other things that the districts might want to have. The opt-out is for districts that can get their insurance cheaper.

Mr. Bricker said under the current cap system, somewhere between 92-94% of districts have caps with employee contributions; the average employee contribution statewide is \$153/month. He said the proposed system would have to save that much before the first tax dollar is saved. He added that 6 of the 10 members of the board receive the insurance that they're negotiating; he has a problem with people receiving a benefit being the ones really trying to save the taxpayers money.

Ms. Rieck asked the legislators what they need from the school boards in terms of support for this bill and the others that will be coming to them.

Representative Olson said he would like to know where each school board stands on the matter, adding that it will help them when they get to the floor of the committee.

Senator Morse echoed that sentiment and suggested that each board take a formal position in terms of its needs, and express that to the legislators. He said that it's possible that this bill could be heard and passed out of the senate tomorrow, and he explained the process that is being used.

Responding to a comment from a board member about how difficult it will be for boards to pass resolutions without knowing if the bill will actually save them money, Senator Morse said that if this were his business, he would find a neutral party, retained by the legislature, to do an analysis of the benefits and liabilities, so an informed choice can be made. In response to a question from a board member, Senator Morse said that language could be put into a board's resolution.

V. OTHER LEGISLATIVE TOPICS/PRIORITIES

Corvallis School District Superintendent Dawn Tarzian referred to Ms. Rieck's earlier question about how districts can support legislators in their work, and asked what the easiest way is for school boards to provide feedback and communication in a way that legislators can use.

Representative Gelser said it's important for legislators to be updated of what issues are important to districts as they're coming down the pike. She said that she and Representative Olson serve on the revenue committee and they have a voice in the policy shaping process, so hearing early what the issues are will be very helpful.

Senator Morse referenced another senate bill, regarding "golden parachute", about contracts for superintendents and administrators. He said it's not a thoughtful bill in terms of tying the hands of school boards in how they craft their contracts with their administrators, and he's working with OSBA to craft amendments.

Senator Morse referenced another bill that would change the mandate for public education for children seven years old to children six years old; some amendments will be made on that to make it more child focused based on the cognitive abilities of the child vs. so age focused.

Senator Morse said legislators can be much more connected with boards via email or fax to keep them up to speed.

Mr. Wright asked the boards to provide their legislators a list of the bills that are of concern to school districts and to outline the problems with each bill.

Ms. Rieck thanked the legislators and Mr. Wright for joining the meeting, noting that they had to adjust their schedules to be able to attend.

On behalf of his fellow legislators, Senator Morse indicated their willingness to meet with the group again.

Senator Morse, Representatives Olson and Gelser, Mr. Wright and Superintendents Tarzian and Tuana departed the meeting at 8:03 p.m.

Ms. Rieck opened the discussion about future collaboration between the three school boards.

Comments included:

- ? Have school board chairs keep in contact and track the information; have a conversation and find out if the boards are in agreement. If so, combine for a voice of three districts.
- ? Have Ms. Rieck work with the senator and representatives to keep them updated.
- ? Have Ms. Rieck send out sample resolutions (from OSBA) to all three boards, and then have the board chairs gather feedback from their own districts.
- ? Invite people to meet with the boards, like tonight's meeting.

- ? Having an opportunity for our legislators to hear from the boards, even if the boards might not be able to pass resolutions, is valuable.
- ? Having the large group meeting stimulates information because one person's comment leads to another person's comment and there's so much more information generated.
- ? Possibly have quarterly meetings with our legislators.

Ms. Rieck drew the group's attention to three other bills, copies of which were at their places, and asked Ms. Rodeman to discuss them.

Ms. Rodeman said all of the bills have to do with the state school fund formula. One of them, HB 2040, eliminates teacher experience as a factor in the school district funding formula. Currently, school districts that have higher-than-average-experienced teachers get a fraction back in terms of an add to the formula. Doing away with the factor would take \$487,000 out of the Corvallis School District's budget. She said the question she has is what will be done with that money; if it were distributed across districts, Corvallis would lose a large deal of money.

Ms. Rodeman said another bill, HB 2044, would eliminate extended average daily membership. She said approximately two-thirds of the districts across the state have declining enrollment and one-third are experiencing increasing enrollment. One of the things put in place with the formula originally is that if you're a declining enrollment district, you at least have a year to make that adjustment to your new enrollment level. As an example, she said Corvallis' enrollment for next year is expected to decline less than 1%, but that additional funding is \$395,000. If you had a more rapid decline, you couldn't close schools quickly enough to react to that in the same year.

Ms. Rodeman referred to SB 0213, which allows school districts to offer half-day or full-day kindergarten, or both. She said the thought is that everyone should be reimbursed whether they provide half- or full-day kindergarten programs. If all districts went to full day kindergarten and the funding were divided in finer detail, it would result in a \$420 per student difference in the reduction of funding across the state. It would dilute the state formula to pay for it. She said that if the state allows all-day kindergarten to be reimbursed, she hopes more funding will be added.

Mr. Allen opined that it is truly smoke and mirrors, adding that if the bill were worded "we want you to provide 13 grades but still use the same funding" it would be more clear for people.

Ms. Slizeski opined that there might be more pressure around the idea to increase kindergarten funding to full-day because one of the districts in the state that showed improvement was due to the change to full-day kindergarten.

Mr. Allen said that districts with low-income schools could use Title funding to offer full-day kindergarten; Albany used to do so with one of their schools but had to stop it because of inadequate space.

Ms. Rodeman explained that Corvallis has a tuition-based full-day kindergarten option, with scholarships provided to those families in need, and two of Corvallis' schools use Title funds to provide free full-day kindergarten.

VI. ADJOURNMENT

There being no further business, Chair Rieck adjourned the meeting at 8:20 p.m.

Kari Rieck, Chair

Dawn Tarzian, Superintendent

Prepared by: Julie Catala

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