

**MINUTES**

Special Meeting of the

**BOARD OF DIRECTORS**

Corvallis School District 509J  
1555 SW 35th Street  
Corvallis, OR

**I. CALL TO ORDER AND ROLL CALL**

Chair Gable called the meeting to order at 4:09 p.m. in Corvallis Public Library's meeting room, 645 NW Monroe, Corvallis, Oregon. Chair Gable dispensed with the calling of the roll and the secretary recorded those present as listed below.

GUEST SPEAKER

Oregon Senator Frank Morse

BOARD MEMBERS PRESENT

Cyrel Gable, Chair  
Robert Baldwin  
Sara Gelser  
Nell O'Malley  
Robert Johnson

BOARD MEMBERS EXCUSED

Ron Miller, Vice Chair  
Joan Demarest

STUDENT REPRESENTATIVES  
PRESENT

Ashleigh Campi, Crescent Valley High  
School

BUDGET COMMITTEE CITIZEN  
MEMBERS PRESENT

Mark Volmert  
Charlie Tomlinson  
Shaun McKinney  
Kari Reich  
Julie Manning

EXECUTIVE STAFF PRESENT

Jim Ford, Superintendent  
Ron Corbell, Assistant Superintendent  
Jeanne Holmes, Assistant to the  
Superintendent  
Duane Jager, Information Services Manager  
Dawn Tarzian, Teaching and Learning  
Director  
Fred Wright, Auxiliary Services Director  
Linda Martin, Budget Analyst  
Julie Catala, Board Secretary

PRINCIPALS PRESENT

Julie McCann, Lincoln Elementary  
Lois Rawers, Hoover Elementary

ASSOCIATION REPRESENTATIVES  
PRESENT

Peg Cornell, Corvallis Education  
Association (CEA) President  
Dawn Dauble, CEA Representative  
Sandy Grzeskowiak, CEA Representative

A quorum was present and due notice had been published.

Chair Gable thanked those in attendance for coming and announced the questions Senator Morse would be speaking to in general:

- Oregon's state budget as whole
- The education budget as a portion of the State's budget
- What legislators expect from school districts; how we might manage under these conditions

Senator Morse then spoke to the attendees and engaged in the question and answer session that followed.

## **II. SENATOR MORSE'S COMMENTS**

Senator Morse stated he was very pleased with the sense of bipartisanship in the legislature and noted a unanimous ballot elected the president of the senate for the first time in Oregon.

Senator Morse announced he serves on the Joint Ways and Means Committee, a body of ten members from the Senate and ten from the House, a small funnel through which all monies flow. He serves on the subcommittees for transportation, human services, and business development. There is an education subcommittee as well.

He stated the general fund budget is only one piece of state spending. Some federal funds require matching state funds so when related state funding is reduced the magnitude is greater than just those in the general fund.

The last seven periods (4 periods per year) in succession have been in a downturn. He related our state system is not streamlined for use in making solid economic predictions. The budget is projected out for 24 months. When times are good, the excess is returned to the taxpayers via the "kicker refund." When times are not so good, the State doesn't have that good-time money as a cushion but the state also does not have increased programs to support that may have been financed using the good-time monies. He believes the kicker refund is a poor piece of legislation though some restrictions should be set on spending.

He related that in March the state economist predicted \$500 million less available than the governor had when creating his balanced budget. That was based on an 18% increase in revenue that the legislators do not see happening.

The governor's ending balance is projected to be \$25 million, two-tenths of one percent of an \$11 billion budget. One non-profit organization that Senator Morse belongs to has set their ending balance goal at 120 days of operating expenses. (Applied to the State's budget, that would be a figure of \$1.8 billion.) Senator Morse commented that the \$25 million could almost be measured in minutes of operating expenses, not days. (\$25 million is equivalent to 1.66 days

of operating expenses.) Several economists who recently appeared before the Ways and Means Committee suggested either 10% of expenditures or 10% of the general fund balance be held in reserve for the ending balance. Those figures would be \$3.7 billion and \$1.1 billion respectively. Adding the \$83 million in emergency funds in the governor's budget to the \$25 million ending balance still falls woefully short of suggested reserves. He summarized their goal would be between a 3-4% ending balance.

Senator Morse reported that Moody's had recently downgraded Oregon's bonds, the first time in the state's history. Tax anticipation notes, a short-term borrowing tool, were issued for the first time and currently total \$700 million. The state has shown job losses the last two years. He believes one of the reasons Oregon is disproportionately leading in a downturn is due to the 14% durable goods manufacturing. The average is 7%. Modest growth is predicted by mid-2003 with an upswing mid-2004.

### **III. QUESTIONS AND ANSWERS**

Responding to questions, Senator Morse provided these responses.

- The legislature expects school districts to handle their shortfalls by omitting salary increases.
- If restructuring of Oregon's tax collection system were to be undertaken it would be comprehensive, not a stop-gap measure.
- New taxes such as beer and wine, pop, and vehicle titles have been proposed in the legislature in desperation. In time, the suggestion may be made for a sales tax. Prior to seriously considering new taxes the legislature would be seeking efficiencies.
- He is against the legislature moving to annual budgeting.
- He's been told the first third of the biennium nothing happens, the second third things begin and the last third they happen fast.
- Education and human services take the lion's share of the State's discretionary budget.
- Funding for the (quality) education model is in excess of what the State has.
- He feels local option funding for education can be a lifeline to local communities though it would need to contain some measure of equalization, a serious issue.
- He does not feel it would be advisable to maintain education funding at the current low levels in the future when the state is seeing better times.
- Though K-12 schooling is held in high regard, trust for other public agencies could be improved by having more state agencies audited. He related that 11 of the largest agencies are not audited. Efficiencies could be gained. Though school districts are audited and their records are open, reform of the Public Employees Retirement System could remove that cloud (which some perceive as generous) which hangs over them as well as other public agencies.
- Corvallis is one of the biggest losers, post Measure 5, in terms of real K-12 financing with a loss of 12.1% at the end of 2001 compared to Albany's 1.6%.

- He hears desperate pleas for help in Ways and Means. Four cities in Oregon rank in the top 20% (three in the top 15%) of 189 cities in four states in housing expenses.
- For every 1% change in personal income there is a 1½% change in tax revenue.
- Benton County's more "trustful" voting record could be attributed to lower rate of unemployment (4.3% compared to Linn County's 11.1%) and a more sophisticated, university, high-tech employment community
- The 200-300 tax credits and deductions need to be looked at for validity. A large share are federal but for every \$1 the state collects, 58 cents is returned. This results in reducing the 9% tax rate to an actual collection rate of 4.2%. This is not, however, the time to seek their repeal.
- Because he is not on the revenue side of the formula, he would be a peripheral participant in supporting education funding. He believes in fiscal discipline first, which includes saying "no" to some requests, then restructuring tax revenue.

Chair Gable related to Senator Morse that the school board would be prioritizing \$6 million in budget cuts at their next meeting and that she would keep him abreast of the local situation.

#### **IV. ADJOURNMENT**

The meeting was adjourned at 5:17 pm.

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Cyrel Gable, Chair

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Jim Ford, Superintendent

Prepared by: Jolene Shute

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