

**REVENUE IMPACT OF
PROPOSED LEGISLATION
75th Oregon Legislative Assembly
2009 Regular Session
Legislative Revenue Office**

Bill Number: SB 574 A
Revenue Area: School Finance
Economist: Steve Meyer
Date: 4/27/09

Measure Description:

Reconfigures 14 Education Service Districts (ESDs) into 7 new ESDs effective July 1, 2011. Maintains 6 existing ESDs. Requires the State Board of Education to enter the necessary orders prior to January 1, 2011 without boundary elections and with distribution of assets and liabilities. Divides ESDs into 5 zones for purposes of electing 5 directors who appoint 4 additional directors. Requires the 5 directors to be elected by school boards of component school districts. Makes employees of merged ESDs employees of new ESD. Modifies ESD regionalized core services. Makes State School Fund minimum grant equal to at least \$1 million for each former ESD that has a \$1 million State School Fund grant in 2010-2011.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2009-10	2010-11	2009-11	2011-2013	2013-2015
ESDs from merger of \$1 million minimum funding ESDs	\$ 0	\$ 0	\$ 0	\$ -4.7	\$ -4.5
Other ESDs	\$ 0	\$ 0	\$ 0	\$ +4.7	\$ +4.5
School Districts	\$ 0	\$ 0	\$ 0	\$ -1.4	\$ -1.5
Total	\$ 0	\$ 0	\$ 0	\$ -1.4	\$ -1.5

Impact Explanation:

As currently written, to qualify for minimum funding in 2011-12, an ESD has to receive a \$1 million State School Fund grant in 2010-11. Under current law, the \$1 million minimum is a combination of State School Fund grant and local revenue so a State School Fund grant will not be exactly \$1 million in 2010-11. Consequently revenue will shift from new ESDs with former minimum funded ESDs to the other ESDs. The amount depends on future State School Fund appropriations.

With the dissolving of Union-Baker ESD, the new ESD tax rates for these two counties will decrease to the rate of the annexing ESDs. This property tax reduction is shared by ESDs (4.75%) and school districts (95.25%) by the allocation of combined state and local formula revenue between them. The mergers will cause some ESD property tax rates to be higher and some lower, but raises about the same amount of tax revenue as before the mergers.

Creates, Extends or Expands Tax Expenditure: Yes No

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