

**2009 Regular Legislative Session**  
**FISCAL ANALYSIS OF PROPOSED LEGISLATION**  
**Prepared by the Oregon Legislative Fiscal Office**

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**MEASURE NUMBER:** SB 574

**STATUS:** A-Engrossed

**SUBJECT:** Reconfiguring the existing ESDs; modifying the governance structure of existing ESDs

**GOVERNMENT UNIT AFFECTED:** Department of Education, local education agencies (education service districts, school districts)

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**DATE:** April 28, 2009

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	<u>2009-2011</u>	<u>2011-2013</u>
<b>EXPENDITURES:</b> See analysis		

**REVENUES:**  
See Legislative Revenue Impact Statement

**EFFECTIVE DATE:** January 1, 2010

**LOCAL GOVERNMENT MANDATE:** This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

**ANALYSIS:** Senate Bill 574 requires the reconfiguration of twenty-one education services districts (ESDs) through merger; this provision becomes operative on July 1, 2011. Only twenty ESDs are currently organized in Oregon as the Yamhill ESD voluntarily merged with the Willamette ESD in 2003.

- The measure directs five current ESDs to remain in tact; these ESDs include: Clatsop, Columbia, Tillamook and Washington Counties; Jackson, Josephine, and Klamath Counties; Lane County; Lincoln, Linn and Benton Counties; and Clackamas County.
- The measure aligns ESDs that currently stand-alone with other counties; including Multnomah County which is merged with Hood River and Wasco Counties; Douglas County which is merged with Coos and Curry Counties; Lake County which is merged with Harney County; Malheur County which is merged with Baker County; Yamhill County which is merged with Marion and Polk Counties; Wallowa County which is merged with Gilliam, Grant, Sherman, and Wheeler Counties (Grant County is also currently a stand-alone ESD merging with other counties); and Jefferson County which is merged with Crook and Deschutes Counties.
- The measure splits the Union-Baker ESD and merges each county with a different ESD.

The State Board of Education is directed to enter the necessary orders to establish the new education service districts (which take effect on July 1, 2011) prior to or on January 1, 2011. The State Board is directed to give names to the new ESDs and provide for the distribution of any assets and liabilities among the new ESDs. The organizing authority of each new ESD is directed to divide the ESD into five zones for the purpose of electing a board of directors; if the organizing authority is unable to reach a consensus on the five zones the State Board is directed to divide the ESD into five zones. After the zones are divided the organizing authority is directed to call an election by the component school district boards

for the purpose of electing the board of directors of the ESD. The measure provides that employees and real and personal property of an ESD that is reorganized are to be considered as employees and property of the new ESD.

#### Education Service Districts

There is an indeterminate fiscal impact to ESDs. ESDs report they will incur both expenses and savings as a result of the provisions of this measure. Currently, ESDs are required to pay the counties for the cost of board member elections. The amount ESDs currently spend on county election costs ranges from \$2,000-\$150,000 per biennium, depending on the size of the ESD. This measure would align the governance process of the new ESDs with the governance process piloted by the Northwest Regional, Willamette, and High Dessert ESDs beginning in 2005 with the passage of HB 3184. HB 3184 directed the pilot ESDs to implement a new governance structure which allowed the board of directors of the pilot ESDs to divide into zones and call a special election in the ESD for the purpose of electing directors. This measure would allow all of the ESDs to form under the pilot governance structure. The organizing authority of an ESD could call for an election by the board of the component school district for the purpose of electing the board of directors of the ESD. Under the new governance structure ESDs report that they would incur minimal costs associated with printing applications and publicizing an election; the county election cost savings for several ESDs, especially the large ESDs could be significant. ESDs who merge with other counties anticipate savings in other areas as well, such as savings that will be incurred as a result of combining their individual administrative functions; services such as financial accounting and office functions could be left to a single entity instead of several. If savings are incurred by ESDs due to the consolidation of administrative functions, dollars could potentially be shifted to services provided for school districts. ESDs anticipate incurring some costs as a result of the need to prepare new maps reflecting the reconfiguration of existing ESDs, as well as, maps reflecting the five electoral zones; legal fees for issues relating to zoning and developing the election notices; and other incidental costs. These costs are anticipated to be minimal.

#### Department of Education

There is an indeterminate fiscal impact to the Department of Education (ODE). ODE assumes the State Board will adopt an administrative rule that will outline the process for entering the 13 orders to establish the new ESDs. This rule would likely direct each of the ESD organizing authorities to prepare and submit a plan to the State Board. ODE reports that the staff resources required to adopt the appropriate administrative rules can be accomplished within existing budgeted resources. The measure requires each ESD to prepare and submit a plan including the distribution of its assets and liabilities to the State Board and to specify the division of the ESD into five electoral zones for the purpose of electing a board of directors; if an ESD did not include this distribution or the division of the electoral zones these tasks would fall on the State Board. ODE reports that it would be required to contract with the appropriate professionals regarding the division of assets and liabilities and division of electoral zones in order to make recommendations. The costs for these contracted services are indeterminate as it is not known whether ESDs will require the intervention of the State Board in these areas. The measure also provides that a district plan can be appealed to the State Board by a majority of an ESDs board members or component school districts members. ODE anticipates that the State Board would establish the criteria and procedures regarding the appeal process by rule and it would delegate the hearings to a hearings officer for a recommendation to the State Board. It is not known how many appeals would be made.

A more complete fiscal analysis on the bill will be prepared as the measure is considered in the Joint Committee on Ways and Means.