

**REVENUE:** No revenue impact

**FISCAL:** No fiscal impact

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<b>Action:</b>	Do Pass
<b>Vote:</b>	6 - 0 - 2
<b>Yeas:</b>	Barnhart, Berger, Garrett, Holvey, Hunt, Olson
<b>Nays:</b>	0
<b>Exc.:</b>	Freeman, Wingard
<b>Prepared By:</b>	Jim Stenbridge, Administrator and Victoria Cox, Committee Staff
<b>Meeting Dates:</b>	5/26

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**WHAT THE MEASURE DOES:** Requires education service districts (ESDs) to prepare annual audit of district books and accounts. Authorizes Oregon Department of Education (ODE) to withhold State School Fund (SSF) distributions from ESDs if auditing deficiencies are identified. Declares emergency, effective July 1, 2011.

**ISSUES DISCUSSED:**

- Statutes requiring audits of school districts
- Municipal law requiring ESD audits, but not submission to ODE
- ODE enforcement tools
- SSF withholding

**EFFECT OF COMMITTEE AMENDMENT:** No amendment.

**BACKGROUND:** Current statutes require school districts to submit annual audits and provide corrections and sanctions for negative findings. School district boards must create and adopt a plan for correcting identified deficiencies, if any. If a school district audit identifies the same problems consecutively for two years, ODE may withhold ten percent of the district's SSF distribution until sufficient corrective actions are taken.

Currently, ESDs are not required to submit annual audits to ODE, nor does ODE have authority to withhold SSF money if deficiencies are identified. Senate Bill 27 applies school-district standards to ESDs by requiring submission of annual audits and corrective plans, if necessary. The measure also authorizes ODE to withhold SSF money from ESDs if shortcomings are identified, until corrections are made.