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SB 227 -2 amendments
Senate Education Committee
March 26, 2013

Good afternoon Chair Hass and members of the Senate Education Committee. For the record, I am Cindy Hunt speaking on behalf of the Oregon Education Department. I am here today to provide information about SB 227 -2 amendments that relate to funding received by education service districts. The -2 amendments replace the existing bill, eliminate the Office of Regional Education Services and provides for further discussions regarding education service district funding. The Department of Education is supportive of continued discussions relating to ESD funding and statewide solutions that improve service delivery to students.

Background

Deputy Superintendent Rob Saxton convened an Education Service District Taskforce to make recommendations in regard to ESDs in Oregon with the intent of improving the delivery of services to the students of our state. Deputy Superintendent Saxton presented the recommendations of the taskforce to this committee. The -2 amendments address one of those recommendations, portability of funds currently received by ESDs.

The Department of Education previously testified on SB 105 regarding issues relating to the Regional Service Education Account (RESA). SB105 was introduced to address an issue in current law. The Department of Education was directed to distribute percentages of the State School Fund formula as follows: 95.5% goes to the school districts, 4.5% goes to ESDs and 0.25% goes the Regional Education Service Account. These percentages equal 100.25%. The -2 amendments address this issue as well.

-2 amendments

Section 1.

Section 1 abolishes the Office of Regional Educational Services. Currently \$500,000 per biennium is set aside from the State School Fund for this office.

Sections 2 to 5.

Sections 2 to 5 abolish the Regional Educational Services Account (RESA). Currently \$20 million per biennium is set aside from the State School Fund for this Account. This amount includes the \$500,000 for the office. This money is set aside until the Director of the Office releases it to school districts. Last biennium this presented a problem in that the Department had two failed recruitments for the Director position and therefore there was no Director to release the money. To address this issue, the Superintendent named an existing employee as the Director for the sole purpose of releasing the money.

The -2 amendments address this issue by eliminating the RESA. Under these amendments school districts will receive the \$20 million formerly set aside in the RESA faster and according to the normal State School Fund distribution formula.

The -2 amendments also transfer the remaining moneys in the RESA to the General Fund. It is not expected that there will be any moneys in the RESA as the Department is directed under current law to distribute all moneys remaining in the account on June 30, 2013 to the State School Fund for distribution.

Section 6.

Section 6 amends the current ESD funding formula. Under this formula, the State School Fund is distributed as follows: 95.5 percent to school districts, 4.5 percent to ESDs and .25 percent to the RESA. This adds up to 100.25 percent. Under the amendments, the Department will only be directed to distribute 100 percent of the State School Fund.

The amendments also open the possibility of a different division of the State School Fund between school districts and ESDs by leaving blank lines for the distribution percentages. Each .25 percent that ESD funding is reduced by is equivalent to approximately \$21.3 million/biennium.

Section 7.

Section 7 clarifies that the changes under the bill apply to the State School Fund distributions commencing with the 2013-14 distributions.

Section 8.

Section 8 addresses the portability of ESD funds by allowing school districts more flexibility in the expenditure of those funds. Currently ESDs are directed to expend at least 90 percent of all moneys received from the State School Fund and local revenues on services to local school districts. The ESD taskforce recommended that this percentage be reduced in a phased in approach during the 2013-14, 2014-15 and 2015-16 school years. So that in 2015-16, 90 percent of moneys received by ESDs would be transferred to school districts for their use.

The taskforce found that “this phase in allows ESDs and school districts time to get agreements and delivery models in place to ensure that there are no disruptions to the quality of services students receive. Instead, this timeline should actually allow for improved service delivery and reduced costs in many instances.”

The amendment allows for a continued discussion about portability of funds by not specifying a particular percentage.

Sections 9 to 13

Section 9 clarifies that the changes to ESD funding would first apply to expenditures made by ESDs on or after July 1, 2013.

Sections 10, 11 and 12 conform other statutes to be consistent with the proposed amendments.

Section 13 establishes an effective date of July 1, 2013. This effective date avoids another transfer into the RESA account and a delay of funding to school districts in the next biennium.