

THE DEPUTY SUPERINTENDENT OF PUBLIC INSTRUCTION



# EDUCATION SERVICE DISTRICT TASK FORCE REPORT



January 2013

## Recommendations

### Funding

- Direct that 90% of ESD funds flow through to school districts on an ADMw basis by July 1, 2013, to be used by school districts for any purpose, unless a given school district has opted to negotiate with the ESD for its services.

### Technology

- Create an ODE grant-in-aid program to fund shared software programs for all ESDs to use for student information systems, special education support, student data systems, and financial/business operations to increase efficiency and reduce costs. Conversion would be phased in over a five-year period.
- Expand the student data system such that it encompass P-20 student data, is longitudinal, coordinated, and result in cost savings.
- Explore the best options to expand and enhance the use of technology for student learning.

### Structure

- Redesign ESDs to reflect the P-20 education continuum, providing services and leadership.
- Create Regional Achievement Compacts by 2025, similar to the school district, community college, and university achievement compacts with an emphasis on high school students earning college credit and community involvement.
- Create Educator Effectiveness Centers to recruit and support a diversified educator workforce, throughout the educator's career. ESDs, colleges of education, early learning hubs, and K-12 schools would be required partners of the centers.
- Continue the ESD mission of serving special education students.
- Change ESD board membership similar to the recent pilot programs: five members elected by component school boards, and four members (a social service provider, a business representative, an early childhood provider representative, and either a post-secondary institution within the district boundaries representative or an at-large representative).

## Education Service District Task Force Report

This document has been created by the Education Service District Task Force brought together at the request of Chief Education Officer Rudy Crew and Deputy Superintendent of Public Instruction Rob Saxton. The task force was asked to create a set of recommendations in regard to the Education Service Districts (ESDs) in Oregon intended to improve the delivery of services to the students of our state.

Task force members were asked to participate by Deputy Superintendent Saxton. They were chosen by Deputy Saxton because each is held in high regard by their superintendent peers, and for the diversity of district or ESD size and geographic distribution across Oregon.

### ESD Task Force members:

- Ben Bergreen, Superintendent of the Phoenix-Talent School District
- Sheldon Berman, Superintendent of the Eugene School District
- Karen Patton, Superintendent of the Willowa Education Service District
- Scott Perry, Superintendent of the Southern Oregon ESD
- James Sager, Superintendent of the Northwest Regional ESD
- Rob Saxton, Deputy Superintendent of Public Instruction
- Mark Witty, Superintendent of the John Day School District

The task force began its work with facilitation provided by two experts in interest-based bargaining. Solutions to improved delivery of services for all students in Oregon have been difficult to generate in previous attempts by a variety of groups. The interest-based bargaining model worked to generate healthy debate, discussion, idea generation, and compromise as the task force performed its work. Task force members do not all support each recommendation made here, but do unanimously support the package of recommendations contained herein.

### ESDs at a Glance

Multiple factors confound statewide solutions to improving services through our ESD model. The founding of our ESD system goes back even prior to the beginning of statehood and changes in systems and needs over time are no longer the same in all regions of the state.

Currently, Oregon has 19 ESDs. They vary in numerous ways: in size, in regards to the number of students served; the amount spent per ADMw in State School Funds; the number of districts served by the ESD; the sizes of districts served; local property tax rates; and the ESD service area in square miles. Two of the more disparate are the Multnomah and Harney ESDs. Harney ESD serves 1,671 students, spent \$371 per ADMw in State School Funds in 2011-13, and covers just over 10,000 square miles. Multnomah ESD serves 108,449 students, spent \$45 per ADMw in State School Funds in 2011-12, and covers about 450 square miles. Clearly, their situations and needs are different. This makes finding solutions which meet the needs of all students who are members of all ESDs a significant challenge.

Oregon law sets forth ESD mission, purpose, and accountability:

**ORS 334.005**

(1) The mission of education service districts is to assist school districts and the Department of Education in achieving Oregon’s educational goals by providing equitable, high quality, cost-effective and locally responsive educational services at a regional level.

(2) An education service district plays a key role in:

(a) Ensuring an equitable and excellent education for all children in the state;

(b) Implementing the Oregon Educational Act for the 21<sup>st</sup> Century;

(c) Fostering the attainment of high standards of performance by all students in Oregon’s public schools; and

(d) Facilitating interorganizational coordination and cooperation among education, social service, health care and employment training agencies.

(3) An education service district’s role is one of leadership and service. Education service districts shall maintain the distinction between tier role as service organization and the regulatory role of the Department of Education and other state agencies.

(4) To ensure that an education service district is locally responsive, an education service district must provide:

(a) Opportunities for component school districts to participate in decisions about the services that are offered by the education service district; and

(b) A variety of flexible service delivery models.

(5) An education service district shall remain accountable to:

(a) The public at large;

(b) The component school districts; and

(c) The State Board of Education.

Funding for ESDs is a bit more complex than the basic explanation contained here, but for the sake of simplicity it is close enough to say that funding is achieved primarily through two different sources. A local property tax base is coupled with State School Funds so that the combined total is equal to 4.5% of the State School Fund. In the 2011-2013 biennium, these two sources provided approximately \$388.6 million to ESDs. By Oregon statute, ESDs can retain up to 10% of these funds for administrative functions. In 2011-2013 the amount available is therefore approximately \$38.9 million.

The remainder of the funds collected by ESDs (\$349.7 million statewide in 2012-2013) is then distributed to their member school districts and is generally referred to as “service dollars.” These funds are used to provide a variety of services for some or all of the districts in an ESD. Many ESDs designate a portion of these service dollars as “flow through” dollars to be used at the discretion of the district to purchase ESD services, services from other organizations, other ESDs, or be used for district programs. ESDs and districts create a Local Service Plan for the expenditure of these funds. The Local Service Plan must be voted on and supported by school boards whose districts are component members of the ESD and represent 51% of the students and two-thirds of component districts. Local Service Plans vary significantly across the state.

**Oregon ESDs**

Clackamas ESD

Columbia Gorge ESD

Douglas ESD

Grant ESD

Harney ESD 17

High Desert ESD

InterMountain ESD

Jefferson ESD

Lake ESD

Lane ESD

Linn Benton Lincoln ESD

Malheur ESD 14

Multnomah ESD

North Central ESD

Northwest Regional ESD

Region 18 ESD

South Coast ESD 7

Southern Oregon ESD

Willamette ESD

Some Local Service Plans require that flow through funds be spent to purchase services only at the member ESD. Others allow for differing percentages of these funds to flow through to the districts to use as they see fit.

Over time, ESDs have been challenged to satisfy the needs of both large and small school districts they serve. It is generally agreed that large school districts in the state have less of a need for ESDs than small school districts. Large school districts typically have personnel at the district level who provide curriculum, technology, and special education, support and expertise for the district. Small school districts often have only a superintendent at the district level and rely on the ESD to provide support and expertise in these areas. Large districts therefore may not have a need for these services provided by ESDs while small districts usually do.

Additionally, in an effort to deliver equitable services to students in all districts, large districts typically do not receive as much service as the funding they would generate on a per student basis. Smaller districts who need ESD support services receive these services at less cost than they would generate on a per student basis. As the need for funding of K-12 schools have become increasingly challenging, districts are searching for every dollar they can find. The realities of the need for ESD services and the ADMw funding model has increasingly become a source of contention between small districts, large districts, and ESDs in some parts of the state. In others, ESDs have been able to satisfy larger districts to a significant extent by adapting service delivery models, service types and service price points to meet the needs of their larger districts.

### **Task Force Recommendations**

The following recommendations are presented in three categories – Funding, Structure, and Technology.

#### **Funding**

1. Each ESD currently has a property tax base in place. Tax rates were limited by voters by the passage of Ballot Measure 5 in 1990. Taxes were further limited by Measure 50 in 1997, when permanent tax rates and a limit on assessed value growth were enacted. There have been some changes in the rates where ESDs have merged, but otherwise remain unchanged. The local property taxes generate approximately \$100 million per year and these collections are retained as an offset to the State School Fund. Three ESDs—Wallowa, North Central, and Grant—collect more local property tax than the State School Fund would provide and contribute the excess collections back to the State School Fund. Five small ESDs serving large geographic areas and a small student population receive the minimum base funding for an ESD under Oregon law of \$1,000,000 and are not funded on an ADMw basis.
2. The task force recommends that 90% of the funds ESDs collect through the local property tax base and State School Fund, if not used for services by a given school district, flow through to that school district on an ADMw basis and become portable for school district use for any purpose by July 1, 2015. The portability would be phased in over the following timeline:
  - 2013-2014 school year: A minimum of 25% of the 90% service dollars flow through will be available for portability (where agreements currently allow for greater than 25% portability those agreements will remain in place)
  - 2014-2015 school year: A minimum of 75% of the 90% service dollars flow through will be available for portability (where agreements currently allow for greater than 75% portability those agreements will remain in place)

- 2015-2016 school year: A minimum of 100% of the 90% service dollars flow through will be available for portability

This phase-in allows ESDs and school districts time to get agreements and delivery models in place to ensure 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.

## Technology

1. Across the state a variety of technology needs on the part of school districts and ESDs are currently met through an assortment of methods. Independent delivery, large scale partnerships, creation of software, and off the shelf purchases all exist for an array of distinctive rationales.

These differences arguably meet the unique needs or desires of locally controlled school districts, but also create undeniable inefficiencies for all entities. Purchasing power, reporting mechanisms, system support, training of personnel, and collaboration can all be improved upon with a set of statewide technology systems.

Over time, partnerships have been created which include an ever increasing number of Oregon students under a series of single technology systems. Districts and ESDs have simply recognized the efficiencies inherent in shared systems and are therefore moving in this direction. In fact, more than 60% of the students in the state are currently supported by a single software solution in several distinct technology system areas. These shared system areas include Student Information Systems (SIS), Special Education support software (often included as part of the SIS), Student Data Systems, and Financial/Business operations software.

The state should move to single shared software solutions in each of these important areas. The SIS and Financial/Business software utilized by virtually all districts and ESDs are already commercially available and do not require specialized development.

The funding for these systems would come through the state school fund to the Oregon Department of Education (ODE) as a grant in aid program. ODE would contract with an ESD or other appropriate provider to host the system. Districts would use the system at no cost to their general funds. Conversion to each system (SIS, SPED, Data, Financial) would be mandated for all districts within five years of initial statewide implementation of each system. The costs for system migration including training would be provided to districts as part of the grant in aid program.

The five-year implementation timeline would allow for effective roll out, training, and the expiration of contracts districts may have with current providers.

The student data system should be longitudinal in nature, providing coordination, cost savings, and information continuity throughout our P-20 school structure.

2. The delivery of learning content through the use of technology is a swiftly expanding component of education. The state has provided opportunity through ODE and the funding of the Oregon Virtual School District (OVSD), but much more is possible.

Districts and ESDs are currently utilizing a wide variety of virtual curriculum including the Florida Virtual School curriculum, the Virtual High School Collaborative, Oregon Virtual Education Delivery Model, Kahn Academy materials and many more. Improved access is needed however, and delivery would enhance equity of opportunity for students across Oregon providing expanded class offerings for students in all districts, but particularly small districts in rural parts of the state.

Similarly, several states have entered into the development and use of on-line text books. All text books are moving to increased on-line components but continue to cost as much or more than traditional texts. California, Florida, and Utah have created text materials online for use by districts at little or no cost.

ODE should undertake an initiative to explore the best options for expanding and enhancing the use of technology as a means for student learning.

### Structure

1. Oregon has entered into a P-20 education system and the structure and services delivered by ESDs should follow that P-20 structure. The regional educational service delivery system could be redesigned to be a comprehensive continuum providing services and regional leadership from birth through primary school, secondary school, and postsecondary education. This would allow for greater flexibility with funds meeting regional needs, and a more holistic focus on students and their advancement through the education system as a whole. It would realize savings in terms of consolidation and greater purchasing leverage and power.
2. In addition to the individual achievement compacts into which education entities in the state have entered, we should create Regional Achievement Compacts targeting student achievement with the intent of achieving the 40-40-20 objective by 2025.

These Regional Achievement Compacts would include partners involved in the success of children from birth to grade 20. The partnerships formed would be locally appropriate but would at least include early learning hubs, pre-schools, ESDs, K-12 schools, community colleges, universities, and schools of education. A variety of other locally appropriate groups would likely play a role as well including health care Coordinated Care Organizations, foundations, libraries, cities, local job councils, volunteer organizations, and parent groups. These Regional Achievement Compacts would resemble the Oregon achievement compacts currently being instituted through Oregon Education Investment Board, except on a regional level.

The Regional Achievement Compacts in combination with P-20 ESDs will create rich opportunities for providing college credit to students while still in high school, including the expansion of STEM<sup>1</sup> and CTE<sup>2</sup> programs for all students.

3. Regional Educator Effectiveness Centers are needed as a system to recruit a talented and diversified workforce into the field of education, support the training needs during all phases of an educator's career, and provide intensive focus on pre-service and early service.

<sup>1</sup> Science, Technology, Engineering, and Math

<sup>2</sup> Career-Technical Education

To support these efforts, ODE would enter into contracts with providers through a competitive RFP process who would partner regionally and deliver the high quality programs required to generate the intended outcomes.

An ESD would be a required partner in these contracts as would colleges of education, early learning hubs, and K-12 schools. Other partners would be included as appropriate based on need and the ability of other regional partners to contribute on outcomes.

4. ESDs provide important services for special education students in their service area. This is particularly true for low incidence, high needs students. These services are critical for the students and for local districts and need to be maintained at a high level.

As we make the changes to the ESD structure, funding, and program put forth in this report, it is highly likely that some ESDs would decide to merge with others. These mergers would take place over time and it is important that continued delivery of excellent services to special needs students would remain. In regions of the state where ESD mergers have previously taken place, satellite offices are often created to ensure proximity to local districts and facilitate the delivery of special education programs.

5. The requirements for the makeup and election of ESD boards should change in order to achieve increases in responsiveness, representation, and composition. The current pilot programs that exist within the Northwest Regional, High Desert, and Willamette ESDs are working appropriately. In these pilots, five members are elected by the school boards of the component districts, and an additional four are appointed by this group: one at large, one representative from a public post-secondary institution within the ESD boundaries, one representative of social service providers, and one representative from the business community.

This exact makeup would need to change given the P-20 recommendation for ESDs, and the lack of a public post-secondary institution within each ESD boundary. The potential makeup of these boards would include five members elected by the school boards of component districts, and four appointed by this group, one representative of social service providers, one from the business community, one from public early childhood providers, and from a public post-secondary institution or at large if such an entity does not exist within the ESD boundary.

### **Other Considerations**

The following items were discussed and generally accepted by the task force, but were not officially agreed upon as a recommendation. Still, they are attached to the report for consideration.

1. Tax Rates:

If possible, legislative action to freeze current tax rates within each ESD boundary would allow for the continued collection of necessary tax funds that currently provide important resources for students, as well as facilitate the merger of ESDs which wish to do so. ESD tax rates range from a low of \$0.0964 per thousand (High Desert ESD) to a high of \$3.79 per thousand (Wallowa ESD).

Currently, when two ESDs want to merge but have differing tax levels on a per thousand basis, a new tax rate must be established using the total assessed property values and tax revenues for each region. For example, if ESD1 collected \$1.00 per thousand on an “Assessed Value” of \$10,000, this would generate \$10.00 in revenue; ESD2 collected \$0.50 per thousand on an Assessed Value of \$20,000, also generating \$10.00 in revenue. A merger would require the newly formed ESD to collect \$20.00 in revenue on combined “Assessed Value” of \$30,000, determining a new tax rate of 0.6777 per \$1,000 (see table below). This issue creates a nearly insurmountable barrier to ESD mergers. Freezing the tax rate within each current ESD boundary would remove this obstacle to consolidation.

	Property Tax Total Net Assessed Value	Tax Rate Per \$1,000	Tax Revenue Raised
ESD1	\$10,000	1.0000	\$10.00
ESD2	\$20,000	0.5000	\$10.00
Merged ESDs	\$30,000	0.6777	\$20.00

## 2. Maximizing Use of Flow Through Funds:

Currently, some of the locally approved ESD service plans allow districts to receive flow through funds which are portable and are utilized by districts as they see fit. The districts are able to use these funds to purchase services from a variety of places. These might include purchasing the services of an Occupational Therapist through a contract with their local hospital, or a placement for a student at an alternative school. Given the substantial amount of funds under district control through a 90% flow through model, it is imperative that these funds remain unfettered and fully available for district use.

### Task Force Members Agreement

As members of the ESD Task Force, we worked to create solutions intended to improve the delivery of education to the students of our state. We unanimously support the package of recommendations contained in the body of this report under Funding, Technology, and Structure (not necessarily those under “other considerations”).

Signed:



Ben Bergreen  
Superintendent of the Phoenix-Talent School District



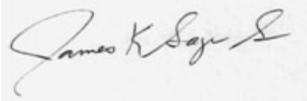
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