

## B-Engrossed Senate Bill 260

Ordered by the House June 13  
Including Senate Amendments dated May 23 and House Amendments  
dated June 13

Printed pursuant to Senate Interim Rule 213.28 by order of the President of the Senate in conformance with pre-session filing rules, indicating neither advocacy nor opposition on the part of the President (at the request of Superintendent of Public Instruction Stan Bunn for the Legislative Task Force of Education Service Districts)

### SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Creates funding formula for education service districts. Phases in equalization of funding over four-year period. Directs apportionment from State School Fund to education service districts.

Directs education service districts to expend specified percentage of available funds on services or programs approved by component school districts. [*Directs large education service districts and school districts to use competitive bidding procedures to obtain certain services.*]

[*Creates interim task force*] **Directs Department of Education to conduct study** on education service district **services and funding**.

Declares emergency, effective July 1, 2001.

### A BILL FOR AN ACT

Relating to school finance; creating new provisions; amending ORS 310.060, 327.008, 327.013, 328.542 and 330.003; repealing ORS 327.081, 334.350, 334.353, 334.360, 334.380, 334.390, 334.400, 334.410, 334.450 and 334.460; and declaring an emergency.

Whereas the Legislative Assembly recognizes that the State of Oregon has made progress toward equalization of funding for education service districts; and

Whereas the Legislative Assembly recognizes that immediate equalization of funding for education service districts would likely disrupt services provided by some education service districts; and

Whereas it is intended that the Legislative Assembly evaluate the services offered by education service districts and the deficiencies that may exist in offered services; and

Whereas it is intended that within four years there will be full equity of funding among education service districts; now, therefore,

**Be It Enacted by the People of the State of Oregon:**

### EDUCATION SERVICE DISTRICT FUNDING FORMULA

**SECTION 1.** Sections 2 to 7, 9 and 11 of this 2001 Act are added to and made a part of ORS 327.006 to 327.081.

**SECTION 2.** As used in sections 2 to 7 of this 2001 Act:

(1) "Base adjustment" means the base adjustment specified or calculated under section 6 of this 2001 Act.

(2) "Base amount" means the base amount specified or calculated under section 3 of this

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

2001 Act.

(3) "Education service district extended ADMw" means the sum of the extended ADMw of the component school districts of the education service district as computed under ORS 327.013.

(4) "General services grant" means the general services grant calculated under section 7 of this 2001 Act.

(5) "Local revenues of an education service district" means the total of the following:

(a) The amount of revenue offset against local property taxes as determined by the Department of Revenue under ORS 311.175 (3)(a)(A);

(b) The amount of property taxes actually received by the district, including penalties and interest on taxes;

(c) The amount of revenue received by the district from state-managed forestlands under ORS 530.115 (1)(b) and (c); and

(d) Any positive amount obtained by subtracting the operating property taxes actually imposed by the district based on the rate certified pursuant to ORS 310.060 from the amount that would have been imposed by the district if the district had certified the maximum rate of operating property taxes allowed by law.

(6) "Revenue gap" means the revenue gap calculated under section 5 of this 2001 Act.

(7) "Target amount" means the target amount calculated under section 4 of this 2001 Act.

**SECTION 3.** (1) For the 2001-2002 fiscal year, the base amount for an education service district shall equal the higher of:

(a) The amount that the education service district received for the 2000-2001 fiscal year, as calculated under section 2, chapter 1066, Oregon Laws 1999, as adjusted by the Emergency Board and as limited by section 7, chapter 914, Oregon Laws 1999, as an Education Service District Grant from the State School Fund + Education Service District Local Revenue; or

(b) The amount that is equal to  $\{(the\ Education\ Service\ District\ Grant\ from\ the\ State\ School\ Fund\ +\ local\ revenues\ of\ the\ education\ service\ district\ for\ the\ 2000-2001\ fiscal\ year) \div education\ service\ district\ extended\ ADMw\ from\ 2000-2001\ fiscal\ year\} \times education\ service\ district\ extended\ ADMw\ for\ the\ 2001-2002\ fiscal\ year$ . The base amount calculated under this paragraph shall be based on the amount that the education service district received for the 2000-2001 fiscal year, as calculated under section 2, chapter 1066, Oregon Laws 1999, as adjusted by the Emergency Board and as limited by section 7, chapter 914, Oregon Laws 1999.

(2) For the 2002-2003, 2003-2004 and 2004-2005 fiscal years, the base amount for an education service district shall equal the higher of:

(a) The amount that the education service district received for the prior fiscal year, as calculated under section 7 of this 2001 Act; or

(b) The amount that is equal to  $\{(grant\ amount\ from\ the\ State\ School\ Fund\ for\ the\ prior\ fiscal\ year\ under\ section\ 7\ of\ this\ 2001\ Act\ +\ local\ revenues\ of\ the\ education\ service\ district\ for\ the\ prior\ fiscal\ year) \div education\ service\ district\ extended\ ADMw\ for\ the\ prior\ fiscal\ year\} \times education\ service\ district\ extended\ ADMw\ for\ the\ current\ fiscal\ year$ .

**SECTION 4.** (1) For the 2001-2002, 2002-2003, 2003-2004 and 2004-2005 fiscal years, to calculate the target amount for each education service district:

(a) The Superintendent of Public Instruction shall calculate the total amount appropriated or allocated to the State School Fund for a fiscal year and available for distribution to

1 school districts, education service districts and programs + total amount of local revenues  
2 of all school districts, computed as provided in ORS 327.013, + total amount of local revenues  
3 of all education service districts. The superintendent may not include in the calculation un-  
4 der this paragraph amounts transferred from the State School Fund to the Out-of-State  
5 Disabilities Placement Education Fund or amounts recovered by the Department of Educa-  
6 tion from the State School Fund under ORS 343.243.

7 (b) The superintendent shall multiply the amount calculated under paragraph (a) of this  
8 subsection by:

9 (A) For the 2001-2002 fiscal year, 95.34 percent.

10 (B) For the 2002-2003 fiscal year, 95.36 percent.

11 (C) For the 2003-2004 fiscal year, 95.25 percent.

12 (D) For the 2004-2005 fiscal year, 95.15 percent.

13 (c) Based on the amount calculated under paragraph (b) of this subsection, the super-  
14 intendent shall calculate a funding percentage to distribute as nearly as practicable under  
15 ORS 327.006 to 327.133 the total amount calculated for each fiscal year under paragraph (b)  
16 of this subsection as school district general purpose grants, facility grants and transporta-  
17 tion grants to school districts.

18 (d) Based on the funding percentage calculated under paragraph (c) of this subsection,  
19 the superintendent shall calculate the general purpose grant, facility grant and transporta-  
20 tion grant amounts for each school district.

21 (2) The target amount for each education service district is equal to the following percent  
22 of the total of the education service district's component school districts' general purpose  
23 grants, facility grants and transportation grants, as calculated under subsection (1)(d) of this  
24 section:

25 (a) For the 2001-2002 fiscal year, 4.888 percent.

26 (b) For the 2002-2003 fiscal year, 4.866 percent.

27 (c) For the 2003-2004 fiscal year, 4.987 percent.

28 (d) For the 2004-2005 fiscal year, 5.097 percent.

29 (3) For the 2003-2004 and 2004-2005 fiscal years, an education service district shall dis-  
30 tribute to its component school districts any amount of local revenues of the education ser-  
31 vice district that is greater than the general services grant of the education service district  
32 for that fiscal year. The amount that each component school district receives under this  
33 subsection shall be prorated based on the district extended ADMw of each school district.

34 SECTION 5. For the 2001-2002, 2002-2003, 2003-2004 and 2004-2005 fiscal years, the revenue  
35 gap for each education service district shall equal the absolute value of the difference be-  
36 tween the target amount and the base amount.

37 SECTION 6. (1) For each education service district that has a base amount that is  
38 greater than the target amount and that has an education service district extended ADMw  
39 of greater than 2,500, the base adjustment shall equal:

40 (a) For the 2001-2002 fiscal year, the lower of 20 percent of the revenue gap or five per-  
41 cent of the base amount.

42 (b) For the 2002-2003 fiscal year, the lower of 25 percent of the revenue gap or five per-  
43 cent of the base amount.

44 (c) For the 2003-2004 fiscal year, 33.333 percent of the revenue gap.

45 (d) For the 2004-2005 fiscal year, 50 percent of the revenue gap.

1       (2) For each education service district that has a base amount that is greater than the  
2 target amount and that has an education service district extended ADMw of less than or  
3 equal to 2,500, the base adjustment shall equal:

4       (a) For the 2001-2002 fiscal year, the lower of four percent of the base amount or an  
5 amount that when subtracted from the base amount will equal the same amount per educa-  
6 tion service district extended ADMw that the education service district received in the prior  
7 fiscal year.

8       (b) For the 2002-2003 fiscal year, the lower of four percent of the base amount or an  
9 amount that when subtracted from the base amount will equal the same amount per educa-  
10 tion service district extended ADMw that the education service district received in the prior  
11 fiscal year.

12       (c) For the 2003-2004 fiscal year, 33.333 percent of the revenue gap.

13       (d) For the 2004-2005 fiscal year, 50 percent of the revenue gap.

14       (3) For each education service district that has a base amount that is less than the target  
15 amount or equal to the target amount, the base adjustment shall equal a percentage that  
16 when multiplied by the revenue gap of those education service districts and then added to  
17 the base amounts distributes as nearly as practicable the total sum available for distribution  
18 from the State School Fund to education service districts.

19       SECTION 7. (1) For each fiscal year, the Superintendent of Public Instruction shall cal-  
20 culate a general services grant for each education service district that is equal to:

21       (a) For education service districts with a base amount that is greater than the target  
22 amount, base amount – base adjustment.

23       (b) For education service districts with a base amount that is less than the target  
24 amount or equal to the target amount, base amount + base adjustment.

25       (2) Notwithstanding subsection (1) of this section, for each education service district that  
26 has a base amount that is greater than the target amount or equal to the target amount and  
27 that has an education service district extended ADMw of less than 2,500, the general services  
28 grant of the education service district shall be equal to at least:

29       (a) For the 2001-2002 fiscal year, \$700,000.

30       (b) For the 2002-2003 fiscal year, \$750,000.

31       (c) For the 2003-2004 fiscal year, \$800,000.

32       (d) For the 2004-2005 fiscal year, \$900,000.

33       (3)(a) Each fiscal year, subject to subsection (5) of this section, each education service  
34 district shall receive a State School Fund grant = general services grant – local revenues  
35 of the education service district.

36       (b) Notwithstanding paragraph (a) of this subsection and subsection (5) of this section,  
37 the State School Fund grant of an education service district may not be less than zero.

38       (4) If the boundaries of an education service district change after July 1, 2001, the Su-  
39 perintendent of Public Instruction shall determine the amounts under subsections (1) to (3)  
40 of this section as if the newly formed education service district existed in the prior fiscal  
41 year.

42       (5)(a) After completing the calculations under subsections (1) to (4) of this section, the  
43 Superintendent of Public Instruction shall apportion from the State School Fund to each  
44 education service district an amount = (funding percentage × general services grant) –  
45 local revenues of the education service district.

(b) The funding percentage used in paragraph (a) of this subsection shall be calculated by the superintendent to distribute as nearly as practicable the total amount available for distribution to education service districts from the State School Fund for each fiscal year.

**SECTION 8.** Sections 2 to 7 of this 2001 Act are repealed on June 30, 2005.

**SECTION 9.** (1) As used in this section:

(a) "Education service district extended ADMw" means the sum of the extended ADMw of the component school districts of the education service district as computed under ORS 327.013.

(b) "Local revenues of an education service district" means the total of the following:

(A) The amount of revenue offset against local property taxes as determined by the Department of Revenue under ORS 311.175 (3)(a)(A);

(B) The amount of property taxes actually received by the district including penalties and interest on taxes;

(C) The amount of revenue received by the district from state-managed forestlands under ORS 530.115 (1)(b) and (c); and

(D) Any positive amount obtained by subtracting the operating property taxes actually imposed by the district based on the rate certified pursuant to ORS 310.060 from the amount that would have been imposed by the district if the district had certified the maximum rate of operating property taxes allowed by law.

(2) Each fiscal year, the Superintendent of Public Instruction shall calculate a State School Fund grant for each education service district as provided in this section.

(3)(a) Each fiscal year, the superintendent shall calculate the total amount appropriated or allocated to the State School Fund and available for distribution to school districts, education service districts and programs + total amount of local revenues of all school districts, computed as provided in ORS 327.013, + total amount of local revenues of all education service districts. The superintendent may not include in the calculation under this paragraph amounts transferred from the State School Fund to the Out-of-State Disabilities Placement Education Fund or amounts recovered by the Department of Education from the State School Fund under ORS 343.243.

(b) The superintendent shall multiply the amount calculated under paragraph (a) of this subsection by 95 percent.

(c) Based on the amount calculated under paragraph (b) of this subsection, the superintendent shall calculate a funding percentage to distribute as nearly as practicable under ORS 327.006 to 327.133 the total amount calculated under paragraph (b) of this subsection as school district general purpose grants, facility grants and transportation grants to school districts.

(d) Based on the funding percentage calculated under paragraph (c) of this subsection, the superintendent shall calculate the general purpose grant, facility grant and transportation grant amounts for each school district.

(4) The general services grant for an education service district shall equal the higher of:

(a) Total amount calculated under subsection (3)(d) of this section for the component school districts of the education service district  $\times$  5.263 percent; or

(b) \$1 million.

(5) Subject to subsection (6) of this section, the State School Fund grant for an education service district = general services grant – local revenues of the education service district.

**(6)(a) After completing the calculations under subsections (2) to (5) of this section, the Superintendent of Public Instruction shall apportion from the State School Fund to each education service district an amount = (funding percentage × general services grant) – local revenues of the education service district.**

**(b) The funding percentage used in paragraph (a) of this subsection shall be calculated by the superintendent to distribute as nearly as practicable the total amount available for distribution to education service districts from the State School Fund for each fiscal year.**

**(7) Notwithstanding subsections (5) and (6) of this section, the State School Fund grant of an education service district may not be less than zero.**

**(8) An education service district shall distribute to its component school districts any amount of local revenues of the education service district that is greater than the general services grant. The amount that each component school district receives under this subsection shall be prorated based on the district extended ADMw of each school district.**

**SECTION 10. Section 9 of this 2001 Act becomes operative on July 1, 2005.**

**SECTION 11. (1) The Superintendent of Public Instruction shall distribute funds payable to education service districts from the State School Fund following the same percentages and dates specified for school districts under ORS 327.095.**

**(2) The Department of Education may require reports from education service districts of projected and estimated data necessary for the calculation of the State School Fund grant amount.**

**(3) The Department of Education may adjust distributions to an education service district to reflect the difference between the amount payable to the education service district and the amount actually distributed to the education service district based on audited data and data received from reports from education service districts.**

**SECTION 12. ORS 327.008 is amended to read:**

**327.008. (1) There is established a State School Fund in the General Fund. The fund shall consist of moneys appropriated by the Legislative Assembly and moneys appropriated from the Education Endowment Fund. The State School Fund is continuously appropriated for the purposes of ORS 327.006 to 327.081, 327.095, 327.099, 327.101, 327.125, 327.137, 334.380, 336.575, 336.580, 336.635, 342.173, 343.243, 343.533, 343.961 and 461.543.**

**(2) There shall be apportioned from the State School Fund to each school district a State School Fund grant, consisting of the positive amount equal to a general purpose grant and a facility grant and a transportation grant minus local revenue, computed as provided in ORS 327.013.**

**(3) There shall be apportioned from the State School Fund to each education service district a State School Fund grant as calculated under sections 2 to 7 of this 2001 Act.**

**[3] (4) All figures used in the determination of the distribution of the State School Fund shall be estimates for the same year as the distribution occurs, unless otherwise specified.**

**[4] (5) Numbers of students in average daily membership used in the distribution formula shall be the numbers as of June of the year of distribution.**

**[5] (6) A school district may not use the portion of the State School Fund grant that is attributable to the facility grant for capital construction costs.**

**[6] (7) The total amount of the State School Fund that is distributed as facility grants shall not exceed \$17.5 million in any biennium. If the total amount to be distributed as facility grants exceeds this limitation, the Department of Education shall prorate the amount of funds available for facility grants among those school districts that qualified for a facility grant.**

**SECTION 13.** ORS 327.008, as amended by section 12 of this 2001 Act, is amended to read:

327.008. (1) There is established a State School Fund in the General Fund. The fund shall consist of moneys appropriated by the Legislative Assembly and moneys appropriated from the Education Endowment Fund. The State School Fund is continuously appropriated for the purposes of ORS 327.006 to 327.081, 327.095, 327.099, 327.101, 327.125, 327.137, [334.380,] 336.575, 336.580, 336.635, 342.173, 343.243, 343.533, 343.961 and 461.543.

(2) There shall be apportioned from the State School Fund to each school district a State School Fund grant, consisting of the positive amount equal to a general purpose grant and a facility grant and a transportation grant minus local revenue, computed as provided in ORS 327.013.

(3) There shall be apportioned from the State School Fund to each education service district a State School Fund grant as calculated under [sections 2 to 7] **section 9** of this 2001 Act.

(4) All figures used in the determination of the distribution of the State School Fund shall be estimates for the same year as the distribution occurs, unless otherwise specified.

(5) Numbers of students in average daily membership used in the distribution formula shall be the numbers as of June of the year of distribution.

(6) A school district may not use the portion of the State School Fund grant that is attributable to the facility grant for capital construction costs.

(7) The total amount of the State School Fund that is distributed as facility grants shall not exceed \$17.5 million in any biennium. If the total amount to be distributed as facility grants exceeds this limitation, the Department of Education shall prorate the amount of funds available for facility grants among those school districts that qualified for a facility grant.

**SECTION 14. The amendments to ORS 327.008 by section 13 of this 2001 Act become operative on July 1, 2005.**

**SECTION 15.** ORS 327.013 is amended to read:

327.013. The State School Fund distributions **for school districts** shall be computed as follows:

(1) General Purpose Grant = Funding Percentage  $\times$  Target Grant  $\times$  District extended ADMw.

(2) The funding percentage shall be calculated by the Superintendent of Public Instruction to distribute as nearly as practicable the total sum available for distribution of money.

(3) Target Grant = Statewide Target per ADMw Grant + Teacher Experience Factor.

(4) Statewide Target per ADMw Grant = \$4,500.

(5) Teacher Experience Factor =  $\$25 \times \{\text{District average teacher experience} - \text{statewide average teacher experience}\}$ . "Average teacher experience" means the average, in years, of teaching experience of certified teachers as reported to the Department of Education.

(6) District extended ADMw = ADMw or ADMw of the prior year, whichever is greater.

(7)(a) Weighted average daily membership or ADMw = average daily membership + an additional amount computed as follows:

(A) 1.0 for each student in average daily membership eligible for special education as a child with disabilities under ORS 343.035, applicable to not to exceed 11 percent of the district's ADM without review and approval of the Department of Education. Children with disabilities eligible for special education in adult local correctional facilities as defined in ORS 169.005 or adult regional correctional facilities as defined in ORS 169.620 shall not be included in the calculation of the 11 percent.

(B) 0.5 for each student in average daily membership eligible for and enrolled in an English as a Second Language program under ORS 336.079.

(C) 0.2 for each student in average daily membership enrolled in a union high school district or

in an area of a unified school district where the district is only responsible for educating students in grades 9 through 12 in that area.

(D)  $-0.1$  for each student in average daily membership enrolled in an elementary district operating kindergarten through grade 6 or kindergarten through grade 8 or in an area of a unified school district where the district is only responsible for educating students in kindergarten through grade 8.

(E) 0.25 times the sum of the following:

(i) The number of children 5 to 17 years of age in poverty families in the district, as determined by the Department of Education from a report of the federal Department of Education, as adjusted by the school district's proportion of students in the county receiving free or reduced price lunches under the United States Department of Agriculture's current Income Eligibility Guidelines if the number is higher than the number determined from census data and only if the school district had an average daily membership of 2,500 or less for the 1995-1996 school year, and as further adjusted by the number of students in average daily membership in June of the year of distribution divided by number of students in average daily membership in the district, or its predecessors, in June 1990;

(ii) The number of children in foster homes in the district as determined by the report of the Department of Human Services to the federal Department of Education, "Annual Statistical Report on Children in Foster Homes and Children in Families Receiving AFDC Payments in Excess of the Poverty Income Level," or its successor, for October 31 of the year prior to the year of distribution; and

(iii) The number of children in the district in state-recognized facilities for neglected and delinquent children, based on information from the Department of Human Services for October 31 of the year prior to the year of distribution.

(F)(i) An additional amount as determined by ORS 327.077 (1997 Edition) shall be added to the ADMw for each remote small school in the district.

(ii) An additional amount as determined by section 23, chapter 1066, Oregon Laws 1999, for each small high school in the district that is equal to the small high school additional weighting amount.

(G) All numbers of children used for the computation in this section must reflect any district consolidations that have occurred since the numbers were compiled.

(b) The total additional weight that shall be assigned to any student in average daily membership in a district, exclusive of students described in paragraph (a)(E) and (F) of this subsection shall not exceed 2.0.

(8) Transportation Grant = 70 percent of Approved Transportation Costs.

(9) Local Revenues are the total of the following:

(a) The amount of revenue offset against local property taxes as determined by the Department of Revenue under ORS 311.175 (3)(a)(A);

(b) The amount of property taxes actually received by the district including penalties and interest on taxes;

(c) The amount of revenue received by the district from the Common School Fund under ORS 327.403 to 327.415;

(d) The amount of revenue received by the district from the county school fund;

(e) The amount of revenue received by the district from the 25 percent of federal forest reserve revenues required to be distributed to schools by ORS 294.060 (1);

(f) The amount of revenue received by the district from state managed forestlands under ORS 530.115 (1)(b) and (c);



(g) The amount of revenue received under ORS 334.400 by a school district in an education service district that provides equalization under ORS 334.400;

(h) Moneys received in lieu of property taxes;

(i) Federal funds received without specific application by the school district and which are not deemed under federal law to be nonsupplantable; and

(j) Any positive amount obtained by subtracting the operating property taxes actually imposed by the district, based on the rate certified pursuant to ORS 310.060, from the amount that would have been imposed by the district if the district had certified the maximum rate of operating property taxes allowed by law.

(10) Notwithstanding subsection (9) of this section, Local Revenues do not include:

(a) The amount of revenue actually received by the district, including penalties and interest on taxes, that is used for payment of bonds issued to finance or refinance an unfunded obligation for prior service costs under a contract of integration pursuant to ORS 238.685 (2)(a); and

(b) If a school district imposes local option taxes pursuant to ORS 280.040 to 280.145, an amount equal to the lesser of:

(A) The amount of revenue actually received by the district from local option taxes imposed pursuant to ORS 280.040 to 280.145;

(B) Ten percent of the combined total for the school district of the general purpose grant, the transportation grant and the facility grant of the district; or

(C) \$500 per district extended ADMw.

(11)(a) Facility Grant = 8 percent of total construction costs of new school buildings.

(b) A school district shall receive a Facility Grant in the distribution year that a new school building is first used.

(c) As used in this subsection:

(A) "New school building" includes new school buildings, adding structures onto existing school buildings and adding premanufactured structures to a school district if those buildings or structures are to be used for instructing students.

(B) "Construction costs" does not include costs for land acquisition.

**SECTION 16. The amendments to ORS 327.013 by section 15 of this 2001 Act affect State School Fund distributions commencing with the 2001-2002 distribution.**

**SECTION 17.** ORS 327.013, as amended by section 15 of this 2001 Act, is amended to read:

327.013. The State School Fund distributions for school districts shall be computed as follows:

(1) General Purpose Grant = Funding Percentage  $\times$  Target Grant  $\times$  District extended ADMw.

(2) The funding percentage shall be calculated by the Superintendent of Public Instruction to distribute as nearly as practicable the total sum available for distribution of money.

(3) Target Grant = Statewide Target per ADMw Grant + Teacher Experience Factor.

(4) Statewide Target per ADMw Grant = \$4,500.

(5) Teacher Experience Factor =  $\$25 \times \{\text{District average teacher experience} - \text{statewide average teacher experience}\}$ . "Average teacher experience" means the average, in years, of teaching experience of certified teachers as reported to the Department of Education.

(6) District extended ADMw = ADMw or ADMw of the prior year, whichever is greater.

(7)(a) Weighted average daily membership or ADMw = average daily membership + an additional amount computed as follows:

(A) 1.0 for each student in average daily membership eligible for special education as a child with disabilities under ORS 343.035, applicable to not to exceed 11 percent of the district's ADM

1 without review and approval of the Department of Education. Children with disabilities eligible for  
2 special education in adult local correctional facilities as defined in ORS 169.005 or adult regional  
3 correctional facilities as defined in ORS 169.620 shall not be included in the calculation of the 11  
4 percent.

5 (B) 0.5 for each student in average daily membership eligible for and enrolled in an English as  
6 a Second Language program under ORS 336.079.

7 (C) 0.2 for each student in average daily membership enrolled in a union high school district or  
8 in an area of a unified school district where the district is only responsible for educating students  
9 in grades 9 through 12 in that area.

10 (D) -0.1 for each student in average daily membership enrolled in an elementary district oper-  
11 ating kindergarten through grade 6 or kindergarten through grade 8 or in an area of a unified  
12 school district where the district is only responsible for educating students in kindergarten through  
13 grade 8.

14 (E) 0.25 times the sum of the following:

15 (i) The number of children 5 to 17 years of age in poverty families in the district, as determined  
16 by the Department of Education from a report of the federal Department of Education, as adjusted  
17 by the school district's proportion of students in the county receiving free or reduced price lunches  
18 under the United States Department of Agriculture's current Income Eligibility Guidelines if the  
19 number is higher than the number determined from census data and only if the school district had  
20 an average daily membership of 2,500 or less for the 1995-1996 school year, and as further adjusted  
21 by the number of students in average daily membership in June of the year of distribution divided  
22 by number of students in average daily membership in the district, or its predecessors, in June 1990;

23 (ii) The number of children in foster homes in the district as determined by the report of the  
24 Department of Human Services to the federal Department of Education, "Annual Statistical Report  
25 on Children in Foster Homes and Children in Families Receiving AFDC Payments in Excess of the  
26 Poverty Income Level," or its successor, for October 31 of the year prior to the year of distribution;  
27 and

28 (iii) The number of children in the district in state-recognized facilities for neglected and delin-  
29 quent children, based on information from the Department of Human Services for October 31 of the  
30 year prior to the year of distribution.

31 (F)(i) An additional amount as determined by ORS 327.077 (1997 Edition) shall be added to the  
32 ADMw for each remote small school in the district.

33 (ii) An additional amount as determined by section 23, chapter 1066, Oregon Laws 1999, for each  
34 small high school in the district that is equal to the small high school additional weighting amount.

35 (G) All numbers of children used for the computation in this section must reflect any district  
36 consolidations that have occurred since the numbers were compiled.

37 (b) The total additional weight that shall be assigned to any student in average daily member-  
38 ship in a district, exclusive of students described in paragraph (a)(E) and (F) of this subsection shall  
39 not exceed 2.0.

40 (8) Transportation Grant = 70 percent of Approved Transportation Costs.

41 (9) Local Revenues are the total of the following:

42 (a) The amount of revenue offset against local property taxes as determined by the Department  
43 of Revenue under ORS 311.175 (3)(a)(A);

44 (b) The amount of property taxes actually received by the district including penalties and in-  
45 terest on taxes;

(c) The amount of revenue received by the district from the Common School Fund under ORS 327.403 to 327.415;

(d) The amount of revenue received by the district from the county school fund;

(e) The amount of revenue received by the district from the 25 percent of federal forest reserve revenues required to be distributed to schools by ORS 294.060 (1);

(f) The amount of revenue received by the district from state managed forestlands under ORS 530.115 (1)(b) and (c);

*[(g) The amount of revenue received under ORS 334.400 by a school district in an education service district that provides equalization under ORS 334.400;]*

*[(h)]* (g) Moneys received in lieu of property taxes;

*[(i)]* (h) Federal funds received without specific application by the school district and which are not deemed under federal law to be nonsupplantable; *[and]*

*[(j)]* (i) Any positive amount obtained by subtracting the operating property taxes actually imposed by the district, based on the rate certified pursuant to ORS 310.060, from the amount that would have been imposed by the district if the district had certified the maximum rate of operating property taxes allowed by law[.]; **and**

**(j) Any amount distributed to the district in the prior fiscal year under section 4 (3) of this 2001 Act.**

(10) Notwithstanding subsection (9) of this section, Local Revenues do not include:

(a) The amount of revenue actually received by the district, including penalties and interest on taxes, that is used for payment of bonds issued to finance or refinance an unfunded obligation for prior service costs under a contract of integration pursuant to ORS 238.685 (2)(a); and

(b) If a school district imposes local option taxes pursuant to ORS 280.040 to 280.145, an amount equal to the lesser of:

(A) The amount of revenue actually received by the district from local option taxes imposed pursuant to ORS 280.040 to 280.145;

(B) Ten percent of the combined total for the school district of the general purpose grant, the transportation grant and the facility grant of the district; or

(C) \$500 per district extended ADMw.

(11)(a) Facility Grant = 8 percent of total construction costs of new school buildings.

(b) A school district shall receive a Facility Grant in the distribution year that a new school building is first used.

(c) As used in this subsection:

(A) "New school building" includes new school buildings, adding structures onto existing school buildings and adding premanufactured structures to a school district if those buildings or structures are to be used for instructing students.

(B) "Construction costs" does not include costs for land acquisition.

**SECTION 18. The amendments to ORS 327.013 by section 17 of this 2001 Act affect State School Fund distributions commencing with the 2003-2004 distribution.**

**SECTION 19. The amendments to ORS 327.013 by section 17 of this 2001 Act become operative on July 1, 2003.**

**SECTION 20.** ORS 327.013, as amended by section 30, chapter 1066, Oregon Laws 1999, is amended to read:

327.013. The State School Fund distributions **for school districts** shall be computed as follows:

(1) General Purpose Grant = Funding Percentage × Target Grant × District extended ADMw.

(2) The funding percentage shall be calculated by the Superintendent of Public Instruction to distribute as nearly as practicable the total sum available for distribution of money.

(3) Target Grant = Statewide Target per ADMw Grant + Teacher Experience Factor.

(4) Statewide Target per ADMw Grant = \$4,500.

(5) Teacher Experience Factor =  $\$25 \times \{\text{District average teacher experience} - \text{statewide average teacher experience}\}$ . "Average teacher experience" means the average, in years, of teaching experience of certified teachers as reported to the Department of Education.

(6) District extended ADMw = ADMw or ADMw of the prior year, whichever is greater.

(7)(a) Weighted average daily membership or ADMw = average daily membership + an additional amount computed as follows:

(A) 1.0 for each student in average daily membership eligible for special education as a child with disabilities under ORS 343.035, applicable to not to exceed 11 percent of the district's ADM without review and approval of the Department of Education. Children with disabilities eligible for special education in adult local correctional facilities as defined in ORS 169.005 or adult regional correctional facilities as defined in ORS 169.620 shall not be included in the calculation of the 11 percent.

(B) 0.5 for each student in average daily membership eligible for and enrolled in an English as a Second Language program under ORS 336.079.

(C) 0.2 for each student in average daily membership enrolled in a union high school district or in an area of a unified school district where the district is only responsible for educating students in grades 9 through 12 in that area.

(D) -0.1 for each student in average daily membership enrolled in an elementary district operating kindergarten through grade 6 or kindergarten through grade 8 or in an area of a unified school district where the district is only responsible for educating students in kindergarten through grade 8.

(E) 0.25 times the sum of the following:

(i) The number of children 5 to 17 years of age in poverty families in the district, as determined by the Department of Education from a report of the federal Department of Education, as adjusted by the school district's proportion of students in the county receiving free or reduced price lunches under the United States Department of Agriculture's current Income Eligibility Guidelines if the number is higher than the number determined from census data and only if the school district had an average daily membership of 2,500 or less for the 1995-1996 school year, and as further adjusted by the number of students in average daily membership in June of the year of distribution divided by number of students in average daily membership in the district, or its predecessors, in June 1990;

(ii) The number of children in foster homes in the district as determined by the report of the Department of Human Services to the federal Department of Education, "Annual Statistical Report on Children in Foster Homes and Children in Families Receiving AFDC Payments in Excess of the Poverty Income Level," or its successor, for October 31 of the year prior to the year of distribution; and

(iii) The number of children in the district in state-recognized facilities for neglected and delinquent children, based on information from the Department of Human Services for October 31 of the year prior to the year of distribution.

(F) An additional amount as determined by ORS 327.077 shall be added to the ADMw for each remote small elementary school and for each small high school in the district.

(G) All numbers of children used for the computation in this section must reflect any district

consolidations that have occurred since the numbers were compiled.

(b) The total additional weight that shall be assigned to any student in average daily membership in a district, exclusive of students described in paragraph (a)(E) and (F) of this subsection shall not exceed 2.0.

(8) Transportation Grant = 70 percent of Approved Transportation Costs.

(9) Local Revenues are the total of the following:

(a) The amount of revenue offset against local property taxes as determined by the Department of Revenue under ORS 311.175 (3)(a)(A);

(b) The amount of property taxes actually received by the district including penalties and interest on taxes;

(c) The amount of revenue received by the district from the Common School Fund under ORS 327.403 to 327.415;

(d) The amount of revenue received by the district from the county school fund;

(e) The amount of revenue received by the district from the 25 percent of federal forest reserve revenues required to be distributed to schools by ORS 294.060 (1);

(f) The amount of revenue received by the district from state managed forestlands under ORS 530.115 (1)(b) and (c);

*[(g) The amount of revenue received under ORS 334.400 by a school district in an education service district that provides equalization under ORS 334.400;]*

*[(h)]* (g) Moneys received in lieu of property taxes;

*[(i)]* (h) Federal funds received without specific application by the school district and which are not deemed under federal law to be nonsupplantable; *[and]*

*[(j)]* (i) Any positive amount obtained by subtracting the operating property taxes actually imposed by the district, based on the rate certified pursuant to ORS 310.060, from the amount that would have been imposed by the district if the district had certified the maximum rate of operating property taxes allowed by law; **and**

**(j) Any amount distributed to the district in the prior fiscal year under section 4 (3) or 9 (8) of this 2001 Act.**

(10) Notwithstanding subsection (9) of this section, Local Revenues do not include:

(a) The amount of revenue actually received by the district, including penalties and interest on taxes, that is used for payment of bonds issued to finance or refinance an unfunded obligation for prior service costs under a contract of integration pursuant to ORS 238.685 (2)(a); and

(b) If a school district imposes local option taxes pursuant to ORS 280.040 to 280.145, an amount equal to the lesser of:

(A) The amount of revenue actually received by the district from local option taxes imposed pursuant to ORS 280.040 to 280.145;

(B) Ten percent of the combined total for the school district of the general purpose grant, the transportation grant and the facility grant of the district; or

(C) \$500 per district extended ADMw.

(11)(a) Facility Grant = 8 percent of total construction costs of new school buildings.

(b) A school district shall receive a Facility Grant in the distribution year that a new school building is first used.

(c) As used in this subsection:

(A) "New school building" includes new school buildings, adding structures onto existing school buildings and adding premanufactured structures to a school district if those buildings or structures

are to be used for instructing students.

(B) "Construction costs" does not include costs for land acquisition.

**SECTION 21. The amendments to ORS 327.013 by section 20 of this 2001 Act become operative July 1, 2005.**

**SECTION 22. The amendments to ORS 327.013 by section 20 of this 2001 Act affect State School Fund distributions commencing with the 2005-2006 distribution.**

**SECTION 23.** ORS 327.013, as amended by sections 15 and 17 of this 2001 Act, is amended to read:

327.013. The State School Fund distributions for school districts shall be computed as follows:

(1) General Purpose Grant = Funding Percentage  $\times$  Target Grant  $\times$  District extended ADMw.

(2) The funding percentage shall be calculated by the Superintendent of Public Instruction to distribute as nearly as practicable the total sum available for distribution of money.

(3) Target Grant = Statewide Target per ADMw Grant + Teacher Experience Factor.

(4) Statewide Target per ADMw Grant = \$4,500.

(5) Teacher Experience Factor =  $\$25 \times \{\text{District average teacher experience} - \text{statewide average teacher experience}\}$ . "Average teacher experience" means the average, in years, of teaching experience of certified teachers as reported to the Department of Education.

(6) District extended ADMw = ADMw or ADMw of the prior year, whichever is greater.

(7)(a) Weighted average daily membership or ADMw = average daily membership + an additional amount computed as follows:

(A) 1.0 for each student in average daily membership eligible for special education as a child with disabilities under ORS 343.035, applicable to not to exceed 11 percent of the district's ADM without review and approval of the Department of Education. Children with disabilities eligible for special education in adult local correctional facilities as defined in ORS 169.005 or adult regional correctional facilities as defined in ORS 169.620 shall not be included in the calculation of the 11 percent.

(B) 0.5 for each student in average daily membership eligible for and enrolled in an English as a Second Language program under ORS 336.079.

(C) 0.2 for each student in average daily membership enrolled in a union high school district or in an area of a unified school district where the district is only responsible for educating students in grades 9 through 12 in that area.

(D) -0.1 for each student in average daily membership enrolled in an elementary district operating kindergarten through grade 6 or kindergarten through grade 8 or in an area of a unified school district where the district is only responsible for educating students in kindergarten through grade 8.

(E) 0.25 times the sum of the following:

(i) The number of children 5 to 17 years of age in poverty families in the district, as determined by the Department of Education from a report of the federal Department of Education, as adjusted by the school district's proportion of students in the county receiving free or reduced price lunches under the United States Department of Agriculture's current Income Eligibility Guidelines if the number is higher than the number determined from census data and only if the school district had an average daily membership of 2,500 or less for the 1995-1996 school year, and as further adjusted by the number of students in average daily membership in June of the year of distribution divided by number of students in average daily membership in the district, or its predecessors, in June 1990;

(ii) The number of children in foster homes in the district as determined by the report of the

1 Department of Human Services to the federal Department of Education, "Annual Statistical Report  
2 on Children in Foster Homes and Children in Families Receiving AFDC Payments in Excess of the  
3 Poverty Income Level," or its successor, for October 31 of the year prior to the year of distribution;  
4 and

5 (iii) The number of children in the district in state-recognized facilities for neglected and delin-  
6 quent children, based on information from the Department of Human Services for October 31 of the  
7 year prior to the year of distribution.

8 (F)[(i)] An additional amount as determined by ORS 327.077 [(1997 Edition)] shall be added to the  
9 ADMw for each remote small [school in the district.]

10 [(ii) An additional amount as determined by section 23, chapter 1066, Oregon Laws 1999,] **ele-**  
11 **mentary school and** for each small high school in the district [that is equal to the small high school  
12 additional weighting amount].

13 (G) All numbers of children used for the computation in this section must reflect any district  
14 consolidations that have occurred since the numbers were compiled.

15 (b) The total additional weight that shall be assigned to any student in average daily member-  
16 ship in a district, exclusive of students described in paragraph (a)(E) and (F) of this subsection shall  
17 not exceed 2.0.

18 (8) Transportation Grant = 70 percent of Approved Transportation Costs.

19 (9) Local Revenues are the total of the following:

20 (a) The amount of revenue offset against local property taxes as determined by the Department  
21 of Revenue under ORS 311.175 (3)(a)(A);

22 (b) The amount of property taxes actually received by the district including penalties and in-  
23 terest on taxes;

24 (c) The amount of revenue received by the district from the Common School Fund under ORS  
25 327.403 to 327.415;

26 (d) The amount of revenue received by the district from the county school fund;

27 (e) The amount of revenue received by the district from the 25 percent of federal forest reserve  
28 revenues required to be distributed to schools by ORS 294.060 (1);

29 (f) The amount of revenue received by the district from state managed forestlands under ORS  
30 530.115 (1)(b) and (c);

31 (g) Moneys received in lieu of property taxes;

32 (h) Federal funds received without specific application by the school district and which are not  
33 deemed under federal law to be nonsupplantable;

34 (i) Any positive amount obtained by subtracting the operating property taxes actually imposed  
35 by the district, based on the rate certified pursuant to ORS 310.060, from the amount that would  
36 have been imposed by the district if the district had certified the maximum rate of operating prop-  
37 erty taxes allowed by law; and

38 (j) Any amount distributed to the district in the prior fiscal year under section 4 (3) **or 9 (8)** of  
39 this 2001 Act.

40 (10) Notwithstanding subsection (9) of this section, Local Revenues do not include:

41 (a) The amount of revenue actually received by the district, including penalties and interest on  
42 taxes, that is used for payment of bonds issued to finance or refinance an unfunded obligation for  
43 prior service costs under a contract of integration pursuant to ORS 238.685 (2)(a); and

44 (b) If a school district imposes local option taxes pursuant to ORS 280.040 to 280.145, an amount  
45 equal to the lesser of:

(A) The amount of revenue actually received by the district from local option taxes imposed pursuant to ORS 280.040 to 280.145;

(B) Ten percent of the combined total for the school district of the general purpose grant, the transportation grant and the facility grant of the district; or

(C) \$500 per district extended ADMw.

(11)(a) Facility Grant = 8 percent of total construction costs of new school buildings.

(b) A school district shall receive a Facility Grant in the distribution year that a new school building is first used.

(c) As used in this subsection:

(A) "New school building" includes new school buildings, adding structures onto existing school buildings and adding premanufactured structures to a school district if those buildings or structures are to be used for instructing students.

(B) "Construction costs" does not include costs for land acquisition.

**SECTION 24. The amendments to ORS 327.013 by section 23 of this 2001 Act affect State School Fund distributions commencing with the 2005-2006 distribution.**

**SECTION 25. The amendments to ORS 327.013 by section 23 of this 2001 Act become operative on July 1, 2005.**

## RESOLUTION SERVICES

**SECTION 26. Section 27 of this 2001 Act is added to and made a part of ORS chapter 334.**

**SECTION 27. An education service district board shall expend at least 90 percent of all amounts received from the State School Fund and at least 90 percent of all amounts considered to be local revenues of an education service district, as defined in section 2 of this 2001 Act, on services or programs that have been approved by the component school districts of the education service district through the resolution process described in ORS 334.175.**

**SECTION 28. Section 27 of this 2001 Act first applies to amounts received by an education service district on or after July 1, 2002.**

**SECTION 29. Section 27 of this 2001 Act is amended to read:**

**Sec. 27.** An education service district board shall expend at least 90 percent of all amounts received from the State School Fund and at least 90 percent of all amounts considered to be local revenues of an education service district, as defined in section [2] 9 of this 2001 Act, on services or programs that have been approved by the component school districts of the education service district through the resolution process described in ORS 334.175.

**SECTION 30. The amendments to section 27 of this 2001 Act by section 29 of this 2001 Act become operative July 1, 2005.**

## INTERIM STUDY

**SECTION 31. (1) During the 2001-2003 biennium, the Department of Education shall conduct a study to:**

**(a) Create a comparable definition of "services" offered by education service districts and school districts;**

**(b) Create a catalog of services offered by education service districts and school districts;**

**(c) Provide a correlation of service costs to a uniform chart of accounts; and**



1       **(d) Identify where in this state there are deficiencies in the services offered by education**  
2       **service districts and school districts.**

3       **(2) The department shall make a progress report for each meeting of the interim legis-**  
4       **lative committees on revenue. Prior to October 1, 2002, the department shall make a final**  
5       **report on the issues identified in subsection (1) of this section to the interim legislative**  
6       **committees on revenue.**

7  
8                   **REPEAL OF TAX EQUALIZATION REQUIREMENT**  
9                   **FOR CERTAIN COUNTIES**

10  
11       **SECTION 32.** ORS 310.060 is amended to read:

12       310.060. (1) Not later than July 15 of each year, every city, school district or other public cor-  
13       poration authorized to levy or impose a tax on property shall file a written notice certifying the ad  
14       valorem property tax rate or the estimated amount of ad valorem property taxes to be imposed by  
15       the taxing district and any other taxes on property imposed by the taxing district on property sub-  
16       ject to ad valorem property taxation that are required or authorized to be placed on the assessment  
17       and tax roll for the current fiscal year. The notice shall be accompanied by a copy of a lawfully  
18       adopted ordinance or resolution that categorizes the tax, fee, charge, assessment or toll as subject  
19       to or not subject to the limits of section 11b, Article XI of the Oregon Constitution, identified by the  
20       categories set forth in ORS 310.150.

21       (2) For any ad valorem property taxes levied by the taxing district, the notice shall state as  
22       separate items:

23       (a) The taxing district's rate of ad valorem property taxation that is within the permanent rate  
24       limitation imposed by section 11 (3), Article XI of the Oregon Constitution, or within the statutory  
25       rate limit determined in ORS 310.236 (4)(b) or 310.237, if applicable;

26       (b) The total rate or amount of the taxing district's local option taxes imposed pursuant to ORS  
27       280.040 to 280.145 that have a term of five years or less and that are not for capital projects;

28       (c) The total amount of the taxing district's local option taxes that are for capital projects;

29       (d) The total amount levied for the payment of bonded indebtedness or interest thereon that is  
30       not subject to limitation under section 11 (11) or section 11b, Article XI of the Oregon Constitution;  
31       and

32       (e) The total amount levied that is subject to section 11b, Article XI of the Oregon Constitution,  
33       but that is not subject to the permanent ad valorem property tax rate limit described in section 11  
34       (3), Article XI of the Oregon Constitution, because the amount levied is to be used to repay:

35       (A) Principal and interest for any bond issued before December 5, 1996, and secured by a pledge  
36       or explicit commitment of ad valorem property taxes or a covenant to levy or collect ad valorem  
37       property taxes;

38       (B) Principal and interest for any other formal, written borrowing of moneys executed before  
39       December 5, 1996, for which ad valorem property tax revenues have been pledged or explicitly  
40       committed, or that are secured by a covenant to levy or collect ad valorem property taxes;

41       (C) Principal and interest for any bond issued to refund an obligation described in subparagraph  
42       (A) or (B) of this paragraph; or

43       (D) Local government pension and disability plan obligations that commit ad valorem property  
44       taxes.

45       (3)(a) The notice shall also list each rate or amount subject to the limits of section 11b, Article

XI of the Oregon Constitution, identified by the categories set forth in ORS 310.150.

(b) If an item described in subsection (2) of this section is allocable to more than one category described in ORS 310.150, the notice shall list separately the portion of each item allocable to each category.

(4) For any other taxes on property imposed by the taxing district, the notice shall state:

(a) The total amount of money to be raised by each other tax, in the aggregate or on a property by property basis, as appropriate.

(b) Each amount that is subject to the limits of section 11b, Article XI of the Oregon Constitution, identified by the categories set forth in ORS 310.150.

(5) For any district authorized by law to place any other fees, charges, assessments or tolls on the assessment and tax roll, the notice shall state the total amount of money to be raised on a property by property basis.

(6) In addition to the notice required under subsection (1) of this section, any taxing district that is subject to the Local Budget Law shall also provide the documents required by ORS 294.555 (2).

(7) Not later than July 15 of each year, the taxing district shall give the notice and documents described in this section to the assessor of the county in which the principal office of the taxing district is located and, if the taxing district is located in more than one county, to the assessor of each county in which any part of the taxing district is located. Not later than September 30 of each year, the taxing district shall provide a complete copy of the budget document to the clerk of the county in which the principal office of the taxing district is located and, if the taxing district is located in more than one county, to the clerk of each county in which any part of the taxing district is located.

(8) The Department of Revenue shall prescribe the form of notice required by this section. All amounts shall be stated in dollars and cents or ad valorem property tax rates in dollars and cents per thousand dollars of assessed value, as required by law. If the notice is given to the assessor and the clerk of more than one county, a copy of each other such notice given shall accompany every notice given. *[Upon the giving of the notice, every school district located in a county to which ORS 334.350 to 334.400 apply immediately shall supply a copy thereof to the school superintendent of the county wherein the district is located. Immediately upon receipt thereof every such notice and copy shall be filed in the office of the receiving officer.]*

(9) For good and sufficient reason, the county assessor may extend the time for the giving of the notice or correcting an erroneous certification for the current year up to but not later than October 1 as the county assessor considers reasonable.

**SECTION 33. The amendments to ORS 310.060 by section 32 of this 2001 Act become operative on July 1, 2003.**

**SECTION 34.** ORS 328.542 is amended to read:

328.542. Subject to the Local Budget Law (ORS 294.305 to 294.565)[, to ORS 334.350 to 334.400] and to sections 11 and 11b, Article XI, Oregon Constitution, each school district board shall prepare annually the budget of the school district and shall certify ad valorem property taxes to the assessor as provided by law.

**SECTION 35. The amendments to ORS 328.542 by section 34 of this 2001 Act become operative on July 1, 2003.**

**SECTION 36.** ORS 330.003 is amended to read:

330.003. For purposes of this chapter:

(1)(a) "Merger" includes any alteration, annexation, merger, consolidation, lengthening the

1 course of study or other change under ORS 330.090 to 330.107, **334.710 to 334.770 and** 335.490 to  
2 335.505[,] **and** ORS chapter 333[, *and in the case of education service districts to which ORS 334.350*  
3 *to 334.400 apply, ORS 334.710 to 334.770*].

4 (b) "Merger" includes only those proceedings in which the entire territory of an involved school  
5 district is merged. The permanent rate limit for operating taxes for a school district after merger  
6 shall be the rate that would produce the same operating tax revenue as the school districts prior  
7 to merger would have cumulatively produced in the year of merger if the merger, not taking into  
8 account any applicable statutory rate limit, had not occurred.

9 (2) "School district" means a taxing district providing public elementary or secondary education,  
10 or any combination thereof, within this state, and specifically includes a component school district  
11 of an education service district that levies taxes for its component school districts and the education  
12 service district itself. "School district" does not include any other education service district.

13 **SECTION 37. The amendments to ORS 330.003 by section 36 of this 2001 Act become op-**  
14 **erative on July 1, 2003.**

15  
16 **REPEALS**  
17

18 **SECTION 38. ORS 327.081, 334.350, 334.353, 334.360, 334.380, 334.390, 334.400, 334.410, 334.450**  
19 **and 334.460 are repealed on July 1, 2003.**

20  
21 **CAPTIONS**  
22

23 **SECTION 39. The unit captions used in this 2001 Act are provided only for the conven-**  
24 **ience of the reader and do not become part of the statutory law of this state or express any**  
25 **legislative intent in the enactment of this 2001 Act.**

26  
27 **EMERGENCY CLAUSE**  
28

29 **SECTION 40. This 2001 Act being necessary for the immediate preservation of the public**  
30 **peace, health and safety, an emergency is declared to exist, and this 2001 Act takes effect**  
31 **July 1, 2001.**  
32

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