

CHAPTER 577

AN ACT

HB 2506

Relating to school funding; creating new provisions; amending ORS 294.383, 327.008, 327.019 and 329.488; repealing ORS 327.009, 334.800 and 334.820; appropriating money; and declaring an emergency.

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

SECTION 1. (1) The Task Force on School Funding is established.

(2) The task force consists of 13 members appointed as follows:

(a) The President of the Senate shall appoint two members from among members of the Senate.

(b) The Speaker of the House of Representatives shall appoint two members from among members of the House of Representatives.

(c) The Governor shall appoint nine members who represent:

(A) School teachers, school administrators, school district business managers, district school board members and personnel of education service districts;

(B) Geographically diverse urban and rural schools; and

(C) Schools of various sizes.

(3) The task force shall make recommendations regarding possible modifications to the funding formulas used to distribute State School Fund moneys to school districts and education service districts.

(4) A majority of the voting members of the task force constitutes a quorum for the transaction of business.

(5) Official action by the task force requires the approval of a majority of the voting members of the task force.

(6) The task force shall elect one of its members to serve as chairperson.

(7) If there is a vacancy for any cause, the appointing authority shall make an appointment to become immediately effective.

(8) The task force shall meet at times and places specified by the call of the chairperson or of a majority of the voting members of the task force.

(9) The task force may adopt rules necessary for the operation of the task force.

(10) The task force shall submit a report in the manner provided by ORS 192.245, and may include recommendations for legislation, to the interim committees of the Legislative Assembly related to education no than October 1, 2014.

(11) The Department of Education shall provide staff support to the task force.

(12) Notwithstanding ORS 171.072, members of the task force who are members of the Legislative Assembly are not entitled to mileage

expenses or a per diem and serve as volunteers on the task force. Other members of the task force are not entitled to compensation or reimbursement for expenses and serve as volunteers on the task force.

(13) All agencies of state government, as defined in ORS 174.111, are directed to assist the task force in the performance of its duties and, to the extent permitted by laws relating to confidentiality, to furnish such information and advice as the members of the task force consider necessary to perform their duties.

SECTION 2. Section 1 of this 2013 Act is repealed on the date of the convening of the 2015 regular session of the Legislative Assembly as specified in ORS 171.010.

SECTION 3. The Office of Regional Educational Services is abolished.

SECTION 4. (1) The Regional Educational Services Account is abolished.

(2) Any moneys remaining in the Regional Educational Services Account on the effective date of this 2013 Act that are unexpended, unobligated and not subject to any conditions shall revert to the General Fund.

SECTION 5. ORS 327.009, 334.800 and 334.820 are repealed.

SECTION 6. ORS 294.383 is amended to read: 294.383. (1) As used in this section, "extended ADMw" means:

(a) For a school district, the district extended ADMw as calculated under ORS 327.013.

(b) For an education service district, the sum of the extended ADMw of the school districts located within the territory of the education service district.

(2) Notwithstanding ORS 294.333, a school district or education service district that uses the accrual basis method of accounting may include as accrued revenues in the budget and financial statement of the school district or education service district, for any fiscal year, an amount from the next fiscal year that is to be received in the next fiscal year. The amount accrued under this section may not be greater than the amount calculated under subsection (3)(b) or (c) of this section multiplied by the extended ADMw of the school district or education service district.

(3)(a) For each fiscal year, the Department of Education shall calculate the amount available in the State School Fund for grants and distributions to school districts and the amount available for grants and distributions to education service districts under ORS 327.008, 327.013 and 327.019 based on the appropriations and allocations made to the State School Fund for that fiscal year by the Legislative Assembly in regular session. The department may not include in the amount calculated to be available for school districts and education service districts under this paragraph the amounts received

by the Youth Corrections Education Program and the Juvenile Detention Education Program under ORS 327.026 from the State School Fund [or amounts transferred to the Regional Educational Services Account as provided by ORS 327.009].

(b) The department shall calculate for school districts an amount equal to (the amount calculated under paragraph (a) of this subsection for school districts ÷ 12) ÷ the total statewide extended ADMw of all school districts.

(c) The department shall calculate for education service districts an amount equal to (the amount calculated under paragraph (a) of this subsection for education service districts ÷ 12) ÷ the total statewide extended ADMw of all education service districts.

(d) The department may adjust the calculations under this subsection based on current data for the factors used to calculate the State School Fund distribution to school districts and education service districts under ORS 327.008, 327.013 and 327.019.

(e) Notwithstanding paragraph (d) of this subsection, the department may not adjust the calculation under paragraph (a) of this subsection based on changes made to the appropriations or allocations to the State School Fund by the Legislative Assembly in special session or by rule of the Oregon Department of Administrative Services relating to allotting funds.

(4) Notwithstanding ORS 294.333, a community college district or community college service district that uses the accrual basis method of accounting may include as accrued revenues in the budget and financial statement of the community college district or community college service district, for any fiscal year, an amount from the next fiscal year that is to be received in the next fiscal year. The amount accrued under this section may not be greater than 25 percent of the amount the community college district or community college service district received as a Community College Support Fund grant for the fiscal year for which the revenues are to be accrued.

SECTION 7. ORS 327.008, as amended by section 3, chapter 91, Oregon Laws 2012, 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 transferred from the Education Stability Fund. The State School Fund is continuously appropriated to the Department of Education for the purposes of ORS 327.006 to 327.077, 327.095, 327.099, 327.101, 327.125, 327.137, 327.348, 336.575, 336.580, 336.635, 342.173, 343.243, 343.533 and 343.961.

(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 and a high cost disabilities grant minus local revenue, computed as provided in ORS 327.011 and 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 ORS 327.019.

[(4) There shall be apportioned from the State School Fund the amount to be transferred to the Regional Educational Services Account as calculated under ORS 327.009.]

[(5)] (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.

[(6)] (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.

[(7)] (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.

[(8)] (7) The total amount of the State School Fund that is distributed as facility grants may not exceed \$25 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.

[(9)] (8) Each fiscal year, the Department of Education shall transfer the amount of \$18 million from the State School Fund to the High Cost Disabilities Account established in ORS 327.348.

[(10)] (9) Each fiscal year, the Department of Education may expend up to \$550,000 from the State School Fund for the contract described in ORS 329.488. The amount distributed to education service districts from the State School Fund under this section and ORS 327.019 shall be reduced by the amount expended by the department under this subsection.

[(11)] (10) Each biennium, the Department of Education may expend up to \$350,000 from the State School Fund to provide administration of and support for the development of talented and gifted education under ORS 343.404.

[(12)] (11) Each biennium, the Department of Education may expend up to \$150,000 from the State School Fund for the administration of a program to increase the number of speech-language pathologists and speech-language pathology assistants under ORS 348.394 to 348.406.

SECTION 8. ORS 327.019 is amended to read:

327.019. (1) As used in this section:

(a) "Education service district extended ADMw" means the sum of the extended ADMw of the school districts located within the territory 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 [and the Office of Regional Educational Services] + total amount of local revenues of all school districts, computed as provided in ORS 327.011, + total amount of local revenues of all education service districts. The superintendent may not include in the calculation under this paragraph amounts received 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 95.5 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 and 327.348 the total amount calculated under paragraph (b) of this subsection as school district general purpose grants, facility grants, high cost disabilities 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, transportation grant and high cost disabilities grant amounts for each school district.

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

(A) The total amount calculated under subsection (3)(d) of this section for the school districts located within the territory of the education service district $\times (4.5 \div 95.5)$; or

(B) \$1 million if the education service district received a general services grant of \$1 million for the 2010-2011 school year.

(b) Notwithstanding paragraph (a) of this subsection and only for State School Fund distributions made for the first school year after two or more education service districts join together, if an education service district received a general services grant as provided by paragraph (a)(B) of this subsection prior to the education service district joining

together with one or more other education service districts to form a new education service district:

(A) The general services grant for the new education service district shall be calculated for each component education service district as though the component education service districts had not joined together to form a new education service district; and

(B) A component education service district that received \$1 million as provided by paragraph (a)(B) of this subsection shall be entitled to receive \$1 million under the calculation provided by this paragraph.

(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 \times 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:

(a) The State School Fund grant of an education service district may not be less than zero; and

(b) The State School Fund grant of an education service district shall be in an amount that, when combined with the local revenues of the education service district, equals \$1 million or more.

(8) An education service district shall distribute to school districts located within the territory of the education service district any amount of local revenues of the education service district that is greater than the general services grant. The amount that each school district receives under this subsection shall be prorated based on the district extended ADMw of the school district as calculated under ORS 327.013.

(9)(a) An education service district shall distribute to a school district that is located within the territory of the education service district but that has withdrawn from the education service district as provided in ORS 334.015 the amounts received by the education service district as a general services grant and from the School Improvement Fund.

(b) The amounts that a school district receives under this subsection:

(A) Shall be prorated based on the district extended ADMw of the school district as calculated under ORS 327.013;

(B) Shall equal 90 percent of the school district's prorated share, as calculated under subparagraph (A) of this paragraph; and

(C) May be used to pay for any expenses incurred in providing services described in ORS 334.175 (2) to the students of the school district by:

- (i) The school district;
- (ii) The education service district from which the school district withdrew;
- (iii) An education service district that is not the education service district from which the school district withdrew; or
- (iv) Any other public entity with which the school district has entered into a contract to provide the services.

SECTION 9. The amendments to ORS 294.383, 327.008 and 327.019 by sections 6 to 8 of this 2013 Act and the repeal of ORS 327.009 by section 5 of this 2013 Act apply to State School Fund distributions commencing with the 2013-2014 distributions.

SECTION 10. ORS 329.488 is amended to read:

329.488. (1) The Department of Education shall contract with a nonprofit entity to administer a nationally normed assessment, in collaboration with the department, to all students in grade 10 who are enrolled in a public school. The purpose of the assessment is to predict the success of students on, and provide practice for students taking, college entrance exams.

(2) The department shall base the selection of the contractor under subsection (1) of this section on all of the following criteria:

(a) The contractor must be able to provide to the department statewide data containing the results of the assessment;

(b) The contractor shall provide an assessment that:

(A) Identifies students with high potential to excel in advanced placement (AP) or other honors courses based on a research-based correlation of scores on the grade 10 assessment to advanced placement examinations;

(B) Examines students in mathematics, reading and writing; and

(C) Provides results that can be used by Oregon's higher education institutions to recruit students to attend college;

(c) The contractor must be able to supply schools with an item-by-item analysis of student performance on the assessment; and

(d) The contractor must be able to make available to each student taking the assessment a free career assessment and online exploration of colleges and career opportunities.

(3)(a) In lieu of using the contractor selected by the department under subsection (1) of this section, a school district may apply to the department for a waiver to allow the district to enter into a contract with a different nonprofit entity for the purpose of administering a nationally normed assessment to all students in grade 10 who are enrolled in the public schools operated by the district. The department shall grant the waiver if:

(A) The district had entered into a contract with the entity for the 2007-2008 school year to administer a grade 10 assessment;

(B) The entity, in coordination with the district, administered a grade 10 assessment during the 2007-2008 school year;

(C) For the most recent school year in which the entity administered a grade 10 assessment, the entity met the criteria set forth in subsection (2) of this section as in effect for the school year in which the entity administered the assessment; and

(D) The entity plans to meet the criteria set forth in subsection (2) of this section as in effect for the school year for which the school district seeks a waiver.

(b) A waiver granted by the department under this subsection:

(A) Is valid for one school year; and

(B) May be renewed each school year.

(c) The department shall reimburse a school district for the cost of assessments allowed under this subsection from funds available to the department under ORS 327.008 [(10)] (9).

(4) Notwithstanding subsections (1) and (3) of this section:

(a) The department may, under rules adopted by the State Board of Education, waive the assessment for specific groups of students; and

(b) Upon request from a student who is enrolled in a public school operated by a school district or the parent or guardian of the student, the school district shall waive the assessment for the student.

SECTION 11. (1) The Network of Quality Teaching and Learning Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Network of Quality Teaching and Learning Fund shall be credited to the General Fund.

(2) Moneys in the Network of Quality Teaching and Learning Fund are continuously appropriated to the Department of Education for the Network of Quality Teaching and Learning established by section 1, chapter 661, Oregon Laws 2013 (Enrolled House Bill 3233).

(3) The Department of Education, on behalf of the State of Oregon, may solicit and accept gifts, grants or donations from public and private sources for the Network of Quality Teaching and Learning. Moneys received under this subsection shall be deposited into the Network of Quality Teaching and Learning Fund.

SECTION 12. If House Bill 3233 does not become law, section 11 of this 2013 Act is repealed.

SECTION 13. If House Bill 3233 becomes law, ORS 327.008, as amended by section 3, chapter 91, Oregon Laws 2012, and section 7 of this 2013 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 transferred from the Education Stability Fund. The State School Fund is continuously appropriated to the Department of Education for the purposes of ORS 327.006 to 327.077, 327.095, 327.099, 327.101, 327.125, 327.137, 327.348, 336.575, 336.580, 336.635, 342.173, 343.243, 343.533 and 343.961.

(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 and a high cost disabilities grant minus local revenue, computed as provided in ORS 327.011 and 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 ORS 327.019.

(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 may not exceed [25] **\$20** 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.

(8) Each fiscal year, the Department of Education shall transfer the amount of \$18 million from the State School Fund to the High Cost Disabilities Account established in ORS 327.348.

(9)(a) Each biennium, the Department of Education shall transfer \$33 million from the State School Fund to the Network of Quality Teaching and Learning Fund established under section 11 of this 2013 Act.

(b) For the purpose of making the transfer under this subsection:

(A) The total amount available for all distributions from the State School Fund shall be reduced by \$5 million;

(B) The amount distributed to school districts from the State School Fund under this section and ORS 327.013 shall be reduced by \$14 million; and

(C) The amount distributed to education service districts from the State School Fund under this section and ORS 327.019 shall be reduced by \$14 million.

(c) For each biennium, the amounts identified in paragraph (b)(B) and (C) of this subsection shall be adjusted by the same percentage by which the amount appropriated to the State School Fund for that biennium is increased or

decreased compared to the preceding biennium, as determined by the Department of Education after consultation with the Legislative Fiscal Officer.

[(9)] (10) Each fiscal year, the Department of Education may expend up to \$550,000 from the State School Fund for the contract described in ORS 329.488. The amount distributed to education service districts from the State School Fund under this section and ORS 327.019 shall be reduced by the amount expended by the department under this subsection.

[(10)] (11) Each biennium, the Department of Education may expend up to \$350,000 from the State School Fund to provide administration of and support for the development of talented and gifted education under ORS 343.404.

[(11)] (12) Each biennium, the Department of Education may expend up to \$150,000 from the State School Fund for the administration of a program to increase the number of speech-language pathologists and speech-language pathology assistants under ORS 348.394 to 348.406.

SECTION 14. If House Bill 3233 becomes law:

(1) The amendments to ORS 327.008 by section 13 of this 2013 Act apply to State School Fund distributions commencing with the 2013-2014 distributions.

(2) Notwithstanding ORS 327.008 (9)(c), the amounts identified in ORS 327.008 (9)(b)(B) and (C) shall first be adjusted beginning in the 2015-2017 biennium.

SECTION 15. If House Bill 3233 becomes law, ORS 329.488, as amended by section 10 of this 2013 Act, is amended to read:

329.488. (1) The Department of Education shall contract with a nonprofit entity to administer a nationally normed assessment, in collaboration with the department, to all students in grade 10 who are enrolled in a public school. The purpose of the assessment is to predict the success of students on, and provide practice for students taking, college entrance exams.

(2) The department shall base the selection of the contractor under subsection (1) of this section on all of the following criteria:

(a) The contractor must be able to provide to the department statewide data containing the results of the assessment;

(b) The contractor shall provide an assessment that:

(A) Identifies students with high potential to excel in advanced placement (AP) or other honors courses based on a research-based correlation of scores on the grade 10 assessment to advanced placement examinations;

(B) Examines students in mathematics, reading and writing; and

(C) Provides results that can be used by Oregon's higher education institutions to recruit students to attend college;

(c) The contractor must be able to supply schools with an item-by-item analysis of student performance on the assessment; and

(d) The contractor must be able to make available to each student taking the assessment a free career assessment and online exploration of colleges and career opportunities.

(3)(a) In lieu of using the contractor selected by the department under subsection (1) of this section, a school district may apply to the department for a waiver to allow the district to enter into a contract with a different nonprofit entity for the purpose of administering a nationally normed assessment to all students in grade 10 who are enrolled in the public schools operated by the district. The department shall grant the waiver if:

(A) The district had entered into a contract with the entity for the 2007-2008 school year to administer a grade 10 assessment;

(B) The entity, in coordination with the district, administered a grade 10 assessment during the 2007-2008 school year;

(C) For the most recent school year in which the entity administered a grade 10 assessment, the entity met the criteria set forth in subsection (2) of this section as in effect for the school year in which the entity administered the assessment; and

(D) The entity plans to meet the criteria set forth in subsection (2) of this section as in effect for

the school year for which the school district seeks a waiver.

(b) A waiver granted by the department under this subsection:

(A) Is valid for one school year; and

(B) May be renewed each school year.

(c) The department shall reimburse a school district for the cost of assessments allowed under this subsection from funds available to the department under ORS 327.008 [(9)] (10).

(4) Notwithstanding subsections (1) and (3) of this section:

(a) The department may, under rules adopted by the State Board of Education, waive the assessment for specific groups of students; and

(b) Upon request from a student who is enrolled in a public school operated by a school district or the parent or guardian of the student, the school district shall waive the assessment for the student.

SECTION 16. This 2013 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2013 Act takes effect on its passage.

Approved by the Governor July 1, 2013

Filed in the office of Secretary of State July 1, 2013

Effective date July 1, 2013