

# House Bill 2727

Sponsored by Representatives BURLEY, WHISNANT

## 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 **as introduced**.

Eliminates offset from State School Fund grants of property taxes of school district that are imposed on certain growth in district. Eliminates offset for two fiscal years following determination of amount of taxes on certain growth.

Requires that moneys not included in offset from State School Fund grant be spent only for capital projects or for computers or textbooks for class use.

Applies to property tax years beginning on or after July 1, 2009, and before July 1, 2019.

## A BILL FOR AN ACT

1  
2 Relating to school finance; creating new provisions; and amending ORS 327.013.

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

4 **SECTION 1. Section 2 of this 2007 Act is added to and made a part of ORS chapter 308.**

5 **SECTION 2. (1) As used in this section:**

6 (a) **"ADMw" means the weighted average daily membership as determined under ORS**  
7 **327.013.**

8 (b) **"Growth value" means the amount (but not less than zero) determined by subtracting**  
9 **the following amounts from the assessed value of a net contributor school district for the**  
10 **tax year:**

11 (A) **The assessed value of the net contributor school district for the preceding tax year,**  
12 **less the incremental value of the school district for the preceding tax year, increased by**  
13 **three percent; and**

14 (B) **The incremental value of the net contributor school district for the tax year.**

15 (c) **"Incremental value" means the total amount of increment, as defined in ORS 457.010,**  
16 **from all urban renewal areas in the net contributor school district.**

17 (d) **"Net contributor school district" means a common or union high school district that**  
18 **is wholly or partially located in a county in which, for the tax year preceding the tax year**  
19 **for which the calculation is being made, the net amount of school district contributions from**  
20 **all school districts located in the county, calculated as a sum of property tax revenues and**  
21 **state school fund grants per ADMw, exceeded the net amount of all receipts from all school**  
22 **districts located in the county, calculated as a sum of property tax revenues and state school**  
23 **fund grants per ADMw that school districts wholly or partially within the county received.**

24 (2) **For each tax year, the county assessor shall calculate the growth value of a net**  
25 **contributor school district and calculate the amount of operating taxes of a net contributor**  
26 **school district that are imposed on the growth value of the district.**

27 (3) **In the case of a net contributor school district located in more than one county, the**  
28 **county assessor of each county in which the district is located shall make the calculations**  
29 **described in subsection (2) of this section for that portion of the district that is located in**

**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.

1 **the county.**

2 (4) **For each net contributor school district, the county assessor shall report to the De-**  
 3 **partment of Revenue the amount of school district operating taxes that are imposed on the**  
 4 **growth value of the district.**

5 (5) **The Department of Revenue shall compile the total amount of operating taxes of each**  
 6 **net contributor school district that are reported to the department by county assessors un-**  
 7 **der subsection (4) of this section and shall report the total amount for each net contributor**  
 8 **school district to the Department of Education.**

9 (6) **The Department of Revenue shall adopt any rules necessary to implement the pro-**  
 10 **visions of this section.**

11 **SECTION 3.** ORS 327.013, as amended by sections 2 and 4, chapter 4, Oregon Laws 2006, is  
 12 amended to read:

13 327.013. The State School Fund distributions for school districts shall be computed as follows:

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

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

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

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

19 (5) Teacher Experience Factor = \$25 × {District average teacher experience – statewide av-  
 20 erage teacher experience}. “Average teacher experience” means the average, in years, of teaching  
 21 experience of certified teachers as reported to the Department of Education.

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

23 (7)(a) Weighted average daily membership or ADMw = average daily membership + an addi-  
 24 tional amount computed as follows:

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

31 (B) 0.5 for each student in average daily membership eligible for and enrolled in an English as  
 32 a second language program under ORS 336.079.

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

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

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

41 (i) The number of children 5 to 17 years of age in poverty families in the district, as determined  
 42 by the Department of Education from a report of the federal Department of Education based on the  
 43 most recent federal decennial census, as adjusted by the school district’s proportion of students in  
 44 the county receiving free or reduced price lunches under the United States Department of Agricul-  
 45 ture’s current Income Eligibility Guidelines if the number is higher than the number determined

1 from census data and only if the school district had an average daily membership of 2,500 or less  
2 for the 1995-1996 school year, and as further adjusted by the number of students in average daily  
3 membership in June of the year of distribution divided by number of students in average daily  
4 membership in the district, or its predecessors, in June of the year of the most recent federal  
5 decennial census;

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

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

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

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

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

21 (8) High cost disabilities grant = the total amount received by a school district under ORS  
22 327.348, for providing special education and related services to resident pupils with disabilities.

23 (9)(a) Transportation grant equals:

24 (A) 70 percent of approved transportation costs for those school districts ranked below the 80th  
25 percentile under paragraph (b) of this subsection.

26 (B) 80 percent of approved transportation costs for those school districts ranked in or above the  
27 80th percentile but below the 90th percentile under paragraph (b) of this subsection.

28 (C) 90 percent of approved transportation costs for those school districts ranked in or above the  
29 90th percentile under paragraph (b) of this subsection.

30 (b) Each fiscal year, the Department of Education shall rank school districts based on the ap-  
31 proved transportation costs per ADM of each school district, ranking the school district with the  
32 highest approved transportation costs per ADM at the top of the order.

33 (10) Local Revenues are the total of the following:

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

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

38 (c) The amount of revenue received by the district from the Common School Fund under ORS  
39 327.403 to 327.410;

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

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

43 (f) The amount of revenue received by the district from state managed forestlands under ORS  
44 530.115 (1)(b) and (c);

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

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

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

7 (j) Any amount distributed to the district in the prior fiscal year under section 4 (3), chapter  
 8 695, Oregon Laws 2001, or ORS 327.019 (8).

9 (11) Notwithstanding subsection (10) of this section, Local Revenues do not include[.];

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

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

14 [(b)] (B) Fifteen percent of the combined total for the school district of the general purpose  
 15 grant, the transportation grant, the facility grant and the high cost disabilities grant of the district;  
 16 or

17 [(c)] (C) \$750 per district extended ADMw.

18 (b) **The amount reported by the Department of Revenue for the district under section 2**  
 19 **(5) of this 2007 Act for the fiscal year for which the report is made and for the next suc-**  
 20 **ceeding fiscal year.**

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

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

24 (c) As used in this subsection:

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

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

29 **SECTION 4. The amendments to ORS 327.013 by section 3 of this 2007 Act become oper-**  
 30 **ative on July 1, 2009.**

31 **SECTION 5. The amendments to ORS 327.013 by section 3 of this 2007 Act apply to State**  
 32 **School Fund distributions commencing with the 2009-2010 distribution.**

33 **SECTION 6. ORS 327.013, as amended by sections 2 and 4, chapter 4, Oregon Laws 2006, and**  
 34 **section 3 of this 2007 Act, is amended to read:**

35 327.013. The State School Fund distributions for school districts shall be computed as follows:

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

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

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

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

41 (5) Teacher Experience Factor = \$25 × {District average teacher experience – statewide av-  
 42 erage teacher experience}. "Average teacher experience" means the average, in years, of teaching  
 43 experience of certified teachers as reported to the Department of Education.

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

45 (7)(a) Weighted average daily membership or ADMw = average daily membership + an addi-

1 tional amount computed as follows:

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

8 (B) 0.5 for each student in average daily membership eligible for and enrolled in an English as  
 9 a second language program under ORS 336.079.

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

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

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

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

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

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

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

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

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

43 (8) High cost disabilities grant = the total amount received by a school district under ORS  
 44 327.348, for providing special education and related services to resident pupils with disabilities.

45 (9)(a) Transportation grant equals:

1 (A) 70 percent of approved transportation costs for those school districts ranked below the 80th  
2 percentile under paragraph (b) of this subsection.

3 (B) 80 percent of approved transportation costs for those school districts ranked in or above the  
4 80th percentile but below the 90th percentile under paragraph (b) of this subsection.

5 (C) 90 percent of approved transportation costs for those school districts ranked in or above the  
6 90th percentile under paragraph (b) of this subsection.

7 (b) Each fiscal year, the Department of Education shall rank school districts based on the ap-  
8 proved transportation costs per ADM of each school district, ranking the school district with the  
9 highest approved transportation costs per ADM at the top of the order.

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

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

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

15 (c) The amount of revenue received by the district from the Common School Fund under ORS  
16 327.403 to 327.410;

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

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

20 (f) The amount of revenue received by the district from state managed forestlands under ORS  
21 530.115 (1)(b) and (c);

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

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

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

29 (j) Any amount distributed to the district in the prior fiscal year under section 4 (3), chapter  
30 695, Oregon Laws 2001, or ORS 327.019 (8).

31 (11) Notwithstanding subsection (10) of this section, Local Revenues do not include[:],

32 [(a)] if a school district imposes local option taxes pursuant to ORS 280.040 to 280.145, an  
33 amount equal to the lesser of:

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

36 [(B)] (b) Fifteen percent of the combined total for the school district of the general purpose  
37 grant, the transportation grant, the facility grant and the high cost disabilities grant of the district;  
38 or

39 [(C)] (c) \$750 per district extended ADMw.

40 [(b) *The amount reported by the Department of Revenue for the district under section 2 (5) of this*  
41 *2007 Act for the fiscal year for which the report is made and for the next succeeding fiscal year.*]

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

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

45 (c) As used in this subsection:

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

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

5 **SECTION 7.** The amendments to ORS 327.013 by section 6 of this 2007 Act become oper-  
6 ative on July 1, 2019.

7 **SECTION 8.** The amendments to ORS 327.013 by section 6 of this 2007 Act apply to State  
8 School Fund distributions commencing with the 2019-2020 distribution.

9 **SECTION 9.** Sections 10 and 11 of this 2007 Act are added to and made a part of ORS  
10 chapter 328.

11 **SECTION 10.** (1) That portion of property tax revenues that a net contributor school  
12 district, as defined in section 2 of this 2007 Act, receives that equals the amount reported  
13 to the Department of Education under section 2 (5) of this 2007 Act, for the fiscal year for  
14 which the report is made and for the next succeeding fiscal year, is dedicated to and may  
15 be spent only for capital projects, as defined in ORS 280.060, or for computers or textbooks  
16 for class use.

17 (2) Moneys described in subsection (1) of this section may not be loaned, borrowed or  
18 pledged as security for any purpose other than for the completion of capital projects or the  
19 acquisition of computers or textbooks.

20 **SECTION 11.** (1) Each net contributor school district, as defined in section 2 of this 2007  
21 Act, shall establish an account to be known as the growth value revenues account.

22 (2) Property tax revenues described in section 10 of this 2007 Act shall be deposited in the  
23 growth value revenues account.

24 (3) A net contributor school district shall conduct an annual accounting for moneys de-  
25 posited in the growth value revenues account that includes the total amount of growth value  
26 revenues collected and the capital projects or computer or textbook acquisitions that were  
27 funded.

28 **SECTION 12.** (1) Section 2 of this 2007 Act applies to property tax years beginning on or  
29 after July 1, 2009, and before July 1, 2019.

30 (2) Sections 10 and 11 of this 2007 Act apply to fiscal years beginning on or after July 1,  
31 2009, and before July 1, 2019.

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