

# House Bill 3498

Sponsored by COMMITTEE ON REVENUE

## 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**.

Allows county to sell or transfer delinquent tax accounts. Provides that county and state retain duty to collect delinquent tax accounts sold. Prohibits purchaser of delinquent tax accounts from undertaking private collections efforts. Precludes reducing amount of delinquent tax accounts after sale. Adds 10 percent of proceeds from sale of delinquent tax accounts attributable to school district property taxes to definition of local revenues for purposes of school funding formula and education service district funding formula.

Applies to delinquent tax accounts on or after effective date of Act.

Takes effect on 91st day following adjournment sine die.

## A BILL FOR AN ACT

1  
2 Relating to taxation; creating new provisions; amending ORS 327.013 and 327.019; and prescribing  
3 an effective date.

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

5 **SECTION 1. Sections 2 and 3 of this 2007 Act are added to and made a part of ORS**  
6 **chapter 311.**

7 **SECTION 2. For purposes of sections 2 and 3 of this 2007 Act, "tax receivable":**

8 **(1) Means the right to receive revenue from a tax, assessment or other charge secured**  
9 **by a lien on real property that has become delinquent in whole or in part, including penalties,**  
10 **additional taxes and interest or other lawful charges.**

11 **(2) Does not mean the right to receive any interest required to be deposited and credited**  
12 **under ORS 311.508 to any County Assessment and Taxation Fund created under ORS 294.187.**

13 **SECTION 3. (1) The governing body of any county may transfer or sell a tax receivable**  
14 **to any public entity or to any person and may establish criteria for purchasers of tax**  
15 **receivables. The county may not transfer a tax receivable that is deposited and credited un-**  
16 **der ORS 311.508 to a County Assessment and Taxation Fund created under ORS 294.187.**

17 **(2)(a) The county shall negotiate the terms of the purchase or transfer agreement in-**  
18 **cluding:**

19 **(A) The number and amount of tax receivables to be sold or transferred in a single**  
20 **transaction;**

21 **(B) The purchase price of the tax receivables in an amount that the county determines**  
22 **to be in the best interest of the county; and**

23 **(C) Other terms and conditions that the county considers necessary or desirable, pro-**  
24 **vided that the terms and conditions comply with this section.**

25 **(b) The agreement may require the county to repurchase a tax receivable or to substitute**  
26 **a tax receivable of equivalent value under conditions specified in the agreement.**

27 **(3) Proceeds from the sale or transfer of a tax receivable shall be deposited in an account**  
28 **in the records of the county treasurer designated as the unsegregated tax receivables sales**

**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 account. The unsegregated tax receivables sales account shall be distributed as provided in  
 2 ORS 311.390.

3 (4) The order of priority of tax receivables described in ORS 311.515 or 311.356 is not  
 4 modified by sale or transfer of all or a portion of the tax receivables. After the sale or  
 5 transfer, all interest and penalties applicable by law to the unpaid amount of tax receivables  
 6 accrue to the benefit of the transferee or purchaser. The county shall promptly pay to the  
 7 purchaser of a tax receivable all amounts collected that are attributable to the tax receiv-  
 8 able.

9 (5) Unless otherwise provided by the purchase or transfer agreement:

10 (a) The amount required to be paid to remove property from foreclosure proceedings  
 11 shall include the portion of all tax receivables sold related to the property that are required  
 12 to be paid pursuant to ORS 312.110, including penalties or charges in connection with the  
 13 foreclosure proceeding to the extent attributable to the tax receivable.

14 (b) The amount required to be paid to redeem property shall include the portion of all tax  
 15 receivables sold related to the property that is required to be paid pursuant to ORS 312.120,  
 16 including penalties or charges in connection with the foreclosure proceedings to the extent  
 17 attributable to the tax receivable.

18 (6)(a) If property is deeded to the county pursuant to ORS 312.200, the county may elect  
 19 to:

20 (A) Promptly pay the purchasers or transferees of the tax receivables the full amount  
 21 of the tax receivables then due and unpaid; or

22 (B) Promptly offer the property for sale to private purchasers by appropriate means and  
 23 make diligent efforts to sell the property at market value.

24 (b) After property is deeded to the county pursuant to ORS 312.200, interest continues  
 25 to accrue on any tax receivables sold previous to the deeding of the property until the tax  
 26 receivables sold are paid in full.

27 (c) Except as provided in ORS 311.785, a government entity may not discharge, reduce,  
 28 delay or otherwise compromise the payment of tax receivables previously sold unless the  
 29 government entity compensates the purchaser of the tax receivables for the amounts dis-  
 30 charged, reduced, delayed or otherwise compromised.

31 (7) Subject to ORS 308.505 to 308.665, tax receivables and the penalties and interest ac-  
 32 crued thereon are exempt from taxation. The real property affected by any tax receivable  
 33 may not be exempt from taxation by reason of this subsection.

34 (8) Delinquent taxes that have been sold under this section shall be collected as provided  
 35 in this chapter and distributed as provided in this section. The purchaser of tax receivables  
 36 may not make any efforts to collect delinquent taxes that are the subject of the sale.

37 **SECTION 4.** ORS 327.013, as amended by section 2, chapter 4, Oregon Laws 2006, is amended  
 38 to read:

39 327.013. The State School Fund distributions for school districts shall be computed as follows:

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

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

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

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

45 (5) Teacher Experience Factor = \$25 × {District average teacher experience – statewide av-

1 erage teacher experience}. “Average teacher experience” means the average, in years, of teaching  
 2 experience of certified teachers as reported to the Department of Education.

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

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

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

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

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

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

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

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

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

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

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

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

44 (b) The total additional weight that shall be assigned to any student in average daily member-  
 45 ship in a district, exclusive of students described in paragraph (a)(E) and (F) of this subsection shall

1 not exceed 2.0.

2 (8) High cost disabilities grant = the total amount received by a school district under ORS  
3 327.348, for providing special education and related services to resident pupils with disabilities.

4 (9)(a) Transportation grant equals:

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

7 (B) 80 percent of approved transportation costs for those school districts ranked in or above the  
8 80th percentile but below the 90th percentile under paragraph (b) of this subsection.

9 (C) 90 percent of approved transportation costs for those school districts ranked in or above the  
10 90th percentile under paragraph (b) of this subsection.

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

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

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

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

19 (c) The amount of revenue received by the district from the Common School Fund under ORS  
20 327.403 to 327.410;

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

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

24 (f) The amount of revenue received by the district from state managed forestlands under ORS  
25 530.115 (1)(b) and (c);

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

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

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

33 (j) Any amount distributed to the district in the prior fiscal year under section 4 (3), chapter  
34 695, Oregon Laws 2001, or ORS 327.019 (8)[.]; **and**

35 **(k) If a school district receives moneys from the sale or transfer of delinquent tax ac-**  
36 **counts for the portion of the accounts attributable to property taxes due the school district,**  
37 **an amount equal to 10 percent of the total price received by the school district.**

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

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

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

43 (B) Fifteen percent of the combined total for the school district of the general purpose grant,  
44 the transportation grant, the facility grant and the high cost disabilities grant of the district; or

45 (C) \$750 per district extended ADMw; and

1 (b) For a school district with a statutory rate limit on July 1, 2003, that is greater than \$4.50  
 2 per \$1,000 of assessed value, the amount of property taxes actually received by the district, includ-  
 3 ing penalties and interest on taxes, that results from an increase in the rate of ad valorem property  
 4 tax of the district allowed under section 11 (5)(d), Article XI of the Oregon Constitution.

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

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

8 (c) As used in this subsection:

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

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

13 (13) Notwithstanding subsection (10)(i) of this section, Local Revenues do not include any  
 14 amount of operating property tax authority of the district that is:

15 (a) Attributable to the suspension of ORS 310.239 by section 1, chapter 4, Oregon Laws 2006;  
 16 and

17 (b) Not actually imposed by the district.

18 **SECTION 5. The amendments to ORS 327.013 by section 4 of this 2007 Act apply to State**  
 19 **School Fund distributions commencing with the 2007-2008 distribution.**

20 **SECTION 6.** ORS 327.013, as amended by sections 2 and 4, chapter 4, Oregon Laws 2006, is  
 21 amended to read:

22 327.013. The State School Fund distributions for school districts shall be computed as follows:

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

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

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

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

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

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

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

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

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

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

45 (D) -0.1 for each student in average daily membership enrolled in an elementary district oper-

1 ating kindergarten through grade 6 or kindergarten through grade 8 or in an area of a unified  
 2 school district where the district is only responsible for educating students in kindergarten through  
 3 grade 8.

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

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

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

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

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

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

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

30 (8) High cost disabilities grant = the total amount received by a school district under ORS  
 31 327.348, for providing special education and related services to resident pupils with disabilities.

32 (9)(a) Transportation grant equals:

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

35 (B) 80 percent of approved transportation costs for those school districts ranked in or above the  
 36 80th percentile but below the 90th percentile under paragraph (b) of this subsection.

37 (C) 90 percent of approved transportation costs for those school districts ranked in or above the  
 38 90th percentile under paragraph (b) of this subsection.

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

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

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

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

1 interest on taxes;

2 (c) The amount of revenue received by the district from the Common School Fund under ORS  
3 327.403 to 327.410;

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

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

7 (f) The amount of revenue received by the district from state managed forestlands under ORS  
8 530.115 (1)(b) and (c);

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

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

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

16 (j) Any amount distributed to the district in the prior fiscal year under section 4 (3), chapter  
17 695, Oregon Laws 2001, or ORS 327.019 (8)[.]; and

18 **(k) If a school district receives moneys from the sale or transfer of delinquent tax ac-**  
19 **counts for the portion of the accounts attributable to property taxes due the school district,**  
20 **an amount equal to 10 percent of the total price received by the school district.**

21 (11) Notwithstanding subsection (10) of this section, Local Revenues do not include, if a school  
22 district imposes local option taxes pursuant to ORS 280.040 to 280.145, an amount equal to the lesser  
23 of:

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

26 (b) Fifteen percent of the combined total for the school district of the general purpose grant, the  
27 transportation grant, the facility grant and the high cost disabilities grant of the district; or

28 (c) \$750 per district extended ADMw.

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

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

32 (c) As used in this subsection:

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

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

37 **SECTION 7. The amendments to ORS 327.013 by section 6 of this 2007 Act become oper-**  
38 **ative on July 1, 2009.**

39 **SECTION 8.** ORS 327.019 is amended to read:

40 327.019. (1) As used in this section:

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

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

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

1 (B) The amount of property taxes actually received by the district including penalties and in-  
 2 terest on taxes;

3 (C) The amount of revenue received by the district from state-managed forestlands under ORS  
 4 530.115 (1)(b) and (c); [and]

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

9 **(E) If an education service district receives moneys from the sale or transfer of delin-**  
 10 **quent tax accounts for the portion of the accounts attributable to property taxes due the**  
 11 **education service district, an amount equal to 10 percent of the total price received by the**  
 12 **education service district.**

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

15 (3)(a) Each fiscal year, the superintendent shall calculate the total amount appropriated or al-  
 16 located to the State School Fund and available for distribution to school districts, education service  
 17 districts and programs + total amount of local revenues of all school districts, computed as provided  
 18 in ORS 327.013, + total amount of local revenues of all education service districts. The super-  
 19 intendent may not include in the calculation under this paragraph amounts recovered by the De-  
 20 partment of Education from the State School Fund under ORS 343.243.

21 (b) The superintendent shall multiply the amount calculated under paragraph (a) of this sub-  
 22 section by 95.25 percent.

23 (c) Based on the amount calculated under paragraph (b) of this subsection, the superintendent  
 24 shall calculate a funding percentage to distribute as nearly as practicable under ORS 327.006 to  
 25 327.133, 327.348, 327.355, 327.357 and 327.360 the total amount calculated under paragraph (b) of this  
 26 subsection as school district general purpose grants, facility grants, high cost disabilities grants and  
 27 transportation grants to school districts.

28 (d) Based on the funding percentage calculated under paragraph (c) of this subsection, the su-  
 29 perintendent shall calculate the general purpose grant, facility grant, transportation grant and high  
 30 cost disabilities grant amounts for each school district.

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

32 (a) Total amount calculated under subsection (3)(d) of this section for the component school  
 33 districts of the education service district  $\times$  (4.75  $\div$  95.25); or

34 (b) \$950,000.

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

37 (6)(a) After completing the calculations under subsections (2) to (5) of this section, the Super-  
 38 intendent of Public Instruction shall apportion from the State School Fund to each education service  
 39 district an amount = (funding percentage  $\times$  general services grant) – local revenues of the educa-  
 40 tion service district.

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

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



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

5 **SECTION 9. Sections 2 and 3 of this 2007 Act apply to property taxes that are delinquent**  
6 **on or after the effective date of this 2007 Act.**

7 **SECTION 10. This 2007 Act takes effect on the 91st day after the date on which the**  
8 **regular session of the Seventy-fourth Legislative Assembly adjourns sine die.**

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