

A-Engrossed
Senate Bill 550

Ordered by the Senate May 30
Including Senate Amendments dated May 30

Sponsored by COMMITTEE ON FINANCE AND 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.

[Eliminates weighting for small schools from calculation of State School Fund grant.]
[Takes effect July 1, 2011.]

Repeals Small School District Supplement Fund. Makes conforming amendments and repeals.

Takes effect June 30, 2012.

A BILL FOR AN ACT

1
2 Relating to school finance; amending ORS 327.006, 327.008, 327.019, 327.125, 327.137, 339.129 and
3 340.045; repealing ORS 327.355, 327.357 and 327.360; and prescribing an effective date.

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

5 **SECTION 1.** ORS 327.006 is amended to read:

6 327.006. As used in ORS 327.006 to 327.133, 327.348[*327.355, 327.357, 327.360*] and 327.731:

7 (1) "Aggregate days membership" means the sum of days present and absent, according to the
8 rules of the State Board of Education, of all resident pupils when school is actually in session during
9 a certain period. The aggregate days membership of kindergarten pupils shall be calculated on the
10 basis of a half-day program.

11 (2)(a) "Approved transportation costs" means those costs as defined by rule of the State Board
12 of Education and is limited to those costs attributable to transporting or room and board provided
13 in lieu of transporting:

14 (A) Elementary school students who live at least one mile from school;

15 (B) Secondary school students who live at least 1.5 miles from school;

16 (C) Any student required to be transported for health or safety reasons, according to supple-
17 mental plans from districts that have been approved by the state board identifying students who are
18 required to be transported for health or safety reasons, including special education;

19 (D) Preschool children with disabilities requiring transportation for early intervention services
20 provided pursuant to ORS 343.224 and 343.533;

21 (E) Students who require payment of room and board in lieu of transportation;

22 (F) A student transported from one school or facility to another school or facility when the
23 student attends both schools or facilities during the day or week; and

24 (G) Students participating in school-sponsored field trips that are extensions of classroom
25 learning experiences.

26 (b) "Approved transportation costs" does not include the cost of constructing boarding school

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 facilities.

2 (3) "Average daily membership" or "ADM" means the aggregate days membership of a school
3 during a certain period divided by the number of days the school was actually in session during the
4 same period. However, if a district school board adopts a class schedule that operates throughout
5 the year for all or any schools in the district, average daily membership shall be computed by the
6 Department of Education so that the resulting average daily membership will not be higher or lower
7 than if the board had not adopted such schedule.

8 (4) "Consumer Price Index" means the Consumer Price Index for All Urban Consumers of the
9 Portland, Oregon, Standard Metropolitan Statistical Area, as compiled by the United States De-
10 partment of Labor, Bureau of Labor Statistics.

11 (5) "Kindergarten" means a kindergarten program that conforms to the standards and rules
12 adopted by the State Board of Education.

13 (6) "Net operating expenditures" means the sum of expenditures of a school district in
14 kindergarten through grade 12 for administration, instruction, attendance and health services, op-
15 eration of plant, maintenance of plant, fixed charges and tuition for resident students attending in
16 another district, as determined in accordance with the rules of the State Board of Education, but
17 net operating expenditures does not include transportation, food service, student body activities,
18 community services, capital outlay, debt service or expenses incurred for nonresident students.

19 (7)(a) "Resident pupil" means any pupil:

20 (A) Whose legal school residence is within the boundaries of a school district reporting the pu-
21 pil, if the district is legally responsible for the education of the pupil, except that "resident pupil"
22 does not include a pupil who pays tuition or for whom the parent pays tuition or for whom the
23 district does not pay tuition for placement outside the district; or

24 (B) Whose legal residence is not within the boundaries of the district reporting the pupil but
25 attends school in the district with the written consent of the affected school district boards.

26 (b) A pupil shall not be considered to be a resident pupil under paragraph (a)(A) of this sub-
27 section if the pupil is attending school in another school district pursuant to a contract under ORS
28 339.125 and in the prior year was considered to be a resident pupil in another school district under
29 paragraph (a)(B) of this subsection. The pupil shall continue to be considered a resident of another
30 school district under paragraph (a)(B) of this subsection.

31 (c) A pupil shall not be considered to be a resident pupil under paragraph (a)(B) of this sub-
32 section if the pupil is attending school in a school district pursuant to an agreement with another
33 school district under ORS 339.133 and in the prior year was considered to be a resident pupil under
34 paragraph (a)(A) of this subsection because the pupil was attending school in another school district
35 pursuant to a contract under ORS 339.125. The pupil shall continue to be considered a resident
36 pupil under paragraph (a)(A) of this subsection.

37 (d) "Resident pupil" includes a pupil admitted to a school district under ORS 339.115 (7).

38 (8) "Standard school" means a school meeting the standards set by the rules of the State Board
39 of Education.

40 (9) "Tax" and "taxes" includes all taxes on property, excluding exempt bonded indebtedness, as
41 those terms are defined in ORS 310.140.

42 **SECTION 2.** ORS 327.008, as amended by section 6a, chapter 803, Oregon Laws 2005, is
43 amended to read:

44 327.008. (1) There is established a State School Fund in the General Fund. The fund shall consist
45 of moneys appropriated by the Legislative Assembly and moneys transferred from the Education

1 Stability Fund. The State School Fund is continuously appropriated to the Department of Education
2 for the purposes of ORS 327.006 to 327.077, 327.095, 327.099, 327.101, 327.125, 327.137, 327.348,
3 [327.355, 327.357, 327.360,] 336.575, 336.580, 336.635, 342.173, 343.243, 343.533 and 343.961.

4 (2) There shall be apportioned from the State School Fund to each school district a State School
5 Fund grant, consisting of the positive amount equal to a general purpose grant and a facility grant
6 and a transportation grant and a high cost disabilities grant minus local revenue, computed as pro-
7 vided in ORS 327.013.

8 (3) There shall be apportioned from the State School Fund to each education service district a
9 State School Fund grant as calculated under ORS 327.019.

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

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

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

16 (7) The total amount of the State School Fund that is distributed as facility grants may not ex-
17 ceed \$25 million in any biennium. If the total amount to be distributed as facility grants exceeds this
18 limitation, the Department of Education shall prorate the amount of funds available for facility
19 grants among those school districts that qualified for a facility grant.

20 (8) Each fiscal year, the Department of Education shall transfer the amount of \$12 million from
21 the State School Fund to the High Cost Disabilities Account established in ORS 327.348.

22 *[(9) Each fiscal year, the Department of Education shall transfer the amount of \$2.5 million from*
23 *the State School Fund to the Small School District Supplement Fund established in ORS 327.360.]*

24 **SECTION 3.** ORS 327.019 is amended to read:

25 327.019. (1) As used in this section:

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

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

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

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

33 (C) The amount of revenue received by the district from state-managed forestlands under ORS
34 530.115 (1)(b) and (c); and

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

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

41 (3)(a) Each fiscal year, the superintendent shall calculate the total amount appropriated or al-
42 located to the State School Fund and available for distribution to school districts, education service
43 districts and programs + total amount of local revenues of all school districts, computed as provided
44 in ORS 327.013, + total amount of local revenues of all education service districts. The super-
45 intendent may not include in the calculation under this paragraph amounts recovered by the De-

1 partment of Education from the State School Fund under ORS 343.243.

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

4 (c) Based on the amount calculated under paragraph (b) of this subsection, the superintendent
5 shall calculate a funding percentage to distribute as nearly as practicable under ORS 327.006 to
6 327.133[,] **and** 327.348[, 327.355, 327.357 and 327.360] the total amount calculated under paragraph
7 (b) of this subsection as school district general purpose grants, facility grants, high cost disabilities
8 grants and transportation grants to school districts.

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

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

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

15 (b) \$950,000.

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

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

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

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

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

31 **SECTION 4.** ORS 327.125 is amended to read:

32 327.125. The Superintendent of Public Instruction shall administer the provisions of ORS 327.006
33 to 327.133, 327.348[, 327.355, 327.357, 327.360] and 327.731. The State Board of Education shall adopt
34 all necessary rules not inconsistent with ORS 327.006 to 327.133, 327.348[, 327.355, 327.357, 327.360]
35 and 327.731 to carry into effect the provisions of those statutes.

36 **SECTION 5.** ORS 327.137 is amended to read:

37 327.137. Every common or union high school district shall file a copy of its audit statement with
38 the Department of Education within six months of the end of the fiscal year for which the audit is
39 required. If the audit report, as submitted to the district, fails to provide the detail necessary for the
40 computation required in the administration of ORS 327.006 to 327.133, 327.348, [327.355, 327.357,
41 327.360,] 327.731, 328.542 and 530.115 and this section, the district shall submit the necessary infor-
42 mation on forms provided by the department within the time prescribed for filing the audit in this
43 section. Any district failing to file a copy of its report under this section or ORS 327.133 shall not
44 receive any payments from the State School Fund until such reports are filed.

45 **SECTION 6.** ORS 339.129 is amended to read:

1 339.129. (1) A school district shall provide or cause to be provided appropriate education for
2 children placed in a local or regional correctional facility located in the school district. The edu-
3 cation may be provided by the school district or an education service district.

4 (2) The school district may claim State School Fund reimbursement under ORS 327.006 to
5 327.133, 327.348[, 327.355, 327.357, 327.360] and 327.731 for each child who is in a local or regional
6 correctional facility.

7 (3) A local or regional correctional facility shall notify the school district within which the fa-
8 cility is located of the name and date of birth of each school-age child placed in the facility, in-
9 cluding a child with a disability under the age of 22 years who may be eligible for special education.
10 The notice shall be in writing and shall be given within five business days of the child's placement
11 in the facility.

12 (4) The local or regional correctional facility shall allow the school district and education ser-
13 vice district to have safe and reasonable access to children placed in that facility for whom the
14 school district is required to provide education.

15 (5) As used in this section:

16 (a) "Local correctional facility" means a local correctional facility as defined in ORS 169.005.

17 (b) "Regional correctional facility" means a regional correctional facility as defined in ORS
18 169.620.

19 **SECTION 7.** ORS 340.045 is amended to read:

20 340.045. (1) An eligible student enrolled in an eligible post-secondary course at an eligible post-
21 secondary institution pursuant to ORS 340.030 shall continue to be considered a resident pupil of
22 the student's school district for purposes of calculation of the State School Fund grant under ORS
23 327.006 to 327.133, 327.348[, 327.355, 327.357, 327.360] and 327.731.

24 (2) A school district shall negotiate a financial agreement with any eligible post-secondary in-
25 stitution that accepts a student for enrollment in an eligible post-secondary course pursuant to ORS
26 340.030 for the payment of actual tuition, fees and other required instructional costs associated with
27 the enrollment of the student in eligible post-secondary courses.

28 (3)(a) The amount of each school district's general purpose grant per extended ADMw as cal-
29 culated under ORS 327.013 shall be determined each fiscal year by the Department of Education and
30 made available to all school districts and, upon request, to any eligible post-secondary institution.

31 (b) Each fiscal year, a school district shall expend per student participating in the Expanded
32 Options Program a minimum of 50 percent of the school district's general purpose grant per ex-
33 tended ADMw. Expenditures that qualify under this paragraph include amounts expended on tuition,
34 fees, textbooks, equipment and materials required for an eligible post-secondary course.

35 (c) A school district may request a waiver from the Superintendent of Public Instruction or the
36 superintendent's designee of the requirements of paragraph (b) of this subsection. The superinten-
37 dent or the superintendent's designee shall grant the waiver if:

38 (A) Compliance with the requirements of paragraph (b) of this subsection would cause the school
39 district extreme financial distress; or

40 (B) The school district offers dual credit technical preparation programs, such as two-plus-two
41 programs, advanced placement or International Baccalaureate programs and other accelerated col-
42 lege credit programs, and:

43 (i) The programs offered by the school district serve all qualified applicants; and

44 (ii) There are no charges to at-risk students.

45 (4) In addition to any financial agreement entered into under subsection (2) of this section, the

1 resident school district of the eligible student shall enter into an agreement with an eligible post-
2 secondary institution that accepts a student for enrollment in an eligible post-secondary course that
3 is a nontuition course or noncredit course pursuant to ORS 340.030 for the payment of the actual
4 instructional costs associated with the student's attending the eligible post-secondary course at the
5 institution.

6 (5) Nothing in this section shall prohibit an eligible post-secondary institution from receiving
7 additional state funding that may be available under any other law.

8 **SECTION 8. ORS 327.355, 327.357 and 327.360 are repealed.**

9 **SECTION 9. This 2007 Act takes effect on June 30, 2012.**

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