

Enrolled Senate Bill 250

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CHAPTER

AN ACT

Relating to education service districts; creating new provisions; amending ORS 184.483, 294.447, 327.008, 327.019, 327.297, 334.003, 334.095, 334.125, 334.127, 334.175, 334.177, 334.217, 334.225, 334.240, 342.121 and 757.612; appropriating money; and declaring an emergency.

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

SECTION 1. Sections 2 and 3 of this 2011 Act are added to and made a part of ORS chapter 334.

SECTION 2. (1) Notwithstanding ORS 334.010 and 334.020, one or more component school districts of an education service district may withdraw from the education service district if the component school district is located in:

- (a) A region described in ORS 334.020 (1)(a), (b), (c) or (p); or**
- (b) Baker County.**

(2) A school district board may choose to withdraw a school district from an education service district as provided in subsection (1) of this section by an affirmative vote of two-thirds of the members of the school district board.

(3)(a) A school district board that chooses to withdraw a school district from the education service district must submit a notice of intent to withdraw to the board of directors of the education service district no later than November 1 of the year prior to the year in which the school district plans to withdraw from the education service district.

(b) A school district board that submitted a notice of intent to withdraw as provided by paragraph (a) of this subsection must submit a notice of withdrawal to the board of directors of the education service district no later than March 1 of the year in which the school district plans to withdraw from the education service district.

(c) Within 60 days of receiving the notice of withdrawal under paragraph (b) of this subsection, the board of directors of the education service district shall issue an order that recognizes the withdrawal of the school district from the education service district.

(4) The withdrawal of a school district from an education service district becomes effective on July 1 after the board of directors of the education service district issues the order described in subsection (3) of this section.

SECTION 3. (1) A school district board that withdrew a school district from an education service district as provided in section 2 of this 2011 Act may choose to rejoin the school district to the education service district.

(2) A school district board that chooses to rejoin a school district to an education service district as provided in subsection (1) of this section may rejoin by an affirmative vote of a two-thirds of the members of the board. A vote described in this subsection must occur no later than November 1 of the year prior to the year in which the school district board plans to rejoin the school district to the education service district.

(3) The school district board shall notify the board of directors of the education service district no later than November 1 of the year prior to the year in which the school district board plans to rejoin the school district to the education service district. Within 60 days of receiving the notice, the board of directors of the education service district shall issue an order that recognizes the rejoining of a school district to the education service district.

(4) The rejoining of a school district to an education service district becomes effective on July 1 after the board of directors of the education service district issues the order described in subsection (3) of this section.

SECTION 4. ORS 334.003 is amended to read:

334.003. For purposes of this chapter:

(1) "Component school district" means a common school district or a union high school district **that:**

(a) **Is** located within the territory of an education service district[.]; **and**

(b) **Is not withdrawn from the education service district as provided in section 2 of this 2011 Act.**

(2) "Education service district" means a district created under ORS 334.010 that provides regional educational services to component school districts.

(3) "Joint school district" means a common school district or a union high school district located within the territory of more than one education service district.

SECTION 5. ORS 334.095 is amended to read:

334.095. (1) The education service district board shall declare the office of director vacant upon the happening of any of the following:

(a) When an incumbent dies or resigns;

(b) When an incumbent is removed from office or the election thereto has been declared void by the judgment of any court;

(c) When an incumbent ceases to be a resident of **a school district that is a component school district** of the education service district;

(d) Subject to the provision of subsection (2) of this section, when an incumbent ceases to be a resident of the zone from which nominated;

(e) When an incumbent ceases to discharge the duties of office for two consecutive months unless prevented therefrom by sickness or other unavoidable cause; or

(f) When an incumbent is recalled.

(2) A director nominated from a zone who changes permanent residence from one zone to another zone in which another director resides shall continue to serve as director until the next regular election when a successor shall be elected to serve for the remainder of the unexpired term.

(3) A director guilty of misfeasance or malfeasance in office, by the appropriate proceeding, may be removed from office by a court of competent jurisdiction.

(4) Members may be recalled in the manner provided in ORS 249.865 to 249.877. If the member was elected by a zone, the recall petition shall be signed by electors from that zone and electors from the zone are the only electors eligible to vote in the recall election. If the member was elected at large, the recall petition shall be signed by electors from the district and electors from the district are eligible to vote in the recall election.

SECTION 6. ORS 334.125 is amended to read:

334.125. (1) The education service district is a body corporate.

(2) The education service district board is authorized to transact all business coming within the jurisdiction of the education service district and may sue and be sued.

(3) The education service district board shall perform all duties required by law, including but not limited to:

(a) Distribution of such school funds as it is empowered to apportion;

(b) Conduct of audits;

(c) Duties as district boundary board;

(d) Budget and tax levying duties, including the levying of taxes under ORS 280.060;

(e) Contracting a bonded indebtedness and levying direct ad valorem taxes on all taxable property within the education service district in the manner that component school districts are authorized to issue bonds and levy taxes under ORS 328.205 to 328.304 and other laws applicable to the issuance of bonds and levying of taxes by school districts; and

(f) Creating a county education bond district under ORS 328.304 from a county within the district.

(4)(a) In addition to its duties under subsection (3) of this section, an education service district board:

(A) May provide services required by the local service plan developed pursuant to ORS 334.175 [and];

(B) **Except as provided by subparagraph (C) of this paragraph**, may provide funds to a component school [districts] **district** to provide services required by the local **service** plan in lieu of [those school districts] **the component school district** receiving services from the education service district[.];

(C) **Shall provide funds in the manner described in paragraph (b) of this subsection to a component school district to provide services required by the local service plan in lieu of the component school district receiving services from the education service district if:**

(i) **The school district received funds under subparagraph (B) of this paragraph for the 2010-2011 fiscal year; and**

(ii) **The school district requests that the funds be provided as required by this subparagraph;**

(D) **Shall provide funds as specified in ORS 327.019 (9) to a school district located within the territory of the education service district that has withdrawn from the education service district as provided in section 2 of this 2011 Act; and**

(E) **For the purpose of providing services consistent with the local service plan, may enter into contracts with school districts that have withdrawn from the education service district as provided in section 2 of this 2011 Act or that are located outside the territory of the education service district.**

(b) **If an education service district board is required to provide funds to a school district under paragraph (a)(C) of this subsection, the education service district board shall provide the funds as a percentage of the funds available to the education service district under ORS 334.177 that is at least equal to the lesser of:**

(A) **The percentage that the education service district board provided to the school district in the 2010-2011 fiscal year; or**

(B) **The percentage requested by the school district, as provided by paragraph (a)(C) of this subsection.**

(5) The education service district board may employ and fix the compensation of such personnel as it considers necessary for carrying out duties of the board.

(6) In carrying out its duties, the education service district board:

(a) May locate, buy, accept by gift or lease such land, buildings and facilities as may be required for district purposes. Leases authorized by this section may be for a term of up to 30 years and include lease-purchase agreements whereunder the district may acquire ownership of the leased property.

(b) May acquire personal property by a lease-purchase agreement or contract of purchase for a term exceeding one year. A lease-purchase agreement is one in which the rent payable by the district is expressly agreed to have been established to reflect the savings resulting from the exemption

from taxation, and the district is entitled to ownership of the property at a nominal or other price which is stated or determinable by the terms of the agreement and was not intended to reflect the true value of the property.

(c) May lease property or sell and convey property of the district as the board considers unnecessary to its purposes.

(d) May purchase relocatable structures in installment transactions in which deferred installments of the purchase price are payable over not more than 10 years from the date of delivery of the property to the district and are secured by a security interest in the property. The transactions may take the form of, but are not limited to, lease-purchase agreements.

(e) May accept money or property donated for the use or benefit of the district and use the money or property for the purpose for which it was donated.

(7) The education service district board may adopt rules it considers necessary to carry out the duties of the board.

(8) The education service district may contract with public and private entities for service delivery.

(9)(a) The education service district shall work cooperatively with component school districts and review periodically with component school districts the operations of component school districts and shall submit to the component school districts plans for operations that achieve economies and efficiencies through consolidation of various operations of all or some of the districts. The education service district and its component school districts shall submit an annual report on the effectiveness of the consolidation of operations to the State Board of Education.

(b) As used in this subsection, "operations" means services involving transportation, payroll, student records, auditing, legal services, insurance, printing, investment and other similar services.

SECTION 7. ORS 334.125, as amended by section 6 of this 2011 Act, is amended to read:

334.125. (1) The education service district is a body corporate.

(2) The education service district board is authorized to transact all business coming within the jurisdiction of the education service district and may sue and be sued.

(3) The education service district board shall perform all duties required by law, including but not limited to:

(a) Distribution of such school funds as it is empowered to apportion;

(b) Conduct of audits;

(c) Duties as district boundary board;

(d) Budget and tax levying duties, including the levying of taxes under ORS 280.060;

(e) Contracting a bonded indebtedness and levying direct ad valorem taxes on all taxable property within the education service district in the manner that component school districts are authorized to issue bonds and levy taxes under ORS 328.205 to 328.304 and other laws applicable to the issuance of bonds and levying of taxes by school districts; and

(f) Creating a county education bond district under ORS 328.304 from a county within the district.

(4)[(a)] In addition to its duties under subsection (3) of this section, an education service district board:

[(A)] (a) May provide services required by the local service plan developed pursuant to ORS 334.175;

[(B)] (b) [*Except as provided by subparagraph (C) of this paragraph,*] May provide funds to a component school district to provide services required by the local service plan in lieu of the component school district receiving services from the education service district;

[(C) *Shall provide funds in the manner described in paragraph (b) of this subsection to a component school district to provide services required by the local service plan in lieu of the component school district receiving services from the education service district if:*]

[(i) *The school district received funds under subparagraph (B) of this paragraph for the 2010-2011 fiscal year; and*]

[(ii) *The school district requests that the funds be provided as required by this subparagraph;*]

[(D)] (c) Shall provide funds as specified in ORS 327.019 (9) to a school district located within the territory of the education service district that has withdrawn from the education service district as provided in section 2 of this 2011 Act; and

[(E)] (d) For the purpose of providing services consistent with the local service plan, may enter into contracts with school districts that have withdrawn from the education service district as provided in section 2 of this 2011 Act or that are located outside the territory of the education service district.

[(b) If an education service district board is required to provide funds to a school district under paragraph (a)(C) of this subsection, the education service district board shall provide the funds as a percentage of the funds available to the education service district under ORS 334.177 that is at least equal to the lesser of:]

[(A) The percentage that the education service district board provided to the school district in the 2010-2011 fiscal year; or]

[(B) The percentage requested by the school district, as provided by paragraph (a)(C) of this subsection.]

(5) The education service district board may employ and fix the compensation of such personnel as it considers necessary for carrying out duties of the board.

(6) In carrying out its duties, the education service district board:

(a) May locate, buy, accept by gift or lease such land, buildings and facilities as may be required for district purposes. Leases authorized by this section may be for a term of up to 30 years and include lease-purchase agreements whereunder the district may acquire ownership of the leased property.

(b) May acquire personal property by a lease-purchase agreement or contract of purchase for a term exceeding one year. A lease-purchase agreement is one in which the rent payable by the district is expressly agreed to have been established to reflect the savings resulting from the exemption from taxation, and the district is entitled to ownership of the property at a nominal or other price which is stated or determinable by the terms of the agreement and was not intended to reflect the true value of the property.

(c) May lease property or sell and convey property of the district as the board considers unnecessary to its purposes.

(d) May purchase relocatable structures in installment transactions in which deferred installments of the purchase price are payable over not more than 10 years from the date of delivery of the property to the district and are secured by a security interest in the property. The transactions may take the form of, but are not limited to, lease-purchase agreements.

(e) May accept money or property donated for the use or benefit of the district and use the money or property for the purpose for which it was donated.

(7) The education service district board may adopt rules it considers necessary to carry out the duties of the board.

(8) The education service district may contract with public and private entities for service delivery.

(9)(a) The education service district shall work cooperatively with component school districts and review periodically with component school districts the operations of component school districts and shall submit to the component school districts plans for operations that achieve economies and efficiencies through consolidation of various operations of all or some of the districts. The education service district and its component school districts shall submit an annual report on the effectiveness of the consolidation of operations to the State Board of Education.

(b) As used in this subsection, "operations" means services involving transportation, payroll, student records, auditing, legal services, insurance, printing, investment and other similar services.

SECTION 8. The amendments to ORS 334.125 by section 7 of this 2011 Act become operative on July 1, 2012.

SECTION 9. ORS 334.127 is amended to read:

334.127. (1) Whenever an education service district ceases to exist, its real property shall pass to the successor district, which is authorized to treat *[such]* **the** property in the same manner as *[its]* **did the** predecessor district *[did]*.

(2) Whenever a school district withdraws from an education service district as provided in section 2 of this 2011 Act, the school district and education service district shall determine the disposition of any real property of the education service district that is located within the boundaries of the school district. If the school district and the education service district are unable to agree on how to dispose of the real property, the education service district shall retain the property.

SECTION 10. ORS 334.175 is amended to read:

334.175. (1) An education service district shall provide regionalized core services to component school districts. The goals of these services are to:

(a) Assist component school districts in meeting the requirements of state and federal law;

(b) Improve student learning;

(c) Enhance the quality of instruction provided to students;

[(d) Provide professional development to component school district employees;]

[(e)] **(d)** Enable component school districts and the students who attend schools in those districts to have equitable access to resources; and

[(f)] **(e)** Maximize operational and fiscal efficiencies for component school districts.

(2) The services provided by an education service district shall be provided according to a local service plan developed by the education service district and component school districts. The education service district and component school districts shall develop the local service plan to meet the goals specified in subsection (1) of this section. The local service plan must include services in at least the following areas:

(a) Programs for children with special needs, including but not limited to special education services[,] **and** services for at-risk students *[and professional development for employees who provide those services]*.

(b) Technology support for component school districts and the individual technology plans of those districts, including but not limited to technology infrastructure services, data services, instructional technology services[,] **and** distance learning *[and professional development for employees who provide those services]*.

(c) School improvement services for component school districts, including but not limited to:

(A) Services designed to support component school districts in meeting the requirements of state and federal law;

(B) Services designed to allow the education service district to participate in and facilitate a review of the state and federal standards related to the provision of a quality education by component school districts;

(C) Services designed to support and facilitate continuous school improvement planning;

(D) Services designed to address schoolwide behavior and climate issues; **and**

(E) Services designed to support career and technical education. *[: and]*

[(F) Professional development for employees who provide the services described in this paragraph.]

(d) Administrative and support services for component school districts, including but not limited to services designed to consolidate component school district business functions, liaison services between the Department of Education and component school districts and registration of children being taught by private teachers, parents or legal guardians pursuant to ORS 339.035.

(e) Other services that an education service district is required to provide by state or federal law, including but not limited to services required under ORS 339.005 to 339.090.

(3) In addition to the services specified in subsection (2) of this section, a local service plan may include other services that are designed to meet regional needs.

(4) A local service plan shall also contain annual performance measures for the education service district.

(5) A local service plan must:

(a) Be adopted by the board of the education service district.

(b) After being adopted by the board of the education service district, be approved on or before March 1 by resolution of two-thirds of the component school districts that are a part of the education service district and that have at least a majority of the pupils included in the average daily membership of the education service district, as determined by the reports of such school districts for the preceding year, enrolled in the schools of the school districts.

(6) Notwithstanding the process for approval and adoption required by subsection (5) of this section, if the component school districts approve an amendment to a local service plan pursuant to subsection (5)(b) of this section, the board of an education service district may amend a local service plan that has been previously adopted by the board and approved by the component school districts. An amendment to a local service plan may be done at any time.

(7) If a component school district determines that a local service plan, or the provision of services under a local service plan, does not meet the service needs of the component school district, the component school district may contract with a public entity for the provision of services.

[7] (8) An education service district may provide the services required by the local service plan directly through the staff of the district. In addition, an education service district may provide services required by the local service plan through the operation of a public school, a public charter school pursuant to ORS chapter 338, an alternative school or a preschool.

[8] (9) An education service district may provide the services required by the local service plan in cooperation with another education service district or with a school district. In addition, an education service district may contract with a public or private entity for the provision of services.

SECTION 11. ORS 334.177 is amended to read:

334.177. (1) As used in this section, "local revenues of an education service district" has the meaning given that term in ORS 327.019 but does not include any local revenues distributed [*to component school districts*] under ORS 327.019 (8).

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

(3) An education service district board shall expend 100 percent of all amounts received from the School Improvement Fund on services or programs that have been approved by the component school districts of the education service district through the resolution process described in ORS 334.175.

(4) The expenditure requirements of this section apply only to amounts retained by the education service district after making any distributions required under ORS 327.019 (9).

SECTION 12. ORS 334.240 is amended to read:

334.240. (1) **Except as provided in subsection (2) of this section,** the education service district board shall be subject in all respects to [*the Local Budget Law (ORS 294.305 to 294.565)*] **ORS 294.305 to 294.565**, except that in addition to other qualifications, members of the budget committee who are not members of the education service district board shall be members of component school district boards within the education service district or shall be designees of a school district board.

(2) Notwithstanding ORS 294.336 and 294.341, a majority of the members of the budget committee of an education service district must consist of members of the component school district boards or designees of a school district board. The budget committee may meet to conduct business if the education service district board is unable to fill all of the positions on the budget committee.

(3) The [*board of the education service district*] **budget committee** shall prepare [*and adopt*] a budget for the operational and administrative expenses of the education service district. The budget shall include amounts necessary to provide services required by the local service plan of the district

developed under ORS 334.175. **The budget must be adopted by the board of the education service district.**

(4) The board of the education service district shall ensure that an annual audit of the accounts of the education service district is prepared in accordance with the Municipal Audit Law, as provided in ORS 297.405 to 297.555 and 297.990.

SECTION 13. 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 [component] 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 [95.25] **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, 327.348, 327.355, 327.357 and 327.360 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)] (A) The total amount calculated under subsection (3)(d) of this section for the [component] school districts **located within the territory** of the education service district \times ([4.75] **4.5** \div [95.25] **95.5**); or

[(b)] (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 × 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 *[its component]* 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 *[component]* school district receives under this subsection shall be prorated based on the district extended ADMw of *[each]* 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 section 2 of this 2011 Act 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 14. The amendments to ORS 327.019 by section 13 of this 2011 Act apply to State School Fund distributions commencing with the 2011-2012 distribution.

SECTION 15. ORS 327.019, as amended by section 13, chapter 846, Oregon Laws 2007, section 4, chapter 439, Oregon Laws 2009, and section 11, chapter 698, Oregon Laws 2009, 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 *[component]* 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 [95.25] **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] (A) The total amount calculated under subsection (3)(d) of this section for the [component] school districts **located within the territory** of the education service district \times ([4.75] **4.5** \div [95.25] **95.5**); or

[b] (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 *[its component]* 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 *[component]* school district receives under this subsection shall be prorated based on the district extended ADMw of *[each]* 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 section 2 of this 2011 Act 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 16. The amendments to ORS 327.019 by section 15 of this 2011 Act apply to State School Fund distributions commencing with the 2012-2013 distribution.

SECTION 17. ORS 294.447 is amended to read:

294.447. (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 *[component]* school districts **located within the territory** of the education service district.

(2) Notwithstanding ORS 294.445, 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 section 34 of this 2011 Act.**

(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 294.445, 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 18. ORS 327.297 is amended to read:

327.297. (1) In addition to those moneys distributed through the State School Fund, the Department of Education shall award grants to school districts, education service districts, the Youth Corrections Education Program and the Juvenile Detention Education Program for activities that relate to increases in student achievement, including:

(a) Early childhood support including establishing, maintaining or expanding quality prekindergarten programs and full-day kindergarten programs;

(b) Class size reduction with an emphasis on the reduction of kindergarten through grade three class sizes;

(c) Increases in instructional time including summer programs and before- and after-school programs;

(d) Mentoring, teacher retention and professional development;

(e) Remediation, alternative learning and student retention;

(f) Services to at-risk youth;

(g) Programs to improve a student achievement gap between student groups identified by culture, poverty, language and race and other student groups;

(h) Vocational education programs;

(i) Literacy programs;

(j) School library programs; and

(k) Other research-based student improvement strategies approved by the State Board of Education.

(2)(a) Each school district, each education service district, the Youth Corrections Education Program and the Juvenile Detention Education Program may apply to the Department of Education for a grant.

(b) The department shall review and approve applications based on criteria established by the State Board of Education. In establishing the criteria, the State Board of Education shall consider the recommendations of the Quality Education Commission established under ORS 327.500.

(c) The applications shall include the activities to be funded and the goals of the district or program for increases in student performance. The applications shall become part of the local district continuous improvement plan described in ORS 329.095.

(3) The Department of Education shall evaluate the annual progress of each recipient of grant funds under this section toward the performance targets established by the Quality Education

Commission. The evaluation shall become part of the requirements of the department for assessing the effectiveness of the district under ORS 329.085, 329.095 and 329.105. The department shall ensure district and program accountability by providing appropriate assistance, intervening and establishing consequences in order to support progress toward the performance targets.

(4) Each biennium the Department of Education shall issue a report to the Legislative Assembly on the grant program and the results of the grant program.

(5)(a) Notwithstanding ORS 338.155 (9), the Department of Education may not award a grant under this section directly to a public charter school.

(b) A school district that receives a grant under this section may transfer a portion of the grant to a public charter school based on the charter of the school or any other agreement between the school district and the public charter school.

(c) A public charter school that receives grant funds under this subsection shall use those funds for the activities specified in subsection (1) of this section.

(6)(a) The amount of each grant for a program or school district = the program's or school district's ADMw \times (the total amount available for distribution to programs and school districts as grants in each fiscal year \div the total ADMw of all programs and school districts that receive a grant).

(b) The amount of each grant for an education service district = the education service district's ADMw \times (the total amount available for distribution to education service districts as grants in each fiscal year \div the total ADMw of all education service districts that receive a grant).

(c) As used in this subsection, "ADMw" means:

(A) For a school district, the extended weighted average daily membership as calculated under ORS 327.013, 338.155 (1) and 338.165 (3);

(B) For the Youth Corrections Education Program, the average daily membership as defined in ORS 327.006 multiplied by 2.0;

(C) For the Juvenile Detention Education Program, the average daily membership as defined in ORS 327.006 multiplied by 1.5; and

(D) For an education service district, the sum of the ADMw of the [component] school districts **located within the territory** of the education service district.

(7) Each district or program shall deposit the grant amounts it receives under this section in a separate account, and shall apply amounts in that account to pay for activities described in the district's or program's application.

(8) The State Board of Education may adopt any rules necessary for the administration of the grant program.

SECTION 19. ORS 757.612 is amended to read:

757.612. (1) There is established an annual public purpose expenditure standard for electric companies and Oregon Community Power to fund new cost-effective local energy conservation, new market transformation efforts, the above-market costs of new renewable energy resources and new low-income weatherization. The public purpose expenditure standard shall be funded by the public purpose charge described in subsection (2) of this section.

(2)(a) Beginning on the date an electric company or Oregon Community Power offers direct access to its retail electricity consumers, except residential electricity consumers, the electric company or Oregon Community Power shall collect a public purpose charge from all of the retail electricity consumers located within its service area until January 1, 2026. Except as provided in paragraph (b) of this subsection, the public purpose charge shall be equal to three percent of the total revenues collected by the electric company, Oregon Community Power or the electricity service supplier from its retail electricity consumers for electricity services, distribution, ancillary services, metering and billing, transition charges and other types of costs included in electric rates on July 23, 1999.

(b) For an aluminum plant that averages more than 100 average megawatts of electricity use per year, beginning on March 1, 2002, the electric company or Oregon Community Power whose territory abuts the greatest percentage of the site of the aluminum plant shall collect from the alu-

minimum company a public purpose charge equal to one percent of the total revenue from the sale of electricity services to the aluminum plant from any source.

(3)(a) The Public Utility Commission shall establish rules implementing the provisions of this section relating to electric companies and Oregon Community Power.

(b) Subject to paragraph (e) of this subsection, funds collected by an electric company or Oregon Community Power through public purpose charges shall be allocated as follows:

(A) Sixty-three percent for new cost-effective conservation and new market transformation.

(B) Nineteen percent for the above-market costs of constructing and operating new renewable energy resources with a nominal electric generating capacity, as defined in ORS 469.300, of 20 megawatts or less.

(C) Thirteen percent for new low-income weatherization.

(D) Five percent shall be transferred to the Housing and Community Services Department Electricity Public Purpose Charge Fund established by ORS 456.587 (1) and used for the purpose of providing grants as described in ORS 458.625 (2).

(c) The costs of administering subsections (1) to (6) of this section for an electric company or Oregon Community Power shall be paid out of the funds collected through public purpose charges. The commission may require that an electric company or Oregon Community Power direct funds collected through public purpose charges to the state agencies responsible for implementing subsections (1) to (6) of this section in order to pay the costs of administering such responsibilities.

(d) The commission shall direct the manner in which public purpose charges are collected and spent by an electric company or Oregon Community Power and may require an electric company or Oregon Community Power to expend funds through competitive bids or other means designed to encourage competition, except that funds dedicated for low-income weatherization shall be directed to the Housing and Community Services Department as provided in subsection (7) of this section. The commission may also direct that funds collected by an electric company or Oregon Community Power through public purpose charges be paid to a nongovernmental entity for investment in public purposes described in subsection (1) of this section. Notwithstanding any other provision of this subsection:

(A) At least 80 percent of the funds allocated for conservation shall be spent within the service area of the electric company that collected the funds; or

(B) If Oregon Community Power collected the funds, at least 80 percent of the funds allocated for conservation shall be spent within the service area of Oregon Community Power.

(e)(A) The first 10 percent of the funds collected annually by an electric company or Oregon Community Power under subsection (2) of this section shall be distributed to education service districts, as described in ORS 334.010, that are located in the service territory of the electric company or Oregon Community Power. The funds shall be distributed to individual education service districts according to the weighted average daily membership (ADMw) of the *[component]* school districts **located within the territory** of the education service district for the prior fiscal year as calculated under ORS 327.013. The commission shall establish by rule a methodology for distributing a proportionate share of funds under this paragraph to education service districts that are only partially located in the service territory of the electric company or Oregon Community Power.

(B) An education service district that receives funds under this paragraph shall use the funds first to pay for energy audits for school districts located within the education service district. An education service district may not expend additional funds received under this paragraph on a school district facility until an energy audit has been completed for that school district. To the extent practicable, an education service district shall coordinate with the State Department of Energy and incorporate federal funding in complying with this paragraph. Following completion of an energy audit for an individual school district, the education service district may expend funds received under this paragraph to implement the energy audit. Once an energy audit has been conducted and completely implemented for each school district within the education service district, the education service district may expend funds received under this paragraph for any of the following purposes:

(i) Conducting energy audits. A school district shall conduct an energy audit prior to expending funds on any other purpose authorized under this paragraph unless the school district has performed an energy audit within the three years immediately prior to receiving the funds.

(ii) Weatherization and upgrading the energy efficiency of school district facilities.

(iii) Energy conservation education programs.

(iv) Purchasing electricity from environmentally focused sources and investing in renewable energy resources.

(f) The commission may not establish a different public purpose charge than the public purpose charge described in subsection (2) of this section.

(g) If the commission directs funds collected through public purpose charges to a nongovernmental entity, the entity shall:

(A) Include on the entity's board of directors an ex officio member designated by the commission, who shall also serve on the entity's nominating committee for filling board vacancies.

(B) Require the entity's officers and directors to provide an annual disclosure of economic interest to be filed with the commission on or prior to April 15 of each calendar year for public review in a form similar to the statement of economic interest required for public officials under ORS 244.060.

(C) Require the entity's officers and directors to declare actual and potential conflicts of interest at regular meetings of the entity's governing body when such conflicts arise, and require an officer or director to abstain from participating in any discussion or vote on any item where that officer or director has an actual conflict of interest. For the purposes of this subparagraph, "actual conflict of interest" and "potential conflict of interest" have the meanings given those terms in ORS 244.020.

(D) Arrange for an independent auditor to audit the entity's financial statements annually, and direct the auditor to file an audit opinion with the commission for public review.

(E) File with the commission annually the entity's budget, action plan and quarterly and annual reports for public review.

(F) At least once every five years, contract for an independent management evaluation to review the entity's operations, efficiency and effectiveness, and direct the independent reviewer to file a report with the commission for public review.

(h) The commission may remove from the board of directors of a nongovernmental entity an officer or director who fails to provide an annual disclosure of economic interest or declare actual or potential conflict of interest, as described in paragraph (g)(B) and (C) of this subsection, in connection with the allocation or expenditure of funds collected through public purpose charges and directed to the entity.

(4)(a) An electric company that satisfies its obligations under this section shall have no further obligation to invest in conservation, new market transformation or new low-income weatherization or to provide a commercial energy conservation services program and is not subject to ORS 469.631 to 469.645 and 469.860 to 469.900.

(b) Oregon Community Power, for any period during which Oregon Community Power collects a public purpose charge under subsection (2) of this section:

(A) Shall have no other obligation to invest in conservation, new market transformation or new low-income weatherization or to provide a commercial energy conservation services program; and

(B) Is not subject to ORS 469.631 to 469.645 and 469.860 to 469.900.

(5)(a) A retail electricity consumer that uses more than one average megawatt of electricity at any site in the prior year shall receive a credit against public purpose charges billed by an electric company or Oregon Community Power for that site. The amount of the credit shall be equal to the total amount of qualifying expenditures for new energy conservation, not to exceed 68 percent of the annual public purpose charges, and the above-market costs of purchases of new renewable energy resources incurred by the retail electricity consumer, not to exceed 19 percent of the annual public purpose charges, less administration costs incurred under this subsection. The credit may not exceed, on an annual basis, the lesser of:

(A) The amount of the retail electricity consumer's qualifying expenditures; or

(B) The portion of the public purpose charge billed to the retail electricity consumer that is dedicated to new energy conservation, new market transformation or the above-market costs of new renewable energy resources.

(b) To obtain a credit under this subsection, a retail electricity consumer shall file with the State Department of Energy a description of the proposed conservation project or new renewable energy resource and a declaration that the retail electricity consumer plans to incur the qualifying expenditure. The State Department of Energy shall issue a notice of precertification within 30 days of receipt of the filing, if such filing is consistent with this subsection. The credit may be taken after a retail electricity consumer provides a letter from a certified public accountant to the State Department of Energy verifying that the precertified qualifying expenditure has been made.

(c) Credits earned by a retail electricity consumer as a result of qualifying expenditures that are not used in one year may be carried forward for use in subsequent years.

(d)(A) A retail electricity consumer that uses more than one average megawatt of electricity at any site in the prior year may request that the State Department of Energy hire an independent auditor to assess the potential for conservation investments at the site. If the independent auditor determines there is no available conservation measure at the site that would have a simple payback of one to 10 years, the retail electricity consumer shall be relieved of 54 percent of its payment obligation for public purpose charges related to the site. If the independent auditor determines that there are potential conservation measures available at the site, the retail electricity consumer shall be entitled to a credit against public purpose charges related to the site equal to 54 percent of the public purpose charges less the estimated cost of available conservation measures.

(B) A retail electricity consumer shall be entitled each year to the credit described in this subsection unless a subsequent independent audit determines that new conservation investment opportunities are available. The State Department of Energy may require that a new independent audit be performed on the site to determine whether new conservation measures are available, provided that the independent audits shall occur no more than once every two years.

(C) The retail electricity consumer shall pay the cost of the independent audits described in this subsection.

(6) Electric utilities and retail electricity consumers shall receive a fair and reasonable credit for the public purpose expenditures of their energy suppliers. The State Department of Energy shall adopt rules to determine eligible expenditures and the methodology by which such credits are accounted for and used. The rules also shall adopt methods to account for eligible public purpose expenditures made through consortia or collaborative projects.

(7)(a) In addition to the public purpose charge provided under subsection (2) of this section, an electric company or Oregon Community Power shall collect funds for low-income electric bill payment assistance in an amount determined under paragraph (b) of this subsection.

(b) The commission shall establish the amount to be collected by each electric company in calendar year 2008 from retail electricity consumers served by the company, and the rates to be charged to retail electricity consumers served by the company, so that the total anticipated collection for low-income electric bill payment assistance by all electric companies in calendar year 2008 is \$15 million. In calendar year 2009 and subsequent calendar years, the commission may not change the rates established for retail electricity consumers, but the total amount collected in a calendar year for low-income electric bill payment assistance may vary based on electricity usage by retail electricity consumers and changes in the number of retail electricity consumers in this state. In no event shall a retail electricity consumer be required to pay more than \$500 per month per site for low-income electric bill payment assistance.

(c) Funds collected by the low-income electric bill payment assistance charge shall be paid into the Housing and Community Services Department Low-Income Electric Bill Payment Assistance Fund established by ORS 456.587 (2). Moneys deposited in the fund under this paragraph shall be used by the Housing and Community Services Department for the purpose of funding low-income electric bill payment assistance. The department's cost of administering this subsection shall be paid out of funds collected by the low-income electric bill payment assistance charge. Moneys deposited

in the fund under this paragraph shall be expended solely for low-income electric bill payment assistance. Funds collected from an electric company or Oregon Community Power shall be expended in the service area of the electric company or Oregon Community Power from which the funds are collected.

(d) The Housing and Community Services Department, in consultation with the federal Advisory Committee on Energy, shall determine the manner in which funds collected under this subsection will be allocated by the department to energy assistance program providers for the purpose of providing low-income bill payment and crisis assistance, including programs that effectively reduce service disconnections and related costs to retail electricity consumers and electric utilities. Priority assistance shall be directed to low-income electricity consumers who are in danger of having their electricity service disconnected.

(e) Interest on moneys deposited in the Housing and Community Services Department Low-Income Electric Bill Payment Assistance Fund established by ORS 456.587 (2) may be used to provide heating bill payment and crisis assistance to electricity consumers whose primary source of heat is not electricity.

(f) Notwithstanding ORS 757.310, the commission may allow an electric company or Oregon Community Power to provide reduced rates or other payment or crisis assistance or low-income program assistance to a low-income household eligible for assistance under the federal Low Income Home Energy Assistance Act of 1981, as amended and in effect on July 23, 1999.

(8) For purposes of this section, "retail electricity consumers" includes any direct service industrial consumer that purchases electricity without purchasing distribution services from the electric utility.

(9) For purposes of this section, amounts collected by Oregon Community Power through public purpose charges are not considered moneys received from electric utility operations.

SECTION 20. ORS 184.483 is amended to read:

184.483. (1) The Oregon Department of Administrative Services shall develop and make available an Oregon transparency website. The website shall allow any person to view information that is a public record and not exempt from disclosure under ORS 192.410 to 192.505, including but not limited to information described in subsection (3) of this section.

(2) State agencies **and education service districts**, to the extent practicable and subject to laws relating to confidentiality, when at no additional cost, using existing data and existing [*state agency*] resources **of the state agency or education service district** and without reallocation of resources, shall:

(a) Furnish information to the Oregon transparency website by posting reports and providing links to existing information system applications in accordance with standards established by the Oregon Department of Administrative Services; and

(b) Provide the information in the format and manner required by the Oregon Department of Administrative Services.

(3) To the extent practicable and subject to laws relating to confidentiality, when at no additional cost, using existing data and existing [*state agency*] resources **of the state agency or education service district** and without reallocation of resources, the Oregon transparency website shall contain information about each state agency **and education service district**, including but not limited to:

(a) Annual [*state agency*] revenues **of state agencies and education service districts**;

(b) Annual [*state agency*] expenditures **of state agencies and education service districts**;

(c) Annual [*state agency*] human resources expenses, including compensation, **of state agencies and education service districts**;

(d) Annual [*state agency*] tax expenditures **of state agencies**, including, [*where*] **when** possible, the identity of the recipients of each tax expenditure;

(e) [*State agency*] Contracting and subcontracting information **of state agencies and education service districts**, to the extent allowed by law;

(f) A prominently placed graphic representation of the primary funding categories and approximate number of individuals served by the state agency **or the education service district**;

(g) A description of the mission, function and program categories of the state agency **or education service district**;

(h) Information about the state agency from the Oregon Progress Board; *[and]*

(i) A copy of any audit report issued by the Secretary of State for the state agency **or of any audit reports issued for the education service district**;

(j) **The local service plans of the education service districts**;

(k) **A copy of each report required by statute for education service districts; and**

(L) **A copy of all notices of public meetings of the education service districts.**

(4) In creating, operating, refining and recommending enhancements to the Oregon transparency website, the Oregon Department of Administrative Services and the Transparency Oregon Advisory Commission created in ORS 184.486 shall consider and, to the extent practicable, adhere to the following principles:

(a) The website must be accessible without cost and be easy to use;

(b) Information included on the Oregon transparency website must be presented using plain, easily understandable language; and

(c) The website should teach users about how state government *[works]* **and education service districts work** and provide users with the opportunity to learn something about how state government *[raises and spends]* **and education service districts raise and spend** revenue.

(5) If a state agency **or an education service district** is not able to include information described in this section on the Oregon transparency website because of the lack of availability of information or cost in acquiring it, the Transparency Oregon Advisory Commission created in ORS 184.486 shall list the information that is not included for that state agency **or education service district** in the commission's report to the Legislative Assembly required under ORS 184.486.

SECTION 21. Sections 22 to 26 of this 2011 Act are added to and made a part of ORS chapter 334.

SECTION 22. (1) As used in this section:

(a) **"Obligations" means all contractual obligations, employment and service contracts and collective bargaining agreements.**

(b) **"Reorganized" means a change in:**

(A) **The boundaries of an education service district, including a merger; or**

(B) **The governance structure of an education service district.**

(2) **Employees who are employed by an education service district that is reorganized and who are employed in duties that, after the reorganization, are to be performed by the new education service district shall be considered employees of the new education service district. The new education service district shall succeed the previous education service district as party to any employment contracts.**

(3) **Employees in the new education service district shall retain any seniority and accumulated sick leave and vacation leave from the previous education service district.**

(4) **All real and personal property belonging to an education service district that is reorganized is considered property of the new education service district.**

(5) **All obligations of an education service district that is reorganized are considered obligations of the new education service district.**

SECTION 23. (1) A school district that withdraws from an education service district as provided by section 2 of this 2011 Act and that seeks to fill a vacant position of employment shall interview persons who:

(a) **Were employed by the education service district prior to the withdrawal of the school district; and**

(b) **Performed duties similar to the duties that will be performed in the position that the school district is seeking to fill.**

(2) Nothing in this section requires a school district to interview a person who had been employed by an education service district if the school district does not have a similar and vacant position.

(3) The interview requirement described in this section does not apply to the superintendent of the education service district or to any other administrators, as defined in ORS 342.120, of the education service district.

(4) The interview requirement described in this section applies only during the 12 calendar months immediately following the effective date of the withdrawal of the school district from the education service district.

SECTION 24. If, prior to June 30, 2012, two or more education service districts choose to join together for the purpose of forming one education service district, the education service districts:

(1) Are not required to follow the procedures described in ORS 334.710 and 334.720; and

(2) May join together by having each education service district that proposes to join together issue an order that recognizes the joining together of the education service districts.

SECTION 25. (1) No later than October 1 of each year, the board of directors of an education service district shall produce an annual report related to the performance and the finances of the education service district for the previous school year. The purpose of the report is to provide information to parents, component school districts and the Department of Education and to improve education service districts through greater involvement of persons who are interested in the success of education service districts.

(2) The annual report that is produced as required by this section must include:

(a) The size and demographics of the education service district;

(b) The number of students served by the education service district, identified by school district;

(c) Services provided by the education service district, and how those services align with the goals described in ORS 334.175 and the local service plan developed for the education service district;

(d) The number of hours of services provided by the education service district, identified by category;

(e) The staff of the education service district, identified by category;

(f) The use of distance learning; and

(g) The education service district's revenue and expenditures, including employee salary information.

(3) The board of directors of the education service district must:

(a) Submit the report produced as required by this section to:

(A) The component school districts of the education service district; and

(B) The Department of Education.

(b) Make the report produced as required by this section available to the public at the administrative offices of the education service district and on the website for the education service district.

SECTION 26. Notwithstanding section 25 of this 2011 Act, the first report required under section 25 of this 2011 Act shall be produced no later than October 1, 2012.

SECTION 27. ORS 342.121 is amended to read:

342.121. (1) The Teacher Standards and Practices Commission shall issue licenses to teachers and administrators who possess the minimum competencies, knowledge and skills to teach and administer in the public schools of the state.

(2)(a) In addition to a teaching or administrative license, a person may obtain certification, indicating a higher degree of competency, knowledge and skill based on work experience and advanced study, from a professional organization of teachers or administrators, either on the state or national level. [However,] A teaching certificate or administrative certificate [shall not be] is not required to teach or administer in a public school of this state.

(b) In addition to holding an administrative license as a superintendent, a person who is a superintendent of an education service district shall obtain certification, indicating a higher degree of competency, knowledge and skill based on work experience and advanced study, from the commission. The certificate shall be designed to ensure that the superintendent has knowledge of theories related to change, strategic planning and financial planning and is capable of formulating interorganizational cooperation and developing partnerships. The certificate described in this paragraph is required for a person to be a superintendent of an education service district of this state.

SECTION 28. ORS 334.225 is amended to read:

334.225. (1) The education service district board shall employ a superintendent who must hold an administrative license as a superintendent **and a certificate described in ORS 342.121 (2)(b)**. The superintendent shall serve as the board's executive officer, give an official bond or an irrevocable letter of credit issued by an insured institution, as defined in ORS 706.008, and have the duties prescribed by the board and the laws of this state. The board shall fix the term and compensation of the superintendent, provide office room for the superintendent and allow all of the superintendent's necessary traveling expenses.

(2) The education service district board shall designate the superintendent as the district clerk. The board may appoint qualified persons as deputies to the superintendent to perform the duties required of the district clerk by law or by the board.

SECTION 29. (1) The amendments to ORS 334.225 and 342.121 by sections 27 and 28 of this 2011 Act become operative on July 1, 2013.

(2) The amendments to ORS 334.225 and 342.121 by sections 27 and 28 of this 2011 Act apply to superintendents of education service districts hired before, on or after the effective date of this 2011 Act.

SECTION 30. Sections 31 and 32 of this 2011 Act are added to and made a part of ORS chapter 334.

SECTION 31. (1) The Office of Regional Educational Services is established for the purposes of coordinating the efforts of and providing leadership for regional educational service delivery systems. The office shall function under the direction and control of the State Board of Education.

(2)(a) The Director of the Office of Regional Educational Services shall serve as the administrative officer of the Office of Regional Educational Services. The Superintendent of Public Instruction shall select the director.

(b) The director shall perform the duties, powers and functions of the office under the supervision and subject to the direction of the Superintendent of Public Instruction.

(3) The office shall:

(a) Establish best practice policies for the delivery of regional educational services.

(b) Establish benchmarks for education service districts that encourage improvements and that allow the education service districts to demonstrate that improvements are being made in the operation of the education service districts.

(c) Determine the direct cost of services to school districts that are assessed by education service districts.

(d) Ensure that each education service district has an annual audit of the accounts of the education service district prepared in accordance with the Municipal Audit Law, as provided in ORS 297.405 to 297.555 and 297.990, and review the audit.

(e) Recommend to the Superintendent of Public Instruction any actions to be taken regarding an education service district if the office has reason to believe that an education service district is nonstandard as provided by ORS 334.217. A recommended action under this paragraph may include conducting a performance audit of the education service district.

(f) Recommend to the Superintendent of Public Instruction any sanctions to impose on an education service district that are consistent with ORS 334.217 and recommend any statutory changes required to impose effective sanctions on education service districts.

(g) Recommend to the Superintendent of Public Instruction and the State Board of Education any statutory or rule changes that may improve the operations or administration of education service districts.

(h) Recommend to the board of directors of an education service district or to the superintendent of an education service district any changes that may improve the operations or administration of the education service district.

(i) Recommend to the Superintendent of Public Instruction and the State Board of Education any changes in education service district boundaries that may reduce costs and increase the quality of services provided by education service districts.

(j) Recommend to the board of directors of an education service district or to the superintendent of an education service district any changes in service delivery regions that may reduce costs and increase the quality of services provided by the education service district.

(k) Provide training and related support for boards of directors of education service districts and superintendents of education service districts.

(L) Gather information regarding the cost of services within education service districts and across education service districts, identify unusually high cost services and provide the gathered information to education service districts, the Superintendent of Public Instruction and the State Board of Education.

(4) For the purposes of identifying the best practice policies described in subsection (3)(a) of this section and the benchmarks described in subsection (3)(b) of this section, the office may:

(a) Conduct an analysis of the effectiveness of education service districts that are identified by the director; and

(b) Conduct evaluations of the systems and procedures of education service districts identified by the director.

(5) The director may enter into contracts as necessary to perform the duties of the office specified in subsection (3) of this section.

(6) The State Board of Education, in collaboration with the Superintendent of Public Instruction and the director, may adopt any rules necessary for the purposes of this section.

(7) On behalf of the office, the Department of Education may accept contributions of moneys and assistance from the United States Government or its agencies or from any other source, public or private, and agree to conditions placed on the moneys not inconsistent with the duties of the office. All moneys received by the department under this subsection shall be deposited into the Regional Educational Services Account established by section 32 of this 2011 Act to be used for the purposes of carrying out the duties of the office.

SECTION 32. (1) The Regional Educational Services Account is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Regional Educational Services Account shall be credited to the account. Except as limited by subsection (2) of this section, moneys in the account are continuously appropriated to the Office of Regional Educational Services.

(2) The Office of Regional Educational Services may expend or otherwise obligate no more than \$500,000 per biennium from the Regional Educational Services Account. The Director of the Office of Regional Educational Services shall establish a schedule that allows for the periodic transfer of moneys in the account that are in excess of the moneys allowed to the Office of Regional Educational Services under this subsection. Transfers shall be made to the State School Fund for distribution to school districts as provided by ORS 327.013 and this section.

(3) On June 30 of each odd-numbered year, all moneys in the account that are unexpended, unobligated and not subject to any conditions shall transfer to the State School Fund for distribution to school districts as provided by ORS 327.013 and this section.

(4) For the purpose of distributions made as provided by this section, the Superintendent of Public Instruction:

(a) May not include any amounts transferred to the State School Fund under this section when making calculations described in ORS 327.019 (3)(a).

(b) May not distribute to education service districts or the Office of Regional Educational Services any moneys transferred to the State School Fund as provided by this section.

(c) Shall distribute to school districts any moneys received under this section based on the schedule described in ORS 327.095.

SECTION 33. Section 34 of this 2011 Act is added to and made a part of ORS 327.006 to 327.133.

SECTION 34. (1) Each fiscal year, the Superintendent of Public Instruction shall transfer from the State School Fund to the Regional Educational Services Account established by section 32 of this 2011 Act the amount calculated as provided by this section.

(2)(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, 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 0.25 percent.

(c) The superintendent shall transfer the amount calculated under paragraph (b) of this subsection to the Regional Educational Services Account.

SECTION 35. Section 34 of this 2011 Act applies to State School Fund distributions commencing with the 2011-2012 distribution.

SECTION 36. ORS 327.008 is amended to read:

327.008. (1) There is established a State School Fund in the General Fund. The fund shall consist of moneys appropriated by the Legislative Assembly and moneys 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, 327.355, 327.357, 327.360, 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 section 34 of this 2011 Act.

[4] (5) 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] (6) 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] (7) 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] (8) 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.

[8] (9) 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)] (10) Each fiscal year, the Department of Education shall transfer the amount of \$2.5 million from the State School Fund to the Small School District Supplement Fund established in ORS 327.360.

[(10)] (11) 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)] (12) Each biennium, the Department of Education may expend up to \$800,000 from the State School Fund for the administration of ORS 326.133 and 326.136.

[(12)] (13) 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.

[(13)] (14) 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 37. ORS 327.008, as amended by section 12, chapter 846, Oregon Laws 2007, section 2, chapter 39, Oregon Laws 2008, and section 9, chapter 698, Oregon Laws 2009, 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 section 34 of this 2011 Act.

[(4)] (5) 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)] (6) 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)] (7) 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)] (8) 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.

[(8)] (9) 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)] (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 \$800,000 from the State School Fund for the administration of ORS 326.133 and 326.136.

[(11)] (12) 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)] (13) 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 38. ORS 334.217 is amended to read:

334.217. (1) The State Board of Education by rule shall establish standards to determine the adequacy of services and facilities provided by the education service districts. In establishing such standards, the state board shall consider the most economic method of providing services and facilities, the quality of the services and facilities according to the best educational standards, and the needs of the students.

(2) When the Superintendent of Public Instruction determines pursuant to rule that an education service district is nonstandard, the district designated nonstandard shall file a plan to meet standards over a specified period of time. The Superintendent **of Public Instruction** may accept, reject or modify the plan and order the nonstandard district to comply with the plan as approved by the superintendent. Once a plan is approved, the district shall be conditionally standard until all deficiencies are corrected. If a district corrects all deficiencies, the district shall be designated as standard. The district shall have 180 days from the date the plan is accepted to make all corrections. After that time, the Superintendent **of Public Instruction** may impose sanctions on the district if the district has not made the necessary corrections.

(3) The state board shall establish by rule appropriate sanctions for noncompliance. The sanctions may include:

(a) Mandatory merger of the nonstandard education service district with a contiguous education service district that is standard[.];

(b) The sanctions described in ORS 342.173, if applicable[, or];

(c) The withholding of funds from the State School Fund[.];

(d) **The removal of the superintendent of the education service district;**

(e) **The temporary governance of the education service district by the state board; or**

(f) **Dissolution of the education service district.**

SECTION 39. This 2011 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2011 Act takes effect on its passage.

Passed by Senate June 20, 2011

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Robert Taylor, Secretary of Senate

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Peter Courtney, President of Senate

Passed by House June 21, 2011

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Bruce Hanna, Speaker of House

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Arnie Roblan, Speaker of House

Received by Governor:

.....M,....., 2011

Approved:

.....M,....., 2011

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John Kitzhaber, Governor

Filed in Office of Secretary of State:

.....M,....., 2011

.....
Kate Brown, Secretary of State