

B-Engrossed
House Bill 2501

Ordered by the Senate July 6
Including House Amendments dated April 10 and Senate Amendments
dated July 6

Introduced and printed pursuant to House Rule 12.00. Pre-session filed (at the request of House Interim Committee on Revenue)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

[Extends, by five years, grants distributed to small school districts through State School Fund.]
Reestablishes Small School District Supplement Fund. Directs Department of Education to transfer \$2.5 million to fund for purpose of grants to small school districts. Sunsets fund on June 30, 2015.

Declares emergency, effective on passage.

A BILL FOR AN ACT

1
2 Relating to distributions of state moneys for schools; creating new provisions; amending ORS
3 327.006, 327.008, 327.019, 327.125, 327.137, 339.129, 340.045 and 343.961; appropriating money; and
4 declaring an emergency.

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

6 **SECTION 1. As used in this section and section 2 of this 2013 Act:**

7 (1)(a) **“Small high school” means a public school that is operated by a small school dis-**
8 **trict and that has students in:**

9 (A) **Grades 9 through 12, with an ADM of less than 350 in grades 9 through 12; or**

10 (B) **Grades 10 through 12 only, with an ADM of less than 267.**

11 (b) **“Small high school” does not include an alternative education program or a public**
12 **charter school.**

13 (2) **“Small school district” means a school district with a weighted average daily mem-**
14 **bership (ADMw) of less than 8,500.**

15 **SECTION 2. (1) In addition to those moneys distributed through the State School Fund,**
16 **the Department of Education shall award grants to small school districts with one or more**
17 **small high schools from moneys appropriated to the department from the Small School Dis-**
18 **trict Supplement Fund.**

19 (2) **The amount of each grant = the small high school’s ADM × (the total amount**
20 **available for the grants in each fiscal year ÷ the total ADM of all small high schools).**

21 (3) **A small school district shall receive a grant under this section for each small high**
22 **school operated by the school district.**

23 (4) **The State Board of Education shall adopt any rules necessary for the administration**
24 **of this section.**

25 **SECTION 3. (1) There is established the Small School District Supplement Fund, separate**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 **and distinct from the General Fund.**

2 **(2) The moneys in the Small School District Supplement Fund are appropriated contin-**
3 **uously to the Department of Education for purposes of the grant program created by section**
4 **2 of this 2013 Act.**

5 **SECTION 4.** ORS 327.006 is amended to read:

6 327.006. As used in **sections 1 to 3 of this 2013 Act and** ORS 327.006 to 327.133, 327.348 and
7 327.731:

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

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

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

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

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

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

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

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

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

27 (b) "Approved transportation costs" does not include the cost of constructing boarding school
28 facilities.

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

35 (4) "Consumer Price Index" means the Consumer Price Index for All Urban Consumers of the
36 Portland, Oregon, Metropolitan Statistical Area, as compiled by the United States Department of
37 Labor, Bureau of Labor Statistics.

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

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

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

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

6 (B) Whose legal residence is not within the boundaries of the district reporting the pupil but
7 who attends school in the district with the written consent of the district school board where the
8 school is located as provided by ORS 339.133 (5).

9 (b) A pupil is not considered to be a resident pupil under paragraph (a)(A) of this subsection if
10 the pupil is attending school in another school district pursuant to a contract under ORS 339.125
11 and in the prior year was considered to be a resident pupil in another school district under para-
12 graph (a)(B) of this subsection. The pupil shall continue to be considered a resident of another
13 school district under paragraph (a)(B) of this subsection.

14 (c) A pupil is not considered to be a resident pupil under paragraph (a)(B) of this subsection if
15 the pupil is attending school in a school district pursuant to ORS 339.133 (5) and in the prior year
16 was considered to be a resident pupil under paragraph (a)(A) of this subsection because the pupil
17 was attending school in another school district pursuant to a contract under ORS 339.125. The pupil
18 shall continue to be considered a resident pupil under paragraph (a)(A) of this subsection.

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

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

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

24 **SECTION 5.** ORS 327.006, as amended by section 4 of this 2013 Act, is amended to read:

25 327.006. As used in [*sections 1 to 3 of this 2013 Act and*] ORS 327.006 to 327.133, 327.348 and
26 327.731:

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

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

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

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

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

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

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

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

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

1 (b) "Approved transportation costs" does not include the cost of constructing boarding school
2 facilities.

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

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

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

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

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

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

25 (B) Whose legal residence is not within the boundaries of the district reporting the pupil but
26 who attends school in the district with the written consent of the district school board where the
27 school is located as provided by ORS 339.133 (5).

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

33 (c) A pupil is not considered to be a resident pupil under paragraph (a)(B) of this subsection if
34 the pupil is attending school in a school district pursuant to ORS 339.133 (5) and in the prior year
35 was considered to be a resident pupil under paragraph (a)(A) of this subsection because the pupil
36 was attending school in another school district pursuant to a contract under ORS 339.125. The pupil
37 shall continue to be considered a resident pupil under paragraph (a)(A) of this subsection.

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

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

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

43 **SECTION 6.** ORS 327.008, as amended by section 3, chapter 91, Oregon Laws 2012, is amended
44 to read:

45 327.008. (1) There is established a State School Fund in the General Fund. The fund shall consist

1 of moneys appropriated by the Legislative Assembly and moneys transferred from the Education
2 Stability Fund. The State School Fund is continuously appropriated to the Department of Education
3 for the purposes of **sections 1 to 3 of this 2013 Act and** ORS 327.006 to 327.077, 327.095, 327.099,
4 327.101, 327.125, 327.137, 327.348, 336.575, 336.580, 336.635, 342.173, 343.243, 343.533 and 343.961.

5 (2) There shall be apportioned from the State School Fund to each school district a State School
6 Fund grant, consisting of the positive amount equal to a general purpose grant and a facility grant
7 and a transportation grant and a high cost disabilities grant minus local revenue, computed as pro-
8 vided in ORS 327.011 and 327.013.

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

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

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

15 (6) Numbers of students in average daily membership used in the distribution formula shall be
16 the numbers as of June of the year of distribution.

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

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

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

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

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

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

35 **(13) Each fiscal year, the Department of Education shall transfer the amount of \$2.5**
36 **million from the State School Fund to the Small School District Supplement Fund established**
37 **in section 3 of this 2013 Act.**

38 **SECTION 7.** ORS 327.008, as amended by section 3, chapter 91, Oregon Laws 2012, and section
39 6 of this 2013 Act, is amended to read:

40 327.008. (1) There is established a State School Fund in the General Fund. The fund shall consist
41 of moneys appropriated by the Legislative Assembly and moneys transferred from the Education
42 Stability Fund. The State School Fund is continuously appropriated to the Department of Education
43 for the purposes of [*sections 1 to 3 of this 2013 Act and*] ORS 327.006 to 327.077, 327.095, 327.099,
44 327.101, 327.125, 327.137, 327.348, 336.575, 336.580, 336.635, 342.173, 343.243, 343.533 and 343.961.

45 (2) There shall be apportioned from the State School Fund to each school district a State School

1 Fund grant, consisting of the positive amount equal to a general purpose grant and a facility grant
2 and a transportation grant and a high cost disabilities grant minus local revenue, computed as pro-
3 vided in ORS 327.011 and 327.013.

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

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

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

10 (6) Numbers of students in average daily membership used in the distribution formula shall be
11 the numbers as of June of the year of distribution.

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

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

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

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

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

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

30 *[(13) Each fiscal year, the Department of Education shall transfer the amount of \$2.5 million from*
31 *the State School Fund to the Small School District Supplement Fund established in section 3 of this*
32 *2013 Act.]*

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

34 327.019. (1) As used in this section:

35 (a) "Education service district extended ADMw" means the sum of the extended ADMw of the
36 school districts located within the territory of the education service district as computed under ORS
37 327.013.

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

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

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

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

45 (D) Any positive amount obtained by subtracting the operating property taxes actually imposed

1 by the district based on the rate certified pursuant to ORS 310.060 from the amount that would have
2 been imposed by the district if the district had certified the maximum rate of operating property
3 taxes allowed by law.

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

6 (3)(a) Each fiscal year, the superintendent shall calculate the total amount appropriated or al-
7 located to the State School Fund and available for distribution to school districts, education service
8 districts, programs and the Office of Regional Educational Services + total amount of local reven-
9 ues of all school districts, computed as provided in ORS 327.011, + total amount of local revenues
10 of all education service districts. The superintendent may not include in the calculation under this
11 paragraph amounts received by the Department of Education from the State School Fund under ORS
12 343.243.

13 (b) The superintendent shall multiply the amount calculated under paragraph (a) of this sub-
14 section by 95.5 percent.

15 (c) Based on the amount calculated under paragraph (b) of this subsection, the superintendent
16 shall calculate a funding percentage to distribute as nearly as practicable under **sections 1 to 3**
17 **of this 2013 Act and** ORS 327.006 to 327.133 and 327.348 the total amount calculated under para-
18 graph (b) of this subsection as school district general purpose grants, facility grants, high cost dis-
19 abilities grants and transportation grants to school districts.

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

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

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

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

28 (b) Notwithstanding paragraph (a) of this subsection and only for State School Fund distrib-
29 utions made for the first school year after two or more education service districts join together, if
30 an education service district received a general services grant as provided by paragraph (a)(B) of
31 this subsection prior to the education service district joining together with one or more other edu-
32 cation service districts to form a new education service district:

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

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

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

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

45 (b) The funding percentage used in paragraph (a) of this subsection shall be calculated by the

1 superintendent to distribute as nearly as practicable the total amount available for distribution to
2 education service districts from the State School Fund for each fiscal year.

3 (7) Notwithstanding subsections (5) and (6) of this section:

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

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

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

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

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

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

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

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

23 (i) The school district;

24 (ii) The education service district from which the school district withdrew;

25 (iii) An education service district that is not the education service district from which the
26 school district withdrew; or

27 (iv) Any other public entity with which the school district has entered into a contract to provide
28 the services.

29 **SECTION 9.** ORS 327.019, as amended by section 8 of this 2013 Act, is amended to read:

30 327.019. (1) As used in this section:

31 (a) "Education service district extended ADMw" means the sum of the extended ADMw of the
32 school districts located within the territory of the education service district as computed under ORS
33 327.013.

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

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

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

39 (C) The amount of revenue received by the district from state-managed forestlands under ORS
40 530.115 (1)(b) and (c); and

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

45 (2) Each fiscal year, the Superintendent of Public Instruction shall calculate a State School Fund

1 grant for each education service district as provided in this section.

2 (3)(a) Each fiscal year, the superintendent shall calculate the total amount appropriated or al-
3 located to the State School Fund and available for distribution to school districts, education service
4 districts, programs and the Office of Regional Educational Services + total amount of local reven-
5 ues of all school districts, computed as provided in ORS 327.011, + total amount of local revenues
6 of all education service districts. The superintendent may not include in the calculation under this
7 paragraph amounts received by the Department of Education from the State School Fund under ORS
8 343.243.

9 (b) The superintendent shall multiply the amount calculated under paragraph (a) of this sub-
10 section by 95.5 percent.

11 (c) Based on the amount calculated under paragraph (b) of this subsection, the superintendent
12 shall calculate a funding percentage to distribute as nearly as practicable under [*sections 1 to 3 of*
13 *this 2013 Act and*] ORS 327.006 to 327.133 and 327.348 the total amount calculated under paragraph
14 (b) of this subsection as school district general purpose grants, facility grants, high cost disabilities
15 grants and transportation grants to school districts.

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

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

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

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

24 (b) Notwithstanding paragraph (a) of this subsection and only for State School Fund distrib-
25 utions made for the first school year after two or more education service districts join together, if
26 an education service district received a general services grant as provided by paragraph (a)(B) of
27 this subsection prior to the education service district joining together with one or more other edu-
28 cation service districts to form a new education service district:

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

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

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

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

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

44 (7) Notwithstanding subsections (5) and (6) of this section:

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

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

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

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

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

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

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

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

19 (i) The school district;

20 (ii) The education service district from which the school district withdrew;

21 (iii) An education service district that is not the education service district from which the
22 school district withdrew; or

23 (iv) Any other public entity with which the school district has entered into a contract to provide
24 the services.

25 **SECTION 10.** ORS 327.125 is amended to read:

26 327.125. The Superintendent of Public Instruction shall administer the provisions of **sections 1**
27 **to 3 of this 2013 Act and** ORS 327.006 to 327.133, 327.348 and 327.731. The State Board of Education
28 shall adopt all necessary rules not inconsistent with **sections 1 to 3 of this 2013 Act and** ORS
29 327.006 to 327.133, 327.348 and 327.731 to carry into effect the provisions of those statutes.

30 **SECTION 11.** ORS 327.125, as amended by section 10 of this 2013 Act, is amended to read:

31 327.125. The Superintendent of Public Instruction shall administer the provisions of [*sections 1*
32 *to 3 of this 2013 Act and*] ORS 327.006 to 327.133, 327.348 and 327.731. The State Board of Education
33 shall adopt all necessary rules not inconsistent with [*sections 1 to 3 of this 2013 Act and*] ORS
34 327.006 to 327.133, 327.348 and 327.731 to carry into effect the provisions of those statutes.

35 **SECTION 12.** ORS 327.137 is amended to read:

36 327.137. (1) Every common or union high school district or education service district shall file
37 a copy of its audit report with the Department of Education within six months of the end of the
38 fiscal year for which the audit is required. If the audit report, as submitted to the district, fails to
39 provide the detail necessary for the computation required in the administration of **sections 1 to 3**
40 **of this 2013 Act and** ORS 327.006 to 327.133, 327.348, 327.731, 328.542 and 530.115 and this section,
41 the district shall submit the necessary information on forms provided by the department within the
42 time prescribed for filing the audit in this section. Any district failing to file a copy of its audit re-
43 port under this section or ORS 327.133 shall not receive any payments from the State School Fund
44 until such reports are filed.

45 (2) Notwithstanding the timeline provided by this section and pursuant to rules adopted by the

1 State Board of Education, the Superintendent of Public Instruction may waive a reporting date or
2 specify an alternative date to provide the audit report or information if a human-created disaster
3 or a natural disaster affects the ability of a school district or an education service district to pro-
4 vide the audit report or information by a specified date.

5 **SECTION 13.** ORS 327.137, as amended by section 1, chapter 327, Oregon Laws 2013 (Enrolled
6 House Bill 3093), and section 12 of this 2013 Act, is amended to read:

7 327.137. (1)(a) Every common or union high school district or education service district shall file
8 a copy of its audit report with the Department of Education within six months of the end of the
9 fiscal year for which the audit is required. The audit report shall include:

10 (A) Information necessary for the computation required in the administration of **sections 1 to**
11 **3 of this 2013 Act and** ORS 327.006 to 327.133, 327.348, 327.731, 328.542 and 530.115 and this section;
12 and

13 (B) If the district is a sponsor of any public charter schools, a copy of each annual audit for-
14 warded to the district as required by ORS 338.095 (4).

15 (b) If the audit report, as submitted to the district, fails to provide the detail necessary for the
16 computation required in the administration of sections 1 to 3 of this 2013 Act and ORS 327.006 to
17 327.133, 327.348, 327.731, 328.542 and 530.115 and this section, the district shall submit the necessary
18 information on forms provided by the department within the time prescribed for filing the audit in
19 this section.

20 (c) The Superintendent of Public Instruction may withhold any payments from the State School
21 Fund for a public charter school that, pursuant to ORS 338.155, are due to a district under ORS
22 327.095 if:

23 (A) The audit report filed by the district fails to include the public charter school annual audit
24 as required by paragraph (a)(B) of this subsection; and

25 (B) The district has not filed the public charter school annual audit with the department by
26 April 1.

27 (d) If payments are withheld as provided by paragraph (c) of this subsection, the superintendent
28 may allow payments to be made from the State School Fund to the district upon receipt of the an-
29 nual audit or upon the meeting of any other conditions identified by rule of the State Board of Ed-
30 ucation.

31 (e) Any district failing to file a copy of an audit report under this section or a report under ORS
32 327.133 may not receive any payments from the State School Fund until the report is filed.

33 (2) Notwithstanding the timeline provided by this section and pursuant to rules adopted by the
34 State Board of Education, the superintendent may waive a reporting date or specify an alternative
35 date to provide the audit report or information if a human-created disaster or a natural disaster
36 affects the ability of a school district or an education service district to provide the audit report
37 or information by a specified date.

38 **SECTION 14.** ORS 327.137, as amended by section 1, chapter 327, Oregon Laws 2013 (Enrolled
39 House Bill 3093), and sections 12 and 13 of this 2013 Act, is amended to read:

40 327.137. (1)(a) Every common or union high school district or education service district shall file
41 a copy of its audit report with the Department of Education within six months of the end of the
42 fiscal year for which the audit is required. The audit report shall include:

43 (A) Information necessary for the computation required in the administration of [*sections 1 to 3*
44 *of this 2013 Act and*] ORS 327.006 to 327.133, 327.348, 327.731, 328.542 and 530.115 and this section;
45 and

1 (B) If the district is a sponsor of any public charter schools, a copy of each annual audit for-
2 warded to the district as required by ORS 338.095 (4).

3 (b) If the audit report, as submitted to the district, fails to provide the detail necessary for the
4 computation required in the administration of [*sections 1 to 3 of this 2013 Act and*] ORS 327.006 to
5 327.133, 327.348, 327.731, 328.542 and 530.115 and this section, the district shall submit the necessary
6 information on forms provided by the department within the time prescribed for filing the audit in
7 this section.

8 (c) The Superintendent of Public Instruction may withhold any payments from the State School
9 Fund for a public charter school that, pursuant to ORS 338.155, are due to a district under ORS
10 327.095 if:

11 (A) The audit report filed by the district fails to include the public charter school annual audit
12 as required by paragraph (a)(B) of this subsection; and

13 (B) The district has not filed the public charter school annual audit with the department by
14 April 1.

15 (d) If payments are withheld as provided by paragraph (c) of this subsection, the superintendent
16 may allow payments to be made from the State School Fund to the district upon receipt of the an-
17 nual audit or upon the meeting of any other conditions identified by rule of the State Board of Ed-
18 ucation.

19 (e) Any district failing to file a copy of an audit report under this section or a report under ORS
20 327.133 may not receive any payments from the State School Fund until the report is filed.

21 (2) Notwithstanding the timeline provided by this section and pursuant to rules adopted by the
22 State Board of Education, the superintendent may waive a reporting date or specify an alternative
23 date to provide the audit report or information if a human-created disaster or a natural disaster
24 affects the ability of a school district or an education service district to provide the audit report
25 or information by a specified date.

26 **SECTION 15.** ORS 339.129 is amended to read:

27 339.129. (1) A school district shall provide or cause to be provided appropriate education for
28 children placed in a local or regional correctional facility located in the school district. The edu-
29 cation may be provided by the school district or an education service district.

30 (2) The school district may claim State School Fund reimbursement under **sections 1 to 3 of**
31 **this 2013 Act and** ORS 327.006 to 327.133, 327.348 and 327.731 for each child who is in a local or
32 regional correctional facility.

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

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

41 (5) As used in this section:

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

43 (b) "Regional correctional facility" means a regional correctional facility as defined in ORS
44 169.620.

45 **SECTION 16.** ORS 339.129, as amended by section 15 of this 2013 Act, is amended to read:

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

4 (2) The school district may claim State School Fund reimbursement under [*sections 1 to 3 of this*
5 *2013 Act and*] ORS 327.006 to 327.133, 327.348 and 327.731 for each child who is in a local or re-
6 gional correctional facility.

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

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

15 (5) As used in this section:

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

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

19 **SECTION 17.** ORS 340.045 is amended to read:

20 340.045. (1) An eligible student enrolled in an eligible post-secondary course at an eligible post-
21 secondary institution pursuant to ORS 340.030 shall continue to be considered a resident pupil of
22 the student's school district for purposes of calculation of the State School Fund grant under
23 **sections 1 to 3 of this 2013 Act and** ORS 327.006 to 327.133, 327.348 and 327.731.

24 (2) The amount of each school district's general purpose grant per extended ADMw as calcu-
25 lated under ORS 327.013 shall be determined each fiscal year by the Department of Education and
26 made available to all school districts and, upon request, to any eligible post-secondary institution.

27 (3) A school district and any eligible post-secondary institution that accepts a student for en-
28 rollment in an eligible post-secondary course pursuant to ORS 340.030 shall negotiate in good faith
29 a financial agreement for the payment of actual instructional costs associated with the enrollment
30 of the eligible student in eligible post-secondary courses, including tuition and fees and the costs
31 of textbooks, equipment and materials.

32 (4) As part of the negotiated financial agreement, an eligible post-secondary institution shall
33 provide the school district with the published refund policy for eligible students who do not complete
34 eligible post-secondary courses in which the students enroll and do not earn credit.

35 (5) If, after participating in good faith negotiations, a school district and an eligible post-
36 secondary institution are unable to agree on the payment of actual instructional costs as described
37 in subsection (3) of this section, either entity may appeal to the department for a determination of
38 whether the negotiations were conducted in good faith.

39 (6) The department shall develop a process and criteria to use for appeals.

40 (7)(a) If the department determines that the negotiations were not conducted in good faith by
41 either the school district or the eligible post-secondary institution, the department shall order the
42 school district and the eligible post-secondary institution to conduct the negotiations again.

43 (b) If the department determines that the negotiations were conducted in good faith by the
44 school district and the eligible post-secondary institution, the department shall grant the school
45 district a waiver under ORS 340.083 from participating in the Expanded Options Program with the

1 eligible post-secondary institution with which the school district was negotiating.

2 (8) The decision of the department shall be binding on the school district and the eligible post-
3 secondary institution.

4 (9) In addition to any financial agreement entered into under subsection (3) of this section, the
5 resident school district of the eligible student shall enter into an agreement with an eligible post-
6 secondary institution that accepts a student for enrollment in an eligible post-secondary course that
7 is a nontuition course or noncredit course pursuant to ORS 340.030 for the payment of the actual
8 instructional costs associated with the student's attending the eligible post-secondary course at the
9 institution.

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

12 **SECTION 18.** ORS 340.045, as amended by section 17 of this 2013 Act, is amended to read:

13 340.045. (1) An eligible student enrolled in an eligible post-secondary course at an eligible post-
14 secondary institution pursuant to ORS 340.030 shall continue to be considered a resident pupil of
15 the student's school district for purposes of calculation of the State School Fund grant under
16 [sections 1 to 3 of this 2013 Act and] ORS 327.006 to 327.133, 327.348 and 327.731.

17 (2) The amount of each school district's general purpose grant per extended ADMw as calcu-
18 lated under ORS 327.013 shall be determined each fiscal year by the Department of Education and
19 made available to all school districts and, upon request, to any eligible post-secondary institution.

20 (3) A school district and any eligible post-secondary institution that accepts a student for en-
21 rollment in an eligible post-secondary course pursuant to ORS 340.030 shall negotiate in good faith
22 a financial agreement for the payment of actual instructional costs associated with the enrollment
23 of the eligible student in eligible post-secondary courses, including tuition and fees and the costs
24 of textbooks, equipment and materials.

25 (4) As part of the negotiated financial agreement, an eligible post-secondary institution shall
26 provide the school district with the published refund policy for eligible students who do not complete
27 eligible post-secondary courses in which the students enroll and do not earn credit.

28 (5) If, after participating in good faith negotiations, a school district and an eligible post-
29 secondary institution are unable to agree on the payment of actual instructional costs as described
30 in subsection (3) of this section, either entity may appeal to the department for a determination of
31 whether the negotiations were conducted in good faith.

32 (6) The department shall develop a process and criteria to use for appeals.

33 (7)(a) If the department determines that the negotiations were not conducted in good faith by
34 either the school district or the eligible post-secondary institution, the department shall order the
35 school district and the eligible post-secondary institution to conduct the negotiations again.

36 (b) If the department determines that the negotiations were conducted in good faith by the
37 school district and the eligible post-secondary institution, the department shall grant the school
38 district a waiver under ORS 340.083 from participating in the Expanded Options Program with the
39 eligible post-secondary institution with which the school district was negotiating.

40 (8) The decision of the department shall be binding on the school district and the eligible post-
41 secondary institution.

42 (9) In addition to any financial agreement entered into under subsection (3) of this section, the
43 resident school district of the eligible student shall enter into an agreement with an eligible post-
44 secondary institution that accepts a student for enrollment in an eligible post-secondary course that
45 is a nontuition course or noncredit course pursuant to ORS 340.030 for the payment of the actual

1 instructional costs associated with the student's attending the eligible post-secondary course at the
2 institution.

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

5 **SECTION 19. Sections 1, 2 and 3 of this 2013 Act are repealed.**

6 **SECTION 20. The amendments to ORS 327.006, 327.008, 327.019, 327.125, 327.137, 339.129**
7 **and 340.045 by sections 5, 7, 9, 11, 14, 16 and 18 of this 2013 Act, and the repeal of sections**
8 **1, 2 and 3 of this 2013 of this 2013 Act by section 19 of this 2013 Act, become operative on**
9 **June 30, 2015.**

10 **SECTION 21.** ORS 343.961 is amended to read:

11 343.961. (1) As used in this section:

12 (a) "Day treatment program" means a public or private program that provides treatment of
13 children with a mental illness, an emotional disturbance or another mental health issue.

14 (b) "Eligible day treatment program" means a day treatment program with which the Oregon
15 Health Authority contracts for long term care or treatment. "Eligible day treatment program" does
16 not include residential treatment programs or programs that provide care or treatment to juveniles
17 who are in detention facilities.

18 (c) "Eligible residential treatment program" means a residential treatment program with which
19 the Oregon Health Authority, the Department of Human Services or the Oregon Youth Authority
20 contracts for long term care or treatment. "Eligible residential treatment program" does not include
21 psychiatric day treatment programs or programs that provide care or treatment to juveniles who
22 are in detention facilities.

23 (d) "Residential treatment program" means a public or private residential program that provides
24 treatment of children with a mental illness, an emotional disturbance or another mental health issue.

25 (e) "Student" means a child who is placed in an eligible day treatment program or eligible res-
26 idential treatment program by a public or private entity or by the child's parent.

27 (2) The Department of Education shall be responsible for payment of the costs of education of
28 students in eligible day treatment programs and eligible residential treatment programs by con-
29 tracting with the school district in which the eligible day treatment program or eligible residential
30 treatment program is located. The costs of education do not include transportation, care, treatment
31 or medical expenses.

32 (3)(a) The school district in which an eligible day treatment program or eligible residential
33 treatment program is located is responsible for providing the education of a student, including the
34 identification, location and evaluation of the student for the purpose of determining the student's
35 eligibility to receive special education and related services.

36 (b) A school district that is responsible for providing an education under this subsection may
37 provide the education:

38 (A) Directly or through another school district or an education service district; and

39 (B) In the facilities of an eligible day treatment program or eligible residential treatment pro-
40 gram, the facilities of a school district or the facilities of an education service district.

41 (c) When a student is no longer in an eligible day treatment program or eligible residential
42 treatment program, the responsibilities imposed by this subsection terminate and become the re-
43 sponsibilities of the school district where the student is a resident, as determined under ORS 339.133
44 and 339.134.

45 **(4) The school district where the student is a resident is responsible for providing**

1 **transportation to a student enrolled in an eligible day treatment program. Transportation**
2 **must be provided by the school district where the student is a resident each day the student**
3 **is scheduled to receive services from the eligible day treatment program.**

4 [(4)] (5) A school district may request the Department of Education to combine several eligible
5 day treatment programs or eligible residential treatment programs into one contract with another
6 school district or an education service district.

7 [(5)] (6) The Oregon Health Authority, the Department of Human Services or the Oregon Youth
8 Authority shall give the school district providing the education at an eligible day treatment program
9 or an eligible residential treatment program 14 days' notice, to the extent practicable, before a
10 student is dismissed from the program.

11 [(6)] (7) The Department of Education may make advances to school districts responsible for
12 providing an education to students under this section from funds appropriated for that purpose based
13 on the estimated agreed cost of educating the students per school year. Advances equal to 25 per-
14 cent of the estimated cost may be made on September 1, December 1 and March 1 of the current
15 year. The balance may be paid whenever the full determination of cost is made.

16 [(7)] (8) School districts that provide the education described in this section on a year-round
17 plan may apply for 25 percent of the funds appropriated for that purpose on July 1, October 1,
18 January 1, and 15 percent on April 1. The balance may be paid whenever the full determination of
19 cost is made.

20 [(8)] (9) In addition to the payment methods described in this section, the Department of Edu-
21 cation may:

22 (a) Negotiate interagency agreements to pay for the cost of education in day treatment programs
23 and residential treatment programs operated under the auspices of the State Board of Higher Edu-
24 cation; and

25 (b) Negotiate intergovernmental agreements to pay for the cost of education in day treatment
26 programs and residential treatment programs operated under the auspices of the Oregon Health and
27 Science University Board of Directors.

28 **SECTION 22. This 2013 Act being necessary for the immediate preservation of the public**
29 **peace, health and safety, an emergency is declared to exist, and this 2013 Act takes effect**
30 **on its passage.**

31