

**B-Engrossed**  
**House Bill 3401**

Ordered by the House July 1  
Including House Amendments dated April 16 and July 1

Sponsored by Representative NATHANSON; Representative UNGER (at the request of Sheldon Berman, Colt Gill and Nancy Golden)

**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.

Allows school district boards of school districts located in specified regions to request distribution of percentage of moneys available to education service district from State School Fund and local revenues. **Establishes formula for determining amount that may be requested and timing of request.**

**Increases amount that may be requested by qualifying school district boards for 2015-2016 school year.**

**Allows qualifying school district boards to request distribution of as much moneys as are available to education service district beginning in 2016-2017 school year.**

**Establishes that school district board that designates 100 percent of its moneys has withdrawn from education service district.**

**Establishes work group to explore options for optimal regional education delivery systems.**

**Requires representatives in specified school districts to submit report to interim legislative committees by November 1, 2016.**

*[Establishes Education Service District Portability Stability Account. Continuously appropriates moneys in account to Office of Regional Educational Services for purpose of making distributions to education service district for distributions made to school districts for 2013-2014 school year.]*

**Declares emergency, effective [on passage] July 1, 2013.**

**A BILL FOR AN ACT**

1  
2 Relating to education service districts; creating new provisions; amending ORS 334.177; and declar-  
3 ing an emergency.

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

5 **SECTION 1.** ORS 334.177 is amended to read:

6 334.177. (1) As used in this section, "local revenues of an education service district" has the  
7 meaning given that term in ORS 327.019 but does not include any local revenues distributed under  
8 ORS 327.019 (8).

9 (2) An education service district board shall expend at least 90 percent of all amounts received  
10 from the State School Fund and at least 90 percent of all amounts considered to be local revenues  
11 of an education service district on services or programs that have been approved by the component  
12 school districts of the education service district through the resolution process described in ORS  
13 334.175.

14 **(3)(a) Notwithstanding subsection (2) of this section, the school district board of a school**  
15 **district that is located in a region described in ORS 334.013 (1)(a), (e) or (i) may request in**  
16 **writing that a percentage of the amounts identified in subsection (2) of this section be dis-**  
17 **tributed to the school district for any purpose identified by the school district board. The**  
18 **percentage requested as provided by this paragraph may not exceed:**

**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 (A) Sixty-five percent of all amounts received from the State School Fund and attribut-  
2 able to the school district and 65 percent of all amounts considered to be local revenues of  
3 the education service district and attributable to the school district; or

4 (B) Seventy-five percent of all amounts received from the State School Fund and attrib-  
5 utable to the school district and 75 percent of all amounts considered to be local revenues  
6 of the education service district and attributable to the school district, if the school district  
7 board is able to provide evidence that the school district meets the expenditure requirement  
8 described in paragraph (b) of this subsection.

9 (b) A school district board may request the percentage identified in paragraph (a)(B) of  
10 this subsection if the school district expends at least the difference between paragraph (a)(B)  
11 of this subsection and paragraph (a)(A) of this subsection on services from one or more ed-  
12 ucation service districts other than the education service district in which the school district  
13 is located.

14 (c) A school district board that makes a request under paragraph (a) of this subsection:

15 (A) Must make the request to the education service district board by November 1 of the  
16 year prior to the school year for which the request is being made; and

17 (B) Must designate the percentage of the amounts identified in subsection (2) of this  
18 section that will be distributed to the school district.

19 (d) The education service district board:

20 (A) Shall approve a request submitted as provided by this subsection; and

21 (B) Shall determine the amounts attributable to the school district and eligible for dis-  
22 tribution based on the weighted average daily membership (ADMw) of the school district for  
23 which the request was made.

24 (e) For each school year for which a school district receives a distribution as provided  
25 by this subsection, the school district may act only in an advisory capacity for decisions  
26 made in relation to the governance of the education service district if the school district  
27 board designates a percentage under paragraph (a) of this subsection that is greater than  
28 50 percent.

29 [(3)] (4) An education service district board shall expend 100 percent of all amounts received  
30 from the School Improvement Fund on services or programs that have been approved by the com-  
31 ponent school districts of the education service district through the resolution process described in  
32 ORS 334.175.

33 [(4)] (5) The expenditure requirements of this section apply only to amounts retained by the  
34 education service district after making any distributions required under ORS 327.019 (9).

35 **SECTION 2. The amendments to ORS 334.177 by section 1 of this 2013 Act first apply to**  
36 **expenditures occurring for the 2014-2015 school year.**

37 **SECTION 3.** ORS 334.177, as amended by section 1 of this 2013 Act, is amended to read:

38 334.177. (1) As used in this section, "local revenues of an education service district" has the  
39 meaning given that term in ORS 327.019 but does not include any local revenues distributed under  
40 ORS 327.019 (8).

41 (2) An education service district board shall expend at least 90 percent of all amounts received  
42 from the State School Fund and at least 90 percent of all amounts considered to be local revenues  
43 of an education service district on services or programs that have been approved by the component  
44 school districts of the education service district through the resolution process described in ORS  
45 334.175.

1 (3)(a) Notwithstanding subsection (2) of this section, the school district board of a school district  
2 that is located in a region described in ORS 334.013 (1)(a), (e) or (i) may request in writing that a  
3 percentage of the amounts identified in subsection (2) of this section be distributed to the school  
4 district for any purpose identified by the school district board. The percentage requested as provided  
5 by this paragraph may not exceed:

6 (A) [*Sixty-five*] **Seventy-five** percent of all amounts received from the State School Fund and  
7 attributable to the school district and [*65*] **75** percent of all amounts considered to be local revenues  
8 of the education service district and attributable to the school district; or

9 (B) [*Seventy-five*] **Eighty-five** percent of all amounts received from the State School Fund and  
10 attributable to the school district and [*75*] **85** percent of all amounts considered to be local revenues  
11 of the education service district and attributable to the school district, if the school district board  
12 is able to provide evidence that the school district meets the expenditure requirement described in  
13 paragraph (b) of this subsection.

14 (b) A school district board may request the percentage identified in paragraph (a)(B) of this  
15 subsection if the school district expends at least the difference between paragraph (a)(B) of this  
16 subsection and paragraph (a)(A) of this subsection on services from one or more education service  
17 districts other than the education service district in which the school district is located.

18 (c) A school district board that makes a request under paragraph (a) of this subsection:

19 (A) Must make the request to the education service district board by November 1 of the year  
20 prior to the school year for which the request is being made; and

21 (B) Must designate the percentage of the amounts identified in subsection (2) of this section that  
22 will be distributed to the school district.

23 (d) The education service district board:

24 (A) Shall approve a request submitted as provided by this subsection; and

25 (B) Shall determine the amounts attributable to the school district and eligible for distribution  
26 based on the weighted average daily membership (ADMw) of the school district for which the re-  
27 quest was made.

28 (e) For each school year for which a school district receives a distribution as provided by this  
29 subsection, the school district may act only in an advisory capacity for decisions made in relation  
30 to the governance of the education service district if the school district board designates a per-  
31 centage under paragraph (a) of this subsection that is greater than 50 percent.

32 (4) An education service district board shall expend 100 percent of all amounts received from  
33 the School Improvement Fund on services or programs that have been approved by the component  
34 school districts of the education service district through the resolution process described in ORS  
35 334.175.

36 (5) The expenditure requirements of this section apply only to amounts retained by the educa-  
37 tion service district after making any distributions required under ORS 327.019 (9).

38 **SECTION 4. (1) The amendments to ORS 334.177 by section 3 of this 2013 Act become**  
39 **operative July 1, 2015.**

40 **(2) The amendments to ORS 334.177 by section 3 of this 2013 Act first apply to expen-**  
41 **ditures occurring for the 2015-2016 school year.**

42 **SECTION 5.** ORS 334.177, as amended by sections 1 and 3 of this 2013 Act, is amended to read:

43 334.177. (1) As used in this section, "local revenues of an education service district" has the  
44 meaning given that term in ORS 327.019 but does not include any local revenues distributed under  
45 ORS 327.019 (8).

1 (2) An education service district board shall expend at least 90 percent of all amounts received  
2 from the State School Fund and at least 90 percent of all amounts considered to be local revenues  
3 of an education service district on services or programs that have been approved by the component  
4 school districts of the education service district through the resolution process described in ORS  
5 334.175.

6 (3)(a) Notwithstanding subsection (2) of this section, the school district board of a school district  
7 that is located in a region described in ORS 334.013 (1)(a), (e) or (i) may request in writing that a  
8 percentage of the amounts identified in subsection (2) of this section be distributed to the school  
9 district for any purpose identified by the school district board. [*The percentage requested as provided*  
10 *by this paragraph may not exceed.*]

11 [(A) *Seventy-five percent of all amounts received from the State School Fund and attributable to*  
12 *the school district and 75 percent of all amounts considered to be local revenues of the education service*  
13 *district and attributable to the school district; or]*

14 [(B) *Eighty-five percent of all amounts received from the State School Fund and attributable to the*  
15 *school district and 85 percent of all amounts considered to be local revenues of the education service*  
16 *district and attributable to the school district, if the school district board is able to provide evidence*  
17 *that the school district meets the expenditure requirement described in paragraph (b) of this*  
18 *subsection.*]

19 [(b) *A school district board may request the percentage identified in paragraph (a)(B) of this sub-*  
20 *section if the school district expends at least the difference between paragraph (a)(B) of this subsection*  
21 *and paragraph (a)(A) of this subsection on services from one or more education service districts other*  
22 *than the education service district in which the school district is located.*]

23 [(c) (b) A school district board that makes a request under paragraph (a) of this subsection:

24 (A) Must make the request to the education service district board by November 1 of the year  
25 prior to the school year for which the request is being made; and

26 (B) Must designate the percentage of the amounts identified in subsection (2) of this section that  
27 will be distributed to the school district.

28 [(d) (c) The education service district board:

29 (A) Shall approve a request submitted as provided by this subsection; and

30 (B) Shall determine the amounts attributable to the school district and eligible for distribution  
31 based on the weighted average daily membership (ADMw) of the school district for which the re-  
32 quest was made.

33 [(e) (d) For each school year for which a school district receives a distribution as provided by  
34 this subsection[,]:

35 (A) The school district may act only in an advisory capacity for decisions made in relation to  
36 the governance of the education service district if the school district board designates a percentage  
37 under paragraph (a) of this subsection that is greater than 50 percent[.] **but less than 100 percent;**  
38 **and**

39 (B) **Notwithstanding ORS 334.015 and 334.019, the school district shall be considered to**  
40 **have withdrawn from the education service district in the manner provided by ORS 334.015**  
41 **if the school district board designates a percentage under paragraph (a) of this subsection**  
42 **that is 100 percent.**

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

1 334.175.

2 (5) The expenditure requirements of this section apply only to amounts retained by the educa-  
3 tion service district after making any distributions required under ORS 327.019 (9).

4 **SECTION 6. (1) The amendments to ORS 334.177 by section 5 of this 2013 Act become**  
5 **operative July 1, 2016.**

6 (2) The amendments to ORS 334.177 by section 5 of this 2013 Act first apply to expen-  
7 ditures occurring for the 2016-2017 school year.

8 **SECTION 7. (1) The President of the Senate and the Speaker of the House of Represen-**  
9 **tatives shall jointly convene a work group to:**

10 (a) Explore options for optimal regional education delivery systems; and

11 (b) Propose legislation related to the findings of the work group.

12 (2) The work group shall consist of the following 10 members:

13 (a) Two members selected by the President of the Senate from among members of the  
14 Senate.

15 (b) Two members selected by the Speaker of the House of Representatives from among  
16 members of the House of Representatives.

17 (c) Six members jointly selected by the President of the Senate and the Speaker of the  
18 House of Representatives to represent:

19 (A) The Department of Education;

20 (B) The Confederation of Oregon School Administrators;

21 (C) The Oregon School Boards Association;

22 (D) The Oregon Association of Education Service Districts;

23 (E) The Oregon Education Association; and

24 (F) The Oregon School Employees Association.

25 (3) The members of the work group identified in subsection (2)(c)(B) to (F) of this section  
26 shall provide staff support to the work group.

27 (4) The work group shall submit a report, and include recommendations for legislation,  
28 to the interim legislative committees on education no later than November 20, 2013.

29 **SECTION 8. Section 7 of this 2013 Act is repealed on the date of the convening of the 2014**  
30 **regular session of the Legislative Assembly as specified in ORS 171.010.**

31 **SECTION 9. Representatives of the education service districts of the regions identified**  
32 **in ORS 334.177 (3)(a) and representatives of any school districts that make a request for a**  
33 **distribution of amounts as provided in ORS 334.177 (3) shall submit a report to the interim**  
34 **legislative committees related to education no later than November 1, 2016.**

35 **SECTION 10. This 2013 Act being necessary for the immediate preservation of the public**  
36 **peace, health and safety, an emergency is declared to exist, and this 2013 Act takes effect**  
37 **July 1, 2013.**

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