

**A-Engrossed**  
**Senate Bill 227**

Ordered by the Senate March 27  
Including Senate Amendments dated March 27

Sponsored by Senator HASS; Representative READ (Pre-session filed.)

**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.

*[Establishes Task Force on Education Service Districts.]*

*[Sunsets task force on date of convening of 2015 regular session of Legislative Assembly.]*

*[Declares emergency, effective on passage.]*

**Abolishes Office of Regional Educational Services and abolishes Regional Educational Services Account.**

**Modifies percentage of State School Fund moneys that is distributed to education service districts through general services grants.**

**Modifies percentage of amounts received from State School Fund and local revenues that education service district must expend on services or programs that have been approved as local service plan.**

**Modifies percentage of School Improvement Fund moneys that is distributed to education service districts.**

**Declares emergency, effective July 1, 2013.**

**A BILL FOR AN ACT**

1  
2 Relating to education service districts; creating new provisions; amending ORS 294.383, 327.008,  
3 327.019, 327.294, 329.488 and 334.177; repealing ORS 327.009, 334.800 and 334.820; and declaring  
4 an emergency.

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

6 **SECTION 1. The Office of Regional Educational Services is abolished.**

7 **SECTION 2. (1) The Regional Educational Services Account is abolished.**

8 **(2) Any moneys remaining in the Regional Educational Services Account on the effective**  
9 **date of this 2013 Act that are unexpended, unobligated and not subject to any conditions shall**  
10 **revert to the General Fund.**

11 **SECTION 3. ORS 327.009, 334.800 and 334.820 are repealed.**

12 **SECTION 4. ORS 294.383 is amended to read:**

13 294.383. (1) As used in this section, "extended ADMw" means:

14 (a) For a school district, the district extended ADMw as calculated under ORS 327.013.

15 (b) For an education service district, the sum of the extended ADMw of the school districts lo-  
16 cated within the territory of the education service district.

17 (2) Notwithstanding ORS 294.333, a school district or education service district that uses the  
18 accrual basis method of accounting may include as accrued revenues in the budget and financial  
19 statement of the school district or education service district, for any fiscal year, an amount from the  
20 next fiscal year that is to be received in the next fiscal year. The amount accrued under this section  
21 may not be greater than the amount calculated under subsection (3)(b) or (c) of this section multi-  
22 plied by the extended ADMw of the school district or education service district.

**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 (3)(a) For each fiscal year, the Department of Education shall calculate the amount available in  
 2 the State School Fund for grants and distributions to school districts and the amount available for  
 3 grants and distributions to education service districts under ORS 327.008, 327.013 and 327.019 based  
 4 on the appropriations and allocations made to the State School Fund for that fiscal year by the  
 5 Legislative Assembly in regular session. The department may not include in the amount calculated  
 6 to be available for school districts and education service districts under this paragraph the amounts  
 7 received by the Youth Corrections Education Program and the Juvenile Detention Education Pro-  
 8 gram under ORS 327.026 from the State School Fund [*or amounts transferred to the Regional Edu-*  
 9 *catinal Services Account as provided by ORS 327.009*].

10 (b) The department shall calculate for school districts an amount equal to (the amount calcu-  
 11 lated under paragraph (a) of this subsection for school districts ÷ 12) ÷ the total statewide ex-  
 12 tended ADMw of all school districts.

13 (c) The department shall calculate for education service districts an amount equal to (the  
 14 amount calculated under paragraph (a) of this subsection for education service districts ÷ 12) ÷  
 15 the total statewide extended ADMw of all education service districts.

16 (d) The department may adjust the calculations under this subsection based on current data for  
 17 the factors used to calculate the State School Fund distribution to school districts and education  
 18 service districts under ORS 327.008, 327.013 and 327.019.

19 (e) Notwithstanding paragraph (d) of this subsection, the department may not adjust the calcu-  
 20 lation under paragraph (a) of this subsection based on changes made to the appropriations or allo-  
 21 cations to the State School Fund by the Legislative Assembly in special session or by rule of the  
 22 Oregon Department of Administrative Services relating to allotting funds.

23 (4) Notwithstanding ORS 294.333, a community college district or community college service  
 24 district that uses the accrual basis method of accounting may include as accrued revenues in the  
 25 budget and financial statement of the community college district or community college service dis-  
 26 trict, for any fiscal year, an amount from the next fiscal year that is to be received in the next fiscal  
 27 year. The amount accrued under this section may not be greater than 25 percent of the amount the  
 28 community college district or community college service district received as a Community College  
 29 Support Fund grant for the fiscal year for which the revenues are to be accrued.

30 **SECTION 5.** ORS 327.008, as amended by section 3, chapter 91, Oregon Laws 2012, is amended  
 31 to read:

32 327.008. (1) There is established a State School Fund in the General Fund. The fund shall consist  
 33 of moneys appropriated by the Legislative Assembly and moneys transferred from the Education  
 34 Stability Fund. The State School Fund is continuously appropriated to the Department of Education  
 35 for the purposes of ORS 327.006 to 327.077, 327.095, 327.099, 327.101, 327.125, 327.137, 327.348,  
 36 336.575, 336.580, 336.635, 342.173, 343.243, 343.533 and 343.961.

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

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

43 [*4*] *There shall be apportioned from the State School Fund the amount to be transferred to the*  
 44 *Regional Educational Services Account as calculated under ORS 327.009.*]

45 [*5*] (4) All figures used in the determination of the distribution of the State School Fund shall

1 be estimates for the same year as the distribution occurs, unless otherwise specified.

2 [(6)] (5) Numbers of students in average daily membership used in the distribution formula shall  
3 be the numbers as of June of the year of distribution.

4 [(7)] (6) A school district may not use the portion of the State School Fund grant that is at-  
5 tributable to the facility grant for capital construction costs.

6 [(8)] (7) The total amount of the State School Fund that is distributed as facility grants may not  
7 exceed \$25 million in any biennium. If the total amount to be distributed as facility grants exceeds  
8 this limitation, the Department of Education shall prorate the amount of funds available for facility  
9 grants among those school districts that qualified for a facility grant.

10 [(9)] (8) Each fiscal year, the Department of Education shall transfer the amount of \$18 million  
11 from the State School Fund to the High Cost Disabilities Account established in ORS 327.348.

12 [(10)] (9) Each fiscal year, the Department of Education may expend up to \$550,000 from the  
13 State School Fund for the contract described in ORS 329.488. The amount distributed to education  
14 service districts from the State School Fund under this section and ORS 327.019 shall be reduced  
15 by the amount expended by the department under this subsection.

16 [(11)] (10) Each biennium, the Department of Education may expend up to \$350,000 from the  
17 State School Fund to provide administration of and support for the development of talented and  
18 gifted education under ORS 343.404.

19 [(12)] (11) Each biennium, the Department of Education may expend up to \$150,000 from the  
20 State School Fund for the administration of a program to increase the number of speech-language  
21 pathologists and speech-language pathology assistants under ORS 348.394 to 348.406.

22 **SECTION 6.** ORS 327.019 is amended to read:

23 327.019. (1) As used in this section:

24 (a) "Education service district extended ADMw" means the sum of the extended ADMw of the  
25 school districts located within the territory of the education service district as computed under ORS  
26 327.013.

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

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

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

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

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

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

40 (3)(a) Each fiscal year, the superintendent shall calculate the total amount appropriated or al-  
41 located to the State School Fund and available for distribution to school districts, education service  
42 districts[,] **and** programs [*and the Office of Regional Educational Services*] + total amount of local  
43 revenues of all school districts, computed as provided in ORS 327.011, + total amount of local re-  
44 venues of all education service districts. The superintendent may not include in the calculation un-  
45 der this paragraph amounts received by the Department of Education from the State School Fund

1 under ORS 343.243.

2 (b) The superintendent shall multiply the amount calculated under paragraph (a) of this sub-  
3 section by [95.5] \_\_\_\_\_ percent.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 lated under ORS 327.013.

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

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

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

9 (B) Shall equal [90] \_\_\_\_\_ percent of the school district's prorated share, as calculated under  
10 subparagraph (A) of this paragraph; and

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

13 (i) The school district;

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

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

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

19 **SECTION 7. The amendments to ORS 294.383, 327.008 and 327.019 by sections 4 to 6 of this**  
20 **2013 Act and the repeal of ORS 327.009 by section 3 of this 2013 Act apply to State School**  
21 **Fund distributions commencing with the 2013-2014 distributions.**

22 **SECTION 8.** ORS 334.177 is amended to read:

23 334.177. (1) As used in this section, "local revenues of an education service district" has the  
24 meaning given that term in ORS 327.019 but does not include any local revenues distributed under  
25 ORS 327.019 (8).

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

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

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

37 **SECTION 9. The amendments to ORS 334.177 by section 8 of this 2013 Act apply to**  
38 **expenditures made on or after July 1, 2013.**

39 **SECTION 10.** ORS 327.294 is amended to read:

40 327.294. (1) There is established the School Improvement Fund, separate and distinct from the  
41 General Fund. Interest earned by the School Improvement Fund shall be credited to the fund.

42 (2) The moneys in the fund are continuously appropriated to the Department of Education for  
43 purposes of the grant program created by ORS 327.297.

44 (3) Each fiscal year, the department shall distribute:

45 (a) [95.25] \_\_\_\_\_ percent of the moneys in the fund as grants to school districts, the Youth

1 Corrections Education Program and the Juvenile Detention Education Program; and

2 (b) [4.75] \_\_\_\_\_ percent of the moneys in the fund as grants to education service districts.

3 **SECTION 11. The amendments to ORS 327.294 by section 10 of this 2013 Act apply to**  
4 **School Improvement Fund distributions commencing with the 2013-2014 distributions.**

5 **SECTION 12.** ORS 329.488 is amended to read:

6 329.488. (1) The Department of Education shall contract with a nonprofit entity to administer a  
7 nationally normed assessment, in collaboration with the department, to all students in grade 10 who  
8 are enrolled in a public school. The purpose of the assessment is to predict the success of students  
9 on, and provide practice for students taking, college entrance exams.

10 (2) The department shall base the selection of the contractor under subsection (1) of this section  
11 on all of the following criteria:

12 (a) The contractor must be able to provide to the department statewide data containing the re-  
13 sults of the assessment;

14 (b) The contractor shall provide an assessment that:

15 (A) Identifies students with high potential to excel in advanced placement (AP) or other honors  
16 courses based on a research-based correlation of scores on the grade 10 assessment to advanced  
17 placement examinations;

18 (B) Examines students in mathematics, reading and writing; and

19 (C) Provides results that can be used by Oregon's higher education institutions to recruit stu-  
20 dents to attend college;

21 (c) The contractor must be able to supply schools with an item-by-item analysis of student per-  
22 formance on the assessment; and

23 (d) The contractor must be able to make available to each student taking the assessment a free  
24 career assessment and online exploration of colleges and career opportunities.

25 (3)(a) In lieu of using the contractor selected by the department under subsection (1) of this  
26 section, a school district may apply to the department for a waiver to allow the district to enter into  
27 a contract with a different nonprofit entity for the purpose of administering a nationally normed  
28 assessment to all students in grade 10 who are enrolled in the public schools operated by the dis-  
29 trict. The department shall grant the waiver if:

30 (A) The district had entered into a contract with the entity for the 2007-2008 school year to  
31 administer a grade 10 assessment;

32 (B) The entity, in coordination with the district, administered a grade 10 assessment during the  
33 2007-2008 school year;

34 (C) For the most recent school year in which the entity administered a grade 10 assessment, the  
35 entity met the criteria set forth in subsection (2) of this section as in effect for the school year in  
36 which the entity administered the assessment; and

37 (D) The entity plans to meet the criteria set forth in subsection (2) of this section as in effect  
38 for the school year for which the school district seeks a waiver.

39 (b) A waiver granted by the department under this subsection:

40 (A) Is valid for one school year; and

41 (B) May be renewed each school year.

42 (c) The department shall reimburse a school district for the cost of assessments allowed under  
43 this subsection from funds available to the department under ORS 327.008 [(10)] (9).

44 (4) Notwithstanding subsections (1) and (3) of this section:

45 (a) The department may, under rules adopted by the State Board of Education, waive the as-

1 assessment for specific groups of students; and

2 (b) Upon request from a student who is enrolled in a public school operated by a school district  
3 or the parent or guardian of the student, the school district shall waive the assessment for the stu-  
4 dent.

5 **SECTION 13. This 2013 Act being necessary for the immediate preservation of the public**  
6 **peace, health and safety, an emergency is declared to exist, and this 2013 Act takes effect**  
7 **July 1, 2013.**

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