

A-Engrossed
Senate Bill 447

Ordered by the Senate March 6
Including Senate Amendments dated March 6

Sponsored by Senator DEVLIN, Representative FAGAN (at the request of Task Force on School Capital Improvement Planning) (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 grant program to provide matching fund grants to school districts for capital costs of school districts. Authorizes State Treasurer to issue Article XI-P general obligation bonds to match general obligation bonds issued by school districts for capital construction.

Establishes Office of School Facilities. Prescribes duties of office, including distributing moneys to school districts with facility needs.

[Eliminates] **Modifies** distributions from State School Fund for facilities grants *[and diverts moneys]*. **Provides for distributions from State School Fund** to Office of School Facilities.

Declares emergency, effective July 1, 2015.

A BILL FOR AN ACT

1
2 Relating to funding for capital costs of school districts; creating new provisions; amending ORS
3 327.008 and 329.488; and declaring an emergency.

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

5 **SECTION 1. Sections 2 and 3 of this 2015 Act are added to and made a part of ORS**
6 **286A.796 to 286A.806.**

7 **SECTION 2. (1) The Department of Education shall administer a grant program that is**
8 **financed with the net proceeds of Article XI-P bonds issued under section 5 of this 2015 Act**
9 **and that provides matching fund grants to school districts for capital costs of the school**
10 **districts. Any construction, improvement, remodel, equipment, maintenance or repair of a**
11 **building of a school district that is financed with a grant received under this section is not**
12 **required to meet the standards specified in ORS 286A.810.**

13 **(2) A school district that seeks a grant under this section must prepare and submit a**
14 **facilities assessment and a long-range facilities plan to the department with the application**
15 **for the grant.**

16 **(3) A school district is eligible to receive a grant under this section if:**

17 **(a) The school district complies with the requirements of this section and rules adopted**
18 **pursuant to this section; and**

19 **(b) Moneys are available to the school district pursuant to subsection (6) of this section.**

20 **(4) A school district that receives a grant under this section must provide matching**
21 **funds that meet or exceed the amount of the grant. The matching funds must be from gen-**
22 **eral obligation bonds approved by the voters of the school district to finance capital costs**
23 **of the school district.**

24 **(5) Grants awarded under this section shall be calculated as follows:**

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) For a school district that provides matching funds in any amount up to \$4 million, a
2 matching ratio for state to local funds of one to one.

3 (b) For a school district that provides matching funds in any amount greater than \$4
4 million, a matching ratio for state to local funds that is based on the funding formula de-
5 veloped as provided in subsection (7)(c) of this section. Grants awarded under this paragraph
6 shall be for a minimum of \$4 million per grant and a maximum of \$8 million per grant.

7 (6)(a) The department shall award grants to school districts as follows:

8 (A) Sixty percent of funds available for grants shall be based on the priority list estab-
9 lished under subsection (7)(b) of this section; and

10 (B) Forty percent of funds available for grants shall be provided to school districts based
11 on the order in which the Department of Education receives the completed applications for
12 the grants.

13 (b) To the extent that moneys are available, a school district that receives moneys as
14 provided by paragraph (a)(A) of this subsection also may receive moneys as provided by
15 paragraph (a)(B) of this subsection. The total amount the school district receives may not
16 exceed the maximum amount allowed under subsection (5) of this section.

17 (7)(a) For the purpose of awarding grants under this section, the department shall de-
18 velop a priority list and a funding formula that are based on:

19 (A) The total assessed value of all tangible property located in the school district;

20 (B) The percentage of poverty families within the school district, as calculated under
21 ORS 327.013 (1)(c)(A)(v)(I); and

22 (C) The number of students in average daily membership for the school district, as cal-
23 culated under ORS 327.061.

24 (b) The priority list developed under this subsection shall be used to rank the order in
25 which school districts may qualify to receive a grant under subsection (6)(a)(A) of this sec-
26 tion.

27 (c) The funding formula developed under this subsection shall be used to determine the
28 matching ratio for state to local funds. The funding formula must comply with the limits
29 described in subsection (5) of this section.

30 (8) The State Board of Education may adopt any rules necessary for the administration
31 of this section.

32 **SECTION 3.** Notwithstanding the requirement described in section 2 (2) of this 2015 Act,
33 a school district that submits an application for a grant under section 2 of this 2015 Act
34 during the 2015-2017 biennium is not required to provide a facilities assessment and a long-
35 range facilities plan with a grant application.

36 **SECTION 4.** (1) Pursuant to Article XI-P, section 4, of the Oregon Constitution, the
37 Oregon School Capital Improvement Matching Account is established in the State Treasury,
38 separate and distinct from the General Fund.

39 (2) Amounts in the Oregon School Capital Improvement Matching Account may be in-
40 vested as provided in ORS 286A.025 (2)(g), and interest earned on moneys in the account
41 must be credited to the account.

42 (3) Notwithstanding ORS 286A.806, the Oregon School Capital Improvement Matching
43 Account consists of net proceeds of Article XI-P bonds issued under section 5 of this 2015
44 Act and other moneys made available by the Legislative Assembly for purposes described in
45 ORS 286A.798 (1) and the budget authorization for bond issuance established under ORS

1 286A.035 for the Department of Education.

2 (4) Moneys in the Oregon School Capital Improvement Matching Account are contin-
3 uously appropriated to the Department of Education for the purposes described in section 2
4 of this 2015 Act.

5 **SECTION 5.** (1) In accordance with ORS 286A.796 to 286A.806 and with the concurrence
6 of the Director of the Oregon Department of Administrative Services, the State Treasurer
7 may issue Article XI-P bonds in the biennium beginning July 1, 2015:

8 (a) At the request of the Superintendent of Public Instruction, in a principal amount not
9 to exceed \$125 million for the purpose described in subsection (2) of this section, plus an
10 additional amount to be estimated by the State Treasurer for payment of bond-related costs
11 incurred by the State Treasurer, the Oregon Department of Administrative Services and the
12 Department of Education.

13 (b) In addition to and not in lieu of any budget authorization for Article XI-P bonds es-
14 tablished under ORS 286A.796 to 286A.806 for the biennium.

15 (2) Notwithstanding ORS 286A.806, net proceeds of Article XI-P bonds issued under this
16 section and interest earnings must be transferred to the Department of Education in an
17 amount sufficient to provide \$125 million in net proceeds and interest earnings for deposit
18 in the Oregon School Capital Improvement Matching Account established under section 4 of
19 this 2015 Act for the purposes described in Article XI-P of the Oregon Constitution and sec-
20 tion 2 of this 2015 Act.

21 (3) The State Treasurer may issue Article XI-P bonds for the purpose of refunding Arti-
22 cle XI-P bonds issued under this section.

23 (4) Article XI-P bonds are a general obligation of the State of Oregon and must contain
24 a direct promise on behalf of the State of Oregon to pay the principal of, the interest on and
25 premium, if any, on the Article XI-P bonds. The State of Oregon shall pledge its full faith
26 and credit and taxing power to the payment of the principal of, the interest on and the pre-
27 mium, if any, on Article XI-P bonds, except that the ad valorem taxing power of the State
28 of Oregon may not be pledged to pay Article XI-P bonds.

29 **SECTION 6.** For the purpose of assisting school districts with capital costs, the Office
30 of School Facilities is established within the Department of Education. The office shall be
31 responsible for:

32 (1) Distributing grants to school districts with facility needs. Grants awarded under this
33 section may not exceed \$500,000 and shall be provided to school districts based on the order
34 in which the Department of Education receives the completed applications for the grants. A
35 school district may be eligible for a grant under this subsection if:

36 (a) The voters of the school district have not approved at least the three most recent
37 local school bond measures for capital costs;

38 (b) The school district prepares and submits a facilities assessment and a long-range fa-
39 cilities plan to the Department of Education with the application for the grant; and

40 (c) The school district meets other requirements established by the State Board of Edu-
41 cation by rule, including any requirements to provide matching funds.

42 (2) Providing technical assistance and establishing and maintaining standards for facili-
43 ties assessments and long-range facilities plans for school districts.

44 (3) Administering a certification program for qualified providers of technical assistance
45 for the purposes described in subsection (2) of this section.

1 (4) Providing grants to school districts for the cost of technical assistance for the pur-
2 poses described in subsection (2) of this section. Grants for a school district may not exceed:

3 (a) \$20,000 for a facilities assessment;

4 (b) \$25,000 for a long-range facilities plan; and

5 (c) \$25,000 for a seismic assessment or other specialized assessment.

6 (5) Maintaining the Oregon School Facilities Database. The database must include infor-
7 mation that:

8 (a) Assists with analyzing, planning and prioritizing school capital improvement needs for
9 school districts by providing district-to-district and school-to-school comparisons; and

10 (b) Is required by the State Board of Education by rule.

11 (6) Administering the grant program described in section 2 of this 2015 Act.

12 **SECTION 7. (1) At least annually, the Superintendent of Public Instruction shall convene**
13 **a school facilities advisory group.**

14 (2) The advisory group convened under this section shall consist of:

15 (a) Experts in finance, architecture, engineering and construction; and

16 (b) Representatives of school districts.

17 (3) The advisory group shall assist the superintendent in issues related to school facili-
18 ties. To assist the superintendent, the advisory group shall:

19 (a) Review the grant program established by section 2 of this 2015 Act;

20 (b) Review the certification program for qualified providers of technical assistance de-
21 scribed in section 6 (3) of this 2015 Act;

22 (c) Review the maintenance of the Oregon School Facilities Database described in section
23 6 (5) of this 2015 Act; and

24 (d) Advise the superintendent on any needed changes of programs related to school fa-
25 cilities or capital costs of school districts.

26 **SECTION 8.** ORS 327.008, as amended by section 6, chapter 81, Oregon Laws 2014, is amended
27 to read:

28 327.008. (1) There is established a State School Fund in the General Fund. The fund shall consist
29 of moneys appropriated by the Legislative Assembly and moneys transferred from the Education
30 Stability Fund. The State School Fund is continuously appropriated to the Department of Education
31 for the purposes of ORS 327.006 to 327.077, 327.095, 327.099, 327.101, 327.125, 327.137, 327.348,
32 336.575, 336.580, 336.635, 342.173, 343.243, 343.533 and 343.961 and sections 1 to 3, chapter 735,
33 Oregon Laws 2013, and section 2, chapter 81, Oregon Laws 2014.

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

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

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

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

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

1 (7) The total amount of the State School Fund that is distributed as facility grants may not ex-
2 ceed [~~\$20~~] **\$14** million in any biennium. If the total amount to be distributed as facility grants ex-
3 ceeds this limitation, the Department of Education shall prorate the amount of funds available for
4 facility grants among those school districts that qualified for a facility grant. **If the total amount**
5 **to be distributed as facility grants does not exceed this limitation, any remaining amounts**
6 **shall be expended for expenses incurred by the Office of School Facilities as provided in**
7 **section 6 (1) of this 2015 Act.**

8 (8) **Each biennium, the Department of Education may expend from the State School Fund**
9 **no more than \$6 million for expenses incurred by the Office of School Facilities under section**
10 **6 (2) to (6) of this 2015 Act.**

11 [(8)] (9) Each fiscal year, the Department of Education shall transfer to the Pediatric Nursing
12 Facility Account established in section 5, chapter 81, Oregon Laws 2014, the amount necessary to
13 pay the costs of educational services provided to students admitted to pediatric nursing facilities
14 as provided in section 2, chapter 81, Oregon Laws 2014.

15 [(9)] (10) Each fiscal year, the Department of Education shall transfer the amount of \$18 million
16 from the State School Fund to the High Cost Disabilities Account established in ORS 327.348.

17 [(10)(a)] (11)(a) Each biennium, the Department of Education shall transfer \$33 million from the
18 State School Fund to the Network of Quality Teaching and Learning Fund established under ORS
19 342.953.

20 (b) For the purpose of making the transfer under this subsection:

21 (A) The total amount available for all distributions from the State School Fund shall be reduced
22 by \$5 million;

23 (B) The amount distributed to school districts from the State School Fund under this section and
24 ORS 327.013 shall be reduced by \$14 million; and

25 (C) The amount distributed to education service districts from the State School Fund under this
26 section and ORS 327.019 shall be reduced by \$14 million.

27 (c) For each biennium, the amounts identified in paragraph (b)(B) and (C) of this subsection shall
28 be adjusted by the same percentage by which the amount appropriated to the State School Fund for
29 that biennium is increased or decreased compared to the preceding biennium, as determined by the
30 Department of Education after consultation with the Legislative Fiscal Officer.

31 [(11)] (12) Each fiscal year, the Department of Education may expend up to \$550,000 from the
32 State School Fund for the contract described in ORS 329.488. The amount distributed to education
33 service districts from the State School Fund under this section and ORS 327.019 shall be reduced
34 by the amount expended by the department under this subsection.

35 [(12)] (13) Each biennium, the Department of Education may expend up to \$350,000 from the
36 State School Fund to provide administration of and support for the development of talented and
37 gifted education under ORS 343.404.

38 [(13)] (14) Each biennium, the Department of Education may expend up to \$150,000 from the
39 State School Fund for the administration of a program to increase the number of speech-language
40 pathologists and speech-language pathology assistants under ORS 348.394 to 348.406.

41 [(14)] (15) Each fiscal year, the Department of Education shall transfer the amount of \$2.5
42 million from the State School Fund to the Small School District Supplement Fund established in
43 section 3, chapter 735, Oregon Laws 2013.

44 **SECTION 9.** ORS 327.008, as amended by section 7, chapter 735, Oregon Laws 2013, and section
45 7, chapter 81, Oregon Laws 2014, is amended to read:

1 327.008. (1) There is established a State School Fund in the General Fund. The fund shall consist
 2 of moneys appropriated by the Legislative Assembly and moneys transferred from the Education
 3 Stability Fund. The State School Fund is continuously appropriated to the Department of Education
 4 for the purposes of ORS 327.006 to 327.077, 327.095, 327.099, 327.101, 327.125, 327.137, 327.348,
 5 336.575, 336.580, 336.635, 342.173, 343.243, 343.533 and 343.961 and section 2, chapter 81, Oregon
 6 Laws 2014.

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

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

13 (4) 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 (5) 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 (6) 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 (7) The total amount of the State School Fund that is distributed as facility grants may not ex-
 20 ceed [~~\$20~~] **\$14** million in any biennium. If the total amount to be distributed as facility grants ex-
 21 ceeds this limitation, the Department of Education shall prorate the amount of funds available for
 22 facility grants among those school districts that qualified for a facility grant. **If the total amount**
 23 **to be distributed as facility grants does not exceed this limitation, any remaining amounts**
 24 **shall be expended for expenses incurred by the Office of School Facilities as provided in**
 25 **section 6 (1) of this 2015 Act.**

26 **(8) Each biennium, the Department of Education may expend from the State School Fund**
 27 **no more than \$6 million for expenses incurred by the Office of School Facilities under section**
 28 **6 (2) to (6) of this 2015 Act.**

29 [(8)] (9) Each fiscal year, the Department of Education shall transfer to the Pediatric Nursing
 30 Facility Account established in section 5, chapter 81, Oregon Laws 2014, the amount necessary to
 31 pay the costs of educational services provided to students admitted to pediatric nursing facilities
 32 as provided in section 2, chapter 81, Oregon Laws 2014.

33 [(9)] (10) Each fiscal year, the Department of Education shall transfer the amount of \$18 million
 34 from the State School Fund to the High Cost Disabilities Account established in ORS 327.348.

35 [(10)(a)] (11)(a) Each biennium, the Department of Education shall transfer \$33 million from the
 36 State School Fund to the Network of Quality Teaching and Learning Fund established under ORS
 37 342.953.

38 (b) For the purpose of making the transfer under this subsection:

39 (A) The total amount available for all distributions from the State School Fund shall be reduced
 40 by \$5 million;

41 (B) The amount distributed to school districts from the State School Fund under this section and
 42 ORS 327.013 shall be reduced by \$14 million; and

43 (C) The amount distributed to education service districts from the State School Fund under this
 44 section and ORS 327.019 shall be reduced by \$14 million.

45 (c) For each biennium, the amounts identified in paragraph (b)(B) and (C) of this subsection shall

1 be adjusted by the same percentage by which the amount appropriated to the State School Fund for
2 that biennium is increased or decreased compared to the preceding biennium, as determined by the
3 Department of Education after consultation with the Legislative Fiscal Officer.

4 [(11)] (12) Each fiscal year, the Department of Education may expend up to \$550,000 from the
5 State School Fund for the contract described in ORS 329.488. The amount distributed to education
6 service districts from the State School Fund under this section and ORS 327.019 shall be reduced
7 by the amount expended by the department under this subsection.

8 [(12)] (13) Each biennium, the Department of Education may expend up to \$350,000 from the
9 State School Fund to provide administration of and support for the development of talented and
10 gifted education under ORS 343.404.

11 [(13)] (14) Each biennium, the Department of Education may expend up to \$150,000 from the
12 State School Fund for the administration of a program to increase the number of speech-language
13 pathologists and speech-language pathology assistants under ORS 348.394 to 348.406.

14 **SECTION 10. The amendments to ORS 327.008 by sections 8 and 9 of this 2015 Act apply**
15 **to State School Fund distributions commencing with the 2015-2016 distributions.**

16 **SECTION 11.** ORS 329.488, as amended by section 10, chapter 81, Oregon Laws 2014, is
17 amended to read:

18 329.488. (1) The Department of Education shall contract with a nonprofit entity to administer a
19 nationally normed assessment, in collaboration with the department, to all students in grade 10 who
20 are enrolled in a public school. The purpose of the assessment is to predict the success of students
21 on, and provide practice for students taking, college entrance exams.

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

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

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

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

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

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

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

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

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

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

44 (B) The entity, in coordination with the district, administered a grade 10 assessment during the
45 2007-2008 school year;

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

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

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

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

8 (B) May be renewed each school year.

9 (c) The department shall reimburse a school district for the cost of assessments allowed under
10 this subsection from funds available to the department under ORS 327.008 [(11)] (12).

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

12 (a) The department may, under rules adopted by the State Board of Education, waive the as-
13 sessment for specific groups of students; and

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

17 **SECTION 12. This 2015 Act being necessary for the immediate preservation of the public**
18 **peace, health and safety, an emergency is declared to exist, and this 2015 Act takes effect**
19 **July 1, 2015.**