

**Enrolled**  
**House Bill 2501**

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

CHAPTER .....

AN ACT

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

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

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

**(1)(a) “Small high school” means a public school that is operated by a small school district and that has students in:**

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

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

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

**(2) “Small school district” means a school district with a weighted average daily membership (ADMw) of less than 8,500.**

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

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

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

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

**SECTION 3. (1) There is established the Small School District Supplement Fund, separate and distinct from the General Fund.**

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

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

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

**(1) “Aggregate days membership” means the sum of days present and absent, according to the rules of the State Board of Education, of all resident pupils when school is actually in session during**

a certain period. The aggregate days membership of kindergarten pupils shall be calculated on the basis of a half-day program.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) A pupil is not considered to be a resident pupil under paragraph (a)(B) of this subsection if the pupil is attending school in a school district pursuant to ORS 339.133 (5) and in the prior year was considered to be a resident pupil under paragraph (a)(A) of this subsection because the pupil

was attending school in another school district pursuant to a contract under ORS 339.125. The pupil shall continue to be considered a resident pupil under paragraph (a)(A) of this subsection.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(A) Whose legal school residence is within the boundaries of a school district reporting the pupil, if the district is legally responsible for the education of the pupil, except that "resident pupil"

does not include a pupil who pays tuition or for whom the parent pays tuition or for whom the district does not pay tuition for placement outside the district; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

327.019. (1) As used in this section:

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

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

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

(B) The amount of property taxes actually received by the district including penalties and interest on taxes;

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

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

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

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

(b) The superintendent shall multiply the amount calculated under paragraph (a) of this subsection by 95.5 percent.

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

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

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

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

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

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

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

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

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

(6)(a) After completing the calculations under subsections (2) to (5) of this section, the Superintendent of Public Instruction shall apportion from the State School Fund to each education service district an amount = (funding percentage × general services grant) – local revenues of the education service district.

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

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

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

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

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

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

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

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

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

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

(i) The school district;

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

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

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

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

327.019. (1) As used in this section:

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

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

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

(B) The amount of property taxes actually received by the district including penalties and interest on taxes;

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

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

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

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

(b) The superintendent shall multiply the amount calculated under paragraph (a) of this subsection by 95.5 percent.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

(i) The school district;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) If payments are withheld as provided by paragraph (c) of this subsection, the superintendent may allow payments to be made from the State School Fund to the district upon receipt of the annual audit or upon the meeting of any other conditions identified by rule of the State Board of Education.

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

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

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

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

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

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

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

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

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

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

(d) If payments are withheld as provided by paragraph (c) of this subsection, the superintendent may allow payments to be made from the State School Fund to the district upon receipt of the annual audit or upon the meeting of any other conditions identified by rule of the State Board of Education.

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

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

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

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

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

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

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

(5) As used in this section:

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

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

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

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

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

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

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

(5) As used in this section:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

343.961. (1) As used in this section:

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

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

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

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

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

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

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

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

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

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

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

**(4) The school district where the student is a resident is responsible for providing transportation to a student enrolled in an eligible day treatment program. Transportation must be provided by the school district where the student is a resident each day the student is scheduled to receive services from the eligible day treatment program.**

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

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

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

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

[8] (9) In addition to the payment methods described in this section, the Department of Education may:

(a) Negotiate interagency agreements to pay for the cost of education in day treatment programs and residential treatment programs operated under the auspices of the State Board of Higher Education; and

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

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

**Passed by House May 28, 2013**

**Repassed by House July 7, 2013**

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Ramona J. Line, Chief Clerk of House

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Tina Kotek, Speaker of House

**Passed by Senate July 7, 2013**

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Peter Courtney, President of Senate

**Received by Governor:**

.....M,....., 2013

**Approved:**

.....M,....., 2013

.....  
John Kitzhaber, Governor

**Filed in Office of Secretary of State:**

.....M,....., 2013

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Kate Brown, Secretary of State