

A-Engrossed
House Bill 3460

Ordered by the House June 3
Including House Amendments dated June 3

Sponsored by Representative MINNIS; Representatives ANDERSON, BERGER, BOQUIST, BROWN, BRUUN, BURLEY, BUTLER, CAMERON, DALLUM, DALTO, ESQUIVEL, FARR, FLORES, GARRARD, GILMAN, HANNA, JENSON, KITTS, KRIEGER, KROPP, KRUMMEL, LIM, MORGAN, NELSON, OLSON, RICHARDSON, SCOTT, G SMITH, P SMITH, SUMNER, THATCHER, WHISNANT

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.

Directs Legislative Assembly to appropriate to State School Fund amount equal to [50] **51** percent of projected personal income tax revenues beginning with 2007-2009 biennium. **Requires that subsequent biennial appropriations equal 109 percent of amount appropriated for prior biennium.** Allows Legislative Assembly to appropriate additional amounts if money is from Education Stability Fund and constitutional requirements for appropriation are met.

Directs Legislative Assembly to distribute amount above [eight] **nine** percent growth to Successful Schools Fund and Kindergarten Through Grade 12 Stabilization Account [if revenue from personal income taxes increases more than eight percent over prior biennium].

Establishes Successful Schools Fund. Continuously appropriates moneys in fund to Department of Education for grants to school districts to improve student achievement in low-performing schools and for innovative projects.

Establishes Kindergarten Through Grade 12 Stabilization Account within Education Stability Fund.

Directs Oregon Department of Administrative Services to prepare computations and estimates of revenue received and projected revenue.

Directs Department of Education to report on implementation of uniform budget and accounting system database to interim legislative committees on revenue.

Directs Department of Revenue to report on county assessment roll summaries to Legislative Revenue Officer.

Declares emergency, effective July 1, 2005.

A BILL FOR AN ACT

1
2 Relating to state finance; creating new provisions; amending ORS 291.342, 327.511, 348.696 and
3 348.716; appropriating money; and declaring an emergency.

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

5 **SECTION 1. (1) As used in this section:**

6 (a) **"Appropriation" means any appropriation, allocation or transfer of moneys made by**
7 **law by the Legislative Assembly.**

8 (b) **"Budget forecast" means the report containing computations and estimates of re-**
9 **venue that is issued under ORS 291.342.**

10 (c) **"Projected personal income tax revenues" means the projected revenue for a**
11 **biennium reported under ORS 291.342 (2)(d).**

12 (2) **Except as provided in subsection (3), (4) or (5) of this section, the Legislative Assem-**
13 **bly shall appropriate to the State School Fund, for the biennium that begins July 1 of the**
14 **year in which the regular session of the Legislative Assembly begins, a total amount of**
15 **money that is equal to 51 percent of the projected personal income tax revenues for that**
16 **biennium.**

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) The Legislative Assembly shall appropriate to the State School Fund, for the**
2 **biennium that begins July 1 of the year in which the regular session of the Legislative As-**
3 **sembly begins, a total amount of money that is equal to 109 percent of the amount appro-**
4 **priated to the State School Fund for the biennium prior to the biennium that begins July 1**
5 **of the year in which the regular session of the Legislative Assembly begins.**

6 **(b) To meet the requirements of this subsection, the Legislative Assembly may appro-**
7 **priate to the State School Fund an amount that is equal to more than the amount required**
8 **by subsection (2) of this section if the source of the moneys that are above the limitation**
9 **imposed by subsection (2) of this section is the Education Stability Fund and the appropri-**
10 **ation is made pursuant to section 4 (6), Article XV of the Oregon Constitution.**

11 **(4) Except as provided in subsection (5) or (6) of this section, if an appropriation of an**
12 **amount of money that is equal to 51 percent of the projected personal income tax revenues**
13 **would result in an appropriation to the State School Fund that is more than 109 percent of**
14 **the appropriation for the biennium that is prior to the biennium that begins July 1 of the**
15 **year in which the regular session of the Legislative Assembly begins, then the Legislative**
16 **Assembly shall appropriate an amount equal to 51 percent of the amount shown as projected**
17 **personal income tax revenues as follows:**

18 **(a) To the Successful Schools Fund established in section 3 of this 2005 Act, an amount**
19 **equal to one-third of the amount by which the appropriation would equal an amount that is**
20 **more than 109 percent of the amount appropriated to the State School Fund in the prior**
21 **biennium;**

22 **(b) To the Kindergarten Through Grade 12 Stabilization Account established in section 6**
23 **of this 2005 Act, an amount equal to two-thirds of the amount by which the appropriation**
24 **would equal an amount that is more than 109 percent of the amount appropriated to the**
25 **State School Fund in the prior biennium; and**

26 **(c) To the State School Fund, an amount that is equal to the remainder required to be**
27 **appropriated under this subsection.**

28 **(5)(a) The amount appropriated to the Successful Schools Fund for any biennium under**
29 **subsection (4)(a) of this section may not exceed two percent of the amount appropriated to**
30 **the State School Fund for that biennium under subsection (4)(c) of this section.**

31 **(b) The Legislative Assembly shall appropriate to the State School Fund any amount that**
32 **would have been appropriated under subsection (4)(a) of this section if the amount had not**
33 **been above the limitation imposed by paragraph (a) of this subsection.**

34 **(c) Any amount appropriated under paragraph (b) of this subsection to the State School**
35 **Fund may not be used to:**

36 **(A) Calculate the limitation imposed under paragraph (a) of this subsection;**

37 **(B) Calculate the amount to be appropriated to the State School Fund under subsection**
38 **(3) of this section; or**

39 **(C) Calculate the amount to be appropriated to the State School Fund under subsection**
40 **(4) of this section.**

41 **(6) If the amount in the Education Stability Fund has met the cap placed on the fund by**
42 **section 4 (5), Article XV of the Oregon Constitution, then the Legislative Assembly shall**
43 **appropriate any amount that would have been appropriated under subsection (4)(b) of this**
44 **section if the amount had not been in excess of the cap to the school capital matching sub-**
45 **account created in section 4 (8), Article XV of the Oregon Constitution.**

1 (7) The Legislative Assembly shall review the percentages used in subsections (2) and (3)
2 of this section to calculate the amount to appropriate to the State School Fund:

3 (a) Once every four years; and

4 (b) Any time there is a change in state or federal law that is projected to result in a
5 significant change to the projected personal income tax revenues.

6 **SECTION 2.** (1) Section 1 of this 2005 Act applies to appropriations made by the Legisla-
7 tive Assembly for biennia beginning on or after July 1, 2007.

8 (2) Notwithstanding section 1 of this 2005 Act, for purposes of determining the amount
9 of the appropriation to the State School Fund that is necessary to meet the requirements
10 of section 1 (3) of this 2005 Act for the biennium beginning July 1, 2007, the amount identified
11 in the report issued by the School Revenue Forecast Committee on December 1, 2004, as the
12 essential budget level for the appropriation amount for the State School Fund shall be used
13 as the appropriation amount for the State School Fund for the biennium beginning July 1,
14 2005.

15 **SECTION 3.** (1) The Successful Schools Fund is established in the State Treasury, sepa-
16 rate and distinct from the General Fund. Interest earned by the Successful Schools Fund
17 shall be credited to the fund.

18 (2) Notwithstanding ORS 293.190, any moneys in the fund that are not distributed by the
19 Department of Education in any biennium shall be retained in the fund and may be distrib-
20 uted in the next biennium.

21 (3) All moneys in the fund are continuously appropriated to the department for distrib-
22 ution as grants to school districts as provided in section 4 of this 2005 Act.

23 **SECTION 4.** (1) In addition to those moneys distributed through the State School Fund,
24 the Department of Education may award grants to school districts to improve student
25 achievement in low-performing schools and to develop or implement innovative programs.

26 (2) A school may qualify as a low-performing school under this section if in the prior
27 school year the school received an overall grade of low performance or unacceptable per-
28 formance under ORS 329.105.

29 (3) The department shall facilitate technical assistance to low-performing schools to de-
30 termine the best method of improving student achievement based on local district improve-
31 ment plans required by ORS 329.095.

32 (4) A school district may apply to the department for a grant under this section to de-
33 velop, implement or replicate innovative proven programs within the school district or
34 among school districts.

35 (5) The department, when awarding grants to school districts under this section, shall
36 equitably divide the grants between school districts in urban areas of the state and school
37 districts in rural areas of the state.

38 (6) When awarding grants to school districts, the department shall give priority to grants
39 for schools that in the prior school year received an overall grade of low performance or
40 unacceptable performance under ORS 329.105.

41 (7) A school district that receives a grant under this section does not qualify for a grant
42 for the school for which the grant was awarded for the next two fiscal years after the fiscal
43 year in which the grant was received.

44 (8) The State Board of Education shall adopt rules to administer this section.

45 (9)(a) Prior to awarding grants each year, the department shall report to the Emergency

1 **Board the criteria for awarding the grants, which school districts will be receiving grants**
2 **and for what purposes the grants will be used.**

3 **(b) In addition to the report under paragraph (a) of this subsection, the department shall**
4 **report to the Emergency Board about the progress of the school districts that have already**
5 **received grants under this section.**

6 **SECTION 5. Prior to October 1, 2006, the State Board of Education shall adopt the cri-**
7 **teria to be used to award grants under section 4 of this 2005 Act. Prior to January 1, 2007,**
8 **the board shall report to the Emergency Board on the criteria.**

9 **SECTION 6. (1) There is established within the Education Stability Fund the**
10 **Kindergarten Through Grade 12 Stabilization Account. Separate records shall be maintained**
11 **for moneys in the account.**

12 **(2) The account shall consist of moneys appropriated to the account by the Legislative**
13 **Assembly under section 1 of this 2005 Act and other moneys appropriated or allocated to the**
14 **account by the Legislative Assembly.**

15 **(3) Pursuant to section 4 (6), Article XV of the Oregon Constitution, the Legislative As-**
16 **sembly may appropriate, allocate or transfer any portion of the account to the State School**
17 **Fund.**

18 **SECTION 7. ORS 348.696 is amended to read:**

19 348.696. (1) Pursuant to section 4 (4)(d), Article XV of the Oregon Constitution, the Education
20 Stability Fund is established separate and distinct from the General Fund. Except for earnings on
21 moneys in the school capital matching subaccount, moneys in the fund shall be invested as provided
22 in ORS 293.701 to 293.790. **Except as provided in subsection (2) of this section,** all declared
23 earnings on moneys in the fund shall be transferred and appropriated continuously as follows:

24 [(1)] (a) All declared earnings from the Oregon Growth Account to the Higher Education Tech-
25 nology Transfer Fund established in ORS 351.691;

26 [(2)] (b) All declared earnings from the Higher Education Technology Transfer Account to the
27 Department of Higher Education;

28 [(3)] (c) 75 percent of all declared earnings not described in [subsection (1) or (2) of this
29 section] **paragraph (a) or (b) of this subsection** to the Oregon Education Fund established by ORS
30 348.716; and

31 [(4)] (d) 25 percent of all declared earnings not described in [subsection (1) or (2) of this
32 section] **paragraph (a) or (b) of this subsection** to the Oregon Student Assistance Commission for
33 the Oregon Opportunity Grant program under ORS 348.260.

34 **(2) All declared earnings on moneys in the Kindergarten Through Grade 12 Stabilization**
35 **Account shall be retained in the account.**

36 **SECTION 8. ORS 348.696, as amended by section 28, chapter 922, Oregon Laws 2001, and sec-**
37 **tion 3, chapter 6, Oregon Laws 2002 (third special session), is amended to read:**

38 348.696. (1) Pursuant to section 4 (4)(d), Article XV of the Oregon Constitution, the Education
39 Stability Fund is established separate and distinct from the General Fund. Except for earnings on
40 moneys in the school capital matching subaccount, moneys in the fund shall be invested as provided
41 in ORS 293.701 to 293.790. **Except as provided in subsection (2) of this section,** all declared
42 earnings on moneys in the fund shall be transferred and appropriated continuously as follows:

43 [(1)] (a) All declared earnings from the Oregon Growth Account to the Higher Education Tech-
44 nology Transfer Fund established in ORS 351.691;

45 [(2)] (b) 75 percent of all declared earnings not described in [subsection (1) of this section] **par-**

1 **agraph (a) of this subsection** to the Oregon Education Fund established in ORS 348.716; and
2 [(3)] (c) 25 percent of all declared earnings not described in [subsection (1) of this section] **par-**
3 **agraph (a) of this subsection** to the Oregon Student Assistance Commission for the Oregon Op-
4 portunity Grant program under ORS 348.260.

5 **(2) All declared earnings on moneys in the Kindergarten Through Grade 12 Stabilization**
6 **Account shall be retained in the account.**

7 **SECTION 9.** ORS 348.696, as amended by section 7 of this 2005 Act, is amended to read:

8 348.696. (1) Pursuant to section 4 (4)(d), Article XV of the Oregon Constitution, the Education
9 Stability Fund is established separate and distinct from the General Fund. Except for earnings on
10 moneys in the school capital matching subaccount, moneys in the fund shall be invested as provided
11 in ORS 293.701 to 293.790. Except as provided in subsection (2) of this section, all declared earnings
12 on moneys in the fund shall be transferred and appropriated continuously as follows:

13 (a) All declared earnings from the Oregon Growth Account to the Higher Education Technology
14 Transfer Fund established in ORS 351.691;

15 (b) All declared earnings from the Higher Education Technology Transfer Account to the De-
16 partment of Higher Education;

17 (c) 75 percent of all declared earnings not described in paragraph (a) [or (b)] of this subsection
18 to the Oregon Education Fund established by ORS 348.716; and

19 (d) 25 percent of all declared earnings not described in paragraph (a) [or (b)] of this subsection
20 to the Oregon Student Assistance Commission for the Oregon Opportunity Grant program under
21 ORS 348.260.

22 (2) All declared earnings on moneys in the Kindergarten Through Grade 12 Stabilization Ac-
23 count shall be retained in the account.

24 **SECTION 10. The amendments to ORS 348.696 by section 9 of this 2005 Act become op-**
25 **erative on July 1, 2011.**

26 **SECTION 11.** ORS 291.342 is amended to read:

27 291.342. (1) By August 15 of each year, but not earlier than 90 days from the end of the regular
28 session, if any, of the Legislative Assembly held in that calendar year, the Oregon Department of
29 Administrative Services, with the assistance of the Department of Revenue, shall:

30 (a) Ascertain by computation and estimate the total amount of revenue available for state pur-
31 poses for the current fiscal year; and

32 (b) Apportion the state tax levy on property, if any, among the several counties in the manner
33 provided in ORS 291.445.

34 (2) In addition to the requirement in subsection (1) of this section, **for purposes of determining**
35 **the State School Fund appropriation amount necessary to meet the requirements of section**
36 **1 of this 2005 Act and for determining the total amount of revenue available to make that**
37 **appropriation**, the Oregon Department of Administrative Services with the assistance of the De-
38 partment of Revenue shall for each calendar quarter of the year ascertain by computation and es-
39 timate:

40 (a) The total amount of revenue available for state purposes for the current [fiscal year, as well
41 as] **biennium and the next biennium;**

42 (b) The **actual** amount of revenue received quarterly, cumulated throughout the biennium[,
43 and];

44 (c) **The actual amount of revenue received quarterly from personal income taxes imposed**
45 **under ORS chapter 316, cumulated throughout the biennium; and**

1 **(d) The projected total amount of revenue from personal income taxes imposed under**
 2 **ORS chapter 316 available for the current and next biennia.**

3 **(3) The Oregon Department of Administrative Services shall report [its estimate] the com-**
 4 **putations and estimates prepared under subsection (2) of this section** to the Legislative Re-
 5 venue Officer and to the Emergency Board[,] or, if the Legislative Assembly is in session, to the
 6 Joint Committee on Ways and Means.

7 [(3)] **(4)** In carrying out its duties under subsection (2) of this section, the Oregon Department
 8 of Administrative Services shall issue quarterly a statement setting forth the methodology and as-
 9 sumptions used in making the revenue estimate. Nothing in this subsection requires the statement
 10 to set forth procedures used or methods used to determine either the methodology or the assump-
 11 tions.

12 **SECTION 12.** ORS 348.716 is amended to read:

13 348.716. The Oregon Education Fund is established in the State Treasury, separate and distinct
 14 from the General Fund. Moneys in the Oregon Education Fund are continuously appropriated to
 15 the Oregon Department of Administrative Services for public education and education lottery bond
 16 debt service. Seventy-five percent of the declared earnings of the Education Stability Fund as de-
 17 scribed in ORS 348.696 [(3)] **(1)(c)** shall be transferred monthly to the Oregon Education Fund as
 18 directed by the Director of the Oregon Department of Administrative Services. Investment earnings
 19 on amounts in the Oregon Education Fund shall be credited to the Oregon Education Fund. The
 20 Legislative Assembly may, but shall be under no legal obligation to, allocate and appropriate
 21 amounts in the Oregon Education Fund to pay education lottery bonds. The Director of the Oregon
 22 Department of Administrative Services may specify when during any fiscal year amounts shall be
 23 transferred from the Oregon Education Fund to be used for public education or education lottery
 24 bonds.

25 **SECTION 13.** ORS 348.716, as amended by section 8a, chapter 6, Oregon Laws 2002 (third spe-
 26 cial session), is amended to read:

27 348.716. The Oregon Education Fund is established in the State Treasury, separate and distinct
 28 from the General Fund. Moneys in the Oregon Education Fund are continuously appropriated to
 29 the Oregon Department of Administrative Services for public education and education lottery bond
 30 debt service. Seventy-five percent of the declared earnings of the Education Stability Fund as de-
 31 scribed in ORS 348.696 [(2)] **(1)(b)** shall be transferred monthly to the Oregon Education Fund as
 32 directed by the Director of the Oregon Department of Administrative Services. Investment earnings
 33 on amounts in the Oregon Education Fund shall be credited to the Oregon Education Fund. The
 34 Legislative Assembly may, but shall be under no legal obligation to, allocate and appropriate
 35 amounts in the Oregon Education Fund to pay education lottery bonds. The Director of the Oregon
 36 Department of Administrative Services may specify when during any fiscal year amounts shall be
 37 transferred from the Oregon Education Fund to be used for public education or education lottery
 38 bonds.

39 **SECTION 14.** ORS 348.716, as amended by section 12 of this 2005 Act, is amended to read:

40 348.716. The Oregon Education Fund is established in the State Treasury, separate and distinct
 41 from the General Fund. Moneys in the Oregon Education Fund are continuously appropriated to
 42 the Oregon Department of Administrative Services for public education and education lottery bond
 43 debt service. Seventy-five percent of the declared earnings of the Education Stability Fund as de-
 44 scribed in ORS 348.696 [(1)(c)] **(1)(b)** shall be transferred monthly to the Oregon Education Fund as
 45 directed by the Director of the Oregon Department of Administrative Services. Investment earnings

1 on amounts in the Oregon Education Fund shall be credited to the Oregon Education Fund. The
2 Legislative Assembly may, but shall be under no legal obligation to, allocate and appropriate
3 amounts in the Oregon Education Fund to pay education lottery bonds. The Director of the Oregon
4 Department of Administrative Services may specify when during any fiscal year amounts shall be
5 transferred from the Oregon Education Fund to be used for public education or education lottery
6 bonds.

7 **SECTION 15. The amendments to ORS 348.716 by section 14 of this 2005 Act become op-**
8 **erative on July 1, 2011.**

9 **SECTION 16.** ORS 327.511 is amended to read:

10 327.511. (1) The State Board of Education shall adopt by rule a uniform budget and accounting
11 system for school districts and education service districts.

12 (2) The uniform budget and accounting system shall include uniform definitions for a chart of
13 accounts that shall allow for valid comparisons of expenditures among schools and among districts.
14 The uniform definitions for the chart of accounts shall be developed by the Department of Education
15 in consultation with the Legislative Revenue Officer, the Legislative Fiscal Officer, the Oregon De-
16 partment of Administrative Services and appropriate organizations that represent kindergarten
17 through grade 12 educational interests.

18 (3) The uniform budget and accounting system shall allow for the gathering of data on separate
19 functions and programs, including but not limited to:

- 20 (a) Individual school;
- 21 (b) Grade level;
- 22 (c) Curriculum area;
- 23 (d) Class size; and
- 24 (e) Extracurricular activities.

25 (4) The Department of Education, **school districts and education service districts** shall place
26 data gathered from the uniform budget and accounting system in a database that includes informa-
27 tion that is **readily** accessible by the public through the Internet, a personal computer or other
28 similar technology.

29 **SECTION 17. Prior to March 1, 2006, and prior to October 1, 2006, the Department of**
30 **Education shall report to the interim legislative committees on revenue on the implementa-**
31 **tion of ORS 327.511.**

32 **SECTION 18. Prior to January 15 of each odd-numbered year, the Department of Revenue**
33 **shall report to the Legislative Revenue Officer on the information gathered under ORS**
34 **309.330 to 309.400. The report shall include the table created under ORS 309.370.**

35 **SECTION 19. This 2005 Act being necessary for the immediate preservation of the public**
36 **peace, health and safety, an emergency is declared to exist, and this 2005 Act takes effect**
37 **July 1, 2005.**

38