

**78<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2015 Session  
BUDGET REPORT AND MEASURE SUMMARY**

**MEASURE: HB 5017-A**

**JOINT COMMITTEE ON WAYS AND MEANS**

**Carrier – House: Rep.**

**Carrier – Senate: Sen.**

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**Action:**

**Vote:**

House

Yeas:

Nays:

Exc:

Senate

Yeas:

Nays:

Exc:

**Prepared By:** Lisa Pearson, Department of Administrative Services

**Reviewed By:** Doug Wilson, Legislative Fiscal Office

**Meeting Date:**

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Agency

Department of Education – School Funding

Biennium

2015-17

## **Budget Summary\***

	2013-15 Legislatively Approved Budget <sup>(1)</sup>	2015-17 Current Service Level	2015-17 Committee Recommendation	Committee Change from 2013-15 Leg. Approved	
				\$ Change	% Change
General Fund	\$ 6,322,625,891	\$ 6,445,322,634	\$ 6,912,858,941	\$ 590,233,050	9.3%
Lottery Funds	\$ 327,374,109	\$ 327,374,109	\$ 342,141,059	\$ 14,766,950	4.5%
Other Funds Limited	\$ 3,936,407	\$ 3,936,407	\$ 3,260,692	\$ (675,715)	-17.2%
Total	\$ 6,653,936,407	\$ 6,776,633,150	\$ 7,258,260,692	\$ 604,324,285	9.1%

## **Position Summary**

Authorized Positions	0	0	0	0
Full-time Equivalent (FTE) positions	0.00	0.00	0.00	0.00

<sup>(1)</sup> Includes adjustments through December 2014

\* Excludes Capital Construction expenditures

## **Revenue Summary**

The School Formula revenue consists of state support and certain local revenues. Formula revenue is available for general school operations and does not include bond revenue or categorical aid. State support includes General Fund from income and capital gains taxes, Lottery Funds from net lottery proceeds and Other Funds from small tract timber taxes and donations. House Bill 5017 reflects only the State School Fund – the state’s share of School Formula funding.

Local revenues (primarily property taxes) are not reflected in the state budget but are estimated to provide \$3.7 billion in the 2015-17 biennium. This local revenue portion remains with the districts where collected, but is considered as a part of the formula revenue for allocation purposes. Local revenue also includes distributions from the Common School Fund which is managed by the State Land Board.

## **Summary of Education Subcommittee Action**

The Subcommittee approved a total state funding level of \$7,258,260,692 for the State School Fund. Of this \$7.3 billion, \$6,912,858,941 is General Fund, \$342,141,059 Lottery Funds, and \$3,260,692 Other Funds expenditure limitation. These State School Fund resources are in addition to local revenues and state, federal and other categorical aid. Together, state and local funding provides a school funding formula budget of \$10.9 billion. At \$7.3 billion, the state contribution is \$604.3 million (9.1 percent) more than the 2013-15 Legislatively Approved Budget. It assumes adjustments for educator compensation, reduced Public Employee Retirement System contributions, number of students, and

characteristics of students (e.g. special education, remote schools). It also includes funding for full-day kindergarten estimated at a cost of \$220 million for the 2015-17 biennium, and accounts for the two year cost of the \$100 million General Fund added during the 2013 Special Legislative Session for the second school year in the 2013-15 biennium.

These School Formula revenues are, for the most part, allocated to school districts and education service districts according to the formula prescribed in statute. The Subcommittee approved that 50 percent of the State School Fund resources be allocated in the 2015-16 school year and 50 percent be allocated in the 2016-17 school year. The amount transferred for the Local Option Equalization Account established in ORS 327.339 is set at \$2,859,866, the amount estimated by the Oregon Department of Education to be sufficient to make payments based on the levies currently in place. A corresponding amount of Other Funds expenditure limitation is included so these payments can be made to the appropriate school districts.

Two of the current special purpose allocations are changed directly in the bill, and House Bill 5017 assumes that three other allocations will be changed through other bills during this session:

- Up to \$968,000 from the State School Fund may be expended for 10<sup>th</sup> grade assessments as described in ORS 329.488.
- Up to \$1,600,000 from the State School Fund may be expended for the purposes of the Oregon Virtual School District.
- The amount allocated for Facilities Grants established in ORS 327.008(2) is reduced from \$20 million to \$15 million.
- The amount allocated for the High Cost Disabilities Account established in ORS 327.008(8) is increased by \$34 million to a total of \$70 million.
- The Small High School/District established in ORS 327.008(13) will not sunset at the end of the 2013-15 biennium and will continue at least through the end of the 2015-17 biennium.

The assumptions related to the High Cost Disabilities Account, Facilities Grants, and Small High School/District Supplement require law changes.

The Subcommittee approved the establishment of two new allocations or distributions in House Bill 5017:

- The Oregon Department of Education (ODE) may spend up to \$12.5 million from the State School Fund for an English Language Learners (ELL) program. To improve the outcomes for ELL students, up to \$10 million is allocated from the State School Fund. An advisory group will be convened by ODE and develop a rating system to identify the lowest performing districts for outcomes for ELL students. This rating system is to focus on school districts with high concentrations of ELL students, defined when the population of ELL students exceeds 500, or the student population is comprised of 15 percent or more ELL students. The ODE will then provide supports and interventions, similar to the focus and priority school model, to those identified as lowest performing districts. Those supports and interventions will include: (1) a school improvement coach on site eight to ten hours per week, (2) up to \$60,000 annually, depending on

school size, in funding to implement strategies outlined in the schools' improvement plan, and (3) quarterly reviews conducted by ODE staff to ensure progress is being made and supports are on track. It is anticipated that this \$10 million will support approximately 30 to 35 schools identified by the advisory group. Up to \$2.5 million may be used to scale up Oregon's Statewide ELL Plan by providing technical assistance, best practices support, and implementation of the recommendations outlined in Statewide ELL Plan. These supports will be focused on districts with high concentrations of ELL students, but not receiving supports and interventions as part of the program described above. Part of this work will include a process for identifying and replicating successful programs across the state by formally certifying best practice programs, and then sharing those practices with other districts. In addition, the ODE will maintain and expand professional development opportunities for educators.

- The ODE may spend up to \$2,395,593 from the State School Fund to provide lunches, at no cost to the student, for those students who are eligible for reduced price lunches under the current United States Department of Agriculture's Income Eligibility Guidelines.

These two allocations, as included in House Bill 5017, are one-time in nature and only apply to the 2015-17 biennium. An additional bill(s) will have to be passed to make these allocations permanent.

The Subcommittee approved a "trigger" mechanism that adds additional General Fund resources to the State School Fund under certain conditions. If the May 2015 forecast for 2015-17 General Fund resources is above the corresponding amount from the March 2015 forecast, 40 percent of the increase would be added to the State School Fund. The other 60 percent of any additional General Fund resources would be used by the Legislature to address budget issues in other areas of the 2015-17 budget including education, human services and public safety programs, as well as for budget reserves.

**DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION**

**HB 5017-A**

**Lisa Pearson -- (503) 373-7501**

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2013-15 Legislatively Approved Budget at Dec 2014 *	\$ 6,322,625,891	\$ 327,374,109	\$ 3,936,407	\$ -	\$ -	\$ -	\$ 6,653,936,407	0	0.00
2015-17 Current Service Level (CSL)*	\$ 6,445,322,634	\$ 327,374,109	\$ 3,936,407	\$ -	\$ -	\$ -	\$ 6,776,633,150	0	0.00
<u>SUBCOMMITTEE ADJUSTMENTS (from CSL)</u>									
<b>SCR 400 - School Funding</b>									
Package 810: LFO Addition to State School Fund									
Special Payments Account 6040	\$ 467,536,307	\$ 14,766,950	\$ (675,715)	\$ -	\$ -	\$ -	\$ 481,627,542		
<b>TOTAL ADJUSTMENTS</b>	\$ 467,536,307	\$ 14,766,950	\$ (675,715)	\$ -	\$ -	\$ -	\$ 481,627,542	0	0.00
<b>SUBCOMMITTEE RECOMMENDATION *</b>	\$ 6,912,858,941	\$ 342,141,059	\$ 3,260,692	\$ -	\$ -	\$ -	\$ 7,258,260,692	0	0.00
% Change from 2013-15 Leg Approved Budget	9.3%	4.5%	-17.2%	0.0%	0.0%	0.0%	9.1%	0.0%	0.0%
% Change from 2015-17 Current Service Level	7.3%	4.5%	-17.2%	0.0%	0.0%	0.0%	7.1%	0.0%	0.0%

\*Excludes Capital Construction Expenditures