

**Legislative
Fiscal Office**

Oregon State Capitol
900 Court Street NE, H-178
Salem, OR 97301
503-986-1828

Ken Rocco, Legislative Fiscal Officer
Paul Siebert, Deputy Fiscal Officer



**Joint Committee on
Ways and Means**

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Rep. Greg Smith, House Co-Vice Chair

To:

Education Subcommittee

From:

Doug Wilson, Legislative Fiscal Office

Date:

June 1, 2017

Subject:

SB 5517 – State School Fund -- Work Session Recommendations

State School Fund – Agency Totals

	2013-15 Actual	2015-17 Legislatively Approved	2017-19 Current Service Level	2017-19 LFO Recommended
General Fund	6,322,625,891	6,925,296,093	7,543,537,881	7,684,226,325
Lottery Funds	327,374,109	447,703,907	469,087,606	452,292,849
Other Funds	400,826	3,260,692	3,260,692	67,341,193
Total Funds	6,650,400,826	7,376,260,692	8,015,886,179	8,203,860,367

Background Information

The State School Fund (SSF) provides the core or general operating funding for K-12 School Districts and Education Service Districts (ESDs) serving roughly 580,000 students. It is the largest single appropriation in the state budget, accounting for over 38% of the combined General Fund and Lottery Funds resources (2015-17). These state resources when combined with local revenues total over an estimated \$11.8 billion (2017-19 CSL estimate) and represent the formula revenues. These formula revenues are distributed to the various School Districts and ESDs through a statutory formula which factors in the number of students, local revenue share, specific student characteristics where additional weights are provided (e.g., special education, poverty, remote schools), and teacher experience. The combined number of students (ADMr) and the additional weights result in the ADMw on which the distribution of formula revenues is based. The total ADMw for 2017-19 is estimated at approximately 710,000. The “local revenues” include local property taxes, distributions from the Common School Fund, federal timber related revenues, and revenues from state managed county trust forests. Local revenues representing both the School District and ESD shares are estimated to total just less than \$4.0 billion for the 2017-19 biennium. The funds distributed through the formula pay for the general-purpose expenses of the districts (of which roughly 80% represents employee compensation) and transportation costs.

In addition to the payments to School Districts and ESDs determined through the formula, there are several other distributions from the SSF, some of which have been referred to as “carve-outs”. Many of these have been in existence for years. Some of them are listed in the table below. Please note that some of the amounts are estimated since they depend on student numbers that will likely change prior to the final distributions. These estimated amounts are based on current law or current estimates of the various programs.

Description	Estimated 17-19 Amount
*Local Option Equalization Grants – provides grants to districts who have passed local option levies and have lower local assessed value.	\$3,860,367
*High Cost Disabilities Account – amount distributed to districts for students whose costs of education and supports exceed \$30,000.	\$70,000,000
*Facilities Grants – for certain capital and equipment costs, amount set in ORS.	\$9,000,000
Office of School Facilities -- used for administering a state bond program to provide matching grants for facilities to school districts who have passed local bond measures as well for planning and technical assistance grants.	\$6,000,000
Virtual School District	\$1,600,000
ESD Testing/Assessment Contract – amount reduced from ESD share of formula distribution.	\$968,000
Network for Quality Teaching and Learning -- \$5 million is taken before SD/ESD split, and the remainder is taken in equal amounts from the SD share and ESD share.	\$39,470,086
Charter School Closure Fund	\$500,000
Talented and Gifted programs	\$350,000
Speech Language Pathologists	\$150,000
Long Term Care Facilities, Pediatric facilities, and Oregon School for the Deaf	\$31,154,958
Statewide English Language Learners Program -- grants and technical assistance to support low performing districts relating to English Language Learners.	\$12,500,000
*Small High School/District Supplement	\$5,000,000

Those items above indicated by a “” are subtracted from the general distribution to School Districts and ESDs but still flow to districts based on the criteria unique to the item. Other programs like the Network and English Language Learners are grant programs where districts and others apply for the funds.*

Adjustments to Current Service Level:

The Current Service Level (CSL) is \$8.016 billion total funds and includes adjustments from the 2015-17 budget for increases in district compensation, increases in PERs rate for districts, health insurance cost increases, growth in student enrollment, changes in the overall ADMw, and estimated changes in local revenues.

The total amount of State School Fund is split so 50% of the amount is spent in the first year of the biennium and 50% spent in the second year. This split is included in the bill.

A shift between General Fund and Lottery Funds resources will likely be made at the end of Session to reflect the amount of Lottery Funds available based on the new Lottery Funds forecast and the use of Lottery Funds across the entire state budget.

The amendment includes language to continue the carve-out from 2015-17 that provides a school lunch at no charge to those students who are currently eligible for a reduced priced lunch. For 2017-19, this carve-out is set at \$2,470,000 which reflects a slightly larger number of students than 2015-17.

The LFO recommendation for the 2017-19 State School Fund budget is as follows:

General Fund Appropriation	\$ 7,684,226,325
Lottery Funds Expenditure Limitation	\$ 452,292,849
Other Funds Expenditure Limitation*	\$ 67,341,193
Total Funds	\$ 8,203,860,367

**The Other Funds limitation includes \$3,860,367 associated with the Local Option Equalization Grants Account, \$63,080,000 in resources from marijuana taxes, and \$400,826 is state related timber revenues available to the State School Fund. The marijuana revenues depend on passage of SB 845 or a similar bill which dedicates revenues to the State School Fund and not the Common School Fund.*

Accept LFO Recommendation:

MOTION: I move the LFO recommendation to SB 5517. (VOTE)

Recommended Changes

LFO recommends a budget of \$7,684,226,325 General Fund, \$452,292,849 Lottery Funds, \$67,341,193 Other Funds, which is reflected in the -3 amendment.

MOTION: I move adoption of the -3 amendment to SB 5517. (VOTE)

Final Subcommittee Action

LFO recommends that SB 5517, as amended by the -3 amendment, to be moved to the Ways and Means Full Committee.

MOTION: I move SB 5517, as amended, to the Full Committee with a do pass recommendation. (VOTE)

Carriers

Full Committee: _____

House Floor: _____

Senate Floor: _____