

**REVENUE:** Revenue statement issued

**FISCAL:** No fiscal impact

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**Action:** Do pass with amendments to the B engrossed bill and be printed engrossed

**Vote:** 7-0-2

**Yeas:** Berger, Bruun, Butler, Gelser, Olson, Witt, Barnhart

**Nays:**

**Exc.:** Read, Rosenbaum

**Prepared By:** Steve Meyer, Economist

**Meeting Dates:** 6/22

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**WHAT THE BILL DOES:** Extends the sunset from 2007 to 2013 for distributions of revised Secure Rural Schools and Community Self-Determination Act revenue. Ensures that these federal funds are distributed to counties based on historical national forest timber revenue and that 25% is deposited into county school funds, distributed to school districts and included as district revenue in the school equalization formula. Retroactively takes effect if passage is after July 1, 2007. Increases the education service district (ESD) minimum allocation of state and local funding from a little less than \$950,000 to \$1 million per year. Requires the interim revenue committees to study the adequacy of funding for small school districts and small ESDs and make recommendations to the 2009 legislature. Takes effect on passage.

**ISSUES DISCUSSED:**

Federal timber related revenue being included in the school formula

Adequacy of funding for small school districts and small ESDs

Minimum ESD funding

Funding level for small high schools to have viable program

**EFFECT OF COMMITTEE AMENDMENTS:** Increases the education service district (ESD) minimum allocation of state and local funding from a little less than \$950,000 to \$1 million per year. Requires the interim revenue committees to study the adequacy of funding for small school districts and small ESDs and make recommendations to the 2009 legislature.

**BACKGROUND:**

When federal timber harvest was reduced to preserve spotted owl habitat and for other environmental reasons, federal timber revenue declined over several years. To compensate for the lost of federal timber revenue, the federal government passed the Secure Rural School and Community Self-Determination Act of 2000. This substituted federal funds for forest service harvest revenue that was dedicated to county roads and schools. Oregon enacted SB486 in 2001 to clarify that the new source of funds was to be distributed locally in the same way as federal forest service timber harvest receipts. SB486 had a sunset of 2007 to match the original federal sunset of the Secure Rural Schools Act.

With the phase-in of ESD equalization beginning in 2001-02, the minimum funding for ESDs increased from \$700,000 to \$1 million per year in 2005-06. The \$1 million minimum is somewhat reduced by a final rebalance to make the allocation of state and local revenue equal to funds available. In 2005 when the legislature reduced the ESD share of state and local revenue from 5% to 4.75%, the \$1 million minimum was reduced to \$950,000. After rebalancing, the minimum ESD funding becomes about \$946,000.

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*This summary has not been adopted or officially endorsed by action of the committee.*