

**FISCAL IMPACT OF PROPOSED LEGISLATION**

**Measure: SB 1506 - A4**

Seventy-Seventh Oregon Legislative Assembly – 2014 Regular Session  
Legislative Fiscal Office

***Only Impacts on Original or Engrossed  
Versions are Considered Official***

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Date: 03/04/2014

**Measure Description:**

Enacts Interstate Compact on Educational Opportunity for Military Children.

**Government Unit(s) Affected:**

Department of Community Colleges and Workforce Development, Oregon University System (OUS), School Districts, Department of Education, Oregon Military Department

**Summary of Expenditure Impact:**

See Analysis.

**Local Government Mandate:**

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

**Analysis:** This bill allows Oregon to join Interstate Compact on Educational Opportunity for Military Children and establishes the State Council for Educational Opportunity for Military Children. In addition, the bill clarifies that Council members are volunteers.

The –A4 amendment establishes the Oregon Empowerment Scholarship Program and uses State School Funds to pay for qualified expenses, such as, tuition and fees at K-12 private schools tuition paid to a private teacher, tutoring services, cost of course materials for home schools, tuition and materials for private online learning programs, tuition and other costs of community college or university for eligible students, and contributions to Oregon 529 College Savings accounts. Eligible students are those students whose parent is a member of the Armed Forces of the United States (including Reserve and National Guard), the student has been enrolled in a public school the previous year prior to initial enrollment, and the student has not completed high school.

For each participating student, an account is established by the State Treasurer, and money from the State School Fund is transferred to that account. The money transferred to each account is equal to 90% of the average per student distribution of the State School Fund (“statewide average distribution”). For 2014-15 the statewide average per weight is \$6,865.89. 90% of that would be \$6,179.30. The remaining 10% of the statewide average distribution is given to The Department of Education (an amount not to exceed 4%), the school district where the participating student resides (5%) and State Treasury (1%). Funds may be withdrawn from these accounts for qualified expenses

There are approximately 11,000 National Guard and reserve service members in Oregon. There are approximately 1,200 K-12 students of active duty military personnel. Because the bill allows participants to put the money in a 529 plan, and withdrawn at a later date to pay for college expenses, it is reasonable to assume that the participation rate would be high. The program is limited to 0.5% of the students who reside in each school district unless the district consents to a greater number. This limitation is repealed in 2025.

For illustrative purposes, assume that 2,750 students may participate in the program the effect on the SSF would be as follows:

- 2,750 students x \$6,179 (90% of the ADMw) = \$16,992,250 (\$26) per ADMw

A participant does not have to leave public school to be eligible for this program; so it is possible, a participant could receive a disbursement to their account and be counted as part of a school districts ADMw, effectively counting the participant twice. This would further decrease the ADMw. The transfers to the Oregon Empowerment Scholarship program will commence with the 2015-16 school year distributions.

The Oregon Department of Education anticipates the need for 3 positions (1.50 FTE) for the 2013-15 biennium for creating and managing the application process, drafting administrative rules, providing guidance to school districts and parents and working with the military to determine eligibility. Additional ODE staffing in the future would have to be added to process the applications.

The State Treasurer states that current law would not allow the Treasurer to establish individual accounts for participants as the amendment assumes.

A legal opinion from Legislative Counsel, dated February 3, 2014, on SB 1576 (2014), which this amendment is similar to but with a different group of students, indicates a high risk that a court would find this program unconstitutional under Article I, section 5 of the Oregon Constitution.