

## State School Fund

	2013-15 Actual	2015-17 Legislatively Approved*	2017-19 Current Service Level	2017-19 Governor's Recommended
General Fund	6,322,625,891	6,925,296,093	7,543,537,881	7,550,299,067
Lottery Funds	327,374,109	447,703,907	469,087,606	388,075,645
Other Funds	400,826	3,260,692	3,260,692	77,511,467
<b>Total Funds</b>	<b>\$ 6,650,400,826</b>	<b>\$ 7,376,260,692</b>	<b>\$ 8,015,886,179</b>	<b>\$8,015,886,179</b>

\*Includes Emergency Board and administrative actions through December 2016.

### Program Description

This program is the major source of funding for the general operations of School Districts and Educational Service Districts (ESDs) for grades K through 12. The State School Fund (SSF) and local school revenues (e.g., property taxes) are combined and form the basis for the distribution of the SSF based on a statutorily defined allocation formula. The combined General Fund/Lottery Funds SSF amount represents roughly 2/3s of the total school formula revenues. Allocations to school districts include a transportation grant and a general-purpose grant. The general-purpose grant follows a statutorily prescribed distribution formula based on number of students, additional weighting reflecting specific education costs (e.g., poverty, special education, and remote schools), teacher experience, and local tax resources. This formula was designed to equalize allocations to schools. Districts may also have local option levies which the state may provide assistance with if the district qualifies. While the formula distribution provides the largest share of resources for school districts and ESDs, ODE distributes over \$1.5 billion of federal and state funding through the grant-in-aid programs for purposes such as child nutrition, special education, specialized education initiatives, professional development, and compensatory education.

### CSL Summary and Issues

- The CSL calculation for the Legislative and Executive Branches match and are based on adjustments for anticipated growth in; (1) school district employee compensation (5.43% growth in the 2017-18 school year and 2.39% in the 2018-19 school year) which factors in PERS, teacher longevity, health benefits, and salary change estimates, (2) 1.8% annual adjustment for non-employee compensation spending in each school year, (3) growth in the amount of property taxes and other local revenues as determined by Legislative Revenue Office (LRO), and (4) increases in the ADMw (Average Daily Membership) estimates (0.42% in each school year). The estimate uses the 2016-17 school year SSF amount as the “jump-off” point for calculating the 2017-19 CSL.
- The 2017-19 CSL estimate of \$8.016 billion total funds for the SSF represents an increase of 8.67% over the 2015-17 amount of \$7.377 billion. After factoring the local revenues in the school funding formula, the total state and local formula revenue available to districts represents 8.63% or a total of \$11.85 billion.

- Approximately \$290 million of the increase in the SSF CSL is due to the increase in the PERS rate. Although the K-12 spending funded through the school revenue formula represents the largest share of district spending, other spending is funded through other state, local and federal sources. There is little or no increase in funding due to increased PERS rates tied to these other sources.
- The most recent local revenue estimates (February 2017) of \$3.961 billion for the SSF is approximately \$22 million less than the February 2016 estimate used in the calculation of the CSL figure above.

### Policy Issues

- The Quality Education Model (QEM) estimates the level of funding sufficient to meet Oregon’s educational goals. In its August 2016 report, the Quality Education Commission, using the QEM, estimated that the total 2015-17 SSF resources was approximately \$1.8 billion less than what the QEM generated as the amount necessary to meet the educational goals. The gap between the QEM amount and the estimated CSL for 2017-19 grows slightly to just under \$2.0 billion. Given revenues under current law and competing needs of the GF/LF budgets, it is virtually impossible to significantly close this gap in the near future.
- Beginning for the 2017-18 school year, new requirements are being put in place for physical education (PE). Students in grades K-5 will be required to spend 150 minutes per week in PE activities, and students in grades 6-8 the requirement is 225 minutes per week. PE will be the only subject area where there is time related requirements. In theory, the CSL should not be affected by this new set of requirements, since it does not necessarily increase the length of the school day and a limited number of schools are meeting the requirements. In practice, districts could face increased costs due to limitations in teacher contracts, the need for PE specific teachers, and the need to expand or build new PE related facilities and space.

### Other Significant Issues and Background

- One ballot measure was passed in the November 2016 election which affects education funding generally, but not necessarily the SSF directly. Ballot Measure 98 requires that beginning in 2017-18 school year a specific amount per each grade 9-12 student (at least \$800 per student for each school year adjusted for cost increases each year) be spent on updating and expanding CTE programs, expanding access to college-level courses, and preventing students from dropping out and keeping them on track to graduate. The Measure does include language that this funding should be in addition to what would be funded for K-12. Based on the \$800 per school year and an estimated number of grade 9-12 students (2015-16) of 181,598, the potential cost of this Measure is almost \$294 million General Fund for the 2017-19 biennium.
- The Governor’s budget for the SSF is the \$8.016 billion CSL estimate outlined above. The revenue mix is different based on; (a) an updated mix of General Fund and Lottery Funds reflecting the most recent Lottery resources available statewide, and (b) the assumption that the school share of the Marijuana will be transferred to the SSF instead of the Common School Fund under current law. This second item means that an estimated \$74.3 million of Marijuana tax offsets the need for the same amount of General Fund.