

**Legislative
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**Joint Committee on
Ways and Means**

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To: Education Subcommittee
From: Doug Wilson, Legislative Fiscal Office
Date: May 1, 2019 -- REVISED
Subject: HB 5016 – State School Fund -- Work Session Recommendations

State School Fund – Agency Totals

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 LFO Recommended
General Fund	6,904,804,561	7,653,853,380	8,150,549,940	7,713,586,339
Lottery Funds	447,703,907	464,758,594	535,719,907	535,719,907
Other Funds	1,175,156	85,248,393	85,248,393	750,693,754
Total Funds	7,353,683,624	8,203,860,367	8,771,518,240	9,000,000,000

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 almost 39% of the combined 2017-19 General Fund and Lottery Funds resources including the Marijuana related revenues. These state resources when combined with local revenues total over an estimated \$12.9 billion (2019-21 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 2019-21 is estimated at approximately 706,000.

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 \$4.3 billion for the 2019-21 biennium (February 2019 LRO forecast).

The funds distributed by the formula pay for the general-purpose expenses (of which roughly 85% 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. Most 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 19-21 Amount
*Local Option Equalization Grants – provides grants to districts who have passed local option levies and have lower local assessed value.	\$4,000,000
*High Cost Disabilities Account – amount distributed to districts for students whose costs of education and supports exceed \$30,000. The amount will increase by \$20 million in the second year if the tax measure (HB 3427) passes.	\$70,000,000 \$20,000,000
*Facilities Grants – for certain capital and equipment costs, amount set in ORS.	\$7,000,000
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 (set in the bill)	\$1,600,000
ESD 10th Grade 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. Current law has these funds being transferred to the Educator Advancement Council starting in 2019-21.	\$39,500,000
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	\$31,245,042
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
*Free lunch for those who are eligible for reduced lunches	\$2,850,375
Health School Facilities Fund (new for 2019-21)	\$2,000,000

Those items above indicated by an “” 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 \$8.772 billion total funds and includes adjustments from the 2017-19 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.

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. There may also be an adjustment for any changes to forecasted Marijuana related funding. The amount included in this recommendation reflects the most recent forecast released in February.

The amendment includes language to continue the carve-out from 2017-19 that provides a school lunch at no charge to those students who are currently eligible for a reduced priced lunch. For 2019-21, this carve-out is set at \$2,850,375 which reflects a continued subsidy for an estimated 7.126 million meals for 2019-21, a slightly larger number of students than 2017-19. This may have to be adjusted during the 2020 or 2021 Session as actual participation numbers are available.

The LFO recommendation for the 2019-21 State School Fund budget is as follows:

General Fund Appropriation	\$ 7,713,586,339
Lottery Funds Expenditure Limitation	\$ 535,719,907
Other Funds Expenditure Limitation	<u>\$ 753,693,754</u>
Total Funds	\$ 9,000,000,000

The recommended Other Funds limitation assumes expenditure amounts based on the following resources:

- \$103,292,928 from Marijuana related revenues transferred to the State School Fund;
- \$200,000,000 transferred from the Fund for Student Success (FSS);
- \$20,000,000 transfer from the FSS for an increase in the High Cost Disabilities carve-out in the second year of the biennium;
- \$423,000,000 transferred from the FSS to backfill the lost estimated General Fund revenues from the reduction in the personal income tax rates and other changes included in HB 3427;
- \$400,826 which represents the estimated state timber tax revenues; and
- \$4,000,000 which is the estimated limitation need for the Local Option Equalization Grants payment to a limited number of districts.

Accept LFO Recommendation:

MOTION: I move the LFO recommendation to HB 5016. (VOTE)

Recommended Changes

LFO recommends a budget of \$7,713,586,339 General Fund, \$535,719,907 Lottery Funds, \$750,693,754 Other Funds, which is reflected in the -2 amendment.

MOTION: I move adoption of the -2 amendment to HB 5016. (VOTE)

Final Subcommittee Action

LFO recommends that HB 5016, as amended by the -2 amendment, to be moved to the Ways and Means Full Committee.

MOTION: I move HB 5016, as amended, to the Full Committee with a do pass recommendation. (VOTE)

Carriers

Full Committee: _____

House Floor: _____

Senate Floor: _____