

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

Sen. Betsy Johnson, Senate Co-Chair
Sen. Elizabeth Steiner Hayward, Senate Co-Chair
Rep. Dan Rayfield, House Co-Chair

Sen. Jackie Winters, Senate Co-Vice Chair
Rep. David Gomberg, House Co-Vice Chair
Rep. Greg Smith, House Co-Vice Chair

To: Education Subcommittee

From: Doug Wilson, Legislative Fiscal Office

Date: May 1, 2019 -- Revised

Subject: HB 5047 – Joint Committee on Student Success -- Work Session
Recommendations

Oregon Department of Education – Agency Totals

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 LFO Recommended
General Fund				\$5,504,403
Other Funds				\$908,986,836
Total Funds				\$914,491,239
Positions				72
FTE				51.95

Department of Revenue – Agency Totals

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 LFO Recommended
General Fund				\$3,954,361
Total Funds				\$3,954,361
Positions				38
FTE				9.25

Department of Justice – Agency Totals

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 LFO Recommended
Other Funds				\$464,086
Total Funds				\$464,086
Positions				3
FTE				1.76

Background Information

This is the budget bill associated with HB 3427 which was the product of the Joint Committee for Student Success. That bill established a new commercial activities tax that is estimated to generate approximately \$1.6 billion for 2019-21. The bill also reduces all but the top personal income tax rates. The tax changes in HB 3427 take affect starting in the 2020 tax year. Revenues are estimated to grow to over \$2.8 billion for 2021-23.

This bill appropriates \$5.5 million General Fund to the Oregon Department of Education (ODE) and \$4.0 million to the Department of Revenue (DOR) for the development and initial implementation of the programs in ODE included in HB 3427 and the new commercial activities tax before the new revenue source is available in April 2020.

HB 3427 creates the Fund for Student Success which is separate and distinct from the General Fund. The ongoing costs for the the implementation, collection and administrative costs of the new commercial business activities tax are transferred to the Department of Revenue. Then a total of \$643 million from the Fund for Student Success to the State School Fund of which \$423 million represents the lost General Fund revenues from the tax related provisions of HB 3427, \$20.0 million is for an increase in the High Cost Disabilities Account in the second year of the biennium, and the remaining \$200.0 million is for distribution to the districts through the statutory school revenue formula. The remaining amount in the Fund for Student Success is divided between the Early Learning Account (20%), the Statewide Education Initiative Account (30%) and the School District Improvement Fund (50%) for a variety of programs and grants described in the attached table.

Adjustments to Current Service Level:

This bill generally reflects new spending over and above the current service level for the three agencies.

The LFO recommendation for HB 5047 for the 2019-21 biennium is as follows:

General Fund Appropriation	\$ 9,458,764
Other Funds Expenditure Limitation	<u>\$ 909,450,922</u>
Total Funds	\$ 918,909,686

The source of funding for the recommended Other Funds limitation is from the new commercial activities tax revenue established in HB 3427.

Accept LFO Recommendation:

MOTION: I move the LFO recommendation to HB 5047. (VOTE)

Budget Notes

There are three recommended budget notes for this bill.

Potential Joint Grant Application & Administration

The Oregon Department of Education shall explore the potential for combining grant applications, grant agreements, grant monitoring, and reporting for the School District Investment grants established in HB 2734 with other programs or grants administered by the agency including grants made from the High School Graduation and College and Career Readiness Fund (Ballot Measure 98), Title I grants where appropriate, and other grant programs identified by the agency. The agency shall report to the 2021 Legislature on the results of this analysis during their Ways and Means presentation on the agency's budget.

Early Learning Professional and Workforce Development Plan

The Early Learning Council, Early Learning Division staff, and Educator Advancement Council shall consult with other units of the Oregon Department of Education, Higher Education Coordinating Commission, and representatives of early learning Hubs, providers and families in developing a plan on the most effective set of programs and initiative for early learning educator professional development and expanded education/training opportunities. The plan shall include consideration of workforce retention, recruitment, a greater diversified education workforce, early learner educator scholarships, and the potential for a coordinated stackable system of programs incorporating work experience, community college credits and public university credits. The Division shall submit the report to the Legislature by January 15, 2020 for consideration during the 2020 legislative session.

Oregon Promise Co-Pay Consideration

The Early Learning Division is instructed to examine the potential and provide recommendations for implementing a co-pay system for the Preschool Promise program. The report and recommendations must consider the income levels of families participating in the program, the level of the copay, whether it should be sliding fee or not, and the impact on the families, providers and the agency. The Division shall submit the report including recommendations to the Legislature by January 15, 2020 for consideration during the 2020 legislative session

Recommended Changes

LFO recommends a budget of \$9,458,764 General Fund, and \$909,460,922 Other Funds, which is reflected in the -3 amendment.

MOTION: I move adoption of the -3 amendment to HB 5047. (VOTE)

Final Subcommittee Action

LFO recommends that HB 5047, as amended by the -3 amendment, to be moved to the Ways and Means Full Committee.

MOTION: I move HB 5047, as amended, to the Full Committee with a do pass recommendation. (VOTE)

Carriers

Full Committee: _____

House Floor: _____

Senate Floor: _____