

Legislative Fiscal Office

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To: Education Subcommittee

From: Doug Wilson, Legislative Fiscal Office

Date: May 12, 2021

Subject: SB 5514 – State School Fund
Work Session Recommendations

State School Fund – Agency Totals

	2017-19 Actual	2019-21 Legislatively Approved	2021-23 Current Service Level	2021-23 LFO Recommended
General Fund	7,566,833,307	7,568,496,644	7,880,635,408	8,016,044,524
Lottery Funds	535,719,907	730,467,530	370,466,870	570,466,870
Other Funds	83,242,395	701,035,826	746,359,000	713,488,606
Total Funds	\$8,185,795,609	\$9,000,000,000	\$8,997,461,278	\$9,300,000,000

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 582,000 students. It is the largest single appropriation in the state budget. These state resources when combined with local revenues total of almost an estimated \$13.9 billion (2021-23 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 (ADM_r) and the additional weights result in the ADM_w on which the distribution of formula revenues is based. The total estimated ADM_w for the 2021-22 school year is estimated at 703,000.

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 \$4.6 billion for the 2021-23 biennium. 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 or “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.	\$110,000,000
*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
Educator Advancement Council -- \$5 million is taken before SD/ESD split, and the remainder is taken in equal amounts from the SD share and ESD share.	\$41,198,500
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	\$31,245,000
*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 if rolled forward	\$5,000,000
*Free lunch for those who are eligible for reduced lunches	\$2,850,375
Health School Facilities Fund	\$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 \$8.997 billion total funds and includes adjustments from the 2019-21 budget for increases in employee compensation, increases in PERS rate for districts, health insurance cost increases, changes 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 adjustment for any changes to forecasted Marijuana related funding and the amount transferred from the Fund for Student Success (FSS). The amount included in this recommendation reflects the most recent forecast released in February.

The LFO recommendation for the 2021-23 State School Fund budget is as follows:

General Fund Appropriation	\$ 8,016,044,524
Lottery Funds Expenditure Limitation	\$ 570,466,870
Other Funds Expenditure Limitation	<u>\$ 713,488,606</u>
Total Funds	\$ 9,300,000,000

This recommendation assumes a \$200 million transfer from the Education Stability Fund and is included in the Lottery Funds expenditure limitation. This transfer is authorized in SB 226.

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

- \$36,000,000 from Marijuana related revenues transferred to the State School Fund;
- 636,888,870 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;
- \$40,000,000 transfer from the FSS for an increase in the High Cost Disabilities carve-out in the second year of the biennium; and
- \$599,736 which represents the estimated state timber tax revenues.

Recommended Changes

LFO recommends a budget of \$8,016,044,524 General Fund, \$570,466,870 Lottery Funds, and \$713,488,606 Other Funds, which is reflected in the -1 amendment.

Final Subcommittee Action

LFO recommends that SB 5514, as amended by the -1 amendment, to be moved to the

Ways and Means Full Committee.

Carriers

Full Committee: _____

House Floor: _____

Senate Floor: _____