

**FISCAL IMPACT OF PROPOSED LEGISLATION**

**Measure: HB 3135**

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

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

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**Measure Description:**

Preserves additional funding for small school districts that merge with one or more school districts if certain conditions are met.

**Government Unit(s) Affected:**

Department of Education, School Districts

**Summary of Fiscal Impact:**

Costs related to the measure are anticipated to be minimal - See explanatory analysis.

**Analysis:**

House Bill 3135 would allow school districts that merge to retain funding intended for remote small elementary schools, small high schools, and small school districts if one of the districts received that funding prior to the merger. If prior to the merger of two or more school districts, at least one of those districts had one or more remote small elementary schools or one or more small high schools for which the district received an additional amount added to the district’s weighted average daily membership (ADMw), then the district would continue to qualify for and receive an additional amount added to the district’s ADMw for each elementary school that qualified as a remote small elementary school prior to the merger or for each high school that qualified as a small high school prior to the merger, provided the elementary school or high school continues to satisfy specific statutory average daily membership requirements. If prior to the merger of two or more school districts, at least one of the school districts qualified as a small school district and the district received a grant for one or more small high schools, the Oregon Department of Education (ODE) would be required to continue to award a grant to the school district for each high school that qualified as a small high school prior to the merger, provided the high school continues to satisfy specific statutory average daily membership requirements. The measure would take effect on January 1, 2024, and would apply to mergers occurring on or after its effective date.

Current law gives additional funding to small and remote schools and school districts under certain circumstances. There are currently 94 schools in Oregon that receive additional funding as remote small elementary schools and 100 schools that receive extra funding as small high schools, according to ODE. Because additional funding is provided to small and remote schools and districts, current law may disincentivize merging of districts if the schools or districts would lose their remote status and thus no longer be eligible for the additional funding. The measure would remove potential disincentives for districts to merge by retaining the additional funding for remote small elementary schools, small high schools, and small school districts after the merger occurs, even if the school district would then not otherwise qualify for the additional funding.

The measure would require ODE to update the State School Fund (SSF) system, including installing, testing, and implementing new programming to the SSF system. Once the updates are made, staff would need to monitor the system changes. The cost of these changes is anticipated to be minimal and absorbable within ODE’s information technology department.

The measure is anticipated to have a minimal fiscal impact on school districts that consider merging.