

HB 5015 BUDGET REPORT and MEASURE SUMMARY

Joint Committee On Ways and Means

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Reviewed By: Julie Neburka, Legislative Fiscal Office

**Department of Education
2023-25**

PRELIMINARY

Budget Summary*

	2021-23 Legislatively Approved Budget ⁽¹⁾	2023-25 Current Service Level	2023-25 Committee Recommendation	Committee Change from 2021-23 Leg. Approved	
				\$ Change	% Change
General Fund	\$ 7,890,603,299	\$ 8,074,344,500	\$ 8,810,156,745	\$ 919,553,446	11.7%
Lottery Funds	\$ 650,508,965	\$ 646,538,037	\$ 646,538,037	\$ (3,970,928)	(0.6%)
Other Funds Limited	\$ 758,887,736	\$ 796,834,736	\$ 743,305,218	\$ (15,582,518)	(2.1%)
Total	\$ 9,300,000,000	\$ 9,517,717,273	\$ 10,200,000,000	\$ 900,000,000	9.7%

Position Summary

Authorized Positions	0	0	0	0
Full-time Equivalent (FTE) positions	0.00	0.00	0.00	0.00

⁽¹⁾ Includes adjustments through January 2023

* Excludes Capital Construction expenditures

Summary of Revenue Changes

State resources for the State School Fund (SSF) include state General Fund, Lottery Funds, Corporate Activity Tax (CAT) revenues, Marijuana Tax revenues, and a small amount of State Timber tax revenues. Available Other Funds revenue estimates are based on the Office of Economic Analysis May 2023 revenue forecast, which projects a drop in available Other Funds revenue of \$53.5 million or 6.7 percent from 2023-25 Current Service Level. The drop in Other Funds revenue from current service level is due to a projected decline in CAT revenues transferred from the Fund for Student Success to the SSF per Oregon Revised Statutes (ORS) 327.001 Sec. 4 (B). This decrease from CSL is offset by additional General Fund under the Education Subcommittee recommendation.

House Bill 5015 reflects only the state's share of the School Formula revenue. The state resources are combined with certain local revenues and distributed to Oregon school districts and education service districts through the equalization formula, which is detailed in ORS 327.013. The equalization formula or "School Formula" revenue is available for general school operations and does not include bond revenue or categorical aid. Local revenues (primarily property taxes) are not reflected in the state budget but are expected to provide \$5.1 billion in the 2023-25 biennium, as estimated by the Legislative Revenue Office. This local revenue portion remains with the districts where it is collected but is considered a part of the School Formula revenue for distribution purposes. Local revenue also includes distributions from the Common School Fund, which is managed by the State Land Board. These local revenues combined with state resources of \$10.2 billion are projected to exceed \$15.3 billion for the 2023-25 biennium.

Summary of Education Subcommittee Action

The Subcommittee recommended a total state funding level of \$10.2 billion for the SSF. Of this \$10,200,000,000, \$8,810,156,745 is General Fund, \$646,538,037 is Lottery Funds, and \$743,305,218 is Other Funds expenditure limitation. Other Funds include \$701,954,823 in resources transferred from the Fund for Student Success, \$40,750,659 in Marijuana tax revenues, and \$599,736 in State Timber Tax revenues.

These SSF resources are in addition to local revenues and state, federal, and other categorical aid. Together, SSF resources and local funding results in a School Formula budget of \$15.3 billion before specific distributions and “carve-outs.” At \$10.2 billion, the state contribution is \$900.0 million (9.7 percent) more than the 2021-23 Legislatively Approved Budget and \$682.3 million or 7.2 percent above current service level. The budget increase from 2021-23 assumes adjustments for employee compensation, changes in Public Employee Retirement System contribution rates, growth in health care costs, changes in student enrollment, standard inflationary adjustments and estimated changes in local revenues. The Subcommittee’s recommended increase over current service level also covers anticipated school district employer cost share related to the new Paid Leave Oregon program. These School Formula revenues are, for the most part, allocated to school districts and education service districts according to the formula prescribed in statute.

Specific distributions or “carve-outs” are covered only by state contributions to the SSF and do not affect the basic distribution formula to school districts and Education Service Districts. Many of these specific carve-outs are still distributed to school districts, but outside the general formula. These distributions are generally authorized in ORS chapter 327, but this bill does set the amount for some of them as follows:

- Up to \$968,000 from the SSF may be expended for 10th grade assessments as described in ORS 329.488.
- Up to \$1,600,000 from the SSF may be expended, for purposes related to Oregon Digital Learning.
- The amount of \$4,000,000 is transferred from the SSF to the Local Option Equalization Grant Account in ORS 327.339.
- A new carve-out is proposed for 2023-25 for the School Safety and Emergency Management Program in the amount of \$3.0 million. This carve-out is intended to replace the School Facilities carve-out, which is no longer needed due to change in bond law. The carve-out is being considered as a permanent change with Senate Bill 1002 (2023).
- A new carve-out is proposed for 2023-25 for the Oregon Youth Challenge Program in the amount of \$4,268,766. This carve-out will transfer funds to the Oregon Military Department to support the Oregon Youth Challenge Program, which provides educational services for youth at risk of dropping out of school. The program is mostly Federally funded, with state support currently passed-through from the Bend-LaPine School District. The carve-out is being considered as a permanent change with Senate Bill 1034 (2023).

Summary of Performance Measure Action

There are no Key Performance Measures for the State School Fund.

PRELIMINARY

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Oregon Department of Education
Mike Streepey – 971-283-1198

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2021-23 Legislatively Approved Budget at Jan 2023 *	\$ 7,890,603,299	\$ 650,508,965	\$ 758,887,736	\$ -	\$ -	\$ -	9,300,000,000	0	0.00
2023-25 Current Service Level (CSL)*	\$ 8,074,344,500	\$ 646,538,037	\$ 796,834,736	\$ -	\$ -	\$ -	9,517,717,273	0	0.00
<u>SUBCOMMITTEE ADJUSTMENTS (from CSL)</u>									
SCR 400 - State School Fund									
Special Payments	\$ 735,812,245		\$ (53,529,518)	\$ -	\$ -	\$ -	682,282,727		
TOTAL ADJUSTMENTS	\$ 735,812,245	\$ -	\$ (53,529,518)	\$ -	\$ -	\$ -	682,282,727	0	0.00
SUBCOMMITTEE RECOMMENDATION *	\$ 8,810,156,745	\$ 646,538,037	\$ 743,305,218	\$ -	\$ -	\$ -	10,200,000,000	0	0.00
% Change from 2021-23 Leg Approved Budget	11.7%	(0.6%)	(2.1%)	0.0%	0.0%	0.0%	9.7%	0.0%	0.0%
% Change from 2023-25 Current Service Level	9.1%	0.0%	(6.7%)	0.0%	0.0%	0.0%	7.2%	0.0%	0.0%

*Excludes Capital Construction Expenditures

PRELIMINARY