



To: House Education Committee
From: Jackie Olsen, Executive Director of Oregon Association of School Business Officials
Subject: Concerns regarding House Bill 2710
Date: February 27, 2023

Chair Neron, Vice Chairs Hudson and Wright, and Members of the House Education Committee:

Recently we surveyed our members about the impact of this House Bill 2710 and heard back from school business officials in 58 school districts ranging from small to large, rural, suburban, and urban - covering a representative sample of the state. While we support the goal around transparency in House Bill 2710, the bill itself - though it may seem simple on the surface - would take valuable resources away from students to pay for staff to manage and report.

Here's a summary of the concerns that school business officials shared:

1. The administrative costs and how that draws limited resources away from students.
2. The timing of the report would not give districts enough time to reconcile their budgets and ensure that all of their financial information has been audited.
3. The scope of the report would make it very challenging for the public to understand a district's context, what other funds are available, and how on a broader level the district uses public funds to support students and schools.

Districts and ESDs use Generally Accepted Accounting Principles (GAAP) and the Program Budgeting and Accounting Manual (PBAM) to achieve consistency in budgeting and financial reporting. By utilizing standards and guidelines for financial accounting and reporting, districts increase their ability to present a clear picture of the district's financial condition and to make valid comparisons.

The purpose of a general fund - where our state school fund dollars are recorded- is to account for **all** financial resources of the districts except those required to be accounted for in another fund. On average, 80% of the general fund consists of revenue from the state school fund formula, which includes not only payments from the state, but also local property taxes, state timber payments, county school funds, and other things including transportation. Other resources like the beginning fund balance, interest payments, revenue from indirect charges, payments from ESDs, and other miscellaneous revenue account for the other 20%.

The general fund represents all of the costs associated with a district that cannot be accounted for in other funds for restricted purposes, examples include grants like IDEA and Title. One of the great things about our districts is that each of them have the ability to spend general operating funds based on the needs of each of their students and schools. An example may include two districts who have the exact same number of students - but what you don't see is the size of each class (one may have more elementary students and the other has more high school students) or the number of students navigating poverty that require additional funds for social services provided to students and families. Districts work to allocate resources to meet the needs of students. This bill would take valuable resources away from students to pay for staff to manage and report.



In accordance with Governmental Accounting Standards Board statement 54- the General Fund is the **only** fund that can have an unassigned fund balance (meaning that is not restricted in any way as all other types of funds listed above are). If this bill were to pass, districts utilize state school funds to track all of the expenditures required for general operating expenses into buckets and then constantly be moving expenses around based on revenue received in the current year, and putting everything "back together" to meet state and federal auditing and reporting requirements. While it is possible - the time and cost associated with this bill would provide no benefits to the students we serve.

The number one concern with HB 2710 is the cost of this report. From my experience in working with districts and ESDs over the years, I calculated the cost of setting up an accounting structure to make this report happen. This would include creating new account codes, reviewing every employee to determine which account they were going to be paid out of, updating the account codes for each of those employees, and updating all supporting documents and training material so that staff who enter requisitions and are in charge of purchasing know which accounts to use. On a statewide basis, the cost is estimated at \$10 million.

At the end of the year, to actually prepare the report, which would include reconciling all expenses only for the state school fund to the revenue received, making adjustments, creating a report, and then putting all of the data back together to be able to accurately finalize our audits and create reports that meet state and federal guidelines, an additional \$4.5 million would be required annually. Based on current workloads, districts may also need to hire additional staff to do this work in a time where we are facing a workforce shortage. If additional staff are needed, those would be in addition to the costs I have already identified.

The second major concern that was shared, was that the reporting would be at a point in time and will never actually "balance" to the SSF formula revenue for a fiscal year. For example, the SSF formula revenue received for FY22/23 will not actually be reconciled with ODE until the spring of 2024 (a whole year later). Districts could receive an additional payment in May of 2024 for the 2022/2023 school year or they could be in a position of paying money back to ODE.

Additionally, this one report will **not** be able to be compared to any audits as all districts will have to report all general operating expenses into one fund for the purpose of Generally Accepted Accounting Principles and Governmental Accounting Standards Board requirements. This will be a stand alone report that does not represent what is actually happening in a district. If compared to the district's financial audit, additional questions are going to be raised regarding the differences and additional time will be needed to explain the differences in the reports to our board and the communities we serve. Audit reports are due to ODE on or before December 31 of each year. As written, HB 2710 would require a report to be submitted before data has been audited.

Third, the State School Fund has no requirements or restrictions for expenditures as they are to be used for general operating expenses. Most districts would probably keep expenditures related to SSF weights in this report (special education, ELL, transportation, etc.) but what is removed from the general fund to balance SSF formula revenue will vary on an annual basis and also vary greatly between districts. Some could remove elementary education, others could remove facility costs, and yet others may remove administrative costs - like superintendent and school board expenditures. Data received would have to be looked at on an individual basis and you would have to look at the reports that are already sent to ODE (audited actual data for all general fund costs) to see the real



picture of a district. In reviewing expenditures related to only SSF formula revenue, you would not be able to compare neighboring districts or even districts of similar size.

I would encourage you to consider a technical work group, which would include business officials who will be doing the work, to work towards a goal of improving reporting transparency. Our goal is to minimize the administrative burden and focus our time and resources on serving students.

Thank you for your time. I would be happy to help answer any follow up questions you may have.