

Legislative Fiscal Office

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Joint Committee on Ways and Means

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To: Education Subcommittee

From: Julie Neburka, Legislative Fiscal Office

Date: May 11, 2023

Subject: HB 5015 – ODE State School Fund
Work Session Recommendations

Department of Education, State School Fund – Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 LFO Recommended
General Fund	7,532,181,896	7,890,603,299	8,074,344,500	8,524,247,301
Lottery Funds	730,467,530	650,508,965	646,538,037	646,538,037
Other Funds	697,035,826	758,887,736	796,834,736	729,214,662
Total Funds	8,959,685,252	9,300,000,000	9,517,717,273	9,900,000,000

The State School Fund (SSF) is the primary funding source for the general operations of school districts and educational service districts (ESDs) that serve just more than 552,000 Oregon students from kindergarten through grade twelve. SSF resources include state General Fund, Lottery Funds, Marijuana Tax, and corporate activity tax revenues from the Fund for Student Success. These state resources are combined with local school revenues (primarily property taxes, which are not included in the state budget) and result in total school funding “formula” resources. The “formula” refers to the equalization formula (ORS 327.008 et seq) that equitably allocates school funding to districts and ESDs on a per-pupil basis, weighted for certain student and district characteristics, and accounting for local revenues. Local revenues - including property taxes, Common School Fund revenues, and certain timber revenues - are estimated to total \$5.1 billion in the 2023-25 biennium. Combined with state resources of \$9.9 billion, total formula resources are expected to top \$15 billion for the 2023-25 biennium, a \$1.03 billion, or 7.4% increase over the 2021-23 biennium.

School formula resources are allocated to school districts and ESDs on a per-weighted-student basis (ADMw), which is estimated to be 674,211 in the 2023-25 biennium. School districts receive a general purpose grant, a facilities grant, and a transportation grant from the SSF; ESDs receive a general services grant based partially on the weighted average daily membership of the school districts in each ESD’s territory. Certain programs are funded from the SSF (“carved

out”) before the distribution to school districts and ESDs; these programs are identified in statute and are shown in the table below. All other school spending decisions are made at the local level by elected school boards.

2023-25 Set Asides or Carve Outs	Legal Citation	2023-25
Charter School Closure	ORS 327.008(3)	600,000
School Facilities Grant	ORS 327.008(8)	0
School Facilities Office	ORS 327.008(9)	8,000,000
Pediatric Nursing Facilities	ORS 327.008(10)	5,154,958
High Cost Disability	ORS 327.008(11)	110,000,000
Educator Advancement Fund - SSF Share	ORS 327.008(12)(a)	6,520,836
Educator Advancement Fund - SD/ESD shares	ORS 327.008(12)(b-c)	36,408,001
English Language Learners	ORS 327.008(13)	12,500,000
10th Grade Assessment	ORS 327.008(14)	968,000
Oregon Digital Learning	HB 5015 (2023)	1,600,000
Talented & Gifted	ORS 327.008(15)	350,000
Speech Pathologist	ORS 327.008(16)	150,000
Healthy Schools Facilities Fund	ORS 327.008(17)	2,000,000
Menstrual Products	ORS 327.008(18)	2,595,000
Small School Supplement	ORS 327.008(19)	5,000,000
Hospital/Residential Care	ORS 343.243	26,000,000
Local Option Equalization	ORS 327.339	4,000,000
Statutory Set Asides or Carve Outs		221,846,795
2023-25 Proposed New Carve-outs	Legal Citation	2023-25
School Safety & Emergency Management	SB 1002	3,000,000
Oregon Youth Challenge Program	SB 1034	4,268,766
Proposed Set Asides or Carve Outs		7,268,766
Total Set Asides and Carve Outs 2023-25		229,115,561

Adjustments to Current Service Level

The 2023-25 current service level for the State School Fund is \$9.5 billion, a 2.34% change from the 2021-23 legislatively approved budget. Current service level includes adjustments from the 2021-23 budget for increases in employee compensation, changes in PERS rates and health insurance costs, changes in student enrollment, and estimated changes in local revenues.

The LFO recommended budget for the State School Fund for 2023-25 totals \$9.9 billion. This increase over CSL includes funding for any expense school districts might incur for the new Paid Family Leave program. Based on the March 2023 economic and revenue forecast produced by the Office of Economic Analysis, resources and amounts for the SSF are as follows:

General Fund	\$8,524,247,301
Lottery Funds	\$646,538,037
Other Funds	<u>\$729,214,662</u>
Total:	\$9,900,000,000

Based on the March 2023 forecast, recommended Other Funds resources are as follows:

Marijuana Taxes	\$40,750,659
Corporate Activity Taxes	\$687,864,267
State Timber Taxes	<u>\$599,736</u>
Total:	\$729,214,662

Typically, General Fund and Lottery Funds amounts are re-balanced at the end of the legislative budget process to reflect both the May 2023 economic and revenue forecast and other uses of Lottery Funds statewide. Any needed adjustments will be made in end of session bills.

Accept LFO Recommendation:

MOTION: I move the LFO recommendation to HB 5015. (VOTE)

OR

Change LFO Recommendation:

MOTION: I move the LFO recommendation to HB 5015, with modifications. (VOTE)

Recommended Changes

LFO recommends a budget of \$8,524,247,301 General Fund, \$646,538,037 Lottery Funds, and \$729,214,662 Other Funds, which is reflected in the –2 amendment.

MOTION: I move adoption of the –2 amendment to HB 5015. (VOTE)

Final Subcommittee Action

LFO recommends that HB 5015, as amended **by the –2 amendment**, be moved to the Ways and Means Full Committee.

MOTION: I move HB 5015, as amended, to the Full Committee with a do pass recommendation. (VOTE)

Carriers

Full Committee: _____

House Floor: _____

Senate Floor: _____