

# Legislative Fiscal Office

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## Budget Information Brief / 2004-6

### 2003-05 K-12 Funding Update

#### 2003-05 Legislatively Adopted Budget

The 2003 Legislature approved a base amount of \$5.2 billion for State School Fund grants to school districts and education service districts in 2003-05. The adopted budget includes \$4.74 billion General Fund, \$452.1 million Lottery Funds, and \$17.2 million Other Funds from local revenues deposited into the State School Fund. Lottery Funds include an estimated \$122 million transfer to the State School Fund from the Education Stability Fund in May 2005.

At the close of the 2003 regular session, local revenues subject to the equalization formula were estimated to be \$2.3 billion for 2003-05. Thus, the State School Fund and local formula revenues, which together make up most of a district's general operating revenue, were expected to be \$7.5 billion for 2003-05.

Since the close of the 2003 session, changes have occurred in several of the components of K-12 funding as described below.

#### State Funding Changes Result in a \$290.6 Million Reduction

**Ballot Measure 30 Defeat** - The most significant change in the level of the State School Fund results from the defeat of Measure 30 by voters in February 2004. This triggered a \$284.6 million General Fund disappropriation from the State School Fund for the 2004-05 school year. Additionally, defeat of the measure eliminated a cap on the discount for early payment of property taxes, resulting in a \$14.3 million Other Funds reduction in the State School Fund for 2004-05. Total reductions from the defeat of Measure 30, therefore, were \$298.9 million.

**Trigger Revenues** - Offsetting the General Fund reduction due to Measure 30's defeat, but only to a slight degree, are additional General Fund revenues that will be distributed to schools in 2004-05 as a result of legislation passed by the Legislative Assembly in the 2003 session (HB 5077 and SB 5554). This legislation provides that, as of the June 2004 revenue forecast, if General Fund growth occurs and as long as the state's 2003-05 General Fund ending balance is projected to be at least \$100 million, then the State School Fund is to receive 50% of any excess over the \$100 million ending balance up to a capped amount. (The intent was to provide schools total state support of up to \$5.3 billion, prior to the defeat of Measure 30.) Since the June 2004 forecast projects the 2003-05 General Fund ending balance will be \$116.6 million, the State School Fund will receive an additional appropriation of \$8.3 million in 2004-05.

#### Local Revenue Changes Result in a \$41.7 Million Increase

**Common School Fund** - Growth in the Common School Fund's value will result in increased support for schools from this source. The Fund's value as of December 31, 2003, which determines distributions for 2004-05, has grown significantly from the estimated value that was used to develop the distributions included in the 2003-05 legislatively adopted budget. As a result, the 2004-05 amount will increase from \$13.8 million to \$40.2 million, or an additional \$26.4 million. This brings the total 2003-05 Common School Fund distributions to \$53.5 million.

**Other Local Revenues** - Estimates for certain equalization formula revenues, primarily property taxes, have increased slightly since the close of the 2003 legislative session. The increase is approximately \$15.3 million.

## Other

**Estimated Lottery Shortfall** – The close-of-session lottery support includes \$80 million contingent upon the effects of legislation passed to expand the number of lottery machines at authorized locations and other actions to be taken by the Lottery Commission to increase lottery revenues. This amount comprises unobligated lottery revenues of \$67 million as well as \$13 million to be transferred from the Education Stability Fund.

The June 2004 revenue forecast projects that approximately \$66 million of the \$80 million will be realized, leaving a potential shortfall of \$14 million (essentially in the unobligated lottery revenues). The shortfall would affect the 2004-05 school year. In spite of the June forecast, the director of the Oregon Lottery recently reported to the Oregon Lottery Commission that the agency is on track to generate the full amount of additional revenues expected by the 2003 Legislature.

## Summary

The table below compares the close-of-session amounts to current estimates for K-12 support through the State School Fund and local revenues subject to equalization. The lottery figures assume no shortfall exists.

<b>2003-05 State School Fund and Local Formula Revenues (\$s in millions)</b>	<b>2003-04</b>	<b>2004-05</b>	<b>Total</b>
<b><u>2003 Close of Session</u></b>			
General Fund	\$2,460.1	\$2,277.1	\$4,737.2
Lottery Funds	\$128.9	\$201.2	\$330.1
Other Funds	\$1.9	\$15.3	\$17.2
Education Stability Fund	\$0.0	\$122.0	\$122.0
<b>Total State School Fund (without potential trigger revenues of up to \$100 million)</b>	<b>\$2,590.9</b>	<b>\$2,615.6</b>	<b>\$5,206.5</b>
<b>Local equalization formula revenues</b>	<b>\$1,109.1</b>	<b>\$1,159.2</b>	<b>\$2,268.3</b>
<b>Total</b>	<b>\$3,700.0</b>	<b>\$3,774.8</b>	<b>\$7,474.8</b>
<b><u>With failure of Measure 30, additional trigger revenues, and revised local resources:</u></b>			
General Fund	\$2,460.1	\$2,000.8	\$4,460.9
Lottery Funds	\$128.9	\$201.2	\$330.1
Other Funds	\$1.9	\$1.0	\$2.9
Education Stability Fund	\$0.0	\$122.0	\$122.0
<b>Revised State School Fund (with failure of Measure 30 and additional trigger revenues)</b>	<b>\$2,590.9</b>	<b>\$2,325.0</b>	<b>\$4,915.9</b>
<b>Local equalization formula revenues (with Common School Fund &amp; other increases)<sup>1</sup></b>	<b>\$1,118.8</b>	<b>\$1,191.2</b>	<b>\$2,310.0</b>
<b>Total</b>	<b>\$3,709.7</b>	<b>\$3,516.2</b>	<b>\$7,225.9</b>
<b>Change in total from close of session</b>	<b>0.3%</b>	<b>-6.9%</b>	<b>-3.3%</b>

<sup>1</sup> Note: Does not include \$11.5 million in local revenues that are not treated as a statewide resource for equalization purposes; these revenues are retained by the districts wherein the excess local revenues are generated

For additional information, contact:  
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