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Number #11-00

November 2000

FEDERAL FOREST REVENUE FOR SCHOOLS

FEDERAL LEGISLATION

Congress recently passed H. R. 2389. This legislation increases federal payments for roads and public schools to counties with U.S. Forest Service timberlands. The legislation also increases payments to counties with BLM land, but these are not shared with schools and so are not included in this report.

The new Forest Service payment is 25% of the average forest revenue for the three highest revenue years from FY 1986 through FY 1999. The payments are for federal FY 2001 through FY 2006 and are to be made as soon as practical after the end of the fiscal year. The former payment was 25% of annual revenue or the spotted owl safety net payment.

Counties must spend at least 80% but not more than 85% of the payment the same as the former 25% payments. The other 15% to 20% is for special projects. However if a county receives less than \$100,000, no special project funding is necessary.

The legislation stabilizes federal payments to counties for roads and schools. The new payment will not depend on the current volume and value of harvested timber or spotted owl safety net dollars. Counties need to choose the new payment. Payments are indexed by 50% of the change in the rural CPI. The state is to divide the payment among counties as in the original 1908 act.

SCHOOL ALLOCATION

The state divides the federal timber payment first by national forest and then by county. Each county with forest acreage receives a proportionate share of the forest revenue based on its share of forest acreage (ORS 293.560).

The county divides its forest revenue 25% to the county school fund and 75% to the road fund (ORS 294.060). A few eastern Oregon counties may transfer excess road funds to schools. The county school fund also has other sources of revenue.

The county first pays out of its school fund the Department of Education bill for certain special education students in state operated programs (ORS 328.035). The county distributes the balance to school districts in the county. Each school district's share of the fund is its proportional share of students in the county measured by students (ADM) in the prior year (ORS 328.015). The

(Over)

county distributes the fund in December. The county executive officer may distribute any additional revenue received after the December distribution.

SCHOOL EQUALIZATION

The K-12 school equalization formula includes federal forest revenue as local revenue (ORS 327.013). The equalization amount for a school district is the sum of its local revenue and allocated State School Fund revenue. An increase in local revenue increases the statewide equalization amount. The effect of the equalization formula is to share increased local revenue for some districts with all districts. Every district has more revenue.

State School Fund dollars shift to balance out the change in the district equalization amount and local revenue. When local revenue increases, the equalization amount increases for all districts assuming no change in State School Fund dollars. In districts where local revenue increases more than their higher equalization amount, State School Fund dollars decrease. In districts where local revenue does not increase or increases less than the higher equalization amount, State School Fund dollars increase.

SCHOOL REVENUE ESTIMATES

The preliminary estimate for increased federal forest revenue to schools is about \$14 million in 2001-02 and \$14.7 million in 2002-03. This is only Forest Service revenue going to schools. It is doubtful school districts will receive any additional revenue in 2000-01. The estimate of additional revenue per weighted student (ADMw) averages about \$22 in 2001-02 and \$23 in 2002-03. The total amount per ADMw averages about \$51 per year.

Forest Service Revenue	2000-01	2001-02	2002-03
25% and Safety Net	18.9	18.5	18.1
H.R. 2389	???	<u>14.0</u>	<u>14.7</u>
Total	18.9	32.5	32.8
Per ADMw			
25% and Safety Net	30	29	28
H.R. 2389	???	<u>22</u>	<u>23</u>
Total	30	51	51

Note: Dollars in millions except per ADMw

Most school districts currently receive the 25% and safety net federal forest revenue. For 1999-00, 185 school districts out of 198 reported federal forest revenue. However, 24% of these had payments of less than \$3,000. For 2000-01, 154 districts in 32 counties report estimates for federal forest revenue so over 75% of districts anticipate revenue. Likewise, the additional revenue from H.R. 2389 will be distributed to most school districts though unevenly per student before being equalized by the school distribution formula.