

## INFORMATION BRIEF

*April 30, 2009*

### A Primer on Select K-12 Funds

---

---

**Issue:** This brief is intended to provide a short description of some of the current funding sources to support K-12 education, a comparison of key characteristics of the funds, and an overview of the funds within the Oregon Department of Education's budget for basic K-12 support.

**State School Fund** – A long-standing state fund within the budget of the Oregon Department of Education; holds funds distributed eleven times per year to districts according to a legislatively adopted formula (also known as the equalization formula) (see ORS 327.006. to 327.157)

**School Improvement Fund** – A fund first established in 2001; funded for the first time in 2001-03 and again in 2007-09; with this recent funding, the Oregon Legislature required a more detailed application and reporting process (see ORS 327.290 to 327.297)

**School Day Restoration Fund** – A fund established by the Oregon Legislature in March 2009; funded with state General Fund (\$51 million) for the 2008-09 school year with the purpose of preserving a full school year for Oregon schools to the extent possible; requires districts to submit an application with certain assurances by April 30, 2009 (SB 581 Enrolled, Sections 19 through 22)

**State Fiscal Stabilization Fund** – A fund established through the federal American Recovery and Reinvestment Act of 2009; contrary to its name, this is not a state fund but is a source of federal funds that will flow through state agencies; the Oregon Legislature used \$115.4 million in 2008-09 to partially offset a reduction in state support for the State School Fund; the per ADMw amounts have been included in ODE's March 2009 estimates of 2008-09 State School Fund payments but the payments will be made separately from the May 2009 State School Fund payment due to federal requirements

**Education Stability Fund** – A fund created by the Oregon Legislature as a constitutional amendment subject to voter approval; approved by voters in September 2002; the Oregon Legislature used a portion of this fund for K-12 support in 2001-03 and 2003-05; it has not been tapped since that time but there is a high likelihood it will be used in 2009-11 as part of the state support for K-12 due to the state's revenue shortfall

## Comparison of Select Funds for K-12 Support

	<b>State School Fund</b>	<b>School Improvement Fund</b>	<b>School Day Restoration Fund</b>	<b>State Fiscal Stabilization Fund</b>	<b>Education Stability Fund</b>
State Fund?	YES	YES	YES	NO (federal)	YES
Fund Source	State General Fund, lottery revenues, a small amount of state timber	State General Fund	State General Fund	American Recovery and Reinvestment Act (federal funds)	State lottery revenues
Distribution Method	Formula set forth in state law (ORS Ch 327)	Formula set forth in state law (extended ADMw) (ORS Ch 327 )	Formula set forth in state law (current year est. ADMw)  (Senate Bill 581, 2009)	Requires use of regular state distribution formula	Typically is transferred to State School Fund and its formula then applies
Application Required?	NO <sup>1</sup>	YES	YES	YES	NO
Post-distribution Reporting Requirements on Fund Use	NO <sup>2</sup>	YES (pending outcome of Senate Bill 441, 2009)	NO	YES	NO
Reconciliation or Settlement Process?	YES (required by statute)	NO <sup>3</sup>	NO	TO BE DETERMINED	YES (as part of State School Fund reconciliation)

1 This table addresses only the basic State School Fund apportionment payments and these do not require an application; however, some specialized funds that are taken “off the top” of the State School Fund – such as the High Cost Disability Fund – do.

2 While there are no specific reporting requirements on use of funds or outcomes, districts are required to follow up with actual data to replace the estimates of data used for initial apportionment payments from the State School Fund.

3 At this time, the Oregon Department of Education does not plan to do a settlement process since the 2009 Oregon Legislative eliminated the funds remaining in the School Improvement Fund that would have been used in the process.

## 2007-09 K-12 Funding in the Oregon Department of Education's Budget<sup>1</sup>

	Approved by the 2007 Legislature	Amended and Approved by the 2009 Legislature
<b>State School Fund:</b>		
State General Fund	\$5.331 billion	\$5.043 billion
Lottery Funds	\$654 million	\$667.4 million
Other Funds <sup>2</sup>	\$3.25 million	\$3.25 million
Federal Funds <sup>3</sup>	\$0	\$115.36 million
<b>TOTAL FOR SSF</b>	<b>\$5.988 billion</b>	<b>\$5.829 billion</b>
<b>School Improvement Fund:</b>		
State General Fund	\$260 million	\$251.4 million
<b>School Day Restoration Fund</b>		
State General Fund	\$0	\$51 million
<b>TOTAL</b>	<b>\$6.248 billion</b>	<b>\$6.131 million</b>

<sup>1</sup> Does not include grant-in-aid programs such as regional programs

<sup>2</sup> These other funds are primarily kicker refund checks donated by taxpayers to the State School Fund.

<sup>3</sup> Federal funds are from the State Fiscal Stabilization Fund established by the federal American Recovery and Reinvestment Act of 2009 (ARRA). While this is a federal source of funding, the 2009 Oregon Legislature used the funds to backfill a General Fund reduction in the State School Fund. The Legislature gave the Oregon Department of Education authority to spend these funds this year through the State School Fund since federal law requires we distribute the funds using the statutory equalization formula.

Note the ARRA funds are subject to federal reporting requirements even though they are "flowing" through the State School Fund and are to be recorded in the district's General Fund using Revenue Code 4500 – Other Restricted Federal Grants.

However, we do not yet have final guidance. As soon as we do, we will be distributing it to district superintendents and business managers. For now, it is important to know that districts will need to be able to track the ARRA revenues separately. You will be responsible for tracking related expenditures, but at this point we do not know what the detailed requirements will be.

It is important to note this is not *additional* money for schools compared to the original budget adopted by the Legislature for 2007-09 as the previous table shows. Even with the use of the AARA funds, the Legislature reduced overall funding for K-12 by \$116.1 million. Had it not used the ARRA funds, the cut to K-12 would have been \$231.5 million.

For more information, please contact:

Sue MacGlashan at 503.947.5658 or [susan.macglashan@state.or.us](mailto:susan.macglashan@state.or.us)

Michael Wiltfong at 503.947.5914 or [Michael.wiltfong@state.or.us](mailto:Michael.wiltfong@state.or.us)