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Media Release

House Passes HB5017, Approving \$7.255 billion for K-12 in 2015-17

Why the current allocation will not be sufficient for Hillsboro School District

April 1, 2015, Hillsboro, OR – Oregon’s House of Representatives passed House Bill 5017 on Tuesday, March 31, approving a K-12 budget of \$7.255 billion for the 2015-17 biennium. The bill now goes to the Senate for a vote, where it is expected to pass; the bill is then anticipated to move on to Governor Kate Brown for approval by the end of the week.

Some interesting provisions in the bill are that it alters the typical distribution of State School Funds (SSF) between the two years of the biennium—usually, 49% of the funds are distributed in year one of the biennium and 51% of the funds are distributed in year two; however, HB5017 calls for a 50%/50% distribution—and that 40% of any “new” revenue identified by the June 2015 revenue forecast (released in mid-May 2015) will be allocated to K-12 education in the second year of the biennium (2016-17).

Given our current understanding of how this money will actually be distributed to school districts, here is what the \$7.255 billion budget level means to Hillsboro:

- With changes to the SSF calculation for 2015, which include an addition to the overall number of students in Oregon to be served, and an update to the number of HSD students living in poverty, as well as carve-outs for portions of the overall allocation; in addition to the 50%/50% distribution, Hillsboro would be looking at a break-even budget in 2015-16 and a shortfall of approximately \$6.5 million in 2016-17.
 - This assumes that there are no changes to the current Gain Share legislation and that the District would continue to receive a gift of approximately \$1.2 million per year from the City of Hillsboro and Washington County.
 - This also does not take into account the cost of capital improvements the District needs to make to accommodate full-day kindergarten (approximately \$1 million - \$1.5 million).
 - The District is currently bargaining with both its licensed and classified employee groups and the effect of those settlements is still an unknown.
- Recently received information from the Oregon Department of Education about the revised estimates for the 2013-14 school year (districts receive a final settlement for the previous year in May of the following year) may result in an additional \$1.3 million to Hillsboro this year, which theoretically could be banked to help with a shortfall in 2016-17.
- As a general rule, a 50%/50% split is not beneficial to school districts as costs continue to rise each year.

If the June revenue forecast indeed reflects higher revenue projections and additional money is allocated to K-12 education for the 2016-17 year, that would be helpful to Hillsboro; however, the District’s typical budgeting process calls for approving a budget prior to mid-May, and state law requires school boards to officially adopt a budget by June 30 of each year. It is possible that the District will have to develop a budget that assumes making a certain amount of sustainable reductions for the 2015-16 and 2016-17 school years and then revisits those planned reductions once a final allocation amount is known.

Stay tuned to the [Budget Matters](#) page of our website for the most current budget-related information.

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