

**LANE COUNTY SCHOOL DISTRICT 4J  
(EUGENE SCHOOL DISTRICT)  
LONG-TERM FINANCIAL FORECAST**

**2017-18 — 2021-22**

**December 2017**

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## Forecast Framework

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This financial forecast has been prepared to provide the fullest picture of the District's financial future so that decision-making today can support high quality and innovative educational programs tomorrow. The forecast establishes key assumptions underlying the projections and identifies variables which may cause the projections to change in the future.

The District's Vision 20/20 Strategic Plan provides the vision, goals, objectives and key performance indicators supporting financial planning and decision-making by the School Board, Budget Committee, and district staff. The District's five goals are as follows:

*I. "Educational Excellence with Equitable Access and Outcomes for Every Student"*

*II. "Multiple Pathways to Student Success"*

*III. "Communication and Connection with Community"*

*IV. "Diverse World-Class Workforce"*

*V. "Stable, Sustainable Stewardship"*

This forecast most closely aligns with Goal V, which is focused on providing effective, efficient and equitable stewardship of district resources to best support our instructional mission. Completion of this forecast assists the District in the development of a sustainable budget aligned to district goals, strategies and objectives by:

1. Identifying key operational assumptions and factors to be used in budget development
2. Highlighting the effect of current budget factors on future periods so that their impact can be measured against the District's goal of stable and sustainable operations
3. Alerting the District to future developments that could impact the District's ability to sustain operations at current levels or meet strategic objectives

Board Policy DI provides additional direction for the planning and allocation of resources:

1. *"On a semi-annual basis the district forecasts General Fund resources and operational requirements over a rolling five year period. Annually, as part of the budgeting process for the district, the Superintendent presents the most recent forecast to the Budget Committee and Board for review and consideration. This forecast highlights resource and requirement considerations that will inform the development of the Superintendent's Proposed Budget for the following year and for other financial planning activities."*

# GENERAL FUND FORECAST

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## Summary of Long-Term Financial Forecast – General Fund

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This document provides in-depth information on the development of Lane County School District 4J's long-term financial forecast. Results and key assumptions are summarized below. The accompanying pages are integral to understanding this summary information, and the "Key Assumptions" section below provides insight into the significant assumptions driving each year's forecast.

### Key Assumptions Impacting Forecast Years

#### 2017-18

##### Revenue

- **State School Fund (SSF) Grants** – This forecast assumes 11.17% growth in state funding available to K-12 education for the 2017-19 biennium, based on the legislatively adopted budget. As a result, statewide SSF revenues are estimated to be \$8.2 billion for the 2017-19 biennium (an increase of \$0.82 billion over the 2015-17 funding level of \$7.38 billion). As this funding level exceeds the State School Fund estimate used in the development of the District's 2017-18 Adopted Budget (\$7.8 billion), a supplemental budget has been approved by the Board to recognize and appropriate an additional \$8.12 million in revenue for 2017-18.
- **Local Option Levy** – The District has revised its estimate of Local Option Levy tax revenues for 2017-18 and future periods to reflect a significantly lower compression loss based on Lane County tax estimates recently received for tax year 2017-2018. In 2017-18, this change is expected to result in an additional \$2.65 million in tax receipts.

##### Spending

- **Employee Compensation** – Salaries and related costs and benefits for Eugene Education Association (EEA) represented staff have been calculated based on the 2017-2020 Collective Bargaining Agreement between EEA and 4J. Salaries for managers, administrators, professionals, supervisors and directors have been increased by 2.1% (2017-18 Cost of Living Adjustment (COLA)) with Board approval. Salaries and benefits for staff members represented by the Oregon School Employees Association (OSEA) have been calculated in accordance with the 2014-2018 Collective Bargaining Agreement between OSEA and 4J.
- **Staffing** – a portion of the funding recognized in the supplemental budget noted above has been appropriated to add licensed staffing as follows: 1) 4.0 FTE for elementary school counselors, 2) 1.5 FTE for staffing in Comprehensive Learning Centers, and 3) 0.5 FTE for K-12 World Languages curriculum adoption. Classified staffing has also been increased by 3.2 FTE in our Comprehensive Learning Centers and 3.0 FTE has been added for Project Pass. These additions have increased forecast costs by \$1.03 million in 2017-18 and carry forward into future years.
- **Public Employee Retirement System (PERS) Rate** - PERS contribution rates are set once every biennium. The rates in effect for 2017-18, the first year of the 2017-19 biennium, were set during the state's 2017-19 biennial budget process and based on the December 2015 actuarial valuation completed by Milliman. As expected, rates have increased significantly over 2015-17 values based on a combination of factors including: 1) the impact of the Oregon Supreme Court decision striking down many of the PERS reforms enacted by the Oregon legislature, 2) investment portfolio returns and funding levels, and 3) changes made by the PERS Board to the actuarial assumptions used by Milliman in their calculations to better match current plan experience. PERS rates have been budgeted to increase by 4.86% beginning in 2017-18, increasing PERS costs for the District by an estimated \$4.35 million this year.
- **Chinese Immersion Program** – The District has implemented a new Chinese immersion program in 2017-18 beginning with kindergarten and first grade classrooms. The forecast includes an annual expansion of this program, with one grade added in each successive year. The initial cost is estimated to be \$0.24 million and annual increases total approximately \$0.15 million per year for staffing, curriculum and supplies. Additional

funding will be needed to address facilities needs as the program grows and expands beyond the elementary grades. The current forecast does not include an estimate of facilities costs, as planning is still underway and the District has several options to choose from.

- **Contingency and General Fund Reserves** – The District continues to build General Fund Reserves, over and above the 5% fund balance required by District policy, to address potential operating deficits in future periods and support the continued stability and sustainability of District operations and strategic initiatives. Additionally, the operating contingency, targeted at a minimum of 2% of operating expenditures per policy, has been increased to 3% to further support operations and provide flexibility to address concerns as they arise.

## **Annual Operating Surplus: \$2.02 million**

### **2018-19**

#### **Revenue**

- **State School Fund (SSF) Grants** – This forecast assumes 11.17% growth in state funding available to K-12 education for the 2017-19 biennium, based on the legislatively adopted budget. As a result, statewide SSF revenues are estimated to be \$8.2 billion for the 2017-19 biennium (an increase of \$0.82 billion over the 2015-17 funding level of \$7.38 billion). As directed by the state legislature, 50% of this funding will be available for allocation to schools and Education Service Districts in 2018-19.

#### **Spending**

- **Employee Compensation** – Salaries and related costs and benefits for EEA represented staff have been calculated based on the 2017-2020 Collective Bargaining Agreement between EEA and 4J. Salaries for managers, administrators, professionals, supervisors and directors have been increased by 1.8% (2018-19 COLA) with Board approval. Salaries and benefits for staff members represented by OSEA have been calculated assuming no furlough days and a full step increase for eligible employees effective July 1, as the current agreement between the District and OSEA ends on June 30, 2018. OSEA and the District will begin negotiations for a new collective bargaining agreement in the spring of 2018.
- **Elementary Teacher Preparation Time** - Per article 10.1.5.c of the 2017-2020 Collective Bargaining Agreement between EEA and 4J, elementary teacher preparation time will increase by 30 minutes per week beginning in the 2018-19 school year. This addition will increase licensed staffing by 7.8 FTE at an estimated cost of \$0.84 million for the first year of implementation.

## **Annual Operating Deficit: \$1.62 million**

### **2019-20**

#### **Revenue**

- **State School Fund (SSF) Grants** – This forecast assumes a 5.75% growth in state funding available to K-12 education for the 2019-21 biennium. As a result, statewide SSF revenues are estimated to be \$8.67 billion (an increase of \$0.47 billion over current 2017-19 funding of \$8.20 billion). As this is the first year of the biennium, we have assumed 49% (\$4.25 billion) of the estimated K-12 budget will be available for allocation to schools and Education Service Districts.

#### **Spending**

- **Employee Compensation** – Salaries and related costs and benefits for EEA represented staff have been calculated based on the 2017-2020 Collective Bargaining Agreement between EEA and 4J. Salaries for managers, administrators, professionals, supervisors and directors have been increased by 2.0% (2019-20 COLA) with Board approval. Salaries and benefits for staff members represented by OSEA have been calculated assuming no furlough days and a full step increase for eligible employees effective July 1, as the current

agreement between the District and OSEA ends on June 30, 2018. OSEA and the District will begin negotiations for a new collective bargaining agreement in the spring of 2018.

- **Public Employee Retirement System (PERS) Rate** - PERS contribution rates are set once every biennium. Advisory rates for the 2019-21 biennium have been issued by PERS based on portfolio valuations as of December 2016. Final rates for the 2019-21 biennium will be set during the state's 2019-21 biennial budget process and based on the December 2017 actuarial valuation completed by Milliman. As expected, rates are projected to increase significantly over 2017-19 values based on a combination of factors including: 1) a projected drop in the School District Pool funding status to 68%, which will impact the rate collar limits and allow for a larger increase in rates between biennia, 2) investment portfolio returns and funding levels, and 3) the impact of changes made by the PERS Board to the actuarial assumptions used by Milliman in their calculations to better match current plan experience. PERS rates had been forecast to increase by another 4.86% in the 2019-21 biennium, but are now predicted to increase by 6.38% beginning in 2019-20. This will increase PERS costs for the District by an estimated \$6.18 million in the first year of the biennium.

### **Annual Operating Deficit: \$7.34 million**

#### **2020-21**

##### **Revenue**

- **State School Fund (SSF) Grants** – This forecast assumes a 5.75% growth in state funding available to K-12 education for the 2019-21 biennium. As a result, statewide SSF revenues are estimated to be \$8.67 billion (an increase of \$0.47 billion over current 2017-19 funding of \$8.20 billion). As this is the second year of the biennium, we have assumed 51% (\$4.42 billion) of the estimated K-12 budget will be available for allocation to schools and Education Service Districts.

##### **Spending**

- **Employee Compensation** – Salary costs for all employee groups have been calculated assuming no furlough days and a full step increase for eligible employees effective July 1.

### **Annual Operating Deficit: \$3.30 million**

#### **2021-22**

##### **Revenue**

- **State School Fund (SSF) Grants** – 2021-22 is the first year of the third biennium reflected in this forecast. State funding is assumed to grow by 5.75% to \$9.17 billion (an increase of \$0.50 billion over 2019-21 biennium funding of \$8.67 billion). This is the first year of the biennium and we have assumed 49% of the estimated K-12 budget will be available for allocation to schools and Education Service Districts.

##### **Spending**

- **Employee Compensation** – Salary costs for 2021-22 continue to be calculated assuming no furlough days and full step increases for all eligible employees.
- **Public Employee Retirement System (PERS) Rate** - PERS contribution rates are expected to rise again in the 2021-23 biennium. Based on the advisory rates provided by PERS for the 2019-21 biennium and other payroll-related factors, PERS rates had been forecast to increase by another 6.30% in the 2021-23 biennium. This will increase PERS costs for the District by an estimated \$6.39 million in the first year of the biennium.

### **Annual Operating Deficit: \$9.22 million**

## Summary Forecast

IMPACT ON OPERATIONS (in thousands)		2017-18	2018-19	2019-20	2020-21	2021-22
		Current Estimate	Forecast	Forecast	Forecast	Forecast
<b>Total District Revenues</b>	(1)	<b>\$182,318</b>	<b>\$184,712</b>	<b>\$191,050</b>	<b>\$199,594</b>	<b>\$204,049</b>
<b>Expenditures</b>						
Operating Expenditures	(2)	<b>\$176,576</b>	<b>\$182,505</b>	<b>\$194,362</b>	<b>\$198,790</b>	<b>\$208,999</b>
Transfers	(3)	760	760	760	760	760
Contingency	(4)	5,298	5,475	5,831	5,964	6,270
Board Priorities Reserve	(4)	-	-	-	-	-
Operations Reserve	(4)	-	-	-	-	-
Subtotal		182,634	188,740	200,953	205,514	216,029
Projected Underspending	(5)	(2,331)	(2,409)	(2,565)	(2,624)	(2,759)
<b>Total Expenditures</b>		<b>\$180,303</b>	<b>\$186,331</b>	<b>\$198,388</b>	<b>\$202,890</b>	<b>\$213,270</b>
<b>ANNUAL OPERATING SURPLUS / (DEFICIT)</b>		<b>\$2,015</b>	<b>(\$1,619)</b>	<b>(\$7,338)</b>	<b>(\$3,296)</b>	<b>(\$9,221)</b>
<b>Use of Transfers from Reserves to Balance</b>	(6)					
Transfer (to) / from General Fund Reserves		\$17,833	\$20,514	\$19,329	\$12,304	\$8,866
Transfer (to) / from Capital Equipment Fund						
Transfer (to) / from PERS Reserve						
Transfer (to) / from Insurance Reserve		786	751	740	80	63
Transfer (to) / from Capital Projects Fund Reserve						
Total Transfers (to) / from Reserves		\$18,619	\$21,265	\$20,069	\$12,384	\$8,929
Annual Surplus / (Deficit) Assuming Use of Reserves	(7)	\$20,634	\$19,646	\$12,731	\$9,088	(\$292)
<b>Corrective Action Required</b>	(8)	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>RESERVES</b>						
<b>Beginning Fund Balance - General Fund</b>	(9)	\$8,515	\$9,116	\$9,236	\$9,553	\$9,980
Transfer to / (from) Reserves		601	120	317	427	222
<b>Ending Fund Balance - General Fund</b>		<b>\$9,116</b>	<b>\$9,236</b>	<b>\$9,553</b>	<b>\$9,980</b>	<b>\$10,202</b>
% of Total District Revenues		5.00%	5.00%	5.00%	5.00%	5.00%
% Change in Total District Revenues		7.1%	1.3%	3.4%	4.5%	2.2%
% Change in Total Expenditures		7.5%	3.3%	6.5%	2.3%	5.1%

Note: Totals may differ due to rounding.



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## Summary Assumptions

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### (1) Total Revenues

See pages 9 and 10 of this forecast document for a detailed explanation of the calculations used to develop District total revenues.

### (2) Operating Expenditures

See pages 12 and 13 of this forecast document for a detailed explanation of the calculations used to develop District operating expenditures.

### (3) Transfers

- Ongoing transfers to accumulate funds for capital projects, curriculum, technology and fleet purchases are not included in the forecast. Purchases in recent years have been funded by the May 2013 bond measure, and the District is currently evaluating funding options for future requirements once bond funds have been fully expended.
- Insurance and risk reserve transfers:
  - Beginning in 2017-18 staff associated with Risk and Benefits has been moved to the Human Resources Department and funded through the General Fund. As a result of this change, and to offset remaining costs, the annual transfer to Risk and Benefits will be reduced from the 2016-17 amount of \$875,000 to \$340,000 for 2017-18 and beyond.
  - \$250,000 in social security cost savings from pre-tax flexible spending accounts to insurance reserve accounts annually, as negotiated with employee groups.
  - \$170,000 to support Nutrition Services operations in all years of the forecast.

### (4) Contingency and Reserves

- The General Fund Contingency is equal to 3.0% of operating expenditures, which is 1% greater than the minimum set by Board policy. Board Policy DI, Accounting and Financial Practices Policies item 4 states: *"The targeted contingency for the General Fund is two percent of the operating budget."*
- The forecast assumes a 5.0% General Fund ending fund balance (\$9.1 million in 2017-18 to \$10.2 million by 2021-22) throughout the forecast period, in compliance with Board Policy DI, Accounting and Financial Practices Policies item 5 which states *"The district will maintain a minimum General Fund ending fund balance of five percent of current year annual operating revenues excluding transfers between funds."*

General Fund Reserves are predicted to grow to \$20.6 million by the end of 2017-18. The forecast assumes that these reserves will be available to address future operating deficits and cost increases. For example, based on the current forecast the PERS rate increase of 4.86% in 2017-19 will cost the District an additional \$8.88 million (\$4.35 million in 2017-18 and \$4.53 in 2018-19). Assuming the PERS rates rise again in 2019-21 by 6.38%, the District will be paying \$22.05 million more (\$10.89 million in 2019-20 and \$11.16 million in 2020-21). A third increase in 2021-23 of 6.30% will cost an additional \$17.8 million for a total cost of \$48.72 million over the forecast period.

### (5) Projected Underspending

- Assumes a portion of budgeted expenditures will not be spent in any given year; calculated as 66% of the 2% General Fund Contingency required under Board Policy DI.

### (6) Use of Transfers from Reserves to Balance

- General Fund Reserves are used in each year of the forecast to adjust the ending fund balance to 5.0% of operating revenues, as required by Board Policy DI.
- Insurance Reserve transfers reflect balances agreed to during collective bargaining.

**(7) Annual Surplus / (Deficit) Assuming Use of Reserves**

- Annual operating surplus or deficit, net of General Fund reserves and transfers.
- Projected financial shortfalls shown in brackets.

**(8) Corrective Action Required**

- Board action required to maintain an appropriate ending fund balance and support district operations during the forecast period.
- This line item assumes that a previous year's deficit is resolved, and projects the additional amount that will be needed in the subsequent year to balance the budget. Based on the available reserves over the five years of this forecast there is no corrective action identified although the operating deficits in the last four years would use up all available reserves.

**(9) General Fund Ending Fund Balance**

- General Fund ending fund balance, as a percentage of operating revenues, are expected to be at 5.0% of operating revenues during the forecast period. This is consistent with the direction of the School Board, and reflects a return to the District policy level of 5.0% of operating revenues after several years below this point after the Great Recession.

Board Policy DI, Accounting and Financial Practices item 5d: *“The district will maintain a minimum General Fund ending fund balance of five percent of current year annual operating revenues excluding transfers between funds. The fund balance takes into consideration revenue and expenditure volatility and other district needs. The minimum ending fund balance is comprised of the General Fund UEFB plus two-thirds of the contingency for the ensuing year.”*

## Revenue Detail

GENERAL FUND REVENUES (in thousands)		2017-18	2018-19	2019-20	2020-21	2021-22
		Current	Forecast	Forecast	Forecast	Forecast
		Estimate				
Property Tax Collections - Current Year	(1)	\$65,948	\$67,927	\$69,964	\$72,063	\$74,225
Property Tax Collections - Prior Year	(2)	1,474	1,509	1,545	1,581	1,619
State School Fund Grants	(3)	92,064	92,148	96,040	102,059	103,963
SSF Local Revenues - County and Common Funds	(4)	2,236	2,236	2,236	2,236	2,236
<b>Total SSF Formula Revenue</b>		<b>\$161,722</b>	<b>\$163,820</b>	<b>\$169,785</b>	<b>\$177,939</b>	<b>\$182,043</b>
Local Option Levy - Current Year	(5)	14,205	14,489	14,780	15,075	15,377
Local Option Levy - Prior Year		356	361	366	371	376
Other Revenues	(6)	6,035	6,042	6,119	6,209	6,253
<b>TOTAL DISTRICT REVENUES</b>		<b>\$182,318</b>	<b>\$184,712</b>	<b>\$191,050</b>	<b>\$199,594</b>	<b>\$204,049</b>
<b>STATE SCHOOL FUND (SSF) ALLOCATIONS</b>						
<b>Enrollment</b>	(7)					
Enrollment (ADM) - Regular Ed.		16,359.8	16,504.8	16,625.1	16,837.7	16,945.5
Enrollment (ADM) - Charter Schools		854.4	859.0	863.9	881.5	881.5
Total Enrollment (ADM)		17,214.2	17,363.8	17,489.0	17,719.2	17,827.0
<b>Weighted ADM (ADMw) - Extended</b>		<b>20,234.7</b>	<b>20,360.5</b>	<b>20,446.0</b>	<b>20,707.6</b>	<b>20,807.1</b>
<b>State School Fund Grants</b>	(3)					
SSF Formula Revenue per student (ADMw)		<b>\$7,980</b>	<b>\$8,033</b>	<b>\$8,292</b>	<b>\$8,582</b>	<b>\$8,739</b>
% Change in SSF Formula Revenue per student (ADMw)		7.1%	0.7%	3.2%	3.5%	1.8%
SSF Formula Revenue (in thousands)		160,622	162,720	168,685	176,839	180,943
High Cost Disability Grant		1,100	1,100	1,100	1,100	1,100
<b>Net SSF Grants (in thousands)</b>		<b>161,722</b>	<b>\$163,820</b>	<b>\$169,785</b>	<b>\$177,939</b>	<b>\$182,043</b>
<b>PROPERTY TAX COLLECTION</b>	(1)					
Assessed Value (Operating Levy AV) (in thousands)		\$14,810,197	\$15,254,503	\$15,712,138	\$16,183,502	\$16,669,007
Projected Annual Increase in Operating Levy AV		3.00%	3.00%	3.00%	3.00%	3.00%
Operating Levy (inside Measure 5 limit)	(1)					
Permanent Tax Rate per \$1,000 of Operating Levy AV	<b>\$4.7485</b>	\$70,326	\$72,436	\$74,609	\$76,847	\$79,153
Compression Loss		(540)	(556)	(573)	(590)	(608)
Taxes Imposed		69,786	71,880	74,036	76,257	78,545
Collection Rate - operating levy		94.50%	94.50%	94.50%	94.50%	94.50%
<b>Net Operating Levy</b>		<b>\$65,948</b>	<b>\$67,927</b>	<b>\$69,964</b>	<b>\$72,063</b>	<b>\$74,225</b>
Annual growth		3.7%	3.0%	3.0%	3.0%	3.0%
Local Option Levy (outside Measure 5 limit)						
Assessed Value (Local Option AV) (in thousands)		\$15,207,503	\$15,511,653	\$15,821,886	\$16,138,324	\$16,461,091
Local Option Tax Rate per \$1,000 of Local Option AV	<b>\$1.5000</b>	\$22,811	\$23,267	\$23,733	\$24,207	\$24,692
Compression Loss		(7,779)	(7,934)	(8,093)	(8,255)	(8,420)
Tax Gap		15,032.27	15,333	15,640	15,952	16,272
<i>Measure 5 Limit - Proceeds Net of Uncollected Taxes</i>		14,205	14,489	14,780	15,075	15,377
<i>Limit of \$1,000 (increased by 3% per year) per Extended ADMw</i>		27,194	28,184	29,151	30,410	31,473
<i>Limit of 20% of State Resources</i>		32,344	32,764	33,957	35,588	36,409
Collection Rate - local option levy		94.50%	94.50%	94.50%	94.50%	94.50%
<b>Net Local Option Levy</b>		<b>\$14,205</b>	<b>\$14,489</b>	<b>\$14,780</b>	<b>\$15,075</b>	<b>\$15,377</b>
Annual growth		21.4%	2.0%	2.0%	2.0%	2.0%

Note: Totals may differ due to rounding.

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## Revenue Assumptions

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### (1) Property Tax Collections – Current Year

- Average, annual tax growth of 2.9% per year over the forecast period.
- Assessed property values (AV) projected to increase annually by 3.0% throughout the forecast period.
- Compression losses have decreased over the past several years and are projected at 0.77% of the permanent tax rate for 2017-18 and beyond.
- Tax collection rates are assumed to be 94.5% throughout the forecast period.
- Included in the State School Fund formula.

### (2) Property Tax Collections – Prior Year

- Estimated at 30% of uncollected current year property taxes throughout the forecast period.
- Included in the State School Fund formula.

### (3) State School Fund Grants (SSF)

#### State School Fund Grant

*Total SSF Formula Revenue:* Per Pupil Amount (SSF Grant per Pupil, adjusted for teacher experience and state funding ratio) X Enrollment (Extended ADMw) + Transportation Grant – SSF Local Revenues (Local Property Taxes, Common School Fund, County School Fund).

- Assumes \$8.20 billion in state funding for K-12 schools in the 2017-19 biennium: with 50% available in each year of the biennium. For the 2019-21 and 2021-23 biennia, state funding is forecast to grow by approximately 5.75% over the previous biennium's appropriation. For these two biennia, the forecast reflects a 49%-51% funding split between the first and second year.
- Per pupil amounts have been adjusted to reflect projected enrollment during the forecast period.
- Total SSF Formula Revenue, which includes property taxes and local revenues, is approximately 89% of District General Fund revenues.

#### High Cost Disability Grant

- Provided to partially offset the cost of educating students for whom costs exceed \$30,000 per year.
- Revenue for 2017-18 and future years assumes the availability of \$35 million a year, at the statewide level, for this grant.

### (4) SSF Local Revenues

- The forecast includes Common School Funds and County School Funds for all years.
- Included in the State School Fund formula.

### (5) Local Option Levy

- Five-year property tax levy of \$1.50/\$1,000 AV to support general operations, renewed November 2014 for 2015 through 2020. The forecast assumes the Local Option Levy will be renewed in 2019 for another five-year period.
- Forecast projections are based on current assessed values adjusted for steady growth throughout the forecast period (annual assessed property value growth of 2.0%).
- Expected to remain substantially below statutory limits of \$1,000 per ADMw and 20% of state resources over the forecast period.
- Not included in the State School Fund formula.

## (6) Other Revenues

- Not included in the State School Fund formula.
- Includes many different revenue sources such as Education Service District (ESD) funding allocations, interest earnings, tuition and fees, indirect grant charges, student body fund payment for staffing, athletics fees and gate receipts, funding and donations from outside groups, and building rental income.

Board Policy DI, Revenue Policies item 1: *“The district will strive to establish a stable revenue base for the operating budget for program needs through cooperation with its associations, legislators, and other districts. The district will make capital funding requests periodically to assure adequate safety and preservation of school buildings, district equipment, and other capital assets.”* 2. *“The district may charge the service fees intended to recover the partial or full cost of non-district sponsored use of its facilities, services or equipment, if permitted by law...”*

## (7) Enrollment

- Average Daily Membership (ADM) – Year-to-date average of daily student enrollment.
  - ADMr – Resident ADM.
  - ADMw – ADM weighted to reflect the number of students in specific categories such as English Language Learners (ELL), students with Individualized Education Programs (IEPs), students enrolled in Pregnant and Parenting programs, living in poverty, or in foster care.
  - Extended ADMw – Greater of the current year or prior year ADMw, used to calculate State School Fund grant payments.
- District enrollment, excluding charter schools, is projected to increase throughout the forecast. Projected enrollment for 2017-18 is 16,679 students. Enrollment will grow by 147 students (16,826) in 2018-19 and increase throughout the forecast with an additional 120 students in 2019-20 (16,946), 217 students in 2020-21 (17,163) and 111 students in 2021-22 (17,274).

## Expenditure Detail

OPERATING EXPENDITURES (in thousands)	2017-18 Current Estimate		2018-19 Forecast		2019-20 Forecast		2020-21 Forecast		2021-22 Forecast	
<b>Employee Compensation Expenditures</b> (1)										
Licensed Employees	1.4%	\$56,440	5.3%	\$59,450	4.5%	\$62,149	2.9%	\$63,953	2.4%	\$65,514
Classified Employees	8.9%	19,812	1.5%	20,102	1.5%	20,396	1.5%	20,692	1.5%	20,993
Admin/Supervisors/Professional	4.3%	11,165	3.9%	11,598	4.1%	12,071	2.1%	12,322	2.1%	12,578
Substitute/Temporary	-0.2%	3,056	5.3%	3,219	4.6%	3,368	3.0%	3,469	2.6%	3,558
HR Staffing Pool		160		160		160		160		160
<b>Total Salaries</b>	3.2%	<b>\$90,633</b>	4.3%	<b>\$94,528</b>	3.8%	<b>\$98,144</b>	2.5%	<b>\$100,596</b>	2.2%	<b>\$102,803</b>
Payroll Costs:										
Licensed		\$21,879		\$22,861		\$27,864		\$28,673		\$33,500
Classified		7,680		7,730		9,144		9,277		10,735
Admin/Supervisors/Professional		4,328		4,460		5,412		5,524		6,432
Substitute/Temporary		680		723		899		926		1,099
Insurance Benefits	-0.1%	22,559	3.2%	23,278	0.4%	23,366	0.6%	23,505	0.3%	23,583
District Retirement Benefits	0.0%	1,500	-6.7%	1,400	0.0%	1,400	-3.6%	1,350	-3.7%	1,300
Other Benefits	2.9%	1,981	-0.1%	1,979	0.4%	1,988	0.7%	2,002	0.5%	2,011
Total Payroll Costs & Benefits	9.2%	\$60,607	3.0%	\$62,431	12.2%	\$70,073	1.7%	\$71,257	10.4%	\$78,660
<b>Total Employee Compensation</b>	5.6%	<b>\$151,240</b>	3.8%	<b>\$156,959</b>	7.2%	<b>\$168,217</b>	2.2%	<b>\$171,853</b>	5.6%	<b>\$181,463</b>
<b>Non-Compensation Expenditures</b> (2)										
Purchased Services	12.6%	\$12,333	0.1%	\$12,345	1.9%	\$12,585	2.0%	\$12,835	2.4%	\$13,147
Charter School Payments	10.3%	6,249	1.0%	6,309	3.3%	6,519	5.4%	6,870	1.6%	6,983
Supplies	5.6%	5,795	2.1%	5,917	2.2%	6,046	2.7%	6,209	2.4%	6,358
Equipment	-6.0%	65	2.0%	66	1.5%	67	3.0%	69	2.9%	71
Other	0.6%	894	1.7%	909	2.2%	929	2.7%	954	2.4%	977
<b>Total Non-Compensation Expenditures</b>	9.9%	<b>\$25,336</b>	0.8%	<b>\$25,546</b>	2.3%	<b>\$26,146</b>	3.0%	<b>\$26,937</b>	2.2%	<b>\$27,536</b>
<b>TOTAL OPERATING EXPENDITURES</b>	6.2%	<b>\$176,576</b>	3.4%	<b>\$182,505</b>	6.5%	<b>\$194,362</b>	2.3%	<b>\$198,790</b>	5.1%	<b>\$208,999</b>
<b>Transfers</b> (3)										
Capital (Non-bondable projects)		\$0		\$0		\$0		\$0		\$0
Equipment		0		0		0		0		0
Transportation		0		0		0		0		0
Insurance Reserve		590		590		590		590		590
Nutrition Services		170		170		170		170		170
<b>Total Transfers</b>		<b>\$760</b>		<b>\$760</b>		<b>\$760</b>		<b>\$760</b>		<b>\$760</b>
<b>Contingency</b> (4)		<b>\$5,298</b>		<b>\$5,475</b>		<b>\$5,831</b>		<b>\$5,964</b>		<b>\$6,270</b>
<b>Board Priorities Reserve</b>		<b>\$0</b>		<b>\$0</b>		<b>\$0</b>		<b>\$0</b>		<b>\$0</b>
<b>Operations Reserve</b>		<b>\$0</b>		<b>\$0</b>		<b>\$0</b>		<b>\$0</b>		<b>\$0</b>
<b>TOTAL EXPENDITURES</b>	5.2%	<b>\$182,634</b>	3.3%	<b>\$188,740</b>	6.5%	<b>\$200,953</b>	2.3%	<b>\$205,513</b>	5.1%	<b>\$216,028</b>
Note: Totals may differ due to rounding.										
CPI (U.S. Urban Consumers), December 2017		2.1%		1.7%		2.2%		2.7%		2.4%

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## Expenditure Assumptions

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### (1) Employee Compensation

- Salaries and related costs and benefits for licensed staff have been calculated based on the 2017-2020 Collective Bargaining Agreement between the EEA and 4J. Starting in 2020-21, the forecast projection is limited to costs for a full contract year (no furlough days) and an annual step movement for all eligible employees effective July 1.
- Licensed employee changes (i) track enrollment changes, (ii) represent terms agreed in the 2017-20 contact between the EEA and the District, and (iii) reflect staffing changes approved by the Superintendent.
  - 2017-18      23.40 FTE increase      (enrollment, full instruction 10<sup>th</sup> Grade, Chinese Immersion, elementary counselors and additions for Comprehensive Learning Centers and K-12 World Language adoption)
  - 2018-19      11.60 FTE increase      (enrollment, added grade to Chinese Immersion, increase in Elementary teach preparation time)
  - 2019-20      5.70 FTE increase      (enrollment and added grade to Chinese Immersion)
  - 2020-21      9.25 FTE increase      (enrollment and added grade to Chinese Immersion)
  - 2021-22      5.15 FTE increase      (enrollment and added grade to Chinese Immersion)
- Projected salaries for classified staff members for 2017-18 reflect terms agreed to in the contract between OSEA and the District. For 2018-19 and beyond, the forecast projects a full contract year (no furlough days) and an annual step movement for all eligible employees effective July 1.
- Classified employee staffing within the General Fund is expected to increase significantly in 2017-18 with the following additions: 1) 12 facilities positions (12.0 FTE) previously funded through the 2011 Bond have returned to the General Fund in 2017-18, 2) 6.30 FTE assigned to Risk and Benefits have moved from the Risk Fund to the Human Resources Department as part of an internal reorganization, 3) a 0.75 FTE kindergarten EA has been added for the Chinese Immersion Program, 4) 1.5 FTE has been added to increase van drivers for special needs students, 5) 3.2 FTE have been added to our comprehensive learning center at two schools, 6) 3.0 FTE have been added for EA's at four schools and 7) a small increase in custodial staffing (0.25 FTE) has been added for one school following the completion of their construction project.
- COLAs for 2017-20 have been approved by the Board for managers, administrators, professionals, supervisors and directors, and reflect the same percentage increases as those approved for the same period for licensed staff. Starting in 2020-21, the forecast projection is limited to costs for a full contract year (no furlough days) and an annual step movement for all eligible employees effective July 1.

2017-18: administrative staffing has increased by 2.0 FTE reflecting 1.5 FTE for principal support at our three largest elementary schools and 0.5 FTE for the new Fox Hollow SSD Program. Professional staffing in the General Fund has increased by 3.0 FTE reflecting a 2.3 FTE shift of Risk and Benefits staff to the Human Resources Department, and an additional 0.7 FTE for technology staff.

*Note: the cost associated with Risk and Benefits staff additions to the General Fund has been offset by a corresponding reduction in the General Fund transfer to the Risk Fund (Fund 600).*

### Payroll Costs and Benefits

- Payroll costs are calculated as a percentage of salary, while health insurance and other benefits are driven by staffing levels.
  - Insurance contributions are subject to negotiation with employee groups. This forecast does not include any change to the contributions currently made by the District.
- The District's PERS rates for the 2017-19 biennium are assumed to increase by 4.86% over 2015-17 biennium levels, and grow throughout the forecast period. It is estimated that rates will increase by 6.38% in the 2019-21 biennium and 6.3% in the 2021-23 biennium.

- Annual required support for district early retirement benefits is estimated at \$1.5 million for 2017-18. Beginning in 2018-19 support costs will decrease to \$1.4 million with further decreases in 2020-21 (to \$1.35 million) and 2021-22 (to \$1.3 million).

**(2) Other Operating Expenditures**

- Purchased Services costs increase at the Consumer Price Index (CPI) rate for U.S. Urban Consumers throughout the forecast period (ranging from 2.1% to 2.7% over the five-year period).
- Charter school payments represent the pass-through of state funding (80% or 95% of state funding received, dependent on the grade levels served by the charter school) and local option revenue on a per pupil basis.

**(3) Transfers**

- Ongoing transfers to accumulate funds for capital projects, curriculum, technology and fleet purchases are not included in the forecast. Purchases in recent years have been funded by the May 2013 bond measure, and the District is currently evaluating funding options for future requirements once bond funds have been fully expended.
- Insurance and risk reserve transfers:
  - Beginning in 2017-18 staff associated with Risk and Benefits has been moved to the Human Resources Department and funded through the General Fund. As a result of this change, and to offset remaining costs, the annual transfer to Risk and Benefits will be reduced from the 2016-17 amount of \$875,000 to \$340,000 for 2017-18 and beyond.
  - \$250,000 in social security cost savings from pre-tax flexible spending accounts to insurance reserve accounts annually, as negotiated with employee groups.
  - \$170,000 to support Nutrition Services operations in all years of the forecast.

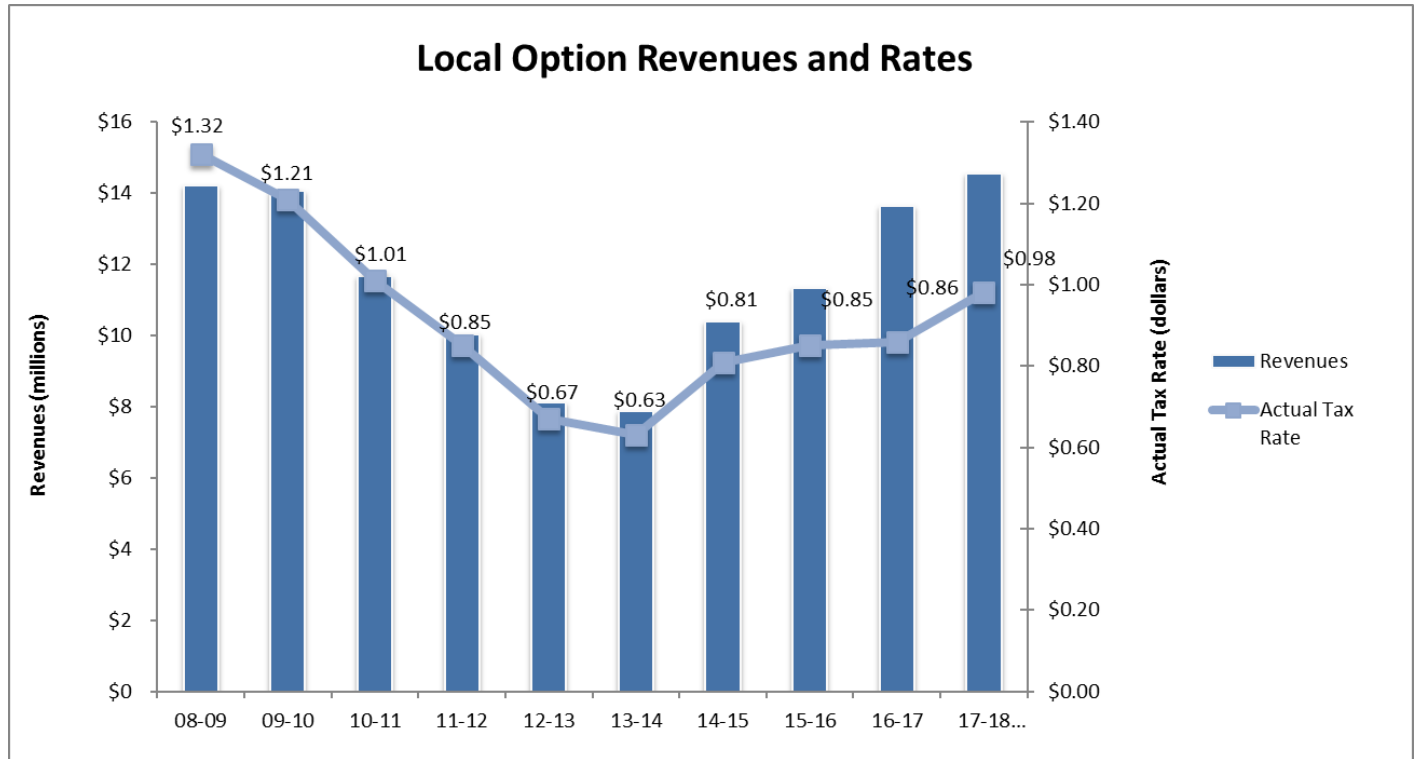
**(4) Contingency**

- The General Fund Contingency is equal to 3.0% of operating expenditures, which is 1% greater than the minimum set by Board policy. Board Policy DI, Accounting and Financial Practices Policies item 4 states: *“The targeted contingency for the General Fund is two percent of the operating budget.”*
- The forecast assumes a 5.0% General Fund ending fund balance (\$9.1 million in 2017-18 to \$10.2 million by 2021-22) throughout the forecast period, in compliance with Board Policy DI, Accounting and Financial Practices Policies item 5 which states *“The district will maintain a minimum General Fund ending fund balance of five percent of current year annual operating revenues excluding transfers between funds.”*



## STATISTICAL INFORMATION

## Local Option Revenue



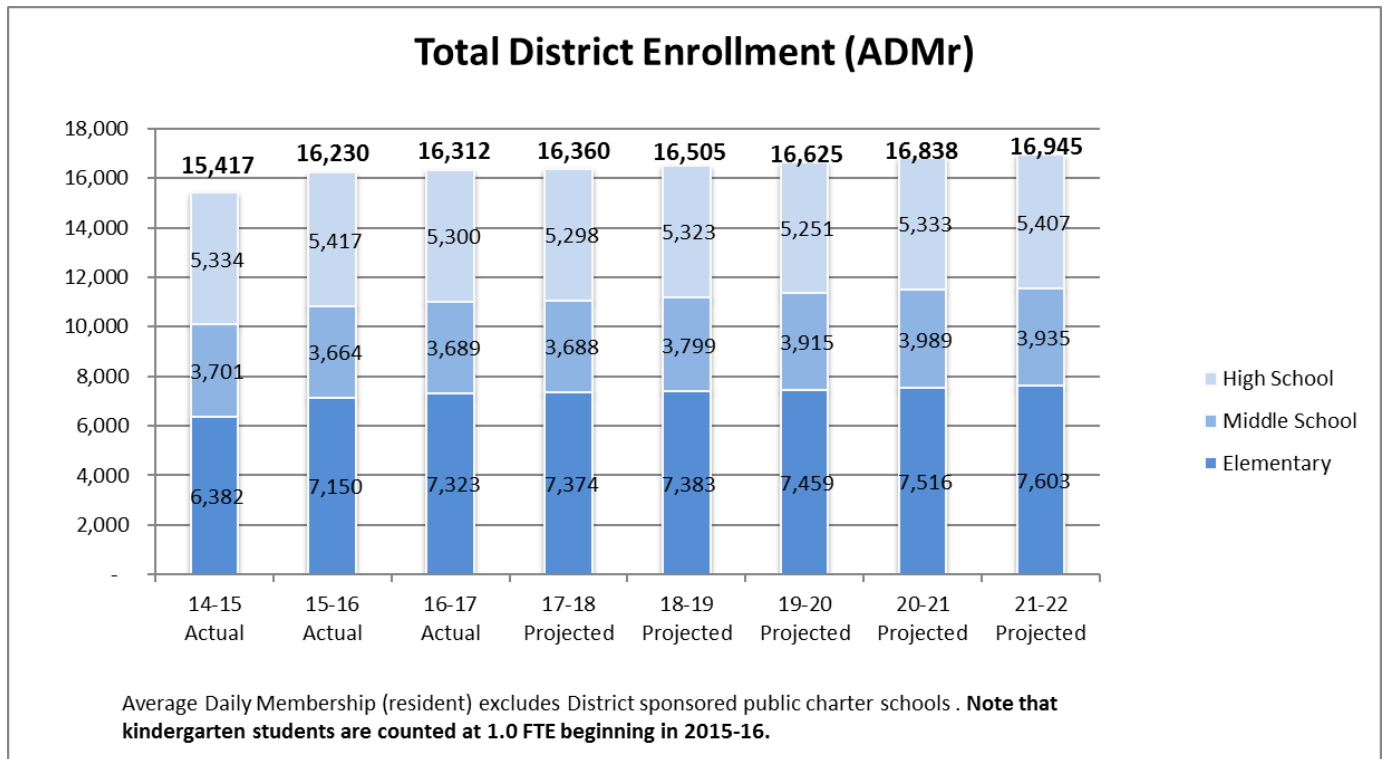
In May 2000, District voters approved a five-year local option levy of \$1.50 / \$1,000 of assessed property value. Since the passage of Measure 5 in 1990, this was the first opportunity for District voters to increase school operating funds above the state funding formula. Voters renewed the local option for another five years in November 2004, 2008, and 2014.

The stability of this revenue source is largely dependent on the real market value of each property in the District increasing by at least the same rate as the assessed value (which is limited to a 3% increase per year up to the real market value). In a slower economy, real market value may increase at a slower rate than assessed value or fall. This condition was evident from 2011 to 2014, as tax revenues fell from a high of \$14.2 million in 2009 to \$7.9 million in 2014. Since then revenues have increased each year and are projected to reach \$14.2 million in 2017 as home values continue to rise.

When the gap between real market value and assessed value is not sufficient to generate the full \$1.50 tax rate, a property is said to be “in compression” and the taxes paid are only a part of the tax rate imposed. On one end, if assessed value and real market value is the same for a particular property, no taxes are due. On the other end, if the assessed value is far enough below the real market value, the full \$1.50 rate is due. Most taxpayers are paying less than the full rate. Since 2006, the average “actual rate” received by the District has been as low as \$0.63 in 2014 and as high as \$1.32 in 2009. Beginning in 2010, falling real market values drove the actual rate down for five consecutive years. The past three years have shown increases and currently the actual tax rate is projected to increase to \$0.98 in 2017-18.

The local option calculation requires that compression be calculated for each property separately and it is therefore difficult to predict the effect of compression on District revenue.

## Student Enrollment



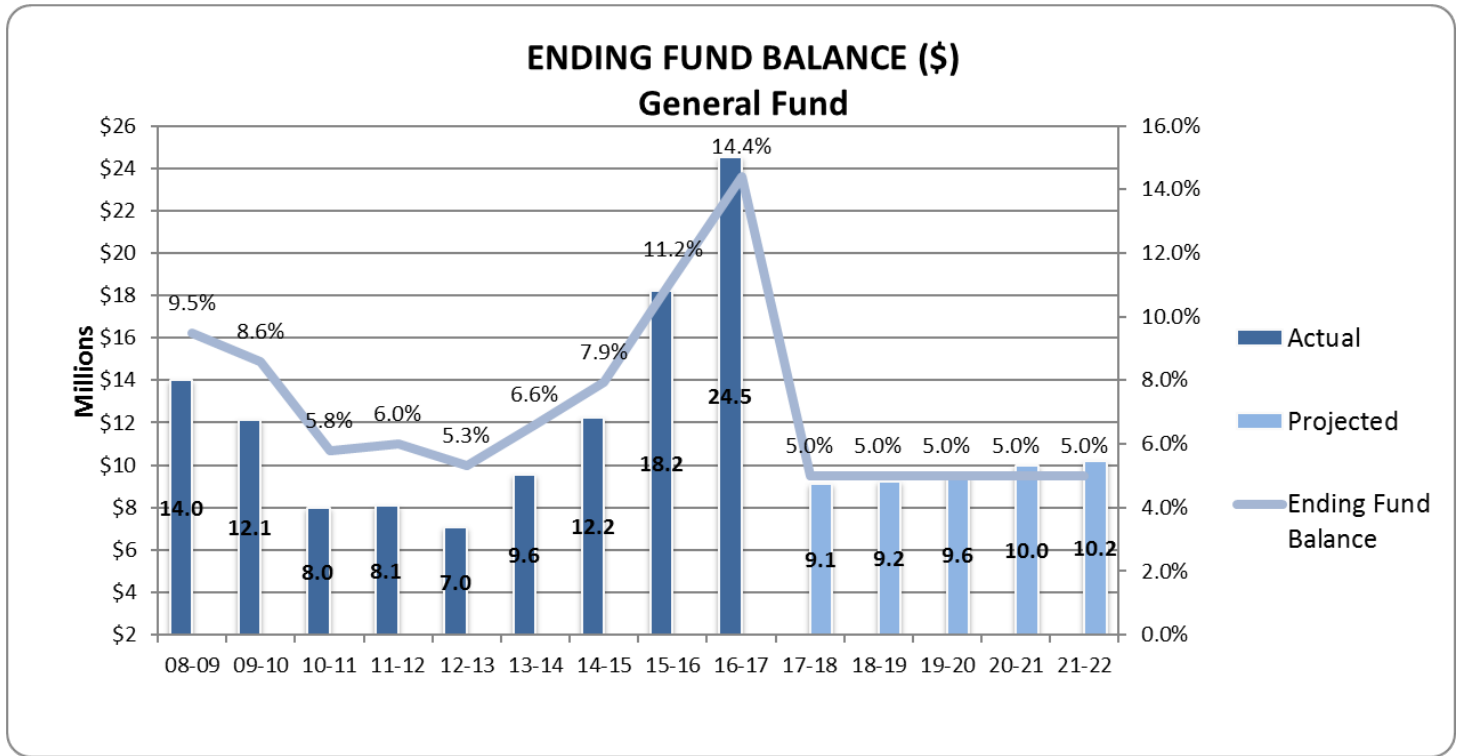
Student enrollment is expressed as resident average daily membership (ADMr) – enrollment adjusted by expected student attendance levels. It represents the average annual enrollment for the year and counts kindergarten students at 0.5 ADM, or half-time, prior to 2015-16. The state uses ADM as the basis for allocating funds under the State School Fund formula and provides additional weighting (ADMw) for special education, students in poverty, English Language Learners (ELL), and pregnant and parenting students. The District also receives funding for students placed in alternative education programs or enrolled in District sponsored charter schools. The ADMr shown above excludes District sponsored public charter schools.

Student enrollment reached its highest point in the mid-1970's at approximately 22,000 students and declined to a low of 16,636 in 1984-85 before expanding again. During this period the District reduced staff and closed several elementary schools. Between 1985 and 1993, enrollment increased and two elementary schools were reopened. The District again experience a period of declining enrollment starting in 2002-03 when ADMr had peaked at 17,379 and ending with a low of 15,417 students in 2014-15. Enrollment increased in 2015-16, primarily in response to the implementation of full day kindergarten, and is expected to continue this trend in the coming years of the forecast.

Of note in 2010-11, District enrollment dropped below the 1984-85 level and the District closed four elementary schools due to excess building capacity District-wide and as a response to financial deficits. These closures bring the total number of elementary school closures to eight since 1999-00.

## Ending Fund Balance

The graph below shows historical and projected ending fund balances in the General Fund, representing cash reserves remaining at the end of the fiscal year. Balances reflect additional revenues collected during the year, unexpended budget appropriations, and planned savings held in the unappropriated ending fund balance (UEFB).



Board Policy DI, Accounting and Financial Practices Policies items 5d through 5f states:

### d. Minimum

*The district will maintain a minimum General Fund ending fund balance of five percent of current year annual operating revenues excluding transfers between funds. The fund balance takes into consideration revenue and expenditure volatility and other district needs. The minimum ending fund balance is comprised of the General Fund UEFB plus two-thirds of the contingency for the ensuing year.*

### e. Exceptions

*The Board may approve a temporary reduction in the General Fund minimum ending fund balance during the budget process, along with a plan to rebuild the ending fund balance to the targeted five percent level within five years. The Superintendent will update the Board on the financial condition of the district and present the Board with financial options and a timeline to replenish the fund balance. Should the ending fund balance exceed the five percent target, a plan for one-time use of the additional amount may be considered by the Board.*

### f. Breach

*The Superintendent will advise the Board if at any time the General Fund ending fund balance unexpectedly falls below or is projected to fall below the targeted five percent. If during any fiscal year district revenues are projected to be less than anticipated, the Superintendent and Board will review expenditures, transfers, and the projected ending fund balance for possible mid-year adjustment through resolution or a supplemental budget. The Board may decide to use a portion of the projected ending fund balance maintained within the General Fund Contingency to stabilize services. When such a*

*determination is made, the Board will adopt a plan to rebuild the ending fund balance to the five percent targeted level within five years.”*

The 2007 legislature adopted a \$5.985 billion K-12 budget plus another \$260 million for a noncompetitive School Improvement Fund grant available for certain expenditures aimed at increasing student achievement. The combined \$6.245 billion was \$940 million over the previous biennium or 17.7%. During November 2008, in light of falling state revenues, the Governor called for a 1.2% reduction in 2007-09 school funding. This resulted in a \$2.1 million cut to District revenues.

Although the 2009 legislature approved a \$5.8 billion base budget and approved the release of an additional \$200,000 in reserves for K-12 education, in May 2010, 9% across the board cuts were imposed for all state agencies as the Great Recession began to have its impact on local economies. Total biennial funding dropped to \$5.74 billion, and state funding to the District was reduced by \$6.8 million as a result.

For the 2011-13 biennium, the State approved \$5.7 billion to fund K-12 schools, 3.4% lower than the 2009-11 appropriation. The total included \$125 million in School Year Subaccount funds to lower class sizes and to increase the number of school days. The total was 8.7% lower than the \$6.245 billion provided in the 2007-09 biennium.

For the 2013-15 biennium, the State approved \$6.55 billion plus \$100 million additional revenue available in 2014-15. This is about 16.7% higher than the legislatively approved 2011-13 K-12 funding level.

The State approved \$7.38 billion for the 2015-17 biennium, with \$7.258 billion to be split 50/50 each year, and an additional \$118 million expected to be available in 2016-17. This is about 11% higher than the legislatively approved 2013-15 K-12 funding level.

The Governor's original Recommended Budget for the 2017-19 biennium included funding of \$8.02 billion (an increase of about 8.7% over the legislatively approved 2015-17 K-12 funding level). The Co-chairs of the Joint Ways and Means Committee put forward an education funding plan \$200 million less than this at \$7.80 billion (about 5.75% higher than the 2015-17 funding level). Ultimately, the Oregon Legislature approved a final funding level for the 2017-19 biennium of \$8.2 billion (an increase of 11.17% over the prior biennium).

Ending fund balance was 11.2% of annual operating revenues in 2015-16, and was projected to be at 11.5% in 2016-17. However, property and local option taxes came in \$0.583 million higher than anticipated. Revenue from State sources including state school support fund and the common school fund came in \$1.849 million greater than forecast. These additional 2016-17 revenue collections, combined with one-time cost savings, resulted in an ending balance of \$24.51 million (14.4%) for the fiscal year. Amounts in excess of the Board required General Fund ending balance of 5%, about \$18.43 million, will be used to offset future operating deficits of the District.

## Revenue/Expenditure History

### Significant Revenue/Expenditure Variables

2007-08 A strong economy once again generated higher levels of state and local revenues. Costs were increased due to the on-load of City Levy funded services and the addition of ongoing and one-time investments in the classroom.

2008-09 State funding was decreased in response to the global economic crisis, with District revenues cut almost \$2 million. Further reductions were offset by the use of Federal State Fiscal Stabilization Fund dollars. District spending was reduced by \$4.3 million.

2009-10 Unprecedented uncertainty and a continued global economic crisis resulted in \$11.7 million in budget reductions. Further cuts were avoided with funding provided under the American Recovery and Reinvestment Act (ARRA) as well as state funding from the Education Stability Fund and Rainy Day Fund.

2010-11 With renewal of the District's local option levy, passage of statewide tax initiatives, the Legislature's approval of \$200 million in K-12 funding from state reserves, and additional ARRA funding, budget reductions were minimized at \$7.2 million.

2011-12 In the wake of the Great Recession, breakeven operations were achieved by implementing over \$21 million in budget reductions. Strategies included \$5.8 million from an increase of 3.0 on the student: teacher ratio, \$3.2 million in employee compensation adjustments, \$5.0 million in reserves, \$940,000 from school consolidations, cutting 10% of central office and school-based classified staff, and shifting \$1.0 million in facilities costs to a G.O. bond.

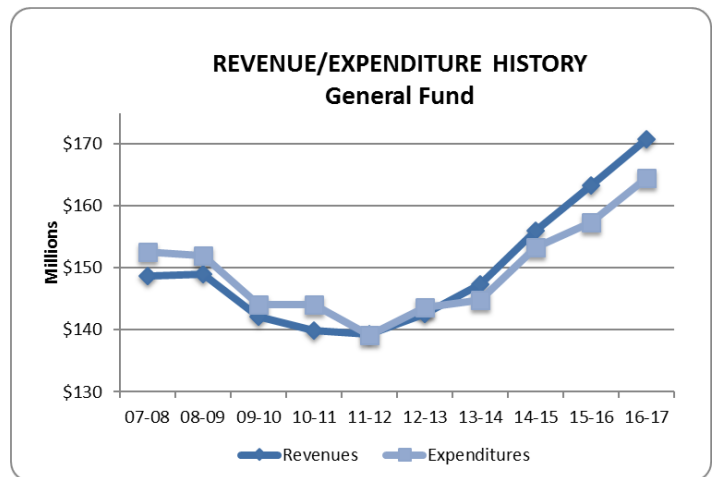
2012-13 To address a projected 2012-13 General Fund operating deficit, the District implemented \$11.8 million of budget reductions which included staff, services, and supply reductions; increased revenue; use of reserves; and compensation reduction strategies for all employee groups.

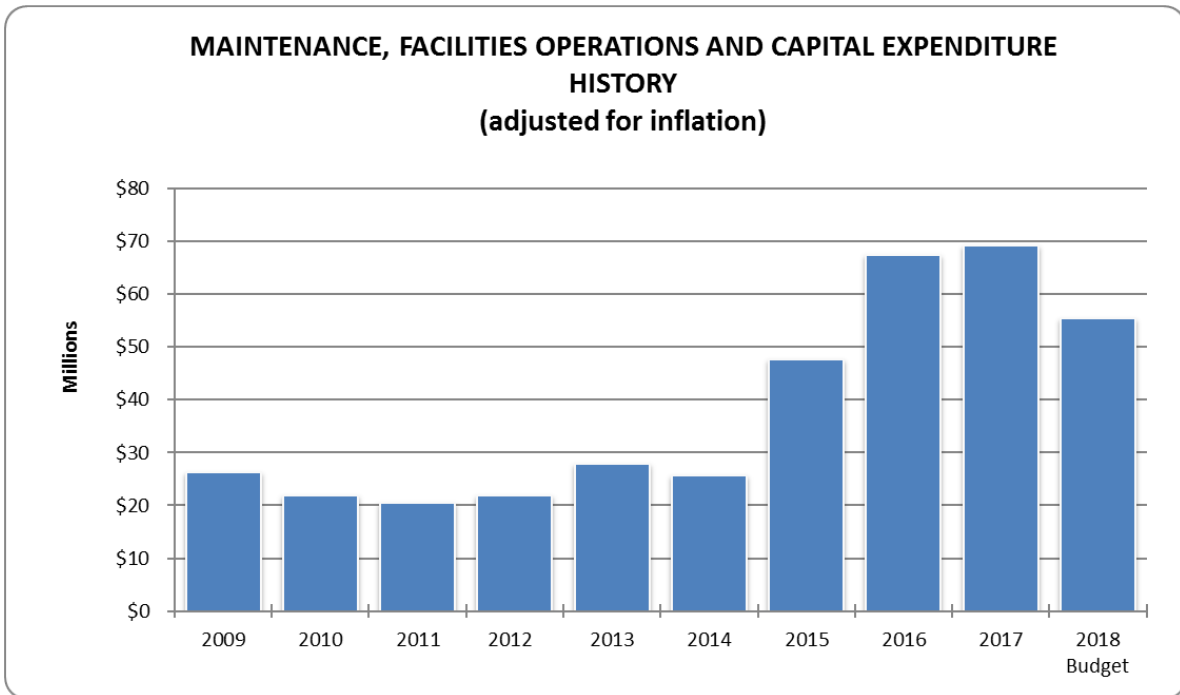
2013-14 A budget gap of \$11.6 million in 2013-14 was closed through budget reductions, which included using reserves and suspending transfers, compensation reduction strategies for all employee groups (which included seven to nine furlough days) and a reduction in the ending fund balance from 5.0% to 4.0%.

2014-15 Strong revenue growth, particularly in the areas of property tax and local option level revenues, and modest growth in expenditures for employee salaries and benefits allowed the District to end the year with a significantly higher ending fund balance (7.9%) than the 4.25% required by the Board. Conservative spending strategies will allow the District to build a carry-forward balance to address projected deficits in 2016-17 and 2017-18 and steadily move toward a 5.0% General Fund Reserve balance.

2015-16 Improved revenues from State and Federal sources as well as higher than anticipated interest earnings combined to bring in an additional \$2.25 million above 2015-16 final budget revenue projections. One-time expenditure savings were also realized, resulting in a final General Fund ending fund balance of 11.2%.

2016-17 General Fund revenues increased by \$7.8 million (4.8%) from the year ended June 30, 2016. This was greater than anticipated and was primarily driven by higher property tax and local option levy collections and State School Fund grant payments. Actual expenditures were lower than appropriations in the final budget by \$9.1 million. This includes a decrease in expenditure for support services (\$1.3 million) and instructional costs (\$1.3 million) resulting from lower than expected staffing-related costs, position vacancies, and savings related to lower costs for utilities and fuel. Additionally, an operating contingency of \$6.0 million was not utilized. The resulting ending fund balance increased to \$24.5 million (14.4%). Amounts in excess of the Board required General Fund ending balance of 5.0% will be used to offset anticipated future operating deficits.





Expenditure totals include General Fund expenditures for repairs, maintenance, capital improvements, and building operations plus capital expenditures paid for from the Capital Projects Fund. Actual dollar expenditures have been adjusted for inflation (U.S. CPI for Urban Consumers) to reflect a real dollar comparison in 2018 dollars.

#### 2002-2008 Capital Improvement Program

In May 2002, voters approved \$116 million in bonds to fund a six-year capital improvement plan. Spending in 2002-03 represented the first year of design and construction activity under that bond. Higher levels of spending in 2003-04 through 2005-06 primarily reflect the construction of two new elementary schools to replace four former elementary schools (opened in September 2004), the construction of two new middle schools (opened September 2005 and September 2006), and remodels in all four high schools. Amounts expended in 2006-07 include the final costs of constructing one new middle school, major remodeling at an elementary school and another middle school, plus upgrades to building systems such as electrical, heating and ventilation, and plumbing systems District-wide. The bonds issued from this measure have been fully spent.

#### 2011 Capital Improvement Program

In May 2011, voters approved a \$70 million bond measure funding capital improvements to school facilities, upgrades to technology systems and a broad range of support for changes in the delivery of instruction. The final \$16 million in bonds for this measure were issued in June of 2017.

#### 2013 Capital Improvement Program

In May 2013, voters approved a \$170 million bond measure funding a combination of replacement and renovation of four school buildings, as well as providing funding for student safety and security upgrades, replacing textbooks and instructional materials, acquiring and improving technology, and acquiring vehicles and equipment. The final \$29 million in bonds for this measure were issued in June of 2017.

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## **Open Books Project**

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The Open Books Project was created to explain information about Oregon K-12 school spending in a simple, easy-to-understand format, and also presents information about how well schools are meeting the needs of students. Information is available on district spending, and users can compare their district to similar ones from across Oregon.

There is also information available from Oregon's school and district report cards, including student progress and outcomes, the curriculum and learning environments, and student demographics. For more information, visit the Open Books Project website: <https://openbooksproject.org>.



EXECUTIVE SUMMARY OF  
THE STATE OF OREGON  
ECONOMIC AND REVENUE FORECAST

DECEMBER 2017

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## State Economic & Revenue Forecast Summary

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This section provides the Executive Summary and Table A.4 (Other Economic Indicators) of Oregon's Economic and Revenue Forecast. The forecast is produced quarterly by the State's Office of Economic Analysis. The December forecast may be viewed in its entirety at the following website: <http://www.oregon.gov/das/OEA/Pages/forecastecorev.aspx>

### EXECUTIVE SUMMARY

#### December 2017

The economic expansion is expected to continue. Economists see few worrisome signs in the current data. However the economy is poised to enter into a different phase of the business cycle in 2018. Continued low levels of inflation are likely one indication that the U.S. has yet to really reach its current capacity, or reach full employment even if the unemployment rate is quite low. However, the economy is likely to begin to run into supply side constraints in the near future and how the economy adjusts, and how policymakers react to these changes will go a long way toward determining when the expansion ends.

That said, the U.S. economy is beginning to hit the sweet spot like Oregon has in recent years. Employment and participation rates are rising some and wages continue to pick-up. As such household incomes are growing and poverty rates are falling. Oregon continues to transition down from peak growth rates seen a couple years ago to a more sustainable, long-term rate. However the latest population estimates indicate that migration trends have yet to slow thus far. Expectations are for population growth to taper in the short-term, in keeping with the economy. Moving forward, Oregon's population growth will increasingly rely on migrants.

Oregon's primary General Fund revenues continued to grow over the first few months of the 2017-19 biennium. Although this growth was healthy, exceeding what was seen in most states, collections have come in slightly lower than what was called for in the September forecast. However, recently processed personal income tax returns for filers with extensions and amendments suggest taxable income is likely larger than was previous estimated. The net result is a relatively unchanged General Fund forecast. Combined, the total resources from the General and Lottery Funds have increased \$47.4 million relative to the September outlook. The majority of the increase comes from a stronger corporate tax outlook.

The primary risk facing the near-term revenue forecast is the potential for tax legislation at the federal level. From a broader economic perspective, the most significant local impact of federal tax changes will be what happens to the amount of federal taxes paid by Oregon's households and businesses. However, in addition to what happens to the federal tax bill, many federal law changes stand to have large impact on Oregon's own revenue streams.

Oregon's tax collections are tied to federal tax law both directly and indirectly. The starting point for calculating Oregon income tax is taxable income from a filer's federal return. As a result, most federal changes to what is defined as income, or to what can be deducted or excluded from it, directly feed into Oregon tax collections. After the last major federal tax reform in 1986, Oregon's income tax revenues increased 20% the following year.

The most recent proposals call for increasing the standard deduction, while eliminating a range of itemized deductions. Changes to the standard deduction only impact Oregon tax collections indirectly, while changes to itemized deductions can also directly flow into Oregon collections. Oregon defines its own standard deduction levels, disconnecting its revenues from the federal policy. Itemized deductions are where much of the uncertainty lies for both Oregon's taxpayers and its state revenues. Oregon filers, high and low income alike, itemize at higher rates than the national average. Oregon's taxpayers are able to claim a relatively large amount of deductions, in part due to a large amount of state income taxes paid.

As is always the case regarding tax policy, the devil is in the details. Federal tax reform has not yet passed, with amendments and revisions likely still to come. Initial rough estimates by the Oregon Department of Revenue and Legislative Revenue Office suggest that the upward pressure created by federal reform could be large enough to trigger Oregon's unique kicker law all else being equal.

**Dec 2017 - Other Economic Indicators**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
GDP (Bil of 2009 \$),												
Chain Weight (in billions of \$)	16,013.3	16,471.5	16,716.2	17,079.4	17,484.3	17,876.3	18,260.9	18,655.8	19,042.5	19,426.1	19,783.3	20,134.1
% Ch	2.6	2.9	1.5	2.2	2.4	2.2	2.2	2.2	2.1	2.0	1.8	1.8
<b>Price and Wage Indicators</b>												
GDP Implicit Price Deflator,												
Chain Weight U.S., 2009=100	108.8	110.0	111.4	113.3	115.6	118.1	120.8	123.4	125.9	128.6	131.3	134.2
% Ch	1.8	1.1	1.3	1.7	2.0	2.2	2.2	2.1	2.1	2.1	2.1	2.1
Personal Consumption Deflator,												
Chain Weight U.S., 2009=100	109.2	109.5	110.8	112.6	114.1	116.1	118.6	121.0	123.5	126.0	128.7	131.4
% Ch	1.5	0.3	1.2	1.6	1.4	1.7	2.1	2.0	2.0	2.1	2.1	2.1
CPI, Urban Consumers,												
1982-84=100												
Portland-Salem, OR-WA	241.2	244.2	249.4	258.5	263.8	270.8	278.5	286.0	293.2	300.7	308.8	317.1
% Ch	2.4	1.2	2.1	3.6	2.1	2.6	2.9	2.7	2.5	2.6	2.7	2.7
U.S.	236.7	237.0	240.0	245.0	249.3	254.8	261.6	268.0	274.4	281.3	288.5	295.8
% Ch	1.6	0.1	1.3	2.1	1.7	2.2	2.7	2.4	2.4	2.5	2.6	2.5
Oregon Average Wage												
Rate (Thous \$)	48.9	50.7	51.9	53.0	55.4	57.7	60.1	62.6	65.2	67.9	70.7	73.6
% Ch	3.3	3.8	2.3	2.1	4.5	4.1	4.2	4.1	4.1	4.1	4.2	4.2
U.S. Average Wage												
Wage Rate (Thous \$)	53.8	55.4	56.0	57.1	59.0	61.3	63.6	66.1	68.8	71.5	74.3	77.1
% Ch	3.1	3.0	1.1	1.9	3.3	3.8	3.8	4.0	3.9	3.9	3.9	3.9
<b>Housing Indicators</b>												
FHFA Oregon Housing Price Index												
1991 Q1=100	303.9	331.6	369.0	398.6	425.5	449.0	471.0	490.6	509.3	527.8	544.3	557.7
% Ch	7.7	9.1	11.3	8.0	6.7	5.5	4.9	4.2	3.8	3.6	3.1	2.5
FHFA National Housing Price Index												
1991 Q1=100	208.3	219.8	233.3	247.2	256.5	265.3	274.4	283.5	292.1	302.4	313.7	325.5
% Ch	5.2	5.5	6.1	6.0	3.8	3.4	3.4	3.3	3.0	3.5	3.7	3.8
Housing Starts												
Oregon (Thous)	15.6	15.9	19.1	19.2	22.4	23.0	23.9	24.6	24.8	24.7	24.3	24.0
% Ch	9.2	2.3	19.8	0.6	17.0	2.6	4.0	2.6	1.1	(0.4)	(1.9)	(1.2)
U.S. (Millions)	1.0	1.1	1.2	1.2	1.3	1.4	1.4	1.5	1.5	1.5	1.5	1.5
% Ch	7.8	10.6	6.3	1.4	9.2	7.1	3.4	3.0	1.2	0.4	(0.6)	(1.0)
<b>Other Indicators</b>												
Unemployment Rate (%)												
Oregon	6.8	5.6	4.9	4.0	4.4	4.5	4.7	4.8	4.9	5.0	5.1	5.1
Point Change	(1.1)	(1.2)	(0.7)	(0.9)	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.0
U.S.	6.2	5.3	4.9	4.4	4.3	4.3	4.3	4.4	4.4	4.4	4.5	4.6
Point Change	(1.2)	(0.9)	(0.4)	(0.4)	(0.1)	(0.0)	0.1	0.0	0.0	0.0	0.1	0.1
Industrial Production Index												
U.S. 2002 = 100	105.1	104.4	103.1	104.9	107.7	110.4	113.3	115.3	117.0	119.1	121.1	123.1
% Ch	3.1	(0.7)	(1.2)	1.8	2.7	2.5	2.6	1.8	1.5	1.8	1.7	1.7
Prime Rate (Percent)	3.3	3.3	3.5	4.1	4.7	5.7	6.0	6.0	6.0	6.0	6.0	6.0
% Ch	0.0	0.3	7.7	16.7	15.2	19.8	6.2	0.0	0.0	0.0	0.0	0.0
Population (Millions)												
Oregon	3.97	4.02	4.09	4.15	4.21	4.27	4.33	4.38	4.44	4.49	4.54	4.59
% Ch	1.1	1.3	1.5	1.6	1.5	1.4	1.3	1.3	1.2	1.2	1.1	1.1
U.S.	319.2	321.5	323.7	325.9	328.5	331.1	333.8	336.4	339.0	341.5	344.1	346.6
% Ch	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.7
Timber Harvest (Mil Bd Ft)												
Oregon	4,125.6	3,788.1	3,888.3	3,978.1	4,024.2	4,071.6	4,113.8	4,162.0	4,217.7	4,165.8	4,160.8	4,208.9
% Ch	(1.8)	(8.2)	2.6	2.3	1.2	1.2	1.0	1.2	1.3	(1.2)	(0.1)	1.2