

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

**2015-16 — 2019-20**

**December 2015**

**Dr. Gustavo Balderas, Superintendent**

**Prepared by:**

Monica Brown, Chief Financial Officer  
Andrea Belz, Associate Director of Finance  
Sharon Myrand, Budget and Reporting Supervisor

**Table of Contents**

Forecast Framework ..... ii

**GENERAL FUND FORECAST ..... 1**

    Summary of Long-Term Financial Forecast – General Fund ..... 2

    Summary Forecast ..... 4

    Summary Assumptions ..... 5

    Revenue Detail ..... 7

    Revenue Assumptions ..... 8

    Expenditure Detail ..... 10

    Expenditure Assumptions ..... 11

**STATISTICAL INFORMATION ..... 13**

    Local Option Revenue ..... 14

    Student Enrollment ..... 15

    Ending Fund Balance ..... 16

    Revenue/Expenditure History ..... 18

    Maintenance & Capital Trends ..... 19

    Open Books Project ..... 20

**ECONOMIC AND REVENUE FORECAST ..... 21**

    State Economic & Revenue Forecast Summary ..... 22

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## Forecast Framework

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This financial forecast has been prepared in response to the District's adopted management goal of maintaining long-term financial stability. The forecast establishes key assumptions underlying the projections and identifies variables which may cause the projections to change. Its purpose is 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.

In Board Policy DA, the District's Financial Management Goals and Policies provide the framework for financial planning and decision-making by the school board, budget committee, and district staff.

1. *"The district will establish a financial base sufficient to support high quality and innovative educational programs which meet community needs."*
2. *"The district will follow prudent and professional financial management practices in order to achieve and maintain long-term financial stability."*
3. *"The district will demonstrate to the taxpayers of the district and the financial community that its schools are well managed."*
4. *"The district will provide cost effective services to citizens by cooperating with other educational, government, and non-profit agencies."*
5. *"The district will have an adequate capital improvement program that maintains existing district assets, provides for student and employee safety, maintains a quality instructional environment, and allows for enhancements that are necessary to meet changes in enrollment."*
6. *"The district will continually review and improve its formal budget document and other financial information so that it clearly and openly communicates its resources, expenditures, and financial position."*
7. *"The district will communicate, as permitted by law, with its employees and the community so that they understand the district's program requirements and financial status."*

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

1. *"The district estimates revenues, operating and capital expenditures, and debt service every year for the following five years. Annually, the superintendent will propose a financial forecast that is reviewed and potentially modified by the budget committee or board. This forecast serves as the basis for budget instructions to the superintendent 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

#### 2015-16

The 2015-16 Current Budget presented in the first column of the 5-year forecast represents the District's 2015-16 Adopted Budget, approved by the School Board on June 24, 2015, amended by 2015-16 Supplemental Budget #1, approved on December 2, 2015, and revised to reflect new estimates of property tax and State School Fund revenues.

**Annual Surplus: \$5.15 million** (assuming no further contingency or reserve spending in 2015-16 – will be carried forward to address deficits in 2016-17 and 2017-18)

#### 2016-17

##### Revenue

- **State School Fund (SSF) Grants** – The District's State School Fund projection for 2016-17 has been built with the revenue assumption that the state K-12 appropriations for the 2015-17 biennium will be \$7.38 billion. Unlike the previous biennium, \$7.258 billion will be split evenly between 2015-16 and 2016-17, and the remaining \$118 million is expected to be available in 2016-17 to fund district operations. The District will benefit from this additional resource in 2016-17, as well as a small increase in enrollment over the previous year (21 students).

##### Spending

- **Employee Compensation** – EEA, OSEA, MAPS and Director salaries and benefits have been calculated in accordance with negotiated agreements with the District.
- **Staffing** – funding for two positions currently budgeted in the Capital Projects Fund will be exhausted in 2015-16. Assuming these positions are still required to meet District operational requirements, they will be moved to the General Fund at a cost of \$0.22 million.

**Annual Surplus: \$3.15 million**

#### 2017-18

##### Revenue

- **State School Fund (SSF) Grants** – This forecast assumes an 8% growth in state funding available to K-12 education for the 2017-19 biennium. As a result, statewide SSF revenues are estimated to be \$7.97 billion (an increase of \$0.59 billion over current 2015-17 funding of \$7.38 billion). As this is the first year of the biennium, we have assumed 49% of the estimated K-12 budget estimated for the 2017-19 biennium will be available. However, a small estimated enrollment decline of 40 students will negatively impact revenue growth.

##### Spending

- **Employee Compensation** – Salaries and benefits for EEA, MAPS and Directors 2017-18 have been calculated assuming no furlough days and a full step increase for eligible employees effective July 1<sup>st</sup>. OSEA salaries and benefits have been calculated in accordance with the classified employee negotiated agreement with the District.
- **Staffing** – ongoing bond funding for 12 Facilities Department positions will come to an end in 2016-17. Assuming these positions are still required to meet District operational requirements, they will be moved to the General Fund at a cost of \$1.12 million.

- **Public Employee Retirement System (PERS) Rate** - PERS contribution rates are set once every biennium. They are based on fund performance over the 18 months prior to the effective date of the rate change and the actuarial projections of fund liabilities. Current rates in effect were set during the state's 2015-17 biennial budget process based on the December 2013 actuarial valuation, adjusted for the effects of actions of the Legislature and PERS Board. These PERS rates reflect the effect of actions by the Legislature and PERS Board during the 2013-15 state biennial budget process. These actions reduced the PERS system liability and comprised Senate Bills 822 and 861 and changes to actuarial methods and assumptions approved by the PERS Board.

As a result of the Oregon Supreme Court decision striking down many of the PERS reforms enacted by the Oregon Legislature, District PERS rates are currently estimated to increase by 4.76% beginning in 2017-18. This will increase PERS costs for the District by an estimated \$4.22 million.

**Annual Deficit: \$1.25 million**

## **2018-19**

### **Revenue**

- **State School Fund (SSF) Grants** – in 2018-19 SSF grant revenues will increase due to the availability of 51% of the forecast state K-12 budget for the 2017-19 biennium (versus 49% in 2017-18). The District is also expected to benefit from an estimated enrollment increase of 95 students over the previous year.

### **Spending**

- **Employee Compensation** – salary costs for 2018-19 have been calculated assuming no furlough days and a full step increase for eligible employees effective July 1<sup>st</sup>.

**Annual Deficit: \$0.38 million**

## **2019-20**

### **Revenue**

- **State School Fund (SSF) Grants** – This forecast assumes an 8% growth in state funding available to K-12 education for the 2019-21 biennium. As a result, statewide SSF revenues are estimated to be \$8.60 billion (an increase of \$0.63 billion over current 2017-19 funding of \$7.97 billion). As this is the first year of the biennium, we have assumed 49% of the estimated K-12 budget estimated for the 2019-21 biennium will be available.

### **Spending**

- **Employee Compensation** – salary costs for 2019-20 have been calculated assuming no furlough days and a full step increase for eligible employees effective July 1<sup>st</sup>.
- **Public Employee Retirement System (PERS) Rate** - PERS contribution rates are set once every biennium. They are based on fund performance over the 18 months prior to the effective date of the rate change and the actuarial projections of fund liabilities. Given current investment earnings trends and pension liability assumptions it is highly likely that PERS rates will increase substantially in 2019-21. This forecast assumes the rate will increase by another 4.76% beginning in 2019-20. This will increase PERS costs for the District by an estimated \$4.38 million.

**Annual Deficit: \$1.43 million**

## Summary Forecast

IMPACT ON OPERATIONS (in thousands)		2015-16 Current Budget	2016-17 Forecast	2017-18 Forecast	2018-19 Forecast	2019-20 Forecast
<b>Total District Revenues</b>	(1)	\$161,378	\$167,496	\$173,889	\$180,618	\$187,041
<b>Expenditures</b>						
Operating Expenditures	(2)	\$160,849	\$166,830	\$175,117	\$178,181	\$185,603
Transfers	(3)	1,258	1,340	1,372	1,372	1,372
Contingency	(4)	2,073	3,337	3,502	3,564	3,712
Board Priorities Reserve	(4)	-	-	-	-	-
Operations Reserve	(4)	1,444	-	-	-	-
Subtotal		165,624	171,507	179,991	183,117	190,687
Projected Underspending	(5)	(3,517)	(2,202)	(2,311)	(2,352)	(2,450)
<b>Total Expenditures</b>		<b>\$162,107</b>	<b>\$169,305</b>	<b>\$177,680</b>	<b>\$180,765</b>	<b>\$188,237</b>
<b>ANNUAL OPERATING SURPLUS / (DEFICIT)</b>		<b>(\$729)</b>	<b>(\$1,809)</b>	<b>(\$3,791)</b>	<b>(\$147)</b>	<b>(\$1,196)</b>
<b>Use of Transfers from Reserves to Balance</b>	(6)					
Transfer (to) / from General Fund Reserves		\$4,976	\$4,458	\$2,410	(\$337)	(\$321)
Transfer (to) / from Capital Equipment Fund		377				
Transfer (to) / from PERS Reserve						
Transfer (to) / from Insurance Reserve		528	499	136	101	90
Transfer (to) / from Capital Projects Fund Reserve		-				
Total Transfers (to) / from Reserves		\$5,881	\$4,957	\$2,546	(\$236)	(\$231)
Annual Surplus / (Deficit) Assuming Use of Reserves	(7)	\$5,152	\$3,148	(\$1,245)	(\$383)	(\$1,427)
<b>Corrective Action Required</b>	(8)	<b>\$0</b>	<b>\$0</b>	<b>(\$1,245)</b>	<b>\$0</b>	<b>(\$565)</b>
<b>RESERVES</b>						
<b>Beginning Fund Balance - General Fund</b>	(9)	\$12,238	\$7,262	\$7,956	\$8,694	\$9,031
Transfer to / (from) Reserves		(4,976)	694	738	337	321
<b>Ending Fund Balance - General Fund</b>		<b>\$7,262</b>	<b>\$7,956</b>	<b>\$8,694</b>	<b>\$9,031</b>	<b>\$9,352</b>
% of Total District Revenues		4.50%	4.75%	5.00%	5.00%	5.00%
% Change in Total District Revenues		8.2%	3.8%	3.8%	3.9%	3.6%
% Change in Total Expenditures		6.6%	4.4%	4.9%	1.7%	4.1%

Note: Totals may differ due to rounding.

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## Summary Assumptions

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### (1) Total revenues

See pages 8 and 9 of this forecast document for a detailed explanation of the calculations used to develop District total revenues.

### (2) Operating expenditures

See pages 11 and 12 of this forecast document for a detailed explanation of the calculations used to develop District operating expenditures.

### (3) Transfers

- Capital projects, equipment and textbooks, and bus fleet transfers are not included in the forecast as they are assumed to be funded from the May 2013 bond issue throughout the forecast period.
- Insurance and risk reserve transfers:
  - \$875,000 to support Risk and Benefit Management operations.
  - \$250,000 in social security cost savings from pre-tax flexible spending accounts to insurance reserve accounts annually, as negotiated with employee groups.
  - \$132,900 to support Nutrition Services operations in 2015-16. To address additional employee compensation costs associated with the District's contract with the Oregon School Employees Association (OSEA), this transfer will increase to \$215,000 in 2016-17 and \$247,000 for all future years of the forecast.

### (4) Contingency and Reserves

- The General Fund Contingency is equal to 2.0% of operating expenditures per Board policy.

Board Policy DI, Accounting and Financial Practices Policy 4: *"The targeted contingency for general fund is two percent of the operating budget."*

- A Board Priorities Reserve of \$0.28 million was included in the 2015-16 Adopted Budget to address class size and other Board priorities. This reserve represented one-time funds. As such, staffing allocations and other resources funded through this reserve are limited to the 2015-16 operating period. As of December 2015 this reserve has been fully expended to fund additional staffing. Funding for a Board Priorities Reserve is not included in future years of the forecast.
- An Operations Reserve of \$1.44 million was included in the 2015-16 Adopted Budget to serve as a contingency against pending legislation, and reserve funds to carry forward to 2016-17 to address a projected deficit. This reserve represented one-time funds. This forecast presentation assumes the entire Operations Reserve balance is available to partially offset the District's 2016-17 operating deficit.

### (5) Projected Underspending

- Assumes a portion of budgeted expenditures will not be spent in any given year; calculated as 66% of Contingency in 2016-17 and beyond. For 2015-16, projected underspending represents the remaining Contingency balance and the full balance of the Operations Reserve. This is used to calculate the District's ending fund balance.

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

- The 2015-16 General Fund reserve has been set at 4.5% of operating revenues, consistent with the direction of the School Board. As a result, the District will have \$5.15 million in General Fund carry-over funding available to support operations during the next two years. In 2016-17, the reserve percentage will increase to 4.75% and the District will add \$0.69 million to reserves to reach this level. Starting in 2017-18 the General Fund reserve will return to the District policy level of 5% of operating revenues.
- Insurance Reserve transfers reflect balances agreed to during collective bargaining with OSEA and EEA.



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

- Difference between total District revenues and operating expenditures, net of reserve 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. For example, if expenditures were reduced by \$1.25 million in 2017-18 the District would not have to take corrective action until 2019-20.

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

- General Fund reserves, as a percentage of operating revenues, are expected to be at 4.5% to 5% of operating revenues during the forecast period. This is consistent with the direction of the School Board, and reflects steady progress toward a return to the District policy level of 5% of operating revenues.

Board Policy DI, Accounting and Financial Practices Policy 5d: *“The district will maintain a minimum 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)		2015-16 Current Budget	2016-17 Forecast	2017-18 Forecast	2018-19 Forecast	2019-20 Forecast
Property Tax Collections - Current Year	(1)	\$61,629	\$64,094	\$66,656	\$69,323	\$72,096
Property Tax Collections - Prior Year	(2)	1,917	1,979	2,044	2,111	2,181
State School Fund Grants	(3)	77,604	81,397	84,205	87,293	89,810
SSF Local Revenues	(4)	3,030	2,290	2,290	2,290	2,290
<b>Total SSF Formula Revenue</b>		<b>\$144,180</b>	<b>\$149,760</b>	<b>\$155,195</b>	<b>\$161,017</b>	<b>\$166,377</b>
Local Option Levy - Current Year	(5)	11,136	11,765	12,601	13,485	14,420
Local Option Levy - Prior Year		346	361	382	405	428
Other Revenues	(6)	5,716	5,610	5,711	5,711	5,816
<b>TOTAL DISTRICT REVENUES</b>		<b>\$161,378</b>	<b>\$167,496</b>	<b>\$173,889</b>	<b>\$180,618</b>	<b>\$187,041</b>
<b>STATE SCHOOL FUND (SSF) ALLOCATIONS</b>						
<b>Enrollment</b>	(7)					
Enrollment (ADM) - Regular Ed.		16,069.2	16,091.7	16,154.8	16,248.9	16,305.4
Enrollment (ADM) - Charter Schools		800.2	803.6	804.6	804.6	804.6
Total Enrollment (ADM)		16,869.4	16,895.3	16,959.4	17,053.5	17,110.0
<b>Weighted ADM (ADMw) - Extended</b>		<b>19,788.8</b>	<b>19,876.2</b>	<b>19,942.9</b>	<b>20,047.3</b>	<b>20,110.0</b>
<b>State School Fund Grants</b>	(3)					
SSF Formula Revenue per student (ADMw)		\$7,245	\$7,496	\$7,744	\$7,995	\$8,238
% Change in SSF Formula Revenue per student (ADMw)		0.9%	3.5%	3.3%	3.2%	3.0%
SSF Formula Revenue (in thousands)		142,580	148,160	153,595	159,417	164,777
High Cost Disability Grant		1,600	1,600	1,600	1,600	1,600
<b>Net SSF Grants (in thousands)</b>		<b>\$144,180</b>	<b>\$149,760</b>	<b>\$155,195</b>	<b>\$161,017</b>	<b>\$166,377</b>
<b>PROPERTY TAX COLLECTION</b>	(1)					
Assessed Value (Operating Levy AV) (in thousands)		\$13,858,171	\$14,412,498	\$14,988,998	\$15,588,558	\$16,212,100
Projected Annual Increase in Operating Levy AV		4.72%	4.00%	4.00%	4.00%	4.00%
Operating Levy (inside Measure 5 limit)	(1)					
Permanent Tax Rate per \$1,000 of Operating Levy AV	<b>\$4.7485</b>	\$65,806	\$68,438	\$71,175	\$74,022	\$76,983
Compression Loss		(728)	(757)	(788)	(819)	(852)
Taxes Imposed		65,078	67,681	70,387	73,203	76,131
Collection Rate - operating levy		94.68%	94.70%	94.70%	94.70%	94.70%
<b>Net Operating Levy</b>		<b>\$61,629</b>	<b>\$64,094</b>	<b>\$66,656</b>	<b>\$69,323</b>	<b>\$72,096</b>
Annual growth		4.9%	4.0%	4.0%	4.0%	4.0%
Local Option Levy (outside Measure 5 limit)						
Assessed Value (Local Option AV) (in thousands)		\$14,073,373	\$14,636,308	\$15,221,760	\$15,830,631	\$16,463,856
Local Option Tax Rate per \$1,000 of Local Option AV	<b>\$1.5000</b>	\$21,110	\$21,954	\$22,833	\$23,746	\$24,696
Compression Loss		(9,521)	(9,531)	(9,527)	(9,506)	(9,469)
Tax Gap		11,589	12,423	13,306	14,240	15,227
<i>Measure 5 Limit - Proceeds Net of Uncollected Taxes</i>		11,136	11,765	12,601	13,485	14,420
<i>Limit of \$1,000 (increased by 3% per year) per Extended ADMw</i>		25,068	25,934	26,802	27,750	28,672
<i>Limit of 20% of State Resources</i>		28,836	29,952	31,039	32,203	33,275
Collection Rate - local option levy		94.68%	94.70%	94.70%	94.70%	94.70%
<b>Net Local Option Levy</b>		<b>\$11,136</b>	<b>\$11,765</b>	<b>\$12,601</b>	<b>\$13,485</b>	<b>\$14,420</b>
Annual growth		9.7%	5.6%	7.1%	7.0%	6.9%

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 4.0% per year over the forecast period.
- Assessed property values (AV) projected to increase annually by 4.0% throughout the forecast period.
- Compression losses decreased significantly in 2014-15 (from approximately \$1.5 million in 2013-14 to \$0.76 million in 2014-15) and are projected at 1.11% of the permanent tax rate for 2015-16 and beyond.
- Tax collection rates are assumed to be 94.7% throughout the forecast period.
- Included in the State School Fund formula.

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

- Estimated at 45% 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, Federal Forest Fees, Common School Fund, County School Fund).

- Assumes \$7.38 billion in state funding for K-12 schools in the 2015-17 biennium: \$7.258 billion divided equally between 2015-16 and 2016-17, and the remaining \$118 million made available in 2016-17. For the 2017-19 and 2019-21 bienniums, state funding is forecast to grow by 8% over the previous biennium's appropriation. For these two bienniums, 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.
- Beginning in 2015-16 both the statewide and district-level ADMw have been increased to reflect kindergarten students at full-day attendance.
- 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 2015-16 and future years assumes the availability of an additional \$34 million each biennium at the statewide level for this grant, for a total statewide grant of \$70 million per biennium (funded at \$36 million for the 2013-15 biennium).

### (4) SSF Local Revenues

- Includes Common School Funds and County School Funds for all years in the forecast. Federal Forest Fees have been included in the 2015-16 balance at 95% of 2014-15 Federal Forest Fee revenue.
- 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.
- Forecast projections are based on 2015-16 tax levy amounts adjusted for steady growth throughout the forecast period (annual assessed property value growth of 4.0% and a 1.7% annual decrease in compression loss).
- 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.
- Future interest earnings are limited by the slow growth of interest rates and low growth in reserve levels.

Board Policy DI, Revenue Policy 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 fluctuate throughout the forecast. Projected enrollment for 2015-16 (16,520) will increase slightly to 16,541 in 2016-17. The decline for 2017-18 will be small, with a decrease of only 40 students (16,501). The student count will increase by 95 students in 2018-19 (16,596) and an additional 56 students in 2019-20 brings final enrollment to 16,652.
- Charter school enrollment is projected to remain slightly over 800 students for all years of the forecast.

## Expenditure Detail

OPERATING EXPENDITURES (in thousands)	2015-16 Current Budget	2016-17 Forecast	2017-18 Forecast	2018-19 Forecast	2019-20 Forecast
<b>Employee Compensation Expenditures</b> (1)					
Licensed Employees	\$52,700	5.3% \$55,472	1.5% \$56,294	2.1% \$57,488	1.9% \$58,599
Classified Employees	17,743	1.9% 18,087	6.9% 19,339	1.5% 19,620	1.5% 19,906
Admin/Supervisors/Professional	10,104	4.8% 10,589	1.9% 10,785	1.8% 10,984	1.9% 11,188
Substitute/Temporary	3,139	7.3% 3,369	3.3% 3,479	2.0% 3,547	1.8% 3,612
Staffing Pool	160	160	160	160	160
<b>Total Salaries</b>	<b>\$83,847</b>	4.6% <b>\$87,677</b>	2.7% <b>\$90,057</b>	1.9% <b>\$91,799</b>	1.8% <b>\$93,465</b>
Payroll Costs:					
Licensed	\$18,870	\$19,315	\$22,281	\$22,754	\$25,983
Classified	6,352	6,298	7,654	7,766	8,826
Admin/Supervisors/Professional	3,619	3,687	4,269	4,347	4,961
Substitute/Temporary	592	630	752	768	894
Insurance Benefits	21,673	2.2% 22,150	1.1% 22,383	0.3% 22,441	0.2% 22,475
District Retirement Benefits	1,500	0.0% 1,500	0.0% 1,500	-3.3% 1,450	0.0% 1,450
Other Benefits	1,823	-0.7% 1,810	0.2% 1,813	0.4% 1,820	0.2% 1,824
Total Payroll Costs & Benefits	\$54,429	1.8% \$55,390	9.5% \$60,652	1.1% \$61,346	8.3% \$66,413
<b>Total Employee Compensation</b>	<b>\$138,276</b>	3.5% <b>\$143,067</b>	5.3% <b>\$150,709</b>	1.6% <b>\$153,145</b>	4.4% <b>\$159,878</b>
<b>Non-Compensation Expenditures</b> (2)					
Purchased Services	\$11,441	8.4% \$12,403	2.7% \$12,736	2.0% \$12,997	2.7% \$13,345
Charter School Payments	5,217	4.2% 5,438	3.1% 5,609	3.5% 5,806	3.3% 5,998
Supplies	4,982	-0.2% 4,973	2.4% 5,092	2.8% 5,235	2.4% 5,360
Equipment	60	1.9% 61	1.6% 62	3.2% 64	3.1% 66
Other	872	1.8% 888	2.4% 909	2.8% 934	2.4% 956
<b>Total Non-Compensation Expenditures</b>	<b>\$22,573</b>	5.3% <b>\$23,763</b>	2.7% <b>\$24,408</b>	2.6% <b>\$25,036</b>	2.8% <b>\$25,725</b>
<b>TOTAL OPERATING EXPENDITURES</b>	<b>\$160,849</b>	3.7% <b>\$166,830</b>	5.0% <b>\$175,117</b>	1.7% <b>\$178,181</b>	4.2% <b>\$185,603</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	1,125	1,125	1,125	1,125	1,125
Nutrition Services	133	215	247	247	247
<b>Total Transfers</b>	<b>\$1,258</b>	<b>\$1,340</b>	<b>\$1,372</b>	<b>\$1,372</b>	<b>\$1,372</b>
<b>Contingency</b> (4)	<b>\$2,073</b>	<b>\$3,337</b>	<b>\$3,502</b>	<b>\$3,564</b>	<b>\$3,712</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>\$1,444</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL EXPENDITURES</b>	<b>\$165,624</b>	3.6% <b>\$171,507</b>	4.9% <b>\$179,991</b>	1.7% <b>\$183,117</b>	4.1% <b>\$190,687</b>
Note: Totals may differ due to rounding.					
CPI (U.S. Urban Consumers), December 2015	1.4%	1.8%	2.4%	2.8%	2.4%

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## Expenditure Assumptions

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### (1) Employee Compensation

- Projected salaries for licensed staff members during 2015-16 and 2016-17 reflect terms agreed to in the 2014-2017 contract between the EEA and the District. For 2017-18 and beyond the forecast projects a full contract year (no furlough days) and an annual step movement for all eligible employees effective July 1<sup>st</sup>.
- Licensed employee changes (i) track enrollment changes, (ii) represent terms agreed to in the 2014-17 contract between the EEA and the District, and (iii) reflect an increase of 32 FTE in 2015-16 for full-day kindergarten.
  - 2016-17 16.35 FTE increase (enrollment increase of 14.35 FTE plus increase of 2 FTE for EEA contract)
  - 2017-18 1.90 FTE decrease (enrollment)
  - 2018-19 3.50 FTE increase (enrollment)
  - 2019-20 1.90 FTE increase (enrollment)
- The 2015-16 Adopted Budget did not reflect classified staff member salaries under the terms of the new District contract with the OSEA, as the terms of this contract were not finalized until late June. Using contingency funding, the District has amended the adopted budget to recognize this contract in 2015-16 Supplemental Budget #1. Projected salaries for classified staff members for 2016-17 through 2017-18 reflect terms agreed to in the contract between the 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<sup>st</sup>.
- Classified employee staffing will potentially increase by 1.0 FTE in 2016-17 and 12.0 FTE in 2017-18. Capital projects funding for one position (1.0 FTE) will be exhausted in 2015-16, and funding for an additional 12 facilities positions (12.0 FTE) provided through the 2011 Bond will end after 2016-17. The forecast assumes these positions are still required to meet District operational requirements, and reflects their movement to the General Fund.
- Salaries for managers, administrators, professionals, and supervisors (MAPS) reflect terms agreed to between MAPS and the District for 2015-16 and 2016-17. The School Board has approved the same terms for directors of the District. For 2017-18 and beyond the forecast projects a full contract year (no furlough days) and an annual step movement for all eligible employees effective July 1<sup>st</sup>. Only one change in FTE is projected during the forecast period. Capital projects funding for one position (1.0 FTE) will be exhausted in 2015-16. The forecast assumes this position will still be required to meet District operational requirements, and reflects the movement of one professional position to the General Fund in 2016-17.

### 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. The District contribution for licensed staff, managers, administrators, professionals, supervisors and directors is forecast to increase by \$30/month in 2015-16 and an additional \$25/month in 2016-17 per negotiated agreements. For classified staff members, the forecast assumes no increase in District contributions for 2015-16. In 2016-17, the District will increase its monthly health insurance contribution for members scheduled to work six (6) or more hours per day by twenty dollars per month (\$20/month) to \$1,080/month for employees working seven (7) or more hours/day and \$925/month for employees working 6 to 6.99 hours/day.
  - The forecast does not assume any changes to health insurance coverage or insurance contributions as a result of the Affordable Care Act (ACA).
- The District's PERS rates for the 2017-19 biennium are projected to increase by 4.76% (percentage points) over 2015-17 biennium levels, and remain at this higher level throughout the forecast period. This significant rate increase is due to the recent Oregon Supreme Court decision striking down many of the PERS reforms enacted by the Oregon Legislature during the 2013-15 biennium. An additional increase of 4.76%, over 2017-19 biennium levels, is also projected for the 2019-21 biennium.
- Annual support for district early retirement benefits is estimated at \$1.50 million for the next three years (2015-16 to 2017-18). As of 2018-19, support will decline to \$1.45 million and hold steady for the remaining two years of the forecast.

Board Policy DI, Organizational Policy 3: *“The compensation of employees will be competitive with that of comparable public and private sector employers in the relevant recruiting or market area. The criteria for reviewing employee wages and benefits will also include internal comparability for similar jobs, ability to pay and relevant federal or state requirements.”*

## (2) Other Operating Expenditures

- Purchased Services costs increase at the rate of CPI throughout the forecast 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.

Board Policy DI, Organizational Policy 4: *“The district will, within available resources, maintain the productivity of staff through a supportive working environment which includes appropriate equipment, supplies, materials, and professional staff development.”*

## (3) Transfers

- Capital projects, equipment and textbooks, and bus fleet transfers are not included in the forecast as they are assumed to be funded throughout the forecast period from the May 2013 bond issue.
- Insurance and risk reserve transfers:
  - \$875,000 to support Risk and Benefit Management operations.
  - \$250,000 in social security cost savings from pre-tax flexible spending accounts to insurance reserve accounts, as negotiated with employee groups.
  - \$132,900 to support Nutrition Services operations in 2015-16. To address additional employee compensation costs associated with the District’s contract with the Oregon School Employees Association (OSEA) this transfer will increase to \$215,000 in 2016-17 and \$247,000 for all future years of the forecast.

## (4) Contingency

- General Fund contingency maintained at 2% of operating expenditures (excluding transfers).

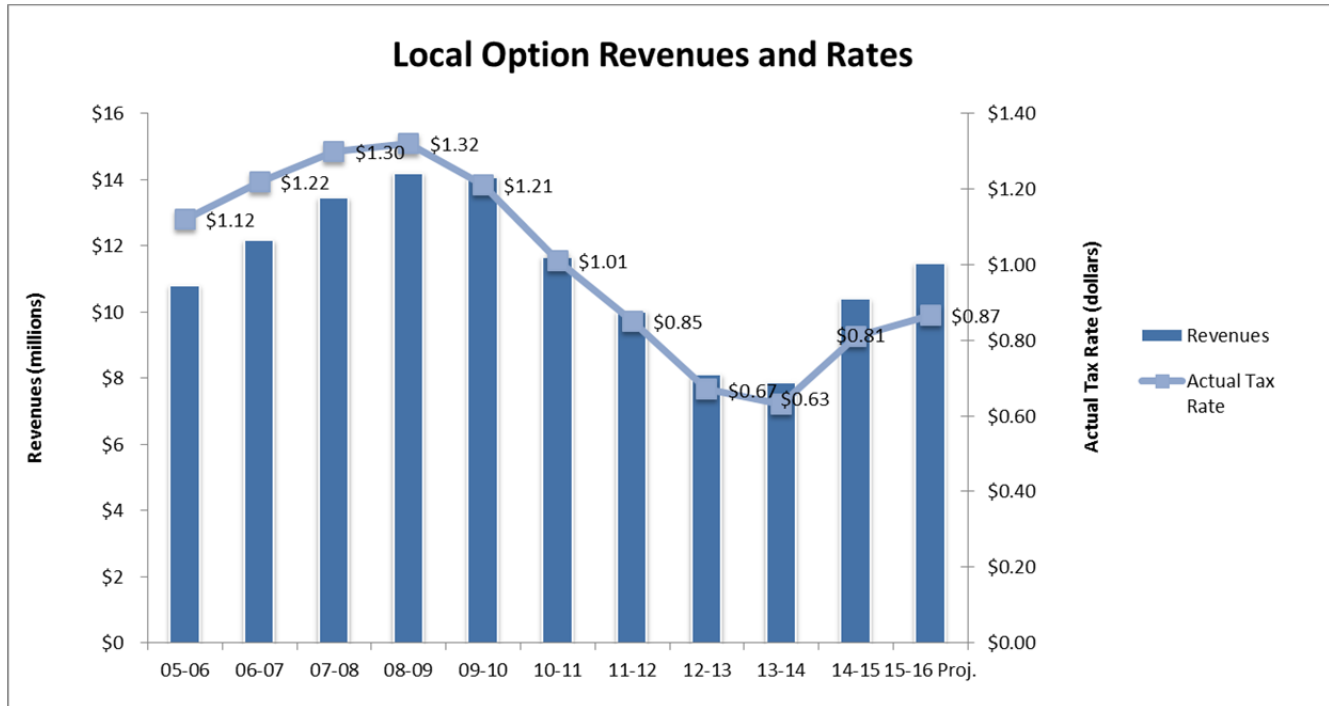
Board Policy DI, Accounting and Financial Practices Policy 4: *“The targeted contingency for the general fund is two percent of the operating budget.”*

- A Board Priorities Reserve of \$0.28 million was included in the 2015-16 Adopted Budget to address class size and other Board priorities. This reserve represented one-time funds. As such, staffing allocations and other resources funded through this reserve are limited to the 2015-16 operating period. As of December 2015 this reserve has been fully expended to fund additional staffing. Funding for a Board Priorities Reserve is not included in future years of the forecast.
- An Operations Reserve of \$1.44 million was included in the 2015-16 Adopted Budget to serve as a contingency against pending legislation, and reserve funds to carry forward to 2016-17 to address a projected deficit. This reserve represented one-time funds. This forecast presentation assumes the entire Operations Reserve balance is available to partially offset the District’s 2016-17 operating deficit.

## STATISTICAL INFORMATION



## Local Option Revenue



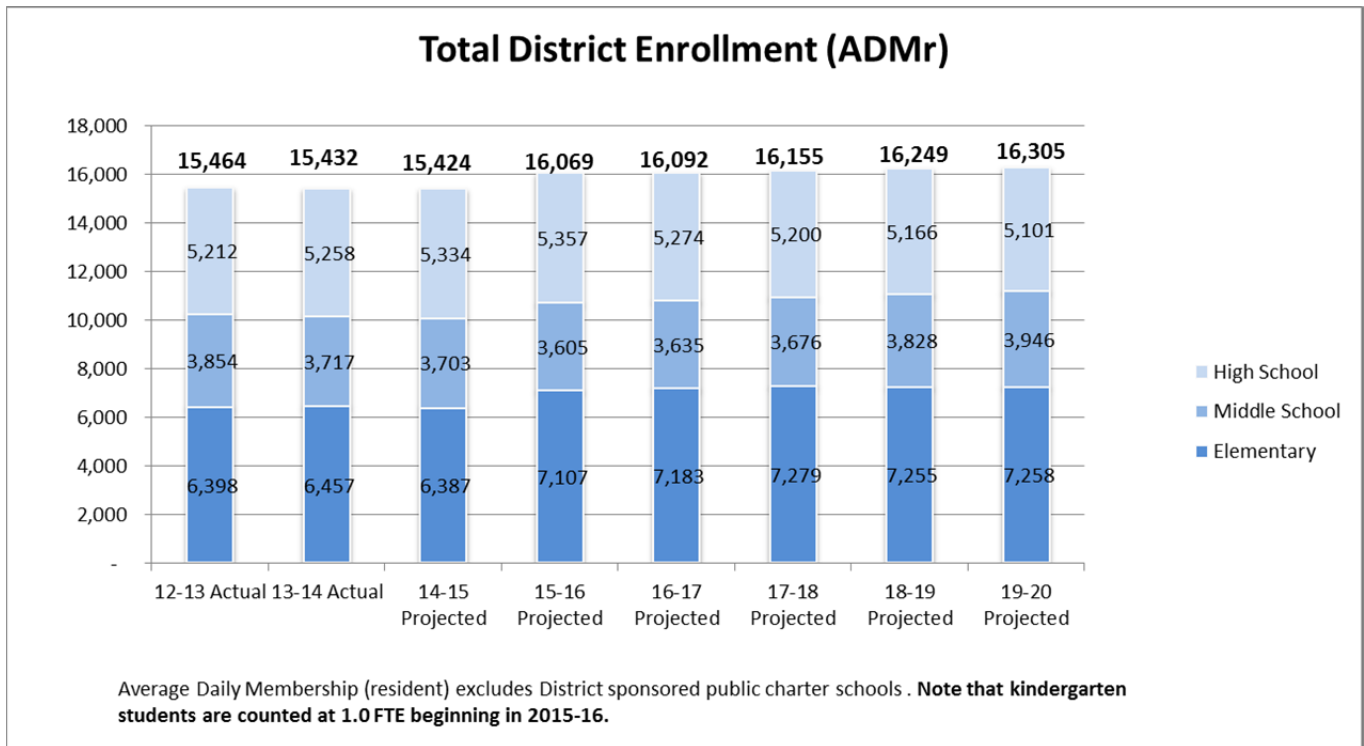
In May 2000, District voters approved a five-year local option levy of \$1.50 / \$1,000 of assessed property value. Since the passage of Measure 5 in 1990, this was the first opportunity for District voters to increase school operating funds above the state funding formula. Voters renewed the local option 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 has been evident from 2011 to 2014, as tax revenues fell from a high of \$14.2 million in 2009 to \$7.9 million in 2014. Revenues are projected to climb to \$11.5 million in 2016, an indication of the recovering economy.

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 well 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. The falling real market values beginning in 2010 drove the actual rate down every year from 2010 to 2014. It is projected to rise to \$0.87 in 2016.

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). It represents the average annual enrollment for the year and counts kindergarten students at 0.5 ADM, or half-time, in all years 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, 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.

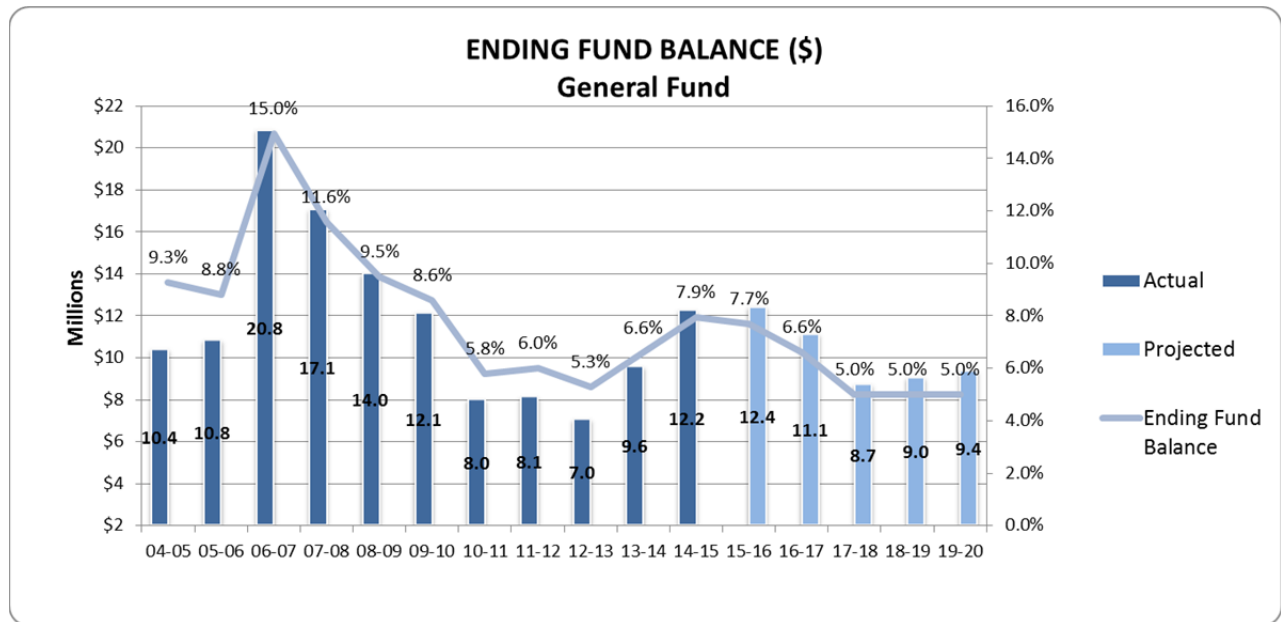
Student enrollment reached its highest point in the mid-1970's at approximately 22,000 students and declined to a low of 16,636 in 1984-85 before expanding again. During this period the District reduced staff and closed several elementary schools. Between 1985 and 1993, enrollment increased and two elementary schools were reopened. Total enrollment has consistently declined since 2002-03 when ADMr peaked at 17,379.

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.

With the implementation of full-day kindergarten in 2015-16, district-wide ADMr has grown by 645 in 2015-16. Current projections for future years show small but steady growth in student enrollment.

## 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 Policy 5d through 5f states:

### *d. Minimum*

*The district will maintain a minimum 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 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 ending fund balance 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. The Board may decide to use a portion of the projected ending fund balance 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 \$5.2 billion K-12 budget approved for the 2003-05 biennium was reduced to \$4.9 billion in 2004 with the failure of Measure 30. Per pupil funding declined substantially and required the carry-over of reserves to maintain stable programs in 2004-05. The District reduced its state funding accrual by \$2.1 million in 2004-05.

The 2005 legislature adopted a \$5.24 billion K-12 budget plus \$23 million if state revenues exceeded projections. Along with higher local property taxes, this resulted in an unexpected boost to District revenues and reserves in 2005-06 and 2006-07.

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.

Ending fund balance was 7.9% of annual operating revenues in 2014-15, and is projected to be at 7.7% in 2015-16. This percentage reflects a 4.5% Board-directed General Fund Reserve (\$7.26 million) and \$5.15 million in carry-forward funds to address projected deficits in 2016-17 and 2017-18. In 2016-17 the projection drops to 6.6%, as carry-forward funds are expended to address a \$1.81 million operating deficit, and reflects a 4.75% Board-directed General Fund Reserve (\$7.96 million) and remaining carry-forward funds of \$3.15 million. In 2017-18 the General Fund Reserve is forecast to return to the Board policy level of 5.0% (\$8.69 million) and all carry-forward funds are expected to be used to partially offset the \$3.79 million projected operating deficit.

## Revenue/Expenditure History

### Significant Revenue/Expenditure Variables

2004-05 Revenues dropped sharply from the failure of Measure 30 and the resulting cut to state funding. Expenditures include a \$4.5 million transfer to PERS reserves and use \$6.0 million in General Fund reserves to support operations.

2005-06 A strong economy generated higher levels of state funding and local option income. Costs were increased to reflect higher health insurance costs and PERS rates, additional special education staff, and 1-time funding to stabilize neighborhood schools and strengthen the school choice system. \$2.3 million in General Fund reserves and \$3 million in PERS reserves were used to support operations.

2006-07 State funding was bolstered by “trigger revenue” and 1-time lottery funds. Local option revenue exceeded projections. Costs included continued efforts to stabilize neighborhood schools and 1-time initiatives to increase student achievement. PERS reserves of \$3 million were used to support operating costs. Another \$3 million was held in reserve to fund services when the City levy expired at the end of 2006-07.

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.

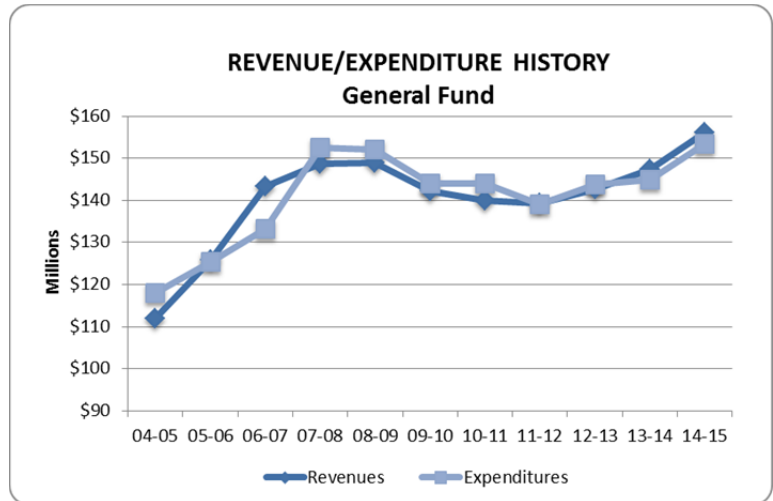
2010-11 With renewal of the District’s local option levy, passage of statewide tax initiatives, the Legislature’s approval of \$200 million in K-12 funding from state reserves, and additional ARRA funding, budget reductions were minimized at \$7.2 million.

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%.

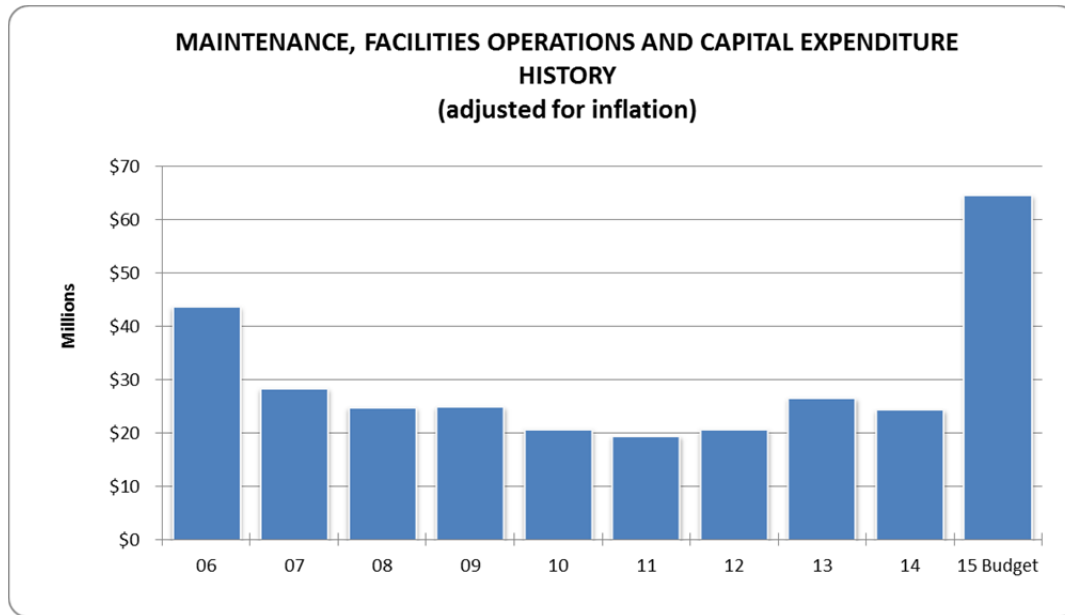
2014-15 Strong revenue growth, particularly in the areas of property tax and local option level revenues, and modest growth in expenditures for employee salaries and benefits allowed the District to end the year with a significantly higher ending fund balance (7.9%) than the 4.25% required by the Board. 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.



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## Maintenance & Capital Trends

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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 2015 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 bond also shifts approximately \$1 million of General Fund building repair costs to the Capital Projects Fund. Of the \$70 million measure approved, approximately \$49.1 million has been spent through 2014-15.

### 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. Of the \$170 million measure approved, approximately \$35.6 million has been spent through 2014-15.

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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: <http://www.openbooksproject.org/>.

**OREGON REPORT CARD 2013-2014**

**EUGENE SD 4J**  
COMPARE TO OTHER DISTRICTS »

Find in this district: Elementary Schools (22) »  
Middle Schools (8) »  
High Schools (6) »

HOME DISTRICT PROFILE PROGRESS OUTCOMES CURRICULUM & LEARNING ENVIRONMENT FEDERAL TITLE I DESIGNATION 2012/13 FINANCIALS

**FROM THE DISTRICT SUPERINTENDENT**  
SUPERINTENDENT Sheldon Berman

200 N Monroe St  
Eugene, OR 97402 (541) 790-7700  
<http://www.4j.lane.edu>

Dear Parents and Community Members,

At Eugene School District 4J, we are proud of our history of excellence, equity and choice. That history is built on the work of outstanding students, creative teachers, dedicated staff members, involved parents and a supportive community, all working together to create a system of remarkable schools.

We believe that every student in every school can excel—and that we have a responsibility to ensure every student has that opportunity. Overall, our student achievement, growth and graduation results are strong. However, we still have a distance to go in fulfilling our commitment to help all students succeed.

We are focusing our efforts to:

- Increase achievement for all students and close the achievement gap
- Implement the Common Core State Standards, which are rigorous and relevant and will better prepare students for college and careers
- Increase graduation rates to 100% by 2020–21.

To learn more about Eugene School District 4J and the comprehensive education provided by our outstanding schools, please visit [www.4j.lane.edu](http://www.4j.lane.edu) or contact your school.

Thank you,  
Superintendent Sheldon Berman

**Key academic highlights:**

Did at least 95% of students in this district take state exams?  
 YES  NO

For more report card measures including detailed demographic information visit <http://www.ode.state.or.us/go/RCMeasures>

EXECUTIVE SUMMARY OF  
THE STATE OF OREGON  
ECONOMIC AND REVENUE FORECAST

December 2015



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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/economic.aspx>.

### EXECUTIVE SUMMARY

#### December 2015

Full employment is finally within sight. It is not here yet, and the current economic expansion is far from perfect, but a long stretch of modest gains in recent years have cumulatively delivered significant progress across the economic spectrum. The number of actual jobs and job openings posted by businesses have never been higher. Combining this with an unemployment rate that is back to normal, at least on paper, indicates that workers are finally becoming a bit scarce. The result is businesses must now compete on price (wages) to attract and retain the best employees. Finally, after years of lackluster wage gains nationally, average hourly earnings for all workers are now increasing faster than inflation. More income for U.S. households will not only feel good but should allow for continued improvement in household balance sheets.

Oregon's economy continues to make significant gains. Job growth has slowed just a bit from early 2015 rates, yet remains more than strong enough to bring the unemployment rate down and account for the influx of new workers as population growth picks up. More importantly, Oregon's stronger-than-the-nation's wage gains have continued through the fall. Overall, the state has regained and retained its traditional economic advantage in expansion relative to the nation. Job growth over the past year in Oregon is more than one percentage point faster than in the typical state. This advantage is primarily due to the state's industrial structure and migration trends, both of which remain strong today.

Unfortunately, there are always risks to the outlook and warts to the expansion. The significant deterioration in manufacturing, driven by weak global demand, a stronger U.S. dollar and the pull-back of investment related to oil and gas, has eliminated one pillar of growth. Even with the sizable gains in the labor market, there remains large levels of underemployment and a wide disparity between urban and rural economies. Ongoing growth will help, but so far has failed to close these gaps. Even so, most economists and forecasters are relatively bullish about the near term, with many expecting the economy to reach full employment in 2016.

Oregon's General Fund revenues are growing strongly. Over the first four months of the 2015-17 biennium, personal income taxes, lottery sales and corporate taxes all grew at double-digit rates relative to last year. Although much of this growth was expected, gains in corporate taxes and lottery funds outstripped what was called for in the September forecast, leading to an upward revision to the outlook. Total available resources – combined General Fund and Lottery – are now expected to be \$56 million larger over the current biennium than what was expected when budgets were drafted in the summer.

The revenue outlook is stable, yet uncertain. Volatility in equity markets is injecting a great deal of risk into the forecast. Oregon's budget depends heavily on personal income tax collections tied to realizations of capital gains. These collections are extremely volatile, with revenues subject to the sometimes unpredictable behavior of investors. Many analysts believe equity markets will take a step backward soon after monetary policymakers begin to raise interest rates this winter. A 10% drop in stock prices will typically lead to a decline of twice that rate or more in the amount of net capital gains reported on tax returns. This negative impact on personal income tax collections is often delayed for several months after investors pull their assets out of equity markets. During a sell-off, the volume of trades increases, and paper gains from past years become subject to tax. Afterward, taxable capital gains face considerable downward pressure, with paper earnings from past years having been tapped, and with losses being carried forward into future tax years.

Revenue growth in Oregon and other states will face considerable downward pressure over the 10-year extended forecast horizon. As the baby boom population cohort works less and spends less, traditional state tax instruments such as personal income taxes and general sales taxes will become less effective, and revenue growth will fail to match the pace seen in the past.

Dec 2015 - Other Economic Indicators

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>GDP (Bil of 2009 \$),</b>												
Chain Weight (in billions of \$)	15,020.6	15,354.6	15,583.3	15,961.7	16,360.7	16,831.6	17,328.2	17,779.4	18,218.0	18,657.4	19,057.6	19,468.4
% Ch	1.6	2.2	1.5	2.4	2.5	2.9	3.0	2.6	2.5	2.4	2.1	2.2
<b>Price and Wage Indicators</b>												
<b>GDP Implicit Price Deflator,</b>												
Chain Weight U.S., 2009=100	103.3	105.2	106.9	108.7	109.9	112.1	114.3	116.6	119.0	121.5	124.2	126.9
% Ch	2.1	1.8	1.6	1.6	1.1	2.0	1.9	2.1	2.0	2.1	2.2	2.2
<b>Personal Consumption Deflator,</b>												
Chain Weight U.S., 2009=100	104.1	106.1	107.6	109.1	109.4	111.0	113.1	115.7	118.0	120.5	123.2	126.0
% Ch	2.5	1.9	1.4	1.4	0.2	1.5	1.9	2.3	2.0	2.1	2.2	2.3
<b>CPI, Urban Consumers,</b>												
1982-84=100												
Portland-Salem, OR-WA	224.6	229.8	235.5	241.2	243.2	247.1	252.0	257.7	263.0	268.5	274.6	280.9
% Ch	2.9	2.3	2.5	2.4	0.8	1.6	2.0	2.3	2.0	2.1	2.3	2.3
U.S.	224.9	229.6	233.0	236.7	236.7	241.0	246.7	253.7	259.8	266.3	273.3	280.7
% Ch	3.1	2.1	1.5	1.6	0.0	1.8	2.4	2.8	2.4	2.5	2.6	2.7
<b>Oregon Average Wage</b>												
Rate (Thous \$)	45.2	46.6	47.3	48.9	50.2	52.5	54.8	57.2	59.5	62.0	64.4	66.8
% Ch	3.2	3.0	1.6	3.3	2.8	4.5	4.5	4.4	4.1	4.1	3.9	3.7
<b>U.S. Average Wage</b>												
Wage Rate (Thous \$)	50.3	51.7	52.2	53.8	54.8	56.5	58.7	61.0	63.4	65.9	68.6	71.3
% Ch	2.8	2.7	0.9	3.1	1.9	3.1	3.9	3.9	4.0	4.0	4.1	3.9
<b>Housing Indicators</b>												
<b>FHFA Oregon Housing Price Index</b>												
1980 Q1=100	347.5	346.3	371.3	404.8	438.3	478.5	500.6	518.7	537.0	556.1	575.8	595.6
% Ch	(6.9)	(0.4)	7.2	9.0	8.3	9.2	4.6	3.6	3.5	3.5	3.6	3.4
<b>FHFA National Housing Price Index</b>												
1980 Q1=100	312.3	312.0	324.9	346.2	370.8	382.6	394.2	403.5	412.9	424.4	436.9	453.5
% Ch	(3.7)	(0.1)	4.1	6.6	7.1	3.2	3.0	2.4	2.3	2.8	3.0	3.8
<b>Housing Starts</b>												
Oregon (Thous)	8.0	10.8	14.2	15.6	15.7	19.2	21.6	22.8	23.1	23.4	23.7	23.6
% Ch	5.3	35.6	31.3	9.4	0.8	22.2	12.4	5.7	1.2	1.6	1.2	(0.6)
U.S. (Millions)	0.6	0.8	0.9	1.0	1.1	1.3	1.5	1.5	1.6	1.6	1.6	1.6
% Ch	4.5	28.1	18.4	7.8	11.1	16.6	12.2	3.9	3.0	2.5	(0.7)	(0.1)
<b>Other Indicators</b>												
<b>Unemployment Rate (%)</b>												
Oregon	9.4	8.8	7.8	7.0	5.8	5.8	5.4	5.6	5.6	5.5	5.4	5.5
Point Change	(1.1)	(0.7)	(1.0)	(0.8)	(1.2)	(0.0)	(0.3)	0.1	0.0	(0.2)	(0.0)	0.0
U.S.	8.9	8.1	7.4	6.2	5.3	5.0	4.9	5.0	5.0	5.0	5.1	5.1
Point Change	(0.7)	(0.9)	(0.7)	(1.2)	(0.8)	(0.3)	(0.1)	0.0	0.1	(0.0)	0.0	0.1
<b>Industrial Production Index</b>												
U.S, 2002 = 100	97.2	100.0	101.9	105.7	107.1	109.3	113.2	116.3	119.0	121.8	124.3	126.9
% Ch	3.0	2.8	1.9	3.7	1.3	2.0	3.5	2.8	2.3	2.4	2.1	2.1
<b>Prime Rate (Percent)</b>												
% Ch	3.3	3.3	3.3	3.3	3.3	3.9	4.9	5.9	6.3	6.3	6.3	6.3
% Ch	0.0	0.0	0.0	0.0	0.3	20.0	25.6	20.2	5.9	0.0	0.0	0.0
<b>Population (Millions)</b>												
Oregon	3.86	3.89	3.93	3.97	4.02	4.06	4.11	4.16	4.21	4.26	4.31	4.36
% Ch	0.6	0.7	0.9	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
U.S.	312.5	314.8	317.1	319.5	321.9	324.5	327.1	329.8	332.4	335.0	337.6	340.2
% Ch	0.8	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
<b>Timber Harvest (Mil Bd Ft)</b>												
Oregon	3,649.0	3,749.0	4,199.0	4,126.0	4,349.8	4,944.5	4,824.3	4,803.4	4,810.0	4,805.0	4,791.6	4,806.2
% Ch	13.1	2.7	12.0	(1.7)	5.4	11.4	(0.4)	(0.4)	0.1	(0.1)	(0.3)	0.3