

**PERS UAL Reduction Task Force**

**Option Name:** Re-allocation of K-12 Unexpended Budget to PERS UAL

**Public Entities Affected:** K-12 System Members

**Option Description:** Budgeted K-12 funding that is unexpended in a biennium (e.g., unfilled positions, contingency funds, discretionary funds) potentially can be re-directed, at some level, to reduce PERS UAL. Redirecting unexpended funding to PERS UAL seemingly represents commitment of budgeted funding to permissible purposes (i.e., historical compensation and benefits incurred by K-12 system members to meet educational objectives). Such an approach can be implemented for fixed periods, and would enable K-12 system members to maintain budgets, with redirected funding discontinued after a fixed period of time or after a certain amount of funding has been redirected to reduce PERS UAL.

	<u>Biennia</u>			<u>All Years</u>
	<u>2017 – 19</u>	<u>2019 – 2021</u>	<u>2021 – 2031</u>	
<b>Gross Capital Opportunity</b>	\$TBD	-	-	\$TBD
<b>Cost to Implement</b>	<u>Immaterial</u>	-	-	<u>Immaterial</u>
<b>Net PERS UAL reduction</b>	\$TBD	-	-	\$TBD
<b>Impact on other public budgets</b>	-	-	-	-
<b>Impact on non-public entities</b>	?	?	?	?

**Non-Financial Considerations**

- K-12 system members reportedly continue to be budget constrained. (For example, though the 2017-2019 biennium budget was increased 11% relative to the prior biennium, both PPS and Salem-Kaiser budgeted for reduced teaching positions—55 and 67, respectively.)
- Any material level of redirected funds potentially implies inefficiencies in the K-12 budgeting/operating processes.
- Any material level of redirected funds potentially implies willingness to address historical cost/operating inefficiencies with current/prospective funding, thereby failing to address the root issue.

**Next Steps**

1. Analysis of historical K-12 system member budgets (for larger systems) to identify levels of potential PERS UAL funding potential relating to unexpended K-12 budget
2. Development of reasonable allocation percentages for unexpended funds (e.g., not less than 10% not more than 50%)
3. Development of reasonable benefit sharing among K-12 system members based on reduction in PERS UAL attributable to unexpended funds (e.g., reduction allocated based on relative enrollment)

## PERS UAL Reduction Task Force

Option Name: Transfer K-12 Surplus/Nonoperating Assets

Public Entities Affected: K-12 System Members

**Option Description:** As suggested by the sale, renovation and repurposing (i.e., school facility converted to commercial office space and music venue) of Washington High School by PPS in 2015, members of the K-12 system likely maintain varying levels of surplus/nonoperating assets that are not mission critical. A detailed identification and listing of such assets, with estimated/appraised values and a conversion schedule regarding such assets would provide a defined cash flow stream over a defined period of time that reasonably could be committed to reduction of the PERS UAL.

	Biennia			All Years
	2017 – 19	2019 – 2021	2021 – 2031	
Gross Capital Opportunity	\$TBD	-	-	\$TBD
Cost to Implement	< 10%	-	-	< 10%
Net PERS UAL reduction	\$TBD	-	-	\$TBD
Impact on other public budgets	-	-	-	-
Impact on non-public entities	?	?	?	?

### Non-Financial Considerations

- K-12 system members reportedly continue to be budget constrained. (For example, though the 2017-2019 biennium budget was increased 11% relative to the prior biennium, both PPS and Salem-Kaiser budgeted for reduced teaching positions—55 and 67, respectively.)
- Conversion of surplus/nonoperating assets, particularly facilities and land, limits opportunities for K-12 system to address future growth as the Oregon population grows.
- Conversion of surplus/nonoperating assets potentially requires focused staff and/or external expertise. (e.g., Multnomah County recently hired a property management/brokerage firm to facilitate sale of Wapato and other surplus buildings.)

### Next Steps

1. Development of detailed listing of surplus/nonoperating assets currently controlled by key K-12 system members
2. Development of appraisal/value estimates for surplus/nonoperating assets
3. Development of conversion schedule regarding surplus/nonoperating assets
4. Development of conversion cost estimates
5. Identification of key barriers to conversion
6. Development of potential benefit sharing among K-12 system members based on reduction in PERS UAL attributable to surplus assets (e.g., reduction allocated based on relative enrollment)

## PERS UAL Reduction Task Force

**Option Name:** Allocation of Excess Revenue Attributable to K-12 Funding Source—Marijuana tax revenue

**Public Entities Affected:** K-12 System Members

**Option Description:** K-12 funding includes funds attributable to Marijuana tax revenue. The U.S. cannabis industry is expected to inject an estimated \$70 billion annually to the U.S. economy by 2021, representing an increase of 241% relative to 2016. To the extent that growth in the cannabis industry exceeds expectations for the region, and related Marijuana tax revenue exceeds expectations, the excess tax revenue can be allocated, at some level, to reduce the PERS UAL. One approach would be to (1) allocate total excess Marijuana tax revenue to paydown of the PERS UAL, or (2) allocate excess Marijuana tax revenue to PERS UAL paydown in the same proportion that total Marijuana tax revenue initially was allocated to K-12 funding.

	<u>Biennia</u>			<u>All Years</u>
	<u>2017 – 19</u>	<u>2019 – 2021</u>	<u>2021 – 2031</u>	
Gross Capital Opportunity	\$TBD	-	-	\$TBD
Cost to Implement	<u>Immaterial</u>	-	-	<u>Immaterial</u>
Net PERS UAL reduction	\$TBD	-	-	\$TBD
Impact on other public budgets	-	-	-	-
Impact on non-public entities	?	?	?	?

## Non-Financial Considerations

- K-12 system members reportedly continue to be budget constrained. (For example, though the 2017-2019 biennium budget was increased 11% relative to the prior biennium, both PPS and Salem-Kaiser budgeted for reduced teaching positions—55 and 67, respectively.)
- Excess Marijuana tax revenue allocated to the PERS UAL would not be available for other state agency uses.
- Excess Marijuana tax revenue allocated to the PERS UAL would need to be allocated among K-12 system members (e.g., potentially based on relative student enrollment).

## Next Steps

1. Analysis of historical and projected cannabis industry growth in the region
2. Development of scenarios regarding projected Marijuana tax revenue
3. Development of reasonable potential for excess Marijuana tax revenue available for liquidation of PERS UAL
4. Development of potential benefit sharing among K-12 system members based on reduction in PERS UAL attributable to excess revenue funding (e.g., reduction allocated based on relative enrollment)