

## Clarification of Accrual Provisions

The Department of Education has received numerous calls regarding the accrual provisions passed by the Legislature as SB 1022 (2002 Fourth Special Session) and amended by HB 2650 (currently pending in the 2003 Regular Session). The descriptions below should clarify the provisions of the HB 2650 and the relationship between the allowed accrual and the Department of Education's State School Fund Distribution estimates.

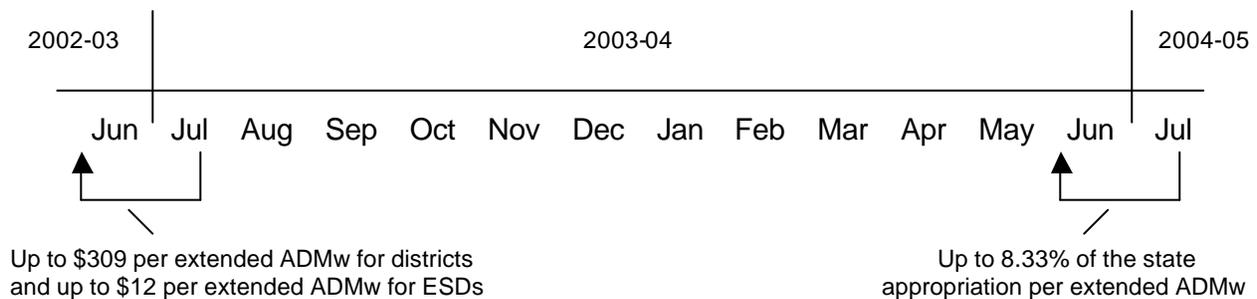
### What do Senate Bill 1022 and House Bill 2650 do?

- 1) Allow school districts and ESDs that use the **modified accrual basis** method of accounting to include as accrued revenues for the 2002-03 fiscal year revenue actually received in the 2003-04 fiscal year. School districts can accrue up to \$309 times the district extended ADMw and ESDs can accrue up to \$12 times the extended ADMw of their component school districts.
- 2) Allow school districts and ESDs that use the **cash basis** method of accounting to show a negative ending fund balance for the 2002-03 fiscal year. School districts can show a negative ending balance of up to \$309 per extended AMDw and ESDs can show a negative ending balance of up to \$12 per extended ADMw.
- 3) For subsequent years, school districts and ESDs can accrue (or, for cash basis districts, show a negative ending balance) up to one twelfth (8.33%) of the statewide average State appropriation per extended ADMw times the district's or ESD's extended ADMw. These amounts will be in the ballpark of \$309 per extended ADMw (\$12 for ESDs) **adjusted for any increase or decline in the state appropriation relative to the appropriation for 2002-03.**

The authority for cash basis districts to show a negative ending fund balance sunsets as of January 1, 2006.

### How do the provisions of these bills affect the State School Fund Distribution estimates made by the Department of Education?

The Department's estimates are based on the actual amount of money to be distributed to districts in each fiscal year. The estimates have not been adjusted to reflect districts' ability to accrue revenue from one year to another. The diagram below illustrates how the accrual process works.



If you need further clarification, please contact Brian Reeder at (503) 378-3600 x2631 or [brian.d.reeder@state.or.us](mailto:brian.d.reeder@state.or.us)