



Legislative Fiscal Office  
83<sup>rd</sup> Oregon Legislative Assembly  
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**Bill Title:** Relating to funding of the State School Fund; declaring an emergency.

**Government Unit(s) Affected:** School Districts, Department of Education, Department of Administrative Services, Legislative Fiscal Office

### Summary of Fiscal Impact

Costs related to the measure are anticipated to be minimal, though it may impact future school funding “formula” resources in the State School Fund - see explanatory analysis.

### Measure Description

The measure changes the method by which the Department of Administrative Services (DAS) and the Legislative Fiscal Office (LFO) estimate the projected costs of programs funded by the State School Fund. When estimating projected costs, the measure requires DAS and LFO to use 51% of the current biennium’s State School Fund appropriation as the starting point for calculating the current service level, and to consider annual information for projected local revenue. The measure also codifies the current practice of dividing State School Fund distributions to school districts into two portions during a biennium: 49% for the first year and 51% in the second year.

### Fiscal Analysis

The State School Fund (SSF) is the primary funding source for the general operations of school districts and educational service districts (ESDs) that serve Oregon students from kindergarten through grade 12. SSF resources include the state General Fund, Lottery Funds, Marijuana Tax revenues, and Corporate Activity Tax revenues from the Fund for Student Success. These state resources are combined with local school revenues (primarily property taxes and other revenues) and result in total school funding “formula” resources.

The “formula” refers to the equalization formula (ORS 327.008 et seq.) that equitably allocates school funding to districts and ESDs on a per-pupil basis, weighted for certain student and district characteristics, and considering the availability of local revenues. State resources make up approximately two-thirds of total formula resources. School districts receive a general purpose grant and a transportation grant from the SSF. ESDs receive a general services grant based partially on the weighted average daily membership of the school districts in each ESD’s territory.

Each biennium, DAS—in coordination with LFO—calculates the current service level for the SSF, which is the projected amount required for the continuation of existing programs and services in the upcoming biennium. The current service level is also used as the projected cost of the SSF for the tentative budget estimate required in statute. Since 2013, this has been a single biennial appropriation, prompting the current service level calculation to assume an equal split of 50% of the funding for each year of the biennium. However, the Governor’s Office convened a work group in May 2024 to review the methodology and assumptions used to develop the SSF current service level. As a result of that work group, the 2025-27 current service level calculation by DAS assumed a 49/51% funding split between the first and second years, basing future cost

changes on the higher year of the split (resulting in a \$217 million increase) and annualizing local revenue estimates to recognize revenue fluctuations between the first and second years of a biennium (resulting in a \$55 million increase). The measure codifies these two changes that were included in the 2025-27 current service level calculation.

The costs associated with implementing the measure are minimal, as the increases associated with the proposed changes are already reflected in the current service level and tentative budget estimate for the upcoming biennium. While changes to how the SSF current service level is calculated may impact future school funding “formula” resources, it does not necessarily impact how much the Legislative Assembly may appropriate to the SSF each biennium.

**Relevant Dates**

The measure takes effect on July 1, 2025, and applies to SSF distributions commencing with the 2025-26 school year.