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To: Education Subcommittee
From: Wendy Gibson, Legislative Fiscal Office
Date: May 28, 2025
Subject: HB 2140 – Relating to funding of the State School Fund
Work Session Recommendations

The State School Fund (SSF) is the primary funding source for the general operations of school districts and education service districts (ESDs) that serve Oregon students from kindergarten through grade 12. SSF resources are combined with local school revenues, resulting in total school funding “formula” resources.

The “formula” refers to the equalization formula (ORS 327.008 et seq.) that equitably allocates school funding to school districts and ESDs on a per-pupil basis, weighted for specific student and district characteristics, and considering the availability of local revenues. School districts receive a general purpose grant and a transportation grant from the SSF, and ESDs receive a general services grant.

Current law requires the Department of Administrative Services (DAS) and the Legislative Fiscal Office (LFO) to prepare a tentative biennial budget for the upcoming biennium based on the cost of continuing programs currently authorized in law. HB 2140 modifies the methodology by which DAS and LFO calculate the next biennial budget for the SSF.

As a matter of practice, the Department of Education distributes 49% of the SSF’s available funding for general purpose or service grants and transportation grants in the first year of the biennium and the remaining 51% in the second year. HB 2140 codifies these distribution percentages into law. Additionally, the measure specifies that the CFO and LFO project future cost calculations based on the amount of funding distributed in the second year of the biennium and with consideration given to annual local revenue estimates.

HB 2140 has no fiscal impact on the 2025-27 SSF budget, as DAS and LFO used this methodology to develop the tentative budget. However, HB 2140 may impact future current service level budget calculations related to the SSF.

Final Subcommittee Action

LFO recommends that HB 2140 be moved to the Ways and Means Full Committee.

MOTION: I move HB 2140 to the Full Committee with a do pass recommendation.
(vote)

Carriers

Full Committee:

House Floor:

Senate Floor: