

**SB 5516 A BUDGET REPORT and MEASURE SUMMARY**

**Carrier:** Rep. Ruiz

**Joint Committee On Ways and Means**

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**Action Date:** 05/30/25

**Action:** Do Pass the A-Eng bill.

**House Vote**

**Yeas:** 11 - Bowman, Breese-Iverson, Cate, Drazan, Gomberg, Levy E, Owens, Ruiz, Sanchez, Smith G, Valderrama

**Exc:** 1 - Evans

**Senate Vote**

**Yeas:** 10 - Anderson, Bonham, Broadman, Frederick, Lieber, Manning Jr, McLane, President Wagner, Smith DB, Sollman

**Exc:** 2 - Campos, Girod

**Prepared By:** Ben DeYoung, Department of Administrative Services

**Reviewed By:** Wendy Gibson, Legislative Fiscal Office

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**Department of Education – State School Fund**

**2025-27**

## **Budget Summary\***

	2023-25 Legislatively Approved Budget <sup>(1)</sup>	2025-27 Current Service Level	2025-27 Committee Recommendation	Committee Change from 2023-25 Leg. Approved	
				\$ Change	% Change
General Fund	\$ 8,736,640,339	\$ 9,860,133,424	\$ 9,850,229,757	\$ 1,113,589,418	12.7%
Lottery Funds	\$ 638,737,863	\$ 625,259,443	\$ 625,259,443	\$ (13,478,420)	(2.1%)
Other Funds Limited	\$ 824,621,798	\$ 874,049,823	\$ 883,953,490	\$ 59,331,692	7.2%
Total	\$ 10,200,000,000	\$ 11,359,442,690	\$ 11,359,442,690	\$ 1,159,442,690	11.4%

## **Position Summary**

Authorized Positions	0	0	0	0
Full-time Equivalent (FTE) positions	0.00	0.00	0.00	0.00

<sup>(1)</sup> Includes adjustments through January 2025

\* Excludes Capital Construction expenditures

## **Summary of Revenue Changes**

The State School Fund (SSF) is the primary funding source for the general operations of school districts and education service districts (ESDs) that serve more than 545,000 Oregon students from kindergarten through grade twelve. State resources for SSF include state General Fund, Lottery Funds, Corporate Activity Tax (CAT) revenues from the Fund for Student Success, Marijuana Tax revenues, and a small amount of State Timber Tax revenues.

The state resources in this bill are combined with certain local revenues and distributed to Oregon school districts and ESDs through the equalization formula, which is detailed in ORS 327.013. The equalization formula or “School Formula” revenue is available for general school operations and does not include bond revenue or categorical aid. Funding is allocated to districts and ESDs on a per-pupil basis, weighted for certain student and district characteristics, and accounting for local revenues. Local revenues (primarily from property taxes) are not reflected in the state budget but are expected to provide \$5.6 billion in the 2025-27 biennium, as estimated by the Legislative Revenue Office. This local revenue portion remains with the districts where it is collected but is considered a part of the School Formula revenue for distribution purposes. Local revenue also includes distributions from the Common School Fund, which is managed by the State Land Board. Combined with state resources of \$11.4 billion, total formula resources are expected to be more than \$16.7 billion for the 2025-27 biennium, a \$1.6 billion, or a 10.5% increase over the 2023-25 biennium. In addition to the formula distributions, there are \$235.2 million in carveouts for specific uses.

## **Summary of Education Subcommittee Action**

The Subcommittee recommended a total state funding level of \$11,359,442,690, including \$9,850,229,757 General Fund, \$625,259,443 Lottery Funds, and \$883,953,490 Other Funds expenditure limitation. The Other Funds are comprised of \$839,625,392 in resources transferred from the Fund for Student Success, \$43,568,275 Marijuana tax revenues, and \$759,823 State Timber Tax revenues.

- The Subcommittee recommended budget for SSF is equal to the 2025-27 current service level (CSL) budget on a total funds basis. The CSL budget represents an 11.4% increase from the 2023-25 legislatively approved budget. The CSL budget includes adjustments from the 2023-25 budget to account for increases in the Oregon Department of Education (ODE) compensation model, which reflects changes in Public Employees Retirement System rates, health insurance costs, and other benefits such as Paid Leave Oregon, as well as salaries. The CSL budget also includes standard inflationary adjustments to services and supplies, accounts for changes in projected caseload, and reflects projected changes in local revenues and carveouts.
- Additionally, proposed changes were included in the 2025-27 CSL calculation, including: (1) assuming a 49/51% funding split between the first and second years of a biennium and basing future cost changes on the higher year of the split; (2) updating local revenue estimates to recognize revenue fluctuations between the first and second years of a biennium; and (3) updating ODE's compensation model to incorporate fluctuations based on the last 10 years of actual data on compensation.

The Subcommittee recommended the following package:

- Package 801: LFO Analyst Adjustments. This package increases Other Funds expenditure limitation by \$9.9 million and reduces General Fund by an equivalent amount. The change reflects the most current Marijuana Tax and Corporate Activity Tax revenue projection for SSF from the Office of Economic Analysis according to the May 2025 forecast.

The Subcommittee also recommended net zero changes to SSF carve outs. The changes included:

- A reduction to the carve out for the Oregon Youth Challenge Program by \$0.5 million to align with the 2025-27 CSL for the program.
- An increase for the costs of educating children in day and residential treatment programs by \$15.8 million as a mandated caseload action to reflect the most recent caseload forecast for the programs.
- A reduction to the menstrual products carve out by \$3.0 million to better align with current expenditures for the program.
- A reduction in the transfer to the Educator Advancement Fund (EAF) by \$13.9 million to offset total carve out increases. EAF expenditures will not be impacted as the fund has a sufficient beginning balance.

With these adjustments, the carve out amount for programs funded from the state contribution to SSF are as follows:

2025-27 SSF Carveouts		
CARVEOUTS	ORS	AMOUNT
Charter School Closure	327.008(3)	412,406
School Safety and Emergency Management	327.008(7)	3,000,000
School Facilities Office	327.008(8)	10,000,000
Pediatric Nursing Facilities	327.008(9)	2,124,448
High Cost Disability	327.008(10)	110,000,000
Educator Advancement Council ( <i>SSF share</i> )	327.008(11)(a)	6,794,711
Educator Advancement Council ( <i>SD/ESD shares</i> )	327.008(11)(b)	24,013,226
English Language Learners	327.008(12)	12,500,000
10th Grade Assessment	327.008(13)	968,000
Talented and Gifted	327.008(14)	350,000
Speech Pathologist	327.008(15)	150,000
Healthy Schools Facilities Fund	327.008(16)	2,000,000
Menstrual Products	327.008(17)	2,595,000
Small School Supplement	327.008(18)	5,000,000
Youth Challenge Program	327.008(19)	4,906,249
Hospital/Residential Care	327.008(1)(d), 343.243	44,827,044
Local Option Equalization	327.008(1)(d), 327.339	4,000,000
Oregon Digital Learning	Senate Bill 5516	1,600,000
<b>TOTAL</b>		<b>\$ 235,241,084</b>

### **Summary of Performance Measure Action**

There are no Key Performance Measures for the State School Fund.

## DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Oregon Department of Education  
Ben DeYoung -- 503-931-6249

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2023-25 Legislatively Approved Budget at Jan 2025 *	\$ 8,736,640,339	\$ 638,737,863	\$ 824,621,798	\$ -	\$ -	\$ -	10,200,000,000	0	0.00
2025-27 Current Service Level (CSL)*	\$ 9,860,133,424	\$ 625,259,443	\$ 874,049,823	\$ -	\$ -	\$ -	11,359,442,690	0	0.00
<b><u>SUBCOMMITTEE ADJUSTMENTS (from CSL)</u></b>									
<b>SCR 070 - School Funding</b>									
Package 801: LFO Analyst Adjustments									
Special Payments	\$ (9,903,667)	\$ -	\$ 9,903,667	\$ -	\$ -	\$ -	-		
TOTAL ADJUSTMENTS	\$ (9,903,667)	\$ -	\$ 9,903,667	\$ -	\$ -	\$ -	-	0	0.00
SUBCOMMITTEE RECOMMENDATION *	\$ 9,850,229,757	\$ 625,259,443	\$ 883,953,490	\$ -	\$ -	\$ -	11,359,442,690	0	0.00
% Change from 2023-25 Leg Approved Budget	12.7%	(2.1%)	7.2%	0.0%	0.0%	0.0%	11.4%	0.0%	0.0%
% Change from 2025-27 Current Service Level	(0.1%)	0.0%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

\*Excludes Capital Construction Expenditures