



2025-27 Tentative Budget

As required by ORS 291.210, the Legislative Fiscal Office (LFO) and the Department of Administrative Services (DAS) Chief Financial Office (CFO) have worked together to develop a projected tentative General Fund and Lottery Funds budget for the 2025-27 biennium.

The purpose of the tentative budget is to give policymakers an idea of the state's relative fiscal position for the coming two-year budget period if the state continues all currently approved programs at their current law approved funding levels, adjusted for inflation, compensation roll-up costs, program phase-ins and phase-outs, federal funding match rates, and projected mandated caseload levels. This is commonly referred to as the current service level (CSL). Revenues for the current tentative budget are based on the December 2024 economic and revenue forecast, while the expenditures consider actions taken by the Legislature at the December 2024 meeting of the Emergency Board and the 2024 first special session. As directed by ORS 291.210, the tentative budget consists of "the estimated revenues under ORS 291.342 for the next biennium and a preliminary estimate of the projected costs of continuing currently authorized programs for the next biennium."

The tentative budget for the 2025-27 biennium will change with each of the remaining quarterly economic and revenue forecasts that will occur before the start of the next biennial budget period, as well as any legislative actions that take place prior to that time. It should also be emphasized that the tentative budget, as a current service level projection, only represents an estimate of the costs to continue currently approved programs for the next two-year budget period; it does not represent a guarantee of funding for any agency or program or include costs for any program currently not included in the state's budget.

The current tentative budget for the 2025-27 biennium assumes the following statewide factors:

- Revenue growth is based on the Office of Economic Analysis (OEA) December 2024 economic and revenue forecast.
- Rebalance actions and other estimated 2023-25 budget adjustments estimated at \$427.3 million have been factored into available resources for the 2025-27 biennium.
- State personal services growth for ongoing positions is projected at approximately 14.5% for the biennium, including step increases, roll-up of current collective bargaining agreements and management salary packages, health benefit costs, pension obligation bond payments, an increase in the advisory Public Employees Retirement System (PERS) rate, and the state's Paid Family and Medical Leave contribution.
- Standard biennial inflation of 4.2% for services and supplies, 5.6% for medical services, and 6.8% for non-state employee personnel costs (contract providers).

- Debt service payments are built into agency budgets based on current repayment schedules, which increases the tentative budget by a combined \$333 million General Fund and Lottery Funds.
- A projected \$50 million General Fund and \$15 million Lottery Funds is included for debt service related to potential bond issuances early in the 2025-27 biennium.
- An Emergency Fund of \$50 million General Fund is included, as well as a \$16 million special purpose appropriation for fire severity resources.
- A compensation adjustment of \$375 million General Fund (and a reserve of \$9 million Lottery Funds) is included primarily to address future collective bargaining agreements; the General Fund is for state employees (\$300 million) and non-state employees (\$75 million).
- An ending balance of 1% of expenditures is assumed due for the Rainy Day Fund deposit requirement and a Lottery Funds balance of \$20 million in the Administrative Services Economic Development Fund to mitigate revenue fluctuations.

Tentative budget projections for 2025-27 program area expenditures also assume the following:

- The State School Fund (SSF) current service level budget is estimated to grow by 11.4% over the 2023-25 legislatively approved level, increasing to \$11.4 billion total funds. Combined General Fund and Lottery Funds account for \$10.5 billion and the remainder is supported with Corporate Activities Tax (CAT), marijuana tax, and other revenues. This growth is based on:
 - The 2023-25 estimated PERS weighted-average net contribution rate for school and education service districts of 20.45% (September 2024), which factors in side account contributions and the portion of employee contributions redirected to fund pension benefits.
 - The Legislative Revenue Office current estimate of 2025-27 local revenues.
 - Biennial payroll growth for school district employees of 11.2%.
 - Increases in health benefits of 3.4% each year as outlined in ORS 243.866.
- The estimated CSL for Ballot Measure 98 programs totals \$359.1 million (\$137.8 million General Fund and \$221.4 million of CAT revenues), which is based on the statutorily required formula. These funds are distributed to school districts for Career and Technical Education (CTE), college-level education opportunities or accelerated learning, and drop-out prevention.
- The 2025-27 current service level budget for state support of public universities is estimated to grow by a combined \$116.2 million General Fund and Lottery Funds to \$1.8 billion, including an increase of \$70.9 million in debt service payments on behalf of public universities. State support for community colleges is estimated to grow by \$68.8 million General Fund and Lottery Funds to \$968.1 million, including an increase of \$10 million in debt service payments on behalf of community colleges.
- The Employment Related Day Care (ERDC) program 2025-27 CSL is estimated to grow by 6.1% to a total \$480 million (\$353.6 million General Fund and \$126.4 million Federal Funds), which includes \$116.6 million General Fund to backfill one-time American Rescue Plan Act federal funding that supported program expenditures in the prior biennium. The program waitlist is anticipated to remain in place at this level of funding.
- Human services mandated caseload increases for the 2025-27 biennium are based on the fall 2024 forecasts for the Oregon Health Authority and the Department of Human Services.

- Oregon Health Plan costs are inflated 3.4% per year, consistent with the state’s cost growth target for healthcare expenditures.
- Extension of Hospital Provider and Insurer Taxes that statutorily expire during the 2025-27 biennium. Continuation of these taxes provides projected revenues of \$1.2 billion that support mandated Medicaid caseload expenditures.
- Mandated public safety populations for the 2025-27 biennium are based on the DAS Office of Economic Analysis October 2024 forecasts for the Department of Corrections, Oregon Youth Authority, and Public Defense Commission.

It is important to note that the tentative budget does not include the continuation of significant one-time investments approved in the 2023-25 biennium. The phase-out of investments supporting housing and homelessness response, climate and energy, summer learning, and criminal justice deflection, among other programs, results in a reduction in the percentage change between the 2023-25 and 2025-27 budgets across multiple program areas. Additionally, since the tentative budget projection is limited to General Fund and Lottery Funds, it does not include the projected shortfall in the State Highway Fund and related impact to the Oregon Department of Transportation.

Based on these assumptions, the current 2025-27 tentative budget reflects total available revenues of \$37.2 billion General Fund and \$1.8 billion Lottery Funds, for a total of \$39 billion of General Fund and Lottery Funds resources. Projected expenditures at tentative budget levels consist of \$36.1 billion General Fund and \$1.7 billion Lottery Funds, for a total of \$37.8 billion of expenditures. With the inclusion of a 1% General Fund and \$51.8 million Lottery Funds ending balance, the current projected surplus between available resources and estimated expenditures for the 2025-27 biennium is \$767.2 million.

This information will continue to be revised as economic and revenue projections and estimated costs are updated.

Additional details are included in the table on the following page.

2025-27 Tentative Budget Projection (millions)

	Legislatively Approved Budget 2023-25			Projected Tentative Budget 2025-27			% chg.
	GF	LF	Total	GF	LF	Total	
Revenues (December 2024 Forecast)							
Projected Beginning Balance	8,082.5	215.7	8,298.2	2,675.8	146.3	2,822.1	
Projected Revenues (net of personal kicker)	27,865.4	1,884.5	29,749.9	35,357.0	1,989.7	37,346.7	26%
ESF Interest	-	101.9	101.9	-	92.0	92.0	
1% Appropriations to Rainy Day Fund	(264.7)	-	(264.7)	(334.3)	-	(334.3)	
TANS Interest Costs	-	-	-	-	-	-	
Tax Expenditures	-	-	-	(56.7)	-	(56.7)	
Less Dedications (ESF, OSCIM, Counties)	-	(394.2)	(394.2)	-	(412.1)	(412.1)	
Net 2023-25 Rebalance Actions	-	-	-	(427.3)	-	(427.3)	
Total Resources	35,683.2	1,807.9	37,491.1	37,214.5	1,815.9	39,030.4	4%
Expenditures							
Education - State School Fund*	8,736.6	638.7	9,375.4	9,860.1	625.3	10,485.4	12%
Education - All Other	4,249.7	204.2	4,454.0	4,732.6	210.9	4,943.5	11%
Human Services	11,765.4	29.6	11,795.1	13,809.5	42.8	13,852.3	17%
Public Safety	4,324.3	10.4	4,334.7	4,691.3	13.4	4,704.8	9%
Economic Development	1,180.8	230.4	1,411.2	447.0	223.4	670.4	-53%
Natural Resources	933.9	327.7	1,261.6	503.6	341.5	845.1	-33%
Transportation	83.4	135.2	218.6	52.7	144.2	197.0	-10%
Consumer & Business Services	46.8	0.3	47.1	36.5	0.3	36.8	-22%
Administration	614.9	85.0	699.9	378.7	111.7	490.4	-30%
Legislative Branch	237.2	-	237.2	263.7	-	263.7	11%
Judicial	794.2	-	794.2	845.9	-	845.9	7%
Total Expenditures	32,967.4	1,661.6	34,629.0	35,621.7	1,713.5	37,335.2	8%
Emergency Fund	-	-	-	50.0	-	50.0	
State Employee Compensation SPA	-	-	-	300.0	9.0	309.0	
Non-State Employee Compensation SPA	-	-	-	75.0	-	75.0	
Forestry Fire Severity SPA	-	-	-	16.0	-	16.0	
Other SPAs	40.0	-	40.0	-	-	-	
Additional Debt Service	-	-	-	50.0	15.0	65.0	
Total Expenditures	33,007.4	1,661.6	34,669.0	36,112.7	1,737.5	37,850.2	9%
1% RDF Deposit / LF Ending Balance				361.1	51.8	413.0	
Net Fiscal Position	2,675.8	146.3	2,822.1	740.7	26.5	767.2	

*Total State School Fund for 2023-25 also includes approximately \$824.6 million in Other Funds from Corporate Activity Tax, Marijuana Tax, and other sources for a total of \$10.2 billion. The 2025-27 CSL includes \$874 million Other Funds for a total of \$11.4 billion.