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## Oregon's December Economic and Revenue Forecast Released Today

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Wed, Feb 26, 2025 at 11:20 AM

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Good morning, Superintendents, COSA Board members, and COSA Equity Board members,

Today marked the release of the March Economic and Revenue Forecast and it was good news for state legislators. The key number we are watching is the net General Fund and Lottery resources available for the 2025-27 biennium – this number was up \$267.5 million from the December forecast.

The Forecast showed slight decreases of \$109 million in Net General Fund and Lottery Resources for the 2023-25 biennium (compared to the December 2024 Forecast), mostly due to increased expenditures made during the December 2024 Special Session. The projected personal kicker decreased slightly to \$1.733 billion and the projected corporate kicker decreased slightly to \$993.1 million. Corporate kicker funds will be required to be spent on K-12 education during the next budget cycle (2025-27).

Again, growth in projected general fund and lottery revenues in 2025-27 is modest, but positive, at \$267.5 million. For the first time, projected net General Fund and Lottery resources for the 2025-27 biennium have topped \$40 billion (\$40.138 billion to be exact.)

Today's forecast shows the state's reserve accounts decreased by about \$200 million (Education Stability Fund, Rainy Day Fund, and Cash Reserves) and are currently projected to reach \$5.502 billion at the end of the 2023-25 biennium. Specifically, the Education Stability Fund is projected to have \$1.009 billion, the Rainy-Day Fund is projected to have \$1.906 billion, and cash reserves are \$2.586 billion – these are equivalent to 19.8% of the General Fund Budget. Please note those cash reserves will be rolled over into the 2025-27 biennium and are included in projected revenues for the next budget cycle. It is worth repeating that Oregon is in a very strong position to weather even a significant economic downturn. Additionally, the Corporate Activity Tax forecast for the 2025-27 biennium (which is the funding source for the Student Success Act) saw a small dip in projected revenue – a decrease of \$9.5 million compared to the December Forecast.

Chief State Economist Carl Riccadonna's office issued the following [Revenue Forecast Summary](#) with additional key information. A few key excerpts from the summary worth sharing:

- *The revenue picture for the current 2023-25 biennium has been revised downward \$90.3 million compared to the December forecast. The General Fund appropriation level was increased during the December 2024 Special Session by \$110.2 million. The projected ending balance now stands at \$2.59 billion.*
- *For 2025-27, available General Fund resources, including a somewhat smaller beginning balance carried forward from the current biennium, are increased by \$350.1 million to a total of \$38.2 billion. The effects of the taxable income gains discussed above are compounded by a reduction in the kicker credit deducted from the personal income tax forecast. Note that the current available resource projection does not include an estimate of savings due to agencies not expending their full appropriations in the prior biennium. This adjustment will be factored into the next forecast.*
- *Outside of the General Fund, the major revenue sources are the Corporate Activity Tax and Lottery. Corporate Activity Tax revenues have been revised downward \$31.6 million for 2023-25 due entirely to slightly weaker receipts activity in recent months. Revenues are only slightly down in 2025-27, off \$9.5 million from the prior forecast. Lottery earnings are reduced \$19.8 million in the current biennium and \$65.6 million in 2025-27. The sizable reduction next biennium includes a correction to the unclaimed prize calculation and milder growth expectations for video lottery earnings.*

**\*\*Important note – Team COSA includes projected net lottery revenues in the overall budget numbers we share in our report because a significant portion of those funds go into the State School Fund. Generally, the Economist will highlight General Fund dollars in their report so you will see slight differences in the COSA numbers.**

We believe there are three key takeaways for superintendents and COSA leaders from today's forecast:

- Even with the positive revenue news, K-12 advocates still need to make a clear and convincing case to invest in our public schools to meet the increased, and increasingly complex, needs of our students in the 2025 Session. There are significant needs and requests for investments in affordable housing and homeless services, mental health and addiction programs, wildfire fighting capacity, and other critical state services.
- Your advocacy for increased funding for SPED in four key areas (raising the 11% cap, increasing the High-Cost Disability reimbursement, and fully funding RIS and EI/ECSE) has been impactful and legislators clearly understand that our SPED funding is insufficient and inequitable. Please continue to prioritize this messaging above all else when you meet with legislators; and
- Even more than usual, the budget process during the 2025 Session will be a marathon and not a sprint. Legislators are rightfully wary about the significant uncertainty at the federal level as we await potential changes to Medicaid funding, education funding, and a host of other potential budget impacts. Final decisions on budgets, including the State School Fund, are not likely to be made until after the June Revenue Forecast is released in late May.

Here are some links to today's materials for more information:

[Office of Economic Analysis Presentation to the Revenue Committees](#)

[Legislative Revenue Office Forecast Summary](#)

Please let us know if you have any additional questions.

Best regards,

Krista Parent, Executive Director and Morgan Allen, Deputy Executive Director

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