

## Memorandum

To: Board of Directors, Estacada School District

Fr: Scott B. Pillar, Director of Finance

Dt: 10/7/25

Re: ODE Budget Presentation of 10/6/25

### Summary

On October 6, 2025 ODE presented a briefing on the state's broad budget pressures, with particular attention to potential impacts on school districts. The overall message was *don't panic—plan*. Planning is essential because of the state's decision-making timeline. The legislature will not convene until the February short session, and meaningful decisions are unlikely before April 2026. This falls late in our budget development cycle and leaves little time for mid-year adjustments.

To prepare, our Fiscal Office will immediately begin analyzing the district's financial position for both the current and next fiscal year under three scenarios:

- Current budget levels (with standard roll-ups for next year)
- 5% revenue reductions in both years
- 10% revenue reductions in both years

This analysis will be ready for presentation at your November Board meeting.

In the meantime, I am providing a summary of ODE's presentation for context. I've added personal comments and interpretations (in green and initialed) where helpful. I understand OSBA will host a session with ODE to share a similar, likely more refined, version of today's briefing sometime in the near future.

## Oregon Department of Education

Briefing Memo: Education Partners Budget Update  
October 2025

### Overview of Pressures

Oregon schools and education programs are navigating multiple fiscal and policy pressures that are occurring simultaneously:

- Federal Shutdown (Oct. 1, 2025): Most U.S. Department of Education staff furloughed. ODE using state authority to front costs and sustain operations.
- HR 1 SNAP/Medicaid Changes: Reduces automatic eligibility for free/reduced-price meals and Medicaid-funded services.
- Governor's Spending Slowdown: \$372.7M state shortfall; directive to reduce agency spending while protecting core services.
- Legislative Fiscal Office (LFO) Reduction Planning: Request for statewide reduction scenarios to prepare for 2026 legislative session.

These pressure overlap, creating cumulative uncertainty for districts, families, and staff. ODE is working to keep processes clear and impacts minimized.

## Federal and HR 1 Impacts

### Federal Shutdown

- Continuity of Operations: ODE funded for 4.5–7 weeks with state-approved authority; district reimbursements remain on track.
- Programs: Title I–IV, IDEA, McKinney-Vento, food service, and federal student aid remain funded for now. USDA meals covered for ~3 months.
- Risks: Competitive grants, Impact Aid, and new/renewal awards delayed until shutdown ends.

Key Message: At present, no disruptions for Oregon students or districts.

### HR 1 SNAP/Medicaid Changes

- Child Nutrition Programs: Direct certification reductions shrink automatic meal eligibility.
- 96% of NSLP schools under CEP until 2030, but exiting schools face burdensome paperwork.
- Downstream effects on summer and child/adult nutrition programs.
- *As a district who has recently entered CEP status this year, ODE plans to do a recertification of our district (and others in the same boat) this spring which they feel will lock us into to CEP status until 2030 - sbp*

### Medicaid & EI/ECSE Programs

- Immediate: Loss of Medicaid reimbursement; programs rely more on IDEA, delaying services.
- Short-Term: Staffing cuts, reduced service frequency, unmet IDEA timelines.
- Long-Term: Shrinking provider capacity, higher special education costs, widened disparities.

## State Budget Planning & Next Steps

### Governor's Spending Controls

- Directive: Slow spending, suspend non-essential travel, defer expansions.
- ODE Target: \$2.15M reduction, focused on holding vacancies, scaling back non-core services, and protecting student-facing programs. *This 2.15m reduction is a target for ODE out of their office, not the state school fund (SSF) which in the budget reduction planning area is considered similarly to a separate department. - sbp*

### Legislative Fiscal Office Request

- Agencies must model 5% reductions across fund types (General Fund, Other Funds, CAT, State School Fund).
- Draft due Oct. 17; final submission due Nov. 3; legislative hearings Nov. 17–19. *The results of the hearings (to my knowledge) can provide general guidance to departments which could be implemented immediately. The actual statutory teeth of which will need to come out of the short session which begins in February. - sbp*
- Purpose: Scenario planning for 2026 session, not immediate cuts.

### Next Steps

- Protect statutory and student-facing services.
- Share updates with districts at each milestone.
- Coordinate closely with DAS, Governor's Office, and LFO.
- Ensure equitable, balanced approaches to potential reductions.

Overall Message for Education Partners: ODE is actively managing federal and state fiscal pressures, protecting core services, and keeping districts informed. Current programs remain stable, but forward planning is critical to sustain Oregon's education system in the months ahead.

## Conclusions

I share the perspective of Krista Parent, Executive Director of COSA: *don't panic—plan*. It is encouraging that ODE, the Legislative Fiscal Office, and the Governor's Office are addressing these concerns early, unlike in 2009.

In addition to communication, a key difference from 2009 is the availability of substantial reserve funds. The Oregon Rainy Day Fund, an all-purpose reserve, currently holds about \$1.87 billion and can be used to support any state program. The state also maintains an ending fund balance, which provides some cushion across the biennium.

For education specifically, the Education Stability Fund has just over \$1 billion, and the State School Fund Reserve holds about \$20 million—a relatively small amount, roughly 0.36% of the annual SSF allocation. Both are used only to support education and the state school fund.

While projected shortfalls could technically be covered by reserves now, doing so in full would not be fiscally responsible. Oregon recessions tend to cut government services more deeply and for longer periods than in other states, largely because we lack a sales tax. At present, the nation is not in recession, though risks remain elevated and the future is unclear at best.

It is my suggestion that the district begin its planning process and maintain a constant watchful eye of economic indicators and messages we receive from the state. Economic downturns have been experienced before. Through effective management planning and vigilance, the pain may not be eliminated but substantially reduced.