

Budget Review 2022-23

Portland Public Schools



INTRODUCTION & BACKGROUND

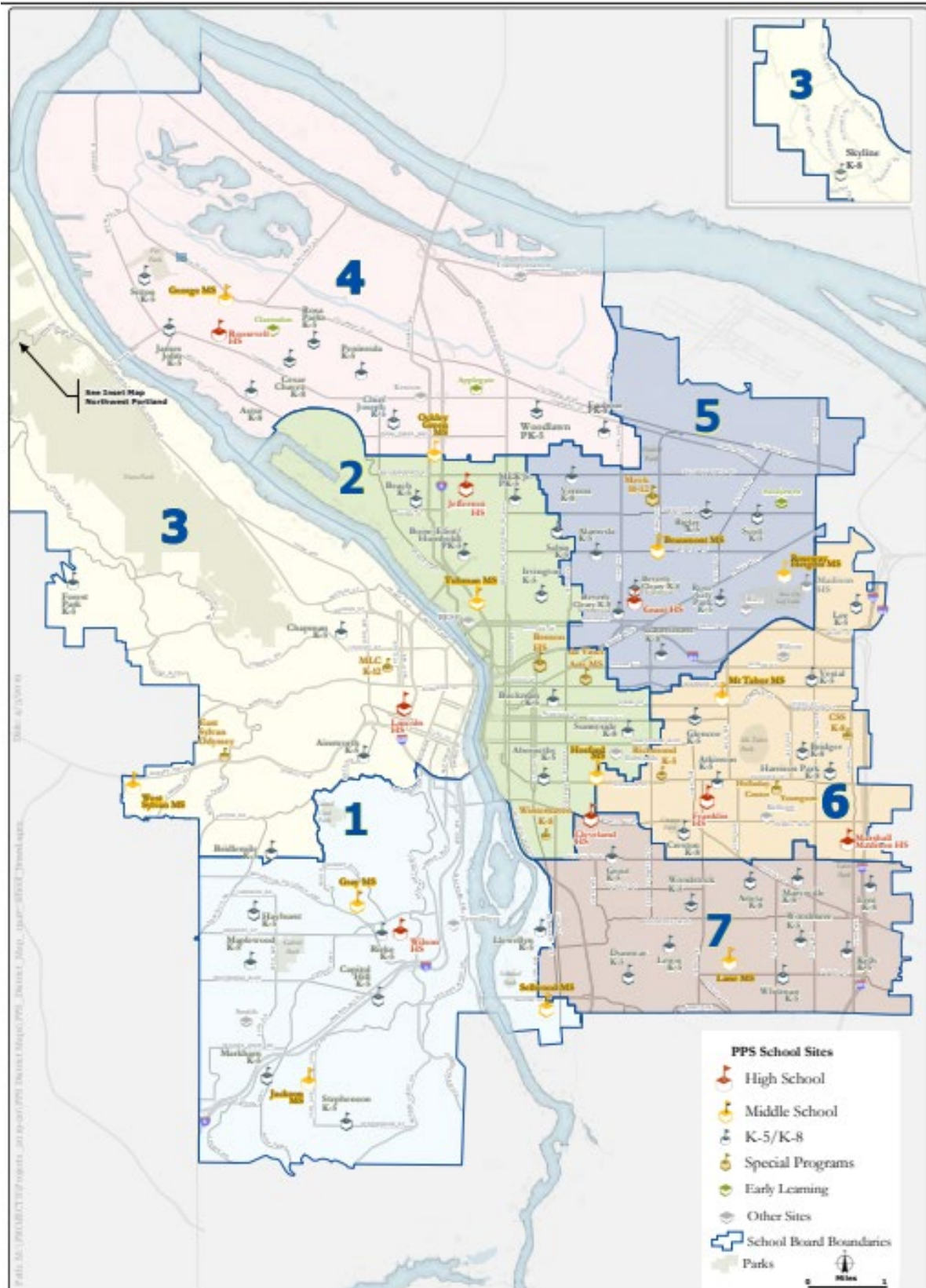
Portland Public Schools (PPS) is the largest school district in the state of Oregon, serving approximately 45,000 students in pre-kindergarten through 12th grade with 81 schools. PPS serves a population of students and families from economically, ethnically and racially diverse backgrounds. Educational services and programs provided include general and special education, career and technical education, and a variety of alternative programs. PPS sponsors five charter schools to additional diversify educational offerings: Kariospdx, Le Monde Immersion, Portland Arthur Academy, Portland Village School, and The Emerson School.

Located in Northwestern Oregon at the confluence of the Columbia and Willamette Rivers, the district covers an area over 152 square miles with portions of the cities of Portland, Lake Oswego, and Milwaukie. The district owns and maintains over 100 campuses (schools and other uses). See next page for a map of the district.

PPS is governed by a Board of Education comprised of seven elected members serving four-year terms. Board members serve as the district's policy-making body and do not receive compensation for their work.

Portland Public SD 1J	2018-19	2019-20	2020-21	2021-22
Assessed Value in Billions	\$57.112	\$53.703	\$56.046	\$59.615
Real Market Value (M-5) in Billions	\$131.735	\$134.586	\$140.249	\$147.264
Property Tax Rate Extended:				
Operations	\$5.2781	\$5.2781	\$5.2781	\$5.2781
Local Option for Operations	\$1.9900	\$1.9900	\$1.9900	\$1.9900
Debt Service	\$2.4890	\$2.4053	\$2.4017	\$2.3335
Total Property Tax Rate	\$9.7571	\$9.6734	\$9.6698	\$9.6016
Measure 5 Loss	\$-18,829,624	\$-20,910,923	\$-22,989,685	\$-24,819,007
Number of Employees (FTE's)	5,836	5,991	6,169	6,250
Average Daily Enrollment – ADM ⁺	48,439	48,338	46,629	48,056
Weighted Enrollment ADM ^w	57,616	57,825	55,984	57,554

Please note that the enrollment numbers below are from October 2021; the enrollment number of 45,000 is more recent.



The district has changed the names of some schools recently, but this map, provided by the district, does not include those name changes.

STRATEGIC PLAN / PERFORMANCE OBJECTIVES

The district underwent a visioning process in FY 2018-19 that produced the following four areas of concentration for the district's work:

The **Graduate Portrait** is a clear and ambitious description of what the community wants its students to know, be and be able to do, in order to prepare them to thrive in their lives and careers. Our graduate portrait includes attributes needed to prepare students to understand, confront, and change a global social environment that includes racial injustice and systems that perpetuate oppression.

The **Educator Essentials** are distilled from community-wide input regarding the knowledge, skills, mindsets and dispositions needed from adults to support the Graduate Portrait. The Educator Essentials include content and practice knowledge, along with the human-connectedness aspects of collaborating, supporting and teaching and learning. Beyond excelling in their own practice, PPS educators recognize the collective effort required for the success of every student and take responsibility for their roles in bringing about the Educational System Shifts.

The **Educational System Shifts** are changes in the organization's priorities and how it operates. They apply across the organization, from individual schools to the central-office department. They create conditions that support and encourage adults to model the Educator Essentials and the students to achieve the Graduate Portrait.

The **Theory of Action** is based on the district's vision. PPS has developed a theory of action: If we braid Racial Equity and Social Justice strategies into our instructional core work with our students, teachers, and content, and build our organizational culture and capacity to create a strong foundation to support every student, then we will reimagine Portland Public Schools to ensure every student, especially our Black and Native American students who experience the greatest barriers, to realize the Vision of the Graduate Portrait.

The strategic plan has focus areas organized under four main themes:

- 1) Racial Equity & Social Justice
- 2) Inclusive and Differentiated Learning for Every Child
- 3) Professional Excellence and Support
- 4) Embracing Change

The district has also identified a number of student-centered indicators to assess progress (p.21 of the PPS budget document).

BUDGET OVERVIEW

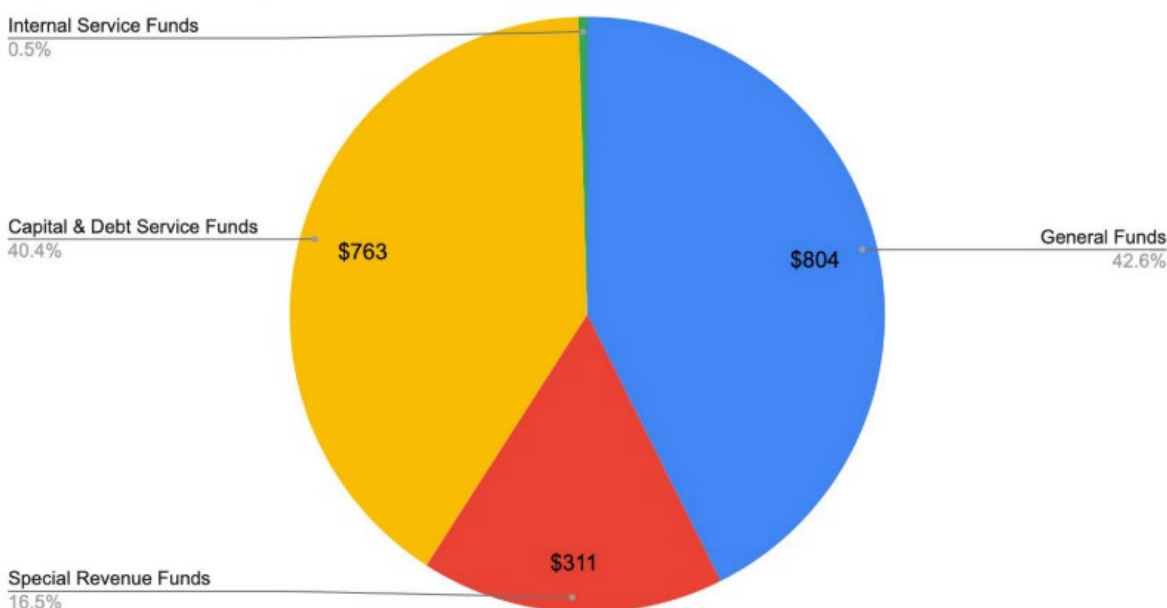
The FY 2022-23 budget is \$1.9 billion dollars, a decrease of approximately \$171 million from last fiscal year. The decrease is primarily due to spend-down in the bond program that is funding improvements to school buildings, reflected in a decreased ending fund balance in the Capital Projects Fund.

Note: The PPS Board added \$9 million to the Proposed Budget before approving it based on updated forecast numbers; therefore, images and narrative taken from the Proposed Budget document may vary slightly from the approved budget numbers used to draft this review.

From the Proposed budget document:

FY2022-23 Budget of \$1.89 Billion

Major Funds (in millions)



The 2022-23 budget is focused on two areas:

- Addressing the needs of students and staff returning from the pandemic:
 - ▶ Meet students' mental and behavioral health needs
 - ▶ Learning Acceleration
 - ▶ Wraparound supports
- Increase academic achievements and reduce academic disparities for:
 - ▶ Students of color
 - ▶ Students with disabilities
 - ▶ Emerging bilingual students
 - ▶ Students navigating poverty, homelessness, foster care, and students that have historically experienced disparities in our schools

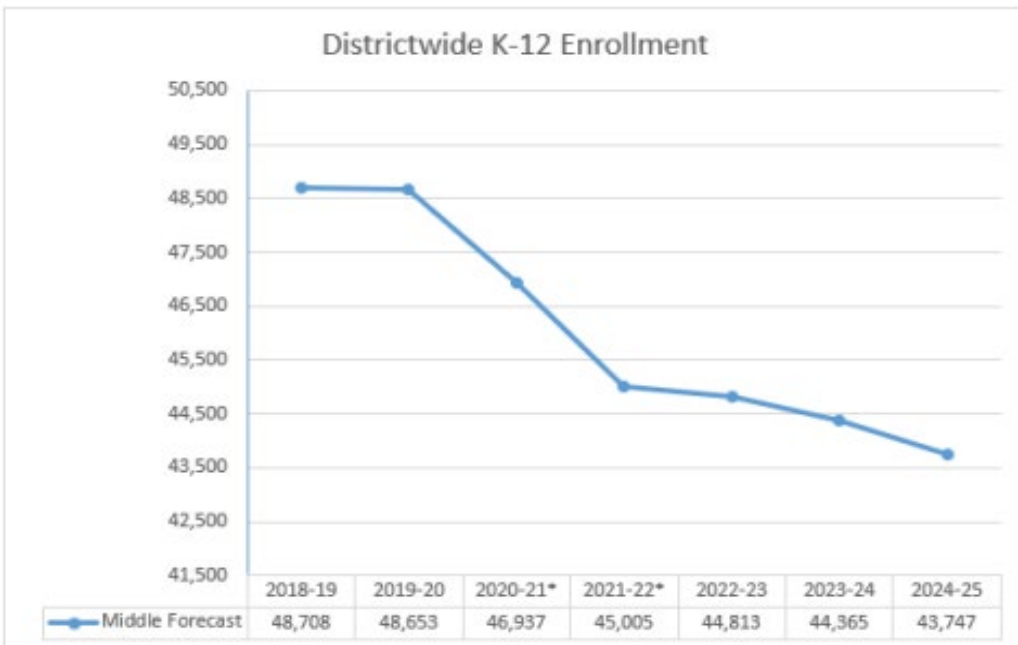
The budget highlights \$134 million in focused dollars to achieve district goals in FY 23 (from approved budget presentation; includes the \$9 million added from Proposed to Approved):

Investing in Powerful Learning and Student Supports

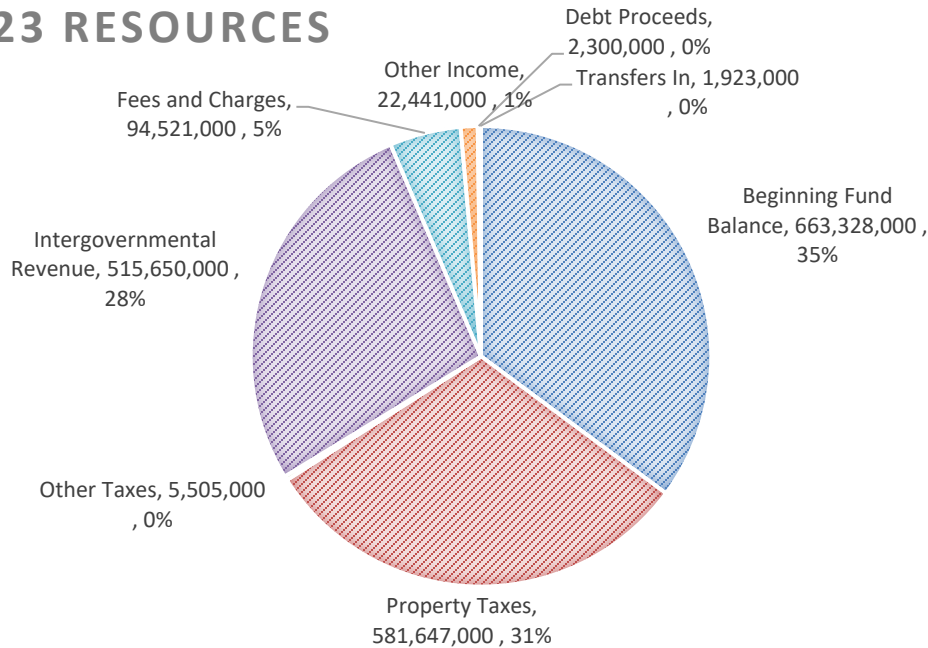
	General Fund \$	FY23 Student Investment Account \$	FY23 & FY24 ESSER \$	FY23 Summer State \$	Total \$
Address unfinished learning as a result of the pandemic		\$5,570,305	\$24,063,519	\$7,877,254	\$37,511,078
Increase learning opportunities for every student	\$5,186,066	\$14,668,650	\$15,015,024		\$34,869,740
Create more time for professional educators to plan, collaborate and prepare		\$2,725,791	\$13,752,000		\$16,477,791
Provide high-quality emotional, mental health, and wraparound supports	\$2,930,000	\$12,957,336	\$1,996,196		\$17,883,532
Make meaningful progress on our community's top district priorities	\$5,570,000	\$1,780,811	\$5,707,000		\$13,057,811
COVID-19 Response and FEMA			\$14,085,035		\$14,085,035
Grand Total	\$13,686,066*	\$37,702,893	\$74,618,773	\$7,877,254	\$133,884,986

* Update includes expenditure of \$9M carryover

Budget discussions highlight a growing gap between revenues and expenditures in the General Fund. Three factors come together to grow the General Fund budget gap (\$48 million in FY 23): escalating costs, declining enrollment, and increased student needs. PPS is forecasting a decrease of 8% in enrollment from pre-pandemic, which results in less Oregon State School fund dollars for General Fund operating costs. One-time resources from state and federal sources fill the gap for this fiscal year.



FY 2023 RESOURCES



	2019-20	2020-21	2021-22	2022-23	%
	Actual	Actual	Rev Bud	App Bud	Change
FY 2023 PPS RESOURCES					
Property Taxes	498,361,000	520,574,000	545,320,000	581,647,000	7%
Intergovernmental Revenue	380,062,000	393,905,000	527,520,000	515,650,000	-2%
Fees and Charges	59,764,000	63,201,000	64,487,000	94,521,000	47%
Other Income	42,458,000	15,406,000	27,103,000	22,441,000	-17%
Other Taxes	4,291,000	3,446,000	5,001,000	5,505,000	10%
Debt Proceeds	509,522,000	450,635,000	0	2,300,000	0%
Total Revenues	1,494,458,000	1,447,167,000	1,169,431,000	1,222,064,000	5%
Transfers In	1,931,000	2,466,000	1,754,000	1,923,000	10%
Beginning Fund Balance	427,193,000	782,952,000	887,225,000	663,328,000	-25%
TOTAL RESOURCES	1,923,582,000	2,232,585,000	2,058,410,000	1,887,315,000	-8%

Overall, resources for FY 23 decrease by 8%. The majority of this decrease is due to lower beginning fund balance and a decrease in intergovernmental revenue as federal money winds down. Total revenues are \$1.2 billion, \$552 million less than expenditures.

Beginning Fund Balance (BFB) - \$663 million

BFB decreases by 25% (\$224 million) down to a budgeted total of \$663 million. The decrease is due to a 33% (\$248 million) reduction in the Capital Projects BFB as the district spends down their current bond on various capital projects. The Capital Projects Fund BFB is \$502 million, 76% of the total BFB. Beginning fund balance also includes some carryover of state and local funds from the current fiscal year.

REVENUES

The two primary sources of revenue are property taxes and intergovernmental revenue. Together, these sources total over \$1 billion and make up 90% of total operating revenues.

Property Taxes - \$582 million

FY 23 property tax revenue includes the permanent rate, local option levy, GO bond (approved in 2012, 2017, and 2020 for facilities improvements), and the Gap Tax. Property taxes show a 7% overall increase from last year's budgeted numbers. The district's estimates for AV (5% increase) and collection rate (96%) appear reasonable. GO bond property tax debt was underbudgeted and should be \$145 million (see budget law compliance section for more details). The tax levy amount is correct.

The State School Fund equalization formula, created by the legislature and calculated on enrollment, determines how much state funding each school district will receive. The formula is a combination of local tax revenue and state distributed revenue. If the local tax collections exceed their estimated amount, the state portion of the amount will be subject to equalization, which results in a decrease of State School Fund revenue. Revenues from the local option levy (passed in 2011, 2014 and 2019 to fund teaching positions and classroom support), and the Gap Tax (authorized in 2009 by the legislature to fund the difference between the Measure 5 and Measure 50 limit on property taxes) are excluded from the State School Fund formula.

	2019-20	2020-21	2021-22	2022-23	Budget %
PROPERTY TAXES	Actual	Actual	Rev Bud	App Bud	Change
Permanent Rate Property Taxes	269,136,000	281,752,000	294,146,000	314,781,000	7%
Local Option Levy Property Taxes	97,372,000	100,955,000	104,279,000	109,951,000	5%
GO Debt Property Taxes	126,118,000	131,818,000	141,000,000	151,000,000	7%
Prior Years Property Taxes	5,386,000	5,537,000	5,532,000	5,515,000	0%
Payments in Lieu of Property Taxes	349,000	512,000	363,000	400,000	10%
Total Property Taxes	498,361,000	520,574,000	545,320,000	581,647,000	7%

FY 2022-23 PPS Approved Budget Tax Levies

Type	Education Limitation	Excluded from Limitation
Permanent Rate Tax Levy	\$5.2781/\$1,000 of assessed valuation	
Local Option Rate tax Levy	\$1.9900/\$1,000 of assessed valuation	
Bonded Debt Levy		\$151,000,000

Intergovernmental Revenues (Federal, State, and Local) - \$516 million

State revenues make up the largest portion at \$357 million, nearly 70% of the total. State revenues increase slightly 3% from FY 22, while federal revenue will decrease by \$20 million, a 12% decrease.

State revenues include the district's portion of the State School Fund (SSF), assumed at \$243 million for FY 23. PPS also expects to receive about \$38 million from Student Investment Account (SSA) funding for FY 23. The SSA was introduced by the legislature in FY 21 and offers support to help improve educational opportunities. Page 24 of budget document contains details.

The district has received an influx of federal dollars (ESSER) throughout the pandemic. The chart on the next page displays total amounts as of April 2022. The district estimates \$75 million available for FY 23, with plans to spend \$65 million and carry over any remaining balance to FY 23-24. These funds must be invested as a response to the impact and recovery from the COVID-19 pandemic.

The remaining ESSER funds will be paired with SIA (Student Investment Account) funds. Together, federal and state funds will focus on facility projects, technology initiatives, social emotional & mental health services, safe operation of schools and covid costs, and addressing student learning needs, specifically:

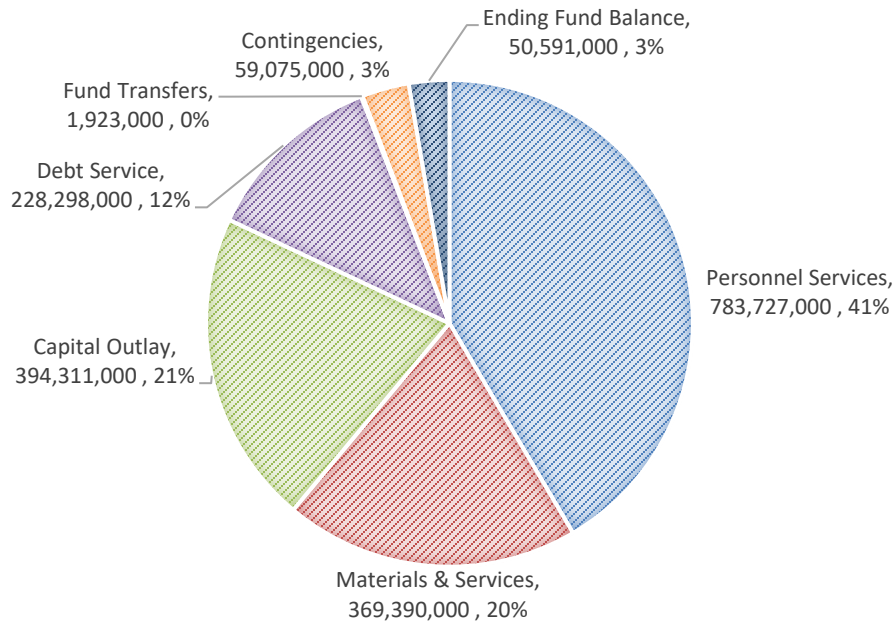
\$74.6 million in ESSER funds, the largest portions to be used to address unfinished learning as a result of the pandemic (\$24 million), for FEMA and Safe Operations (\$16.6 million), and to increase student learning opportunities (\$13.7 million).

Student investment Account will fund \$37.7 million in programming towards the district's budgetary priorities (p.5 of budget message).

Overview of Elementary & Secondary School Emergency Relief Federal Funds ESSER I, II, III					
US Congressional Action	K-12 Public School Funding Across the Nation	How Much for Oregon Public Schools?	About How Much for Portland Public Schools?*	Must Be Invested By	Balance at the Start of the FY2022-23 School Year (July 1, 2022)
CARES Act (Coronavirus Aid, Relief, and Economic Security Act, ESSER I, March 2020)	\$13.2 billion	\$121 million	\$7.5 million	September 2022	\$0
CRRS Act (Coronavirus Response and Relief Supplemental Appropriations Act, ESSER II, December 2020)	\$54.3 billion	\$499 million	\$30 million	September 2023	\$15 million
American Rescue Plan Act (ESSER III, March 2021)	\$122.8 billion	\$1.1 billion	\$70 million	September 2024	\$60 million

*Totals are projected balance after pass through and other allocation requirements per federal and state relief guidelines as of April 2022.

FY 23 REQUIREMENTS



	2019-20 Actual	2020-21 Actual	2021-22 Rev Bud	2022-23 App Bud	% Change
FY 23 PPS Requirements					
Personnel Services	603,970,000	648,714,000	709,516,000	783,727,000	10%
Materials & Services	187,656,000	194,365,000	350,674,000	369,390,000	5%
Capital Outlay	169,339,000	234,829,000	368,166,000	394,311,000	7%
Debt Service	177,734,000	246,244,000	201,532,000	228,298,000	13%
Total Expenditures	1,138,699,000	1,324,152,000	1,629,888,000	1,775,726,000	9%
Fund Transfers	1,931,000	2,466,000	1,754,000	1,923,000	10%
Contingencies/Ending Fund Balance	782,952,000	905,964,000	426,768,000	109,666,000	-74%
TOTAL REQUIREMENTS	1,923,582,000	2,232,582,000	2,058,410,000	1,887,315,000	-8%

Requirements balance to resources, for a total of \$1.9 billion.

Contingencies/Ending Fund Balance

Combined, contingency and ending fund balance decrease by 74% from FY 22. The decrease is mainly due to the spending down of capital bonds. Total contingency is \$59 million, and nearly all is budgeted in the General Fund, with a small amount in the Internal Service Fund.¹

EXPENDITURES

The expenditure portion of the budget (excludes fund balance, contingency, and fund transfers) increases by \$145 million (9%) to \$1.8 billion. The largest year over year increase is in debt service, increasing by 13%, and Personnel Services, increasing by 10%.

¹ PPS discovered an error in the approved budget on 5/26/22 and the budget committee plans to reconvene to re-approve a corrected budget on 6/1/22. If they re-approve, contingency will be reduced by \$3.1 million in the internal services fund and the dollars reprogrammed as support services.

Personnel Services - \$784 million

The largest expenditure in the budget is for personnel services, totaling 44% of all expenditures. The Personnel Services budget is increasing by 10% in FY 23, from \$710 million this year to \$784 million next year.

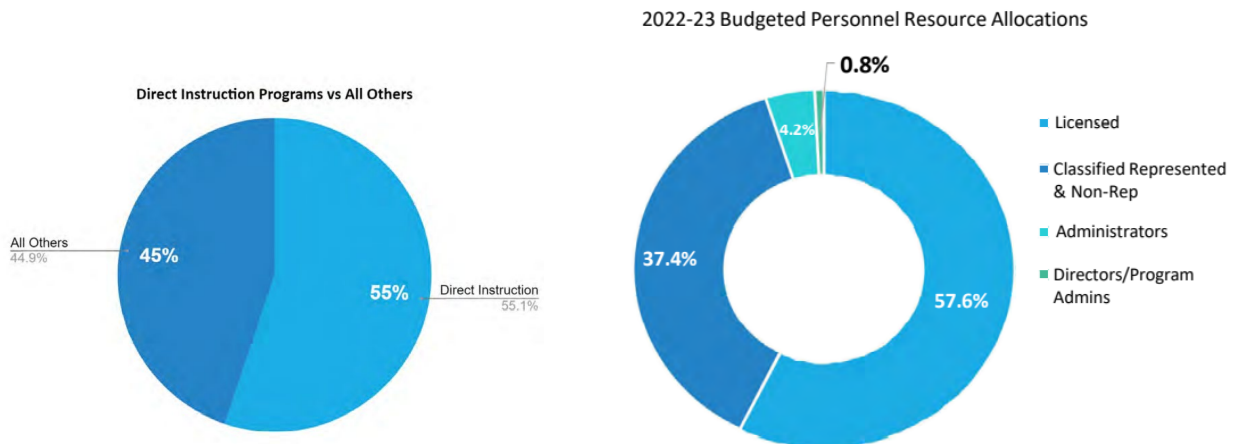
Please note: the following FTE chart is from the Proposed Budget document and does not reflect the additional \$9 million added in the Approved Budget. According to the approved budget presentation, 74 additional FTE were added with the \$9 million, but we do not have an updated FTE chart yet. The majority of the added positions appear to be Special Education staff and Educational Assistants.

PBAM Function	2019 Actual	2020 Actual	2021 Actual	2022 Adopted	2023 Proposed
10 - Instructional Support					
Licensed Staff	-	-	-	-	27.00
11 - Regular Programs: Primary Instructional Activities					
Licensed Staff	2,267.25	2,258.52	2,402.24	2,262.32	2,398.88
Classified - Represented	188.08	194.26	185.84	195.15	195.23
Non-Represented Staff	1.78	4.26	1.60	2.80	3.80
Administrators - Licensed	1.50	4.50	6.50	6.50	6.50
12 - Special Programs: Instructional activities for students with special needs					
Licensed Staff	459.63	492.09	593.48	496.69	510.25
Classified - Represented	487.86	515.94	642.00	512.10	509.17
Non-Represented Staff	0.80	0.75	2.80	2.80	3.80
Administrators - Licensed	3.00	1.00	1.00	-	-
Directors/Program Admins	1.00	1.00	1.00	1.00	-
14 - Summer School Programs					
Licensed Staff	-	-	1.50	-	-
Classified - Represented	-	-	1.00	-	-
21 - Support Services—Students: Activities to assess and improve the well-being of students					
Licensed Staff	440.06	421.68	529.68	504.96	505.49
Classified - Represented	110.16	127.08	133.04	131.62	154.24
Non-Represented Staff	52.25	51.75	71.21	57.23	48.43
Administrators - Licensed	39.70	34.50	59.40	50.00	53.00
Directors/Program Admins	9.90	17.00	12.50	6.00	5.00
22 - Support Services—Instructional Staff: Activities associated with assisting the instructional staff					
Licensed Staff	189.19	230.58	276.23	268.97	264.33
Classified - Represented	57.98	51.37	55.64	51.10	49.80
Non-Represented Staff	10.00	15.50	21.00	19.25	23.63
Administrators - Licensed	3.70	9.01	10.01	9.50	9.50
Administrators - Non-Licensed	-	-	-	-	-
Directors/Program Admins	-	-	-	1.00	1.00
23 - Support Services—General Administration: Activities associated with administering policy and operating the district					
Licensed Staff	0.75	1.00	-	-	-
Classified - Represented	2.00	2.00	-	-	-
Non-Represented Staff	40.50	30.25	24.50	21.50	30.00
Administrators - Licensed	11.00	14.00	14.00	14.00	13.00
Administrators - Non-Licensed	1.00	4.00	4.00	4.00	3.00
Directors/Program Admins	7.00	6.00	5.00	6.00	7.00
24 - School Administration: Activities of School Direction and Supervision					
Licensed Staff	9.40	9.87	39.53	6.73	3.57
Classified - Represented	206.61	205.41	208.83	205.04	204.22
Non-Represented Staff	16.45	24.92	32.33	48.58	55.78
Administrators - Licensed	163.55	167.20	166.00	184.25	180.75
Directors/Program Admins	-	1.00	1.00	1.00	-

FTE Chart Continued on Next Page

PBAM Function	2019 Actual	2020 Actual	2021 Actual	2022 Adopted	2023 Proposed
25 - Support Services—Business: Activities including fiscal, operation and maintenance, and internal services					
Classified - Represented	538.25	549.75	550.25	587.25	583.50
Non-Represented Staff	104.60	109.60	108.20	109.20	111.80
Administrators - NonLicensed	1.00	2.00	2.00	2.00	2.00
Directors/Program Admins	18.00	14.00	13.00	12.00	13.00
26 - Support Services—Central: Activities other than general admin, which support instructional and supporting programs					
Licensed Staff	-	-	2.50	10.00	15.00
Classified - Represented	10.00	10.50	12.50	25.50	26.50
Non-Represented Staff	106.90	123.10	140.95	133.20	134.83
Administrators - Licensed	0.30	3.00	3.00	3.00	3.00
Administrators - NonLicensed	3.00	3.00	3.00	3.00	3.00
Directors/Program Admins	12.95	12.00	11.00	13.00	16.50
31 - Food Services: Activities concerned with providing food to students and staff					
Classified - Represented	175.67	177.04	176.40	139.47	173.40
Non-Represented Staff	16.40	15.40	15.40	14.40	14.40
Directors/Program Admins	2.00	2.00	2.00	2.00	2.00
33 - Community Services: Activities which are not directly related to educating students					
Licensed Staff	1.00	-	-	-	-
Classified - Represented	29.24	42.34	38.42	41.63	44.53
Non-Represented Staff	2.78	5.00	5.00	6.50	6.50
41 - Facilities Acquisition and Construction: Activities concerned with the acquisition of land and buildings					
Classified - Represented	-	5.50	11.00	6.00	7.00
Non-Represented Staff	32.00	20.50	27.80	32.30	40.30
Administrators - Licensed	-	-	-	0.25	-
Directors/Program Admins	-	1.00	2.00	1.00	1.50
Grand Total	5,836.49	5,990.77	6,627.38	6,211.70	6,465.11

The budget does note that additional teachers may be added to address unexpected enrollment after school starts. Very few classes are expected to be at the maximum class size, which is set at 24 to 33 students, depending on grade level and school type (CSI or Title 1).



Materials & Services - \$369 million

Increasing by 5% in FY 23, Materials & Services cost increases are primarily driven by increases in the Special Revenue Fund and Internal Service Fund.

Capital Outlay - \$394 million

Increasing by 7%, the capital outlay budget grows due to planned project activity. Voter-approved bond measures are the primary source of funding for the district's major capital improvement projects. Bonds were approved in 2012, 2017, and most recently November 2020, when voters approved a \$1.2 billion school bond measure to allow "PPS to continue the vital work of improving the health and safety of our aging school buildings with new roofs and mechanical systems, seismic retrofits, accessibility and security upgrades." The budget document provides updates on the status of bond projects:

The \$482 million 2012 School Building Improvement Bond enabled the district to make improvements to 51 schools. In addition, Franklin, Grant and Roosevelt High Schools were completely modernized and Faubion PK-8 was completely rebuilt. In addition to the modernization projects, the focus of the 2012 improvement bond work was:

- Seismic improvements
- New seismically strengthened roofs
- Accessibility improvements, including new elevators
- Science classroom upgrades

The work of the 2012 Bond is now almost complete, with only one small project remaining.

The \$790 million May 2017 Health, Safety and Modernization Bond is currently underway and reaching every school in the district. That work includes:

- Water quality improvements
- Roof replacements, including roof-level seismic improvements
- Security upgrades at all District schools
- Lead paint remediation
- Asbestos remediation
- Radon remediation
- Improving fire safety with the installation of new alarm and sprinkler systems
- ADA upgrades and improvements including new elevators

Modernization work funded by the 2017 bond is also proceeding. McDaniel High School (formerly known as Madison High School) has been completely modernized and a new Kellogg Middle School has been built. Both schools opened to students in fall of 2021. Construction of a new Lincoln High School began in January of 2020. Students will occupy the new building in fall of 2022 and the new athletic fields in 2023. Construction for the modernization of Benson Polytechnic High School and a new Multiple Pathways to Graduation building on the Benson campus began in summer of 2021 and is scheduled to be completed in fall of 2024.

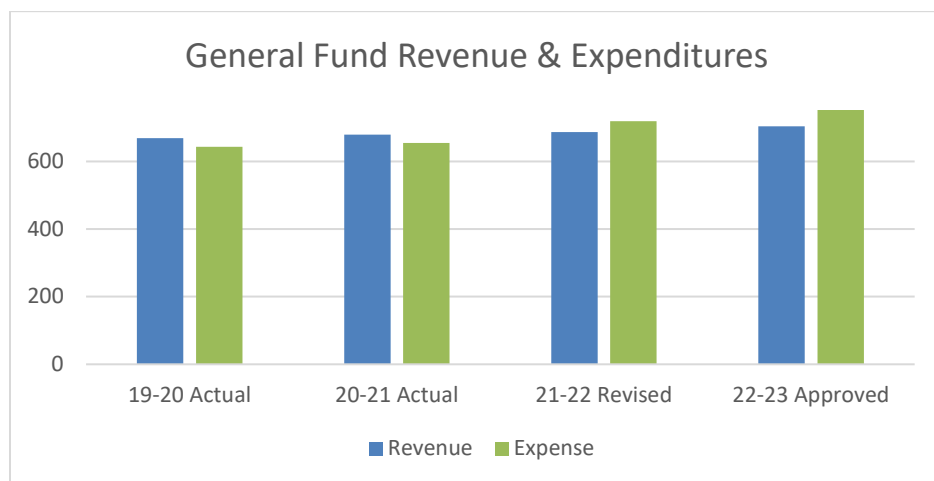
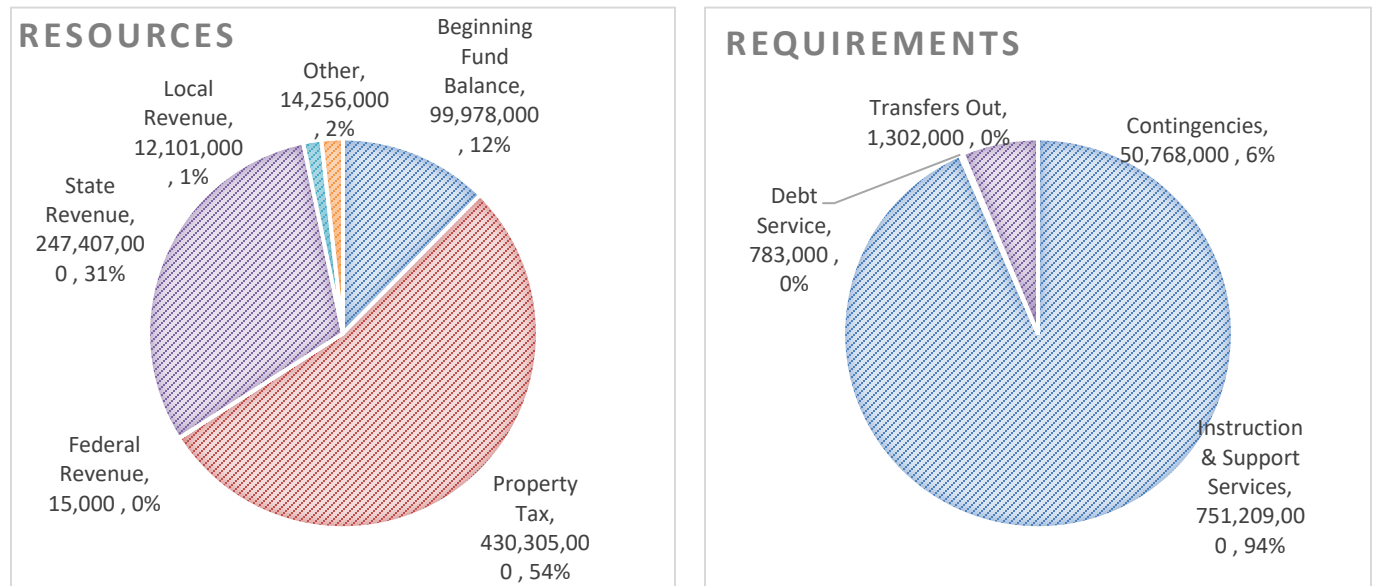
The \$1.2 billion November 2020 Bond work includes:

- Replacing textbooks and curriculum materials
- Providing students with tablets and laptops and updating classroom and district technology
- Updating special education learning spaces

A further update from a December 2021 Bond Accountability Committee report: “Other than [the Multiple Paths to Graduation building at Benson High School], there appears to be sufficient funding for all other programs and projects within the respective 2017 and 2020 Bond programs budgets and other funding sources. Funding for the Benson/MPG budget forecast shortfall will require allocation of program contingency funds from the 2017 and 2020 bonds.”

GENERAL FUND

The FY 23 General Fund budget is \$804 million, \$32 million (4%) higher than the current year. The General Fund makes up 42% of the total budget.



GENERAL FUND RESOURCES

Overall, revenues grow by 4% from the current year. Property taxes are the primary funding source for the General Fund, followed by Oregon State School fund revenues. Property taxes are projected to increase and State School funds are anticipated to decrease due to declining enrollment. PPS also receives a portion of Portland City Arts Tax. The Arts Tax is also impacted by declining enrollment, and the district is budgeting \$1 million less this year than last year, for a total of \$4 million.

General Fund Resources	19-20 Actual	20-21 Actual	21-22 Revised	22-23 Approved	% Change
Property Tax	371,947,000	388,447,000	403,997,000	430,305,000	7%
Federal Revenue	84,000	18,000	15,000	15,000	0%
State Revenue	271,620,000	268,476,000	261,465,000	247,407,000	-5%
Local Revenue	13,775,000	14,381,000	12,762,000	12,101,000	-5%
Fees and Charges	5,322,000	4,821,000	4,891,000	8,864,000	81%
Other Income	6,458,000	3,198,000	3,988,000	3,992,000	0%
Debt Proceeds	0	0	0	1,400,000	0%
Total Revenues	669,206,000	679,341,000	687,118,000	704,084,000	2%
Beginning Fund Balance	39,887,000	64,474,000	84,845,000	99,978,000	18%
TOTAL FUND RESOURCES	709,093,000	743,815,000	771,963,000	804,062,000	4%

GENERAL FUND REQUIREMENTS

The General Fund provides the core operational expenses of the school district. The largest increases in the budget from the current year are in personnel, which make up over 78% of General Fund requirements.

Notable changes from the current year budget include a \$30 million increase in salaries due to COLA, step, and associated fringe and payroll costs. The largest increase in personnel costs, approx. \$10 million, is budgeted for elementary K-5 staff positions. The largest noted decrease is \$7.3 million in materials & services and purchased services related to repurposing and reductions at the central office.

General Fund Requirements	19-20 Actual	20-21 Actual	21-22 Revised	22-23 Approved	% Change
Instruction	359,883,000	363,865,000	386,623,000	406,337,000	5%
Support Services	281,918,000	285,720,000	328,092,000	341,772,000	4%
Enterprises and Community Service	1,507,000	5,115,000	2,993,000	3,100,000	4%
Debt Service	0	0	1,223,000	783,000	-36%
Total Expenditures	643,308,000	654,700,000	718,931,000	751,992,000	5%
Transfers Out	1,311,000	1,198,000	1,136,000	1,302,000	15%
Contingencies	0	0	51,896,000	50,768,000	-2%
Ending Fund Balance	64,474,000	87,917,000	0	0	0%
TOTAL FUND REQUIREMENTS	709,093,000	743,815,000	771,963,000	804,062,000	4%

General Fund debt service is for bus leases (The Government Accounting Standards Board, or GASB, implemented a new standard dictating that long-term leases must be accounted as debt service).

OTHER FUNDS

Summary of Other Funds	21-22 Revised	22-23 Approved	Change	Reason for Change
Capital Projects Fund	763,758,000	516,864,000	-32%	spend down for capital projects
Special Revenue Fund	303,161,000	311,278,000	3%	increase in support services
GO Bonds Debt Service Fund	151,100,000	163,418,000	8%	increase in GO bond debt service
Debt Service Fund	59,863,000	83,047,000	39%	increase in pension bond debt service
Internal Service Fund	8,565,000	8,646,000	1%	no major changes
Other Funds Total	1,286,447,000	1,083,253,000	-16%	
General Fund	771,963,000	804,062,000	4%	primarily driven by personnel cost increase
Total All Funds	2,058,410,000	1,887,315,000	-8%	

The General Fund is the largest fund at \$804 million. The next two largest funds, the Capital Project Fund and Special Revenue Fund, together account for 76% of total other funds.

Capital Project Fund

This fund will decrease in FY 23 as the district continues to spend down bond proceeds on capital projects for the 2012, 2017 and 2020 bonds (the 2012 bond is quickly winding down, with remaining work at Roosevelt and Grant Upper Field the only remaining projects). The district maintains a webpage dedicated to bond progress: [Bond \(School Building Improvement Bond\) / Department Main Page \(pps.net\)](#). As spending on projects continue, this fund will continue to decrease.

Special Revenue Funds

The district has a number of special revenue sub-funds that are primarily funded by grants and foundation funding. Special Revenue funds provide additional staffing to support community engagement, social emotional learning, family focused training and education, as well as dollars to support technology infrastructure.

Total resources are expected to grow by \$8 million from FY 22. Revenues from state and federal sources make up 92% of the revenue in this fund category. Federal revenue sees a decline of 12% while ESSER funds taper off. State funding is increased by \$17.9 million, or 23%. Student Investment Account dollars (non-competitive grants from the state meant to supplement the State School Fund) see an increase of \$6.5 million.

Debt Service

One other fund had a noticeable change from last year – the Debt Service Fund. The district issued PERS bonds last calendar year and they are funded by increased internal service charges (see next section).

DEBT STATUS

As of June 20, 2022, the district estimates total outstanding debt of \$1.7 billion. The majority (just over \$1 billion) is for various GO bonds related to capital improvements. Debt for the district is legally limited to 7.95% of real market value (ORS 328.245). The district is well under the legal debt margin. The two primary sources of debt for the district are general obligation (GO) bonds and pension bonds.

Total debt service for FY 23 will be \$227 million per the debt schedule (budgeted debt services totals \$228 million due to GASB 87 reporting of long-term lease obligations – these are part of total debt service budget but not noted on the debt schedule). Debt service for GO bonds make up 64% of total budgeted amounts.

General Obligation (GO) Bonds

In November 2012, voters approved a \$482 million capital improvement bond for Portland Public Schools. In May 2017, voters approved a \$790 million capital improvement bond measure. In November 2020, voters approved a \$1.2 billion capital improvement bond measure. The debt service on the GO bonds is repaid through the property tax levied for that purpose. More details on GO bonds from the Proposed Budget:

A major portion of the district's debt service relates to GO bonds approved in the November 2012, the May 2017, and the November 2020 elections. Portland voters overwhelmingly supported GO bonds for capital improvement totaling nearly \$2.50 billion to upgrade PPS schools. The \$482 million School Building Improvement Bond authorized in 2012 enabled the district to make improvements in more than 51 schools, and the \$790 million Health, Safety and Modernization Bond authorized in May 2017 is underway with the goal of reaching every school in the district. Bonds were issued in December 2020 under the May 2020 authorization for two purposes: 1) \$54.0 million to redeem a portion of the outstanding debt on the 2012 authorization; and 2) \$365.5 million to continue the work of modernizing PPS schools.

The district plans to sell bonds in FY 23 to fund the second phase of technology and curriculum work (outlined in a 2020 GO bond authorization).

Pension bonds

The district issued pension bonds in October 2002 and April 2003, and then issued full faith and credit pension bonds in 2021. These investments help PPS contain its PERS costs. The debt service on these bonds is paid through internal service charges to other funds. A new pension bond was issued in July of the current fiscal year.

The chart below from the district's budget summarize total debt payments for FY 23.

Bonded and Other Debt (In Thousands)					
<u>Issue Date</u>	<u>Series</u>	<u>Original Issue</u>	<u>Outstanding at June 30,2022</u>	<u>2022-23 Principal Payments</u>	<u>2022-23 Interest Payments</u>
General Obligation Bonds					
May 1, 2013	2013B	68,575	3,160	3,160	158
April 30, 2015	2015B	244,700	110,410	6,340	4,496
August 10, 2017	2017B	241,890	175,380	2,650	5,977
April 14, 2020	2020	441,320	344,765	36,945	15,800
Dec 30,2020	2020B	365,465	325,225	57,970	9,816
Dec 30,2020	2020C	53,965	52,520	905	836
			1,011,460	107,970	37,083
Limited Tax Pension Obligation Bonds					
October 31, 2002	2002B	156,580	126,680	17,945	7,020
April 30, 2003	2003A	124,800	7,536	7,536	18,679
April 30, 2003	2003B	156,370	156,370	-	8,862
July 15, 2021	2021	399,390	388,600	12,815	7,588
			679,186	38,296	42,149
Full Faith & Credit Ogligations					
Jul-10	2010 Recovery Zone	11,000	608	608	15
4-Aug-16	2016 Qualified Zone	4,000	3,000	200	-
9-Nov-16	2016 FF&C Taxable	5,048	3,613	315	103
			7,221	1,123	118
Total			1,697,867	147,389	79,350

BUDGET/STRATEGIC PLAN ALIGNMENT

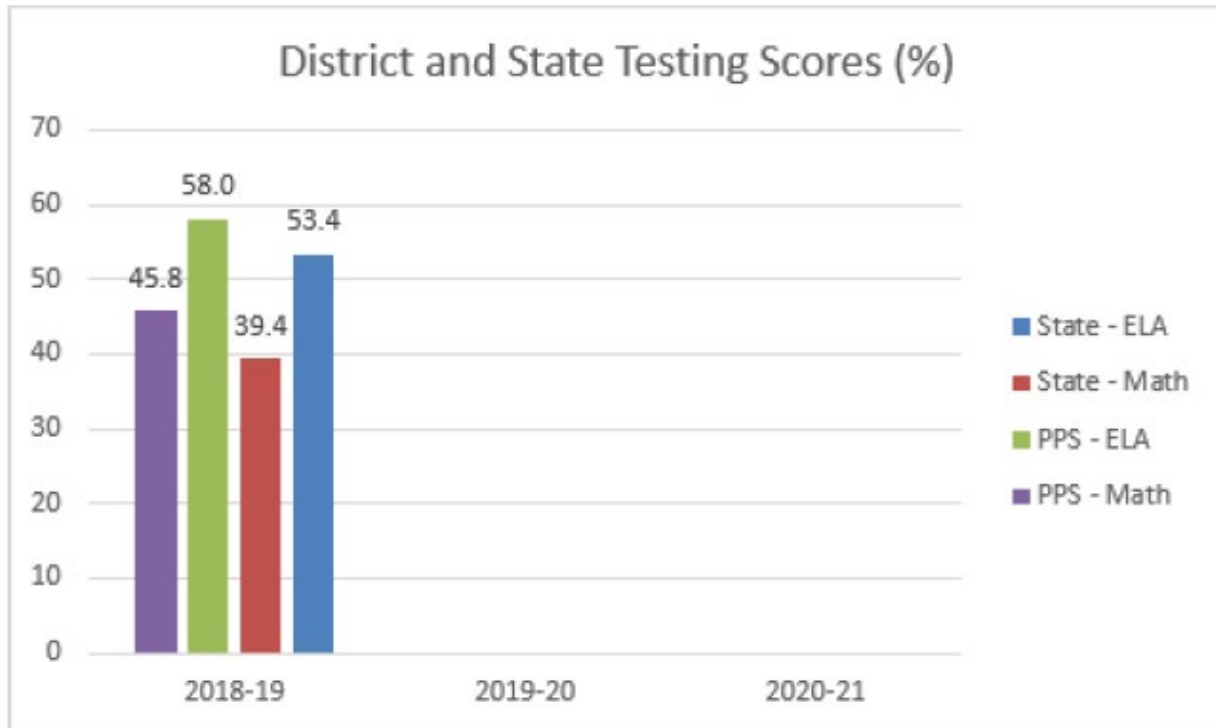
The strategic plan has focus areas organized under four strategic themes:

- 1) Racial Equity & Social Justice
- 2) Inclusive and Differentiated Learning for Every Child
- 3) Professional Excellence and Support
- 4) Embracing Change

Additionally, the PPS School Board set the following budget goals for FY 23:

- 3rd grade reading
- 5th grade mathematics
- 8th Grade Student Snapshot of Graduate Portrait
- Post-secondary Readiness for College & Career

Progress on these themes is shown in the budget document through a variety of programs and philosophy statements. A district staffing team and strategic budget team convened to make recommendations on the budget centering these board goals and the four strategic themes. The Proposed budget document includes a section on student performance measures that report on progress to date related to some of these goals, including English Language Arts and Math testing scores for PPS schools (all grades) – this is the most current data available due to the pandemic:



Source: ODE Statewide Assessments

HIGHLIGHTS

- The FY 2022-23 budget is total of \$1.9 billion dollars, a decrease of approximately \$171 million for last fiscal year. The decrease is in part due to spend-down in the bond program that is funding improvements to school buildings, resulting in a decreased ending fund balance in the Capital Projects Fund.
- PPS is forecasting a decrease of 8% in enrollment from pre-pandemic, which results in reduction in state funding that is determined based on enrollment.
- The FY 23 General Fund budget is \$804 million, \$32 million (4%) higher than the current year. Nearly all of the increase is due to increased personnel costs. For FY 23, expenditures are estimated to outpace revenues due to escalating costs, declining enrollment, and increased student needs. Reserves and one-time funding will be used to cover the gap.
- The district has budgeted \$134 million in funds from multiple sources (General Fund, ESSER, and state funds) to support budget priorities of addressing unfinished learning as a result of the pandemic, increase learning opportunities for every student, provide emotional, mental health, and wraparound supports, create more time for professional educators to plan, collaborate and prepare, and make meaningful progress on the community priorities.

BUDGET PROCESS & COMPLIANCE

Yes	No	Compliance Issue
X		Did the district meet publication requirements?
X		Do resources equal requirements in every fund?
X		Does the G.O. Debt Service Fund show only principal and interest payments?
X		Are contingencies shown only in operating funds?
X		Did the budget committee approve the budget?
X		Did the budget committee set the levy?
X		Does the audit show the district was in compliance with budget law?

LOCAL BUDGET LAW COMPLIANCE

The district was in substantial compliance with budget law, with two exceptions. First, budget law requires districts to submit their budgets to TSCC by May 15 and at least 20 days prior to hearing, or to request an extension. TSCC granted PPS an extension to May 25th. Approved budget materials were received on June 3rd, 11 days before the hearing. The delay was due in part to an error the district discovered, resulting in the budget committee reconvening a second time to re-approve the budget. The district is also currently short staffed. Nevertheless, the delay caused considerable challenges in TSCC's ability to review the budget.

TSCC's review also found an error in the budgeted tax revenues in PPS's GO Bond Debt Fund. ORS 294.368 specifies the manner in which tax revenues are to be estimated. For bonded debt not subject to the constitutional tax limits, the amount levied to the assessor is to be increased by discounts and delinquencies using an estimated collection rate. Taxes in the GO Bond Debt Fund are estimated at \$149,108,000, but the tax levy approved by the budget committee is \$151,000,000, which assumes a collection rate of 98.7%, higher than the estimated collection rate for the other tax revenues in the budget and not a reasonable estimate for what will be received. TSCC staff discussed the issue with PPS staff, and the district explained this was a budgetary error, and actual assumptions were a collection rate of 96%; therefore, the budgeted number should have been \$145 million (see table below). PPS does not foresee any issues paying the required debt service since the levied amount is correct and the appropriations are sufficient. Although the tax levy itself is the correct amount per PPS staff, and they will not be collecting more tax than needed, the methods used for calculating the tax are not clear in the budget document and the budgeted amount is incorrect.

GO Bond Property Tax Calculation from District		
Est. Taxes Received /	Collection %	= Taxes to Levy
\$ 145,052,628	0.96	\$ 151,096,488

GO Bond Fund Property Tax Revenue Estimates		
FY 23 Budgeted	Est. Actual Taxes	
GO Prop. Tax	to be Received	Difference
\$ 149,108,000	\$ 145,052,628	\$ 4,055,372

The audit report for FY 2021-22 notes no exceptions.

CERTIFICATION LETTER RECOMMENDATIONS & OBJECTIONS

Staff is not proposing a recommendation or objection related to non-compliance with the TSCC deadline this year since it appears to be due to one-time circumstances converging.

Staff is proposing a recommendation related to the over-budgeting of tax revenues in the GO bond fund:

RECOMMENDATION: ORS 294.368 states the manner in which tax revenues are to be estimated. For bonded debt not subject to constitutional tax limits, the amount levied to the assessor is to be increased by discounts and delinquencies (often referred to as the “uncollectable”). This estimate should be reasonable and explainable to the public. In the FY 2022-23 Approved Budget, taxes in the GO Bond Debt Fund were incorrectly budgeted at \$149 million. Using the tax estimating calculations required by law, the district estimates taxes at \$145 million, and the approved tax levy is consistent with that amount. PPS staff believes the tax levied for GO bond is correct and will be sufficient to cover debt service payments. TSCC recommends that the district closely follow the required calculation process when determining both the tax amount to levy and the amount to budget to improve clarity for the public in future years. Additionally, the district should consider an amendment to the budget to reduce the GO bond property tax revenue to the correct amount.

Portland Public Schools

Approved Budget Summary Sheet

	2019-20 Actual	2020-21 Actual	2021-22 Rev Bud	2022-23 App Bud	Budget % Change
SUMMARY OF ALL FUNDS					
Property Tax Breakdown:					
Permanent Rate Property Taxes	269,136,000	281,752,000	294,146,000	314,781,000	7%
Local Option Levy Property Taxes	97,372,000	100,955,000	104,279,000	109,951,000	5%
GO Debt Property Taxes	126,118,000	131,818,000	141,000,000	151,000,000	7%
Prior Years Property Taxes	5,386,000	5,537,000	5,532,000	5,515,000	0%
Payments in Lieu of Property Taxes	349,000	512,000	363,000	400,000	10%
Total Property Taxes	498,361,000	520,574,000	545,320,000	581,647,000	7%
Resources:					
Beginning Fund Balance	427,193,000	782,952,000	887,225,000	663,328,000	-25%
Property Taxes	498,361,000	520,574,000	545,320,000	581,647,000	7%
Other Taxes	4,291,000	3,446,000	5,001,000	5,505,000	10%
Intergovernmental Revenue	380,062,000	393,905,000	527,520,000	515,650,000	-2%
Fees and Charges	59,764,000	63,201,000	64,487,000	94,521,000	47%
Other Income	42,458,000	15,406,000	27,103,000	22,441,000	-17%
Debt Proceeds	509,522,000	450,635,000	0	2,300,000	0%
Transfers In	1,931,000	2,466,000	1,754,000	1,923,000	10%
TOTAL RESOURCES	1,923,582,000	2,232,585,000	2,058,410,000	1,887,315,000	-8%
Requirements by Function:					
Instruction	408,759,000	417,111,000	507,967,000	536,615,000	6%
Support Services	322,818,000	348,539,000	425,257,000	460,715,000	8%
Enterprises and Community Services	21,937,000	23,914,000	57,046,000	36,048,000	-37%
Facilities Acquisition and Construction	207,451,000	287,785,000	438,086,000	514,050,000	17%
Debt Service	177,734,000	246,806,000	201,532,000	228,298,000	13%
Transfers Out	1,931,000	2,466,000	1,754,000	1,923,000	10%
Contingencies	0	0	61,586,000	59,075,000	-4%
Ending Fund Balance	782,952,000	905,964,000	365,182,000	50,591,000	-86%
TOTAL REQUIREMENTS	1,923,582,000	2,232,585,000	2,058,410,000	1,887,315,000	-8%
Requirements by Object:					
Personnel Services	603,970,000	648,714,000	709,516,000	783,727,000	10%
Materials & Services	187,656,000	194,365,000	350,674,000	369,390,000	5%
Capital Outlay	169,339,000	234,829,000	368,166,000	394,311,000	7%
Debt Service	177,734,000	246,244,000	201,532,000	228,298,000	13%
Fund Transfers	1,931,000	2,466,000	1,754,000	1,923,000	10%
Contingencies	0	0	61,586,000	59,075,000	-4%
Ending Fund Balance	782,952,000	905,964,000	365,182,000	50,591,000	-86%
TOTAL REQUIREMENTS	1,923,582,000	2,232,582,000	2,058,410,000	1,887,315,000	-8%

Portland Public Schools

Approved Budget Summary Sheet

	2019-20 Actual	2020-21 Actual	2021-22 Rev Bud	2022-23 App Bud	Budget % Change
SUMMARY OF BUDGET - BY FUND					
General Fund	709,093,000	743,815,000	771,963,000	804,062,000	4%
Special Revenue Fund	137,252,000	155,931,000	303,161,000	311,278,000	3%
Debt Service Fund	53,942,000	57,422,000	59,863,000	83,047,000	39%
GO Bonds Debt Service Fund	137,615,000	201,070,000	151,100,000	163,418,000	8%
Capital Projects Fund	876,613,000	1,066,674,000	763,758,000	516,864,000	-32%
Internal Service Fund	9,067,000	7,673,000	8,565,000	8,646,000	1%
GRAND TOTAL ALL FUNDS	1,923,582,000	2,232,585,000	2,058,410,000	1,887,315,000	-8%
DETAIL OF GENERAL FUND					
Resources:					
Beginning Fund Balance	39,887,000	64,474,000	84,845,000	99,978,000	18%
Property Tax	371,947,000	388,447,000	403,997,000	430,305,000	7%
Federal Revenue	84,000	18,000	15,000	15,000	0%
State Revenue	271,620,000	268,476,000	261,465,000	247,407,000	-5%
Local Revenue	13,775,000	14,381,000	12,762,000	12,101,000	-5%
Fees and Charges	5,322,000	4,821,000	4,891,000	8,864,000	81%
Other Income	6,458,000	3,198,000	3,988,000	3,992,000	0%
Debt Proceeds	0	0	0	1,400,000	0%
TOTAL FUND RESOURCES	709,093,000	743,815,000	771,963,000	804,062,000	4%
Requirements:					
Instruction	359,883,000	363,865,000	386,623,000	406,337,000	5%
Support Services	281,918,000	285,720,000	328,092,000	341,772,000	4%
Enterprises and Community Services	1,507,000	5,115,000	2,993,000	3,100,000	4%
Debt Service	0	0	1,223,000	783,000	-36%
Transfers Out	1,311,000	1,198,000	1,136,000	1,302,000	15%
Contingencies	0	0	51,896,000	50,768,000	-2%
Ending Fund Balance	64,474,000	87,917,000	0	0	0%
TOTAL FUND REQUIREMENTS	709,093,000	743,815,000	771,963,000	804,062,000	4%
DETAIL OF GENERAL OBLIGATION DEBT SERVICE FUND					
Resources:					
Beginning Fund Balance	10,552,000	13,568,000	10,000,000	12,278,000	23%
GO Debt Property Taxes	126,118,000	131,818,000	141,000,000	151,000,000	7%
Interest on Investments	945,000	88,000	100,000	140,000	40%
Debt Proceeds	0	55,596,000	0	0	0%
TOTAL FUND RESOURCES	137,615,000	201,070,000	151,100,000	163,418,000	8%
Requirements:					
Debt Service	124,047,000	190,588,000	140,826,000	145,053,000	3%
Ending Fund Balance	13,568,000	10,482,000	10,274,000	18,365,000	79%
TOTAL FUND REQUIREMENTS	137,615,000	201,070,000	151,100,000	163,418,000	8%

