

Budget Review 2023-24

Portland Public Schools



BUDGET HIGHLIGHTS

- The FY 2024-25 Budget totals just under \$2.4 billion dollars, an increase of \$211.8 million from FY 2023-24.
- This budget reflects a \$30.0 million gap between anticipated revenue and cost of maintaining current services.
- PPS is forecasting a decrease of 11.0% in enrollment from pre-pandemic levels, resulting in reduced state funding based on enrollment. The district anticipates just over 200 fewer students in FY 2024-25 from FY 2023-24.
- The largest expenditure in the budget is for personnel services, totaling 34.5% of operating expenditures. The Personnel Services budget increases (1.0%) to \$796.6 million in FY 2024-25 from \$789.0 million in the current year. The slight increase reflects increased costs for personnel but decreased number of positions funded in the budget, a change of 251.35 FTE from last year's adopted budget.
- The FY 2024-25 General Fund budget is \$854.4 million, \$20.6 million (2.5%) higher than the current year. As in the current year, expenditures are estimated to outpace revenues due to escalating costs, declining enrollment, and decreased federal funding. Similar to last year, contingency and one-time funding will be used to cover the gap in conjunction with targeted program reductions.
- The budget for FY 2024-25 reflects continued investments in the following areas: meeting the core needs of students; increasing academic achievements and reducing academic disparities for Black, Indigenous, and Students of Color, students with disabilities, emerging bilingual students, and students navigating poverty, homelessness, and foster care; and, increasing salaries and benefits for employees to improve staff retention and recruitment.

LAST MINUTE AMENDMENT TO APPROVED BUDGET

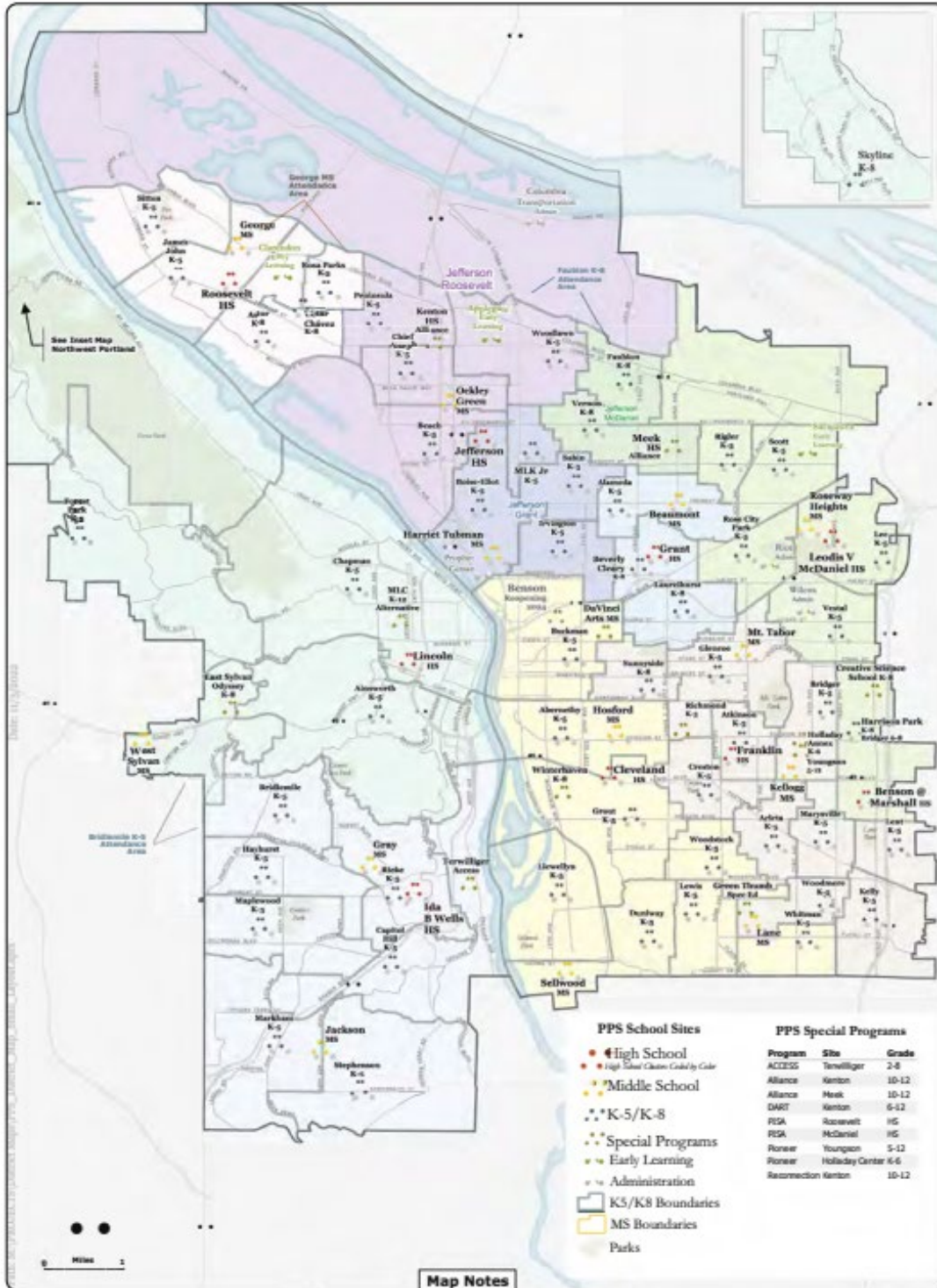
This budget review reflects the approved budget with one exception – the board made a decision to move \$1.8 million from contingency to the instruction budget in the General Fund during the meeting to approve the budget. The \$1.8 million will restore racial equity and social justice contracts. We did not receive the details in time to include in the overall review, but all other changes in the Approved Budget are included. The overall budget total does not change with the move of the \$1.8 million.

INTRODUCTION & BACKGROUND

Portland Public Schools (PPS) is the largest school district in Oregon, serving approximately 45,000 students in pre-kindergarten through 12th grade with 81 schools. PPS serves a population of 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 diversify educational offerings: KariosPDX Learning Academy, Le Monde French

Immersion, Portland Arthur Academy, Portland Village School, and The Emerson School. Two state-sponsored schools also operate in PPS: the Cottonwood School of Civics and Science and the Ivy School.

The district owns and maintains over 100 campuses for schools and other uses and covers an area over 152 square miles with portions of the cities of Portland, Lake Oswego, and Milwaukie.



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.

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:

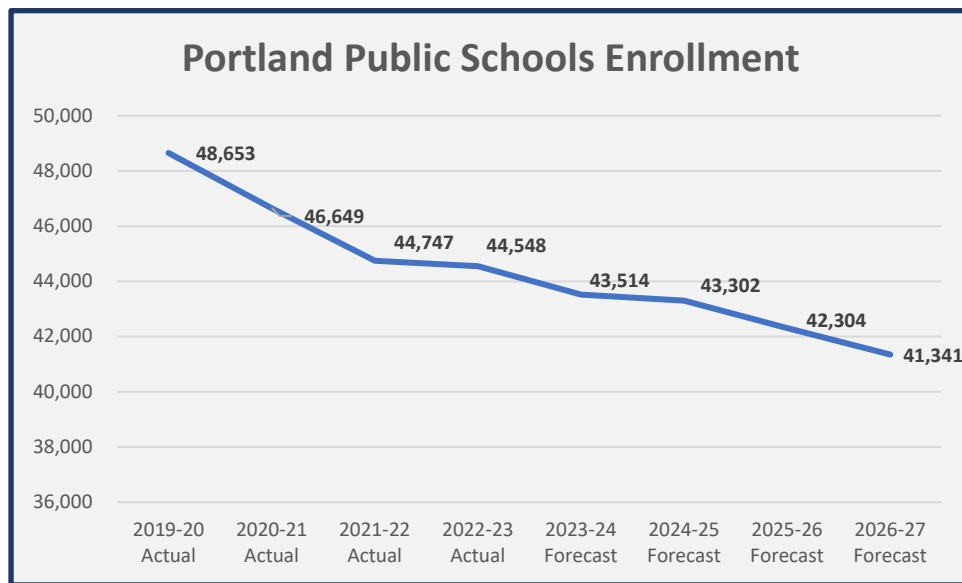
- 1) Racial Equity & Social Justice
- 2) Inclusive and Differentiated Learning for Every Child
- 3) Professional Excellence and Support
- 4) Embracing Change

Portland Public SD 1J	2020-21	2021-22	2022-23	2023-24
Assessed Value in Billions	\$56.046	\$59.615	\$62.494	\$69.007
Real Market Value (M-5) in Billions	\$140.249	\$147.264	\$157.078	\$156.668
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	\$2.4017	\$2.3335	\$2.3000	\$2.3828
Total Property Tax Rate	\$9.6698	\$9.6016	\$9.5681	\$9.6509
Measure 5 Impact	\$-22,989,685	\$-24,819,007	\$-25,191,648	\$-35,716,191
Number of Employees (FTE's)	6,627	6,212	6,530	6,247

BUDGET OVERVIEW

The FY 2024-25 Budget totals \$2.4 billion dollars, an increase of \$211.8 million from the current year.

Budget discussions during budget development highlight a continued and growing gap between revenues and expenditures. Three factors come together to grow the budget gap: escalating costs, declining enrollment, and the end of one-time federal funding during the pandemic. PPS is forecasting a decrease of 11.0% in enrollment from pre-pandemic levels, which results in reduced Oregon State School Fund dollars for General Fund operating costs. Decreased federal funding to continue student services funded during the pandemic also contributes to the structural deficit. The district is using reserves and targeted program reductions to fill the gap in this budget.



This budget reflects a \$30.0 million gap between anticipated revenue and cost of maintaining current services. PPS used two key principles to reduce spending:

- Minimize the impact reductions will have on students
- Continue initiatives that have boosted student achievement

PPS differentiated between Central Office (centrally-funded staff and services) and School-Based (school- and centrally-funded services) when identifying potential reductions. In an effort to minimize the direct impact on students, the district has made reductions to central office programs over the last two fiscal years. In FY 2024-25, \$15.0 million of the cuts are anticipated from central office services and \$15.0 million from school-based services.

The district anticipates the following impacts to school staffing:

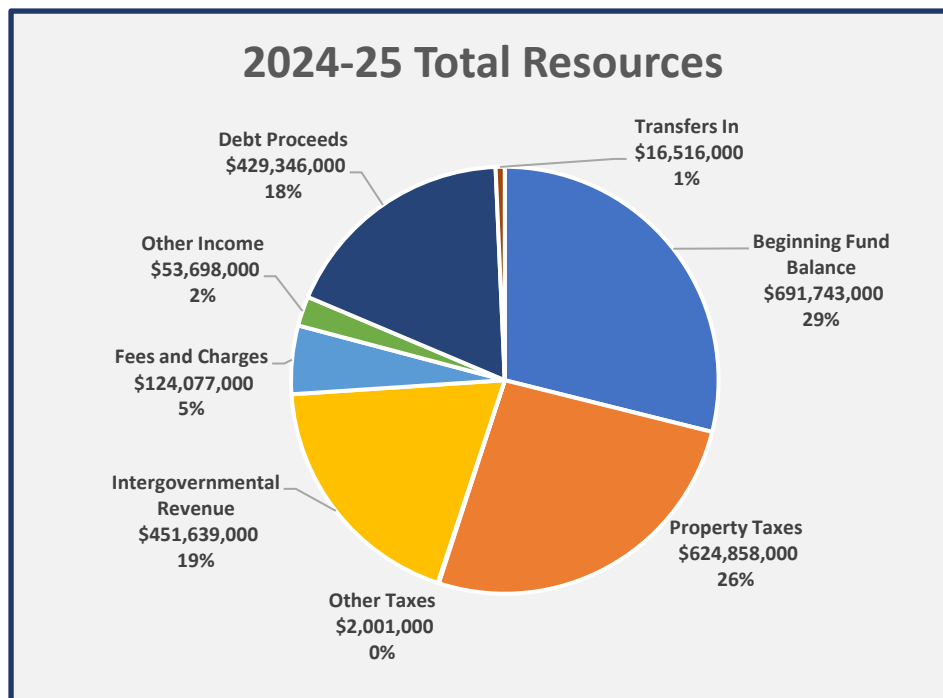
- Class sizes return to 2021-22 school year ratios due to decreased enrollment
- Changes to staffing allocations at schools to support teacher planning time per contract and to meet state mandates for middle school PE classes
- Combining learning support services in schools and through the central office
- Redirecting resources for social, emotional and behavioral supports
- Decreases in administrative and school operations

The FY 2024-25 Budget focuses on three areas:

- Meeting the core needs of students:
 - Mental and behavioral health needs
 - Learning acceleration
 - Wraparound supports
- Increasing academic achievements and reducing academic disparities for:
 - Black, Indigenous, and Students of Color
 - Students with disabilities
 - Emerging bilingual students
 - Students navigating poverty, homelessness, foster care, and students that have historically experienced disparities in PPS schools
- Increasing salaries and benefits for employees to improve staff retention and recruitment

The FY 2024-25 Budget adds two new sub funds within the Internal Service Fund: the Property & Liability Insurance Fund and the Unemployment Fund. A transfer from the General Fund funds expenses within the Property & Liability Insurance sub fund. The Unemployment sub fund is funded through a percentage charge on payroll expenditures.

RESOURCES



Overall, resources for FY 2024-25 increase by 9.7%. The majority of this increase is due to higher beginning fund balance, transfers in, property tax revenue, and charges for services. The amount offsets reduced intergovernmental revenue (a result of pandemic relief funds from the federal government ending. Total revenues are \$1.7 billion, \$624.6 million less than expenditures.

	2021-22 Actuals	2022-23 Actuals	2023-24 Revised	2024-25 Approved	% Increase / (Decrease)
Property Taxes	\$ 553,417,000	\$ 574,822,000	\$ 610,660,000	\$ 624,858,000	2.3%
Other Taxes	\$ 5,436,000	\$ 4,190,000	\$ 5,451,000	\$ 2,001,000	-63.3%
Intergovernmental Revenue	\$ 469,926,000	\$ 507,575,000	\$ 445,012,000	\$ 451,639,000	1.5%
Fees and Charges	\$ 84,925,000	\$ 91,970,000	\$ 100,303,000	\$ 124,077,000	23.7%
Other Income	\$ 2,281,000	\$ 33,956,000	\$ 39,341,000	\$ 53,698,000	36.5%
Debt Proceeds	\$ 400,839,000	\$ 464,832,000	\$ 415,560,000	\$ 429,346,000	3.3%
TOTAL REVENUES	\$ 1,516,824,000	\$ 1,677,345,000	\$ 1,616,327,000	\$ 1,685,619,000	4.3%
Beginning Fund Balance	\$ 906,724,000	\$ 672,720,000	\$ 564,036,000	\$ 691,743,000	22.6%
Transfers In	\$ 1,825,000	\$ 1,901,000	\$ 1,694,000	\$ 16,516,000	875.0%
TOTAL RESOURCES	\$ 2,425,373,000	\$ 2,351,966,000	\$ 2,182,057,000	\$ 2,393,878,000	9.7%

Beginning Fund Balance (BFB) - \$691.7 million

BFB increases by 22.6% (\$127.7 million) to a budgeted total of \$691.7 million. The increase is due to a 40.4% (\$161.2 million) increase the Capital Projects Fund BFB as the district receives insurance reimbursements for repairs associated with the January 2024 winter storm and energy incentives. The Capital Projects Fund BFB is \$560.6 million, 81.0% of the total BFB. All other beginning fund balances are lower than FY 2023-24 budgeted levels with a \$20.6 million reduction in the Special Revenue Fund BFB and \$7.8 million less in the General Fund. The lower BFB in those funds is consistent with the district practice of using reserves to fund the gap between revenue and expenditures.

REVENUES

The two primary sources of revenue are property taxes and intergovernmental revenue. Together, these sources total just under \$1.1 billion and make up 63.9% of total operating revenues. If debt proceeds are removed, the percentage increases to 85.7% of operating revenues.

Property Taxes - \$624.9 million

FY 2024-25 property tax revenue includes permanent rate, local option levy, GO bond (approved in 2012, 2017, and 2020 for facilities improvements), and the Gap Tax. Property taxes show a 2.3% overall increase from last year's budgeted numbers. The district's estimates for AV (3.5% increase) and collection rate (96%) appear reasonable.

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, 2019 and May 2024 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. The Gap Tax is shown in the permanent rate numbers below.

	2021-22 Actuals	2022-23 Actuals	2023-24 Revised	2024-25 Approved	% Increase / (Decrease)
Permanent Rate Property Taxes	\$ 300,100,000	\$ 312,281,000	\$ 330,115,000	\$ 352,328,000	6.7%
Local Option Levy Property Taxes	\$ 104,719,000	\$ 109,213,000	\$ 114,676,000	\$ 104,608,000	-8.8%
GO Debt Property Taxes	\$ 142,032,000	\$ 145,774,000	\$ 159,452,000	\$ 161,337,000	1.2%
Prior Years Property Taxes	\$ 6,049,000	\$ 7,008,000	\$ 5,967,000	\$ 6,135,000	2.8%
Payments in Lieu of Property Taxes	\$ 517,000	\$ 546,000	\$ 450,000	\$ 450,000	0.0%
TOTAL PROPERTY TAX	\$ 553,417,000	\$ 574,822,000	\$ 610,660,000	\$ 624,858,000	2.3%

FY 2024-25 PPS Approved Budget Tax Levies

	2020-21 Actual	2021-22 Actual	2022-23 Actual	2023-24 Actual	2024-25 Projected ^a
Tax Rates					
Permanent Tax Rate per \$1,000 of AV	\$ 4.7743	\$ 4.7743	\$ 4.7743	\$ 4.7743	\$ 4.7743
Local Option Tax	1.9900	1.9900	1.9900	1.9900	1.9900
Gap Tax Rate per \$1,000 of AV	0.5038	0.5038	0.5038	0.5038	0.5038
Bond Tax Rate per \$1,000 of AV	2.4017	2.3335	2.3000	2.5000	2.5000
Total Tax Rate	\$ 9.6698	\$ 9.6016	\$ 9.5681	\$ 9.7681	\$ 9.7681
Average Assessed Value					
Tax Burden	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	300,000
	2,901	2,880	2,870	2,930	2,930

^a Actual levy rate determined by county assessors' offices

Intergovernmental Revenues (Federal, State, and Local) - \$451.6 million

State revenues make up the largest portion of intergovernmental revenue at \$358.5 million, just over 79.4% of the total. State revenues increase 9.7% from FY 2023-24. Total Federal revenue will decrease by \$39.4 million, a 36.5% decrease.

Total State revenues include the district's portion of the State School Fund (SSF), assumed at \$265.5 million for FY 2024-25. This estimate is based on a \$10.2 billion state budget for K-12 education funding to be distributed at 49/51% split over two years and \$1.1 billion Student Investment Account (SIA) funding from the state.

Through Aligning for Student Success, the Student Success Act (SSA) - HB 3427, the Oregon Department of Education has integrated six initiatives: High School Success, Student Investment Account, Continuous Improvement Planning, Career and Technical Education, Early Literacy, and Early Indicator and Intervention Systems. PPS expects to receive about \$65 million from Integrated Grant funding for the 2024-25 school year. This funding supports the district's capacity to meet strategic goals, improve access to career and technical education, and eliminate opportunity gaps.

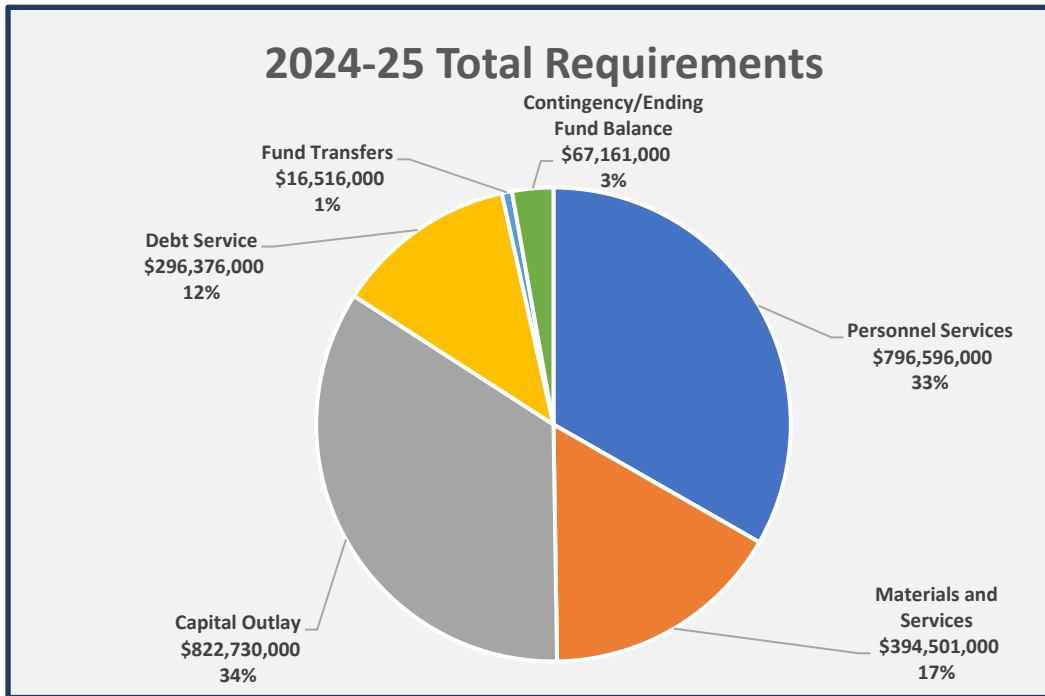
The State of Oregon also allocated \$3.4 million to PPS in FY 2024-25 to support early literacy. The Early Literacy Grant is a new grant designed to support literacy development for the district's youngest learners. Funding is planned for learning acceleration programming, reading intervention, and supporting multilingual, emergent bilingual, and special education students.

The district had received an influx of federal dollars – Elementary and Secondary School Emergency Relief (ESSER) - throughout the pandemic. Remaining federal pandemic funding will be spent by first quarter FY 2024-25. Some investments formerly funded by ESSER funds that will continue in FY 2024-25 are:

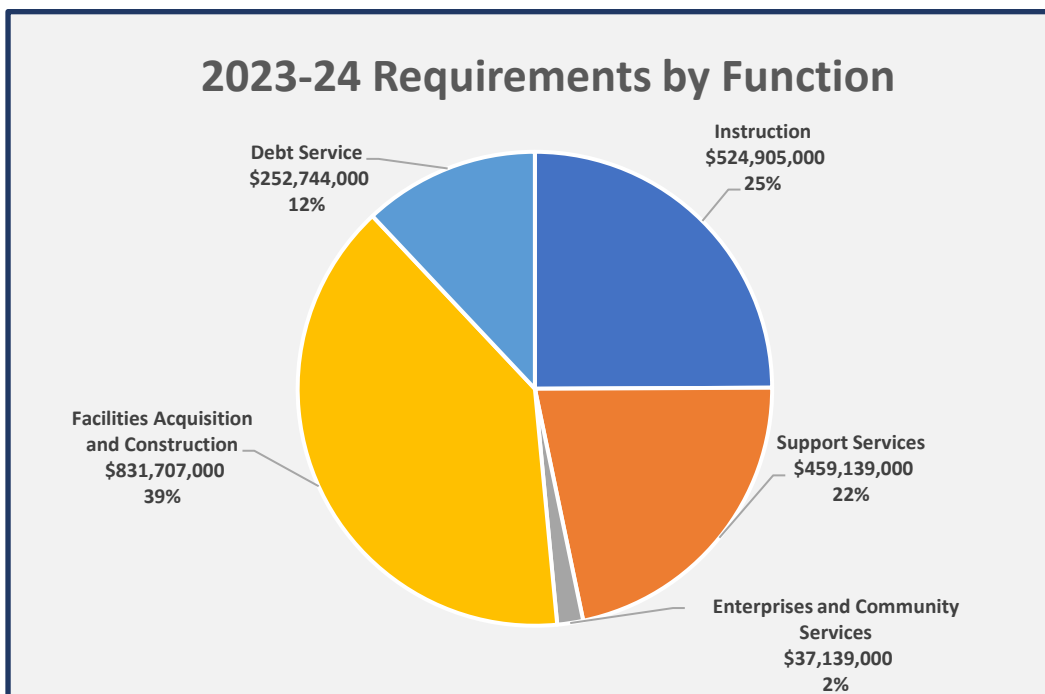
- Evening Scholars personnel

- Summer programming
- Safety and security professional development and supplies
- Professional development supporting curriculum adoption
- Climate response

REQUIREMENTS



Requirements balance to resources, for a total of \$2.4 billion.



Contingencies/Ending Fund Balance

Combined, contingency and ending fund balance decrease by 10.1% from FY 2023-24. The overall decrease is mainly due to the spending down of capital bonds but is also to be expected as the district works through its structural deficit. Total contingency is \$44.7 million, and nearly all is budgeted in the General Fund. Contingency spend down in the General Fund is to support existing programs where revenues are not sufficient to cover them.

In 2019, the board set policy for a General Fund reserve ranging from 5% to 10% of annual General Fund resources. The goal for the reserve will be set as part of the district’s long-range financial plan, with an expectation that the district will achieve and sustain a 10% reserve.

EXPENDITURES

The expenditure portion of the budget (excludes fund balance, contingency, and fund transfers) increases by \$204.6 million (9.7%) to \$2.3 billion. The largest year over year increase is in capital outlay, increasing by 25.4%, and debt service, increasing by 17.3%.

	2021-22 Actuals	2022-23 Actuals	2023-24 Revised	2024-25 Approved	% Increase / (Decrease)
Personnel Services	\$ 692,463,000	\$ 735,395,000	\$ 788,967,000	\$ 796,596,000	1.0%
Materials and Services	\$ 241,552,000	\$ 249,017,000	\$ 407,882,000	\$ 394,501,000	-3.3%
Capital Outlay	\$ 174,906,000	\$ 216,049,000	\$ 656,042,000	\$ 822,730,000	25.4%
Debt Service	\$ 641,907,000	\$ 254,443,000	\$ 252,744,000	\$ 296,376,000	17.3%
TOTAL EXPENDITURES	\$ 1,750,828,000	\$ 1,454,904,000	\$ 2,105,635,000	\$ 2,310,203,000	9.7%
Fund Transfers	\$ 1,825,000	\$ 1,901,000	\$ 1,694,000	\$ 16,516,000	875.0%
Contingency/Ending Fund Balance	\$ 672,720,000	\$ 895,164,000	\$ 74,727,000	\$ 67,161,000	-10.1%
TOTAL REQUIREMENTS	\$ 2,425,373,000	\$ 2,351,969,000	\$ 2,182,056,000	\$ 2,393,880,000	9.7%

Personnel Services - \$796.6 million

The largest expenditure in the budget is for personnel services, totaling 34.4% of all expenditures. The Personnel Services budget increases (1.0%) to \$796.6 million in FY 2024-25 from \$789.0 million in the current year. The increase reflects increased costs for personnel but decreased number of positions funded in the budget. School staffing for FY 2024-25 was based on projected October 2024 enrollment, which uses October 2023 enrollment as the base and makes adjustments for population and new residential development within the district boundaries. Enrollment is expected to decrease in FY 2024-25 but not at the same levels as during the pandemic. The district is staffing schools to align with enrollment.

PBAM Function	Actual 2020-21	Actual 2021-22	Actual 2022-23	Adopted 2023-24	Proposed 2024-25
11 - Regular Programs: Primary Instructional Activities					
Licensed Staff	2,403.44	2,262.26	2,434.92	2,223.84	2,134.40
Classified Represented	185.84	196.06	221.03	201.63	164.73
Non Represented Staff	1.60	2.80	3.80	5.00	4.40
Administrators Licensed	6.50	6.50	7.50	8.00	6.00
12 Special Programs: Instructional activities for students with special needs					
Licensed Staff	593.48	538.02	525.26	488.72	547.93
Classified Represented	642.00	517.44	509.48	517.42	487.30
Non Represented Staff	2.80	2.80	5.06	1.00	1.00
Administrators Licensed	1.00				
Directors/Program Admins	1.00	1.00			
14 Summer School Programs					
Licensed Staff	1.50				
Classified Represented	1.00				

FTE Chart Continued on Next Page

PBAM Function	Actual 2020-21	Actual 2021-22	Actual 2022-23	Adopted 2023-24	Proposed 2024-25
21 Support Services—Students: Activities to assess and improve the well being of students					
Licensed Staff	529.68	507.98	518.98	495.36	488.05
Classified Represented	133.04	136.71	158.31	172.94	164.18
Non Represented Staff	71.21	59.23	49.43	53.23	62.30
Administrators Licensed	59.40	51.00	48.00	57.00	60.00
Administrators Non Licensed				1.00	
Directors/Program Admins	12.50	6.00	4.00	3.00	4.00
22 Support Services—Instructional Staff: Activities associated with assisting the instructional staff					
Licensed Staff	276.23	270.01	263.37	265.37	234.80
Classified Represented	55.64	51.61	48.80	43.33	17.49
Non Represented Staff	23.00	16.25	24.63	26.75	22.75
Administrators Licensed	10.01	9.50	10.50	13.50	10.50
Administrators Non Licensed				1.00	
Directors/Program Admins		1.00	1.00		1.00
23 Support Services—General Administration: Activities associated with administering policy and operating the district					
Non Represented Staff	24.50	25.50	26.00	28.00	21.00
Administrators Licensed	14.00	14.00	13.00	21.00	14.00
Administrators Non Licensed	4.00	4.00	3.00	5.00	3.00
Directors/Program Admins	5.00	6.00	8.00		4.00
24 School Administration: Activities of School Direction and Supervision					
Licensed Staff	39.53	6.74	3.58	0.50	
Classified Represented	208.83	208.04	205.59	214.28	194.18
Non Represented Staff	32.33	48.58	54.79	68.88	60.38
Administrators Licensed	166.00	186.26	180.75	165.00	170.15
Directors/Program Admins	1.00	2.00			1.00
25 Support Services—Business: Activities including fiscal, operation and maintenance, and internal services					
Classified Represented	550.25	589.25	571.50	559.25	531.40
Non Represented Staff	108.20	112.20	115.30	108.10	113.30
Administrators Licensed				3.00	
Administrators Non Licensed	2.00	2.00	2.00		2.00
Directors/Program Admins	13.00	12.00	13.00	11.00	12.00
26 Support Services—Central: Activities other than general admin, which support instructional and supporting programs					
Licensed Staff	2.5	10.00	15.00	5.70	2.00
Classified Represented	12.50	25.50	26.50	28.30	23.38
Non Represented Staff	140.95	125.20	135.83	141.50	136.25
Administrators Licensed	3.00	3.00	3.00	7.50	5.50
Administrators Non Licensed	3.00	3.00	3.00	8.00	3.00
Directors/Program Admins	11.00	11.00	16.50	4.50	14.00
31 Food Services: Activities concerned with providing food to students and staff					
Classified Represented	176.40	139.56	173.51	172.46	168.65
Non Represented Staff	15.40	14.40	14.40	15.01	16.00
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					
Classified Represented	38.52	41.64	44.04	40.40	42.63
Non Represented Staff	5.00	6.50	6.50	8.00	1.00
Administrators Non Licensed				1.00	
41 Facilities Acquisition and Construction: Activities concerned with the acquisition of land and buildings					
Classified Represented	11.00	6.00	7.00	7.00	3.00
Non Represented Staff	27.80	32.30	40.30	41.50	39.50
Administrators Licensed	-	0.25	-	-	-
Directors/Program Admins	2	1	1.5	1.5	1
Grand Total	6,630.58	6,274.09	6,519.66	6,246.47	5,995.12

Please note: the above FTE chart is from the district's proposed budget document and does not reflect adjustments made in the approved budget.

Approximately 90 full-time licensed positions including teachers, counselors and support staff are cut in the Proposed budget. An estimated 40% of these positions were vacant and would not require layoffs, according to an April 22nd KGW news article quoting Superintendent Sandy Husk. The Proposed budget includes additions to special education positions of 24.97 FTE. When combined with additions in the Approved budget, the total FTE change from last year's adopted to this year's budget is a decrease of 227.88 FTE. The majority of Approved budget FTE additions are for 21.57 paraeducators.

Materials and Services - \$394.5 million

Decreasing by 3.3% in FY 2024-25, Materials and Services cost decreases are primarily driven by targeted reductions in purchased, or contracted, services to help fund the district's \$30.0 million gap.

Capital Outlay - \$822.7 million

Increasing by 25.4%, 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:

In November 2012 and May 2017, Portland voters overwhelmingly supported capital improvement bonds totaling nearly \$1.30 billion to upgrade PPS schools. In November of 2020, Portland voters supported a third capital improvement bond totaling \$1.20 billion.

The 2012 School Building Improvement Bond, totaling \$482 million, enabled the district to make improvements in more than 51 schools, including seismic, accessibility and science classroom upgrades. In addition, Franklin, Roosevelt and Grant High Schools were modernized and Faubion PK-8 was completely rebuilt. All planned work is complete; some minor funds remain that may be used for bond-compensable projects once all other project funding reconciliations are complete.

The \$790 million May 2017 Health, Safety and Modernization Bond is currently underway. McDaniel High School (formerly known as Madison High School) has been completely modernized and a new Kellogg Middle School has been built, with both opening to students in Fall 2021. The new Lincoln High School opened to students in fall 2022; work on the Lincoln High School track and fields was completed for the start of the 2023-24 school year. Construction on the modernized Benson Polytechnic High School will be completed in summer 2024. Roughly 85% of the 2017 Bond funding set aside for health and safety projects across the district has been spent, but projects addressing lead paint, asbestos, and roof replacements will continue in 2024-25.

The \$1.2 billion November 2020 School Bond is now allowing PPS to continue the work of improving the health and safety of our aging school buildings with new roofs and mechanical systems, seismic retrofits, accessibility upgrades, improved Special Education learning environments, and security upgrades. Large capital projects, including the modernization of Jefferson High School, the Center for Black Student Excellence, and a new hayu alqi uyxat building (formerly known as Multiple Pathways to Graduation), on the Benson campus, are progressing. The modernization planning and design of Cleveland High School, Ida B Wells High School (formerly known as Wilson High School), and additional capacity at Roosevelt High School started in 2023-24. Health and safety projects have been in construction since 2021 and will continue forward over the next year. Adoption of new curricula and deployment of technology upgrades have also been underway since 2021 and will continue apace in 2024-25. For additional information on bond projects please visit: [https:// www.pps.net/domain/62](https://www.pps.net/domain/62)

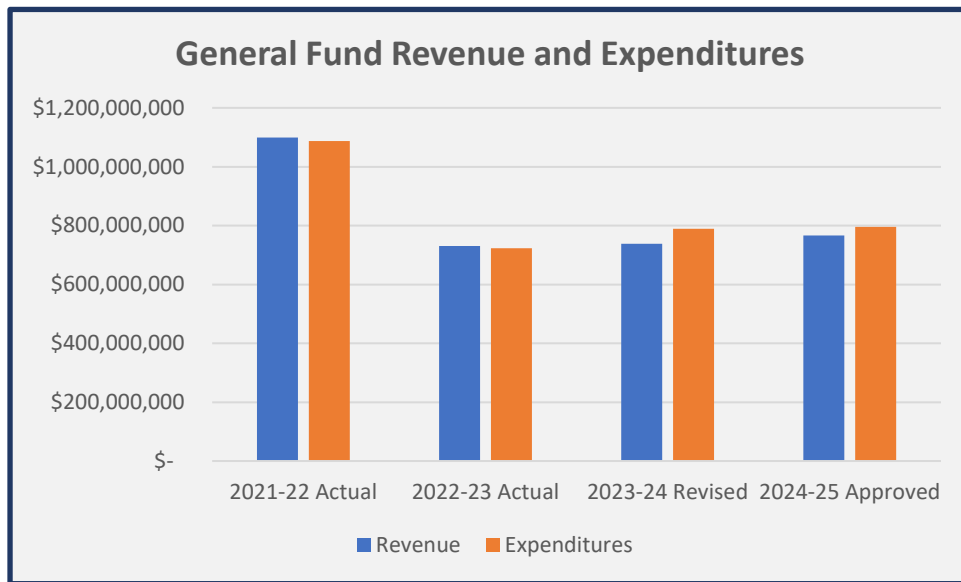
In addition to bond funded projects, the Portland Clean Energy Fund (PCEF) five-year Climate Investment Plan (CIP) awarded PPS totaling \$19,930,833 over five years for the CIP SP16 Category - Climate Friendly Public Schools. This allocation is split up into \$16,930,833 for physical improvements to infrastructure for qualifying schools and \$3,000,000 over five years for student-led initiatives. For the 2024-2025 school year, PPS will share a proposal to receive all money allocated for physical improvements to begin work

towards energy efficiency, climate resilience, and green infrastructure projects. The student-led initiatives are allocated such that each middle school and high school (38) will have funds for building specific projects.

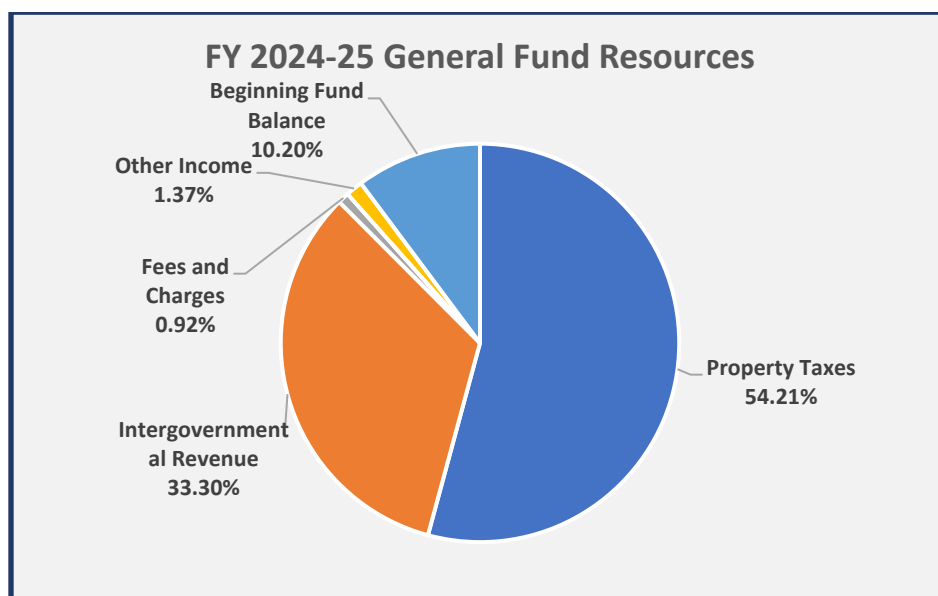
Finally, capital outlay is increased by improvements needed at facilities impacted by the January 2024 winter storm.

GENERAL FUND

The FY 2024-25 General Fund budget is \$854.4 million, \$20.6 million (2.5%) higher than the current year. The General Fund makes up 35.7% of the total budget.



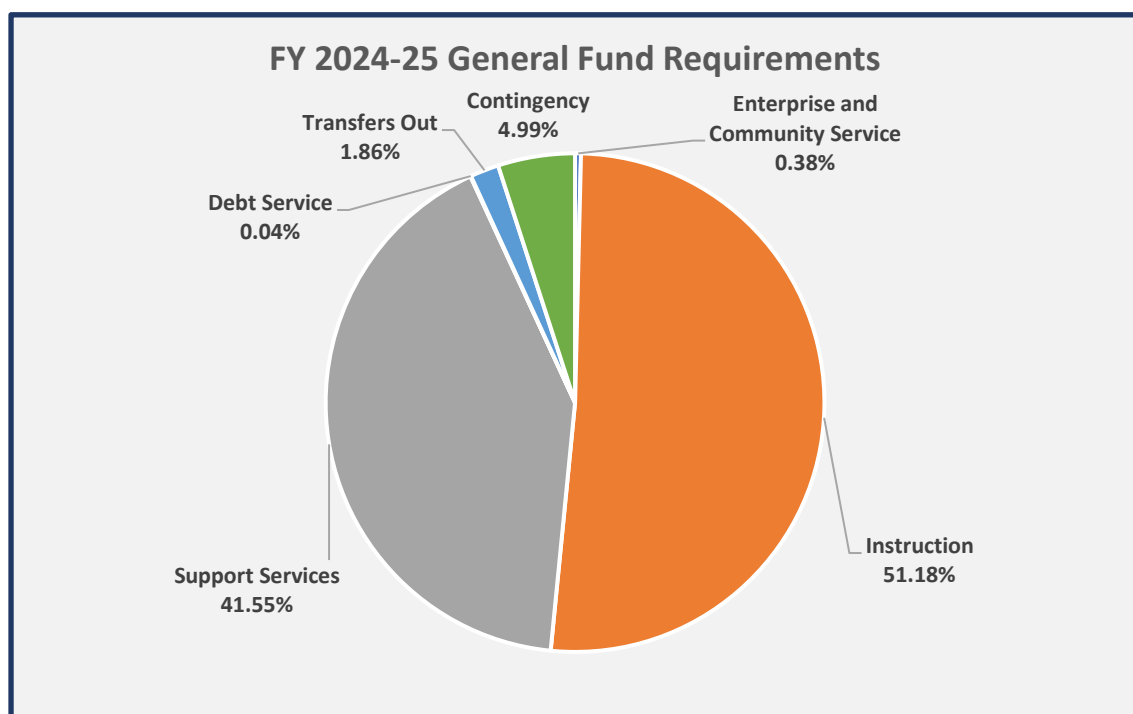
GENERAL FUND RESOURCES



Overall, revenues grow by 3.9% 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; State School Funds are impacted by declining enrollment and are budgeted similarly FY 2022-23 actual amounts. PPS also receives a portion of Portland City Arts Tax. The Arts Tax is also impacted by declining enrollment since disbursement is linked to enrollment, and the district is budgeting just over \$255,000 more this year than last year, for a total of just under \$4.8 million.

	2021-22 Actual	2022-23 Actual	2023-24 Revised	2024-25 Approved	% Increase / (Decrease)
Property Taxes	\$ 411,055,000	\$ 428,705,000	\$ 450,854,000	\$ 463,157,000	2.7%
Intergovernmental Revenue	\$ 278,611,000	\$ 282,001,000	\$ 269,965,000	\$ 284,545,000	5.4%
Fees and Charges	\$ 7,687,000	\$ 8,365,000	\$ 8,000,000	\$ 7,865,000	-1.7%
Other Income	\$ 1,378,000	\$ 12,163,000	\$ 8,221,000	\$ 11,689,000	42.2%
Debt Proceeds	\$ 400,839,000	\$ -	\$ 1,750,000	\$ -	-100.0%
TOTAL REVENUES	\$ 1,099,570,000	\$ 731,234,000	\$ 738,790,000	\$ 767,256,000	3.9%
Beginning Fund Balance	\$ 88,691,000	\$ 98,804,000	\$ 94,984,000	\$ 87,138,000	-8.3%
Transfers In	\$ -	\$ -	\$ -	\$ -	0.0%
TOTAL RESOURCES	\$ 1,188,261,000	\$ 830,038,000	\$ 833,774,000	\$ 854,394,000	2.5%

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 78.1% of General Fund requirements.

	2021-22 Actual	2022-23 Actual	2023-24 Revised	2024-25 Approved	% Increase / (Decrease)
Enterprise and Community Service	\$ 893,000	\$ 3,114,000	\$ 4,194,000	\$ 3,257,000	-22.3%
Instruction	\$ 373,758,000	\$ 376,786,000	\$ 416,837,000	\$ 437,284,000	4.9%
Support Services	\$ 312,766,000	\$ 343,359,000	\$ 367,876,000	\$ 354,962,000	-3.5%
Debt Service	\$ 400,833,000	\$ -	\$ 728,000	\$ 339,000	-53.4%
TOTAL EXPENDITURES	\$ 1,088,250,000	\$ 723,259,000	\$ 789,635,000	\$ 795,842,000	0.8%
Transfers Out	\$ 1,207,000	\$ 1,282,000	\$ 1,075,000	\$ 15,897,000	1378.8%
Contingency	\$ -	\$ -	\$ 43,063,000	\$ 42,656,000	-0.9%
Ending Fund Balance	\$ 98,804,000	\$ 105,497,000	\$ -	\$ -	0.0%
TOTAL REQUIREMENTS	\$ 1,188,261,000	\$ 830,038,000	\$ 833,773,000	\$ 854,395,000	2.5%

General Fund debt service is for bus leases; the Government Accounting Standards Board (GASB) implemented a new standard dictating that long-term leases must be accounted as debt service. Contingency in the General Fund is budgeted at 5% of General Fund resources. A last minute amendment moved \$1.8 million from contingency to Instruction directly prior to budget approval. This change reduced the General Fund reserve amount to 4.8% of resources, below the board policy level of 5% and the stated goal of 10%.

OTHER FUNDS

Fund Name	2023-24 Revised Budget	2024-25 Approved Budget	% change	Reason for Change
Capital Projects	834,106,000	1,030,394,000	23.5%	capital investments supported by bonds, insurance payments for winter storm damage, and energy incentives
Debt Service	86,446,000	88,729,000	2.6%	increase in pension bond debt service
GO Bonds Debt Service	171,257,000	170,535,000	-0.4%	lower fund balances
Internal Service	8,998,000	25,509,000	183.5%	primarily driven by personnel costs, interfund transfers for property and liability new allocation method
Special Revenue	247,477,000	224,317,000	-9.4%	reductions in personnel and purchased/contracted expenses
OTHER FUNDS TOTAL	1,348,284,000	1,539,484,000	14.2%	
General Fund	833,773,000	854,395,000	2.5%	primarily driven by personnel costs
TOTAL ALL FUNDS	2,182,057,000	2,393,879,000	2.5%	

The Capital Projects Fund is the largest fund at \$1,030.4 million with the General Fund close behind at \$854.4 million. These two funds together account for 78.7% of the total of all funds.

Capital Projects Fund

This fund increases in FY 2024-25 as the district continues to spend down bond proceeds on capital projects for the 2017 and 2020 bonds. As the district issues debt on the 2020 authorization expenses will increase and then begin to decrease as the available revenue is spent down on capital projects. The FY 2024-25 budget includes the final debt issuance on the 2020 bond.

In addition to bond funded projects, the Portland Clean Energy Fund (PCEF) five-year Climate Investment Plan (CIP) was awarded to PPS totaling \$19,930,833 over five years for the CIP SP16 Category - Climate

Friendly Public Schools. For the 2024-2025 school year, PPS will share a proposal to receive all money allocated for physical improvements to begin work towards energy efficiency, climate resilience, and green infrastructure projects.

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 decrease by \$23.2 million from FY 2023-24. Revenues from state and federal sources make up 82.2% of the operating revenue in this fund. Federal revenue sees a decline of 36.5% as the district spends down remaining ESSER funding in the first quarter of FY 2024-25. State funding offsets the decreased federal revenue, with an increase of \$22.3 million, or 34.8%.

Internal Service Funds

The FY 2024-25 Budget adds two new sub funds within the Internal Service Fund: the Property & Liability Insurance Fund and the Unemployment Fund. A transfer from the General Fund funds expenses within the Property & Liability Insurance sub fund. The Unemployment sub fund is funded through a percentage charge on payroll expenditures.

DEBT STATUS

As of June 20, 2023, the district estimates total outstanding debt of \$1.8 billion. The majority is for General Obligation 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 bonds and pension bonds.

The chart below from the district’s budget document summarizes expected debt payments for FY 2024-25.

Bonded and Other Debt (In Thousands)					
<u>Issue Date</u>	<u>Series</u>	<u>Original Issue</u>	<u>Outstanding at June 30, 2024</u>	<u>2024-25 Principal Payments</u>	<u>2024-25 Interest Payments</u>
General Obligation Bonds					
April 30, 2015	2015B	244,700	97,090	7,665	3,829
August 10, 2017	2017B	241,890	169,745	3,345	5,695
April 14, 2020	2020	441,320	267,390	44,140	11,931
December 30, 2020	2020B	365,465	267,255	-	6,918
December 30, 2020	2020C	53,965	47,545	4,295	737
April 27, 2023	2023	420,000	363,215	64,870	17,110
Limited Tax Pension Obligation Bonds					
October 31, 2002	2002B	156,580	88,580	22,550	4,916
April 30, 2003	2003B	156,370	127,705	31,550	7,253
July 15, 2021	2021	399,390	362,365	14,220	7,456
Full Faith & Credit Obligations					
August 4, 2016	2016 Qualified Zone	4,000	2,600	200	-
November 9, 2016	2016 FF&C Taxable	5,048	2,973	335	84
Total			1,796,463	193,170	65,927

Total debt service for FY 2024-25 will be \$259.1 million per the debt schedule (budgeted debt services totals \$296.4 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 65.8% of total budgeted amounts.

General Obligation (GO) Bonds

In November 2012, voters approved a \$482.0 million capital improvement bond for Portland Public Schools. In May 2017, voters approved a \$790.0 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. This budget includes the final debt proceeds from the 2020 bond measure.

Pension Bonds

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

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 FY 2024-25 Budget is in substantial compliance with local budget law. Estimates were judged to be reasonable for the purpose shown.

The Proposed budget document budget had errors in the FY 22-23 actuals for one fund; we notified district.

The audit report for FY 2022-23 notes no exceptions.

CERTIFICATION LETTER RECOMMENDATIONS & OBJECTIONS

TSCC staff did not find any deficiencies in the district's Fiscal Year 2024-25 Budget or budget process and propose the Certification Letter contain no recommendations or objections.

Portland Public Schools

Budget Summary

	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	%
SUMMARY OF ALL FUNDS	Actual	Actual	Revised	Approved	Change
PROPERTY TAX BREAKDOWN:					
Permanent Rate Property Taxes	300,100,000	312,281,000	330,100,000	352,328,000	6.7%
Local Option Levy Property Taxes	104,719,000	109,213,000	114,676,000	104,608,000	-8.8%
GO Debt Property Taxes	142,032,000	145,774,000	159,452,000	161,337,000	1.2%
Prior Years Property Taxes	6,049,000	7,008,000	5,982,000	6,135,000	2.6%
Payments in Lieu of Property Taxes	517,000	546,000	450,000	450,000	0.0%
TOTAL PROPERTY TAX	553,417,000	574,822,000	610,660,000	624,858,000	2.3%
RESOURCES:					
Beginning Fund Balance	906,724,000	672,720,000	564,036,000	691,743,000	22.6%
Property Taxes	553,417,000	574,822,000	610,660,000	624,858,000	2.3%
Other Taxes	5,436,000	4,190,000	5,451,000	2,001,000	-63.3%
Intergovernmental Revenue	469,926,000	507,575,000	458,318,000	451,639,000	-1.5%
Fees and Charges	84,925,000	91,970,000	92,230,000	124,077,000	34.5%
Other Income	2,281,000	33,956,000	35,008,000	53,698,000	53.4%
Debt Proceeds	400,839,000	464,832,000	414,660,000	429,346,000	3.5%
Transfers In	1,825,000	1,901,000	1,694,000	16,516,000	875.0%
TOTAL RESOURCES	2,425,373,000	2,351,966,000	2,182,057,000	2,393,878,000	9.7%
REQUIREMENTS BY FUNCTION:					
Instruction	460,823,000	471,425,000	524,904,000	536,298,000	2.2%
Support Services	383,453,000	435,963,000	459,140,000	453,735,000	-1.2%
Enterprises and Comm. Services	30,630,000	34,878,000	37,139,000	33,312,000	-10.3%
Facilities Acquisition and Const.	256,689,000	285,718,000	831,708,000	1,027,836,000	23.6%
Debt Service	619,233,000	226,733,000	252,745,000	259,438,000	2.6%
Transfers Out	1,825,000	1,900,000	1,694,000	16,516,000	875.0%
Contingencies	0	0	48,414,000	44,321,000	-8.5%
Ending Fund Balance	672,720,000	895,164,000	26,313,000	22,423,000	-14.8%
TOTAL REQUIREMENTS BY FUNCTION	2,425,373,000	2,351,781,000	2,182,057,000	2,393,879,000	9.7%
REQUIREMENTS BY OBJECT:					
Personnel Services	692,463,000	735,395,000	788,967,000	796,596,000	1.0%
Materials & Services	241,552,000	249,017,000	407,882,000	394,501,000	-3.3%
Capital Outlay	174,906,000	216,049,000	656,042,000	822,730,000	25.4%
Debt Service	641,907,000	254,443,000	252,744,000	296,376,000	17.3%

Fund Transfers	1,825,000	1,901,000	1,694,000	16,516,000	875.0%
Contingencies	0	0	48,414,000	44,738,000	-7.6%
Ending Fund Balance	672,720,000	895,164,000	26,313,000	22,423,000	-14.8%
TOTAL REQUIREMENTS BY OBJECT	2,425,373,000	2,351,969,000	2,182,056,000	2,393,880,000	9.7%

SUMMARY OF BUDGET - BY FUND

General Fund	1,188,261,000	830,038,000	833,773,000	854,395,000	2.5%
Special Revenue Fund	216,693,000	249,169,000	247,477,000	224,317,000	-9.4%
Debt Service Fund	79,499,000	84,467,000	86,446,000	88,729,000	2.6%
GO Bonds Debt Service Fund	152,606,000	160,569,000	171,257,000	170,535,000	-0.4%
Capital Projects Fund	780,621,000	1,020,044,000	834,106,000	1,030,394,000	23.5%
Internal Service Fund	7,693,000	7,494,000	8,998,000	25,509,000	183.5%
GRAND TOTAL ALL FUNDS	2,425,373,000	2,351,781,000	2,182,057,000	2,393,879,000	9.7%

DETAIL OF GENERAL FUND

RESOURCES:

Beginning Fund Balance	88,691,000	98,804,000	94,984,000	87,138,000	-8.3%
Property Tax	411,055,000	428,705,000	450,854,000	463,157,000	2.7%
Federal Revenue	21,000	21,000	15,000	15,000	0.0%
State Revenue	265,008,000	272,033,000	259,931,000	271,565,000	4.5%
Local Revenue	13,582,000	9,947,000	10,019,000	12,965,000	29.4%
Fees and Charges	7,687,000	8,365,000	8,000,000	7,865,000	-1.7%
Other Income	1,378,000	12,163,000	8,221,000	11,689,000	42.2%
Debt Proceeds	400,839,000	0	1,750,000	0	-100.0%
Transfers In	0	0	0	0	0.0%
TOTAL FUND RESOURCES	1,188,261,000	830,038,000	833,774,000	854,394,000	2.5%

REQUIREMENTS:

Instruction	373,758,000	376,786,000	416,837,000	437,284,000	4.9%
Support Services	312,766,000	343,359,000	367,876,000	354,962,000	-3.5%
Enterprises and Community Services	893,000	3,114,000	4,194,000	3,257,000	-22.3%
Debt Service	400,833,000	0	728,000	339,000	-53.4%
					1378.8
Transfers Out	1,207,000	1,282,000	1,075,000	15,897,000	%
Contingencies	0	0	43,063,000	42,656,000	-0.9%
Ending Fund Balance	98,804,000	105,497,000	0	0	0.0%
TOTAL FUND REQUIREMENTS	1,188,261,000	830,038,000	833,773,000	854,395,000	2.5%

DETAIL OF GENERAL OBLIGATION DEBT SERVICE FUND

RESOURCES:

Beginning Fund Balance	10,482,000	11,780,000	10,000,000	5,798,000	-42.0%
GO Debt Property Taxes	142,032,000	145,774,000	159,452,000	161,337,000	1.2%
Interest on Investments	92,000	3,015,000	1,805,000	3,400,000	88.4%

TOTAL FUND RESOURCES	152,606,000	160,569,000	171,257,000	170,535,000	-0.4%
REQUIREMENTS:					
Debt Services	140,826,000	145,053,000	165,571,000	170,535,000	3.0%
Ending Fund Balance	11,780,000	15,516,000	5,686,000	0	-100.0%
TOTAL FUND RESOURCES	152,606,000	160,569,000	171,257,000	170,535,000	-0.4%