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Director of the Department of Education

TO: Chair Neron & Members of the House Education Committee

DATE: Mar 10, 2023

FROM: Zoe Larmer, Government Relations Director

RE: Question posed about the State School Fund / local budgets

Chair Neron and Members of the House Education Committee,

Thank you so much for the opportunity to provide additional information in regards to the State School Fund and local budgeting. We are more than happy to continue providing information to you on our work and look forward to our continued partnership on behalf of all Oregon students. Please do not hesitate to reach out to me if you need further information.

With gratitude,
Zoe Larmer

Question & Answer For State School Fund / Local Budgeting Presentation

Question: When we were doing research for this bill, we identified an exception in ORS 294.388. Why are school districts and ESD's treated differently than other municipalities that receive money from the General Fund?

Response:

According to Oregon Local Budget Law, school district and education service district budgets are structured as program budgets, rather than organizational units.

The Oregon Department of Revenue's [Local Budgeting Manual](#) explains them both on page 25:

Organizational unit

Some local government budgets are organized by organizational units. An organizational unit is an administrative subdivision of the local government which is responsible for specific services, functions or activities.



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These are usually identified as departments, divisions, offices, etc. [ORS 294.311(30)]. For example, a city may be structured into organizational units such as: Police Department, Public Works Department, Office of the City Recorder, etc. Hospitals, school districts, ESDs, and community colleges may not use organizational units when preparing expenditure estimates. (ORS 294.393, renumbered from 294.356).

Program

Many local budgets are structured by program. A program is a group of related activities aimed at accomplishing a major service or function [ORS 294.311(33)]. Programs could include services and functions such as: fire protection, water, sewers, road maintenance, etc. Most special districts are formed to provide just one or two major services. The budgets of these districts are considered program budgets unless one or more of the funds are organized by organizational unit. School budgets that are organized according to the classification of accounts in the “Oregon Department of Education’s [Program Budgeting and Accounting Manual](#) for School Districts” are considered program budgets.

School districts and ESDs are on a program budget structure, because they have ‘one major service or function’ whereas, the city (like the example above) has ‘more functions or activities’ like police, public works, recorder, etc.

Question: On source codes for revenues, how are they broken down?

Response:

Attached to this response is an Excel workbook of all of the codes referenced in the presentation, including source codes. This is a distilled version of what is included in the [Program Budgeting and Accounting Manual](#).