



Legislative Fiscal Office
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Bill Title: Relating to the School Districts Unfunded Liability Fund.

Government Unit(s) Affected: Public Employees Retirement System, School Districts

Summary of Fiscal Impact

Costs related to the measure are indeterminate at this time - see explanatory analysis.

Summary of Revenue Impact

Revenues related to the measure are indeterminate at this time - see explanatory analysis.

Measure Description

The measure modifies how the Public Employee Retirement System (PERS) Board is permitted to use the monies in the School District Unfunded Liability Fund (SDULF) by allowing PERS to apply monies in the fund against school district’s individual 2025-27 employer contribution rates by no later than June 30, 2025 based on the balance in the fund on February 28, 2025. Any monies remaining in the SDULF after February 28, 2025, shall be applied against all school district’s individual 2027-29 employer contribution rates.

Fiscal Analysis

The PERS Board has already adopted 2025-27 employer contribution rates at the Board’s meeting in October of 2024. These rates were then used as the basis to determine the budgeted impact to the State School Fund. This measure would require PERS, through the agency’s external actuary, to re-calculate 2025-27 employer contribution rates for the school district rate pool, which includes educational service districts. The PERS Board, at a Board’s May 30, 2025, meeting, would then need to re-adopt employer contribution rates for participants in the school district rate pool. This action would reduce or offset 2025-27 employer contribution rates that were previously adopted by the Board. The Board’s re-calculation, and re-adoption, of the school district rate pool would occur outside of the Board’s routine two-year employer rate setting schedule and the established state budgeting process for school and educational service districts. School district employer rate contribution rates for the 2027-29 may also be offset based on any residual SDULF account balance, however, such an action would occur as part of PERS’ routine 2027-29 employer rate setting schedule.

School Districts

PERS reports that the measure will reduce, on average, 2025-27 adopted employer contribution rates for the school district rate pool by 1.68%, however, the impact will vary materially across individual school districts and educational service districts. Such a change would reduce 2025-27 blended or budgeted employer contribution rate that is used for budgeting purposes for school districts and educational service districts to 18.19% from 19.87% or by an estimated \$166.5 million.

The impact of lower 2025-27 employer contribution rates will need to be accounted for in the state’s funding of school districts and educational service districts, however, this may prove problematic given the timing of the PERS Board’s re-adoption of employer contribution rates for the school district rate pool on May 30, 2025, which

would be late in the biennial budgeting process. The impact of the measure on the school district rate pool and employer contribution rates for the 2027-29 is indeterminate but considered de minimis.

School District Unfunded Liability Fund

The SDULF currently has a balance of \$166.5 million, as of January 28, 2025, as reported by PERS. Three of four SDULF revenue provisions are slated to repeal or sunset during the 2023-25 biennium: excess capital gains (limited to calendar years 2019, 2021, and 2023); excess estate tax (limited to calendar years 2019, 2021, and 2023); and excess debt collections (December 31, 2024). Of these revenue streams, only the unclaimed property transfer has produced revenue for the SDULF. There have been no revenues deposited into the account from either excess debt collection or capital gains other than account interest earnings. The unclaimed property transfer provision will sunset during the 2027-29 biennium on January 2, 2027. Of note is that the SDULF sunsets on July 1, 2042. Since the SDULF was established in SB 1566 (2018), there have been no expenditures from the fund.

Public Employee Retirement System Board

PERS states that the measure would have a minimal fiscal impact and estimates that the cost of the recalculation of 2025-27 employer contribution rates for the school district rate pool to be \$15,000 Other Funds, which can be absorbed within existing contract limits.

Relevant Dates

The measure declares an emergency and takes effect on passage.