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OREGON'S STATE BUDGET THEN AND NOW

OREGON'S LEGISLATIVELY ADOPTED BUDGET
AND HOW IT HAS CHANGED OVER TIME

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ABOUT COMMON SENSE INSTITUTE

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INTRODUCTION

Oregon's state budget is a complex, evolving framework that balances revenue generation with public service investments. Over the past two decades, the budget has grown from **\$34 billion in 2001-03 to a projected \$140.11 billion in the Governor's Recommended Budget for 2025-27ⁱ**, reflecting significant shifts in funding sources and expenditure priorities. This report provides a comprehensive analysis of the state's fiscal structure, detailing key revenue trends, spending patterns, and policy shifts.

Key findings:

- **Shift Away from the General Fund:** In the Governor's Recommended Budget for 2025-27, the General Fund makes up 26.7% of the budgetⁱⁱ, down from 33.5% in 2001-03, as reliance on federal funds and a category called "other funds" has increased. There are two main reasons for this shift. First, new taxes are now typically dedicated to specific program areas, usually those with a general fund footprint, in order to keep them apart from Oregon's unique kicker calculation. Second, policymakers have been attempting to maximize federal funding, particularly for healthcare.
- **Growth in Federal Funds:** Rising from 19.9% to 29.3% of total revenue, federal funds now play a central role in financing healthcare and social services in Oregon, particularly through Medicaid expansion.
- **Growth in Consumption-Based Revenue Streams:** Oregonians have long opposed a general sales tax. As a result, policymakers have enacted a wide range of consumption-based taxes and fees to generate more funding and diversify the revenue base. The state's Corporate Activity, vehicle privilege, video lottery sales, and marijuana sales taxes are examples of these levies. Lawmakers also have increased tobacco, gas, and lodging taxes.
- **Health and Social Service Program Areas Take Priority:** Spending on healthcare, housing, and social services has grown from 25.1% to 44.8% of the total budget, surpassing education as the primary budget allocation.

- **Education's Reduced Share of the General Fund:** Education spending has increased, but now accounts for a smaller share of the General Fund, dropping from 32% to 17.8% due to shifting priorities and structural changes in higher education funding, notably the creation of the Corporate Activity Tax. Overall, education spending is rising despite a smaller school-aged population cohort. The increase is due to increased costs of provision, driven by large and rapidly-growing pension costs.
- **Governor Has Outlined Big Priorities:** Although the Legislatively Approved Budget being drafted in early 2025 is what ultimately will determine spending levels, the 2025-27 Governor's Recommended Budget focuses on affordable housing, behavioral health, K-12 education, public safety reforms, and climate resilience within the constraints of a slowing revenue trajectory.
- **Revenue Forecasts Matter:** Due to a rising revenue outlook, the legislature has more resources to work with than did the administration when it crafted the Governor's Recommended Budget. One more revenue forecast update will come out in mid-May.
- **Healthcare, Social Services Costs a Concern:** Due to the rapidly-rising cost of healthcare and social services, spending on infrastructure and economic development have accounted for a growing share of spending over time.

This report examines these changes, offering insights into the long-term implications the shifts will have for Oregon's fiscal health and the trade-offs that will shape future budgetary decisions. Looking ahead, Oregon faces a critical balancing act: expanding essential services while ensuring revenue sustainability. Policymakers must navigate these shifts with a long-term strategy to maintain fiscal resilience, address economic uncertainties, and continue meeting the needs of Oregon's residents.

HOW THE OREGON STATE BUDGET WORKS

Oregon operates under a biennial budget, meaning their state's fiscal planning covers two-year periods. These periods begin on July 1 of odd-numbered years. The state's constitution mandates a balanced budget, requiring that expenditures do not exceed revenues. The budget is composed of four primary funding categories:

- **General Fund:** Primarily sourced from personal and corporate income taxes, this fund is the most flexible and covers essential services such as education, public safety, and healthcare.
- **Lottery Fund:** Revenue from state lottery games, used primarily for economic development, education, and natural resource preservation.
- **Other Funds:** Money collected through specific taxes, fees, and service revenues designated for particular purposes such as transportation or licensing programs.
- **Federal Funds:** Grants and direct federal support allocated to specific state programs, particularly in healthcare and human services.

The budget building process begins well before each biennium. State agencies develop funding requests based on their projected needs, which are then reviewed by the governor's office and the Department of Administrative Services. These evaluations culminate in the **Governor's Recommended Budget (GRB)**, which sets the administration's priorities and funding levels for the upcoming biennium.

The GRB is presented to the legislature several weeks before the beginning of its session in an odd-numbered year.

Ultimately, only the **Legislatively Approved Budget (LAB)** matters.

Soon after submitting the GRB to the legislature, the Legislative Fiscal Office and Chief Financial Office come together to better define the resources and program needs. Through the [2025-27 Tentative Budget](#), budget writers get a look at potential fund shifts and other potential discretionary funds.

In a normal legislative session, the GRB and Tentative Budget shed light on where spending shares will land across major program areas. Unfortunately, this year this look-ahead will not likely be as insightful as it normally is since both were based on a revenue forecast that was released in November. Since then, the state's revenue outlook has been revised upward sharply, offering additional resources for legislators to allocate.

Once the legislative session begins, the Joint Committee on Ways and Means, which is comprised of lawmakers from both the House and Senate, takes responsibility for shaping the state budget. This committee, through its subcommittees, conducts hearings to evaluate agency funding requests, assess proposals, and establish spending priorities. It then advances a series of budget bills to the full legislature for debate and approval. Collectively, these bills form the LAB, which may be adjusted during the biennium through supplemental appropriations or emergency measures.

Oregon's budget framework also includes mechanisms to manage unexpected revenue fluctuations. For example, the **"kicker" provision** refunds excess revenues to taxpayers if actual General Fund revenues exceed forecasts by 2% or more. Additionally, the state maintains **Rainy Day and Education Stability Funds**, which acts as a financial reserve during economic downturns or revenue shortfalls.

This foundation of Oregon's budget structure is critical for understanding how spending has evolved over time and where the state's priorities have shifted.

To analyze these changes, this report examines **20 years of approved budgets**, comparing funding levels and spending priorities from the early 2000s to the most recent **2023–25 LAB**. This historical analysis highlights long-term trends in revenue growth, shifts in General Fund allocations, and the increasing role of federal and "other funds" in state spending.

Following this retrospective, the report considers the **2025–27 GRB** and how it aligns with past trends. While the LAB is what ultimately matters, until it is drafted it does not shed light on the upcoming biennium. That said, in most years, the spending shares for the largest programs are relatively close when comparing the LAB to the GRB. This outcome is not entirely surprising given that both plans are based on the same revenue forecast and agency requests.

20+ YEARS OF GROWTH: TRENDS AND SHIFTS IN FUNDING SOURCES

As Figure 1 shows, net of federal funds and “other funds,” Oregon’s total revenues have grown from **\$34 billion in 2001-03 to a projected \$140 billion in 2025-27**, reflecting changes in economic conditions, tax policy, and federal funding programs. For the 2025-27 biennium, the GRB proposes approximately **\$137 billion in appropriations across key areas such as education, transportation, and public services.**

SHIFTS IN THE GENERAL FUND: DECLINING SHARE, NEW REVENUE SOURCES: The General Fund, which is the most flexible funding source for state services, remains **heavily reliant on personal and corporate income taxes.** However, the General Fund’s share of the total budget has declined while the federal and “other funds” categories have grown. In particular, the Corporate Activity Tax, introduced in 2019, has contributed to overall revenue growth and, therefore, has provided an additional revenue source. Most of Oregon’s new revenue sources are dedicated to specific programs, many of which have had large General Fund footprints in past years. One reason for this designation is to keep the programs out of the kicker base. In recent biennia, despite record kicker credits, revenue growth has been so strong and broad-based that policymakers found themselves with significantly larger revenues than when budgets were drafted.

FEDERAL FUNDS: A RISING SHARE, DRIVEN BY HEALTHCARE:

Federal support now represents a significantly larger share of Oregon’s budget, primarily due to Medicaid expansion and federal grant funding. In the 2023-25 biennium, more

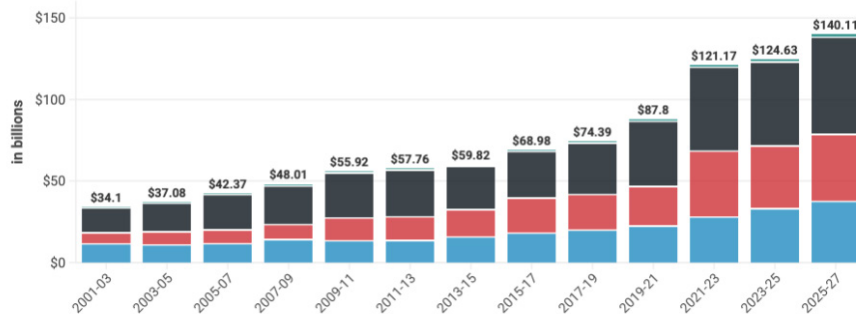
FIGURE 1

Oregon Budget History - Total Funds (in billions)

Legislatively Adopted Budget Funds

Oregon’s budget has more than quadrupled since 2001, with General Fund and Federal Funds driving recent surges—while 2025-27 marks a pivotal shift in projected spending.

■ General Fund ■ Federal Funds ■ Other Funds ■ Lottery Funds



Source: Oregon State Legislature, Legislative Fiscal Office, Budget Highlights-Legislatively Adopted Budget, 2025-2027 Governors Budget State of Oregon • The 2025-27 biennium represents the Governor’s Recommended Budget, while all previous biennium reflect Legislatively Approved Budgets.

than 63% of Oregon's Human Services budget is federally funded, a major shift from two decades ago. The state is increasingly dependent on federal healthcare funding, making Oregon's budget vulnerable to changes in national policy and economic conditions.

OTHER FUNDS: GROWTH IN CONSUMPTION-BASED REVENUE: Oregon has seen the fastest growth in the "other funds" category, which includes revenue sources such as video lottery, the Corporate Activity Tax, transportation-related fees, excise taxes, and healthcare provider taxes. These consumption-based revenues have increasingly replaced traditional tax funding, reflecting a shift in the state's revenue strategy.

LOTTERY FUNDS: SMALL, BUT STABLE: Discretionary lottery funds continue to play a modest role in Oregon's budget, primarily supporting education, state parks, veterans' services, and economic development programs. While other revenue sources have grown rapidly, the share of the budget based on discretionary lottery revenues has declined over time.

Appendix A offers a breakdown of revenue shifts from 2001-03 to 2023-25, but, to summarize, key trends over time reveal:

- The General Fund's share has declined, while federal and "other funds" have grown.
- Healthcare funding, particularly from federal sources, has become a major driver of state revenue, reducing reliance on income taxes.
- Oregon is increasingly dependent on federal funding, particularly for healthcare and human services.

STATE BUDGET APPROPRIATIONS: PRIORITIES AND SHIFTING ALLOCATIONS

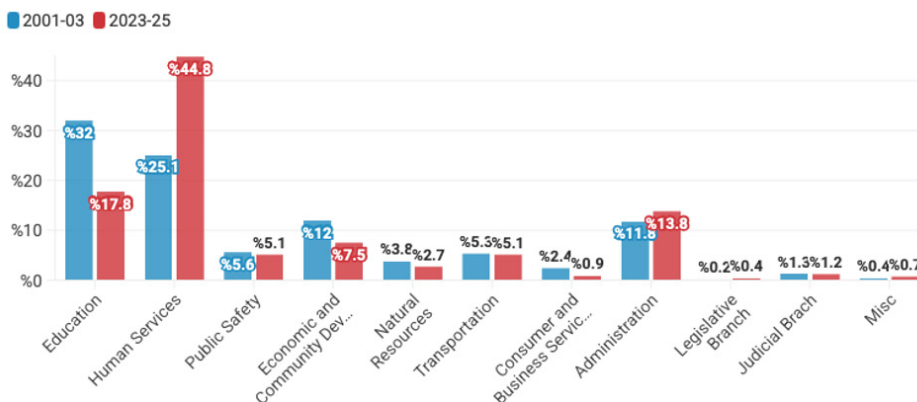
Over the past two decades, Oregon’s budget has evolved significantly, reflecting shifts in economic conditions, policy initiatives, and fiscal constraints. While total state spending has increased across all major categories, the relative share of funding allocated to different sectors has shifted. As Figure 2 demonstrates, human services have taken a dominant role while the share dedicated to education, economic development, and infrastructure has declined relative to overall spending growth.

This section examines how **state appropriations have changed between the 2001-03 and 2023-25 biennia**, highlighting trends in education, human services, public safety, and other key spending areas.

FIGURE 2

Legislatively Adopted Budget: Shifting Appropriations (2001-03 vs. 2023-25)

Over the past two decades, Oregon’s budget has undergone a major shift, with human services now comprising nearly 45% of total appropriations—almost doubling its share from 2001-03—while education’s relative share has declined significantly.



Education Spending: Rising Investment, Declining Share

In **2001-03**, education was **the single largest budget category**, accounting for 32% of total state appropriations. By 2023-25, however, this share had dropped to 17.8% **despite nominal increases in total education funding**.

KEY FACTORS BEHIND THE SHIFT:

- **Shifts in Funding Responsibility:** Ballot Measure 5, approved in 1990, and Measure 50, approved in 1997, **restructured K-12 education funding**, reducing local property tax revenues and increasing reliance on state's **General Fund**.
- **Structural Higher Education Changes:** Governance reforms enacted between 2011 and 2014 gave Oregon's public universities greater autonomy and shifted financial responsibility across multiple sources, including tuition, state appropriations, and dedicated revenue streams. Specifically, reforms transitioned the universities away from the centralized Oregon University System, allowing them to establish their own governing boards that had control over financial and operational decisions. While General Fund support continues, the state has increasingly relied on "other funds" to sustain education funding.

Despite a declining share of the overall budget, total education funding has grown, reaching \$9.5 billion for K-12 schools, \$2.19 billion for public universities, and \$945 million for community colleges in the 2023-25 biennium. This increase has occurred even as student enrollment has declined.ⁱⁱⁱ

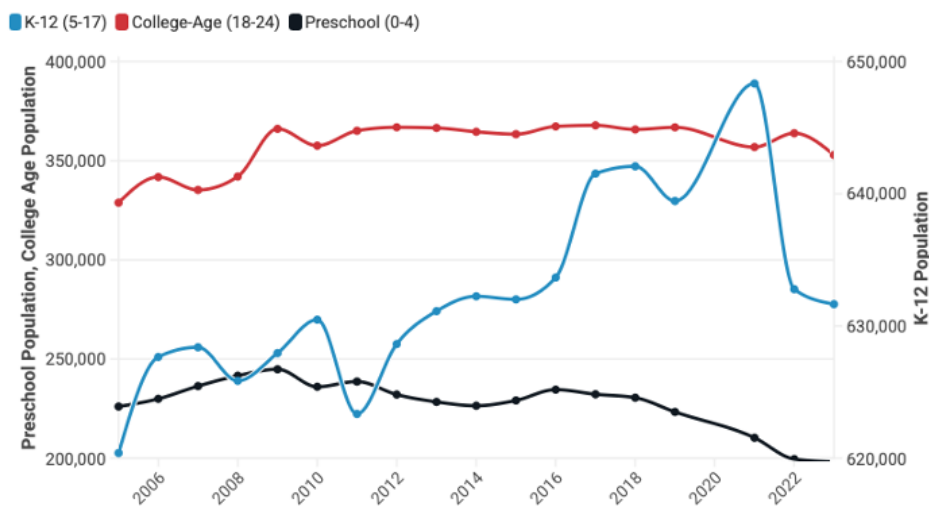
Oregon is undergoing a significant demographic shift, marked by a prolonged **decline in birth rates**, which has slowed the growth of the school-age population.

In past decades, student enrollment continued to rise despite declining fertility, but that trend is now reversing. Even school districts that previously experienced rapid growth are seeing **stagnation or declines**, signaling a fundamental shift in long-term educational demand. Overall, since **2019-20**, **public school enrollment has dropped by 6.05%** (35,237 fewer students).^{iv}

FIGURE 3

Oregon's College Age and K-12 Population

Total population 18-24 years old, total population K-12



Source: Census • Standard 2020 estimates are not provided as only experimental data was released due to COVID-19-related disruptions. The 1-year ACS provides data for geographies with populations of 65,000 and greater. Latest data: 2023.

As Figure 3 reveals, this trend extends to **higher education**, where the **college-age population has declined from 366,803 in 2019 to 352,882 in 2023, a 3.8% decrease**. With the Millennial generation aging out of traditional college years, smaller incoming cohorts will continue to lead to a decline in postsecondary enrollment. Historically, migration has helped sustain Oregon's student population, but future enrollment trends will depend on whether migration levels recover.

Despite this **higher per-student investment, Oregon's educational outcomes have not improved**. Reports indicate student proficiency in reading, writing, math, and science remains below pre-pandemic levels. National assessments also show declines in key areas. These outcomes suggest simply increasing funding per student does not guarantee better educational outcomes — effective allocation and strategic investment are crucial. (For a more detailed assessment of Oregon's educational competitiveness, refer to the [Oregon's Free Enterprise Report: 2025 Edition](#).)

Human Services: The Largest and Fastest Growing Budget Category

The **most striking budget shift** has been the expansion of **human services spending**, which grew from **25.1% of the total budget in 2001-03 to 44.8% in 2023-25**. (Appropriations increased from \$8.56 billion in 2001-03 to \$54 billion in 2023-25, a 530.5% growth.) The **2025-27 GRB** proposes **\$62.2 billion**, reflecting a **15.2% increase** from the previous cycle.

MEDICAID GROWTH AND RISING HEALTHCARE COSTS

Medicaid expansion and increased federal funding have been major drivers of human services growth in Oregon. The Oregon Health Plan (OHP), which is the state's Medicaid program, accounts for a significant portion of the Oregon Health Authority's (OHA) \$39.64 billion budget for the 2025-27 biennium. While federal matching funds help offset costs, changes in the Federal Medical Assistance Percentage (FMAP) rates and the expiration of temporary federal COVID-19 aid require the state to allocate more General Fund dollars to sustain services.

To stabilize Medicaid financing, the GRB proposes renewing provider assessments on hospitals and insurers, a key mechanism for securing federal matching funds. Additionally, the budget increases investments in hospitals, maternity care, and graduate medical education while addressing compliance issues in behavioral health programs. These targeted allocations aim to strengthen Oregon's healthcare system while managing escalating costs.

Beyond Medicaid, broader healthcare expenditures, including hospital reimbursements, long-term care funding, and behavioral health programs, continue to place financial pressure on the human services budget. As Oregon's population ages and demand for services grow, ensuring long-term funding stability will remain a critical challenge. Indeed, the state's response to these pressures will shape the sustainability and accessibility of healthcare services in the coming years.

AGING POPULATION AND RISING LONG-TERM CARE NEEDS

The first **Baby Boomer cohort will turn 85 by 2031**, significantly increasing demand for long-term care and disability services. Oregon has already begun preparing for this demographic shift, with Medicaid-funded long-term care programs seeing steady growth.

The GRB proposes **\$6.37 billion for intellectual and developmental disabilities services, a 17.2% increase** from 2023-25.

WORKFORCE CHALLENGES AND ECONOMIC PRESSURES

Oregon's **declining birth rate and aging workforce** are straining the state's ability to sustain human services. Gen Z is barely offsetting the number of retiring Boomers, leading to labor shortages—particularly in **healthcare and behavioral health services**. The Governor's Budget includes **\$25.7 million** to expand the behavioral health workforce to ensure adequate service capacity.

At the same time, **migration trends** will be crucial. Historically, in-migration has helped sustain Oregon's workforce and tax base, but without continued inflows of working-age residents, it will become increasingly difficult to fund growing human services needs.

HOMELESSNESS AND HOUSING CHALLENGES

Homelessness-related healthcare costs are rising. **Youth experiencing homelessness** is a particular concern. Oregon is expanding direct cash transfer programs to support individuals transitioning from homelessness to permanent housing. The state also has continued funding for emergency shelters and housing assistance programs.

Public Safety: Moderate Growth

Spending on public safety and corrections has increased, though not as dramatically as human services. In the **2023-25 biennium, public safety appropriations are \$6.6 billion, a 6.5% increase** from the previous cycle.^v Key areas of growth include:

- **Justice System Investments:** Oregon continues to focus on justice reinvestment programs, specialty courts, and sentencing reform. The Justice Reinvestment Initiative aims to reduce prison use while increasing support for community corrections, victim services, and culturally responsive programs.
- **Community Safety and Behavioral Health Initiatives:** The budget increases funding for community-based mental health services, addiction treatment, and recovery support, including Behavioral Health Resource Networks established under Ballot Measure 110.
- **Specialty Court Expansion:** The state continues to fund specialized courts that provide alternatives to incarceration, including drug courts and mental health courts that focus on rehabilitation and reducing recidivism.
- **Demographic Shifts Influencing Long-Term Corrections Needs:** Oregon's "criminally at-risk" population (males aged 15-39) is projected to grow 0.8% over the 2025-27 period, potentially affecting incarceration rates and demand for public safety resources.

Infrastructure and Economic Development: Declining Priorities

While infrastructure and economic development remain key concerns, their relative share of the budget has declined from 12% in 2001-03 to 7.5% in 2023-25. This shift reflects Oregon's strategy to balance infrastructure investments with other pressing fiscal demands while leveraging federal and alternative funding sources for key projects. Key trends shaping infrastructure and economic development funding include:

- **Shift Toward User-Based Fees:** Infrastructure spending is increasingly reliant on "other funds" sources such as gas taxes, lottery bonds, and utility surcharges rather than General Fund allocations.
- **Targeted Economic Development Programs:** Instead of broad stimulus efforts, funding is now focused on grants, small business support, and rural infrastructure projects.

Major infrastructure investments in the 2023-25 biennium include:

- **Seismic Rehabilitation Grants:** The budget includes \$150 million for the Seismic Grants Program, which supports seismic rehabilitation for critical public infrastructure, including schools and emergency facilities.
- **Transportation Modernization and Electric Vehicle (EV) Infrastructure:** Investments in EV charging infrastructure and \$85 million in projects aimed at reducing transportation emissions align with Oregon's climate and equity goals.

Administrative Costs: Gradual Increase

The share of state administrative and operational costs, as defined by the **Administration Program Area** that includes centralized administrative functions like policy guidance, financial services, and regulatory oversight, has risen from 11.8% in 2001-03 to 13.8% in 2023-25. This increase reflects the growth of government programs, regulatory responsibilities, and worker pay. Total administrative spending in 2023-25 decreased by \$3.4 billion, 16.8%, however, compared to 2021-23. This drop was largely due to the **phase-out of pandemic-related expenditures** and reduced pass-through funding to local governments and nonprofits.

Primary cost drivers include:

- **State Workforce and Compensation Adjustments:** Investments for PERS modernization, including **\$9.6 million** in "other funds," and increases to pension-related administrative services.
- **IT Modernization and Cybersecurity:** The budget for Enterprise Information Services includes **\$6 million** for cybersecurity upgrades and **\$24.6 million** for ongoing IT service contracts.

- **Regulatory and Oversight Expansion:** The Compliance, Audit, and Risk Division budget totals **\$10.4 million** for 2023-25.
- **New Legislative Mandates and Equity Initiatives:** Investments for equity-focused procurement and diversity programs are part of administrative cost increases across agencies.

While administrative costs have increased relative to prior decades, much of the growth is tied to modernization efforts, expanded oversight responsibilities, and strategic investments rather than inefficiencies. The focus remains on **improving service delivery, ensuring compliance, and adapting to Oregon's evolving governance needs.**

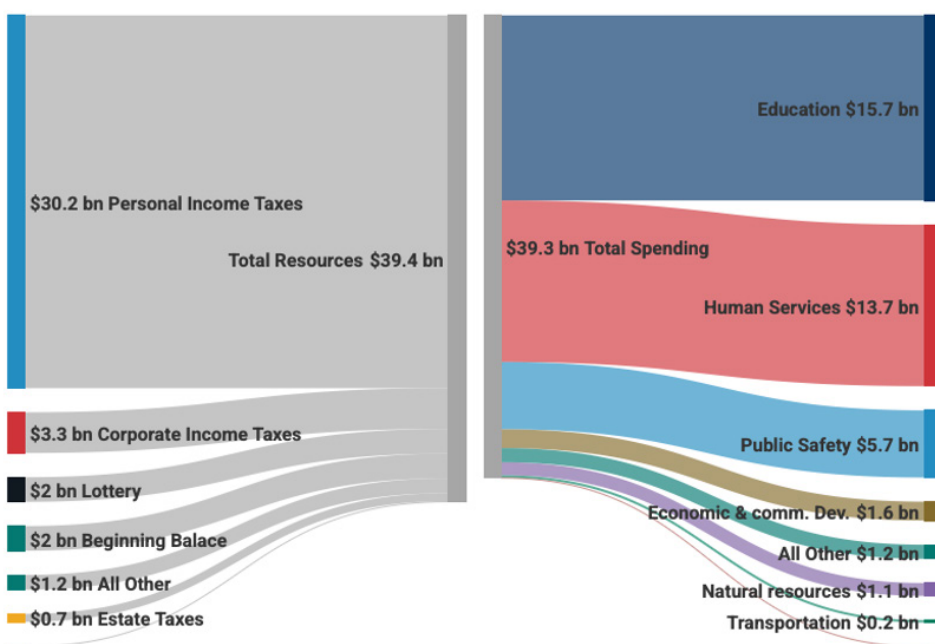
THE 2025-27 GRB: PRIORITIES AND FISCAL STRATEGY

The **2025-27 GRB** proposes **\$137 billion** in total spending and includes significant allocations to areas like housing, behavioral health, education, and infrastructure. While the **GRB** is not the final budget, most program area totals in the GRB and the legislature’s budget historically show strong correlation, providing us with a reliable early indication of budget trends even though exact allocations and details may shift as the LAB is finalized. As noted above, however, for the upcoming biennium the differences between the GRB and LAB may be more significant due to the spike in expected revenues that has material since the GRB was drafted.

The **GRB** aligns with the **Tentative Budget^{vi}** memo’s overarching themes, which highlight key challenges such as Medicaid cost growth, workforce shortages, and the impact of income tax volatility on the state’s revenue model. Given the fiscal pressures and priorities outlined in the Tentative Budget, the GRB serves as a meaningful reflection of where funding will likely be allocated, but the LAB will continue to refine these figures based on legislative deliberations and updated revenue forecasts. Unfortunately, both the GRB and Tentative Budget were built on the same obsolete revenue forecast.

FIGURE 4

2025-27 General Funds/Lottery Funds Budget



Revenue Sources

The 2025-27 budget assumes a beginning balance of \$2.8 billion. It maintains a **diversified revenue structure**, with the **General Fund contributing \$35.4 billion**, federal at **\$41.1 billion**, and “other funds” reaching **\$59.6 billion**. Key revenue streams include:

- Personal income tax remains the largest General Fund source, projected at 85% of total General Fund revenues.
- Corporate income tax now accounts for 9% of the total revenue amount. The Corporate Activity Tax is expected to generate \$3.3 billion, continuing its upward trajectory.
- Lottery revenues, projected to be, \$1.9 billion, remain a minor, stable source.
- Federal funds remain a crucial funding source, supporting a significant share of Oregon’s healthcare and human services programs, including Medicaid.

The Governor’s Key Priorities for 2025-27

The 2025-27 Oregon budget is designed to tackle the state’s biggest challenges, from housing and healthcare to education, public safety, and infrastructure. Key areas of investment as identified by the administration are outlined below, but the legislature, which includes many new members, will have their own priorities.

HOUSING AND HOMELESSNESS

- More funding to expand shelters, prevent evictions, and help people move into stable housing.
- Support for first-time homebuyers and efforts to preserve affordable housing.
- Investment in new affordable housing projects to ease Oregon’s housing crisis.

HEALTHCARE AND BEHAVIORAL HEALTH

- Strengthening Medicaid and the Oregon Health Plan so more people can access care.
- Expanding mental health and addiction services, with a focus on treatment facilities and support programs.
- Improving the Oregon State Hospital to enhance mental health services and address staffing shortages.

EDUCATION AND WORKFORCE DEVELOPMENT

- More funding for K-12 schools in order to make sure students have the resources they need.
- Increased support for college financial aid and job training programs to prepare Oregonians for the workforce.
- Expanded early learning and childcare programs to support working families.

PUBLIC SAFETY AND JUSTICE REFORM

- Investing in law enforcement, emergency response, and community safety programs.
- Expanding justice reform efforts, including programs that provide alternatives to incarceration.
- Modernizing public defense services to ensure fair access to legal representation.

CLIMATE AND INFRASTRUCTURE

- Funding for wildfire prevention, disaster response, and climate resilience efforts.
- Investments in roads, highways, and public transportation, including support for electric vehicle infrastructure.
- Support for rural and coastal communities to strengthen local economies and infrastructure.

The 2025-27 GRP reflects Oregon's commitment to tackling its most pressing challenges through strategic investments in housing, healthcare, education, public safety, and infrastructure. By prioritizing **affordable housing, expanded healthcare access, workforce development, justice reform, and climate resilience**, the budget aims to foster long-term economic stability and social equity across the state. These initiatives are designed to enhance quality of life for all Oregonians, ensuring that communities, whether urban, rural, or coastal, receive the resources needed to thrive. As Oregon moves forward, these targeted investments will help build a stronger, more resilient, and more inclusive future for the state.

THE BOTTOM LINE

Over the past 20 years, Oregon's budget has shifted dramatically, both in revenue composition and expenditure allocations. The declining **relative share of the General Fund, alongside the rise of federal and "other funds,"** has reshaped how Oregon finances key programs.

Federal funding now plays an outsized role in sustaining Oregon's healthcare system, particularly through **Medicaid expansion**, while dedicated revenue streams have reshaped the state's revenue model. The changing spending allocations — with human services now comprising the largest share of the budget — reflect the increasing financial demands of healthcare, housing, and social support programs.

The final 2025-27 budget will likely reinforce these long-term trends by **prioritizing investments in housing, health, and education.** However, over the long-run, slowing income revenue growth, an aging workforce, growing pension liabilities, and uncertainty in federal allocations present **long-term fiscal challenges** that will require strategic planning and revenue adjustments.

Looking ahead, Oregon faces a critical balancing act: expanding essential services while ensuring revenue sustainability. Policymakers must navigate these shifts with a long-term strategy to maintain fiscal resilience, address economic uncertainties, and continue meeting the needs of Oregon's residents.

APPENDIX A: REVENUE SOURCE BREAKDOWN

Revenue Source	2001-03 Share of Budget	2023-25 Share of Budget	Key Changes
General Fund	33.4%	26.4%	Declined due to growth in federal funds and “other funds”; increased reliance on Corporate Activity Tax and dedicated revenue sources.
Federal Funds	19.9%	31%	Growth driven by Medicaid expansion, federal stimulus programs, and pandemic-related aid; increasing reliance on federal sources.
Other Funds	44.9%	41.3%	Expansion of healthcare provider taxes, rising university tuition, and increased transportation-related revenue, including motor fuel and weight-mile taxes.
Lottery Funds	1.8%	1.3%	Declining as a share of total budget despite modest revenue growth; primarily allocated to education, economic development, and natural resource programs.

APPENDIX B: STATE SPENDING TRENDS BY CATEGORY

Spending Category	2001-03 Share of Budget	2023-25 Share of Budget	Key Changes
Education	32.0%	17.8%	Declining due to increased human services costs and funding shifts, despite nominal funding growth.
Human Services	25.1%	44.8%	Significant growth due to Medicaid expansion, behavioral health investments, and housing initiatives.
Public Safety	5.3%	6.8%	Steady increase with investments in corrections, justice reform, and mental health interventions.
Economic Development	12.0%	7.5%	Shift from broad-based stimulus to targeted small business and workforce programs.
Infrastructure	3.8%	2.7%	Greater reliance on user-based fees like gas taxes and utility surcharges rather than General Fund allocations.
Administrative Costs	11.8%	13.8%	Increase due to regulatory expansions, IT modernization, and cybersecurity investments.

APPENDIX C: HOW THE BUDGET IS ALLOCATED

Program Area	2025-27 Allocation	% of Total Budget	Key Priorities
Education	\$23.3 billion	17.1%	Early literacy, K-12 funding, college affordability, school infrastructure.
Human Services	\$62.2 billion	45.6%	Medicaid, behavioral health, Oregon State Hospital, housing support.
Public Safety	\$7.5 billion	5.5%	Law enforcement, justice system reforms, addiction and community safety, Oregon State Police funding.
Economic and Community Development	\$11.4 billion	8.4%	Infrastructure investment, workforce development, broadband expansion.
Natural Resources	\$3.8 billion	2.8%	Wildfire prevention, environmental conservation, water resource management.
Transportation	\$7.3 billion	5.4%	Roads, bridges, public transit, electric vehicle infrastructure.
Consumer and Business Services	\$1.2 billion	0.9%	Financial regulation, workplace safety, insurance oversight.
Administration	\$17.8 billion	13.0%	Government operations, IT modernization, cybersecurity, employee compensation.
Legislative Branch	\$0.3 billion	0.2%	Legislative operations, state audits, oversight.
Judicial Branch	\$1.1 billion	0.8%	Court system funding, public defense services, judicial infrastructure.

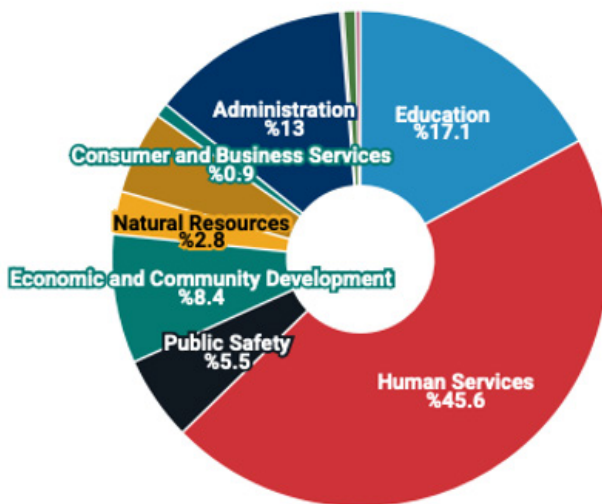
APPENDIX D: HOW THE GRB IS ALLOCATED FOR 2025-27

Expenditure Shares by Category

2025-2027 Governor's Budget

In the 2025-27 Governor's Recommended Budget, Human Services continues to dominate state appropriations at 45.6%, while Education remains at 17.1% from the previous budget cycle, reflecting a long-term shift toward healthcare and social services as the state's top spending priority.

- Education
- Human Services
- Public Safety
- Economic and Community Development
- Natural Resources
- Transportation
- Consumer and Business Services
- Administration
- Legislative Branch
- Judicial Branch
- Misc



Source: 2025-27 Oregon Governor's Budget



REFERENCES

- i. Oregon Department of Administrative Services, *2025–2027 Governor's Budget*
- ii. *Ibid.*
- iii. 2023-2025 Legislatively Adopted Budget Detailed Analysis, State of Oregon Fiscal Office
- iv. Oregon Statewide Report Card, Oregon Department of Education
- v. State of Oregon Legislative Fiscal Office, 2023-25 Budget Highlights Update, Legislatively Approved Budget (includes 2024 session actions)
- vi. <https://www.oregonlegislature.gov/lfo/JWM%20Documents/2025-27%20Tentative%20Budget%20LFO-CFO%20Memo.pdf>