



TINA KOTEK  
GOVERNOR

January 27, 2025

Chair Neron, Vice-Chair Dobson, Vice Chair McIntire, and members of the House Committee on Education

Thank you for the opportunity to testify today on House Bill 2140.

In 2023, following the Portland Public Schools strike, I committed to reviewing and updating how the State School Fund is calculated, given it is the base funding for K-12 school districts in Oregon. My office brought the State Chief Financial Officer, the Department of Education, and representatives of teachers, classified staff, superintendents, school board members, and school business managers to the table. They took a deep dive into the method for developing State School Fund Current Service Level (CSL) and the assumptions built into the model.

To be clear, the projections for developing the State School Fund CSL have been very accurate – but small differences add up over time, which is why we are recommending some adjustments to be even more accurate.

We asked: How can we more accurately capture the projected costs districts will face? Key issues that were discussed in the process included:

- 1) Using historical salary and benefit cost data, rather than only looking at future data
- 2) Adjustments for inflation
- 3) The distribution each year of a two-year budget
- 4) Accounting for PERS and benefit costs
- 5) State policy changes that have impacted school budgets

The methodology changes that came forward are designed to provide more accurate and predictable funding for K-12 public education across Oregon by:

- 1) Aligning with the reality of how funding is distributed annually to districts;
- 2) Capturing more recent fiscal information by looking back at 10 years of historical data; and
- 3) Accounting for forecasting errors by including fluctuations in local property tax revenue annually.

As a result, my recommended budget released in December reflects the projected increase from these changes: an estimated \$600 million for the 2025-2027 biennium, resulting in a historic \$11.36 billion investment overall.

This is all very technical, and I have support here from the Chief Financial Office if you have any specific questions.

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The goal of House Bill 2140 is to codify two of these changes so that – going forward – the state has a process for more accurately reflecting the needs of school districts every two years. This bill will make the State of Oregon a more accurate and predictable funder of K-12 public education across Oregon.

But I want to be clear: this is not a blank check. Extra investment must come with a deeper accountability to produce better outcomes. House Bill 2140 is intended to go hand in hand with an upcoming accountability package that my office is developing. That bill will run in tandem with a set of administrative actions to ensure the Oregon Department of Education also holds up its end of the bargain and operates effectively. When student outcomes are not where they need to be, we must provide required, direct assistance to make sure all resources are pointed toward helping students to learn and graduate with the tools they need to succeed.

We have to do better for our children and youth. As a state, we can be a more predictable and accurate funder of K-12 education. At the same time, we can work to ensure closer alignment between spending and student outcomes.

I urge you to support House Bill 2140 and look forward to your partnership on the accountability work ahead. Thank you.

Sincerely,

A handwritten signature in black ink that reads "Tina Kotek". The signature is written in a cursive, flowing style.

Governor Tina Kotek