



HB 2140: Updating CSL Projections for the State School Fund

Background:

In 2024, the Governor's Office worked with the State Chief Financial Office (CFO), Oregon Department of Education (ODE), and representatives of education partners – including licensed teachers, classified staff, superintendents, school board members, and school business managers – to evaluate the State School Fund (SSF) current service level (CSL) development process to more accurately reflect projected education costs in the upcoming biennium.

The result of this work was a proposal from Governor Kotek to take multiple procedural steps to boost the current service level for the SSF by an estimated \$515 million above the original CSL calculation for the 2025-27 biennium. These changes, along with built-in increases to address PERS costs, informed the historic \$11.36 billion SSF investment in the Governor's Recommended Budget.

House Bill 2140:

To create more fiscal certainty for school districts in future budget cycles, Governor Kotek introduced House Bill 2140 to codify an updated process for calculating the SSF to provide more accurate and predictable funding for K-12 public education across Oregon. Under HB 2140, the following adjustments would be made to continue 2025-27 CSL changes in future budget development cycles:

- 1. Budget Distribution - 49/51 Split:** For the last decade, the State of Oregon has developed a current service level budget assuming a 50/50 split over a two-year period (meaning districts received 50% of funds in year 1 and 50% of funds in year 2). This proposal changes the current service model to assume a 49/51 split, meaning the jump off year for the next budget is 51% of the current budget. This is consistent with the way ODE allocates funding to districts and often aligns more closely with how districts manage resources.

This will increase the CSL calculation, as CSL is built off the funding available in the second year, which increases when the budget is assumed to be 51% of the biennial total (compared to 50% previously). The change recognizes rising costs that occur in the

second year of the biennium and builds in additional funding to account for incremental district cost growth.

- 2. Local Property Tax Revenue:** SSF funding to districts represent a combination of local revenue (34%) and state revenue (66%). Previously, the State's CSL budget did not account for fluctuations in local property tax revenue in the second year of the biennium. This limits the State's ability to accurately account for the level of resources available for our schools.

Going forward, the Governor directed State agencies to account for updated property tax estimates for the second year of the current biennium in determining the base budget in building the CSL for the upcoming biennium. The goal is to more accurately account for the current available funding before developing the projection for the next biennium.

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