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*Update for  
Statewide Educator Salary Task Force:*

# **2024 State School Fund Current Service Level Review**

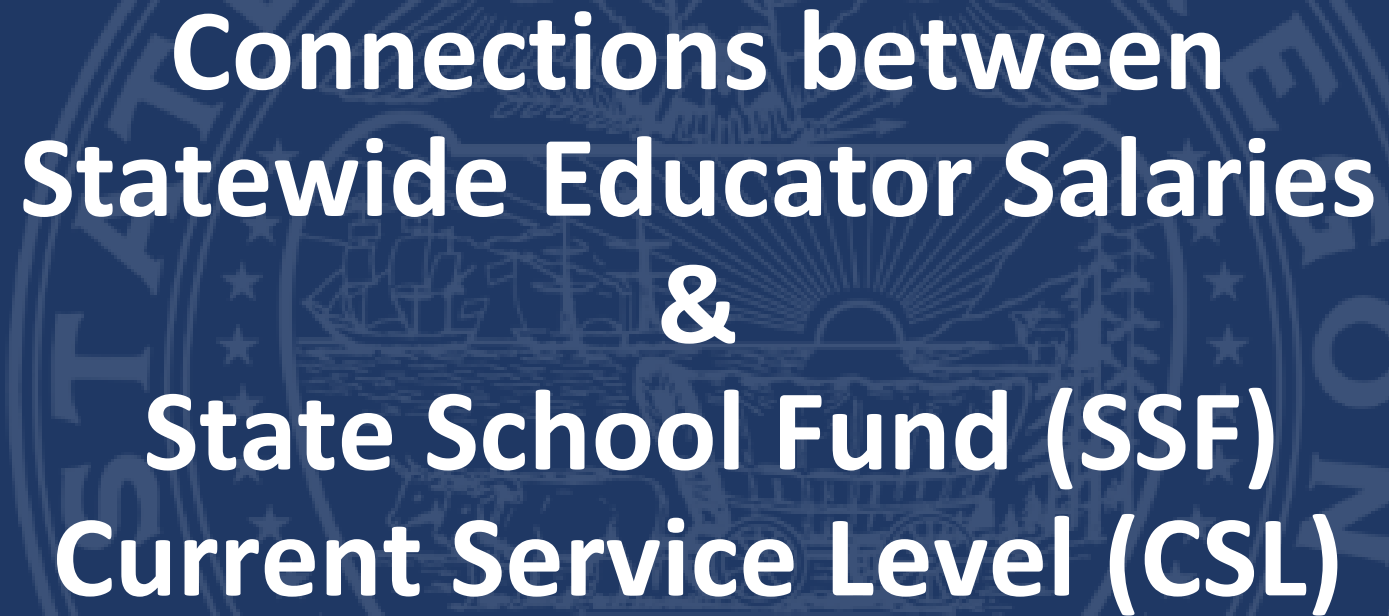
Office of Governor Tina Kotek  
July 17, 2024



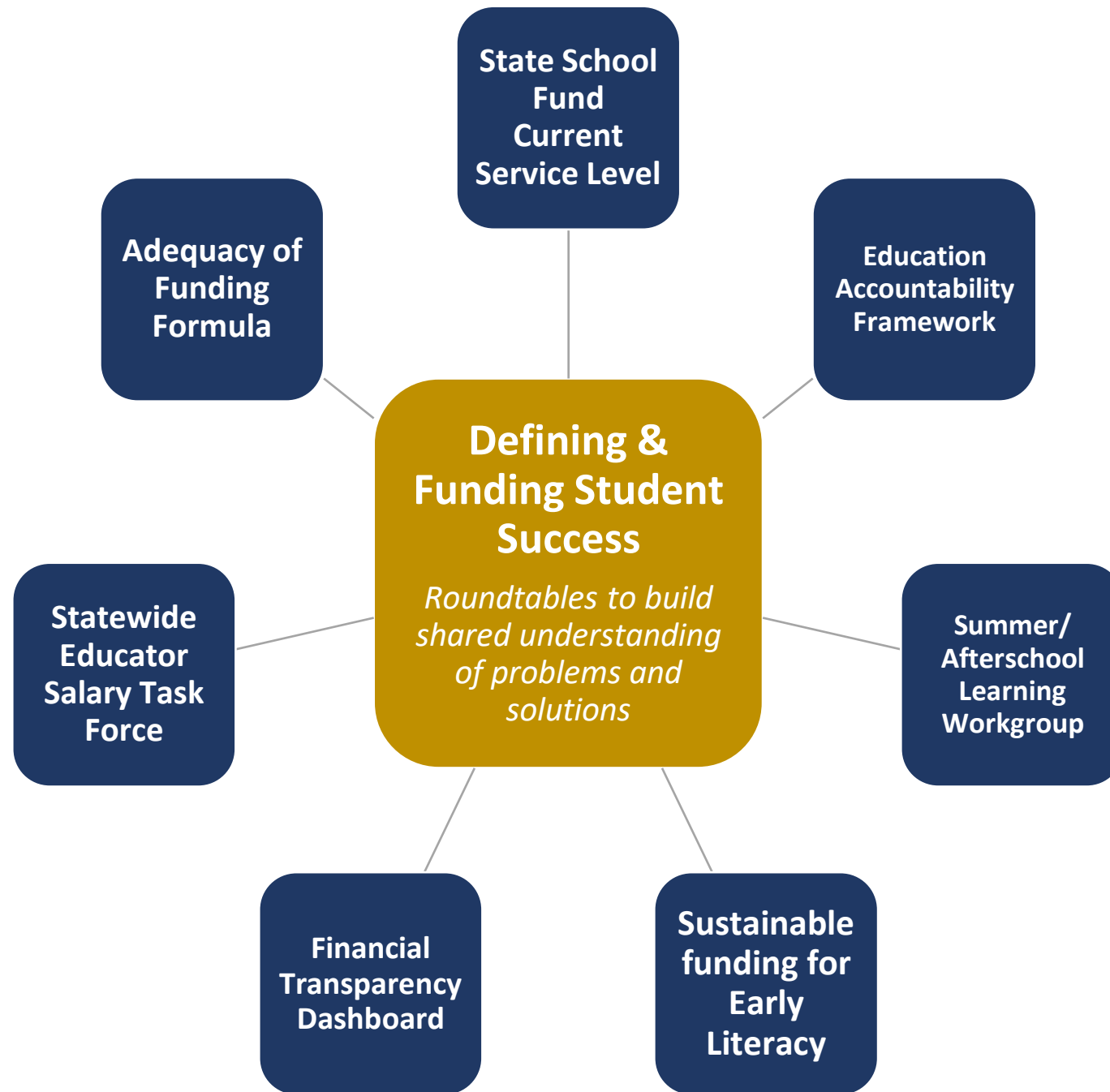
# What we'll cover today

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- 1. Connections between Statewide educator salaries and State School Fund (SSF) Current Service Level (CSL)**
- 2. Review and update process for the SSF CSL, led by Office of Governor Kotek**
  - Goals for review process
  - Key Takeaways
  - Updates to modernize the process, directed by the Governor
- 3. Connections between State funding, spending, and outcomes for students**
- 4. Questions & Discussion**

The background of the slide features a large, faint, circular seal of the State of Oregon. The seal contains an eagle with wings spread, a ship on the water, a rising sun, and a plow. The text "THE UNION" is written on a banner below the eagle. The words "STATE OF OREGON" are written around the perimeter of the seal, and the year "1859" is at the bottom.

**Connections between  
Statewide Educator Salaries  
&  
State School Fund (SSF)  
Current Service Level (CSL)**



# Key Facts about the State School Fund

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1. The State School Fund is the largest General Fund expenditure for the State of Oregon.
1. Oregon public schools depend on the State School Fund as the primary operational support.
2. About 85% of the State's investment goes toward personnel costs at schools and districts (compensation & benefits). The remaining 15% goes towards supplies and services (vendor contracts, etc).
  - Compensation costs are the primary driver of the State School Fund Current Service Level Calculation (CSL).



## Charting a Path Forward on K-12 Education

In November, Oregon experienced the first ever strike in our state's largest school districts. Difficult negotiations to reach resolution reflect larger systemic challenges. One out of three school districts in our state will engage in labor negotiations this school year. As other districts and communities navigate similar dynamics, we share our shared interests to create the conditions for student success. Let's build on the ground we share and partner to chart a path forward. Students are counting on us.

Common Ground	
Our Shared Beliefs	Our Shared Challenges
1. Students should be in school.	1. The pandemic has disrupted learning and connectedness. Enrollment dropped significantly statewide, and students in Oregon's largest school districts regularly attend school less than a year.
2. Every student should be given equal opportunity to graduate from high school ready to succeed.	2. Education spending is one of the largest areas of spending in the general fund, but we have not dedicated enough money to ensure that it is important to how the state's funding methodology has changed and much has changed. Pervasive teacher strikes have impacted compensation.
3. Schools should be physically and emotionally safe places for students, teachers, and school employees.	3. Teachers' and school employees have not kept up with the private sector. Their competitive salaries are going to make up for the pandemic.
4. Teachers, school employees, and administrators care about the success of each student and recognize the negative impact that prolonged school closures for any reason can cause on students' learning.	4. Many school facilities across the state have lacked funding for necessary upgrades, leading to a backlog of needed improvements.
5. Smaller class sizes and more planning time mean teachers can spend more high-quality time with students.	
6. Classrooms should be sanitary environments and have functional HVAC systems.	
7. Trust and respect are essential components of productive negotiations in any district.	

### Governor Kotek's Commitments

To begin to address the underlying structural needs facing teachers, school employees, and district leaders, Governor Kotek is committed to taking the following steps:

- Convene a multidisciplinary group of leaders to develop a statewide action plan to support the social-emotional health needs of students** in school settings and strengthen the resources and capacity of school staff to meet these needs.
- Partner with the legislature on their work to establish minimum teacher salaries and review funding for schools.**

**Salary Schedules:** The Governor will closely monitor and review the recommendations of the legislature's Task Force on Statewide Educator Salaries. She wants to see a proposal for minimum teacher salary schedules that make Oregon competitive with our neighboring states, mitigate competition between neighboring districts, and reflect local cost of living. She also wants to see a plan to fund that proposal over the next several years.

**Funding:** While the legislature ultimately adopts the budget, the Governor's office must be a partner to ensure the methodology makes sense for today's realities. The Governor will direct the Chief Financial Officer and the Oregon Department of Education to partner with the legislature and education stakeholders to review and revise the methodology for school funding.
- Create the Office of Transparency within the Oregon Department of Education (ODE) to make budget information that the State already collects from districts more accessible and easier to understand.** This is intended to ensure labor and district partners

The background of the slide features a large, faint, circular seal of the State of Oregon. The seal contains an eagle with wings spread, perched on a shield. Below the eagle is a plow and a sheaf of wheat. The text "STATE OF OREGON" is written around the top inner edge of the seal, and "1859" is at the bottom. The words "OF" and "OREGON" are also visible at the top of the seal.

# Review and update process for the SSF CSL

- a. Goals & scope for review process
- b. Key Takeaways
- c. Updates to modernize the process, directed by the Governor

# Goals for the Review & Update process

1. Provide greater transparency of state methodology and assumptions for the calculation of the State School Fund Current Service Level.
2. Build shared understanding of points of convergence with education stakeholders and reasons for divergence, if any.
3. Develop a grounding document that articulates the above for policymakers

## Scope of Review

- Was not intended to focus on proposed revisions to the overall adequacy of state funding for public education (whether we have the right extra funding per student, etc).
- Was intended to focus on the Current Service Level calculation for the SSF for state budgeting purposes:
  - a. Use of historical salary and benefit data versus future data
  - b. Accounting for inflation adjustments, and PERS and benefit costs
  - c. Factoring into the calculation annual distribution of a two-year legislatively adopted budget for SSF
  - d. State policy changes that have impacted school budgets (i.e., partners name these as unfunded mandates).



# Key takeaways from the process

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- 1. Overall, this review and update process was necessary for a 30-year old process that has been largely unchanged.**
- 2. There is agreement that the Current Service Level (CSL) calculation is intended to provide a cost estimate for the continuation of general operating revenue, services and staff that are currently being paid for by the State School Fund.** There is also alignment that this CSL process was not intended to determine adequacy of funding, funding distribution, and weights, or a place to propose new investments.
- 3. It is sensible budgeting to ensure that the CSL is calculated in a way that aligns with the reality of how it is distributed – annually.** This means shifting to a 49% first year and 51% second year distribution. This is a shift away from a 50%/50% calculation. **This difference alone is an impact of about \$217 million more for the CSL calculation compared to if the continuation of historical practice.**
- 4. Compensation costs are the primary driver of the SSF CSL and therefore it is reasonable to correct in any historical errors when estimating future expenses into the model.** The model that produces the CSL calculation has historically been within 2 percentage points of actual values for teachers and administrators. For classified staff, the model has overestimated actuals. These forecasting errors have not been included in the model. The Governor's Office has directed ODE and CFO to, for the first time, incorporate the historical error correction into the model. **This seemingly small shift has an impact that increases the CSL by nearly \$243 million. In addition, another process change resulting of this process includes a more accurate accounting of local revenue during the second year of the biennium, which is estimated to have about a \$55 million increase to the CSL.**
- 5. Oregon has an opportunity to better project cost estimates of new education programs and legislative requirements to anticipate resource needs for schools to implement them well.**

# Other key points from Governor Kotek

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**1. While the State is the largest funder for Oregon public schools, the State is not the employer of school district employees. The State does not negotiate raises and COLAs and does not have the ability to control district costs and spending. Once the SSF CSL level is set by the Legislature, the way districts spend these resources is guided by local district leaders and school boards, not by the State.** Partners requested the State to rely on current contract data and future estimated labor contract data instead of historical data, which is past and current State practice. This request is not currently operable. The State is not able to forecast future local bargaining and spending decisions and does not have data infrastructure developed to do so, including salary schedules.

**2. The Governor's Office and Legislature each have a responsibility to produce balanced budgets each biennium based on assumed revenues and expenses within the State government's locus of control.** Committing to use future project cost growth would not permit policymakers to fulfill their constitutional obligation. Legislatively approved budgets (LAB) get finalized in June of odd-numbered years, and labor contracts commonly get settled after this time throughout the biennium. Practically, these cannot be back-mapped into the LAB set for the biennium.

**3. Enrollment is a key issue for districts who are experiencing enrollment declines.** Partners would like the State to hold harmless the CSL for the 25-27 biennium so that enrollment data is not accounted for in the model. This is an issue that we should return to later in the year when enrollment data is available. More data is needed about the future enrollment trends for the upcoming biennium and beyond.

# Governor-Directed Updates

Update 1:  
Ensure the CSL calculation considers how State funding is distributed by the State to school districts.

**Update 1:** Ensure the CSL calculation is developed within the context that it will be implemented and distributed to districts.

This means recognizing that 49% of the state's two-year budget allocation for the SSF is distributed the first year of the biennium, and 51% the second. This practice is important to account for increased costs (it's one of various ways the SSF accounts for inflation).

**Background:** For the last decade, the State of Oregon has budgeted SSF distributions to school districts with the assumption that 50% of the State's allocation is provided to districts the first year of the biennium, and 50% the second.

**Estimated Impact of this update to the SSF CSL calculation 25-27:**

~\$217 M (estimate from June 2024, subject to a few updates prior to the 2025 legislative session)

# Governor– Directed Updates

Update 2:  
Improve level of  
precision in the  
State’s way of  
accounting for  
educator  
compensation

**Update 2:** Make the SSF CSL’s compensation formula more precise by correcting for historic errors.

**Background:** The State’s method to account for compensation costs of teachers, administrators, and classified staff is based on a model that looks back at 20 years of historical data. This model has proven to be very accurate (more than 98%) in calculating actual compensation costs, based on the information school districts submit to ODE. That also means the State has historically been within 2 percentage points of being completely accurate.

This Governor’s direction to close the gap between projected compensation costs and actual compensation costs over the last 10 years – instead of 20 years – will increase the SSF CSL. The 10-year period gives us more accurate and more recent data than 20 years. This one-time increase will reflect an even more precise compensation projection and leads to the largest funding increase in the proposal. It’s also important to note that this change will roll forward into future two-year budget cycles.

**Estimated Impact of this update to the SSF CSL calculation 25-27:**  
~\$240 M (estimate from June 2024, subject to a few updates prior to the 2025 legislative session)

# Governor– Directed Updates

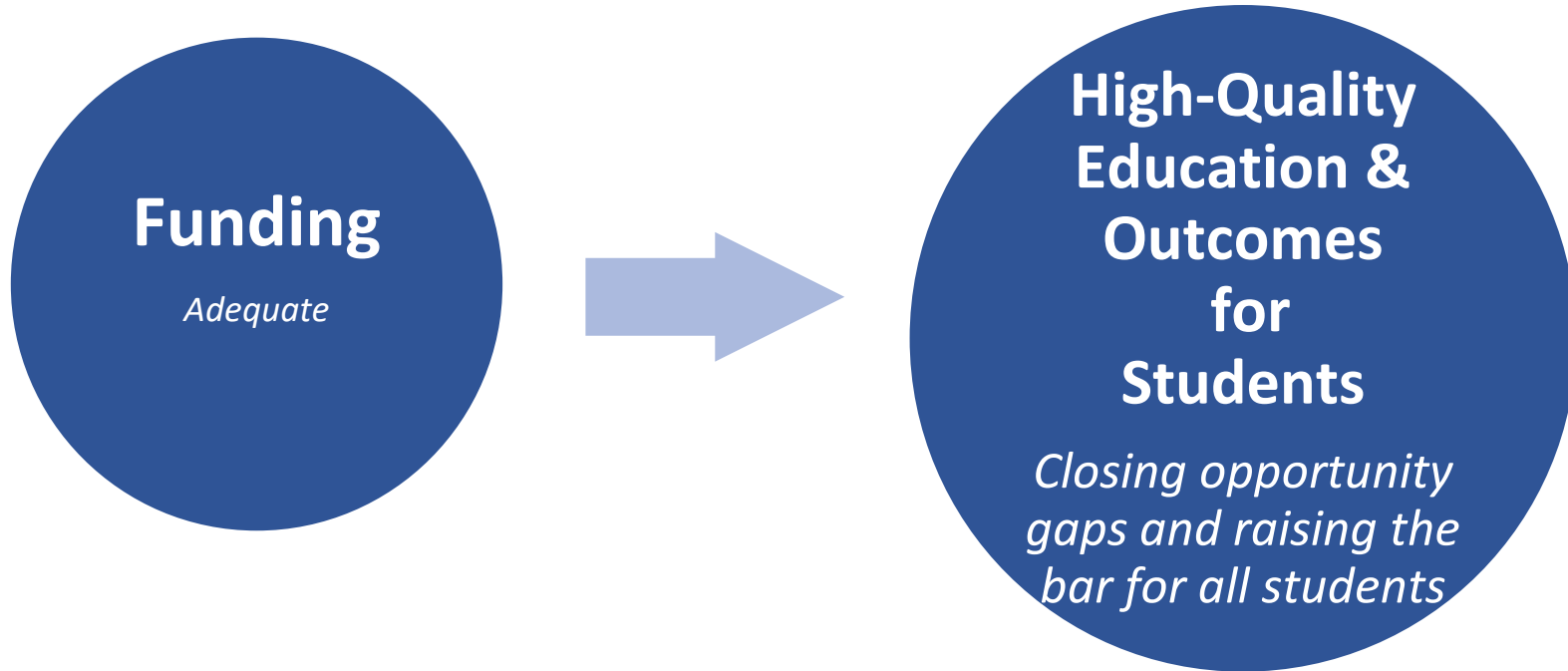
Update 3:  
Increase accuracy of  
the amount of  
resources available  
for Oregon schools

**Update 3:** Ensure the CSL calculation includes annual updates to local revenue fluctuations to ensure timely data about available resources for schools.

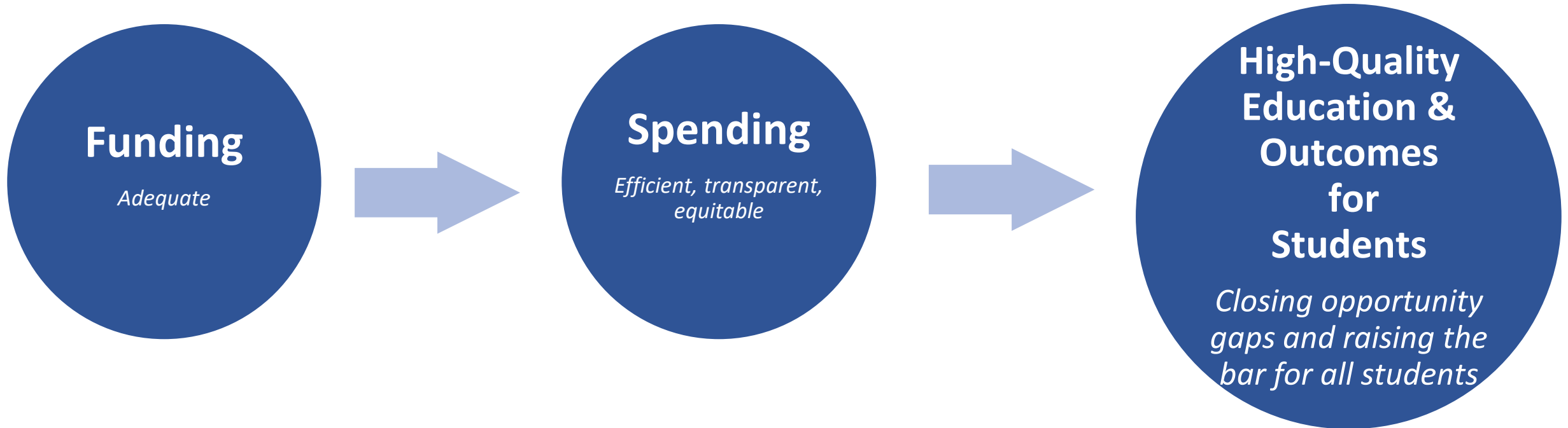
**Background:** SSF funding to districts represent a combination of local revenue (34%) and state revenue (66%). The State’s historical practice of calculating the Current Service Level for the SSF doesn’t include fluctuations in local property tax revenue in the second year of the biennium. This limits the State’s ability to accurately account for the level of resources available for our schools. Going forward, the Governor has directed State agencies to account for annual information for projected local revenue, with the goal of increasing accuracy and precision.

**Estimated Impact of this update to the SSF CSL calculation 25-27:**  
~\$55 M (estimate from June 2024, subject to a few updates prior to the 2025 legislative session)

**Common ways people look at the relationship between  
funding & student outcomes  
that show only partial picture.**

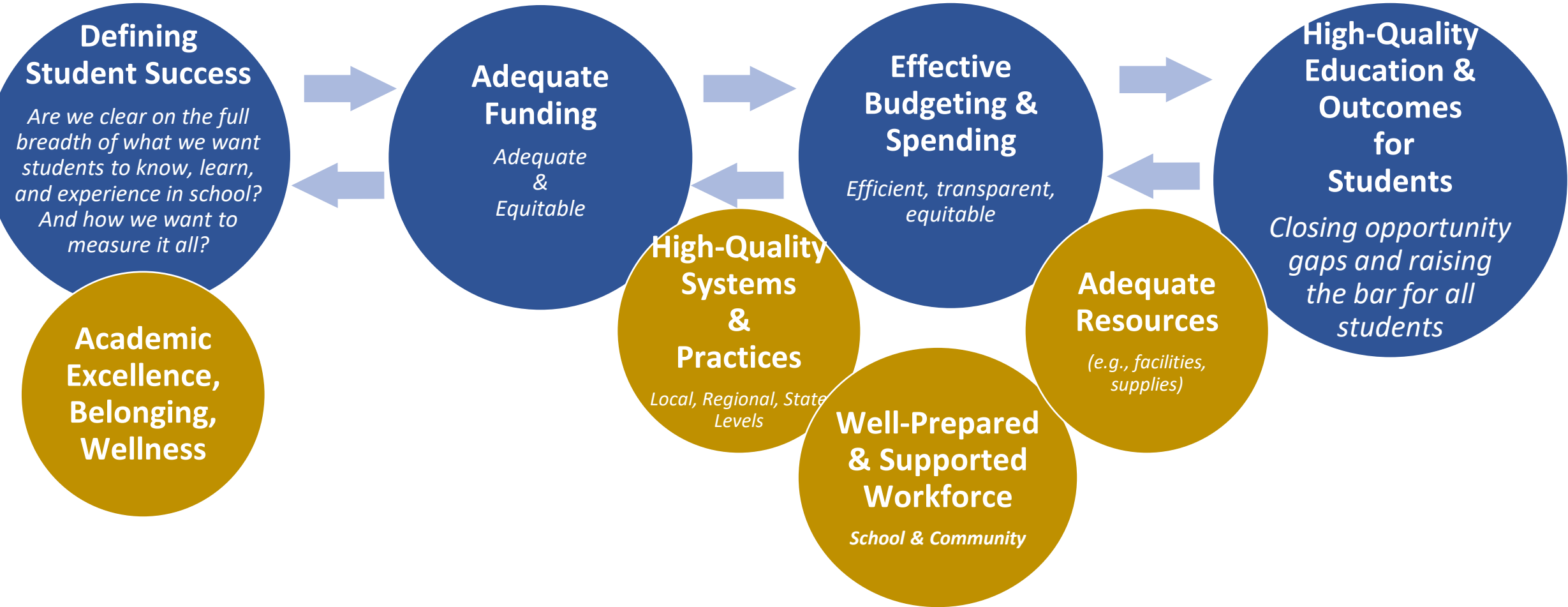


Common ways people look at the relationship between  
funding & student outcomes  
that show only partial picture.



# Oregon Student Success Framework (discussion draft)

Purpose of this image: To generate discussion and develop shared language about the issues we are trying to fix in the modernization of our education system, including but not limited to funding and how that translates to high-quality systems and practices that set students and educators up for success.



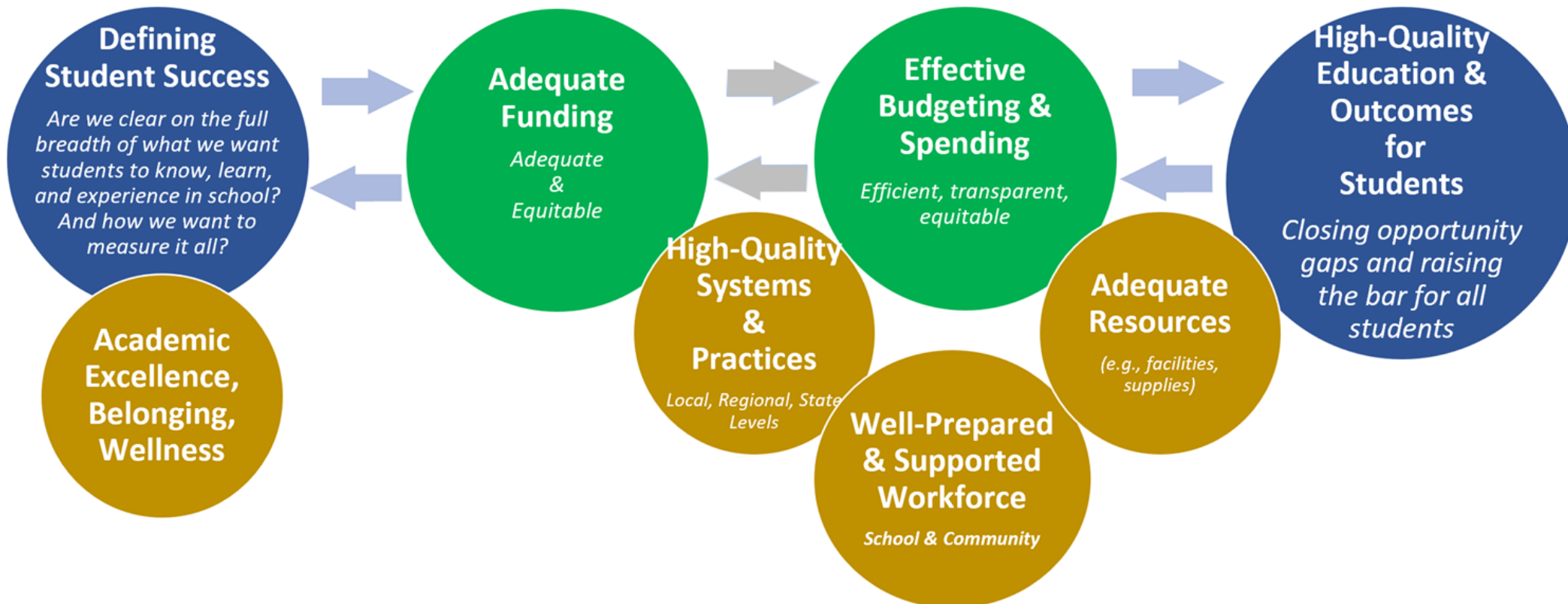


# Key Challenge:

Because 85% of the SSF goes toward compensation, and because the State does not control local contracts or have data infrastructure to estimate future local compensation decisions, the State is limited to understand how State funding is spent locally and how that spending translates to outcomes for students. That doesn't help us identify promising practices at statewide scale, and it doesn't help us solve problems early before showing up on our statewide test scores.

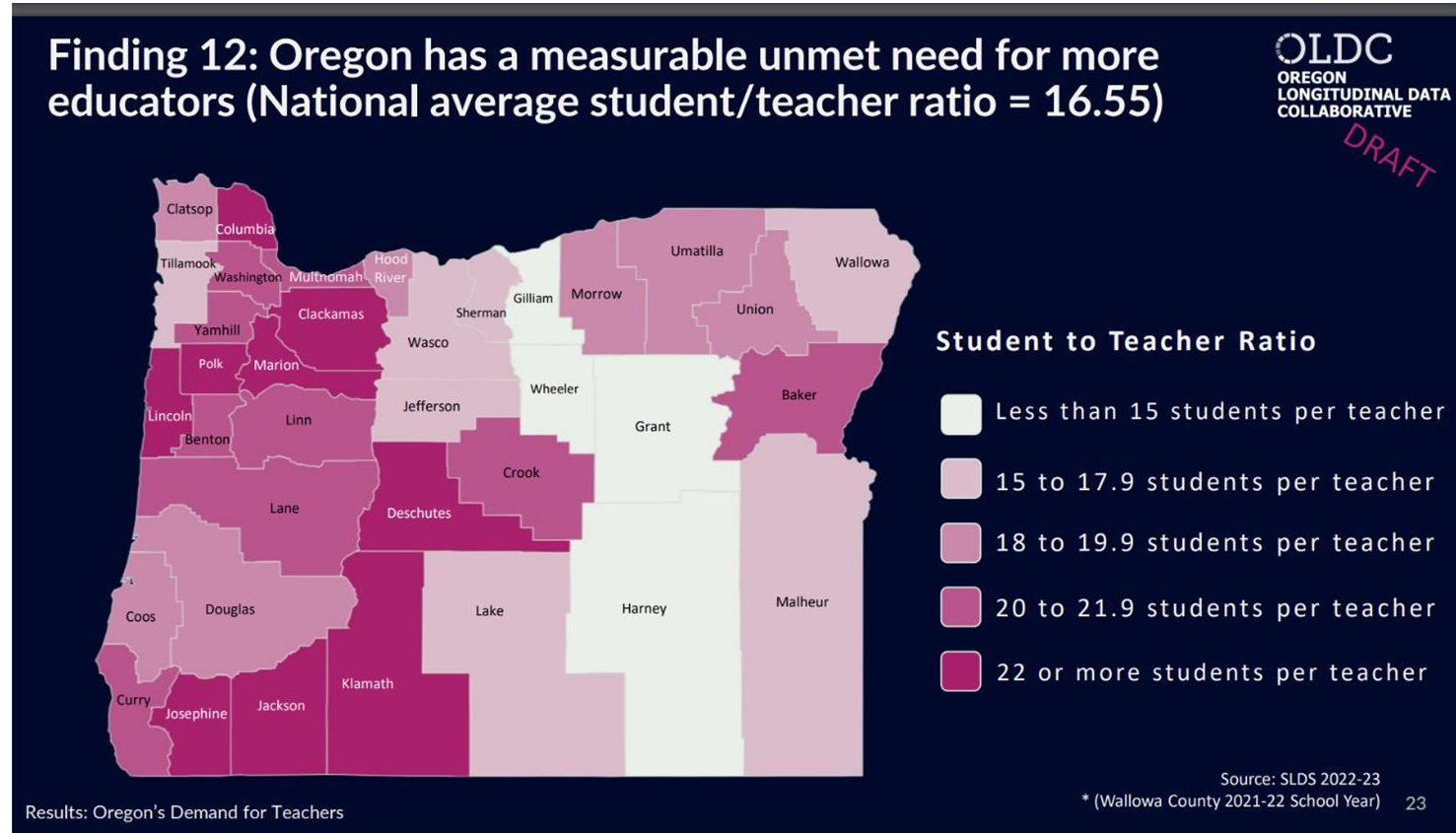
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The green dots are largely disconnected because of this key challenge.



# Oregon can leverage data to improve the connection between State funding & local spending on compensation to address educator shortage

1. Oregon has an unmet need for more teachers.
2. Nationally, Oregon average teacher salaries and new teacher salaries are competitive. However, among *new teachers specifically, their salaries are less competitive* than neighboring states.
  - o In fact, new teachers in 1 out of 3 Oregon counties *cannot afford to rent an average 2-bedroom apartment* on their salary.



Source: [Oregon Longitudinal Data Collaborative presentation to Statewide Educator Salary Task Force, 7/1/24.](#)

# How Oregon can leverage data to improve the connection between State funding & local spending on compensation

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**Consider the feasibility and pros/cons of creating a schedule of minimum salaries for the purpose of an input of relevant data for the State School Fund Current Service Level calculation.**