



January 22, 2021

Co-Chair Johnson, Co-Chair Steiner Hayward, and Co-Chair Rayfield:

On behalf of the Oregon Education Association (OEA), Oregon School Employees Association (OSEA), Coalition of Oregon School Administrators (COSA), Oregon School Boards Association (OSBA), Oregon Association of School Business Officials (OASBO), Oregon Association of Education Service Districts (OAESD), Oregon PTA, Oregon Small Schools Association (OSSA), Portland Public Schools, the Beaverton School District, and East Multnomah County Schools, we want to thank you for all the work you have done to protect school budgets and prioritize the needs of students and schools as we have navigated the twin disasters of a global pandemic and devastating wildfires.

Unfortunately, the hard work is just beginning and we are writing to share some initial thoughts about the K-12 budget and related policies in these unprecedented times.

The 2019 Session Was a Once in a Generation Investment in our K-12 Schools and Students

Our organizations view 2019 as a watershed year for education funding in Oregon. You invested \$9 billion in the State School Fund and passed the landmark Student Success Act to dedicate \$2 billion from a new corporate activities tax to early learning, K-12, and critical statewide equity initiatives. Full funding for High School Success (Measure 98) and continued investments in facilities rounded out a historic session. These investments collectively marked an important turning point -- one that was designed to help Oregon begin to recover from three decades of underinvestment, while advancing innovative policies that embed educational equity, include community collaboration, and increase student success.

An Uncertain Path for Schools – COVID 19 Derails Investments and Exacerbates Inequities

For our students and their families, 2020 was a time of upheaval and uncertainty. The global pandemic has taken a massive human and economic toll on our state. It has slowed investments and further exacerbated inequities across our state, particularly for students from Oregon's Tribal, Indigenous, Black, Latinx, and other communities of color, students navigating poverty, and students living in isolated rural communities. Across Oregon, wildfires added an unthinkable level of damage, disruption, and loss of life. These tragedies have laid bare the inequities in society our schools deal with every day.

Despite all these different and complex challenges, our educators are working tirelessly to serve our students and families. Whether it is delivering meals on school buses or bridging the digital divide, our schools are doing their best to leverage all resources available at the federal, state, and local level -- and collaborating with local community partners across different sectors -- to provide the best education possible for students.

Budget and Policy Considerations

As you begin your deliberations about Oregon's K-12 budget we believe that our collective focus needs to utilize an equity lens and focus on how our schools may better serve students. It is clear that "business as usual" has not served all communities equitably and we must continue to work to bring meaningful change to our schools and our society. That includes acknowledging the injustices Oregon's Tribal, Indigenous, Black, Latinx, and other communities of color have faced for generations.

As we continue to navigate this global pandemic, improve how we provide students with a high-quality distance education, and prepare for a return to in-person school, four things have become really clear:

1. We must prepare for new ways to engage and support students, not simply go back to 'what was' before the pandemic;
2. We are going to need more resources to ensure that our schools have stable and adequate funding to recover and meet the social, emotional, and academic needs of our students;
3. We need to provide vaccinations to school staff as quickly as possible and ensure that our schools have the tools to reopen safely, including Personal Protective Equipment; and
4. We must ensure that targeted, equitable investments such as the Student Investment Account and Measure 98 continue to be funded in full so that we do not lose the momentum the investments of the 2019 Session have begun.

The Governor's Budget Includes Key Investments for Our Students

We believe Governor Brown's Recommended Budget for the 2021-23 biennium is a strong place to start budget discussions during the 2021 Session. We were heartened to see her budget included:

- Full funding for the Student Success Act, including the Student Investment Account and other critical equity-focused initiatives;
- Full funding for High School Success (Measure 98);
- Historic levels of investment in school facilities, including broadband and other critical infrastructure needs for student learning; and
- Funding to ensure that school districts severely impacted by wildfires have funding certainty.

In fact, the only area of major concern for our organizations is the proposed \$9.1 billion investment in the State School Fund. In order to support our students, educators, and schools, we need to ensure that

this number is increased significantly. We believe the true cost of current services is closer to \$9.68 billion.

Addressing the State School Fund Shortfall

We have significant concerns with the methodology leading to a Current Service Level (CSL) calculation of \$8.99 billion for the State School Fund, which is less than the state's appropriation to the State School Fund in the current biennium. In short, this funding level will result in significant budget cuts in school districts across Oregon. We know that there will be questions about our number and how we arrived at that. We also want to acknowledge the important work that the Legislature has done to help curb retirement and health care costs. It is paying dividends in slowing the increase in costs for schools. For example, our calculation of K-12 related inflation has decreased significantly:

- Our Coalition's SSF number in 2019-21 was \$9.1 billion, an increase of over 11% from the 2017-19 SSF allocation of \$8.2 billion.
- Our Coalition's SSF number in 2021-23 is \$9.68 billion, an increase of 7.6 % from the 2019-21 SSF allocation of \$9.0 billion.

Our disagreements with how the CSL for the State School Fund is calculated are based on the very real impacts budget cuts will have on our students. We believe that the CSL should be an estimate of the actual inflationary cost increases that our schools are experiencing to maintain our current level of staffing and programs. While we know this is often just a starting point in budget discussions, we believe the inputs used to calculate this number understate actual expense in the upcoming biennium.

For years, we have tried to work as partners to ensure that the CSL number is derived accurately. For the last two biennia we have expressed concern with calculations we believe drive down that number by excluding some expenses or relying on old or inaccurate estimates of both revenue projections and actual costs associated with running our public education system. We have worked in collaboration with administrators, school boards, and most importantly, the Oregon Association of School Business Officials to develop inputs for CSL and make those available to policymakers.

One example of this is how the state normally allocates the State School Fund to districts year over year. In the current biennium, 49 percent of the total two-year State School Fund was distributed in the first year of the biennium, and 51 percent is being allocated in the second year. This is the same distribution as community college and university funds. In developing the CSL for 2021-23, rollup was calculated by starting with a second-year number of just 50 percent, which results in **an initial shortfall of \$163 million in 21-22 which grows to a roughly \$300 million underestimation of inflationary costs when compounded for the full biennium.**

We have identified several other areas that contribute to the difference in projected costs for 21-23:

- Overestimation of savings due to changes to PERS. The CSL assumed the PERS pooling rate savings of 6% in building the CSL; we believe a more accurate schools-only rate is 3.5%.
- Increases to district payments for PERS side accounts. The CSL factors in presumed savings from side accounts but doesn't factor increasing debt service costs that net those savings.
- These variances combined with a generalized approach to compensation (salary and health care costs) that is based on long-term trends rather than actual contractual obligations further erodes our true costs. For example, the CSL assumed adding less than \$2 million to the state's share of SSF to cover salary and COLA increases during the 2021-22 school year. Our calculations show a need of more than \$100 million in the 2021-22 school year.

We are eager to discuss these differences with you and your budget staff. We are ready to “show our work” and enter into a collaborative dialogue to help resolve these differences. With so many student needs related to social and emotional health, technology and broadband, counseling and health services and so many unknowns related to COVID 19, it is completely unrealistic for schools to be expected to meet these needs with reduced budgets in the next biennium.

Fortunately, the state has strong reserves dedicated to public education and we are receiving, and expecting additional, federal funds specifically for K-12 and anticipate the new administration and Congress to push forward direct budget aid to states.

Our Organizations Are Ready to Partner with You to Support Our Students

We stand ready to work with you to address the very real budget challenges and policy choices you face in the 2021 Session. Our organizations are ready and willing to meet with you, share any of our financial information, and collaborate to resolve these challenges.

We know that you have the best interests of our students, families, and schools in mind and look forward to learning and collaborating with you in the coming weeks.

Cc: Governor Brown
President Courtney
Speaker Kotek
Senator Wagner
Representative Smith-Warner
Senator Girod
Representative Drazan
Senator Frederick
Representative McLain