Oregon Continues to Underfund K-12 Public Schools

Funding for Oregon's K-12 public schools in the coming biennium is inadequate. In the 2017 legislative session, the Oregon Legislature appropriated $8.20 billion for K-12 schools for the 2017-19 biennium, only slightly above the level required to keep up with inflation and enrollment growth. This appropriation contrasts with funding of $9.97 billion recommended by the Quality Education Commission, a funding gap of $1.77 billion. After rising substantially in the recession of the early 2000s and then again in the recession starting in 2008, the gap in 2017-19, at 21.6% of the legislative appropriation, is the lowest it has been since the Quality Education Model was created. It is, however, still substantial and only slightly smaller than the gap back in 1999-01.

Exhibit 1: State School Fund Shortfall

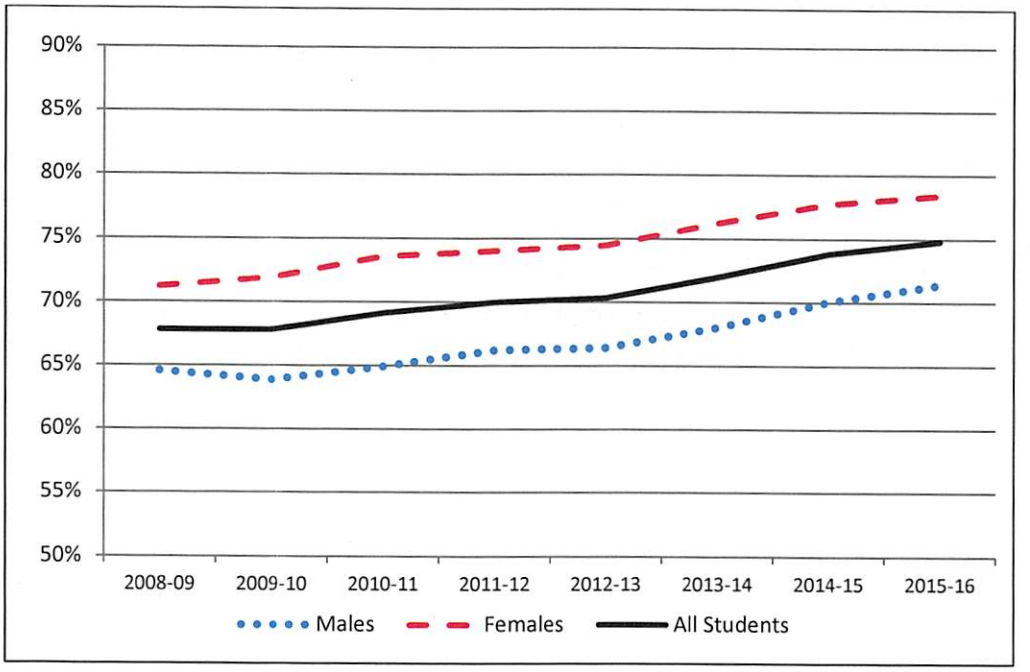
Dollars in Millions				
Biennium	QEM Full Implementation	Legislative Appropriation	Gap	Percent Gap
1999-01	$5,654.2	$4,562.0	$1,092.2	23.9%
2001-03	$6,215.6	$4,573.9	$1,641.7	35.9%
2003-05	$6,659.2	$4,907.6	$1,751.6	35.7%
2005-07	$7,096.7	$5,305.2	$1,791.5	33.8%
2007-09	$7,766.2	$6,131.0	$1,635.2	26.7%
2009-11	$7,872.8	$5,756.9	$2,115.9	36.8%
2011-13	$8,004.9	$5,799.0	$2,205.9	38.0%
2013-15	$8,775.0	$6,650.4	$2,124.6	31.9%
2015-17	$9,158.4	$7,376.3	$1,782.1	24.2%
2017-19	$9,971.0	$8,200.0	$1,771.0	21.6%

The Commission's recommended funding, based on the level and types of inputs that research says are needed to run a system of highly effective schools, is estimated to allow Oregon school districts to achieve a high school graduation rate at or above 95%. For the class of 2015-16, Oregon's graduation rate was 75%, up from 74% in 2014-15 and from 68% in 2008-09[1]. Exhibit 2 shows that Oregon's high school on-time graduation rate has grown steadily since 2008-09, the first year that the federally-required cohort method was used to calculates the rate.[2]

[1] 2008-09 was the first year that graduation rates were calculated using the "cohort" method.

[2] The cohort method follows a group of students from the 9th grade through 5 years to determine of they graduate on time (within 4 years), graduate in 5 years, or do not graduate. The cohort is adjust to students transferring in and out of the state.

Exhibit 2: Statewide Graduation Rate--All Students and by Gender



While growth in the graduation rate of just about 1.0 percentage point per year seems modest, the fact that inflation-adjusted funding per student was flat over that period indicates Oregon schools have increased their effectiveness and efficiency at graduating students from high school.

Exhibit 3: Operating Revenue per Student Adjusted for Inflation

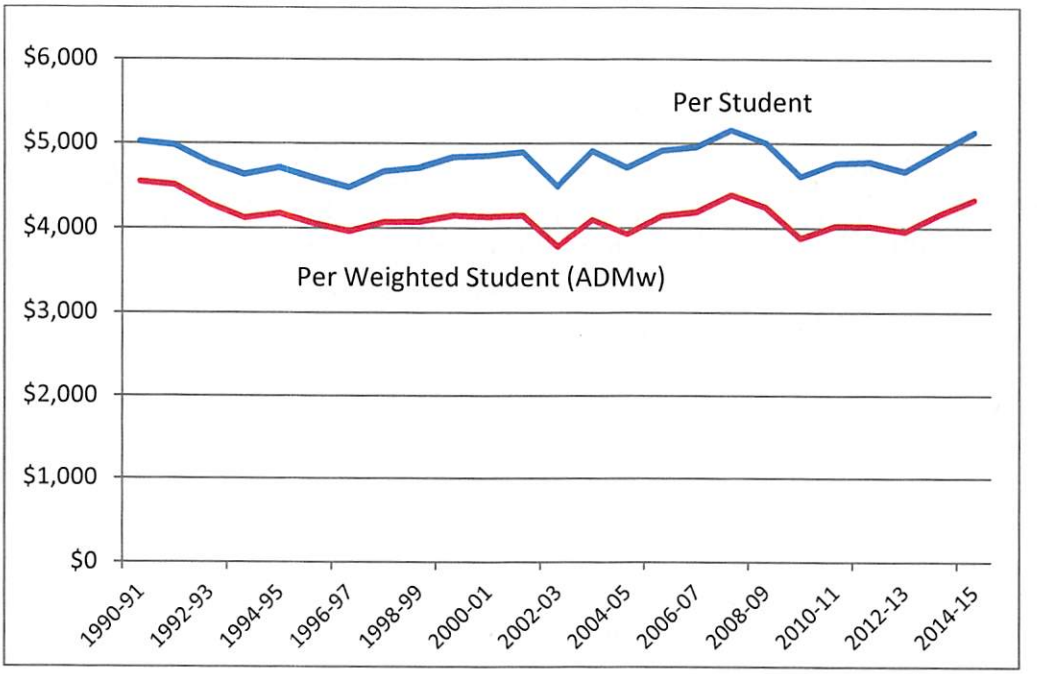


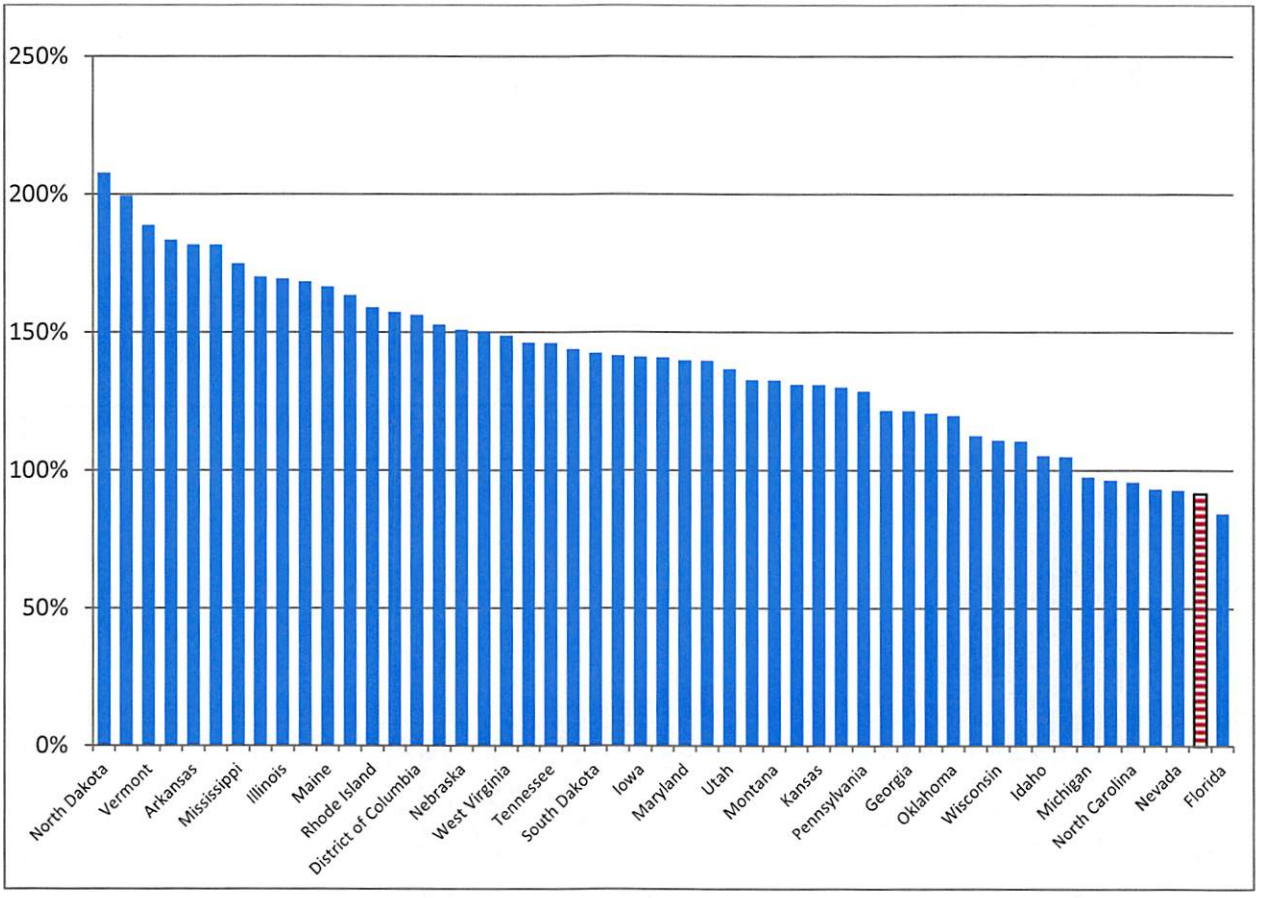
Exhibit 3 shows that inflation-adjusted funding per student and per-weighted student has fluctuated from year-to-year, but is essentially unchanged from its level in 1990-91, the year before Oregon's property tax limit known as Measure 5 took effect.

Comparisons to Other States

Spending per student in Oregon grew by 92% from 1990-91 to 2013-14. While that seems substantial, Exhibit 4 shows that increase ranked Oregon 2nd lowest among the 51 states and the District of Columbia, with only Florida having lower growth. Forty-four states had growth above 100% over that period, and 18 of those states had growth of over 150%.

Exhibit 4: Percentage Growth in Per Pupil Expenditures by State

1990-91 to 2013-14 (not adjusted for inflation)



As a result of this slow revenue growth, Oregon's rank in K-12 funding fell from 15th nationally in 1990-91 (Exhibit 5) to 30th in 2013-14 (Exhibit 6), falling from 106% if the national average to just 90%.[3]

[3] National Center for Education Statistics, Total Current Expenditures per Pupil https://nces.ed.gov/ccd/elsi/

Exhibit 5: Per Pupil Expenditures by State 1990-91 (not adjusted for inflation)

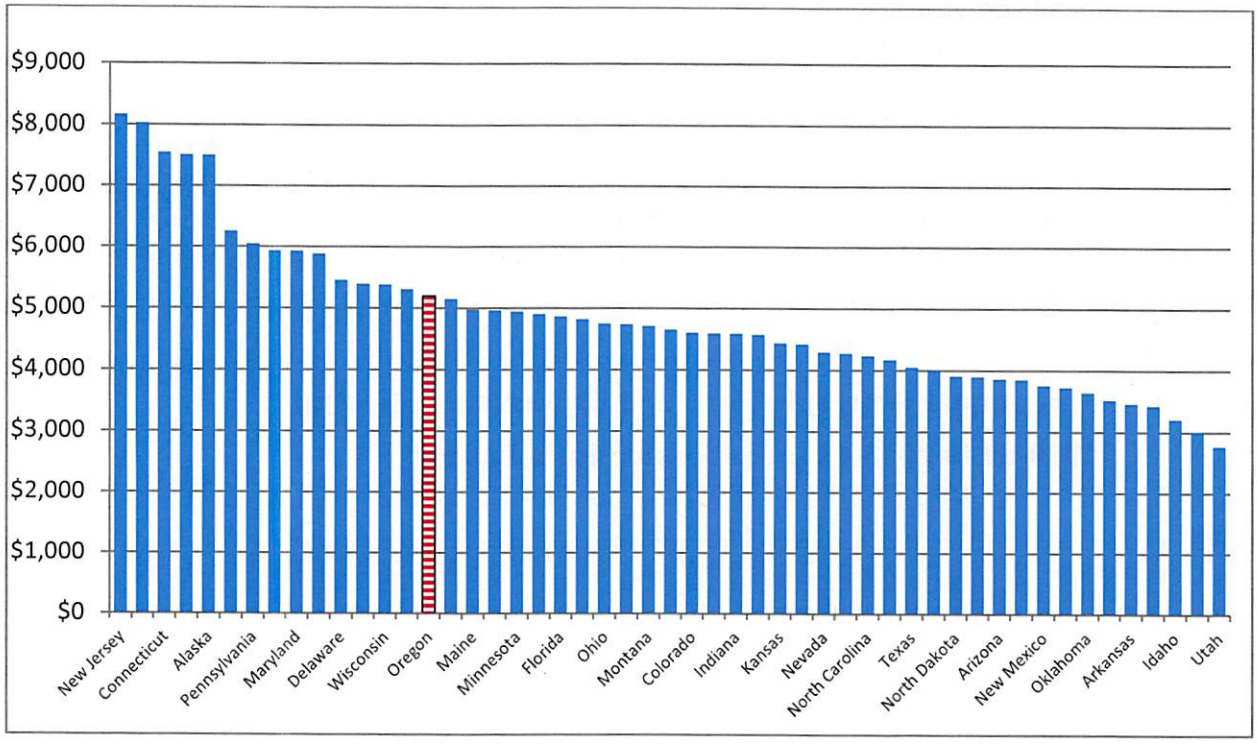
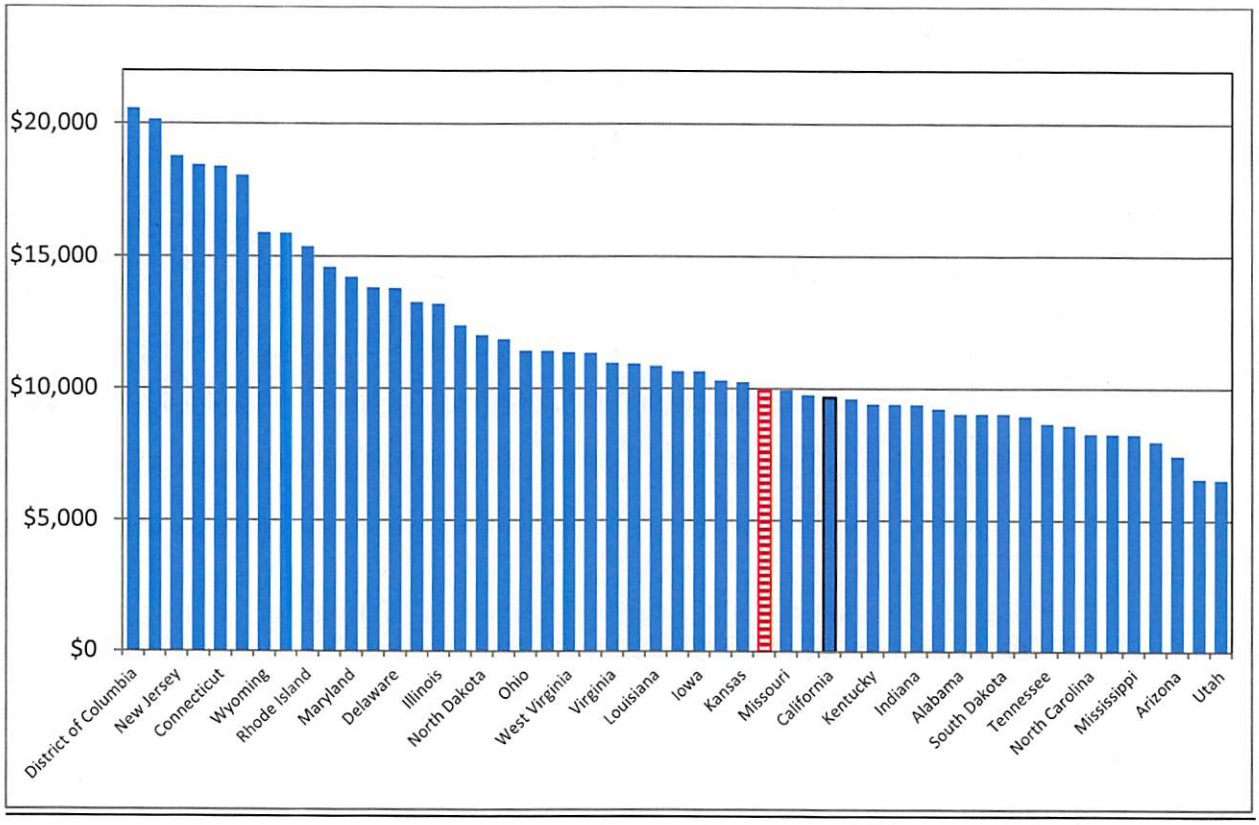


Exhibit 6: Per Pupil Expenditures by State 2013-14(not adjusted for inflation)



Oregon state tax revenue per student grew by more than 150% over that same period (14th highest). Added state revenues that need to go to K-12 after M5 passed and part of it is the slow growth of local property tax since M50. This at least partly explains why overall state revenue has grown faster than total school funding: declines and then slow growth in local school property taxes required more state money to education just to stay even.

Potential reasons for slow growth in revenue:

- K-12 education (education in general) not a priority (share of budget)
- Perception of adequacy created by CSL

Exhibit 8: Current Service Level, 1999-01 Service Level, and Actual Formula Funding