



Quality Education Model

Final Report

August 2018

Executive Summary

Quality Education
Commission



OREGON
**DEPARTMENT OF
EDUCATION**

Quality Education Commission

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Executive Summary

The Quality Education Model (QEM) was developed as a research and data-driven tool to evaluate educational practices and estimate the level of funding required to meet Oregon’s educational goals. The model provides information that promotes a more informed dialogue among policymakers, educators, the public, and other stakeholders, using national research as well as lessons learned from the analysis of Oregon schools. The Quality Education Commission, a legislative mandate, maintains and enhances the QEM and assists others using the model for policy analysis and has the goal of promoting better-informed decision-making that leads to better prepared students, a more equitable system, a more successful populous, and a more productive economy in the state.

The Quality Education Model continues to evolve so it can remain a useful guide to education policy. The Quality Education Commission has maintained its commitment to improving the model using national research and through ongoing analysis of the experiences in Oregon schools. The Quality Education Model will be most effective if it serves as a resource that promotes an informed and robust dialogue among educators, communities, and policymakers. To accomplish this:

- The Quality Education Model cannot simply be the mechanism used to quantify Oregon’s funding shortfall. The model’s greatest value lies in evaluating the costs and expected impacts on student success of specific policy proposals to help policymakers and educators make better decisions.
- The Commission must progress in its work evaluating the “inputs” to the K-12 system (Pre-K and other early education) as well as the “outputs” (readiness for college and other post-secondary training). The

knowledge gained will allow schools to help students navigate critical transition points in the system, where many students struggle.

- The State must continue to promote a balanced system of shared local and state education leadership. Decisions driven by individual schools and their communities are critical, but without a framework for implementing effective practices and processes, our schools and students cannot reach their full potential.

For this edition of the Quality Education Model Report, the Commission focuses less on specific educational practices and more on the structure of the educational system as a whole and the processes required to make it function more effectively in serving the broad range of student needs in Oregon schools.

Key Findings

Current funding is inadequate to meet Oregon’s ambitious educational goals

Oregon continues to fund its K-12 system at nearly two billion dollars less per biennium than is needed to run a system of highly-effective schools. Currently, Oregon ranks 29th nationally in funding per student, down from 15th in 1990-91, when Oregon passed the first of two property tax limitations that dramatically reduced local sources of revenue for schools. If Oregon were to fund its schools at the level recommended in this report, our national ranking would rise to approximately 18th, still lower than our ranking in 1990-91.

The funding gap has decreased, but is still large

The State School Fund requirement to fund K-12 schools at a level recommended by the QEC is estimated at \$10.734 billion in the 2019-21 biennium, \$1.963 billion

more than the funding required to maintain the Current Service Level—that is, to simply keep up with inflation and enrollment growth.¹ As Exhibit 1 shows, this funding gap rose from the prior biennium, (2017-19), when it was \$1.771 billion, but is lower than its peak in the

2011-13 biennium. The primary education cost drivers between the 2017-19 and 2019-21 biennia are the PERS rate (up 19.5%), health insurance costs (6.9%), teacher salaries (4.3%), and enrollment growth (0.9%).

EXHIBIT 1: Quality Education Model Funding Requirements

Dollars in Millions			
	2017-19	2019-21	2021-23
Current Service Level Total Funding Requirements from All Sources		\$15,817.9	\$16,956.6
Less: Local, Federal, and Non-State School Fund Sources		\$7,046.6	\$7,514.8
Equals: State School Fund Requirements for Current Service Level*	\$8,200.0	\$8,771.4	\$9,441.8
Percent Change from Prior Biennium		7.0%	7.6%
Fully-Implemented Quality Education Model Funding Requirements from All Sources		\$17,780.5	\$19,060.6
Less: Local, Federal, and Non-State School Fund Sources		\$7,046.6	\$7,514.8
Equals: State School Fund Requirements for Full Quality Education Model	\$9,971.1	\$10,733.9	\$11,545.8
Percent Change from Prior Biennium		7.7%	7.6%
Funding Gap: Amount Fully-Implemented Model is Above Current Service Level	\$1,771.1	\$1,962.6	\$2,104.0
Percent Change from Prior Biennium	-0.6%	10.8%	7.2%
Gap as a Percent of the Current Service Level	21.6%	22.4%	22.3%

*The 2017-19 amount is actual legislative appropriation to the State School Fund.

Exhibit 2 shows a history of the estimated funding gap since the 1999-01 biennium. The gap has grown from \$1.092 billion in the 1999-01 biennium to an estimated \$1.963 billion above the Current Service Level in 2019-21. In percentage terms, however, the gap has actually declined slightly since 1999-01, falling from 23.9 percent of the legislative appropriation in 1999-01 to 22.4 percent of the Current Service Level in 2019-21. This is after hitting a peak of 38.0 percent in 2011-13. The recent decline in the funding gap is encouraging, but more progress is needed if Oregon is to meet its educational goals.

1 The Current Service Level used in the Quality Education Model is the one estimated for the legislative budgeting process and is based on the level of funding appropriated by the legislature. Estimates of the Current Service Level made by other groups, in contrast, are typically based on school district spending, not revenue, resulting in estimates that are different than the one shown here. Historically, the estimates made by other groups have been higher than the one estimated for the budgeting process.

EXHIBIT 2: Gap Between QEM and Actual State Funding

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%
2019-21	\$10,733.9	\$8,771.4	\$1,962.6	22.4%

*For 2019-21 the amount is the estimated Current Service Level since the legislative appropriation had not yet been made at the time this report was published.

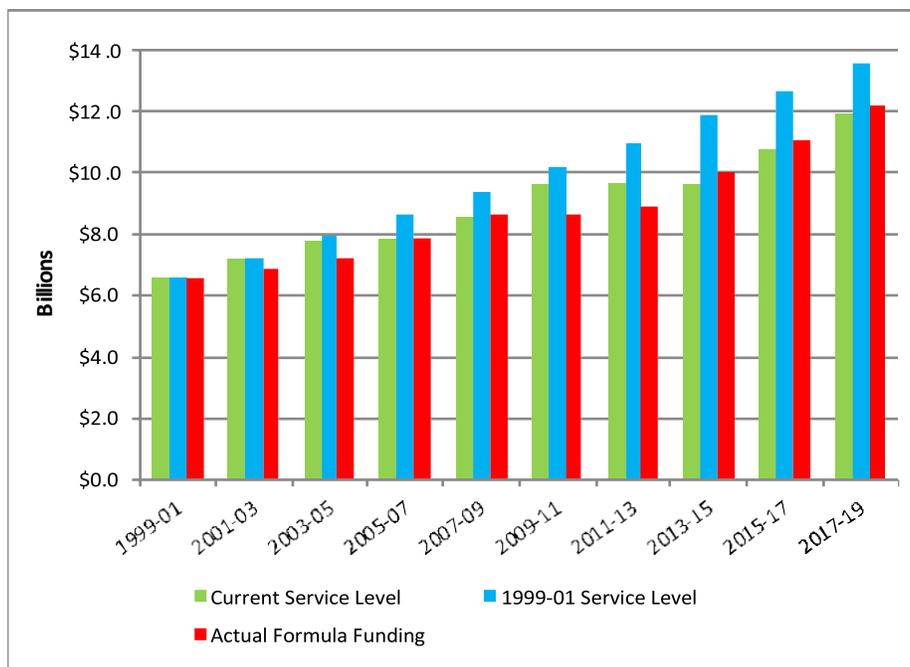
The methodology Oregon uses to determine funding levels during the budget process may also contribute to the slow growth in school funding. Before each long legislative session, budget analysts estimate the “Current Service Level” (CSL) for K-12 funding. The CSL is the amount of funding required in the coming biennium to provide the same level of educational services as provided in the current biennium.² That is, the CSL adjusts for inflation and enrollment growth to prevent erosion of services over time but does not ensure that funding levels meet adequacy targets from one biennium to the next. It “rolls forward” the level of funding from the prior biennium, even if that level is inadequate.

This process may be misleading when actual funding in a given biennium falls short of the estimated CSL. When this occurs, the lower level of actual funding becomes the base for the CSL calculation for the next biennium, resulting in a “ratcheting down” of the education budget.

(Exhibit 3). Funding can also “ratchet up” when actual funding is higher than the CSL, and that happened in the 2013-15, 2015-17, and 2017-19 biennia. Ratcheting up, however, is less common than ratcheting down, and the gains from ratcheting up are far smaller than the losses from ratcheting down. The result is that actual funding (the red bar) is considerably lower in the 2017-19 biennium than it would be if it had simply kept up with inflation and enrollment growth since 1999-01 (the blue bar).

² The process uses funding in the second year of the current biennium as the starting point for estimating the Current Service Level for the coming biennium.

EXHIBIT 3: Current Service Level, 1999-01 Service Level, and Actual Formula Funding*



*Includes revenue from the State School Fund and from local property taxes and other local sources

Oregon’s high school graduation rate continues to rise, but slowly. More funding can make a difference.

Oregon’s on-time high school graduation rate increased to 76.7 percent in 2016-17, up from 74.8 percent in the prior year. That is good news, but it will take substantial further increases if Oregon is to meet its educational goals, and additional funding is a key part of making that happen. Recent analysis by the Oregon Department of Education (ODE) uses the results of two recent national studies to estimate the impact of increased funding on graduation rates. The key findings from those studies were:

- A 10 percent increase in per-pupil expenditures resulting from adequacy-focused school-reform legislation leads to an estimated 10 percentage point increase in the probability of graduation for students from economically disadvantaged families and a 2.5 percentage point increase for non-economically disadvantaged students.
- An additional \$1,000 of annual per-pupil spending has an impact over two times greater than the per-dollar impact of class size reduction found in Tennessee’s Project Star class size experiment.

Oregon can improve student outcomes considerably by helping districts and schools create more effective continuous improvement processes.

Additional funding alone is not sufficient for significant increases in academic outcomes for Oregon students. In addition, Oregon needs to create a system of continuous improvement for its schools that is sensitive to the specific circumstances of individual schools, is flexible enough to change as circumstances change, and results in effective practices and processes being incorporated into the daily routines of every school.

Such a system has seven key elements. It is grounded in a **shared vision** about what a school wants to accomplish and a **common understanding of the problems to be solved**. It is based on a common set of principles and processes that are adapted to the particular circumstances in that particular school. At the center are **effective teachers**, and around them are the support systems that allow learning to happen. This includes **strong and stable leadership** by principals and teacher leaders and **coordinated support by other staff, community partners, and parents**. Such a system also includes a common and coherent set of practices and

processes with enough flexibility that each district and school can adapt to its specific student needs.

Taken together, these elements can create a school culture that promotes excellence and helps keep the vast majority of students fully engaged in their learning. It helps nurture meaningful relationships between students and teachers and, by not being rigidly tied to a particular set of programs, is adaptable to changing circumstances and to the needs of particular schools and individual students.

Recommendations

1. **Increase funding to the level of the fully-implemented Quality Education Model.** As an alternative to fully funding the QEM all at once, the legislature could phase in funding over time—for example over a 3-biennia (6-year) period. This would require an increase in the State School Fund of 16 percent each biennium through 2023-25. As the first installment on a phase-in plan, the legislature should appropriate at least \$9.5 billion to the State School Fund for the 2019-21 biennium, with the intent of increasing funding each biennium to reach full QEM funding by 2023-25.
2. **Continue efforts to increase spending for high-quality Pre-K programs.** Research shows high-quality Pre-K has a large impact on later success in school and in adult life.
3. **Raise more revenue.** Despite education being the single largest area of spending in Oregon’s budget, education funding in Oregon continues to be about 9 percent below the national average. That is a dramatic decline from 1990-1991, prior to Oregon’s Measure 5 and 50 property tax limitations, when Oregon was 6 percent **above** the national average. Those property tax limitations, along with a long-term decline in the share of revenue coming from the corporate income tax, have made Oregon into a relatively low-tax state.³ If the legislature is to fund schools adequately without diminishing the state’s ability to fund
 4. **Help districts and schools develop Networked Improvement Communities.** These networks provide a framework for creating coherent systems and processes for long-term school improvement. Because circumstances and needs differ among schools, districts should make sure the locus of decision-making is at the proper level—decisions about matters that are truly district-wide can be made centrally, but decisions about matters that depend on school-specific context and conditions should be made by individual school leaders.
 5. **Pay more attention to equity:** All Oregon students deserve a chance to succeed in school, but many of our highest-need students will be left behind if the schools serving those students do not have sufficient resources. School districts must pay attention to how they allocate resources to individual schools to make sure the distribution of resources takes into account the varying student needs of different schools. Schools should also do the following to promote equitable outcomes:
 - Start early to assure that all students read at grade level by the third grade by utilizing best practices and intentional collaboration with the early learning community. The State’s increased investment in Pre-K programs and full-day kindergarten is a good start.
 - Continue their efforts to provide more individualized instruction time, particularly for struggling students. To make that time most productive, schools must promote teacher collaboration that focuses on the needs of individual students.
 - Promote a culture of learning that is responsive to the needs of minority students and student from low-income families.
 - Increase efforts to recruit teachers of color to teach in Oregon schools.

³ Taxes in Oregon represent 9.85 percent of the state’s Personal Income, while the national average is 10.08 percent. Oregon ranked 26th highest in 2015 while we ranked 13th highest in 1991. <http://www.taxpolicycenter.org/statistics/state-and-local-tax-revenue-percentage-personal-income>

- Seek out community partners that can assist with challenges students face outside of school.
- Increase efforts to improve attendance by working with families and by increasing efforts to improve student engagement.
- Evaluate the different needs of urban and rural schools to make sure Oregon’s funding, school support, and other systems are able to serve the needs of both. Because rural schools have few, if any, opportunities to collaborate with community partners, added support from their districts, ESDs, and the state may be needed.
- Build on the work done for the African American/Black Student Success Plan⁴ and the American Indian/Alaska Native Education State Plan⁵ to develop strategies to improve outcomes for historically underserved student populations.

4 African American/Black Student Success Plan <https://www.oregon.gov/ode/students-and-family/equity/AfricanAmericanBlackStudentEducation/Documents/aabsSuccessPlan.pdf>

5 Oregon American Indian/Alaska Native Education State Plan 2015 <https://www.oregon.gov/ode/students-and-family/equity/NativeAmericanEducation/Documents/Final-oregon-american-indian-alaska-native-state-plan%20Mar%202017.pdf>

