



## Oregon Continues to Underfund K-12 Education

### More Funding is Needed to Implement Effective Student-Focused Practices

Oregon's Quality Education Commission (QEC) is charged with identifying best practices that support and improve student achievement and estimating the cost of implementing those practices. Ensuring student success requires broad and aligned investments in student-focused practices, or those attentive to individual student needs.

Several efforts to define student achievement and success can shed light on promising practices and sustainable processes of implementation that, with associated increased funding, could help the state reach its goals. For instance, the Legislature's Joint Committee on Student Success is meeting with communities across the state to identify policy and practice recommendations for education. Additionally, the [Chief Education Office's 2017 Graduation Report](#) proposed a community-based, student-focused model to meet education goals.

However, for many years, the state has found it difficult to fund K-12 schools at the needed investment level. A persistent gap in the QEC's recommended funding level to improve student achievement and what Oregon has been able to fund has resulted in year-over-year growth in per-student spending in Oregon that significantly lags other states.

Oregon is at a critical juncture. Its communities are calling for equitable practices, relationships, partnerships, and relevance within the education system, both for students and their families. While Oregon has made modest gains in student outcomes in recent years, more significant change is

needed to ensure every student graduates from high school with a plan for the future. Increased investment in the education system by the state, as well as the prioritization of resources toward sustainable implementation of effective practices by boards and district leaders can ensure Oregon's students achieve success.

### Promising Student-Focused Practices

The 2017 Chief Education Office Graduation Report includes promising initiatives proposed by more than 1,000 Oregon students, parents, educators, community members, and education partners.<sup>1</sup> The recommendations focus on *equity* (in both practices and outcomes), *relationships*, *partnerships*, and *relevance*. Recommendations include investment in culturally responsive practices, diversification of the workforce, increased access to early learning, increased wrap-around services, and relevant curriculum. The initiatives provide a framework for investment in an integrated and aligned education system, from birth to career.

The QEC uses the Quality Education Model (QEM) to estimate adequate funding required to meet Oregon's education goals, such as higher graduation rates. The QEM focuses on school-level resources needed to help students succeed, including educator professional development, additional instructional time, adequate staffing (including smaller class sizes, as well as counselors and other staff), and collaboration time for teachers.

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<sup>1</sup> [What Will It Take to Improve Oregon's Graduation Outcomes?](#), Oregon Chief Education Office, January 2017



### Oregon’s Revenue System Falls Short

Investment in student-focused practices requires both attention to sustainable implementation processes and adequate funding of the State School Fund (SSF). Over the past two decades, Oregon has faced several challenges in reducing the funding gap for K-12 education. Oregon’s state and local tax system, with slow-growing property taxes, volatile personal income taxes, and corporate income taxes shrinking as a share of total state revenue, makes it difficult to provide for both well-funded schools and other important public services.

The slow growth in education funding is partly the result of the state having to replace lost local property tax revenue from Measures 5 and 50 — property tax limitation measures passed in the 1990s. Another factor is the decline in the share of the income tax revenue contributed by corporations, falling from an average of 16 percent in the 1970s to 7 percent today. Without substantial new revenue sources, K-12 schools have had to compete with other state programs, resulting in declining funding for K-12 schools, when adjusted for inflation and changing student needs, over the past 25 years.

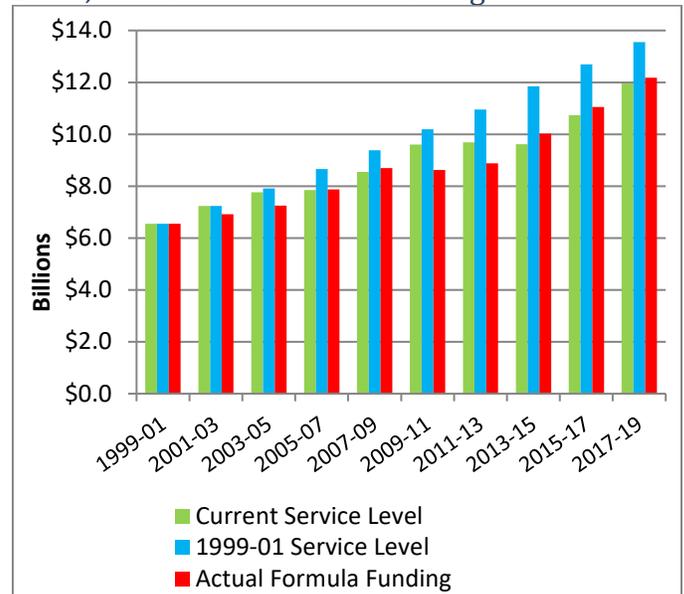
### Current Service Level Estimates of Funding Needs

The methodology Oregon uses to determine funding needs 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.<sup>2</sup> 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 1).

Exhibit 1: Current Service Level, 1999-01 Service Level, and Actual Formula Funding



In the 2001-03, 2003-05, 2009-11, and 2011-13 biennia, actual funding (the red bar) fell short of the amount needed to offset inflation and enrollment growth. As a result, estimates for the CSL for the next biennium (the green bar) use that diminished level of actual funding as a starting point.

<sup>2</sup> 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.



This method of calculating the CSL may lower expectations for future funding when actual funding falls short. To illustrate the cumulative impact of this, the blue bar in Exhibit 1 depicts the level of funding that would have been required to maintain the level of services provided in the 1999-01 biennium; that is, to keep the CSL at a fixed point in time rather than basing it on the prior biennium’s actual funding.

The difference is substantial. In the 2017-19 biennium, the official CSL based on the actual funding level in 2015-17 was \$11.95 billion, while the amount based on the 1999-01 service level was \$13.55 billion — a difference of \$1.6 billion.<sup>3</sup> Basing the CSL on prior year actual funding—even when actual funding falls short of needs—may result in the appearance of funding K-12 schools more adequately than actually occurs.

### The Quality Education Model Provides an Evidence-Based Approach

Rather than simply looking at funding in prior periods, the Quality Education Commission uses evidence-based research to determine the inputs required to run a system of highly effective schools. Calculations based on those inputs estimate the level of funding necessary to achieve Oregon’s education goals. Using the Quality Education Model, which combines high-quality research with detailed data on Oregon schools, the Commission estimates an appropriate funding level, not just a “rolling forward” of prior funding as the CSL does. Exhibit 2 shows how the QEC estimates compare to the actual funding provided by the legislature.

Exhibit 2: State School Fund Shortfall

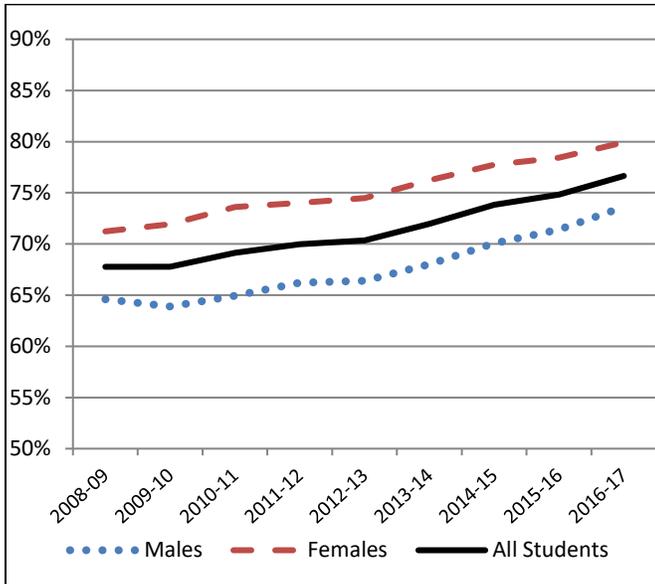
Dollars in Millions				
Biennium	QEM Full Funding	Legislative Appropriation	Gap	Percent Gap*
1999-01	\$5,654.2	\$4,562.0	\$1,092.2	23.9%
2001-03	\$6,215.6	\$4,573.9	\$1,641.7	35.9%
2003-05	\$6,659.2	\$4,907.6	\$1,751.6	35.7%
2005-07	\$7,096.7	\$5,305.2	\$1,791.5	33.8%
2007-09	\$7,766.2	\$6,131.0	\$1,635.2	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%

\* Gap as percent of legislative appropriation

The 2017 Oregon Legislature appropriated \$8.20 billion for K-12 schools for the 2017-19 biennium. While representative of a higher investment than previous biennia, this appropriation minimally covers educational cost increases related to inflation and enrollment growth. This appropriation falls short of the \$9.97 billion appropriation recommended by the Quality Education Commission (QEC), representing a funding gap of \$1.77 billion, or 22 percent.

<sup>3</sup> These amounts include funding from all sources, not just the State School Fund.

Exhibit 3: Statewide Graduation Rate\*



\* Starting in 2013-14, students who earned their diplomas but had not yet received them are counted as graduates, as are students receiving Modified Diplomas. In this exhibit, graduation rates in prior years are adjusted to include those students so the rates are comparable over time.

### Graduation Rates Are Still Increasing, But Slowly

Despite the pattern of underfunding, Oregon’s public schools have made steady gains in graduation rates. For the class of 2016-17, Oregon’s graduation rate was 76.7 percent, up from 74.8 percent in 2015-16 and from 68.0 percent in 2008-09 (Exhibit 3).<sup>4</sup> Oregon’s four-year high school graduation rate has grown steadily since 2008-09, the first year that the federally required cohort method was used to

calculate the rate.<sup>5</sup> Research over the past eight years by the QEC points to improved instructional practices and more personalized education for students as factors in improving graduation rates.<sup>6</sup> Findings from statewide community visits, outlined earlier, also highlight a need for personal and pointed outreach to students, youth, parents, and families, including building relationships, integrating culturally responsive practices, providing wrap-around services, and focusing on equity.

While the graduation rate growth is encouraging, it is modest relative to Oregon’s goal of having all students graduate from high school by 2025, and meeting that goal seems unlikely if recent funding trends continue. Inflation-adjusted funding per student and per weighted student fell considerably in the years following the passage of Measure 5 in 1990, again in the recession of the early 2000s, and yet again in the most recent recession between 2007-08 and 2010-11 (Exhibit 4).<sup>7</sup> In the coming school year (2018-19), we estimate inflation-adjusted funding per weighted student to be about 8 percent lower than it was in 1990-91.

The improvement in the graduation rate despite flat funding means that Oregon schools have become more efficient, improving outcomes without additional resources. To continue this progress and to ensure students are appropriately supported in their progress toward graduation and beyond, Oregon needs more investment in policies, practices, and processes that prioritize individual

<sup>4</sup> 2008-09 was the first year that graduation rates were calculated using the “cohort” method, so rates prior to 2008-09 are not directly comparable to the rates presented here.

<sup>5</sup> The cohort method follows a group of students from the 9<sup>th</sup> grade through 5 years to determine if they graduate on time (within 4 years), graduate within 5 years, or do not graduate. The cohort is adjusted for students transferring in and out of the state’s public schools.

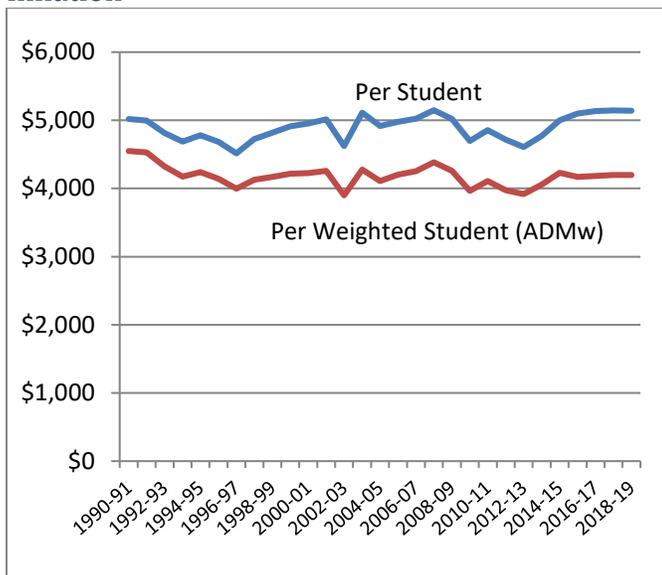
<sup>6</sup> [Quality Education Commission webpage](#)

<sup>7</sup> Weighted students is a measure used in allocating funds to Oregon school districts. It takes into account the higher costs of serving students with higher needs by giving those students added weights in the state’s funding formula. Because it considers the differential needs of students, weighted students provides a better measure of overall funding needs that does a simple count of students.



student needs. Without additional resources and strategic and sustainable processes for implementation, Oregon is unlikely to see enough improvement in student outcomes to meet its goals.

Exhibit 4: Operating Revenue Adjusted for Inflation\*



\* 1990-91 dollars. 2017-18 and 2018-19 are estimates based on legislatively approved funding.

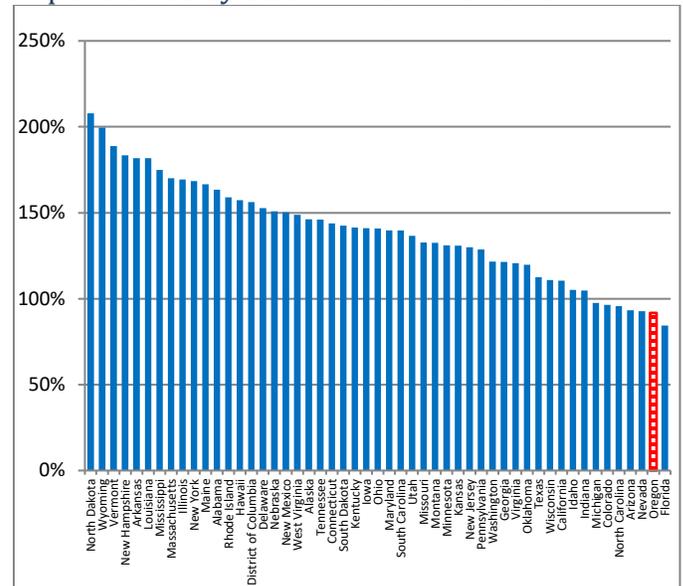
### Comparisons with Other States

Spending per student in Oregon, not adjusted for inflation, grew by 92 percent from 1990-91 to 2013-14.<sup>8</sup> While that appears substantial, Exhibit 5 shows that Oregon ranked second lowest among the 50 states and the District of Columbia, with only Florida having slower growth (Oregon is shown in red). Forty-four states had growth above 100 percent over that period, and 18 of those states had growth of more than 150 percent.

As a result of this slow revenue growth, Oregon's rank in K-12 funding per student fell from 15<sup>th</sup>

nationally in 1990-91 (Exhibit 6) to 30<sup>th</sup> in 2013-14 (Exhibit 7), decreasing from 106 percent of the national average to just 90 percent.<sup>9</sup>

Exhibit 5: Percentage Growth in Per Pupil Expenditures by State: 1990-91 to 2013-14



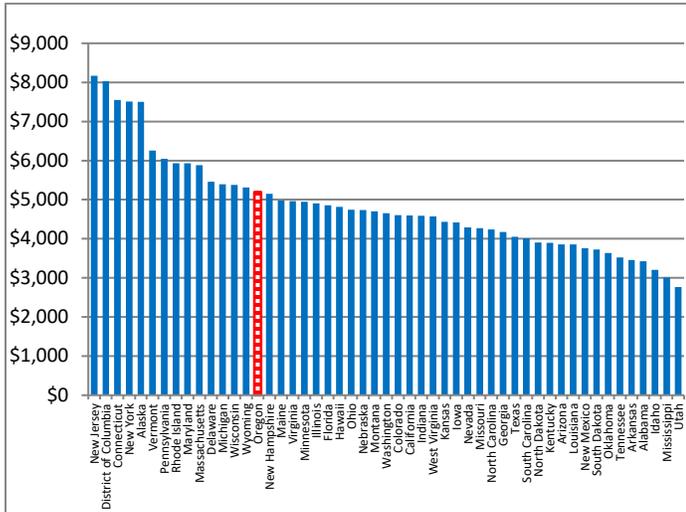
While Oregon's per-student funding coming from state sources grew by more than 150 percent over that same period (14<sup>th</sup> highest in the nation), local property tax cuts and slower taxable value growth have not kept total K-12 funding in line with other states. As state money was used to backfill local property tax reductions, other states were able to increase their total funding for schools at higher rates, leaving Oregon further behind.

<sup>8</sup> 2013-14 is the latest per student spending data available for all states from the U.S. Department of Education, National Center for Education Statistics.

<sup>9</sup> [National Center for Education Statistics](#), Total Current Expenditures per Pupil



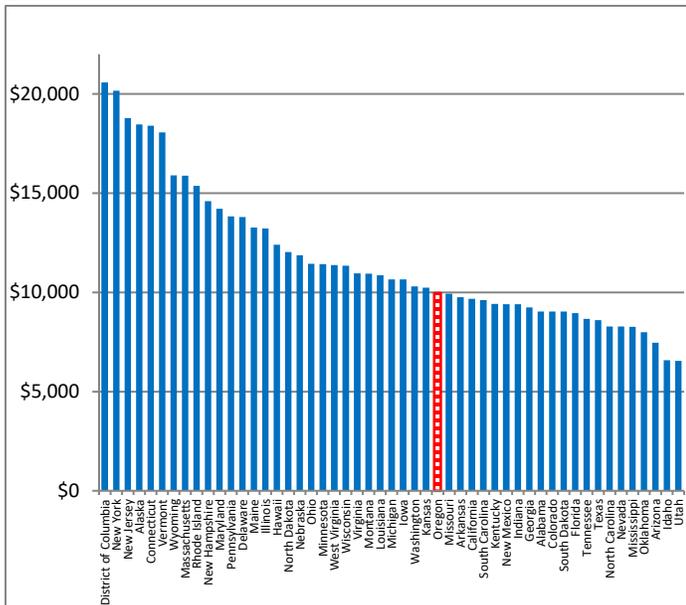
Exhibit 6: Per Pupil Expenditures by State 1990-91



from reallocation of existing resources to education to creating new revenue sources.

Oregon’s schools have steadily improved graduation rates over the past decade, despite fewer resources. But unless we sustain implementation of student-focused practices in K-12 education, Oregon is likely to continue to lag other states, both educationally and economically. Additional investment of resources in our schools is necessary to reverse this trend and set up our students for success.

Exhibit 7: Per Pupil Expenditures by State 2013-14



### Policy Options

Policymakers have several options for responding to the funding shortfall and ensuring attention to student-focused practices. These options range