



January 2018

**Joint Interim Special  
Committee on Public  
Education Appropriation**

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Report on Adequacy of  
Public Education Funding  
As Required by Article VIII,  
Section 8, of the Oregon  
Constitution  
  
2017-2019 Education Budget

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## Requirements of Ballot Measure 1 and Committee Charge

The purpose of this report is to address the requirements in Ballot Measure 1 (November, 2000) and the statutes specifying the content of the reporting requirements (ORS 171. 857). Ballot Measure 1 requires the Legislative Assembly appropriate public education sufficiently to meet quality goals established by law, and requires publishing a report that demonstrates the sufficiency or insufficiency of funds. ORS 171.857 specifies the amount of money deemed ‘sufficient’ depends on the Quality Education Commission and their findings. If the amount is insufficient, then the report shall include the extent of the insufficiency and the impact of the insufficiency on the state’s ability to meet quality goals. The report shall identify how the amount may affect best practices and student performance. The statute addresses public post-secondary education by requiring the legislative assembly discuss funding of quality goals, if quality goals for post-secondary education exist in statute.

Oregon voters enacted Ballot Measure 1 in November 2000.

*The Legislative Assembly shall appropriate in each biennium a sum of money sufficient to ensure that the state’s system of public education meets quality goals established by law, and publish a report that either demonstrates the appropriation is sufficient, or identifies the reasons for the insufficiency, its extent, and its impact on the ability of the state’s system of public education to meet those goals.<sup>1</sup>*

The 2001 Oregon Legislative Assembly enacted ORS 171.857 specifying the content of the report. The statute reads, in part:

*. . . The Legislative Assembly in the report shall [:] [d]emonstrate that the amount within the budget appropriated for the state’s system of kindergarten through grade 12 public education is the amount of moneys as determined by the Quality Education Commission . . . that is sufficient to meet the quality goals; or [i]dentify the reasons that the amount appropriated for the state’s system of kindergarten through grade 12 public education is not sufficient, the extent of the insufficiency and the impact of the insufficiency on the ability of the state’s system of kindergarten through grade 12 public education to meet the quality goals. In identifying the impact of the insufficiency, the Legislative Assembly shall include in the report how the amount appropriated in the budget may affect both the current practices and student performance identified by the commission . . . and the best practices and student performance identified by the commission. . . .*

With regard to post-secondary public education, ORS 171.857 states:

*The Legislative Assembly shall identify in the report whether the state’s system of post-secondary public education has quality goals established by law. If there are quality goals, the Legislative Assembly shall include in the report a determination that the amount appropriated in the budget is sufficient to meet those goals or an identification of the reasons the amount appropriated is not sufficient, the extent*

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<sup>1</sup> Article VIII, Section 8(1), Oregon Constitution.

*of the insufficiency and the impact of the insufficiency on the ability of the state's system of post-secondary public education to meet those quality goals.*

In 2008, *Pendleton School Dist. v. State of Oregon*<sup>2</sup> brought 18 school districts and 7 public school students seeking a declaratory judgment requiring that the Legislative Assembly fund the Oregon public K-12 school system at a level sufficient to meet the quality educational goals established by law and a mandatory injunction directing the Legislative Assembly to appropriate the necessary funds. The trial court granted summary judgment against the plaintiffs, and the Court of Appeals affirmed. The Court of Appeals ruled in 2009 that “the legislature has failed to fund the Oregon public school system at the level sufficient to meet the quality education goals established by law and that plaintiffs were entitled to a declaratory judgment to that effect. However, we also conclude that, in adopting Article VIII, section 8, Oregon voters did not intend to achieve the level of funding required in that constitutional provision through judicial enforcement.”<sup>3</sup>

The Joint Interim Special Committee on Public Education Appropriation scheduled three meetings during the 2017-2018 interim to decide when to draft, edit and adopt the report.

- On October 30, 2017, the committee met to receive an overview of Ballot Measure 1 and previous reports, and receive input from agencies and co-chairs of the Quality Education Commission (QEC). The information provided from agencies included the sufficiency level for the Quality Education Model, adopted and appropriated budget, and funding level of public education.
- On November 14, 2017, the committee met to review the draft report and discuss needed changes. The committee recommended changes based on their review and input from stakeholders.
- On January 3, 2018, the committee met to review the changes and adopt the report.

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<sup>2</sup> *Pendleton School Dist. v. State of Oregon*, 220 Or. App 56, 185 P3d 471 (2008).

<sup>3</sup> *Pendleton School Dist. v. State of Oregon*, 345 Or 596, 200 P3d 133 (2009).

## **K-12 Quality Education Goals and Quality Education Commission**

### **Oregon's Education Quality Goals**

“Quality goals” for kindergarten through grade 12 (K-12) public education are specified in ORS 327.506, that references goals in the Oregon Educational Act for the 21<sup>st</sup> Century statutes found in ORS chapter 329.<sup>4</sup> These goals include:

- (a) To equip students with the academic and career skills and information necessary to pursue the future of their choice through a program of rigorous academic preparation and career readiness;
- (b) To provide an environment that motivates students to pursue serious scholarship and to have experience in applying knowledge and skills and demonstrating achievement;
- (c) To provide students with the skills necessary to pursue learning throughout their lives in an ever-changing world; and
- (d) To prepare students for successful transitions to the next phase of their educational development.<sup>5</sup>

### **Quality Education Commission**

In 1997, then Speaker of the House Lynn Lundquist created a council to outline an approach to determine the cost of a quality K-12 public education. This effort was endorsed by Governor John Kitzhaber and subsequently codified by the Legislative Assembly in 2001. The council became the Quality Education Commission (QEC).

Under ORS 327.506, the QEC is directed to:

1. Determine the amount of moneys sufficient to ensure that the state's system of K-12 public education meets the quality goals.
2. Identify best practices that lead to high student performance and the costs of implementing those best practices in the state's K-12 public schools.
3. Issue a report to the Governor and the Legislative Assembly, prior to August 1<sup>st</sup> of each even-numbered year, that identifies:
  - Current practices in the state's system of K-12 public education;
  - Costs of continuing current practices;
  - Expected student performance under current practices;
  - Best practices for meeting quality goals;

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<sup>4</sup> ORS 329.007 (Definitions), ORS 329.015 (Educational goals), ORS 329.025 (Characteristics of school system), ORS 329.045 (Revision of Common Curriculum Goals, performance indicators, diploma requirements, Essential Learning Skills and academic content standards; instruction in academic content areas), and ORS 329.065 (Adequate funding required). The full text of these statutes can be found in Appendix A.

<sup>5</sup> ORS 329.015

- Costs of implementing best practices;
- Expected student performance under best practices;
- At least two alternatives for meeting quality goals.

The Quality Education Model (QEM) was first developed in 1999 as a tool to meet the responsibilities of the QEC and to depict Oregon’s K-12 education system with sufficient detail and accuracy to assist policy makers in understanding (1) how schools allocate their resources, (2) how various policy proposals affect funding needs, and (3) how the level of resources provided to schools is expected to affect student achievement. The QEM today combines a “Costing Model” which estimates the cost of a set of inputs to run a “highly effective system of schools”, and a “Student Achievement Model” which estimates the effect of initiatives and programs on student outcomes. The QEM uses the concept of prototype schools (elementary, middle and high schools) to estimate the resources required to meet academic standards and performance goals. The characteristics of these prototype schools reflect literature-based staffing needs, sufficient funds for this staffing, professional educator development, operations and maintenance costs, and other factors that affect student outcomes and costs. The schools also assume a student population that reflects the characteristics of the statewide population of students (e.g. special education, English Language Learners, students in poverty). The prototype schools are not intended to be prescriptive nor are schools required to expend funds as recommended by the QEM.<sup>6</sup>

The QEM is updated every two years and generally reflects the most recent data available as well as the most recent research relevant to improving student outcomes. More detail on the QEM can be found in the report released every even-numbered year. The Oregon Department of Education (ODE) staffs the QEC and the QEM reports can be found on the ODE’s website.<sup>7</sup> A description and staffing requirements of each of the three prototype schools are included in Appendix B of this report.

The 2016 report of the QEC indicated that the QEM model generated an estimated required allocation for the State School Fund for the 2017-19 biennium of \$9.97 billion. This amount was determined by first determining the cost of the fully implemented model based on the projected student enrollment and the use of the costs generated by QEM for the prototype schools. This amount was \$15.90 billion for 2017-19. Then a number of adjustments were made including adding the estimated spending amount for Education Service Districts (ESDs) and the additional costs associated with special education students with high-cost disabilities, bringing the estimated total cost to \$17.06 billion. Estimated non-State School Fund revenues were then subtracted including property taxes, PERS side accounts earnings, food service receipts, resources from federal grants, local option taxes, grants, and other revenues. The resulting amount is then assumed to be the amount the State School Fund must contribute to reach the \$17.06 billion the QEM generated for fully implementing the model. That estimated State School Fund amount is \$9.97 billion for 2017-19.

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<sup>6</sup> Quality Education Commission. *Quality Education Model*, 2016, pg 61-63. Descriptions of prototype schools are available in Appendix B.

<sup>7</sup> Oregon Department of Education. *Reports and Data*. <<http://www.oregon.gov/ode/reports-and-data/Pages/default.aspx>>

As noted above, the QEC is directed to provide at least two alternatives for meeting quality goals. The 2016 report included the following two alternatives.<sup>8</sup>

**Alternative 1:** The first alternative is to phase in the provisions and funding requirements over five biennia (10 years). Assuming this strategy is continued, it would require full funding by the 2027-2029 biennium, and require the Legislative Assembly appropriate \$9.1 billion to the State School Fund for the 2017-2019 biennium. The Legislatively Assembly appropriated \$8.2 billion to the SSF for the 2017-2019 biennium.

**Alternative 2:** The second alternative in the QEM report is to increase funding for pre-K programs and full day kindergarten. Funding for full day kindergarten is now factored into the State School Fund. The research done by the QEC shows that increasing funding at an early age will have a positive impact on future success. Research indicates that preparing students before they enter kindergarten will improve their performance outcomes in the K-12 system, and a key component is whether children participate in a pre-kindergarten program. The nature and quality of the pre-kindergarten program is a key aspect to children's early years.

The QEC indicated in their report that interest in pre-kindergarten among policy makers has expanded in the last two decades. The research indicates that having high quality pre-kindergarten programs have large impacts on later life. Providing high quality pre-kindergarten programs for low-income families has the potential to improve student and adult outcomes. Evidence suggests that the development of social emotional skills in young children has a positive impact on school performance and follows into adulthood. This is especially true for disadvantaged children.<sup>9</sup>

In working with the Oregon Department of Education (ODE) and Early Learning Division, the QEC is in the early stages of developing a pre-kindergarten component to incorporate into the QEM. The 2016 QEM report indicates the following:<sup>10</sup>

The purpose of looking at pre-kindergarten experiences in the context of the QEM is two-fold:

- First, better understanding the experience of children prior to their entering kindergarten will provide valuable information on the type and level of resources required in kindergarten and the early elementary grades in order to better serve those students. As Oregon devotes additional resources to improving the quality of pre-kindergarten programs, and makes them more available to low-income families, programs in our elementary schools will need change.
- And second, understanding how pre-kindergarten programs influence later student success will help guide policymakers in making decisions about resource allocations to the various levels of the education continuum—from health programs for infants and small children to pre-kindergarten programs to the K-12 system to higher education. By better understanding the impacts of programs at each of these levels, policymakers can allocate resources in a way that results in the best outcomes for the greatest number of Oregon's young people.

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<sup>8</sup> Quality Education Commission. *Quality Education Model*, 2016, pg. 12-13

<sup>9</sup> Quality Education Commission. *Quality Education Model*, 2016, pg. 58

<sup>10</sup> Quality Education Commission. *Quality Education Model*, 2016, pg. 58

Based on the recommendations of the QEC’s Best Practices Panel (‘Panel’) contained in the 2016 report, the Commission recommended districts pursue the following strategies:<sup>11</sup>

- **Continue to explore new strategies.**

The Panel found that the Commission should explore stories of successful schools using new data; explore alternative measures to define graduation, success in college and career readiness; and use a targeted focus. In the next round of case studies, the QEC should focus on larger high schools, rural schools, tribal schools, charter/alternative schools, and schools with large Hispanic populations.

- **Survey Oregon teachers**

The Panel recommends a statewide survey examining the development of teacher effectiveness to determine the breath of practice and whether these practices correlate with metrics of college and career readiness at the school level and the cost of this. Also, the Panel suggested the need for discovering the amount of money necessary to scale-up teacher driven cycles of improvement. It is recommended this amount should be incorporated into the QEM.

- **College and career readiness research**

The panel recomends the QEC implement the next phase of best practices research involving high schools, community colleges, and four-year colleges and universities. This includes identifying three to five positive changes in metrics relating to college and career readiness for instructional practice, student demographics, school/district size, leadership, funding allocation, community partnerships, family engagement and collaboration with colleagues.

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<sup>11</sup> Quality Education Commission. *Quality Education Model*, 2016, pg. 39-40



## Measures to Identify Progress Toward Quality Goals

The recommended funding levels of the QEM are the state's primary measure for determining funding adequacy. In reviewing student performance, the Quality Education Commission ('Commission') uses state standardized assessments to measure progress toward quality goals. One measure is too narrow to measure student performance, which is why the QEC also examines graduation rates. The exhibits below measure student performance in math and reading, and trends in high school graduation rates.

### Math and Reading

The QEC reviewed statewide data on student performance on the Oregon Assessment of Knowledge and Skills (OAKS) assessment and Smarter Balanced Assessment Consortium (SBAC) assessments; SBAC was first administered to students in 2014-15. Depending on the grade level, the OAKS assessment provided standardized tests to Oregon students in reading, math, writing and science. Using a multi-million-dollar federal grant, a consortium of states developed an assessment system commonly known as Smarter Balanced. The consortium of states worked together to develop new, high-quality assessments in English and math for grades 3-8 and high school.<sup>12</sup> The graphs on pages 10-13 represent data from both forms of assessment. Due to the change in scale from OAKS to SBAC, both the RIT (Rasch Unit<sup>13</sup>) scores and the "percentage meeting" measure is not comparable to past years. Both the SBAC and OAKS assessment are administered in grades 3-8 and high school.

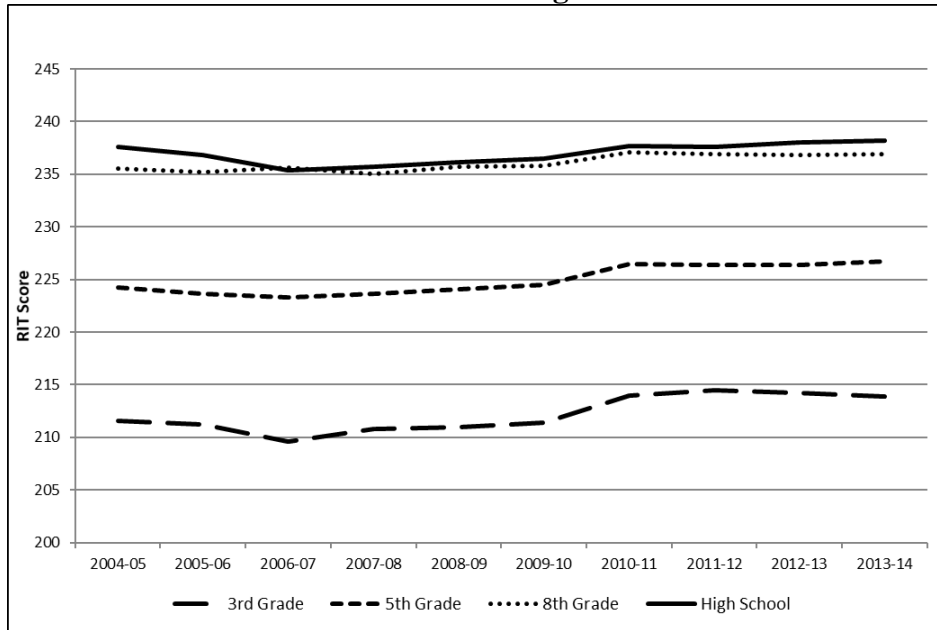
Exhibits depicting the average RIT scores for the OAKS assessment in reading and math of students in grades 3, 5, 8 and high school from 2004-2005 to 2013-14 are below. There are separate exhibits graphing the average RIT scores for the SBAC in 2014-2015 and 2015-2016; these scores are on a different scale compared to the OAKS assessment. Exhibits for the percentage of students meeting or exceeding the standard in math and English are in two separate graphs. The first two graphs represent the percentage meeting or exceeding the OAKS assessment; the next two graphs represent the percentage meeting or exceeding the SBAC. The SBAC measures English assessment as opposed to reading.

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<sup>12</sup> Smarter Balanced. *History*. <http://www.smarterbalanced.org/about/history/>, visited November, 2017

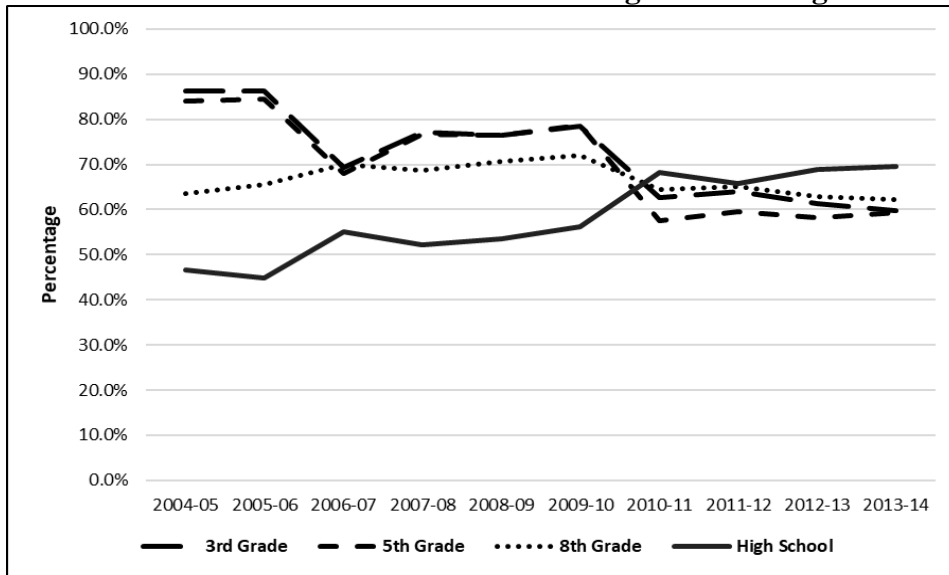
<sup>13</sup> RIT unit, known as the Rasch score, as used by the Oregon Department of Education is the raw score given to students on assessment tests. The scale is useful for measuring growth over time and achievement; it is directly correlated with points given on an exam.

### Exhibit 1: Math - Average RIT Score



\*Graph provided by Oregon Department of Education, and available in 2016 QEM report.

### Exhibit 2: Math – Percent of Students Meeting or Exceeding Standard

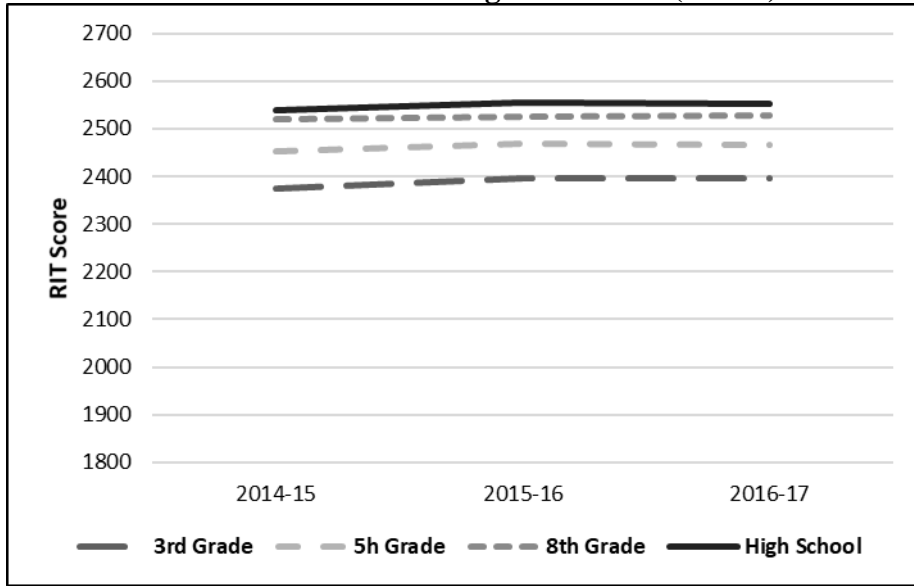


\*Graph provided by Oregon Department of Education

Note: the RIT score needed to meet the standard was adjusted; this raised the needed score for grades 3 and 5, and lowered the needed score for grade 8 and high school

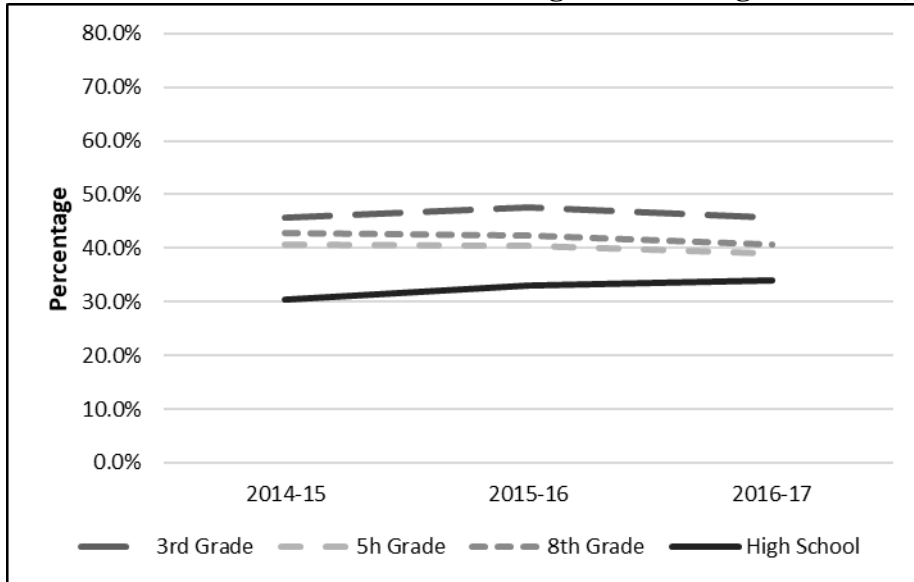
In 2013-14, the percentage of third graders meeting or exceeding the math exam was 59.7 percent; the percentage of fifth graders was 59.4 percent; the percentage of eighth graders was 62.2 percent and the percentage of high schoolers was 69.6 percent. Exhibit 2 shows the percentage change in students who meet or exceed the standardized test score. As noted above, due to the change in scale compared to the OAKS exam, the “percentage meeting” measure after 2014 is not comparable to past years. SBAC results are in Exhibits 3 and 4.

**Exhibit 3: Math – Average RIT Score (SBAC)**



\*Data provided by Oregon Department of Education

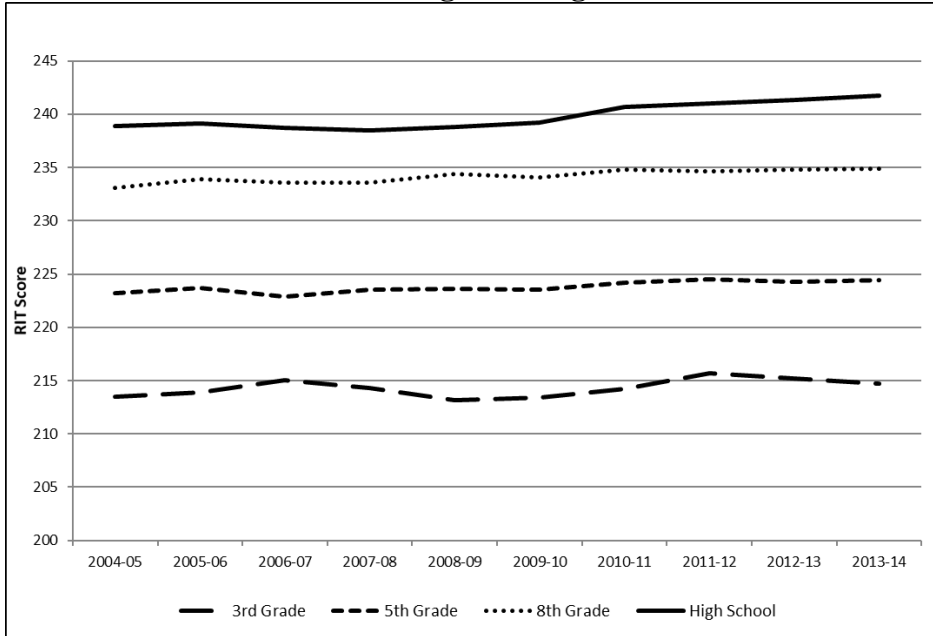
**Exhibit 4: Math – Percent of Students Meeting or Exceeding Standard (SBAC)**



\*Data provided by Oregon Department of Education

The percentage of students meeting or exceeding the SBAC for grades 3-8 declined from 2014-15 to 2016-17. The percentage of fifth graders meeting or exceeding the SBAC was 40.8 percent in 2014-15; this figure dropped to 39 percent in 2016-17. The number of students in eighth grade meeting or exceeding the SBAC has also declined by 1.6 percentage points from 2015-16 to 2016-17.

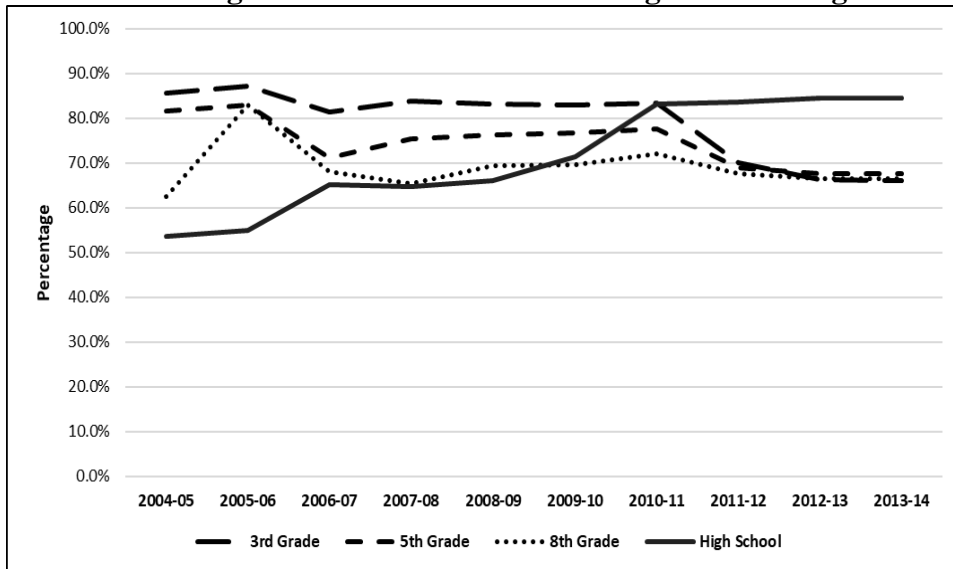
**Exhibit 5: Reading – Average RIT Score**



\*Graph provided by Oregon Department of Education, and available in 2016 QEM report

In 2013-14, the percentage of third grades meeting or exceeding the reading exam was 66.2 percent; the number of fifth graders was 67.6 percent; the number of eighth graders was 66.5 percent and the number of high schoolers was 84.5 percent.

**Exhibit 6: Reading – Percent of Students Meeting or Exceeding Standard**

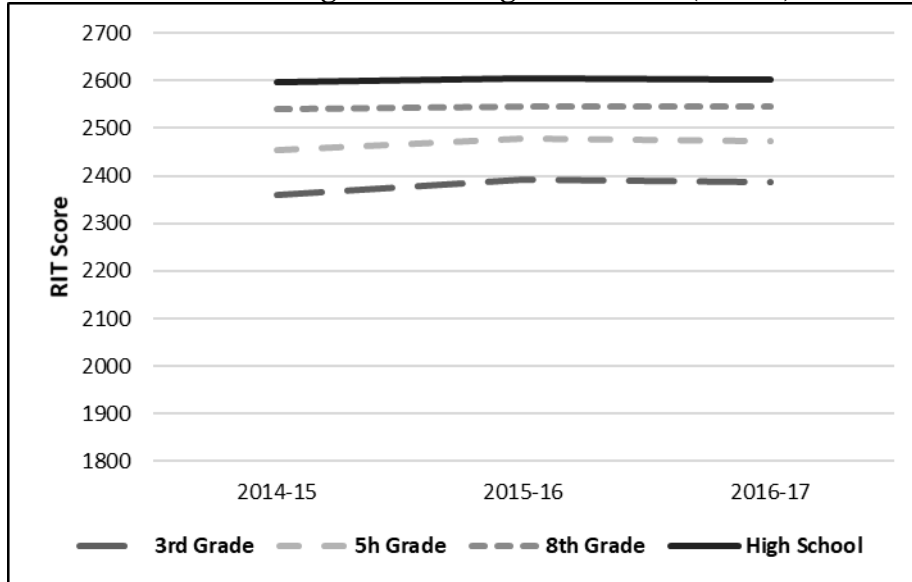


\*Graph provided by Oregon Department of Education

Note: the RIT score needed to meet the standard was adjusted; this raised the needed score for grades 3 and 5, and lowered the needed score for grade 8 and high school

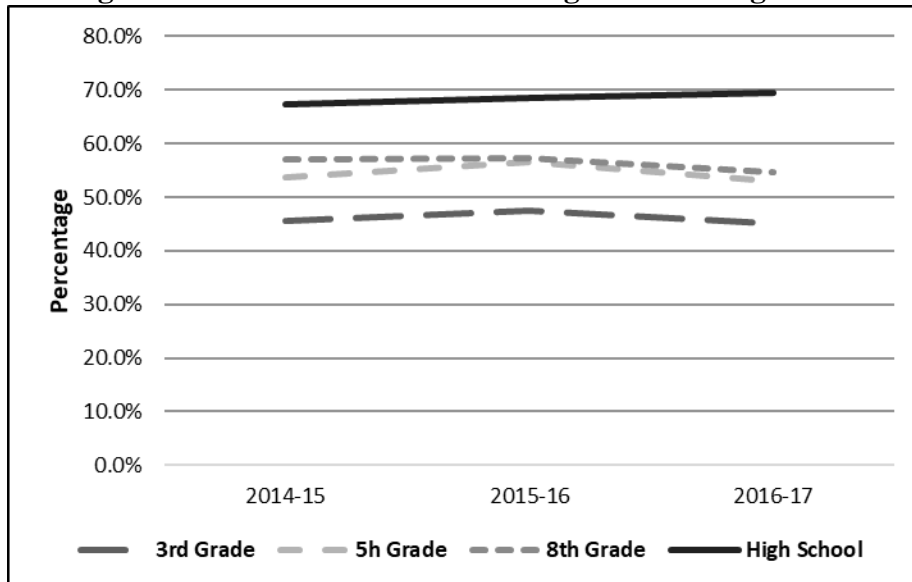
Exhibit 6 depicts the percentage change in students who meet or exceed the OAKS test score for reading. As noted above, due to the change in scale compared to the OAKS test, the “percentage meeting” measure after 2014 is not comparable to past years. SBAC results are in the following graphs.

**Exhibit 7: English – Average RIT Score (SBAC)**



\*Data provided by Oregon Department of Education

**Exhibit 8: English – Percent of Students Meeting or Exceeding Standard (SBAC)**



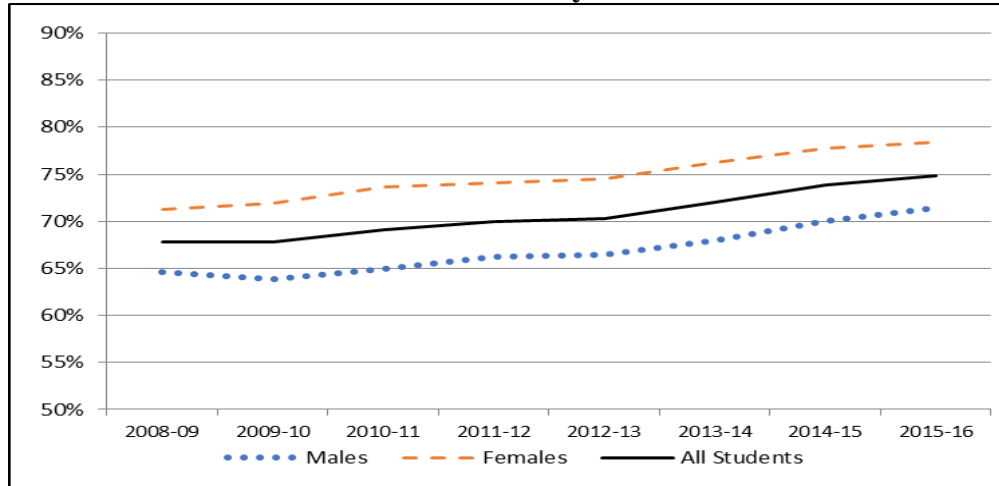
\*Data provided by Oregon Department of Education

The percentage of students meeting or exceeding the SBAC in grades 3, 5 and 8 have declined from 2014-15 to 2016-17 for the English assessment. The decline has been less than a percentage point in grades 3 and 5. In grade 8, the decline has been several percentage points. The percentage of students meeting or exceeding the SBAC in high school has risen from 2014-15 to 2016-17.

## High School Graduation

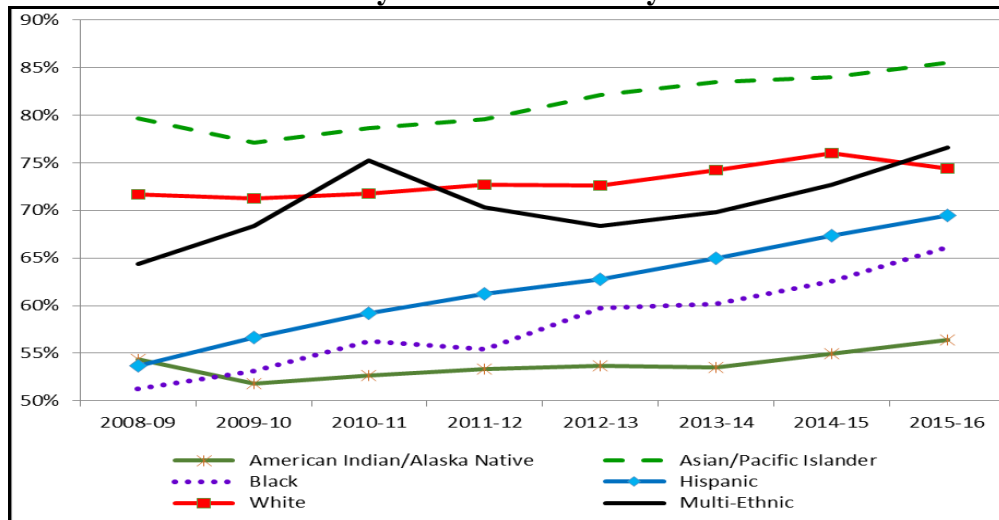
The Quality Education Commission (QEC) reviewed high school graduation data. The QEC changed the focus of their report and data calculations to review high school graduation rates as opposed to test scores. Due to the shift from the OAKS assessment to SBAC, the Commission found challenges in forecasting achievement rates because scores are not transferable. The Commission has not done forecasting data in several biennia. The following graphs represent trends in graduation rates by gender, race and ethnicity, economic status, and disability status.

**Exhibit 9: Trends in Graduation Rates  
All Students and by Gender**



\*Graph provided by Oregon Department of Education, and available in 2016 QEM report

**Exhibit 10: Trends in Graduation Rates  
By Race and Ethnicity**



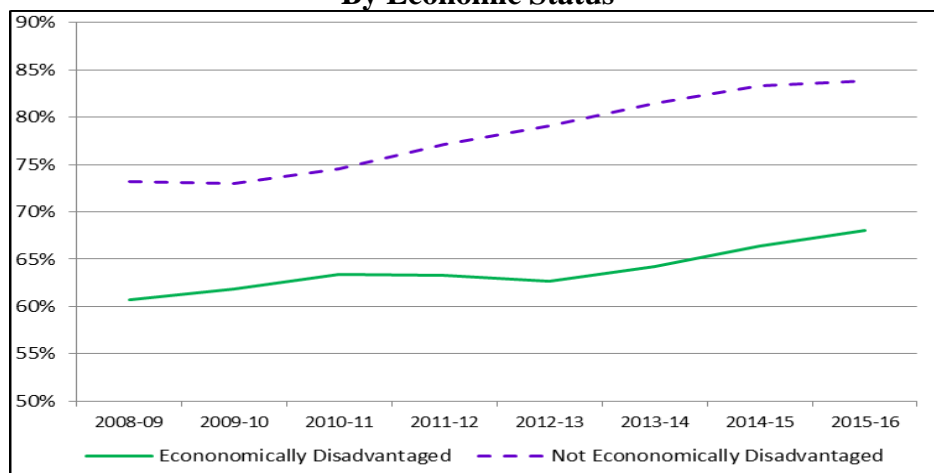
\*Graph provided by Oregon Department of Education, and available in 2016 QEM report

The 2016 QEM report indicated the following:<sup>14</sup>

Although the rates have been increasing for both groups, the gap for economically disadvantaged students is particularly concerning because the share of students in this category is increasing and the gap is very large—nearly seventeen percentage points in 2014-15—and has increased over time. Students in or near poverty face barriers to learning that include trauma and stress of food and housing insecurity, safety issues, high mobility, lack of summer learning opportunities, and other stresses that for many students makes learning difficult.

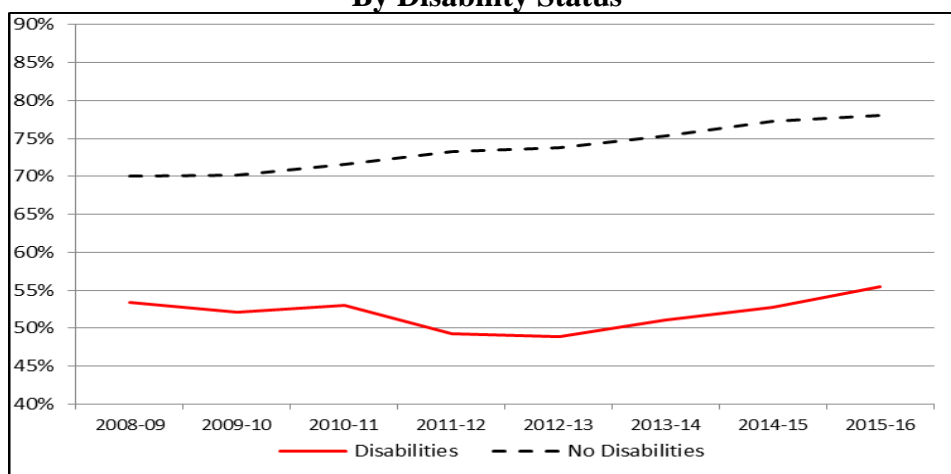
Exhibit 11 represents the trend in graduation rates by economic status.

**Exhibit 11: Trends in Graduation Rates  
By Economic Status**



\*Graph provided by Oregon Department of Education, and available in 2016 QEM report

**Exhibit 12: Trends in Graduation Rates  
By Disability Status**



\*Graph provided by Oregon Department of Education, and available in 2016 QEM report

Exhibit 12 represents trends in graduation rates for students with disabilities. The graph shows that despite the unique challenges students with disabilities face, they graduate on-time at rates lower than students without disabilities.

<sup>14</sup> Quality Education Commission. *Quality Education Model*, 2016, pg. 31

## 2017-2019 K-12 Appropriation

State resources for K-12 education are distributed to districts in two primary components: (1) the State School Fund (SSF) which represents by the far the largest share, and (2) the appropriation to the Oregon Department of Education (ODE) which includes a series of “Grant-in-Aid” (GIA) payments for specific purposes such as school nutritional programs, special education, professional development and Career and Technical Education (CTE). These Grant-in-Aid payments and programs include a large amount of federal funding which is distributed to districts and other entities. A list of these Grant-in-Aid programs are found in Exhibit 19.<sup>15</sup>

Of greatest significance to the sufficiency determination for this report is the amount directed to the SSF and available for distribution to school districts and Education Service Districts (ESDs) through the school revenue formula. The SSF resources are combined with property tax revenues and other local resources to be distributed to districts. The exhibit below shows the amount budgeted for the current biennium (2017-19) and the amount for the previous biennium (2015-17). Please note that the amount for the SSF does not include the Other Funds limitation for Local Option Equalization grants. The local revenues are estimated and reflect the amount assumed in the funding discussions during the 2017 Legislative Session. During the 2017-19 biennium, these estimates will be updated as more recent information is made available.

**Exhibit 13: School Formula Revenue  
2015-17 and 2017-19**

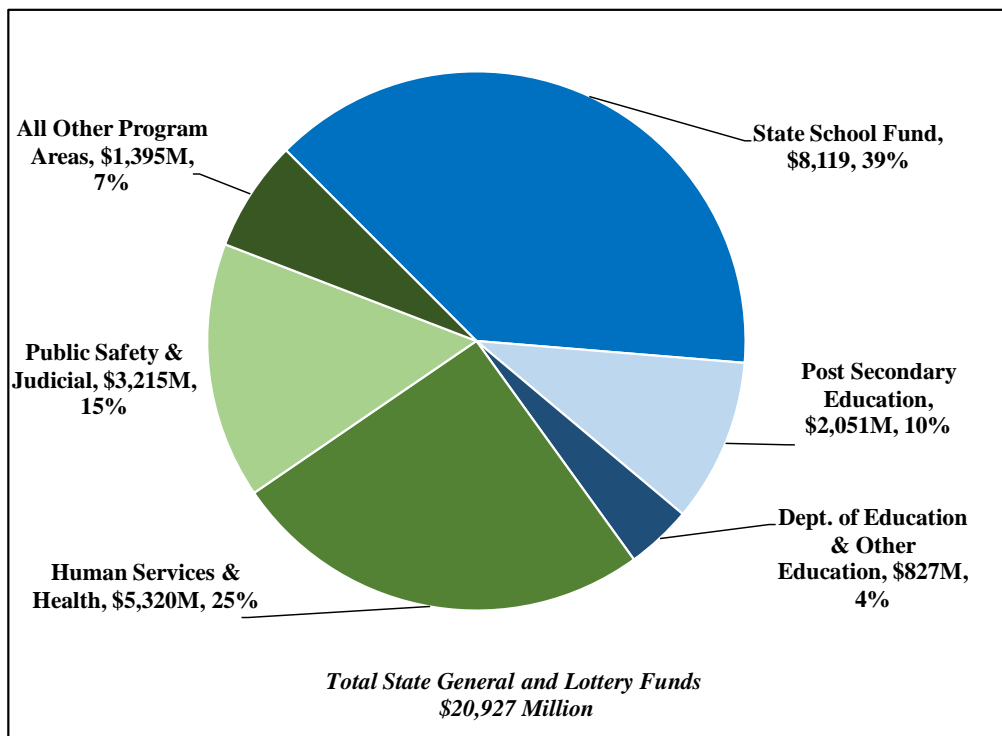
	<i>Millions of Dollars</i>	
	2015-17 Leg. Approved Budget	2017-19 Leg. Adopted Budget
State School Fund Resources		
General Fund	6,925.3	7,653.8
Lottery Funds	447.7	464.8
Marijuana Revenues	-	81.0
Other State Resources	0.4	0.4
Total State School Fund	7,373.4	8,200.0
Local Revenue (estimated)		
Property Tax & Timber Revenues	3,498.7	3,803.1
Common School Fund	109.7	116.6
Other Local Revenue	64.9	63.5
Total Local Revenue	3,673.3	3,983.2
Total School Revenue Formula Resources	11,046.7	12,183.2

<sup>15</sup> Page 22 of this document



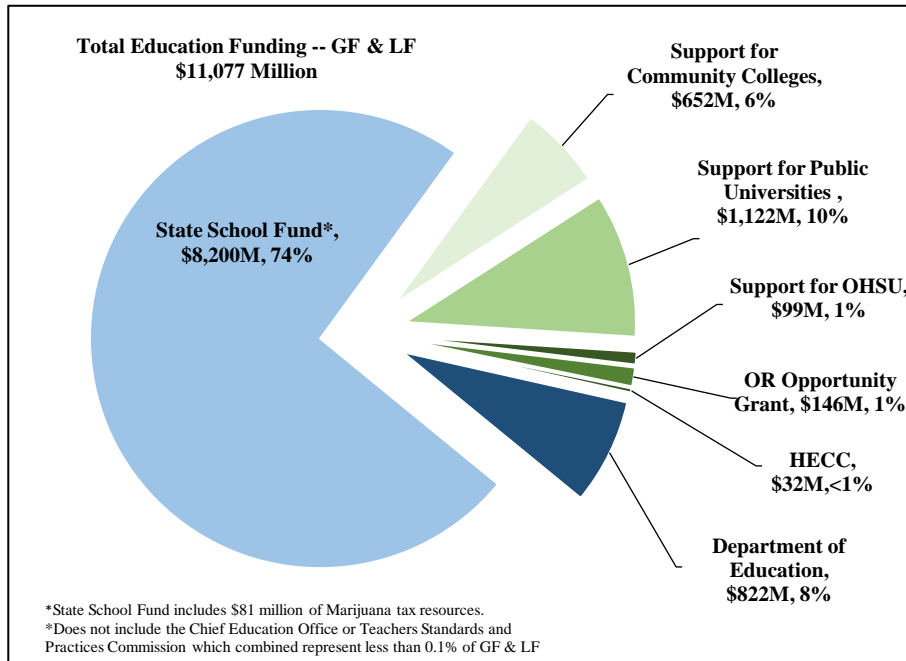
Overall, the SSF represents \$8.19 billion or 38.8 percent of the total \$20.93 billion in combined General Funds and Lottery Funds for the 2017-19 biennium. Another \$81.0 million of marijuana related revenues are combined with the General Fund and Lottery Fund resources to bring the total amount awarded for the SSF to \$8.20 billion. Total education expenditures including post-secondary account for 53 percent of resources for 2017-19. For 2015-17, the SSF represented 38.9 percent and all of education accounted for the same 51.8 percent in combined General Fund and Lottery Funds. Exhibit 14 demonstrates the division of General Fund and Lottery Funds for 2017-19 in the total state Legislatively Adopted budget. Please note that the SSF amount in this exhibit does not include the \$81.0 million in marijuana related funding.

**Exhibit 14: 2017-2019 Legislatively Adopted Budget: Total State Budget  
From General and Lottery Funds (Millions of Dollars)**



The SSF represents 74 percent of the total combined General Fund, Lottery Funds and marijuana related revenues for all of the education program area as shown in Exhibit 15. This represents a decrease in its share of the program area from the 76 percent the SSF represented in the 2015-17 budget.

**Exhibit 15: 2017-19 Legislatively Adopted Budget: Education Program Area From General and Lottery Funds (Millions of Dollars)**



Overall, general purpose funding for school districts and Education Service Districts depends on both the state contribution through the SSF and the contributions of local revenue including property taxes, timber revenue, and distributions from the Common School Fund. Exhibit 16 shows state and local resources that are part of the calculation of the formula distribution for 2017-19 which totals \$12.18 billion. Overall, the state resources that make up the SSF represent just over two-thirds of the total education program area revenues for 2017-19 (67.3 percent).

**Exhibit 16: 2017-19 Legislatively Adopted Budget: K-12 School Formula Resources**

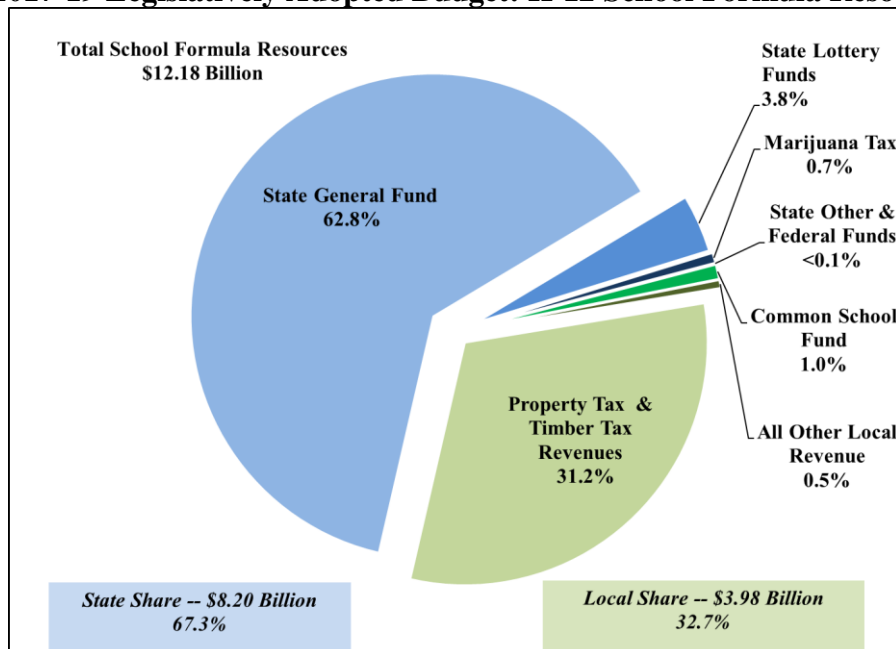
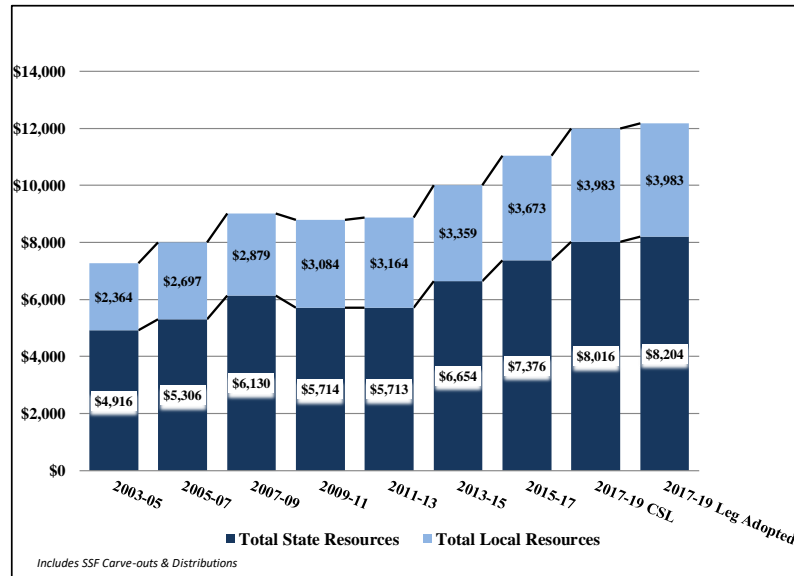


Exhibit 17 demonstrates the growth of school formula levels over a number of biennia. Between 2013-2015 and 2015-2017, total resources grew by 10.3 percent and by a similar increase between 2015-2017 and 2017-2019. Total state resources grew by 11.2 percent between 2015-2017 and 2017-2019 while total local resources grew by 8.4 percent over the same period.

**Exhibit 17: School Formula Resources 2003-05 to 2017-19  
Total State and Local Resources (Millions of Dollars)**



While the vast majority of funds available from state and local sources described above are distributed to school districts and ESDs without specific direction on how the resources are to be spent, there are some allocations or “carve-outs” authorized by state law that are directed for specific purposes. Some of these resources are carved out from the SSF prior to calculating the distribution between districts and ESDs including educational programs for students in long-term care facilities, the Oregon School for the Deaf and hospital programs. Other carve-outs are for specific programs such as professional development (Network for Quality Teaching and Learning) or for English Language Learners. Others are distributed from the specific allocations for districts such as Facility grants, High Cost Disability grants and Small School grants. The estimated overall distribution of the SSF and the local resources through the carve-outs and formula are detailed in Exhibit 18. Over 99 percent of the school formula revenues flow directly to school districts and ESDs.

**Exhibit 18: K-12 School Formula Distribution  
2017-19 Legislative Adopted Budget (Millions of Dollars)**

<b>Projected Expenditures</b>	
<b>Statewide Uses (0.78%)</b>	<b>Millions of Dollars</b>
Oregon School for the Deaf and Long Term Care	26.00
Pediatric Nursing Program	5.20
Talented and Gifted	0.35
Speech Pathologist	0.15
Virtual School District	1.60
English Language Learners	12.50
School Nutrition	2.50
10th Grade Assessment	1.00
Office of Educational Facilities	6.00
Network for Quality Teaching and Learning	39.50
 <b>Distributed to School Districts and ESDs (99.22%)</b>	
General Purpose & Transportation Grants to School Districts	11,390.79
General Purpose Grants to Education Service Districts (ESDs)	566.39
High Cost Disability Grants	70.00
Facilities Grants	12.50
Local Option Equalization Grants	3.90
Small School Supplement	5.00
Reserve Account	40.00

While the SSF and associated local revenues make up the vast majority of K-12 funding, the budget for Oregon Department of Education (ODE) includes:

- (1) resources for Grant-in-Aid programs including resources for specific populations (e.g., special education, regional programs, Youth Corrections), specific program areas (e.g., Career Technical Education, professional development), and nutritional programs (e.g., school lunch);
- (2) additional resources for the operation of the Oregon School for the Deaf beyond the amount “carved out” of the SSF;
- (3) the staff, operational, and other costs included in the Operations portion of the ODE budget; and
- (4) debt source and related costs for state issued bonds, primarily for aid to districts for construction and remodeling of school facilities.

These resources are summarized in Exhibit 19. Not included in the table are those Grant-in-Aid programs directed to early learning and child care programs as well as for youth development that are included in the overall ODE budget.

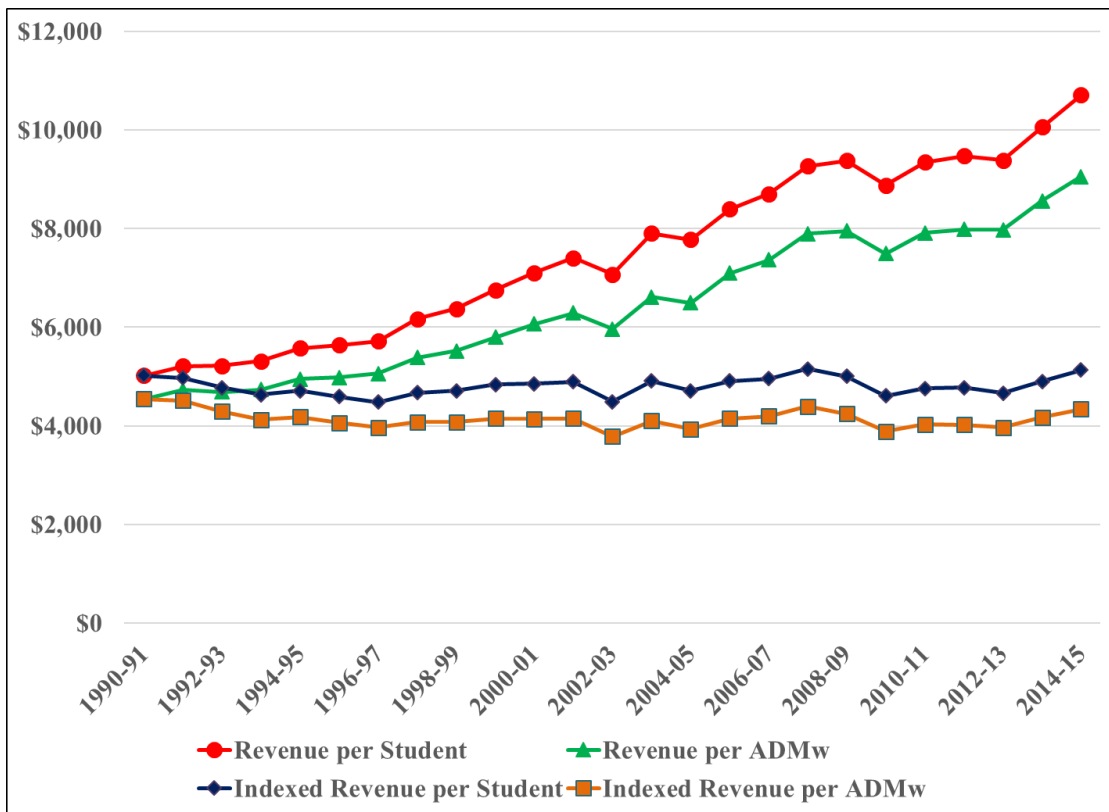
**Exhibit 19: Other K-12 Related Spending\***  
**For 2017-19 Legislative Adopted Budget (Millions of Dollars)**

	<i>2017-19 Leg. Adopted</i>	
	<b>General &amp; Lottery Funds</b>	<b>Total Funds</b>
<b>Department of Education Operations</b>	76.24	197.73
<b>Oregon School for the Deaf</b>	12.13	18.42
<b>Debt Service and Bonding</b>	18.91	123.21
<b>K-12 Grant-in-Aid Programs</b>		
<i>Student Success Grants</i>		
Ballot Measure 98 Grants	170.00	340.00
Chronic Absenteeism (SB 183)	6.24	6.24
Trauma Informed (SB 183)	-	1.00
Dyslexia	-	1.90
Youth Corrections Programs	-	19.42
Vision Screenings (SB 187)	1.00	1.92
Other Student Success Grants	7.28	79.02
<i>STEM and CTE Related Programs</i>		
CTE Revitalization Grants	10.33	10.33
STEM/CTE Career Pathway Fund	8.17	8.17
Other STEM and CTE Related Programs	10.27	42.46
<i>Nutrition Programs</i>	6.59	394.60
<i>Educator Effectiveness &amp; Professional Development</i>		
School District Collaboration Grant - NTQL	-	13.50
Mentoring Grants - NTQL	-	11.50
Other Educator Effectiveness & Professional Development	-	50.35
<i>Closing the Achievement Gap</i>		
African American Education Plan	6.00	6.00
Tribal Attendance	1.55	1.55
Native American Curriculum	1.80	1.80
English Language Learners	-	10.43
Other Closing the Achievement Gap Programs	-	376.90
<i>Special Education Programs</i>		
Early Intervention/Early Childhood Special Ed	175.01	207.26
Long Term Care & Treatment, Hospital and Regional Programs	47.98	114.72
Blind & Visually Impaired	1.00	6.04
Individuals with Disabilities Act (IDEA)	-	261.60

\*The General Fund appropriation for Ballot Measure 98 grants in 2017-19 is \$170 million. Due to the way the law is written and accounting practices, these funds must be spent as Other Funds and the Total Funds amount doubles.

Over time, resources for school districts have remained relatively flat after adjusting for increasing costs. Exhibit 20 below shows that total operating revenues per student and per weighted ADM has remained relatively stable since 1990-91 school year when indexed or adjusted for cost increases such as compensation related increases in teacher and other employer salaries, PERS costs and health related costs and other operating costs. In this case, operating revenues include resources from all sources including federal funds and the Grant-in Aid resources that are part of the Oregon Department of Education’s budget. On a per student basis, the indexed total operating revenue was \$5,019 in 1990-91 and remained below that amount until the 2014-15 school year. Total operating revenue per ADMw indexed for cost increases is actually less in 2014-15 than the in 1990-91 -- \$4,549 vs. \$4,341.

**Exhibit 20: Changes in Total Operating Revenues per Student and ADMw For 1999-01 to 2014-15: Actual Operating Revenue and Price Adjusted Operating Revenue**

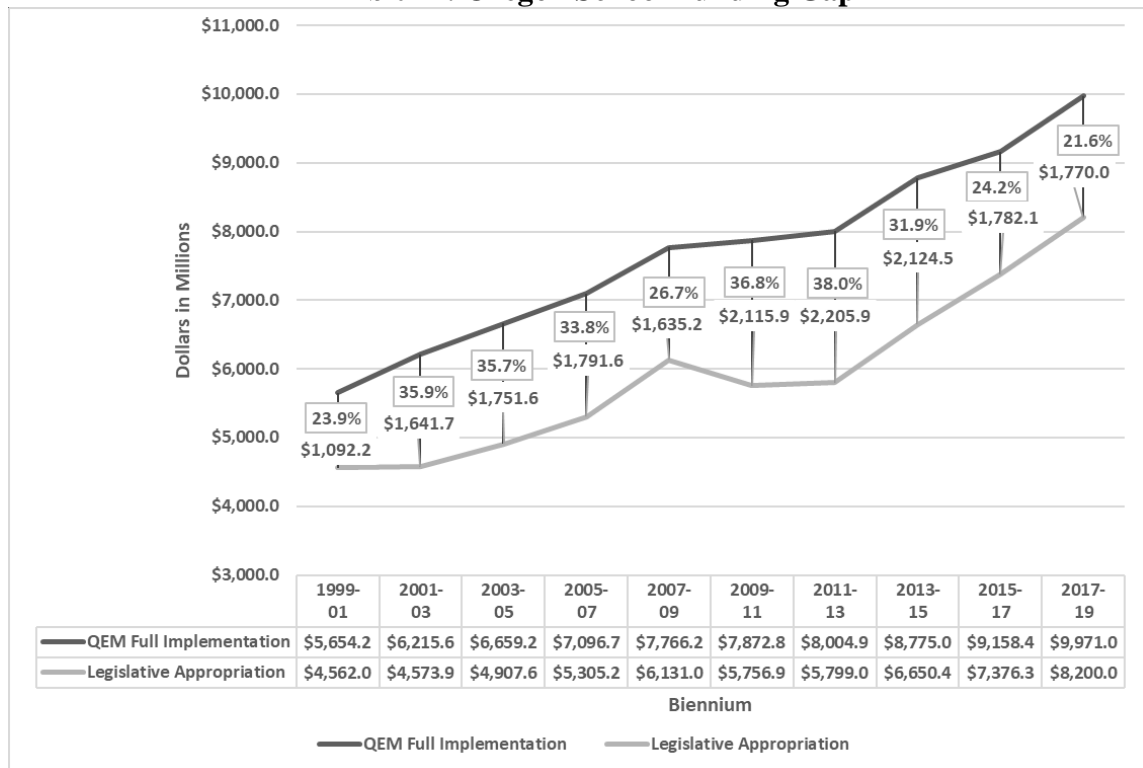


## Sufficiency Determination

It is the determination of the Joint Interim Special Committee on Public Education Appropriation that the amount of moneys appropriated for the 2017-2019 biennium for K-12 public education is insufficient to meet the recommended funding levels of the QEC. The QEM estimated that a State School Fund (SSF) appropriation of \$9.97 billion for K-12 would be required to reach the State's educational goals.<sup>16</sup> This amount is based on the QEM's total cost for the fully implemented model of \$17.06 billion offset by other revenues (e.g., property tax, federal funds) available to the K-12 system. The 2017-19 legislatively adopted budget for the SSF is \$8.20 billion, resulting in a gap of \$1.77 billion. In other words, the SSF appropriation would have to be \$1.77 billion or 21.6 percent greater to reach the cost of QEM's fully implemented model. The 2016 QEM report indicated a larger gap for 2017-19, but that amount was based on an estimated current service amount for the State School Fund and not the final SSF appropriation of \$8.20 billion.

Exhibit 21 indicates, the Legislatively Adopted Budget for K-12 education has never equaled the amount recommended by the QEC. Since 1999-01, the gap has exceeded 23.9 percent for every biennium. For 2015-17 the gap equaled \$1.782 billion, a gap of 24.2 percent, or the narrowest gap since 1999-01. The current gap of \$1.77 billion constitutes an even narrower gap of 21.6 percent.

**Exhibit 21: Oregon School Funding Gap**



Data provided by: Quality Education Commission. *Quality Education Model*, 2016, pg 12

<sup>16</sup> Quality Education Commission. *Quality Education Model*, 2016, pg. 12.

## Factors Leading to Insufficiency

All previous reports required by Ballot Measure 1 have pointed to inadequate revenue growth and cost increases in the delivery of educational services as causes for insufficient funding of education. Once again, these factors are considered primary drivers of education funding insufficiency.

### Revenue Related Factors

Understanding the state of school funding in Oregon requires a review of important past ballot measures, the most important being Ballot Measure 5 (‘Measure 5’) passed in 1990. This Measure cut school property taxes dramatically by capping the school property tax rate at \$5 per \$1,000 of market value which significantly decreased the amount of local revenues for schools. State government resources replaced much of the lost revenue over the years since 1990. Before Measure 5, local revenues represented roughly two-thirds of total revenues for the general operating costs of districts while the State contributed roughly one-third. Currently, these proportions have flipped with the state resources representing two-thirds of the formula revenue and local resources contributing one-third. Voter initiatives in 2001-03 and 2003-05 (Ballot Measures 28 and 30) proposed increases in state revenues, but were defeated also affecting the amount available for schools.

As noted in previous reports, the state revenue system, dominated by the personal income tax, remains highly volatile over the short-term. During economic downturns, the State has difficulty maintaining adequate levels of funding for all public services, including education. Creation of the Education Stability Fund (2002) and the Rainy Day Fund (2007) have attempted to mitigate negative impacts, but challenges to funding remain during economic downturns. As roughly two-thirds of K-12 operating revenue is derived from state funds, school finances remains especially vulnerable to the volatility of the personal income tax.<sup>17</sup>

The two-percent kicker provisions in the Oregon Constitution requiring an income tax refund following any biennium in which revenue has exceeded the state’s two-year budget forecast by two percent or more adds to revenue volatility. These refunds have reduced personal income tax revenue for the years in which they were issued.<sup>18</sup> The surplus kicker revenue limit slows revenue growth during periods of economic prosperity, such as the 1990s, and reduces revenue further during recessionary periods such as 2001 and 2009, thereby exacerbating the impact of recessions on the state General Fund.<sup>19</sup> For the 2017-2019 biennium, an estimated personal kicker payment of \$464 million will have to be made, primarily made during the tax filing season in April, 2018. This kicker payment will reduce the available revenues for 2017-2019. These refunds are available in the current revenue forecast.

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<sup>17</sup> Task Force on Comprehensive Revenue Restructuring, Final Report, January 2009, pg. 3.

<sup>18</sup> Legislative Fiscal Office. *2007-2009 Legislatively Adopted Budget Highlights*, pg. 10  
<<https://www.oregonlegislature.gov/lfo/Documents/2007-09%20Budget%20Highlights.pdf>> November 2017.

<sup>19</sup> Legislative Fiscal Office. *2007-2009 Legislatively Adopted Budget Highlights*, pg. 13  
<<https://www.oregonlegislature.gov/lfo/Documents/2007-09%20Budget%20Highlights.pdf>> November 2017.



The December 2017 Executive Summary of the Oregon Economic and Revenue Forecast included the following language outlining the general revenue issues for 2017-2019 and beyond:

Oregon's primary General Fund revenues continued to grow over the first few months of the 2017-19 biennium. Although this growth was healthy, exceeding what was seen in most states, collections have come in slightly lower than what was called for in the September forecast. However, recently processed personal income tax returns for filers with extensions and amendments suggest taxable income is likely larger than was previously estimated. The net result is a relatively unchanged General Fund forecast. Combined, the total resources from the General and Lottery Funds have increased \$47.4 million relative to the September outlook. The majority of the increase comes from a stronger corporate tax outlook.

The primary risk facing the near-term revenue forecast is the potential for tax legislation at the federal level. From a broader economic perspective, the most significant local impact of federal tax changes will be what happens to the amount of federal taxes paid by Oregon's households and businesses. However, in addition to what happens to the federal tax bill, many federal law changes stand to have large impact on Oregon's own revenue streams.<sup>20</sup>

### **Competing for State Resources**

The State School Fund represents the single largest program in the state budget, but there are other important budget areas that also must be funded or whose funding has been affected by outside factors. Public safety and judicial costs represent 15 percent of the General Fund and Lottery Funds budget; and reductions to this area are limited by constitutional and statutory requirements that must be met. The best example of this is Ballot Measure 11 which requires minimum sentences for many criminal charges. The other major budget area is Health and Human Services which represents about 25 percent of the State General Fund and Lottery Funds budget. Numerous federal changes in funding and requirements affect this budget area limiting the flexibility to reduce these costs. Even within the Education budget area there are significant programs which compete with resources with the State School Fund. Ballot Measure 98 (2016) required additional resources for Career and Technical Education programs (CTE), college-level education opportunities and for drop-out prevention programs. For 2017-19, \$170 million General Fund was added for these programs over and above the State School Fund. This amount is expected to grow in future biennia based on the requirements of the Ballot Measure. State aid for community colleges and public universities also has increased faster than overall revenue increases over the past few biennia.

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<sup>20</sup> Office of Economic Analysis. *2017 Executive Summary*, pg. 1  
<<https://www.oregonlegislature.gov/lfo/Documents/2007-09%20Budget%20Highlights.pdf>> November 2017.

## **Cost Drivers**

There are several factors that have increased costs of providing educational services to students. These factors can be divided into two general areas: (1) increasing input prices including rising employee compensation, and (2) costs associated with increasing student needs.

### **(1) Increasing Input Prices**

#### **1. Employee Salary and Wages**

Overall, employee related costs represent approximately 85 percent of district costs. Local school districts bargain with their employees for increases in salary and wages. The State does not directly affect these actions, but the size of the State School Fund likely has an impact on these deliberations. Local bargaining results in varying levels of increases in compensation across districts. The calculation of the State School Fund's current service level in subsequent biennia do factor in average compensations increases across the state. Average teacher salary has been growing at an average annual rate of about 1.9 percent over the past 10 years based on information collected from school districts by the Oregon Department of Education. This increase is not just based on increases in salary and wages, but also reflects any changes in teacher longevity and seniority.

#### **2. Public Employees Retirement System (PERS)**

To keep pace with retirement benefits due teachers and other employees, school districts must pay a greater share of their budgets for these costs. The estimated average percentage of teacher salaries that PERS costs represent have increased from 9.38 percent for 2015-17 to 13.89 percent 2017-19 (preliminary estimate) and are likely to continue to increase for 2019-21. This represents the net rate which is factored into the current service level calculations for the State School Fund. The actual rate contributed by districts is more than that after factoring in the amount for those districts that issued Pension Obligation Bonds to cover some of their costs. Based on an average statewide teacher salary, the average amount per teacher paid by the district based on the net employer PERS rate increased from \$5,665 for the 2015-16 school year to an estimated \$8,572 for the 2017-18 school year. This represents an increase of over 50 percent for this two-year period. It must be noted that year-to-year comparisons can change significantly based on rate collaring, legislative changes, and court decisions.

#### **3. Health Benefits**

Just like any other private and public employer, school districts face increasing costs for providing their employees' health coverage. Even though actions such as large employer pools and transferring costs to employees can limit increasing district costs, these costs continue to generally outpace the general inflation rate.

#### **4. Impact of Other Cost Inputs**

While PERS and health benefits have been the major input-related cost increases, others have been mentioned by the Committee and stakeholders. Teacher shortages has been mentioned as potentially having upward pressure on costs, but these are likely limited to specific subject areas (e.g., CTE related fields) or geographic areas. There is evidence that textbooks have seen significant cost growth, but this is a relatively small portion of the budget. Recent legislation has supported Community Colleges and four-year public universities using free online textbooks (Open Educational Resources). The Legislature and ODE should continue to study the use of

free online textbooks, access to them, and how to expand computer access for all students at school and home. Districts have also seen rising costs associated with new assessment requirements. While the state pays for the majority of assessment costs, many districts have had to upgrade computer facilities to meet the testing standards. Finally, changing federal requirements in areas like special education, low performing schools, and assessments have led to increasing educational costs over a multi-year period.

## **(2) Increasing Costs Due to Increasing Student Needs**

Over time, student demographics and other characteristics have had an impact on the cost of educational services. These are harder to quantify given the lack of reported data at the state level for some of the factors that many think contribute to increasing costs to the system. Many of them “earn” additional weights in the school funding formula including special education, English Language Learners, students in poverty, foster care children and students who are neglected and delinquent.

Students in poverty and low-income students have increased significantly over the past twelve years as measured by the number of students qualifying for free and reduced-price lunches. For the 2004-05 school year, 220,000 qualified representing just over 40 percent of the total student population. By the 2016-17 school year, this number had increased to over 317,000, or over 55 percent of the entire student population. Lower income students have greater chances of lacking basic skills when entering schools, facing higher mobility between schools, facing greater challenges at home, lacking sufficient nutrition needs, and having insufficient medical coverage. These contribute to making it harder for students to learn and increasing the need for additional educational services. These same factors may affect homeless students. The percentage of homeless students has increased from 3.22 percent (18,165 students) in 2012-13 to 3.90 percent (22,541 students) in 2016-17. In 2016-17, the largest number of homeless students was in grade 12 with 2,542 students.

The cost of teaching and assisting special education students is generally much higher than other students. The number of school-age special education students has continued to grow slowly increasing from 13.06 percent of the total student population in 2004-15 school year to just under 14 percent in 2016-17. While this growth is not very dramatic, there is anecdotal information from educators that some of these students are more challenging than in the past, requiring more staff time and more services.

## Impact of Insufficiency on Oregon’s Ability to Meet Quality Goals

The 2016 QEM report quantified the cost of the recommendations that contribute most to the funding gap. The 2016 QEM report provided the following information regarding the relationship between school funding and meeting the Quality Education Commission’s recommendation. The 2016 report used an earlier estimate for the State School Fund appropriation when the report was prepared which estimated a gap of \$1.99 billion for 2017-19.<sup>21</sup> Since then, a final Legislatively Adopted Budget was passed with an \$8.20 billion appropriation which leads to a slightly smaller \$1.77 billion gap. The findings below from the 2016 QEM report are based on the larger gap, but the estimates of the cost should be similar proportionally due to the only slightly smaller gap.

The fully implemented QEM reflects the Quality Education Commission’s estimate of the funding level required to reach Oregon’s goals for the K-12 system—high school graduation for all students in the system. The “funding gap” of \$1.992 billion reflects recommended resources that Oregon’s current system currently does not provide. The recommendations that contribute most to the funding gap in the 2017-19 biennium are the following:

- Lower class sizes in elementary schools: \$361 million
- Instructional improvement in all schools (e.g., mentoring, peer review) \$281 million
- More teachers (smaller classes) in middle and high schools: \$278 million
- Additional resources for special education and alternative education \$242 million
- More time for teacher collaboration: \$121 million
- Increased Maintenance to better maintain buildings \$93 million\*
- Additional counselors in all schools: \$66 million
- Added professional development for teachers and building leaders: \$50 million
- Technology Improvements \$33 million
- Additional summer school for struggling students: \$31 million

\*Increased maintenance also refers to ongoing maintenance in schools.

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<sup>21</sup> Quality Education Commission. *Quality Education Model*, 2016, pg. 57

## Post-Secondary Quality Education Goals

ORS 171.857 requires the Legislative Assembly to identify in this report “whether the state’s system of post-secondary public education has quality goals established by law.” ORS 350.009<sup>22</sup> sets out the fundamental goals of public higher education:

- (1) Creating an educated citizenry to support responsible roles in a democratic society and provide a globally competitive workforce to drive this state’s economy, while ensuring access for all qualified Oregonians to a high-quality post-secondary education;
- (2) Ensuring a high-quality learning environment that allows students to succeed;
- (3) Creating original knowledge and advancing innovation; and
- (4) Contributing positively to the economic, civic and cultural life of communities in all regions of Oregon.

Senate Bill 253 (2011) revised the mission and purpose of post-secondary education in Oregon by establishing numerical goals to be achieved by 2025. These goals originally specified that at least 40 percent of adult Oregonians will earn a baccalaureate degree or higher; at least 40 percent will earn an associate degree or post-secondary credential; and the remaining 20 percent will earn a high school diploma, extended or modified diploma, or the equivalent as their highest level of educational attainment (referred to as 40-40-20). House Bill 2311 (2017)<sup>23</sup> amended the state’s goal of 40-40-20 to only apply to Oregonians in the education “pipeline” starting with the high school graduation class of 2025. Sponsors of the legislation and Legislative Counsel agree that, due to its aspirational nature, this 40-40-20 plan does not establish the quality goals that would require a determination of sufficiency under Ballot Measure 1.

At this point in time, there is no comparable model to the K-12 Quality Education Model to measure progress or the cost of reaching these post-secondary statutory goals. The goals in ORS 350.009 are rather high level and would be difficult to quantify on what actions and their related costs would be to achieve them. The 40-40-20 goals are more concrete, but are aspirational in nature as noted above. The Post-Secondary Quality Education Commission (established by a 2007 Executive Order signed by Governor Ted Kulongoski) recommended the development of a post-secondary quality education model to serve as a tool to support decision-making on policy and state budget development, a similar charge or role of the K-12 Quality Education Model. The Post-Secondary Quality Education Commission recommended that such a post-secondary model be based primarily on the 40-40-20 strategy and determining the resources required to meet these goals and the barriers that must be addressed. This Post-Secondary Quality Education Commission saw the proposed model as a tool to give policy makers and the public a tool to analyze a variety of “what-if” questions and their impact on post-secondary costs and other factors. This Post-Secondary Quality Education Commission did recommend that funding for such a model be included in the state budget. It appears that the 2009-11 budget recommended by the Governor did include some resources for development of a model, but no funding was included in the final Legislatively Adopted Budget. It is important to note that this was during a period of falling state revenues.

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<sup>22</sup> Formerly ORS 351.006

<sup>23</sup> Oregon Legislative Information System; HB 2311:

<https://olis.leg.state.or.us/liz/2017R1/Measures/Overview/HB2311>

## **APPENDIX A**

### Oregon Educational Act for the 21<sup>st</sup> Century Selected Statutes

**329.007 Definitions.** As used in this chapter, unless the context requires otherwise:

- (1) “Academic content standards” means expectations of student knowledge and skills adopted by the State Board of Education under ORS 329.045.
  - (2) “Administrator” includes all persons whose duties require an administrative license.
  - (3) “Board” or “state board” means the State Board of Education.
  - (4) “Community learning center” means a school-based or school-linked program providing informal meeting places and coordination for community activities, adult education, child care, information and referral and other services as described in ORS 329.157. “Community learning center” includes, but is not limited to, a community school program as defined in ORS 336.505, family resource centers as described in ORS 417.725, full service schools, lighted schools and 21st century community learning centers.
  - (5) “Department” means the Department of Education.
  - (6) “English” includes, but is not limited to, reading and writing.
  - (7) “History, geography, economics and civics” includes, but is not limited to, Oregon Studies.
  - (8) “Oregon Studies” means history, geography, economics and civics specific to the State of Oregon. Oregon Studies instruction in Oregon government shall include municipal, county, tribal and state government, as well as the electoral and legislative processes.
  - (9) “Parents” means parents or guardians of students who are covered by this chapter.
  - (10) “Public charter school” has the meaning given that term in ORS 338.005.
  - (11) “School district” means a school district as defined in ORS 332.002, a state-operated school or any legally constituted combination of such entities.
  - (12) “Second languages” means any foreign language or American Sign Language.
  - (13) “Teacher” means any licensed employee of a school district who has direct responsibility for instruction, coordination of educational programs or supervision of students and who is compensated for such services from public funds. “Teacher” does not include a school nurse, as defined in ORS 342.455, or a person whose duties require an administrative license.
  - (14) “The arts” includes, but is not limited to, literary arts, performing arts and visual arts.
  - (15) “21st Century Schools Council” means a council established pursuant to ORS 329.704.
- [1995 c.660 §2; 1999 c.1023 §4; 1999 c.1029 §1; 2001 c.759 §1; 2003 c.303 §2; 2007 c.858 §1]

### **329.015 Educational goals.**

- (1) The Legislative Assembly believes that education is a major civilizing influence on the development of a humane, responsible and informed citizenry, able to adjust to and grow in a rapidly changing world. Students must be encouraged to learn of their heritage and their place in the global society. The Legislative Assembly concludes that these goals are not inconsistent with the goals to be implemented under this chapter.
- (2) The Legislative Assembly believes that the goals of kindergarten through grade 12 education are:
  - (a) To equip students with the academic and career skills and information necessary to pursue the future of their choice through a program of rigorous academic preparation and career readiness;
  - (b) To provide an environment that motivates students to pursue serious scholarship and to have experience in applying knowledge and skills and demonstrating achievement;
  - (c) To provide students with the skills necessary to pursue learning throughout their lives in an

ever-changing world; and

(d) To prepare students for successful transitions to the next phase of their educational development.

[Formerly 326.710; 1995 c.660 §3; 2007 c.858 §2]

**329.025 Characteristics of school system.** It is the intent of the Legislative Assembly to maintain a system of public elementary and secondary schools that allows students, parents, teachers, administrators, school district boards and the State Board of Education to be accountable for the development and improvement of the public school system. The public school system shall have the following characteristics:

- (1) Provides equal and open access and educational opportunities for all students in the state regardless of their linguistic background, culture, race, gender, capability or geographic location;
- (2) Assumes that all students can learn and establishes high, specific skill and knowledge expectations and recognizes individual differences at all instructional levels;
- (3) Provides each student an education experience that supports academic growth beyond proficiency in established academic content standards and encourages students to attain aspirational goals that are individually challenging;
- (4) Provides special education, compensatory education, linguistically and culturally appropriate education and other specialized programs to all students who need those services;
- (5) Supports the physical and cognitive growth and development of students;
- (6) Provides students with a solid foundation in the skills of reading, writing, problem solving and communication;
- (7) Provides opportunities for students to learn, think, reason, retrieve information, use technology and work effectively alone and in groups;
- (8) Provides for rigorous academic content standards and instruction in mathematics, science, English, history, geography, economics, civics, physical education, health, the arts and second languages;
- (9) Provides students an educational background to the end that they will function successfully in a constitutional republic, a participatory democracy and a multicultural nation and world;
- (10) Provides students with the knowledge and skills that will provide the opportunities to succeed in the world of work, as members of families and as citizens;
- (11) Provides students with the knowledge and skills that lead to an active, healthy lifestyle;
- (12) Provides students with the knowledge and skills to take responsibility for their decisions and choices;
- (13) Provides opportunities for students to learn through a variety of teaching strategies;
- (14) Emphasizes involvement of parents and the community in the total education of students;
- (15) Transports children safely to and from school;
- (16) Ensures that the funds allocated to schools reflect the uncontrollable differences in costs facing each district;
- (17) Ensures that local schools have adequate control of how funds are spent to best meet the needs of students in their communities; and
- (18) Provides for a safe, educational environment.

[Formerly 326.715; 1995 c.660 §4; 1999 c.1029 §2; 2003 c.303 §3; 2007 c.858 §3; 2009 c.101 §2; 2009 c.843 §1]

**329.045 Revision of Common Curriculum Goals, performance indicators, diploma requirements, Essential Learning Skills and academic content standards; instruction in academic content areas.**

(1) In order to achieve the goals contained in ORS 329.025, the State Board of Education shall regularly and periodically review and revise its Common Curriculum Goals, performance indicators and diploma requirements. This includes Essential Learning Skills and rigorous academic content standards in mathematics, science, English, history, geography, economics, civics, physical education, health, the arts and second languages. School districts and public charter schools shall maintain control over course content, format, materials and teaching methods. The regular review shall involve teachers and other educators, parents of students and other citizens and shall provide ample opportunity for public comment.

(2) The State Board of Education shall continually review and revise all adopted academic content standards necessary for students to successfully transition to the next phase of their education.

(3) School districts and public charter schools shall offer students instruction in mathematics, science, English, history, geography, economics, civics, physical education, health, the arts and second languages that meets the academic content standards adopted by the State Board of Education and meets the requirements adopted by the State Board of Education and the board of the school district or public charter school.

[Formerly 326.725; 1995 c.660 §6; 1999 c.200 §29; 1999 c.1029 §3; 2003 c.303 §5; 2007 c.858 §4]

**329.065 Adequate funding required.** Nothing in this chapter is intended to be mandated without adequate funding support. Therefore, those features of this chapter which require significant additional funds shall not be implemented statewide until funding is available.

[Formerly 326.740]



**APPENDIX B**

**2016 QUALITY EDUCATION MODEL FUNDING COMPARISONS**

<b>Prototype Elementary School – 340 Students</b> Current Service Level Compared to Fully Funded QEM			
	<b>Current Service Level Prototype</b>	<b>Fully-Funded Prototype</b>	<b>Difference</b>
Kindergarten	Full-day	Full-day	Full-day Kindergarten required starting in 2015-16
Average elementary class size	22 for Kindergarten 23 for grades 1-3 25 for grades 4-5	<b>20 for grades K-1</b> <b>23 for grades 2-3</b> <b>24 for grades 4-5</b>	<b>Cuts class size by 2 for Kindergarten and by 1 for Grades 4-5</b>
K-5 classroom teachers	14.5	<b>16.2</b>	<b>Adds 1.7 FTE</b>
Specialists for areas such as art, music, PE, reading, math, TAG, library/media, second language, or child development	3.5 FTE	<b>4.5 FTE</b>	<b>Adds 1.0 FTE</b>
Special education licensed staff	2.5 FTE	<b>3.0 FTE</b>	<b>Adds 0.5 FTE</b>
English as a second language licensed staff	0.75 FTE	<b>1.0 FTE</b>	<b>Adds 0.25 FTE</b>
On-site instructional improvement staff	Limited	<b>0.5 FTE</b>	<b>Adds 0.5 FTE</b>
Instructional support staff	5.0 FTE	<b>6.0 FTE</b>	<b>Adds 1.0 FTE</b>
Additional instruction time for students not meeting standards: 20% of students	Limited	<b>Summer school, after-school programs, Saturday school, tutoring, etc.</b>	<b>Additional Programs for 20% of students</b>
Professional development time for teachers	5 days	<b>Equivalent of 7 days</b>	<b>Equivalent of 2 additional days</b>
Dedicated Teacher Collaboration Time	Limited	<b>2 hours per week</b>	<b>Additional 2 hours per week</b>
Leadership development training for administrators	Limited	<b>Equivalent of 4 days</b>	<b>Equivalent of 4 additional days</b>
Textbooks	\$65 per student	<b>\$85 per student</b>	<b>\$20 per student</b>
Classroom materials & equipment	\$100 per student	<b>\$110 per student</b>	<b>\$10 per student</b>
Other supplies	\$70 per student	<b>\$88 per student</b>	<b>\$18 per student</b>
Operations and maintenance	\$806 per student	<b>\$880 per student</b>	<b>\$88 per student</b>
Student transportation	\$498 per student	\$498 per student	
State-level special education fund	\$61 per student	<b>\$91 per student</b>	<b>\$60 per student</b>
Centralized special education services	\$116 per student	\$116 per student	
Technology services	\$215 per student	<b>\$230 per student</b>	<b>\$15 per student</b>
Other centralized support	\$347 per student	<b>\$365 per student</b>	<b>\$18 per student</b>
District administrative support	\$354 per student	\$354 per student	
Education Service District Services	\$574 per student	\$780 per student	<b>\$206 per student</b>
<b>Total Expenditure per Student</b>	<b>\$10,705</b>	<b>\$12,841</b>	<b>\$2,136</b>

\* The Current Service Level Prototype shows the Quality Education Model's prototype school costs estimated using the level of inputs that currently exist in Oregon schools.

## Prototype Middle School -- 500 Students

### Current Service Level Compared to Fully Funded QEM

	Current Service Level Prototype	Fully-Funded Prototype	Difference
Class size in core subjects of math, English, science, social studies, second language	24	<b>22, with maximum class size of 29 in core academic subjects</b>	<b>Cuts average class size by 1 in core subjects</b>
Staffing in core subjects	20.0 FTE	<b>21.0 FTE</b>	<b>Adds 1.0 FTE</b>
Extra teachers in math, English, and science	1.0 FTE	<b>1.5 FTE</b>	<b>Adds 1.0 FTE</b>
English as a second language licensed staff	0.75 FTE	<b>1.0 FTE</b>	<b>Adds 0.25 FTE</b>
Special education and alternative education licensed staff	3.0 FTE	<b>4.5 FTE</b>	<b>Adds 1.5 FTE</b>
Media/Librarian	1.0 FTE	1.0 FTE	
Counselors	One for every 333 students	<b>One for every 250 students</b>	<b>Adds 0.5 FTE</b>
On-site instructional improvement staff	Limited	<b>1.0 FTE</b>	<b>Adds 1.0 FTE</b>
Instructional support staff	11.0 FTE	11.0 FTE	
Additional instruction time for students not meeting standards: 20% of students	Limited	<b>Summer school, after-school programs, Saturday school, tutoring, etc.</b>	<b>Additional Programs for 20% of students</b>
Professional development time for teachers	5 days	<b>Equivalent of 7 days</b>	<b>Equivalent of 2 additional days</b>
Dedicated Teacher Collaboration Time	Limited	<b>2 hours per week</b>	<b>Additional 2 hours per week</b>
Leadership training for administrators	3 days	<b>Equivalent of 4 days</b>	<b>4 additional days</b>
Textbooks	\$70 per student	<b>\$85 per student</b>	<b>\$15 per student</b>
Classroom materials & equipment	\$100 per student	<b>\$110 per student</b>	<b>\$10 per student</b>
Other supplies	\$65 per student	<b>\$100 per student</b>	<b>\$35 per student</b>
Operations and maintenance	\$861 per student	<b>\$939 per student</b>	<b>\$78 per student</b>
Student transportation	\$456 per student	\$456 per student	
Centralized special education services	\$125 per student	\$125 per student	
State-level special education fund	\$61 per student	<b>\$91 per student</b>	<b>\$60 per student</b>
Technology Services	\$225 per student	<b>\$230 per student</b>	<b>\$5 per student</b>
Other centralized support	\$353 per student	<b>\$370 per student</b>	<b>\$17 per student</b>
District administrative support	\$365 per student	\$365 per student	
Education Service District services	\$574 per student	<b>\$780 per student</b>	<b>\$206 per student</b>
<b>Total Expenditure per Student</b>	<b>\$10,898</b>	<b>\$12,720</b>	<b>\$1,822</b>

\* The Current Service Level Prototype shows the Quality Education Model's prototype school costs estimated using the level of inputs that currently exist in Oregon schools.

## Prototype High School -- 1,000 Students

### Baseline Compared to Fully Funded QEM

	Current Service Level Prototype	Fully-Funded Prototype	Difference
Class size in core subjects of math, English, science, social studies, second language	23	<b>21, with maximum class size of 29 in core academic subjects</b>	<b>Cuts average class size by 2 in core subjects</b>
Staffing in core subjects	42.0 FTE	<b>44.0 FTE</b>	<b>Adds 2.0 FTE</b>
Extra teachers in math, English, and science	1.5 FTE	<b>3.0 FTE</b>	<b>Adds 1.5 FTE</b>
English as a second language licensed staff	0.5 FTE	0.5 FTE	
Special Education and alternative education licensed staff	5.0 FTE	<b>5.25 FTE</b>	<b>Adds 0.25 FTE</b>
Alternative education and special programs	2.5 FTE	2.5 FTE	
Media/Librarian	1.0 FTE	1.0 FTE	
Counselors	One for every 333 students	<b>One for every 250 students</b>	<b>Adds 1.0 FTE</b>
On-site instructional improvement staff	None	<b>1.0 FTE</b>	<b>Adds 1.0 FTE</b>
Instructional support staff	20.0 FTE	<b>20.5 FTE</b>	<b>Adds 0.5 FTE</b>
Additional instruction time for students not meeting standards: 20% of students	Limited	<b>Summer school, after-school programs, Saturday school, tutoring, etc.</b>	<b>Additional programs for 20% of students</b>
Professional development time for teachers	3 days	<b>Equivalent of 7 days</b>	<b>Equivalent of 4 additional days</b>
Dedicated Teacher Collaboration Time	Limited	<b>2 hours per week</b>	<b>Additional 2 hours per week</b>
Leadership training for administrators	Limited	<b>Equivalent of 4 days</b>	<b>4 additional days</b>
Textbooks	\$60 per student	<b>\$80 per student</b>	<b>\$20 per student</b>
Classroom supplies and materials	\$120 per student	\$130 per student	<b>\$10 per student</b>
Other supplies	\$69 per student	<b>\$102 per student</b>	<b>\$33 per student</b>
Operations and maintenance	\$875 per student	\$958 per student	<b>\$83 per student</b>
Student transportation	\$475 per student	\$475 per student	
Centralized special education services	\$95 per student	\$95 per student	
State-level special education fund	\$32 per student	<b>\$92 per student</b>	<b>\$60 per student</b>
Technology Services	\$193 per student	<b>\$210 per student</b>	<b>\$17 per student</b>
Other centralized support	\$311 per student	<b>\$355 per student</b>	<b>\$44 per student</b>
District administrative support	\$319 per student	\$319 per student	
Education Service District services	\$556 per student	<b>\$743 per student</b>	<b>\$187 per student</b>
<b>Total Expenditure per Student in 2010-11</b>	<b>\$10,259</b>	<b>\$11,778</b>	<b>\$1,519</b>

\* The Baseline Prototype shows the Quality Education Model's prototype school costs estimated using the level of inputs that currently exist in Oregon schools.