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81st LEGISLATIVE ASSEMBLY
JOINT INTERIM SPECIAL COMMITTEE ON PUBLIC EDUCATION APPROPRIATION

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To Speaker Kotek and President Courtney:

Submitted herewith is the final report of the Joint Interim Special Committee on Public Education Appropriation. This committee was created for the purpose of fulfilling the Legislative Assembly's constitutional obligations under Article VIII, Section 8.

After hearing public testimony, the Committee makes the following recommendations:

- Review the statutes relating to the Quality Education Model and Quality Education Commission in conjunction with the Executive Branch. The Quality Education Commission should review grants-in-aid as well as SSA funded programs and determine which of them should be included in the calculation in the future.
- Consider the addition of early learning to this committee's statutory directive.
- Review how the corporate kicker is factored into determining overall K-12 funding.
- Review the process used to determine the statewide current service level.
- Consider quality measures for both higher education and early learning in order to allow for a sufficiency determination in the future.
- Consider alternatives in providing increased financial stability to Oregon's school districts.

Sincerely,

Sen. Lew Frederick, Senate District 22; Co-Chair

Rep. Susan McLain, House District 29; Co-Chair

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EXECUTIVE SUMMARY

This report meets the requirements created by Ballot Measure 1 (November 2000), codified in [Article VIII, section 8 of the Oregon Constitution](#), which calls upon the Legislative Assembly to appropriate sufficient funds for the state's public education system and issue periodic reports to demonstrate the sufficiency or insufficiency of the appropriation. Oregon law requires that the Joint Committee on Public Education Appropriation rely on the findings of the Quality Education Commission to determine what amount would be sufficient. If the amount is insufficient, the Legislative Assembly's report must include the extent of the insufficiency, the impact of the insufficiency on the state's ability to meet quality goals, and the effects of the insufficiency.

For the 2021-2023 biennium, full funding of the Quality Education Model would require a State School Fund allocation of \$9.86 billion. During the 2021 Legislative Session, the Legislative Assembly provided \$9.3 billion for the State School Fund.

The 2021-2023 Legislatively Adopted Budget represents a significant narrowing of the insufficiency reported in past years, from 23.9 percent in the 1999-2000 biennium to 6.0 percent, or \$557.4 million, for the current biennium. The factors contributing to the insufficiency continue to be the effects of Measure 5's (1990) limits on property taxes; competition for limited state resources with programs such as social services and criminal justice; and increasing annual costs of providing educational services, such as increasing student needs, salaries, Public Employees Retirement System contributions, and health care benefits.

The Quality Education Commission predicts that graduation rates would rise faster and to higher levels with funding at the level required by the Quality Education Model. At full funding, the predicted graduation rate averaged for all students would reach over 90 percent by the 2024-2025 school year. Without full funding, the predicted graduation rate averaged for all students is forecast to be about 86 percent by the 2024-2025 school year, a difference of over four percent.

This report summarizes Oregon's education quality goals, describes the state's K-12 funding for the current biennium, discusses the impact of the Student Success Act, identifies key factors that contribute to insufficient funding, and shows the effects of the funding insufficiency on the state's graduation rate.

REQUIREMENTS OF BALLOT MEASURE 1 AND COMMITTEE CHARGE

This report addresses the requirements in Ballot Measure 1 (November 2000) and [ORS 171.857 \(2019\)](#). Ballot Measure 1 requires the Legislative Assembly to supply sufficient appropriations for the state's public education system to meet quality goals established by law and requires a report that demonstrates the sufficiency or insufficiency of funds.

[ORS 171.857](#) (2019) requires that the Joint Committee on Public Education Appropriation rely on the findings of the Quality Education Commission to determine what amount would be sufficient. If the amount is insufficient, then the report must include the extent of the insufficiency, the impact of the insufficiency on the state's ability to meet quality goals, and how the insufficiency may affect current practices, best practices, and student performance. The statute addresses public post-secondary education by requiring the Legislative Assembly to 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.¹

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. . . .

Regarding post-secondary public education, [ORS 171.857 \(2019\)](#) 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 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, 18 school districts and seven public school students sought a declaratory judgment requiring that the Legislative Assembly fund the Oregon public K-12 school

¹ Or. Const. art. VIII sect. 8(1).

system at a level sufficient to meet the quality educational goals established by law as well as a mandatory injunction directing the Legislative Assembly to appropriate the necessary funds.² 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 Section 8, Article VIII, Oregon voters did not intend to achieve the level of funding required in that constitutional provision through judicial enforcement.”³

The Joint Interim Special Committee on Public Education Appropriation scheduled four meetings during the 2021-2022 interim.

On October 6, 2021, the committee met to receive an overview of Ballot Measure 1, input from agencies and co-chairs of the Quality Education Commission (QEC), and information from the Legislative Fiscal Office. The information provided included the sufficiency level for the Quality Education Model, adopted and appropriated budget, and funding levels for public education in early childhood, K-12, and higher education.

On November 1, 2021, the committee met to hear an informational presentation on early intervention and early childhood special education.

On November 30, 2021 the committee met to review the draft report, discuss changes, and take public testimony. The committee recommended changes based on their review and input from stakeholders. Public testimony included:

- Requests to include early learning in the committee’s statutory authority and enact quality goals so that a sufficiency determination can be made.
- Requests to review the process for determining current service level, including the use of districts’ data regarding their actual service level.
- Requests to review whether the Student Success Act funding has been used to supplant allocations to the State School Fund.
- Requests to consider the increasing needs of Oregon’s student population, especially students enrolled in special education.
- Requests to provide more financial stability for school districts, especially in light of enrollment fluctuations.

On December 6, 2021, the committee met to review the changes and adopt the report.

OREGON’S EDUCATION QUALITY GOALS

Quality goals for kindergarten through grade 12 (K-12) public education were established by the Legislative Assembly in 2001 and are codified in [ORS 327.506 \(2019\)](#). These goals are:

² [Pendleton School Dist. v. State of Oregon, 220 Or. App. 56, 185 P.3d 471 \(2008\)](#).

³ [State of Oregon, 345 Or. App. 596, 200 P.3d 133 \(2009\)](#).

- 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;
- to provide an environment that motivates students to pursue serious scholarship and to have experience in applying knowledge and skills and demonstrating achievement;
- to provide students with the skills necessary to pursue learning throughout their lives in an ever-changing world; and
- to prepare students for successful transitions to the next phase of their educational development.⁴

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 \(2019\)](#), the QEC is directed to take three actions:

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 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;
 - costs of implementing best practices;
 - expected student performance under best practices; and
 - at least two alternatives for meeting quality goals.

Quality Education Model

The Quality Education Model (QEM) was first developed in 1999 as a tool to meet the responsibilities of the QEC, evaluate educational practices, and estimate the level of funding required to meet the state’s goals. 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

⁴ [ORS 329.015 \(2019\)](#)