

Joint Committee on Public
Education Appropriations

November 2025

Report on the Adequacy of Public Education Appropriations





About this Report

This report meets the requirements created by Ballot Measure 1 (November 2000), codified in [Section 8, Article VIII 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.



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Oregon State Legislature

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Report on the Adequacy of Public Education Appropriations

DATE: November 19, 2025

Executive Summary

This report meets the requirements created by Ballot Measure 1 (November 2000), codified in Section 8, Article VIII 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 (QEC) to determine what amount would be sufficient. If the amount appropriated 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.

The 2024 Quality Education Model (QEM) report estimates \$25 billion as the total cost of a quality education in the 2025-27 biennium. After subtracting local revenues, such as property tax and federal revenues available to K-12 schools, the QEC reported a total state funding need of \$13.5 billion to fully implement the QEM.

During the 2025 Legislative Session, the Legislative Assembly provided \$11.4 billion in funding for the State School Fund and \$2.2 billion in grant-in-aid for core K-12 operations and programs, for a total of \$13.6 billion. The amount of state funding provided for education effectively closes the funding gap and allows for the full implementation of the QEM.

The QEM report also identifies funding for early learning as an alternative for meeting the state's quality goals provided by the QEC. The 2025-27 legislatively adopted budget includes \$1.1 billion in state funding for early learning programs to address the QEC's recommendation for an additional method to achieve the state's quality education goals.

However, this committee notes that the Quality Education Model and the current processes surrounding its creation and this committee's work contain concerning issues that call into question the validity of the dollar figure it produces and the



subsequently calculated gap. This Committee finds the following opportunities for improvement:

- The statutory goals on which the QEM rests lack specificity and have no tie to the concrete expectations of schools established in Oregon's revised statutes or its administrative rules.
- It is considered best practice for this work to be in the hands of neutral, professional experts.
- The implementation of the professional judgment model by the QEC does not meet best practices in the education research field and therefore does not guarantee that the QEC selects interventions that are proven to work.
- Some of the best practices highlighted in the QEC's report are not included as model inputs.
- The QEC's model schools do not account for the variation in need among Oregon's schools.
- The QEC's calculations do not account for all the revenue sources available to local school districts when calculating the gap in funding.
- Documentation provided by the QEC is not sufficiently transparent about how the costs of implementing its selected interventions are calculated.
- The QEC's method for scaling up the costs makes certain invalid assumptions.
- There is a notable lack of connection among the best practices identified by the QEM, the statutory requirements of school districts, and the practices implemented by local school districts.

Lastly, this Committee found that for both early learning and higher education, the lack of statutory goals and educational cost-models preclude the Committee from issuing any finding regarding sufficiency.

This report summarizes Oregon's education quality goals, describes the state's K-12 funding for the current biennium, identifies certain funding considerations, describes the reasons for this committee's finding of sufficiency, and notes nine opportunities for improvement. The full report may be accessed in the Oregon Legislative Information System.



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Requirements of Ballot Measure 1 and Committee Charge

This report addresses the requirements in Ballot Measure 1 (November 2000) and [ORS 171.857 \(2023\)](#). 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.

Legal Background

[ORS 171.857 \(2023\)](#) 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

¹ Or. Const. art. VIII sect. 8(1).



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 QEC ... and the best practices and student performance identified by the QEC.

Regarding post-secondary public education, [ORS 171.857 \(2023\)](#) 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 2006, 18 school districts and seven public school students sought 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 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 in 2008. However, the Oregon Supreme Court, in a 2009 decision that partially reversed the earlier courts' decisions, ruled:

[T]he 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

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

³ [Pendleton School Dist. v. State of Oregon, 345 Or. 596 \(2009\).](#)



Committee Meetings

September 30, 2025

The committee met and heard informational presentations on its constitutional and statutory responsibilities, the overall revenue and budget picture for Oregon, the 2024 Quality Education Model report, and the 2025-2027 legislatively adopted budget for K-12 education, early learning, and higher education.

October 22, 2025

The committee met and heard an informational presentation on the American Institutes for Research report on Oregon's professional judgment model.

November ?, 2025

Oregon's Education Quality Goals

In 2001, the Legislative Assembly outlined the state's quality goals for kindergarten through grade 12 (K-12) public education in [ORS 327.506 \(2023\)](#), citing goals established elsewhere in statute. These goals are described below.

[ORS 329.015 \(2023\)](#) declares the Legislative Assembly's belief that the goals of K-12 education are

- 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.



[ORS 329.025 \(2023\)](#) declares the intent of the Legislative Assembly to maintain a system of public education that

- provides equal and open access and educational opportunities for all students regardless of linguistic background, culture, race, gender, capability, or geographic location;
- assumes that all students can learn and establishes high, specific skill and knowledge expectations and recognizes individual differences at all instructional levels;
- 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;
- provides special education, compensatory education, linguistically and culturally appropriate education and other specialized programs to all students who need those services;
- supports the physical and cognitive growth and development of students;
- provides students with a solid foundation in the skills of reading, writing, problem solving and communication;
- provides opportunities for students to learn, think, reason, retrieve information, use technology and work effectively alone and in groups;
- provides for rigorous academic content standards and instruction in mathematics, science, language arts, history, geography, economics, civics, physical education, health, the arts and world languages;
- provides increased learning time;
- 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;
- 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;
- provides students with the knowledge and skills that lead to an active, healthy lifestyle;
- provides students with the knowledge and skills to take responsibility for their decisions and choices;
- provides opportunities for students to learn through a variety of teaching strategies;
- emphasizes involvement of parents and the community in the total education of students;



- transports children safely to and from school;
- ensures that the funds allocated to schools reflect the uncontrollable differences in costs facing each district;
- ensures that local schools have adequate control of how funds are spent to best meet the needs of students in their communities; and
- provides for a safe, educational environment.

[ORS 329.045 \(2023\)](#) directs the State Board of Education to review and revise its Common Curriculum Goals, performance indicators, and diploma requirements, which must include the following:

- the Essential Learning Skills and rigorous academic content standards in various subjects;⁴
- the opportunity for educators, parents, and the general public to offer public comment; and
- encouraging increased learning time that provides students with instruction in core academic subjects, health and physical education, enrichment activities, and provides teachers with professional development.

Finally, [ORS 329.065 \(2023\)](#) declares that major statewide initiatives and legislative mandates require adequate funding in order to implement and shall not be implemented before funding is available.

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 \(2023\)](#), 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.

⁴ The State Board of Education has suspended the requirement that students demonstrate proficiency in the Essential Learning Skills as a condition of graduation through the 2027-28 school year.



3. Issue a report to the Governor and the Legislative Assembly, prior to August 1 of each even-numbered year, that identifies the following:
 - 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 fulfill the responsibilities of the QEC in evaluating educational practices and estimating the level of funding that would be required to meet the state's goals. The current QEM is a professional judgment model, enhanced by a more detailed "costing model" that relies on financial and other data. The QEC describes its process as utilizing the "professional judgment of the Commission, informed by research and relevant evidence" to determine the best practices for achieving Oregon's education goals.⁵

The QEM's costing component uses the concept of prototype schools (elementary, middle, and high schools) to estimate the necessary resources to meet academic standards and performance goals. The characteristics of these prototype schools reflect research-based best practices for staffing levels, sufficient funds for staffing, professional educator development, operations and maintenance costs, and other factors that affect student outcomes and costs.

The QEM is updated every two years to reflect the QEC's recommendations, informed by recent data and new research that is relevant to improving student outcomes. More detail on the QEM can be found in the report released every even-numbered year. The QEC is housed within the Oregon Department of Education (ODE), which provides professional staff support, and the QEC's reports and meeting records can be found on ODE's website.

⁵ Quality Education Commission, *Quality Education Model: Identifying Best Practices and Calculating the Cost of a Quality Education* 54 (2024), available at <https://www.oregon.gov/ode/reports-and-data/taskcomm/Documents/M000266%20DOE%20Quality%20Education%20Model%20Report%202024.pdf>



Recommendations from the Commission

The 2024 QEC report (quoted directly below) contained nine recommendations for improving student outcomes:

- 1. Fully fund the QEM or address the alternatives outlined in this report. Consider how to address funding for inputs that are not currently in the model, as well, in future biennia.*
- 2. Incorporate the educational best practices recommended in this report at a system-wide level and continue to evaluate these practices over time. Oregon should avoid the temptation to rely on discrete and administratively heavy programs, activities, and interventions that treat only the symptoms, not the root causes, of educational achievement challenges. The system must also be clearly identified as the agent for change. Oregon must avoid the tendency to place responsibility for system outcomes, especially those that are aggregated at the student level, on the shoulders of those students.*
- 3. Sustain targeted funding for the Student Success Act, which is focused on eliminating barriers and increasing access to high quality instructional experiences for Oregon's historically, and currently, marginalized student focal groups. Continued support for the Corporate Activities Tax will ensure Oregon students realize the vision set forth in the Student Success Act. The SSA was designed to provide much of the gap-closing investments our schools need, and it remains a once-in-a-generation opportunity to improve the effectiveness of our system on behalf of the students in our state.*
- 4. Increase equal opportunity and access to high-quality early learning programs. This includes developmentally appropriate, culturally specific, and inclusive early learning programs. The research is clear that high-quality early learning has lifelong positive impacts on children because it prepares them to enter kindergarten ready to learn.*
- 5. Continue to monitor and invest in the increasingly broad and complex student mental health needs. Our students need to be well in order to learn. Our public education system must support their health and wellbeing in order for them to effectively learn and thrive.*
- 6. Support social and emotional learning. Students need to develop social and emotional skills to be effective learners and to thrive in social settings.*
- 7. Continue to build community partnerships. Schools and districts thrive in communities that partner with entities that are best-situated to provide key services to students, such as non-profits and social service agencies.*



8. *Continue support of transparency through efforts such as the fiscal transparency efforts underway at the direction of Governor Kotek through the Office of Transparency at ODE and the development of a business case for an Educator Workforce Data System that can highlight educator workforce challenges across the state and allow for longitudinal analyses sense-making (Senate Bill 283, Section 1).*
9. *Build learning systems that are designed to continuously improve at the state, Education Service District, and local levels. Education leaders need access to a central data dashboard and local decision-making teams and protocols that allow for timely review and careful responses to those data - identifying which students need what kinds of help and taking swift and well-informed action. These processes can be made most efficient by provision of a statewide data dashboard that includes fiscal, academic, and program information. Educators, policymakers, and the general public deserve ready access to information that is needed to make better informed decisions at multiple levels.*

Required Funding and Strategies

According to the 2024 QEC report, full implementation of the QEM requires a State School Fund appropriation of \$13.5 billion for the 2025-27 biennium. This amount was determined by estimating the cost of the fully implemented model based on projected student enrollment and the use of the costs generated by the QEM for the prototype schools. This includes costs associated with new prototype school resources needed to fully implement the QEM, based on the professional judgment of the QEC.

The total required to fully fund the QEM is \$25 billion. Estimated non-State School Fund and Fund for Student Success resources include property taxes, Public Employees Retirement System side account earnings, food service receipts, federal grants, local option levies, other grants-in-aid provided by the Department of Education, and other resources available to school districts.

However, it is important to note that the Legislative Assembly has created additional revenue sources for K-12 education beyond what the QEM accounts for in its calculations of the funding gap. See this report's [sufficiency determination](#) section for additional information.



As noted above, the QEC is directed to provide at least two funding alternatives for meeting quality goals. The 2024 report included three recommendations:⁶

1. Invest in communities to reduce poverty.
2. Invest in student health.
3. Targeted K-12 investment.

Fund for Student Success

[House Bill 3427 \(2019\)](#), known as the Student Success Act, created a modified corporate activity tax (CAT). The net revenue generated by the tax is allocated directly to the Fund for Student Success and dedicated solely to the early learning and the K-12 education system.

The Student Success Act also reduced personal income tax rates by 0.25 percent in the lowest three of the four personal income tax brackets. As personal income taxes are deposited in the General Fund for any lawful expense or obligation of the state, this provision of the measure had the effect of reducing resources available for state-funded programs, including K-12 education. The measure addressed the reduction in General Fund revenue by requiring a transfer from the Fund for Student Success into the State School Fund in the amount equal to the difference between personal income taxes generated at the former rate and personal income taxes generated at the reduced rate. This transfer alleviates any General Fund revenue impacts on other state-funded programs related to the implementation of the Student Success Act. No other state General Fund-supported programs received this revenue relief.

Additionally, the statute directs a \$40 million transfer from the Fund for Student Success into the State School Fund for the High Costs Disabilities program.

After the two required transfers are made, a small revenue reserve is held in the Fund for Student Success to offset any unanticipated revenue declines and the remaining revenue is transferred into three accounts within the fund, which provide structure for education investments.

- The Student Investment Account (SIA) must be at least 50 percent of the fund and supports grants to school districts for investments to expand learning, reduce class sizes, increase academic achievements, and address

⁶ Quality Education Commission, *Quality Education Model: Identifying Best Practices and Calculating the Cost of a Quality Education* 97-98 (2024), available at <https://www.oregon.gov/ode/reports-and-data/taskcomm/Documents/M000266%20DOE%20Quality%20Education%20Model%20Report%202024.pdf>



student behavioral health needs. In the 2025-27 budget, the SIA was allocated \$1.1 billion.

- No more than 30 percent of the available revenue is transferred to the Statewide Education Initiatives Account (SEIA) to support investments in statewide initiatives and educator professional development. Some examples of the programs funded through this account is the High School Success program, Hunger Free Schools program, Early Literacy Success grant programs, and recovery schools. In the 2025-27 budget, the SEIA was allocated \$559.4 million.
- At least 20 percent of the available revenue is transferred to the Early Learning Account (ELA) to support investments in early learning programs and professional development for early childhood educators. In the 2025-27 budget, the ELA was allocated \$550.4 million.

Since the Student Success Act, the CAT revenue supporting these three accounts has funded an additional \$6.6 billion in grant-in-aid programs for K-12 education and early learning, including \$2.2 billion allocated for distribution in the 2025-27 biennium, as shown in Figure 1.

Figure 1. Fund for Student Success' Biennial Revenue Transfer Amount to the State School Fund and Subaccounts

| BIENNIUM | STATE SCHOOL FUND | NEW EDUCATION FUNDING | | | TOTAL NEW EDUCATION SPENDING |
|--------------|------------------------|-------------------------|--------------------------------------|------------------------|------------------------------|
| | | STUDENT INVESTMENT ACCT | STATEWIDE EDUCATION INITIATIVES ACCT | EARLY LEARNING ACCT | |
| 2019-21 | 592,870,000 | 150,000,000 | 246,622,099 | 170,518,281 | 567,140,380 |
| 2021-23 | 722,288,000 | 891,938,410 | 382,929,904 | 397,567,727 | 1,672,436,041 |
| 2023-25 | 792,727,407 | 1,087,178,997 | 548,451,330 | 500,430,284 | 2,136,060,611 |
| 2025-27 | 839,625,392 | 1,109,828,482 | 559,443,881 | 550,384,601 | 2,219,656,964 |
| TOTAL | \$2,947,510,799 | \$3,238,945,889 | \$1,737,447,214 | \$1,618,900,893 | \$6,595,293,996 |

Data: 2021-23 and 2023-25 Legislatively Approved Budget and the 2025-27 Legislatively Adopted Budget

Source: Legislative Fiscal Office

2025-27 Legislatively Adopted Budget

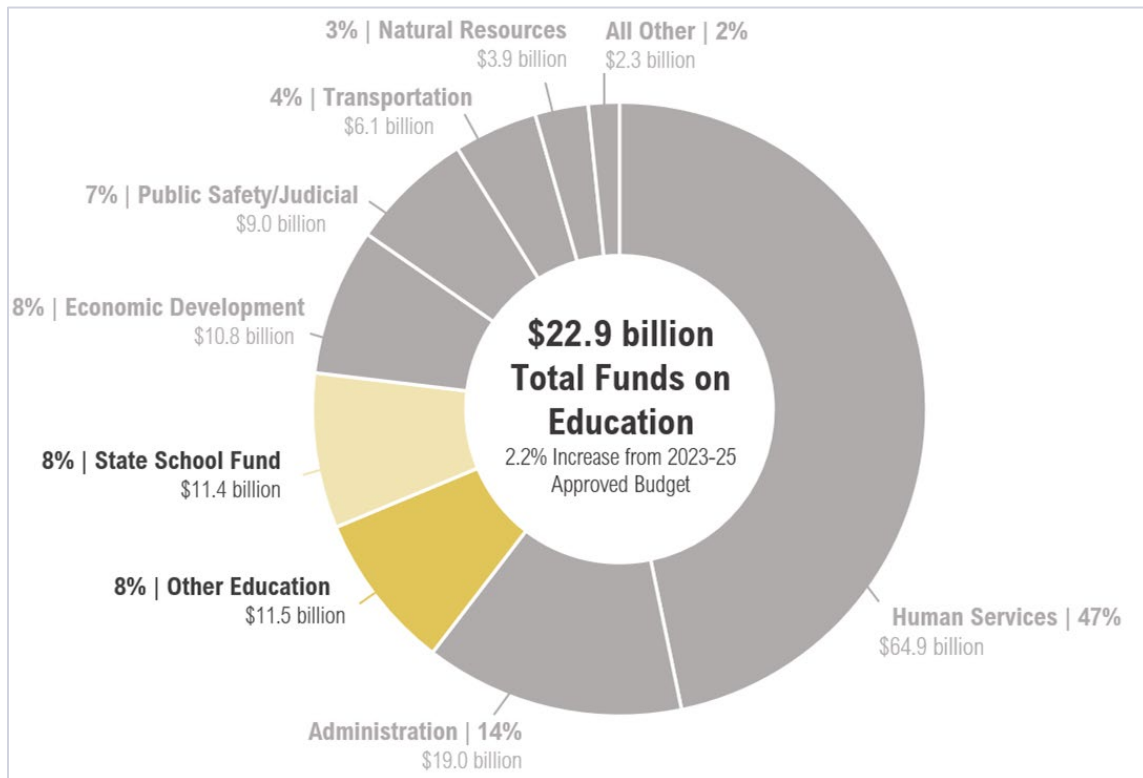
Education Program Area

In the state budget, the Education Program Area includes funding for early learning, K-12 education, and post-secondary education through support to



universities and community colleges. This area represents \$22.9 billion, which is 16 percent of the state budget and 40 percent of the total state General Fund and Lottery Funds budget.

Figure 2. 2025-27 Legislatively Adopted General Fund + Lottery Funds Budget, in Millions



Data: 2025-27 Legislatively Adopted Budget
Source: Legislative Fiscal Office

Excluding the State School Fund, the Department of Education is the largest agency budget in the program area, at nearly \$5.7 billion, of which most is grant-in-aid to support schools, shown in Figure 3. The second largest budget is State Support for Public Universities at \$2.4 billion followed by the Department of Early Learning and Care at \$1.5 billion and State Support for Community Colleges at \$995 million.

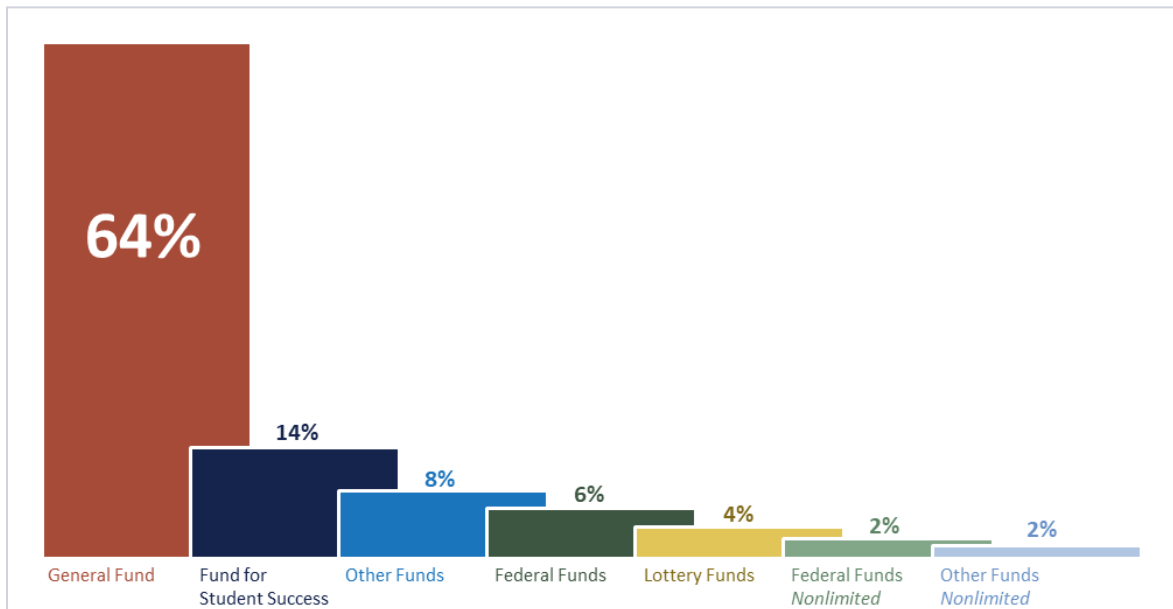
**Figure 3. 2025-27 Education Program Area Agency Budgets**

| STATE SCHOOL FUND | | General Fund/Lottery Fund | Total Funds |
|--------------------------------------------|--|---------------------------|-----------------------|
| State School Fund | | 10,475,489,200 | 11,359,442,690 |
| <i>Percent of State Budget</i> | | 27% | 8% |
| OTHER EDUCATION | | General Fund/Lottery Fund | Total Funds |
| Department of Early Learning and Care | | 740,922,513 | 1,449,541,872 |
| Teacher Standards and Practices Commission | | 769,493 | 19,090,799 |
| Department of Education | | 898,033,044 | 5,660,457,556 |
| Higher Education Coordinating Commission | | 135,966,575 | 471,293,739 |
| State Support for Public Universities | | 1,747,965,112 | 2,416,714,617 |
| State Support for Community Colleges | | 953,493,586 | 994,821,819 |
| State Support for OHSU | | 170,648,688 | 173,965,856 |
| Oregon Opportunity Grant Program | | 325,671,200 | 329,371,200 |
| Subtotal - Other Education | | 4,973,470,211 | 11,515,257,458 |
| <i>Percent of State Budget</i> | | 13% | 8% |
| EDUCATION PROGRAM AREA | | General Fund/Lottery Fund | Total Funds |
| Education Program Area Total | | 15,448,959,411 | 22,874,700,148 |
| <i>Percent of State Budget</i> | | 40% | 16% |

Data: 2025-27 Legislatively Adopted Budget

Source: Legislative Fiscal Office

Within the Education Program Area, the General Fund provides 64 percent of the revenue resources, shown in Figure 4. The Fund for Student Success is the second highest revenue source for education. It represents 14 percent of the total education program area spending but constitutes 18 percent of K-12 spending.

**Figure 4. 2025-27 Education Program Area Funding Composition**

Data: 2025-27 Legislatively Adopted Budget
 Source: Legislative Fiscal Office

K-12 Education

State resources for K-12 education are distributed to school districts in two primary ways: (1) through the Department of Education grants and programs, and (2) through the State School Fund (SSF), which represents the largest share.

Department of Education Programs

The Department of Education grant-in-aid programs provide funding for specific purposes such as school nutritional programs, special education, professional development, and Career and Technical Education (CTE). The various granting programs are resourced by a variety of revenue sources, including General Fund, federal funding, and the Fund for Student Success. Many of these grant-in-aid programs are used in the determination of the total need as calculated by the QEM.

The Department's 2025-27 budget included additional funding for K-12 education in the following areas, as summarized in Figure 5:

- Grant-in-aid** - Resources for grant-in-aid programs includes 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). This amount has grown significantly in recent biennia beginning in the second



year of the 2019-21 biennium with the resources from the Fund for Student Success, totaling nearly \$1.8 billion for the 2025-27 biennium. The largest amount (\$1.1 billion) is distributed to school districts as grants from the Student Investment Account.

- **Oregon School for the Deaf** - Additional resources for the operation of the school beyond the amount funded through the SSF.
- **Youth Development Programs** - Funding for youth development efforts directed to K-12 related programs. The funding also includes a small portion of resources for outside of the K-12 area.
- **Educator Advancement Council** - Funding to support, develop, and diversify Oregon's educator workforce through regional educator-led networks.
- **Bond-funded Programs and Debt Service** - Costs for state-issued bonds, primarily for aid to districts for construction and remodeling of school facilities.

Figure 5. Department of Education's 2025-27 Funding for K-12, Excluding the SSF

| PROGRAM | GENERAL & LOTTERY FUNDS | FUND FOR STUDENT SUCCESS | OTHER & FEDERAL FUNDS** | TOTAL FUNDS |
|-----------------------------------------------------|-------------------------|--------------------------|-------------------------|------------------|
| Oregon School for the Deaf | 17.3 | - | 8.0 | 25.4 |
| Educator Advancement Council | - | - | 56.0 | 56.0 |
| Youth Development Programs | 18.6 | 9.1 | 8.2 | 35.8 |
| Bond-funded Programs | 70.8 | - | 268.0 | 338.8 |
| Debt Service | 73.7 | - | 9.6 | 83.3 |
| K-12 GRANT-IN-AID PROGRAMS | | | | |
| Student Investment Account (SIA) | - | 1,109.8 | - | 1,109.8 |
| Student Success Grant Programs | 200.7 | 336.3 | 13.0 | 550.0 |
| District Capacity and Technical Assistance | - | 53.8 | 6.1 | 59.9 |
| STEM and CTE Grant Programs | 35.1 | - | 37.7 | 72.7 |
| School Food and Nutrition Programs | 13.2 | 128.6 | 543.9 | 685.8 |
| Educator Effectiveness and Professional Development | - | 3.7 | 42.7 | 46.4 |
| Closing the Achievement Gap | 1.8 | 24.8 | 452.1 | 478.7 |
| Specialized Student Services | 321.7 | 124.2 | 424.5 | 870.4 |
| TOTAL OF OTHER K-12 FUNDING | \$753.0 | \$1,790.4 | \$1,869.8 | \$4,413.2 |

**Excludes funding for ODE operations and early learning programs.*

***Excludes duplicative Other Funds expenditure limitation for General Fund deposited into an account and expended as Other funds and programs funded through the State School Fund.*

Data: 2025-27 Legislatively Adopted Budget

Source: Legislative Fiscal Office

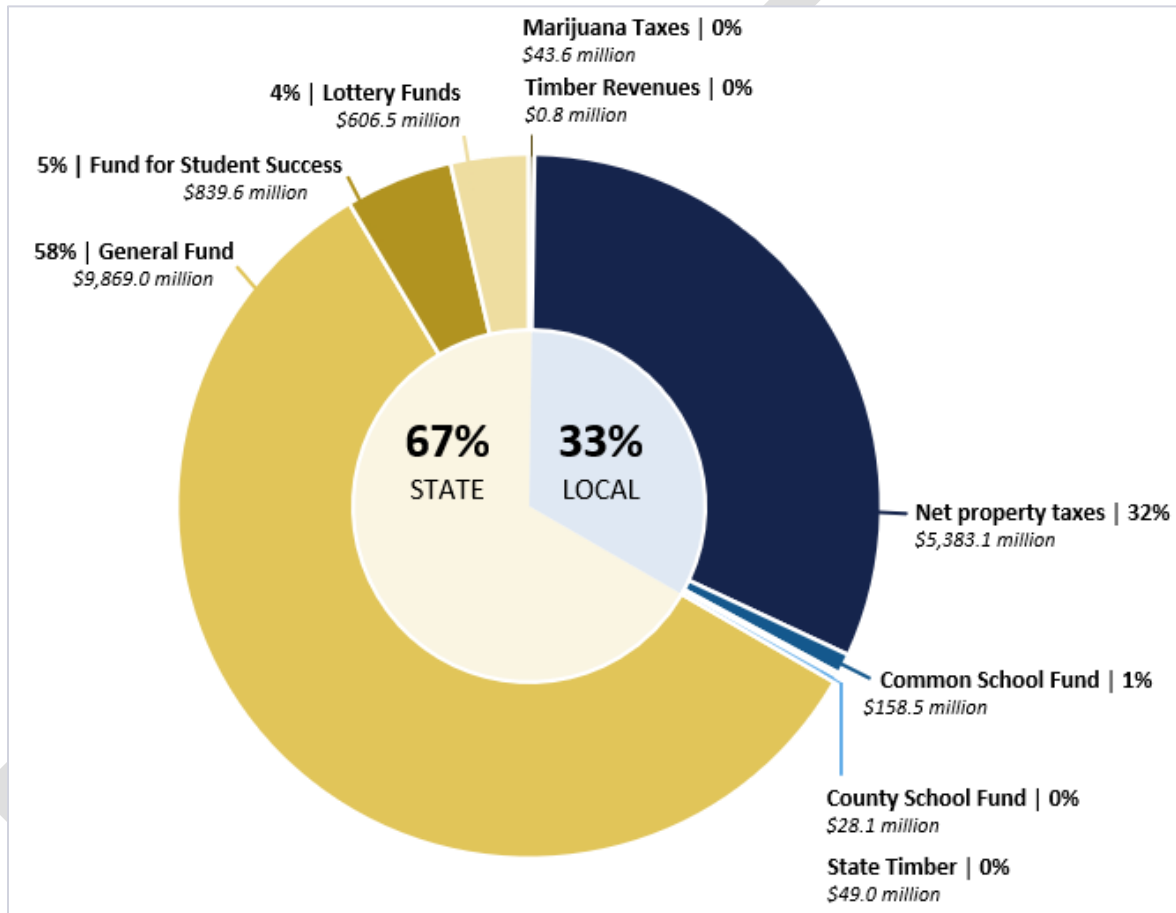
State School Fund

The single largest source of revenue to school districts and education service districts (ESDs) is "formula" resources, a combination of state resources, property tax revenues, timber revenue, distributions from the Common School Fund, and other local resources allocated to districts.



The “formula” refers to the equalization formula (ORS 327.008 et seq) that was intended to equitably allocate school funding to districts and ESDs on a per-pupil basis, weighted for certain student and district characteristics, and considering the availability of local revenues. The formula funding (SSF combined with local revenues) in the 2025-27 biennium totals \$17 billion. State resources represent just over two-thirds of the total formula resources (67 percent), and local resources represent slightly less than a third of the total (33 percent), shown in Figure 6.

Figure 6. 2025-27 State School Fund Revenue Composition, in Millions



Data: 2025-27 Legislatively Adopted Budget
Source: Legislative Fiscal Office

In the 2025-27 biennium, the total budgeted formula resources increased by \$1.6 billion over the 2023-25 biennium, driven largely by an increase in the SSF, shown in Figure 7. The amount allocated by the legislature to the SSF has a large impact on the overall state budget. In the 2025-27 biennium, the SSF represents 27 percent (\$10.5 billion) of the total combined General Funds and Lottery Funds statewide.

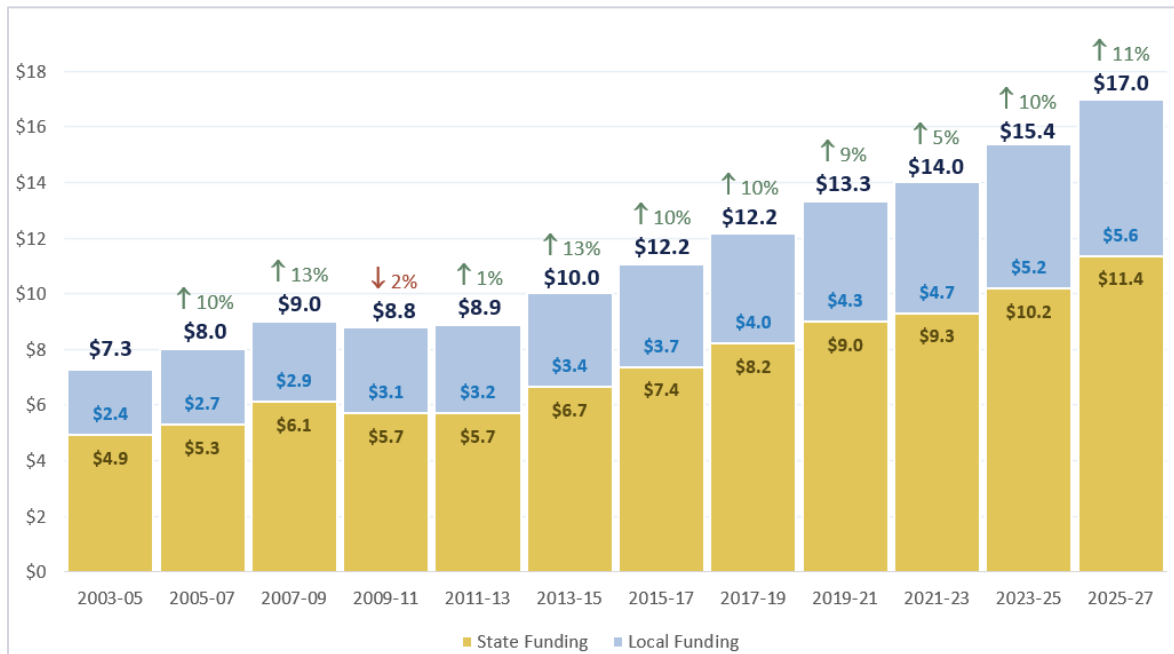
**Figure 7. Total School Formula Revenue Comparison of 2023-25 and 2025-27 Budget**

| | Leg Approved 2023-25 | Leg Adopted 2025-27 | CHANGE |
|-----------------------------------------------------|-------------------------|------------------------|------------------|
| <u>STATE RESOURCES</u> | | | |
| General Fund | 8,727.2 | 9,869.0 | 1,141.8 |
| Lottery Funds | 638.7 | 606.5 | (32.2) |
| Other Funds | 834.1 | 884.0 | 49.9 |
| <i>Transfer from Fund for Student Success</i> | <i>792.7</i> | <i>839.6</i> | <i>46.9</i> |
| <i>Marijuana Taxes</i> | <i>40.8</i> | <i>43.6</i> | <i>2.8</i> |
| <i>Timber Revenues</i> | <i>0.6</i> | <i>0.8</i> | <i>0.2</i> |
| TOTAL STATE RESOURCES | 10,200.0 | 11,359.4 | 1,159.4 ↑ |
| <u>LOCAL RESOURCES</u> (not in state budget) | | | |
| Net Property Taxes | 4,964.4 | 5,383.1 | 418.7 |
| Common School Fund | 150.9 | 158.5 | 7.6 |
| County School Fund | 27.4 | 28.1 | 0.6 |
| State Timber | 47.9 | 49.0 | 1.1 |
| TOTAL STATE RESOURCES | 5,190.6 | 5,618.7 | 428.0 ↑ |
| TOTAL K-12 FORMULA RESOURCES | 15,390.6 | 16,978.1 | 1,587.4 ↑ |

Data: Legislative Revenue Office March 2024 School Revenue Forecast, 2023-25 Legislatively Approved Budget, and 2025-27 Legislatively Adopted Budget

Source: Legislative Fiscal Office

Figure 8 shows the growth of school formula resources over time. From the 2003-05 through the 2011-13 biennium, total formula resources increased, on average, 5 percent on a biennium-over-biennium basis. Looking at the more recent past, total formula funding from the 2013-15 through the 2025-27 biennia shows that total formula resources increased, on average, 10 percent on a biennium-over-biennium basis. The 2025-27 State School Fund budget surpassed the average growth with an increase of 11.4 percent from the prior biennium, making it the single most significant budget increase in more than 10 years.

**Figure 8. Total School Formula Resources From 2003-05 Through 2025-27, in Billions**

Data: 2025-27 Legislatively Adopted Budget
 Source: Legislative Fiscal Office

Nearly 99 percent of all formula resources available from state and local sources can be used by school districts and ESDs without specific direction on how the resources are to be spent. The remaining 1 percent represents directed set-asides from within the SSF.

The funding does “carve out” of the SSF, but the set-asides do not always “carve into” the amount of funding distributed to school districts and ESDs. This is true for the 2025-27 SSF budget of \$11.4 billion. The budget includes funding for the set-asides in addition to the calculated funding for distribution to school districts and ESDs.

The set-asides are authorized by state law and directed for specific purposes, 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 to support K-12 education, such as the School Safety and Emergency Management program, High-Cost Disability Grants, English language learners grants, and Small School Grants.

**Figure 9. 2025-27 State School Fund Set-asides**

| CARVE OUTS | ORS | AMOUNT |
|----------------------------------|------------------------|----------------------|
| Charter School Closure | 327.008(3) | 412,406 |
| School Safety and Emergency Mgmt | 327.008(7) | 3,000,000 |
| School Facilities Office | 327.008(8) | 10,000,000 |
| Pediatric Nursing Facilities | 327.008(9) | 2,124,448 |
| High Cost Disability | 327.008(10) | 110,000,000 |
| EAC (SSF share) | 327.008(11)(a) | 6,794,711 |
| EAC (from SD/ESD shares) | 327.008(11)(b) | 24,013,226 |
| English Language Learners | 327.008(12) | 12,500,000 |
| 10th Grade Assessment | 327.008(13) | 968,000 |
| Talented & Gifted | 327.008(14) | 350,000 |
| Speech Pathologist | 327.008(15) | 150,000 |
| Healthy Schools Facilities Fund | 327.008(16) | 2,000,000 |
| Menstrual Products | 327.008(17) | 2,595,000 |
| Small School Supplement | 327.008(18) | 5,000,000 |
| Youth Challenge Program | 327.008(19) | 4,906,249 |
| Hospital/Residential Care | 327.008(1)(d), 343.243 | 44,827,044 |
| Local Option Equalization | 327.008(1)(d), 327.339 | 4,000,000 |
| Oregon Digital Learning | SB 5516 | 1,600,000 |
| Total set-asides | | \$235,241,084 |

Data: 2025-27 Legislatively Adopted Budget

Source: Legislative Fiscal Office

Sufficiency Determination

Based on the 2024 QEC report, it is the determination of the Joint Committee on Public Education Appropriation that state funding appropriated for the K-12 public education in the 2025-27 biennium is sufficient to meet the 2024 QEC's recommended funding levels.

The 2024 QEM estimated that the Legislative Assembly needed to appropriate \$13.5 billion for K-12 education in the 2025-27 biennium to reach the state's quality education goals.⁷ This amount is based on the QEM's total cost for the fully implemented model of \$25.0 billion, offset by other revenues. These other revenues include property tax and other local revenues along with various federal program funds (e.g., Special Education, nutrition) available to the K-12 system. However, the QEM's revenue calculations do not account for state grant-in-aid received by school districts, including the grants funded through the Fund for Student Success. Accounting for all state funding available for K-12 education, this committee finds

⁷ Quality Education Commission, *Quality Education Model: Identifying Best Practices and Calculating the Cost of a Quality Education* 10 (2024), available at <https://www.oregon.gov/ode/reports-and-data/taskcomm/Documents/M000266%20DOE%20Quality%20Education%20Model%20Report%202024.pdf>



that \$25.1 billion is available to schools for core operations and programming, an amount sufficient to meet the QEM's requirements. An additional \$1.4 billion is also provided to strengthen the overall K-12 education system.

The QEC states in the QEM report that the "full QEM [has] never represented the totality of funding that is available to districts and Education Service Districts within the State of Oregon, only those funds which were allocated to districts by the State School Funding formula."⁸

However, as shown in Figures 10 and 11, CAT revenues were used to directly narrow the gap in the 2020 and 2022 QEM reports, respectively.

Figure 10. Funding Gap from the 2020 QEM Report⁹

The Funding Gap

The funding gap is the difference in the State School Fund amount needed for the Current Service Level of funding and the amount needed for full funding, as estimated using the Quality Education Model. We estimate that the funding gap will fall from \$1.77 billion in the 2019-21 biennium to \$833.6 million in 2021-23. The reduction in the gap is a result of the added revenue for schools coming from the Corporate Activities Tax passed as part of the Student Success Act.

EXHIBIT 1: Quality Education Model Funding Requirements

| Dollars in Millions | | |
|---------------------------------------------------------------------------------------|------------|------------|
| | 2019-21 | 2021-23 |
| Current Service Level Total Funding Requirements | | \$18,156.7 |
| Local, Federal, and Non-State School Fund Sources | | \$7,819.8 |
| Projected Student Success Act Funding | | \$1,176.5 |
| State School Fund | \$9,000.0 | \$9,160.5 |
| Fully-Implemented Quality Education Model Funding Requirements | | \$18,990.3 |
| Local, Federal, and Non-State School Fund Sources | | \$7,819.8 |
| Projected Student Success Act Funding | | \$1,176.5 |
| State School Fund | \$10,773.9 | \$9,994.0 |
| Funding Gap: Amount Fully-Implemented Model is Above the Current Service Level | \$1,773.9 | \$833.6 |
| Percent Change in Funding Gap from Prior Biennium | -0.5% | -53.0% |
| Gap as a Percent of the Current Service Level | 19.7% | 9.1% |

⁸ Quality Education Commission, *Quality Education Model: Identifying Best Practices and Calculating the Cost of a Quality Education* 10 (2024), available at <https://www.oregon.gov/ode/reports-and-data/taskcomm/Documents/M000266%20DOE%20Quality%20Education%20Model%20Report%202024.pdf>

⁹ Quality Education Commission, *Quality Education Model: Final Report* 8 (2020), available at https://www.oregon.gov/ode/reports-and-data/taskcomm/Documents/66421_ODE_Quality%20Education%20Model%20Report_2020%20v7.pdf



Figure 11. Funding Gap from the 2022 Revised QEM Report¹⁰

Recommended QEM Funding Levels

Since the beginning of the QEM calculation, analysts have used the State School Fund appropriation as the education funding number to compare with the QEM funding requirement. The 2021 Legislature appropriated \$9.3 billion to the State School Fund for the 2021-23 biennium. The Quality Education Model analysis determined that a budget of \$11.163 billion would be needed to fully fund the model, a gap of \$557 million.

For the 2021-23 biennium, the Quality Education Model called for a state investment of \$11.163 billion to fund the Fully-Implemented Quality Education Model Recommendation; the Legislature appropriated \$9.300 billion in the State School Fund, and \$1.306 billion in Student Success Act grant funding to districts, resulting in a state funding gap of \$557 million. For the upcoming 2023-25 biennium, the QEM estimates maintaining the current service level will require a combined State School Fund and Student Success Act funding level of \$10.710. The Commission estimates that the total Student Success Act grant funding to districts for the 2023-25 biennium will be \$1.338 billion, leaving a State School Fund funding requirement of \$9.372 billion in order to maintain the current service level. The Commission estimates that the total state funding necessary to enact the Fully-Implemented Quality Education Model Recommendation in the 2023-25 biennium will be \$13.228 billion, which, after adjustment for projected Student Success Act grant to district funds, would require a State School Fund Appropriation of \$11.889 billion, \$2.517 billion dollars greater than the amount required to maintain the current service level.

In sharp contrast, the 2024 QEM reports only the statutorily required amount of Student Success Act funding transferred to the State School Fund as repayment for General Fund losses (see [Fund for Student Success](#) section). It does not report any of the additional Student Success Act funding for schools, including the Student Investment Act grants. Additionally, on page 61 of the 2024 QEM report, Exhibit 33 removes the previously reported actual Student Success Act funding and inserts only the amount of the required transfer into the State School Fund, which misrepresents the funding provided. The net effect of these adjustments artificially increased the funding gap by 1.0 billion in 2021-23 and by 1.3 billion in 2023-25.

Figure 12. Impact of the Recalculated Historical Gaps in 2024 QEM, Exhibit 33

| | 2020 QEM | 2024 QEM | |
|------------------------------------------------|----------|----------|-----------|
| Reported Funding Gap for 2021-23 Biennium = | 833.6 | 1,870.5 | ↑ 1,036.9 |
| | 2022 QEM | 2024 QEM | |
| Reported Funding Gap for 2023-25 Biennium = | 1,690.0 | 3,027.0 | ↑ 1,337.0 |

The Legislative Assembly recognized a gap in education funding in 2019 with the passage of the Student Success Act. To date, the CAT revenue has funded an additional \$6.6 billion in grant-in-aid programs for K-12 education and early

¹⁰ Quality Education Commission, *Identifying Best Practices and Calculating the Cost of a Quality Education 8* (2022), https://www.oregon.gov/ode/reports-and-data/taskcomm/Documents/QEMReport_2022_VERSION2_Revised2_8_23.pdf



learning, including \$2.2 billion allocated for distribution in the 2025-27 biennium. The QEC's inaccurate reflection of the state's current investment in education, including the CAT revenue – created explicitly to close the funding gap in education – is extremely misleading. The Student Investment Account grants alone fund an additional \$1.1 billion in formula grants to schools. During the 2025 legislative session, school advocates testified to the Joint Ways and Means Subcommittee on Education to the importance of these grants to core school operations along with other large grant programs, including High School Success, Early Literacy, and Hunger Free Schools. Additionally, the legislature also provided \$35 million a year in ongoing funding for Summer Learning.

Figure 13 shows the 2024 QEM calculations of the funding gap in K-12 education followed by Figure 14, which itemizes the state revenue to more than sufficiently close the gap.

**Figure 13. QEM Total Cost Assumptions¹¹**

| PROTOTYPE | STUDENTS | SCHOOL COST | PER PUPIL | OREGON ENROLLMENT | TOTAL FOR ENROLLMENT |
|-------------------------------------------------------------------------|----------|-------------|-----------|-------------------|----------------------|
| 2025-26 School Year | | | | | |
| Elementary School | 360 | 8,130,175 | 22,584 | 237,244 | 5,357,871,208 |
| Middle School | 500 | 10,601,305 | 21,203 | 126,253 | 2,676,891,522 |
| High School | 1000 | 20,076,734 | 20,077 | 176,003 | 3,533,570,976 |
| 2026-27 School Year | | | | | |
| Elementary School | 360 | 8,375,112 | 23,264 | 237,024 | 5,514,172,392 |
| Middle School | 500 | 10,917,479 | 21,835 | 126,136 | 2,754,172,440 |
| High School | 1000 | 20,669,609 | 20,670 | 175,840 | 3,634,547,321 |
| QEM Estimated Schools Cost | | | | | \$ 23,471,225,859 |
| <u>Additional System Costs</u> | | | | | |
| Education Service Districts | | | | | 1,462,283,628 |
| High Cost Disabilities | | | | | 110,000,000 |
| Quality Education Model Estimate for 2025-27 Biennium | | | | | \$ 25,043,509,487 |
| <u>LESS Local Funding</u> | | | | | |
| Local Formula Funding | | | | | (5,618,650,490) |
| Local Funding not in Formula | | | | | (2,642,047,256) |
| Food Service Enterprise Revenue | | | | | (65,783,905) |
| PERS Side Account Earnings plus Pension Obligation Bond Debt Service | | | | | 190,918,604 |
| <u>LESS Federal Funding</u> | | | | | |
| Federal Revenue to Schools | | | | | (3,381,013,990) |
| Revenue Subtotal | | | | | (11,516,577,036) |
| Remaining State Funding Needed to Meet QEM | | | | | \$ 13,526,932,450 |

Data: Oregon Quality Education Commission

Source: Legislative Fiscal Office

¹¹ Quality Education Commission, *Appendix C - 2024 QEM Cost Model* (2024)

https://www.oregon.gov/ode/reports-and-data/taskcomm/Documents/AppendixC_2024%20QEM%20Cost%20Model%20for%20Public%20Release.xlsx
(last visited October 17, 2025).

**Figure 14. State Funding for K-12 Education**

| FUNDING SOURCE | GENERAL FUND | FSS (CAT)* | TOTAL STATE FUNDS |
|----------------------------------------------|--------------|---------------|--------------------------|
| Student Investment Account grants | - | 1,109,828,482 | 1,109,828,482 |
| High School Success grants | 138,927,716 | 199,151,203 | 338,078,919 |
| Summer Learning grants** | 70,000,000 | - | 70,000,000 |
| Early Literacy School grants | - | 93,780,000 | 93,780,000 |
| Hunger Free Schools | - | 127,345,728 | 127,345,728 |
| Specialized student service grants | 321,773,116 | 124,214,759 | 445,987,875 |
| Oregon School for the Deaf*** | 17,323,780 | - | 17,323,780 |
| Subtotal of State Funding | | | \$ 2,202,344,784 |
| State School Fund | | | 11,359,442,690 |
| Total Core Funding for K-12 Education | | | \$ 13,561,787,474 |

* Corporate Activity Tax revenue deposited in the Fund for Student Success

** General Fund for 2025-27 Summer Learning grants was funded partial in the 2023-25 LAB to support the 2025 summer program.

*** Students supported by Oregon School for the Deaf included in QEM's weighted average daily membership.

| | |
|-------------------------------------------------------|-------------------------------|
| Quality Education Model Estimate for 2025-27 Biennium | \$ 25,043,509,487 |
| Less local and federal revenue | (11,516,577,036) |
| Less state funding | (13,561,787,474) |
| Remaining Funding GAP to Meet QEM | (over) \$ (34,855,024) |

Additional state funding to strengthen the K-12 education system, not included in the dollars above

| | |
|---------------------------------------------|-------------------------|
| Educator professional development | 3,743,048 |
| Regional Education Networks | 39,425,648 |
| Literacy high dosage tutoring investment | 13,000,000 |
| Student success programs | 58,159,889 |
| District capacity and technical assistance | 53,779,695 |
| STEM and related CTE programs | 35,070,497 |
| Other nutritional programs | 14,523,116 |
| Closing the achievement gap programs | 26,668,054 |
| Youth development and reengagement programs | 18,113,627 |
| Early learning programs | 1,115,618,619 |
| | \$ 1,378,102,193 |

Data: 2025-27 Legislatively Adopted Budget

Source: Legislative Fiscal Office



Funding Considerations

The Legislative Assembly takes a variety of factors into account when appropriating funding for K-12 education.

Revenue-related Factors

Understanding K-12 education funding in Oregon requires a review of past ballot measures, the most important being Ballot Measure 5 (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 approximately two-thirds of the formula revenue and local resources contributing one-third. (See above section.)

As noted in previous reports, the state revenue system, dominated by the personal income tax, remains 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. As of the September 2025 forecast, these two funds are projected to total \$3.42 billion or 9.8 percent of total estimated General Fund revenues by the end of the 2025-27 biennium. The Education Stability Fund was most recently accessed (\$400 million) during the August 2020 special session. As roughly two-thirds of K-12 operating revenue is derived from state funds, school finances remain vulnerable to the volatility of the personal income tax.

The 2 percent personal 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, although the actual impact on resources depends on the size of the ending balance in the biennium in which the kicker was created. The surplus kicker revenue limit slows revenue growth during periods of economic prosperity and reduces revenue further during some recessionary periods, thereby worsening the impact of recessions on the state General Fund. Kicker payments are provided to taxpayers through credits against personal income taxes owed. For 2025-27, the September



2025 revenue forecast estimates that a personal income tax kicker of \$1.4 billion will be credited during the tax filing season in 2026. This kicker payment has been factored into the revenue forecasts.

According to the September 2025 state economic forecast, growth of the Corporate Activity Tax is projected to be 11.1 percent in 2025-27, compared to 2023-25 collections. Collections in 2023-25 were \$2.76 billion and the forecast for 2025-27 is \$3.07 billion. The growth rates for the subsequent four biennia are 13.1 percent, 9.3 percent, 9.4 percent, and 9.4 percent.

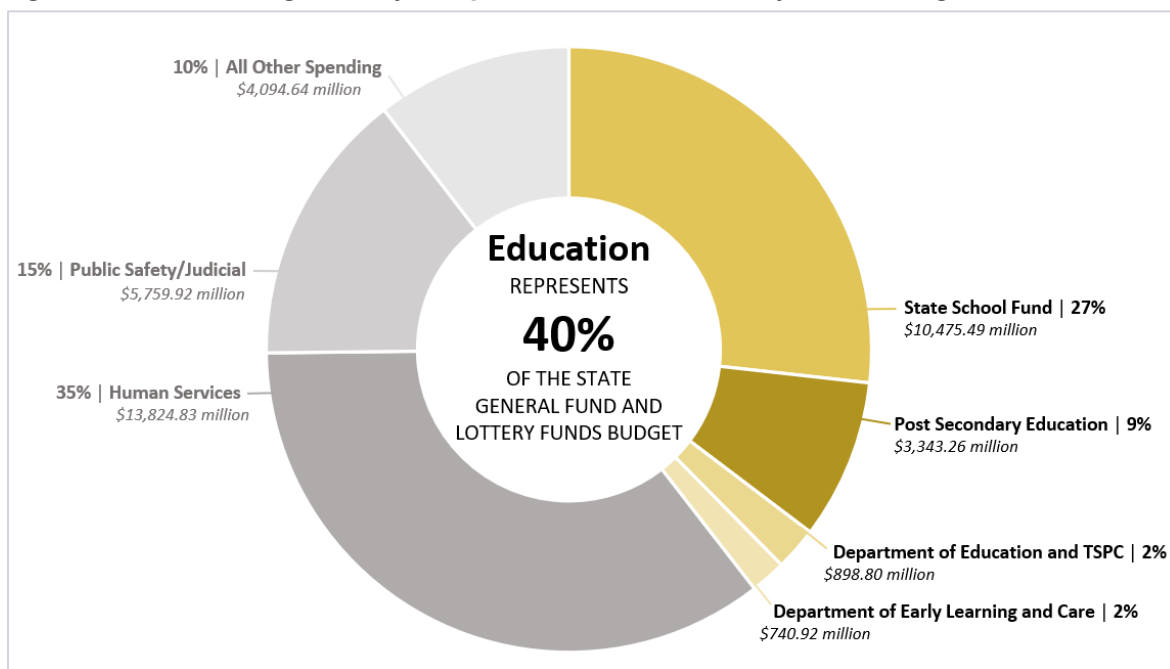
Additionally, recent changes in federal policy have varying impacts to revenue in different state programs. How the changes will directly or indirectly impact federal funding for Oregon's K-12 schools is unknown.

Competing for State Resources

The State School Fund remains one of the largest single expenditures funded through the state's General Fund and Lottery Funds, but there are other important budget areas that also must be funded or whose funding has been affected by outside factors.

As shown in Figure 15, in the 2025-27 Legislatively Adopted Budget the education program area expenditures represent 40 percent of the overall General Fund and Lottery Funds budget. Within this program area, programs other than K-12 education—such as early childhood education programs and higher education—both complement and compete for General Fund resources.

Health and Human Services represents the second largest program area expenditure at 35 percent of the state's General Fund and Lottery Funds budget. Numerous federal changes in funding and requirements affect the Health and Human Services budget area, limiting the Legislature's flexibility to reduce costs. For the 2025-27 biennium, significant investments were made to expand services for youth experiencing homelessness; to improve the rates paid to providers of long-term care, nursing, behavior rehabilitation, and foster care services; and to stabilize such basic systems as food supply, clean drinking water, and housing.

**Figure 15: 2025-27 Legislatively Adopted General and Lottery Funds budget, in Millions**

Data: 2025-27 Legislatively Adopted Budget
Source: Legislative Fiscal Office

Cost Considerations

There are several common factors that drive the costs of providing educational services to students. These factors can be grouped into three general areas: declining enrollment, student needs, and increasing employee compensation.

Declining Enrollment

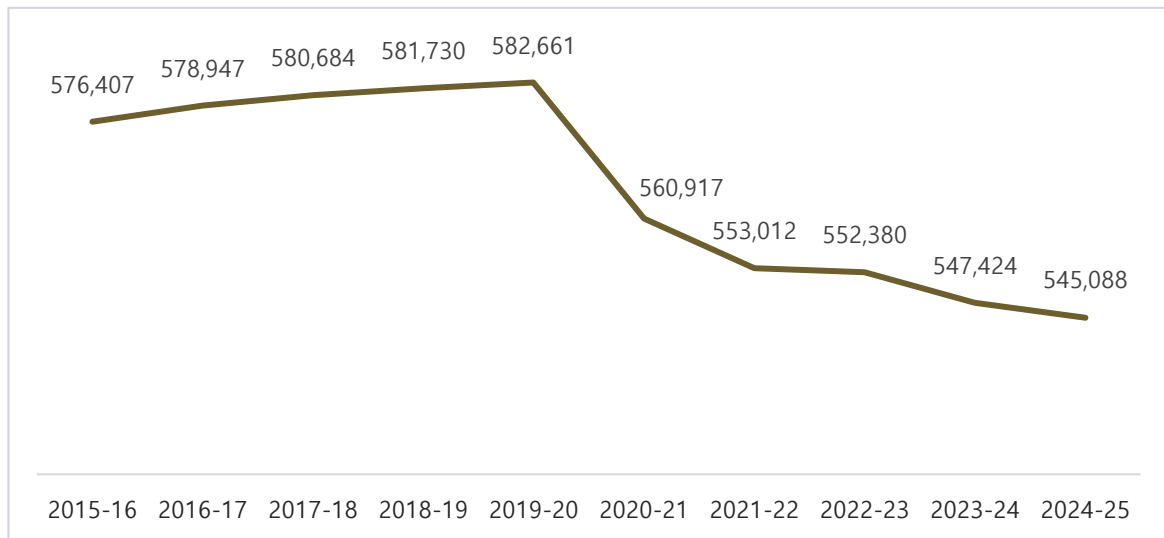
As shown in the Figure 16, public school enrollment in Oregon has been on an accelerated decline since the 2019-20 school year.¹² Projections from the National Center for Education Statistics indicate the trend will continue through at least 2030.¹³ Declining enrollment increases cost pressures related to fixed assets, such as school facilities. In an environment of declining enrollment, cost pressures need to be reconsidered to find economies of scale for both variable and fixed costs associated with individual schools.

¹² Oregon Department of Education, *Fall membership reports*. <https://www.oregon.gov/ode/reports-and-data/students/Pages/Student-Enrollment-Reports.aspx> (last visited October 7, 2025).

¹³ National Center for Education Statistics, *Projections to Education Statistics to 2030*. [Projections of Education Statistics to 2028](#) (last visited October 9, 2025).



Figure 16: Public K-12 Enrollment in Oregon, 2015-2025



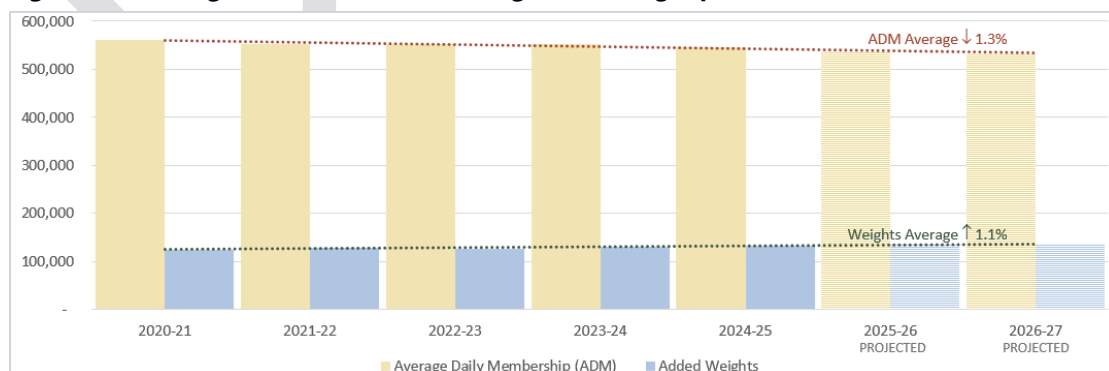
Data: Oregon Department of Education

Source: Legislative Policy and Research Office

Student Needs

The SSF is calculated on a per-pupil basis, weighted for students in certain categories, including students with an Individual Education Program, students learning English, and those experiencing poverty, among others. The overall total of weighted enrollment demonstrates the increased needs of the students Oregon serves. Since the 2019-20 school year, overall enrollment has declined just over 5 percent, from 582,661 to 545,088. This is an average decrease of 1.3 percent per year. In the same time frame, the total student weights are projected to increase from representing 126,409 weights, 18 percent of the total ADMw, to 136,442 weights, to representing 20 percent of the total ADMw by the 2026-27 school year. That is an average increase of 1.1 percent per year.

Figure 17. Change in ADM and the Weights Making Up the Total ADMw



Data: Department of Education

Source: Legislative Fiscal Office



According to the U.S. Census Bureau, the poverty level for children in Oregon ages 5 to 17 has been steady from 2021 to 2023.¹⁴ Students with lower socioeconomic status are more likely to face challenges with academic skills, housing stability and mobility, nutrition, and health care access, which tend to result in increased need for supplemental educational services.¹⁵ These higher costs are partially addressed by federal funds through Title I Part A of the Elementary and Secondary Education Act as amended (ESEA), through child nutrition programs, through the Oregon Health Plan, and through other state funding. Educational challenges are particularly acute for students who are experiencing homelessness, whose numbers also increased from 2021 through 2024 after years of declines.¹⁶ Under the federal McKinney-Vento Act, districts must provide the necessary services to allow students experiencing homelessness to remain enrolled in school. Limited federal grant funds are available for this purpose, but not all districts receive these grants.

Students with disabilities are guaranteed the right to a free and appropriate public education under the federal Individuals with Disabilities Education Act (IDEA). Because these students' individualized education programs promise the delivery of specified educational services, the cost of meeting their educational needs is generally higher than for other students. According to the QEM report, the proportion of students in Oregon with an Individual Education Program was 14.5 percent in the 2022-23 school year.¹⁷

Employee Salaries and Wages

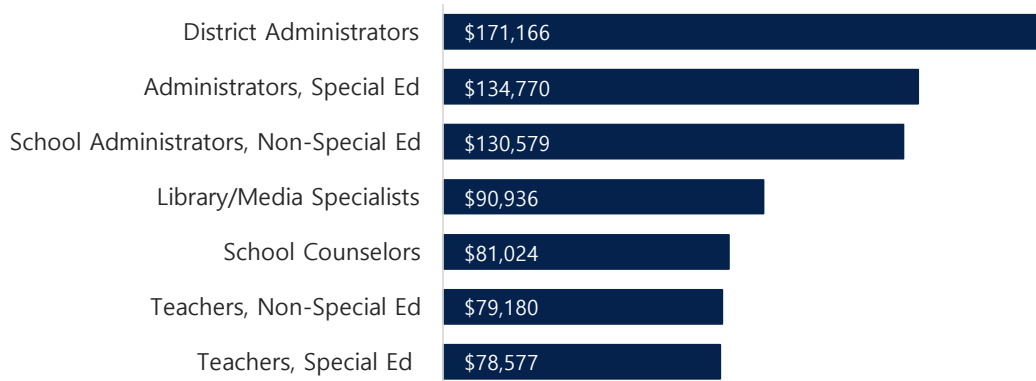
Overall, salaries and benefits represent approximately 85 percent of school district's general operating costs with salaries and wages representing the largest share. Figure 18 shows annual average salaries by position for the 2024-25 school year.

¹⁴ U.S. Census Bureau, *Small Area Income and Poverty Estimates (SAIPE)*, https://www.census.gov/data-tools/demo/saipe/#/?s_state=41&s_county=&s_district=&s_geography=us&s_measures=5_17_fam (last visited October 6, 2025).

¹⁵ American Psychological Association, *Education and Socioeconomic Status* Fact Sheet, <http://www.apa.org/pi/ses/resources/publications/education> (last visited October 8, 2025).

¹⁶ Oregon Department of Education, *McKinney-Vento Act Data Poster*, <http://www.oregon.gov/ode/schools-and-districts/grants/ESEA/McKinney-Vento/Documents/McKinney-Vento%20Act%20Data%20Poster.pptx> (last visited October 8, 2025).

¹⁷ Quality Education Commission, *Quality Education Model: Identifying Best Practices and Calculating the Cost of a Quality Education* 39 (2024), available at <https://www.oregon.gov/ode/reports-and-data/taskcomm/Documents/M000266%20DOE%20Quality%20Education%20Model%20Report%202024.pdf>

**Figure 18. Statewide Annual Average Salaries by Position**

Data: Department of Education Staff Position Data, 2024-2025 school year

Source: Legislative Policy and Research Office

Local school districts bargain with their employees for increases in compensation, including pay and benefits. The state does not influence these agreements. Local bargaining results in varying levels of increases in compensation across districts. The calculation of the SSF's current service level, in subsequent biennia, factors in average pay and benefit increases across the state. Teacher compensation has grown at an average annual rate of about 2.8 percent over the past 10 years based on information collected from school districts by the Oregon Department of Education. This increase also reflects any changes in teacher longevity and seniority. Additionally, the number of staff in schools currently sits at a record high, particularly as compared to the number of enrolled students, shown in Figure 19.

Figure 19. Count of Enrollment (ADM), Teachers, and Staff in K-12 Education

| SCHOOL YEAR | ENROLLMENT (ADM) | COUNT OF TEACHERS | RATIO OF STUDENTS TO TEACHERS | COUNT OF TOTAL STAFF | RATIO OF STUDENTS TO STAFF |
|-------------|------------------|-------------------|-------------------------------|----------------------|----------------------------|
| 2015-16 | 576,407 | 29,119 | 19.8 | 66,076 | 8.7 |
| 2016-17 | 578,947 | 29,794 | 19.4 | 68,203 | 8.5 |
| 2017-18 | 580,684 | 29,946 | 19.4 | 68,638 | 8.5 |
| 2018-19 | 581,730 | 30,176 | 19.3 | 70,901 | 8.2 |
| 2019-20 | 582,661 | 30,284 | 19.2 | 70,206 | 8.3 |
| 2020-21 | 560,917 | 30,767 | 18.2 | 70,112 | 8.0 |
| 2021-22 | 549,889 | 31,665 | 17.4 | 73,712 | 7.5 |
| 2022-23 | 544,063 | 31,781 | 17.1 | 72,919 | 7.5 |

Data: Department of Education

Source: Legislative Fiscal Office



Public Employees Retirement System

Like other public employers in Oregon, school districts and education service districts contribute to the Public Employees Retirement System (PERS) for their employees' retirement benefits. Employer contribution rates are approved by the PERS Board in the fall of even-numbered years for rates that take effect on July 1st of odd-numbered years. As PERS rates are expressed as a percentage of payroll, payroll growth drives PERS costs, as do other factors including employee demographics, economic factors, and actions taken by employers to reduce pension obligation costs, such as through funding PERS side accounts. The 2019 Legislative Assembly approved changes to PERS that limit employer rates in [Senate Bill 1049](#), but PERS contributions remain a variable expense for school districts. Rates can change from one biennium to the next based on investment earnings, PERS Board changes and assumptions, legislative changes, and court decisions.

Health Benefits

Like other private and public employers, school districts face increasing costs for providing their employees' health insurance. Even though actions such as large employer pools and transferring costs to employees can limit increasing costs, health insurance costs for school districts continue to generally outpace the inflation rate. Most school districts purchase medical and dental insurance through the Oregon Educators Benefit Board, and under current law, the Board is required to adopt policies and practices that are designed to limit the annual increases in premium amounts paid for contracted health benefit plans to 3.4 percent per year.

Impact of Funding

Since the Legislative Assembly appropriated a sufficient amount of funding for the QEM's inputs, this Committee wanted to examine the percentage of Oregon schools that meet or exceed some of the QEC's staffing recommendations. The QEC's recommendations are based on three prototype schools sized at 364 students for elementary schools, 500 students for middle schools, and 1,000 students for high schools. Roughly half of Oregon's elementary and middle schools and three-quarters of its high schools are significantly smaller than the prototype schools considered by the QEM. These schools cannot achieve the economies of scale that are represented by the prototype schools and may require different staffing levels. Therefore, any review of how many schools in Oregon are meeting the QEC's recommendations



would be flawed. A better model will allow for a more detailed review of how many schools of varying sizes meet the state's quality recommendations.

Suggestions to Improve the Legislative Assembly's Ability to Meet the Requirements of Article VIII, Section 8 in Future Biennia

Given the finding of sufficiency, this committee has nine suggestions for improving the Legislative Assembly's work under Article VIII, Section 8 of the Oregon Constitution. These changes represent procedural improvements as well as technical updates that would fix critical flaws and present the Legislative Assembly, and therefore the citizens of Oregon, with a sounder footing on which to base their opinions and decisions about education funding.

1. Build alignment in education goals.

The statutory goals on which the QEM rests lack specificity and have little tie to the concrete expectations of schools established in Oregon's revised statutes or its administrative rules. Language that is aspirational but not measurable may serve a purpose, but the endeavor of costing out a quality system should rest on statutory goals that align with the accountability metrics established in [Senate Bill 141 \(2025\)](#) and the accompanying targets soon to be adopted by the State Board of Education. The goals should also align with the existing expectations of standard schools as outlined in state law and administrative rule, and with the goal of having a fully qualified and licensed individual in each position that requires a license.

2. Rely on neutral experts.

Currently, there is a conflation of roles where the sole professional judgment panel is the Commission itself. Ideally, the work should be split—professional researchers and facilitators consulting multiple panels of practicing educators to determine what the inputs are. Neutral, expert researchers who do not have a vested or personal interest in the final amount would then use that information to determine how much it would cost to fund a system that uses those inputs to meet specific, measurable goals.

3. Use best practices in education research.

The ability to rely on data resulting from best research practices is of the utmost importance for the integrity of the Legislative Assembly's work. This



Committee reviewed the American Institutes for Research report on the quality of the professional judgment model as it is currently used by the QEC. That report makes clear that the implementation of the professional judgment model by the QEC does not meet best practices in the education research field, implying there is no guarantee that the QEC selects optimum inputs. Having professional researchers implement a thorough and broad-based professional judgment model would broaden the educator voice in this process, ensuring that a wide variety of expertise from educators and administrators across Oregon could directly contribute to determining the QEM's inputs.

4. Itemize changes and discuss in report.

Some of the best practices that are highlighted in the QEC's report are not included as model inputs. The report focuses on several best practices, including a 180-day school year, but does not include those as inputs into the model. This Committee has fundamental questions about why the QEC would identify best practices but not include those in the model. Additionally, there is no itemization for costs associated with model inputs that require a legislative policy change to implement. For example, ORS 327.013 limits the number of pupils in the SSF calculation who receive the double special education weighting to 11 percent. Assumptions in the QEM related to increasing the weighting limit should be clearly itemized, as these assumptions cannot be funded without an accompanying policy measure.

5. Quality review the financial codes.

The QEC's calculations do not fully account for all revenue sources available to local school districts. In the 2024 legislative session, [Senate Bill 5701](#) provided funding for ODE to create the Office of Fiscal Transparency. The office is currently working to increase the data quality and ensure a universal understanding of the revenue and expenditure codes used in capturing local school district financial information. Each school district budgets slightly differently. Without understanding how each district acquires and records revenue for payment of items such as PERS, it is difficult to accurately capture the revenue. Additionally, the QEC's revenue assumptions omit the second largest source of state K-12 revenue, the Fund for Student Success. Having the revenue codes and assumptions reviewed and updated by the Office of Fiscal Transparency will ensure any calculated gap is not artificially derived.



6. Increase transparency into the calculations.

A more transparent model would improve the Legislative Assembly's ability to conduct its review. While the 2024 QEM report is a vast improvement over 2022's report, this Committee still has a number of questions about how the costs of implementing the QEM's selected interventions are calculated. These questions are not answered by the documentation provided by the QEC. For example, on one of the QEC's cost calculation spreadsheets, multiple cost categories are blacked out with no explanation. Additionally, some costs are not labeled with a unit to specify whether the input is meant to be implemented at the classroom, school, or district level.

7. Account for variation of needs among schools.

The QEM's model schools do not account for the variation in need among Oregon's schools and do not meet best practices in the education research field. The QEC itself noted this as a limitation on page 59 of its report,¹⁸ stating that "the model does not capture the variations in costs associated with the unique challenges facing different school settings, such as small rural schools and larger schools in metropolitan areas." The QEC goes on to state that the QEM "does not capture cost variations based on the characteristics of student populations and school communities." Similarly, the QEC notes on page 38 of its report¹⁹ that the current prototype model "does not allow for consideration of potential differences in cost for operating a variety of bilingual school models." This Committee believes that construction of a more sophisticated model is needed to ensure the accuracy of the final dollar figure.

8. Enhance the scale-up assumptions.

Legislators need to be able to trust the QEM's scale-up to see the total cost of implementing the QEM's inputs in Oregon schools. The QEM relies on three model schools with selected inputs, costs out the per-pupil

¹⁸ Quality Education Commission, *Quality Education Model: Identifying Best Practices and Calculating the Cost of a Quality Education* (2024), available at <https://www.oregon.gov/ode/reports-and-data/taskcomm/Documents/M000266%20DOE%20Quality%20Education%20Model%20Report%202024.pdf#page=61>

¹⁹ Quality Education Commission, *Quality Education Model: Identifying Best Practices and Calculating the Cost of a Quality Education* (2024), available at <https://www.oregon.gov/ode/reports-and-data/taskcomm/Documents/M000266%20DOE%20Quality%20Education%20Model%20Report%202024.pdf#page=40>



amount for each of those schools, and then multiplies that per-pupil amount by the number of students in Oregon's elementary, middle, and high schools. The QEC's current method for scaling up the costs assumes schools have no fixed costs and that there are no economies of scale. Additionally, it leaves out the costs of alternative education settings such as long-term care or hospitals.

9. Develop a roadmap for educators.

Perhaps the most important opportunity to improve this entire system is the chance to create a greater connection between the quality measures recommended by the QEM and the experiences of Oregon's students. On page 55 of its report, the QEC states that its estimates of improved graduation rates rely on the assumption that local school districts would implement the recommended educational best practices, even though there is neither a requirement nor a clear road map for them to do so. The current disconnect between the Quality Education Model and local districts, whose implementation of the recommended best practices varies, gives rise to a broad misunderstanding of what the QEM's dollar figure actually represents. Similarly, the disconnect among the Legislative Assembly's goals as stated in statute, the accountability measures established during the 2025 legislative session, the Quality Education Model, and local implementation means that not all entities are necessarily rowing in the same direction.

Early Learning System Goals

Although [ORS 171.857 \(2021\)](#) does not require this committee to include Oregon's early learning system in its report, several parts of the system are publicly funded and are therefore included here.

[ORS 329.160](#), as amended by [House Bill 3435 \(2023\)](#), declares the state's policy to implement programs for early childhood education, for parenting education that includes prenatal care, for child-parent centers, and for the Oregon Prenatal to Kindergarten Program, and that the latter shall be funded with a goal to have full funding for all eligible children. However, the statute does not set out any specific quality goals for the state's early learning system as a whole. In some cases, specific programs' definitions and enabling statutes state expectations for their respective programs. [ORS 329.175](#), as amended by [House Bill 3435 \(2023\)](#), states that the Oregon Prenatal to Kindergarten program "provide[s] comprehensive health,



education and social services to children and their parents or other key family members, at any time beginning with prenatal care and continuing until the children enter kindergarten, in order to maximize the potential of those children prior to kindergarten entry.” Similarly, [ORS 329.172\(5\), as amended by House Bill 3435 \(2023\)](#), establishes quality standards for providers in the state’s Preschool Promise program. Finally, [ORS 343.465 \(2021\)](#), in declaring the state’s policy of respecting uniqueness and cultural and linguistic diversity with regard to preschool children who experience disability, establishes some quality standards for services that affirm these values.

The goals laid out in statute for Oregon’s early learning programs are not sufficiently measurable for this committee to determine the adequacy of funding. Additionally, there is no early learning model that, like the K-12 Quality Education Model, measures the cost of reaching early education quality goals. Therefore, the committee finds that the state’s system of early childhood public education does not have sufficient quality goals established by law as to merit an analysis of whether funding is sufficient to meet those goals.

Post-Secondary Quality Education Goals

[ORS 171.857 \(2023\)](#) 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 \(2023\)](#) sets out the goals of Oregon’s 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, commonly called 40-40-20:

- 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.



- The remaining 20 percent will earn a high school diploma, extended or modified diploma, or the equivalent.

[House Bill 2311 \(2017\)](#) amended the 40-40-20 goals to apply to adult Oregonians who have moved through Oregon's K-12 and higher education systems. Sponsors of the legislation and Legislative Counsel agreed that, due to its aspirational nature, the 40-40-20 plan does not establish the quality goals that would require a determination of sufficiency under Ballot Measure 1.

In 2007, Governor Ted Kulongoski established the Post-Secondary Quality Education Commission, which recommended the development of a post-secondary quality education model to support decision-making on policy and state budget development, similar to the role of the K-12 Quality Education Model. That commission saw the proposed model as a tool to give policymakers and the public the ability to analyze a variety of policies and their impact on post-secondary costs.

The QEC recommended that the proposed model

- be based primarily on the 40-40-20 strategy;
- determine the resources required to meet these goals and identify the barriers to success; and
- be included in the state budget.

Due to falling state revenues at the time, no funding was included in the final Legislatively Adopted Budget for that biennium, and it has not been addressed since.

Currently, there is no higher education model that, like the K-12 Quality Education Model (QEM), measures the cost of attaining post-secondary quality goals. The aspirational goals in [ORS 350.009 \(2023\)](#) are not quantifiable for measuring costs, while the 40-40-20 goals are more concrete but are results-oriented rather than prescriptive.

Therefore, this committee finds that the state's system of post-secondary public education does not have sufficient quality goals established by law as to merit an analysis of whether funding is sufficient to meet those goals.