

Report on the Adequacy of Public Education Funding

November 2025

PREPARED FOR: Joint Committee on Public Education Appropriations

BY: Lisa Gezelter, Principal Legislative Analyst, Legislative Policy and Research Office

Wendy Gibson, Principal Legislative Analyst, Legislative Fiscal Office



Today's Presentation

- Student Success Act (SSA): A new funding source for education
- Impacts of SSA on QEM gap
- Sufficiency determination
- Opportunities for Improvement



Student Success Act

A new funding source for education



Student Success Act



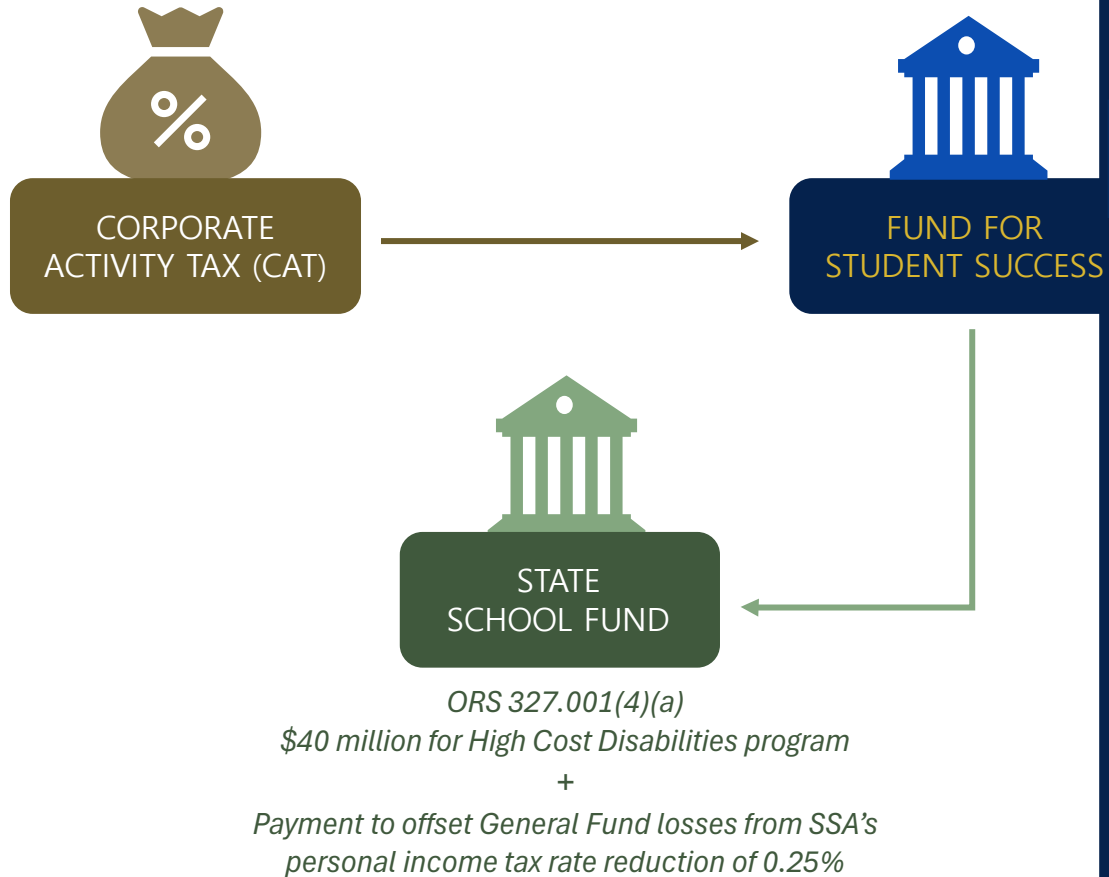
CORPORATE
ACTIVITY TAX (CAT)



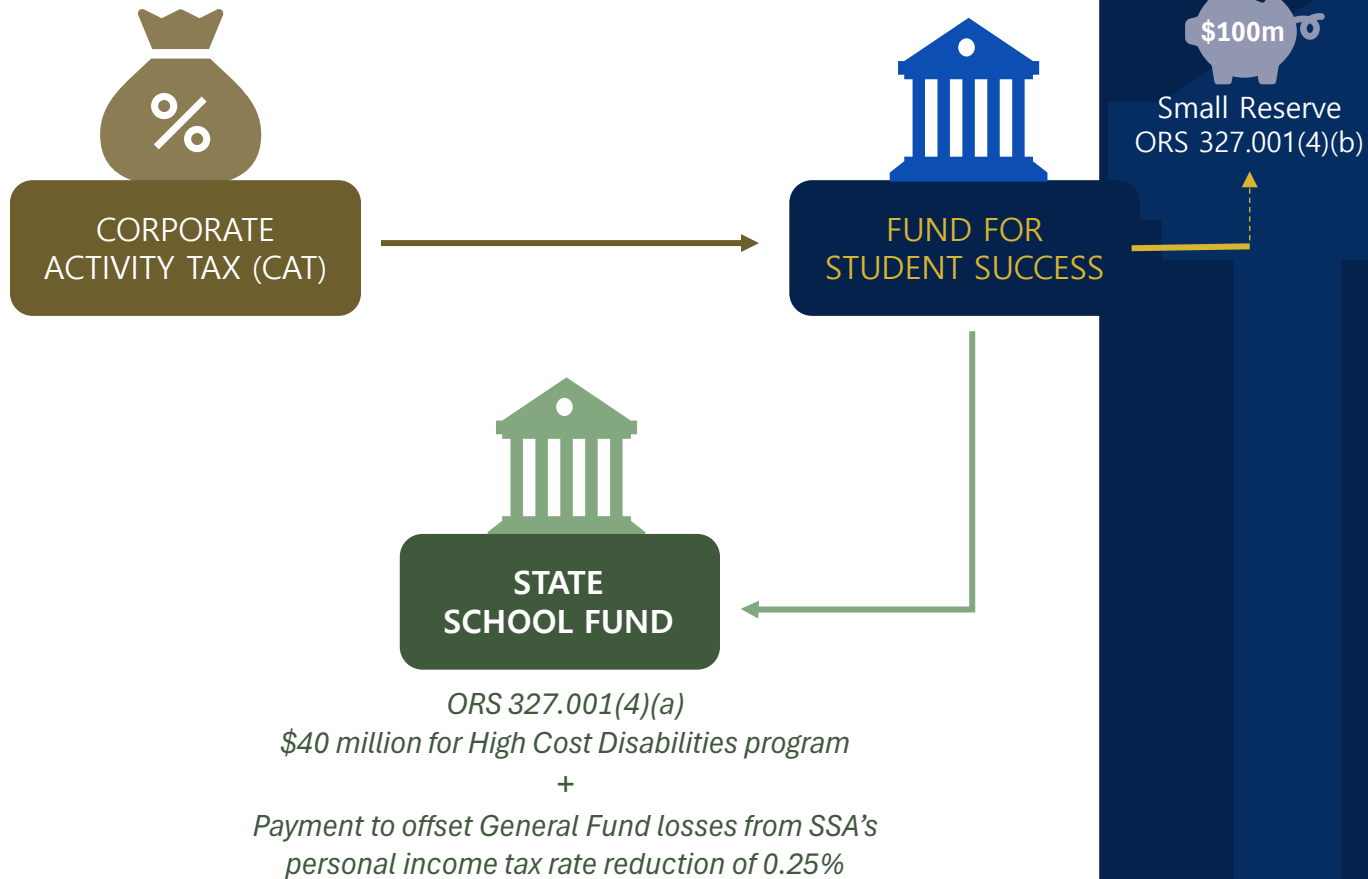
Student Success Act



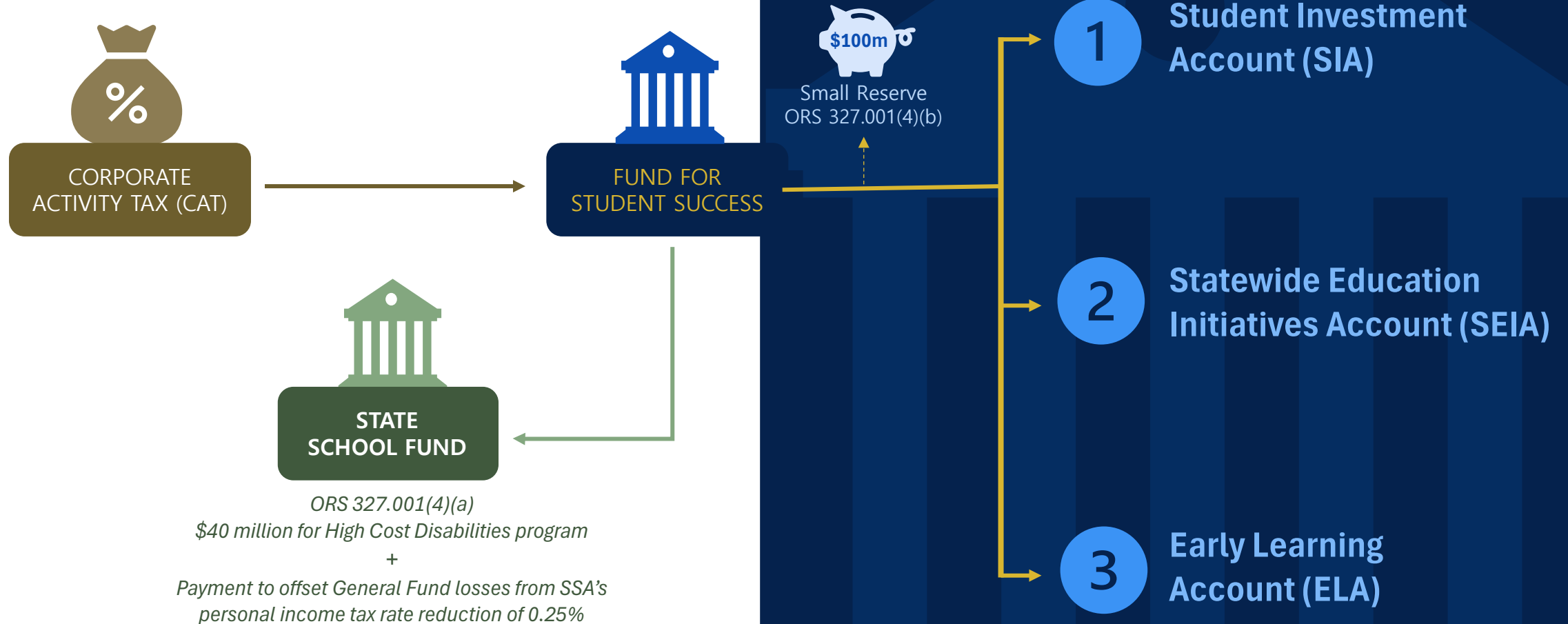
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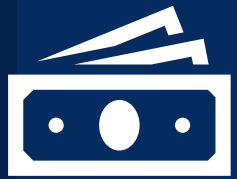
Student Success Act



Student Success Act



Fund for Student Success



SIA

Student Investment Account



At least 50%

\$1,110 million

Supports investments to:

- Expand learning
- Increase academic achievements
- Reduce class sizes
- Address student behavioral health needs

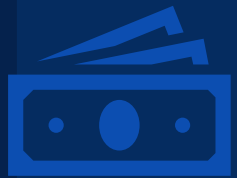


SEIA

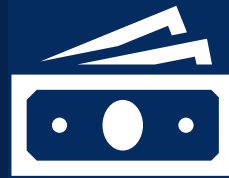


ELA

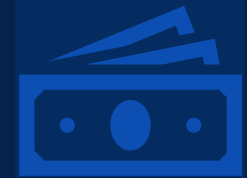
Fund for Student Success



SIA



SEIA



ELA

Statewide Education Initiatives Account



No more than 30%

\$618 million

Investments include:

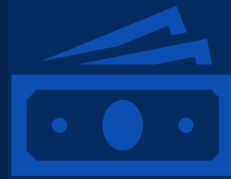
- High School Success
- Hunger Free Schools
- Early Literacy Success



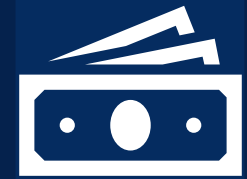
Fund for Student Success



SIA



SEIA



ELA

Early Learning Account



Supports investments in:

- Early Learning programs
- Professional development for early childhood educators

At least 20%

\$575 million



Fund for Student Success Transfers

Fund for Student Success <i>Biennial revenue transfers to the State School Fund and subaccounts</i>					
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: 2019-21, 2021-23, and 2023-2025-27 legislatively approved budget and 2025-27 legislatively adopted budget

Impact of SSA on QEM Gap



2021-23 Biennium

Current Service Level Budget

Student Investment Account
\$780.2 million

**Statewide Education
Initiatives Account**
\$390.8 million

Early Learning Account
\$360.3 million

State School Fund Transfer
\$627.7 million



2021-23 Biennium

2020 Quality Education Model

Current Service Level Budget

Student Investment Account

\$780.2 million

Statewide Education Initiatives Account

\$390.8 million

Early Learning Account

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State School Fund Transfer

\$627.7 million

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%



2021-23 Biennium

2020 Quality Education Model

Current Service Level Budget

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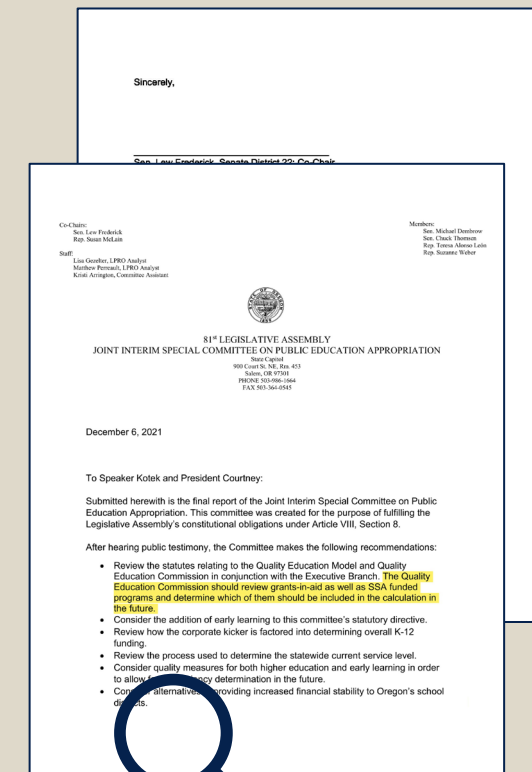
State School Fund Transfer
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JPEA Recommendation 2021

"Education Commission should review grant-in-aid as well as SSA funded programs and determine which of them should be included in the calculation in the future."



2023-25 Biennium

Current Service Level Budget

Student Investment Account
\$929.8 million

**Statewide Education
Initiatives Account**
\$435.6 million

Early Learning Account
\$512.3 million

State School Fund Transfer
\$760.2 million



2023-25 Biennium

2022 Quality Education Model

Revised

Current Service Level Budget

Student Investment Account

\$929.8 million

Statewide Education Initiatives Account

\$435.6 million

Early Learning Account

\$512.3 million

State School Fund Transfer

\$760.2 million

EXHIBIT A: GAP BETWEEN QEM AND ACTUAL STATE FUNDING

Biennium	QEM Full Implementation Model	SSF Legislative Appropriation	SSA Funding	Total State Funding	Funding Gap	Gap as Percentage
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2005-2007	\$7.096	\$5.305		\$5.305	\$1.791	33.8%
2007-09	\$7.766	\$6.131		\$6.131	\$1.635	26.7%
2009-11	\$7.872	\$5.756		\$5.756	\$2.116	36.8%
2011-13	\$8.004	\$5.799		\$5.799	\$2.205	38.0%
2013-15	\$8.775	\$6.650		\$6.650	\$2.125	32.0%
2015-17	\$9.158	\$7.376		\$7.376	\$1.782	24.2%
2017-19	\$9.971	\$8.200		\$8.200	\$1.771	21.6%
2019-21	\$10.773	\$9.000		\$9.000	\$1.773	19.7%
2021-23	\$11.163	\$9.300	\$1.306	\$10.606	\$0.557	6.0%
2023-25	\$13.227	\$9.372	\$1.338	\$10.710	\$2.517	26.9%



2023-25 Biennium

Current Service Level Budget

Student Investment Account
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Statewide Education Initiatives Account
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Early Learning Account
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State School Fund Transfer
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2022 Quality Education Model

Revised

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for both higher education and early learning in order to allow for a sufficiency determination in the future. Lastly, we recommend a review of how the corporate kicker is factored into determining overall K-12 funding. Recommendations and potential policy concepts to be considered for future legislative sessions should be presented to this committee, along with other key stakeholders.

2. **Legislation.** We recommend passage of legislation to initiate the modernization of the Quality Education Model and the process involved in its creation and use. The addition of early learning to the committee's analysis of the OEM report would require a change to the committee's statutory directive.

3. **Report.** We recommend that the QEC's report to the legislature should include:

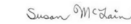
- a. greater transparency with regard to the data, metrics, and analysis used in the determination of the OEM funding recommendation, as well as information on the stakeholders involved and how "professional judgment" is used;
- b. closer examination of the relationship between state appropriations and local spending measures, local option levies and equalization grants;
- c. stronger, evidence-based analysis in addition to "professional judgment";
- d. incorporation of all sources of educational funding into the analysis of funding level;
- e. full integration of Student Success Act, early learning, and higher education grant program funding into analysis of meeting education quality goals;
- f. expansion of the metrics for determining quality goals beyond high school graduation rates to include workforce and post-secondary studies;
- g. consideration of measures to bring increased financial stability to Oregon's school districts;
- h. greater stability and predictability in the commission's determination of projected funding need; and
- i. consideration of variation in how funds are spent or retained by school districts across the state.

These recommendations are based on those in our letter from 2021 and a list provided by committee members, both of which are attached to this letter for your reference.

Sincerely,



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



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

LEGISLATIVE POLICY AND RESEARCH OFFICE

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1. **Findings.** We recommend the review or amendments to statutes relating to the Quality Education Model and Quality Education Commission in conjunction with the Executive Branch, key legislators, and stakeholders so that the model can be modernized to more accurately reflect the financial needs of Oregon schools. The review should include grants-in-aid, Student Success Act-funded programs, and early learning programs and resources, as well as an analysis of the statewide Current Service Level process that would take into consideration the increasing educational costs due to increased student needs and align the calculation across all levels. We also recommend considering quality measures

LEGISLATIVE POLICY AND RESEARCH OFFICE

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JPEA Recommendation 2023

“We recommend that the QEC’s report to the legislature should include... Incorporation of all sources of educational funding into the analysis of funding level.”



2025-27 Biennium

Current Service Level Budget

Student Investment Account
\$1,137.9 million

**Statewide Education
Initiatives Account**
\$720.8 million

Early Learning Account
\$594.7 million

State School Fund Transfer
\$829.9 million



2025-27 Biennium

2024 Quality Education Model

EXHIBIT 33: FULL QEM IMPLEMENTATION MODEL 1999 TO PRESENT

Quality Education Model Funding Requirements
(\$ in Millions)

	QEM Full Implementation SSF	Legislative SSF Appropriation (Non-SSA)	SSF Funding transfer from SSA	Total State Funding Appropriation	Gap (\$)	Gap (% of SSF)	Gap (% of All Funding)
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2003-05	\$6,659.2	\$4,915.9		\$4,915.9	\$1,751.6	35.7%	21.9%
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2013-15	\$8,775.0	\$6,650.4		\$6,650.4	\$2,124.6	31.9%	16.6%
2015-17	\$9,158.4	\$7,376.3		\$7,376.3	\$1,782.1	24.2%	13.6%
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State School Fund Transfer
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Contrasting History

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$$\$8,577.7 + \$722.3 = \$9,300$$



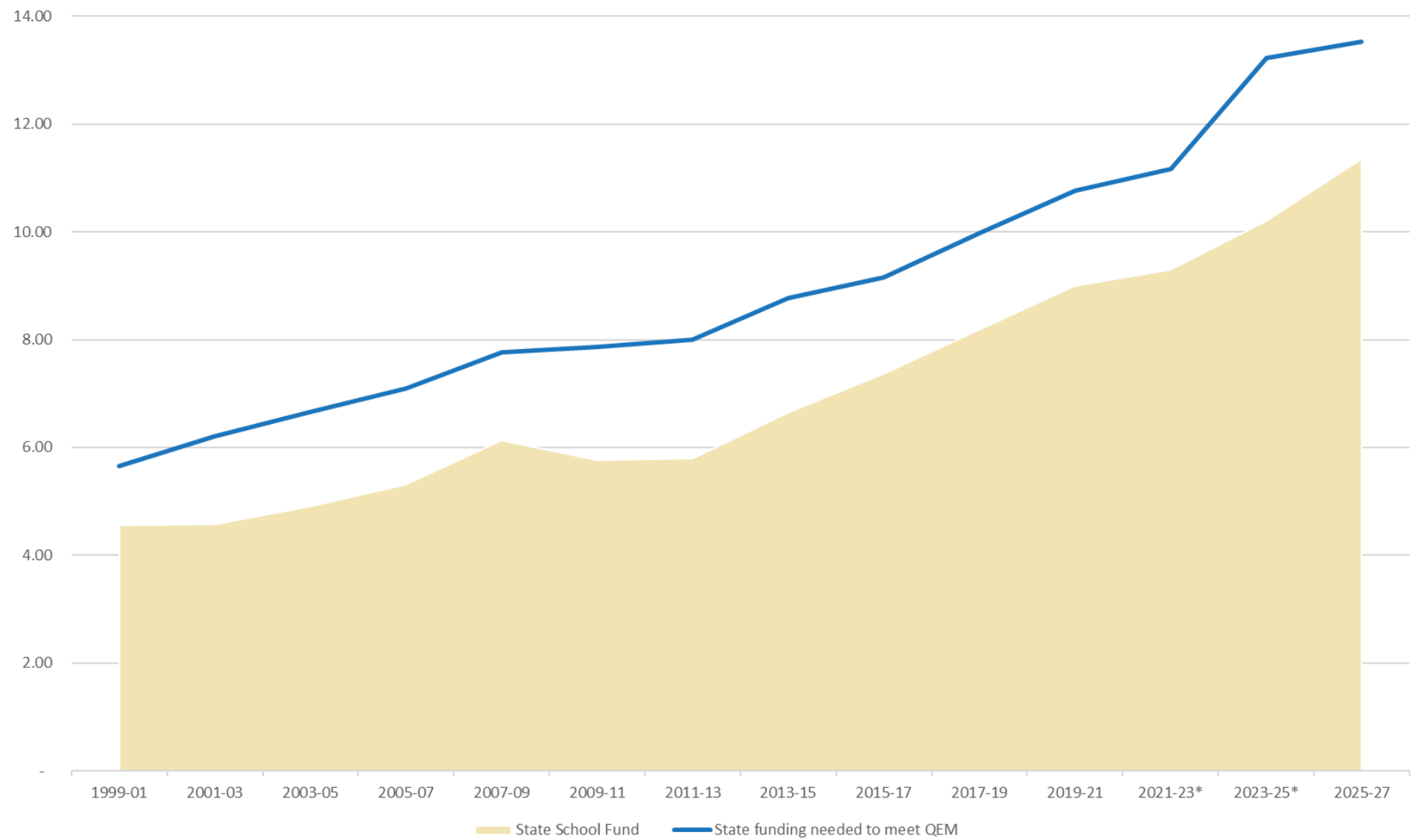
Was SSA intended to close the gap?

“The Student Success Act is a fully developed, thoughtful policy that offers an unprecedented opportunity to finally give our children the education they deserve and the support they need to succeed. **It’s a chance to right the wrongs of decades of disinvestment and change the trajectory of our state.**” – *Rep Smith Warner, Co-Carrier*

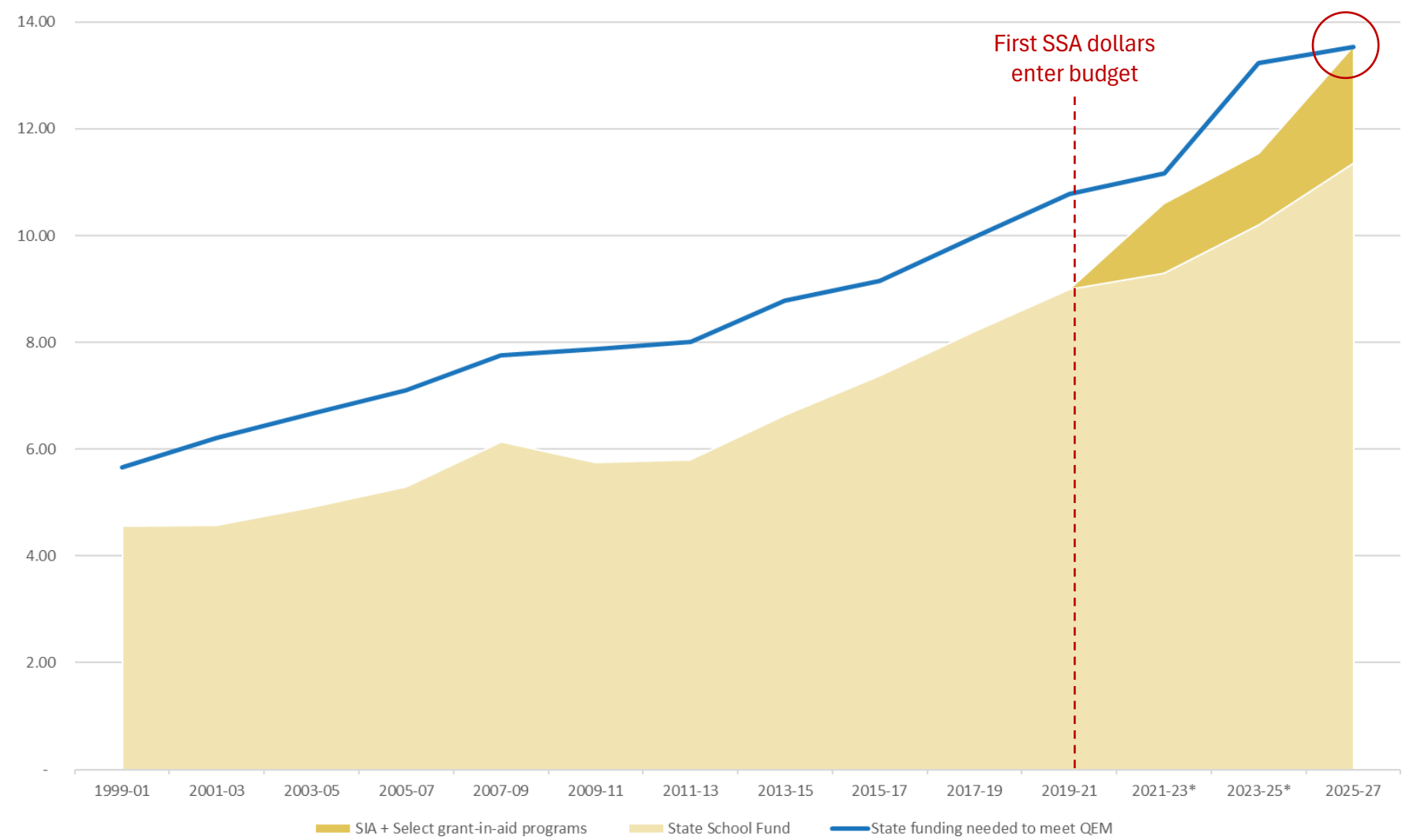
House - Third reading of HB 3427 - May 1, 2019
Senate - Third reading of HB 3427 - May 13, 2019



Closing the funding gap



Closing the funding gap



*SSA funding reported in respective QEM report



Finding of Sufficiency



2024 QEM Calculated Cost

PROTOTYPE	STUDENTS	SCHOOL COST	PER PUPIL	OREGON ENROLLMENT	TOTAL FOR ENROLLMENT
<i>2025-26 School Year</i>					
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
<i>2026-27 School Year</i>					
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



2024 QEM Calculated Revenue

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



State Funding to Close the QEM Gap

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

State Funding for K-12 Education <i>Amounts appropriated and allocated in 2025-27 legislatively adopted budget</i>			
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

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)



* 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.

Additional State Funding

State funding in addition to all funding used on previous slide to meet the Quality Education Model's stated need

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
	<hr/>
	\$ 1,378,102,193



Opportunities for Improvement



Oregon Constitution, Article VIII, Section 8

Adequate and Equitable Funding

(1) 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.

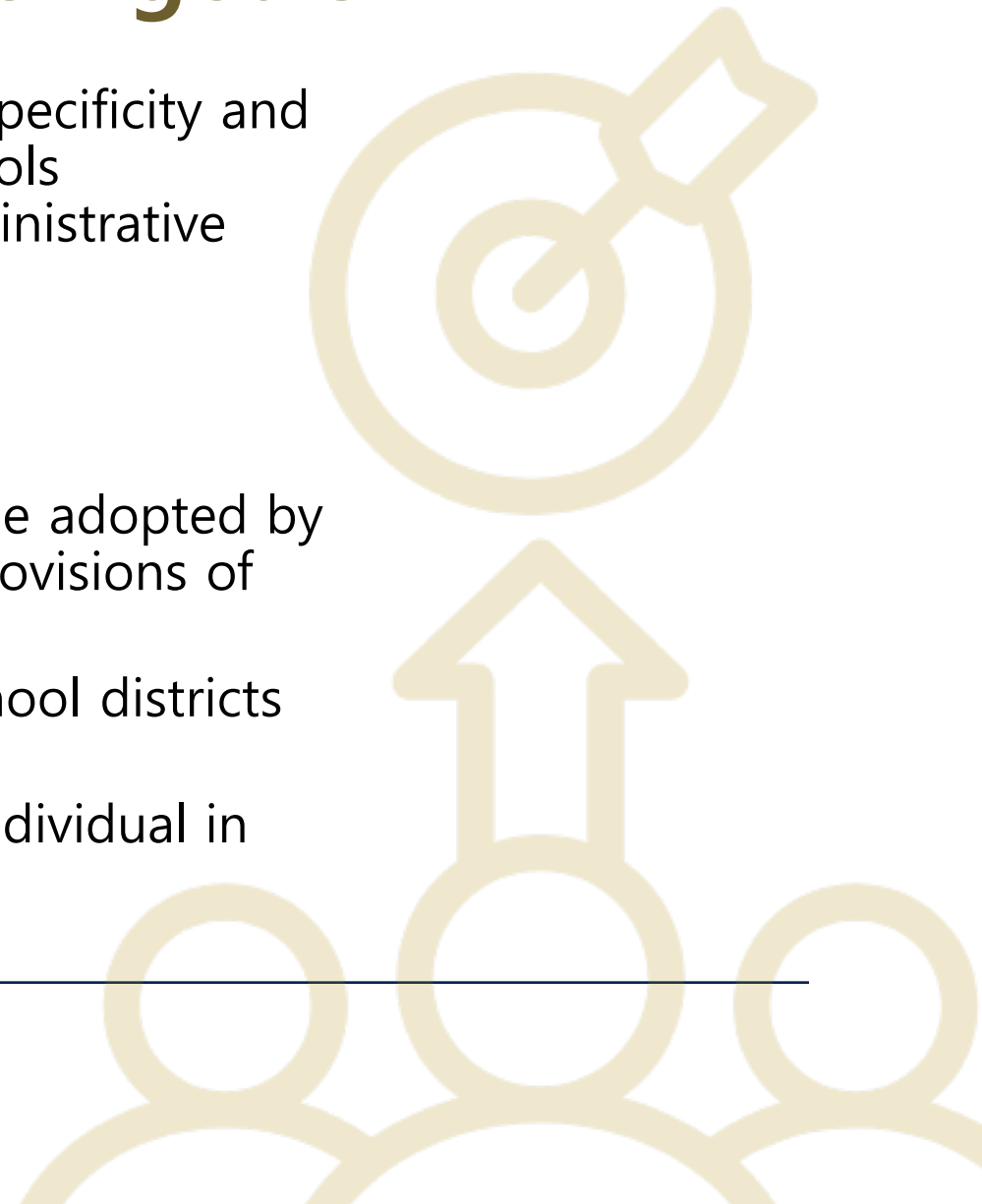


1 Build alignment in education goals

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.

New goals should:

- Align with the statewide targets soon to be adopted by the State Board of Education under the provisions of Senate Bill 141.
- Align with the expectation of standard school districts under state law and administrative rule.
- Aspire to have a fully qualified, licensed individual in every position that requires a license.



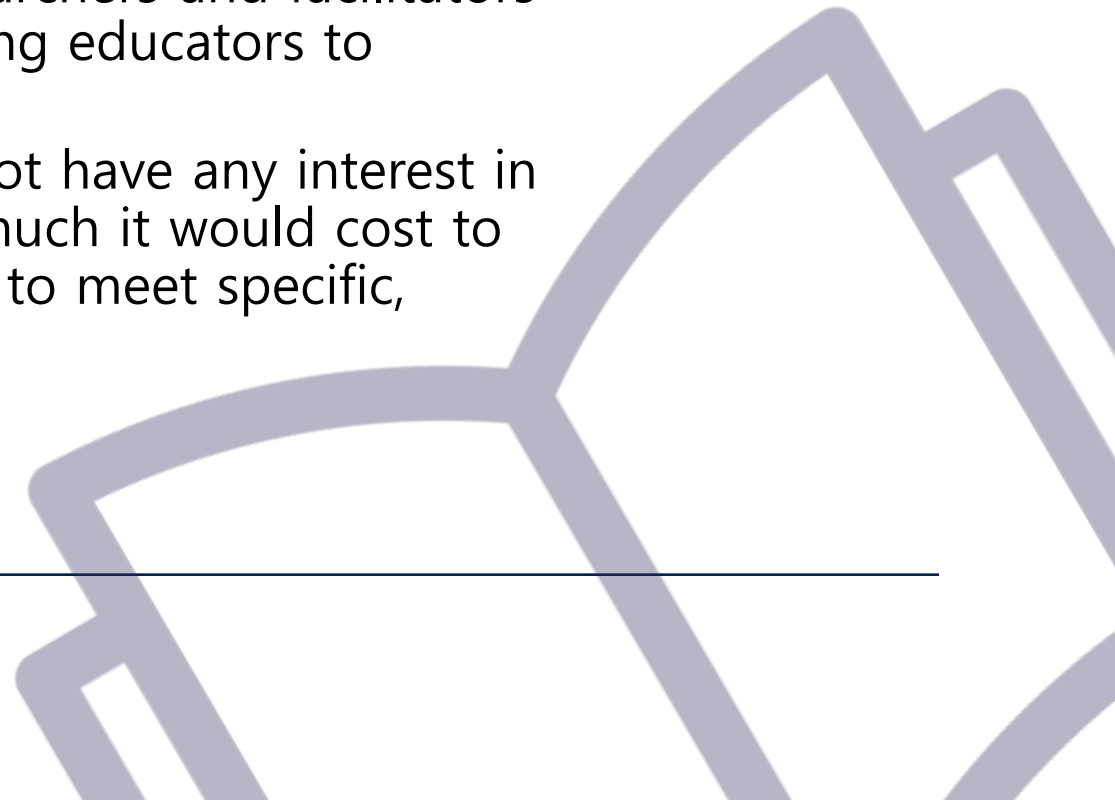
2

Rely on neutral experts

Currently, there is a conflation of roles where the sole professional judgment panel is the Commission itself.

A new process should:

- Split the work, with professional researchers and facilitators consulting multiple panels of practicing educators to determine the inputs.
- Provide for neutral experts who do not have any interest in the final amount to determine how much it would cost to fund a system that uses those inputs to meet specific, measurable goals.



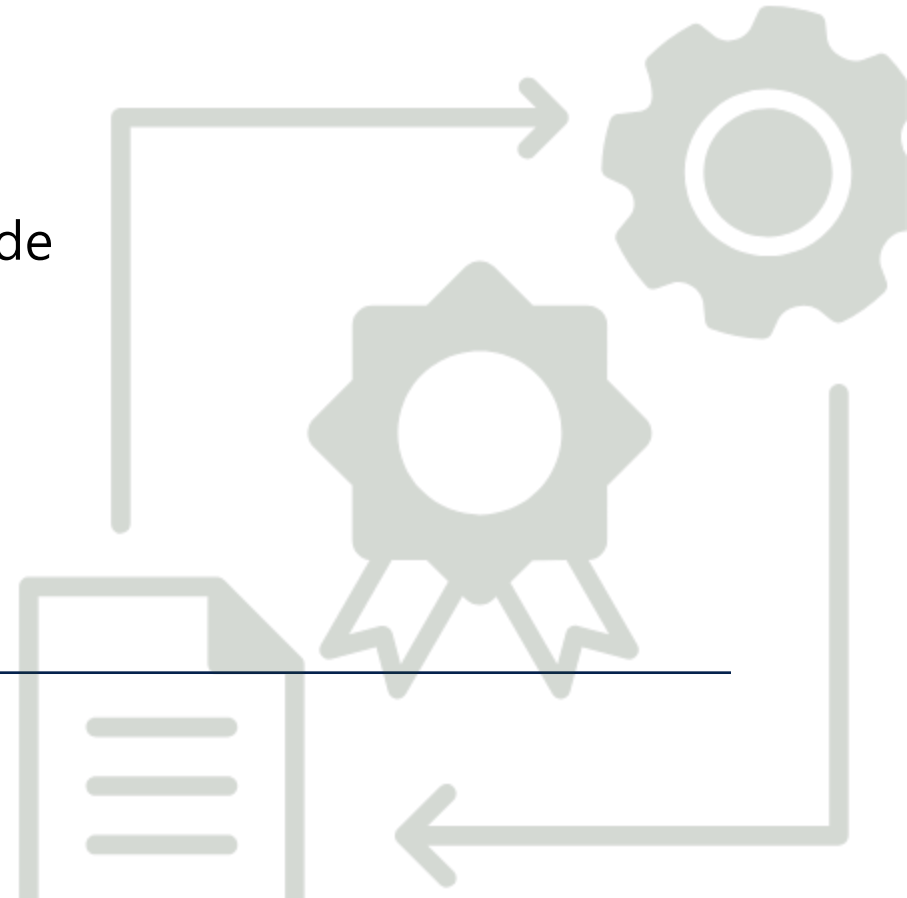
3

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.

A new system should:

- Have professional researchers implement a thorough and broad-based professional judgment model.
- Broaden educator voice by ensuring that a wide variety of expertise from educators and administrators across Oregon could directly contribute to determining the QEM's inputs.



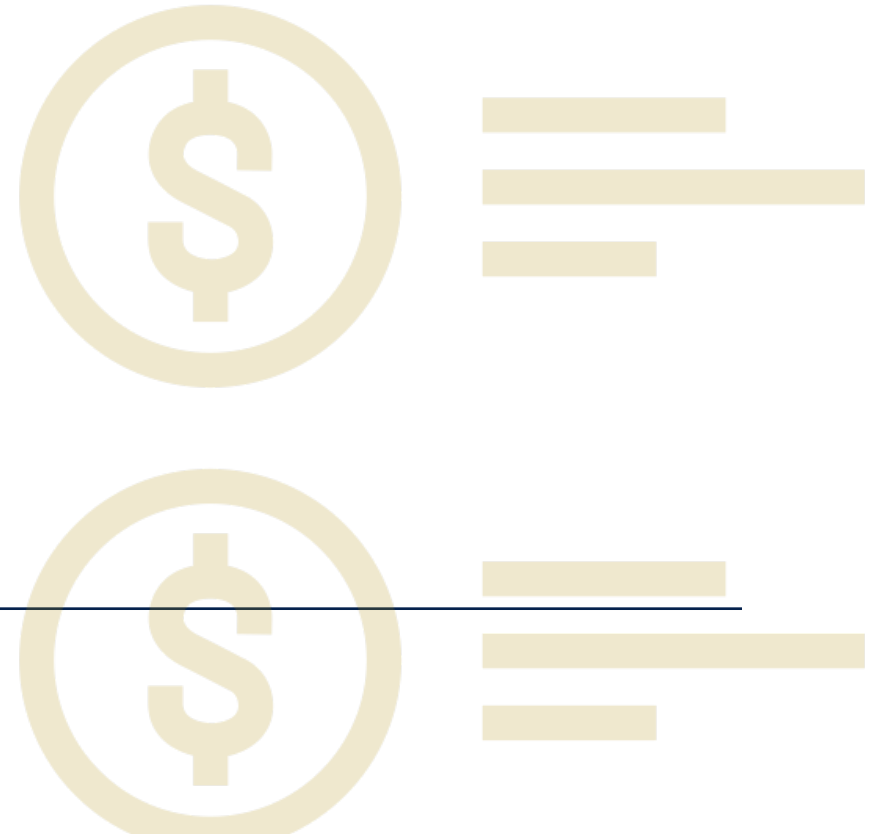
4

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.

A new system should:

- Ensure that the best practices selected by Oregon's educators are included in the cost model.
- Itemize costs associated with new model inputs, even if those inputs require a legislative change to implement.

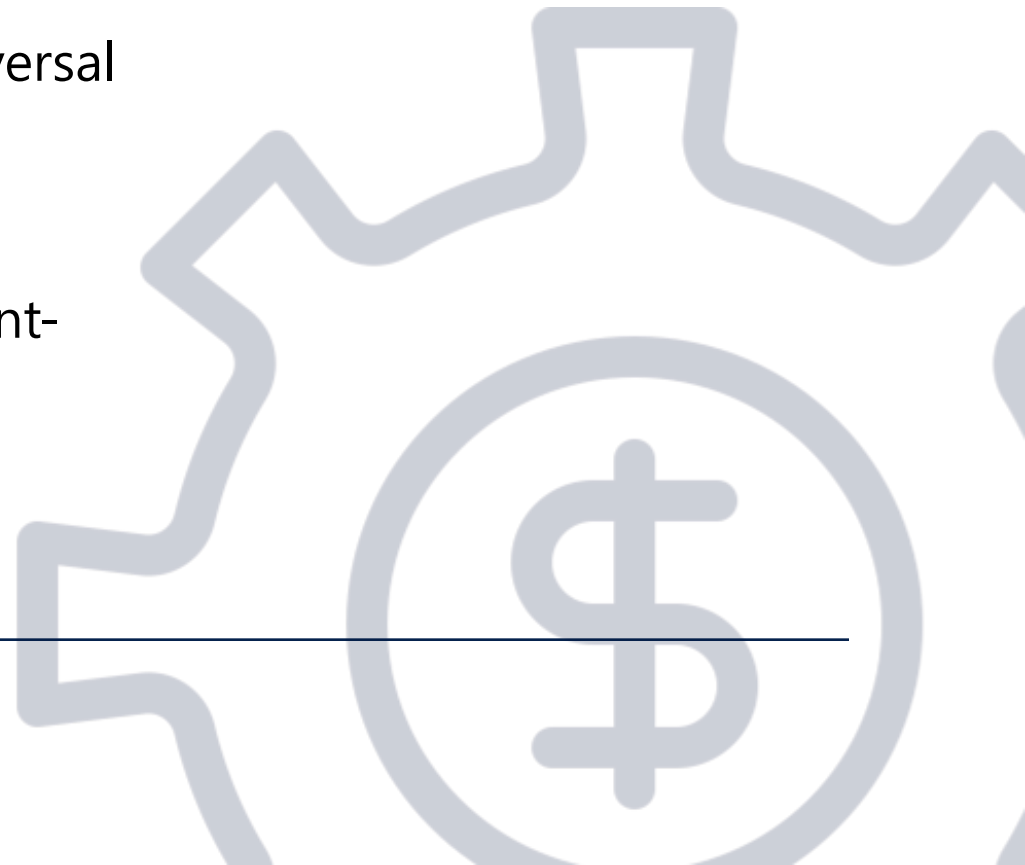


5 Quality review the financial codes

The QEC's calculations do not fully account for all revenue sources available to local school districts.

Improvements should:

- Provide for better data quality, including a universal understanding of the revenue and expenditure codes used in capturing local school district financial information.
- Include all state funding sources, including grant-in-aid, to ensure any calculated gap is not artificially derived.



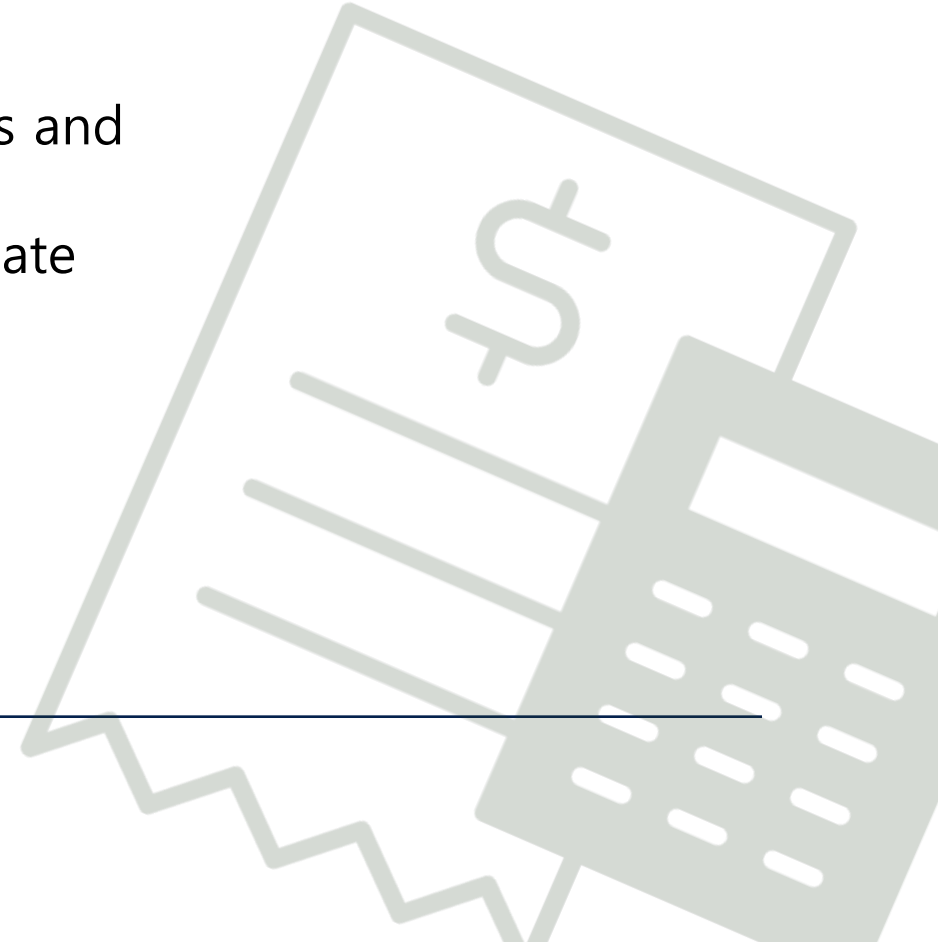
6

Increase transparency into the calculations

A more transparent model would improve the Legislative Assembly's ability to conduct its review.

A new system should:

- Provide transparency in the cost assumptions and calculations.
- Provide clarity about the units used to calculate costs.
 - Per student
 - Per classroom
 - Per school
 - Per district



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.

A more accurate system should:

- Provide for prototype schools of varying sizes.
- Provide for prototype schools that represent the range of student needs and program enrollment.



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.

A new system should:

- Provide greater accuracy and transparency.
- Include the costs associated with all educational settings.

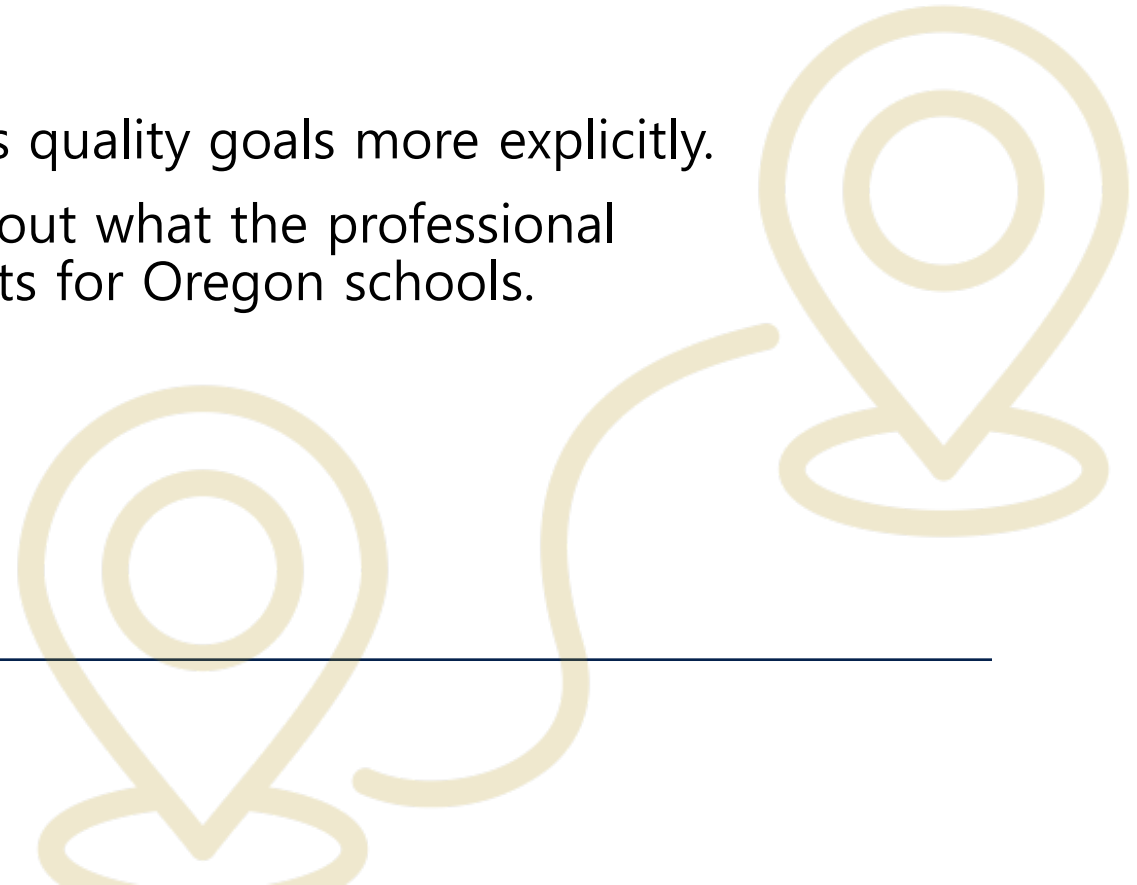


9 Develop a roadmap for educators

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.

A new system should:

- Connect the selected inputs to the state's quality goals more explicitly.
- Provide clarity to local school districts about what the professional judgment panels selected as quality inputs for Oregon schools.



Resources

Quality Education Commission

- *Quality Education Model: Final Report* (2020)
Available at → https://www.oregon.gov/ode/reports-and-data/taskcomm/Documents/66421_ODE_Quality%20Education%20Model%20Report_2020%20v7.pdf
- Quality Education Commission, *Quality Education Model: Identifying Best Practices and Calculating the Cost of a Quality Education* (2022)
Available at → https://www.oregon.gov/ode/reports-and-data/taskcomm/Documents/QEMReport_2022_VERSION2_Revised2_8_23.pdf

Joint Public Education Appropriations Committee

- *JPEA Recommendation* (2021)
Available at → <https://olis.oregonlegislature.gov/liz/2023l1/Downloads/CommitteeMeetingDocument/279082>
- *Report on the Adequacy of Public Education Appropriations* (2023)
Available at → <https://olis.oregonlegislature.gov/liz/2023l1/Downloads/CommitteeMeetingDocument/279153>



Questions?

