



March 2006

Joint Special  
Committee on Public  
Education Appropriation

Report on Adequacy of  
K-12 Education Funding  
As Required by Article VIII,  
Section 8, of the Oregon  
Constitution

2005-2007 Education Budget

**Joint Special  
Committee on Public  
Education  
Appropriation**

*Membership:*

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Co-Chair

Rep. Linda Flores  
Co-Chair

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Sen. Vicki Walker  
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**Introduction: Ballot Measure 1**

Oregon voters enacted Ballot Measure 1 in November 2000.

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

The 2001 Oregon Legislature enacted ORS 171.857 that specified the contents of the report. The statute reads, in part,

*...The Legislative Assembly in the report shall demonstrate 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 identify the reason that the amount appropriated for the state's system's of kindergarten through grade 12 public education is not sufficient, the extent of the insufficiency and the impact of the insufficiency on the ability of the state's system of kindergarten through grade 12 public education to meet the quality goals. In identifying the impact of the insufficiency, the Legislative Assembly shall include in the report how the amount appropriated in the budget may affect both the current practices and student performance identified by the commission...and the best practices and student performance identified by the commission....*

“Quality goals” for kindergarten through grade 12 (K-12) education are specified in ORS 327.506, which references goals in the Oregon Educational Act for the 21<sup>st</sup> Century statutes found in ORS chapter 329. In regard to post-secondary education, the same statute 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.*

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

### Meeting Oregon's Education Quality Goals

“Quality goals” for Oregon’s state system of kindergarten through grade 12 public education include those established under ORS 329.007 (Definitions), 329.015 (education goals), 329.025 (characteristics of schools), 329.035 ( Findings; objectives), 329.045(Revision of Common Curriculum goals), 329.065 (Adequate funding required), 329.465(Certificate of Initial Mastery),and 329.475 (Certificate of Advanced Mastery). (The full text of these statutes can be found in Appendix-A)

### Quality Education Commission

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

Under ORS 327.506, the Quality Education Commission is charged to:

1. Determine the amount of monies sufficient to ensure that the state’s system of K-12 public education meets the quality goals established in statute.
2. Identify best practices in education that will lead to high student performance, and the costs of implementing those best practices in K-12 schools.
3. Issue a report to the Governor and the Legislature by August 1 that identifies:
  - Current practices in the state’s system of K-12 public education
  - Costs of continuing those practices
  - Expected student performance under those practices
  - The best practices for meeting the quality goals
  - Costs of implementing the best practices
  - Expected student performance under the best practices
  - Two alternatives for meeting the quality goals

The report from the QEC contains a budget model that describes and estimates the costs of activities that could be expected to result in identified outcomes. Testimony received by the committee from the Oregon Department of Education stated that the model does not mandate that schools make reductions or utilize resources as recommended in the QEM.

The Oregon Department of Education provides the Legislature with a variety of methods to measure success in meeting the quality education goals. Some of these methods of measuring goals are listed below.

- **Oregon Benchmarks.** The Oregon Progress Board reports each biennium to the Legislature on the progress the state has made toward a set of 90 benchmarks, or measures, of economic, social, education, and environmental health. The Progress

Board's 2004 report on Kindergarten-12<sup>th</sup> grade states, "Third grade math skills and the high school dropout rate both continue to show solid progress, but the other benchmarks relating to kindergarten through 12<sup>th</sup> grade, did less well. More kindergartners entered school ready to learn in 2004, but this benchmark will probably not achieve its 2005 target. Third and eighth grade reading skills were downgraded from a definite "Yes" after several years of no improvement."<sup>2</sup>

- **SAT and ACT scores.** Oregon still ranks second in the nation for states with 50% or more participation on the SAT (Oregon 59%). It was noted that Oregon students did not show improvement on the 2005 SAT. The Oregon math score of 528 was the same as in 2004; the verbal score of 526 was a point lower than in 2004. Both scores, however, were higher than the national average of 520 in math and 508 on the verbal section of the test.<sup>3</sup> Oregon ranks third in the nation in ACT scores.<sup>4</sup>
- **State Report Card.** The 2005 State Report Card ratings for Oregon schools found 137 schools (12.9%) rated "exceptional," 390 schools (36.6%) rated "strong," 509 schools (47.7%) rated "satisfactory," 22 schools (2.1%) rated "low," and 8 schools (.8%) rated "unacceptable."<sup>5</sup> Both the percent and the total number of students earning a Certificate of Initial Mastery is steadily increasing: 24.3% (8,200 students) in 2001; 27.9% (9,765 students) in 2002; 28.6% (10,494 students) in 2003; 29.9% (10,997 students) in 2004; and the preliminary percent for 2005 is 32.4% (11,449 students).<sup>6</sup>
- **Achievement Gap.** While the percentage of Oregon students that meet state standards has steadily increased, a significant gap exists between the average statewide numbers and those of Native American, African American and Hispanic students. As an example, in 2004, 43% of 10<sup>th</sup> grade students met state math standards and rose to 51% in 2005. However, in 2004, 17% of Hispanic students met state standards and rose to 21% in 2005.<sup>7</sup>
- **Dropout rates.** The state's dropout rate for the 2003-04 school year was 4.6%, up from last year's 4.4%, with an expected four-year rate of 12.7%.<sup>8</sup>
- **Federal criteria.** The No Child Left Behind Act rates schools on student academic achievement for all groups of students known as "Adequate Yearly Progress" (AYP). Oregon's final AYP report for 2004-05 shows: 811 of 1199 (67.6%) of Oregon schools met federal AYP standards and 388 schools (32.4%) did not meet AYP standards. 487 of

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<sup>2</sup> <http://www.oregon.gov/DAS/OPB/2005report>

<sup>3</sup> Susan Castillo, Superintendent of Public Instruction, news release August 30, 2005

<sup>4</sup> <http://www.act.org/news/data/05/states-text>

<sup>5</sup> Bridges, Jon, Oregon Department of Education updated figures.

<sup>6</sup> Burgin, Linda, Oregon Department of Education updated figures.

<sup>7</sup> 2003-04 Oregon Report Card

<sup>8</sup> Oregon Department of Education, DBI

578 (84.3%) of all Title I schools met AYP standards compared with 52.2% of non-Title I schools.<sup>9</sup>

- **College overview.** Enrollment growth for the Oregon University System (OUS) remained slow for the fall 2005, with growth of 1.0% to 80,888 students, from the larger increases seen between 1999 and 2002. This compares to a ten-year average annual increase of 2.75%<sup>10</sup>
- **National tests.** Using test results from the National Assessment of Educational Progress, 37% of 4<sup>th</sup> graders taking the test were proficient in math (2004 33%), 34% of 8<sup>th</sup> graders were proficient in math (2004 34%); 29% of 4<sup>th</sup> graders were proficient in reading (2004 29%); and 33% of 8<sup>th</sup> graders were proficient in reading (2004 33%).<sup>11</sup>

### **Is the Legislatively approved budget sufficient to provide the funding level necessary for K-12 public education as determined by the QEC?**

It is the determination of the Joint Special Committee on Public Education Appropriation that the amount of moneys appropriated for the 2005-2007 biennium for K-12 public education is insufficient to meet the recommended funding levels of the Quality Education Commission.

The QEC is assigned the task of determining “the amount of moneys sufficient to ensure that the state’s system of kindergarten through grade 12 public education meets the quality goals” and attempts to link school spending with student performance, using “professional judgment” approach. In the 2004 Quality Education Commission Report, it reported that full implementation of the Quality Education Model (QEM) would cost \$7.035 billion for the 2005-07 biennium, or \$6,539/ADMw in the first year and \$6,782/ADMw in the second year.

The essential budget level for the State School Fund is determined each interim by the School Revenue Forecast Committee, which was established by executive order in 1999. The School Revenue Forecast Committee does not assess the adequacy of biennium funding level. Assumptions made by the Committee for the 2005-07 essential budget level include, among other factors, a 15.09% Public Employees Retirement System (PERS) rate; increases of 12% annually in health benefits costs; about a 2% annual increase in teacher salaries; and growth in student counts of 0.31% for 2005-06 and 0.48% for 2006-07. Going into the 2005 session, the essential budget level was calculated at \$5.318 billion.<sup>12</sup> Appendix B provides a full explanation for the prototype schools based on the baseline budget level which is the same as the essential budget level.

The state appropriated \$5.24 billion, with a possible \$23 million increase in the second year of the biennium, should certain economic factors be satisfied, raising the funding amount to \$5.263

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<sup>9</sup> 2003-04 Oregon Report Card

<sup>10</sup> <http://www.ous.edu/news/press>

<sup>11</sup> <http://www.epe.org/rc>

<sup>12</sup> Legislative Fiscal Office, Overview of the 2005-07 K-12 Budget, November 2005

billion for the biennium, or \$5,519/ADMw in the first year and \$5,727/ADMw in the second year.

The following table compares the 2005-07 Legislatively Adopted General Fund and Lottery Funds Budget with 2001-03 actual expenditures and the 2003-05 Legislatively Approved Budget for each program area:

<b>2005-07 General Fund &amp; Lottery Spending by Major Program Area</b>					
<b>(Dollars in Millions) <sup>1</sup></b>					
	<b>2001-03 Actuals <sup>2</sup></b>	<b>2003-05 Legislatively Approved Budget <sup>3</sup></b>	<b>2005-07 Legislatively Adopted Budget (LAB)</b>	<b>\$ Change 2005-07 Legislatively Adopted from 2003-05 Leg. Approved <sup>10</sup></b>	<b>% Change 2005-07 Legislatively Adopted from 2003-05 Leg. Approved</b>
<b>Education</b>					
<b>K - 12 State School Fund <sup>4</sup></b>	\$4,417	\$4,914	\$5,262	\$348	7.1%
<b>Higher Education <sup>5</sup></b>	754	764	789	25	3.3%
<b>Community Colleges <sup>6</sup></b>	382	416	433	17	4.0%
<b>All Other Education</b>	335	343	376	33	9.7%
<b>Total Education</b>	5,888	6,437	6,860	423	6.6%
<b>Human Services <sup>7</sup></b>	2,393	2,369	2,614	245	10.3%
<b>Public Safety <sup>8</sup></b>	1,236	1,236	1,495	258	20.9%
<b>Natural Resources</b>	241	227	278	51	22.6%
<b>All Other Programs <sup>9</sup></b>	710	782	1,047	265	33.8%
<b>Total Expenditures</b>	\$10,468	\$11,052	\$12,295	\$1,242	11.2%

<sup>1</sup> Amounts may not add due to rounding.

<sup>2</sup> The 2001-03 Actuals represent expenditures incurred after all 2001-03 Emergency Board actions, the five 2002 special sessions, the allotment reductions due to the December 2002 revenue forecast (adopted in SB 859), the February 2003 statewide budget rebalance actions (adopted in SB 5548), and the final DHS rebalance (adopted in SB 5549).

<sup>3</sup> The 2003-05 Legislatively Approved represents expenditure authorizations through all 2003-05 Emergency Board actions, including \$544.6 million in reductions that resulted from voter disapproval of Ballot Measure 30 in February 2004.

<sup>4</sup> The 2001-03 Actuals reflect a \$262 million Education Stability Fund transfer (now shown as Lottery Funds per HB 5077) to the SSF and a shift of \$211 million General Fund from the 2001-03 SSF payment to the 2003-05 biennium (SB 1022). The 2005-07 LAB includes \$23 million General Fund that triggers in June 2006 if the revenue forecast exceeds the close-of-session forecast by at least that amount; current forecasts indicate that the trigger requirement will be met.

<sup>5</sup> Includes Oregon Health and Science University Public Corporation.

<sup>6</sup> The 2001-03 Actuals reflects a shift of \$56 million of the 2001-03 CCSF payment to the 2003-05 biennium.

<sup>7</sup> The General Fund in the 2003-05 LAB was reduced, in part, based on the availability of an additional \$151.4 million in federal revenue from improved federal match rates authorized in the Jobs and Growth Tax Reconciliation Act.

<sup>8</sup> The 2003-05 LAB was reduced by \$116 million General Fund based on one-time use of federal Jobs and Growth Tax Reconciliation Act funds.

<sup>9</sup> The 2003-05 LAB included a \$40 million General Purpose Emergency Fund and \$9 million for health benefits. The 2005-07 LAB included \$30 million in the General Purpose Emergency Fund; \$130 million for employee compensation issues; and \$10 million for Home Care Workers compensation; \$53.8 million for special purpose appropriations to selected agencies.

<sup>10</sup> The 2005-07 LAB was \$12.272 billion at close-of-session; the \$12.295 billion reflects the inclusion of a \$23 million General Fund trigger for K-12 State School Fund (see footnote #4).

### 2005-07 K-12 Budget:

The Legislature approved a base amount of \$5.24 billion for 2005-07 State School Fund grants to school districts and ESDs. The level of funding is a 6.6% increase or an additional \$323 million-

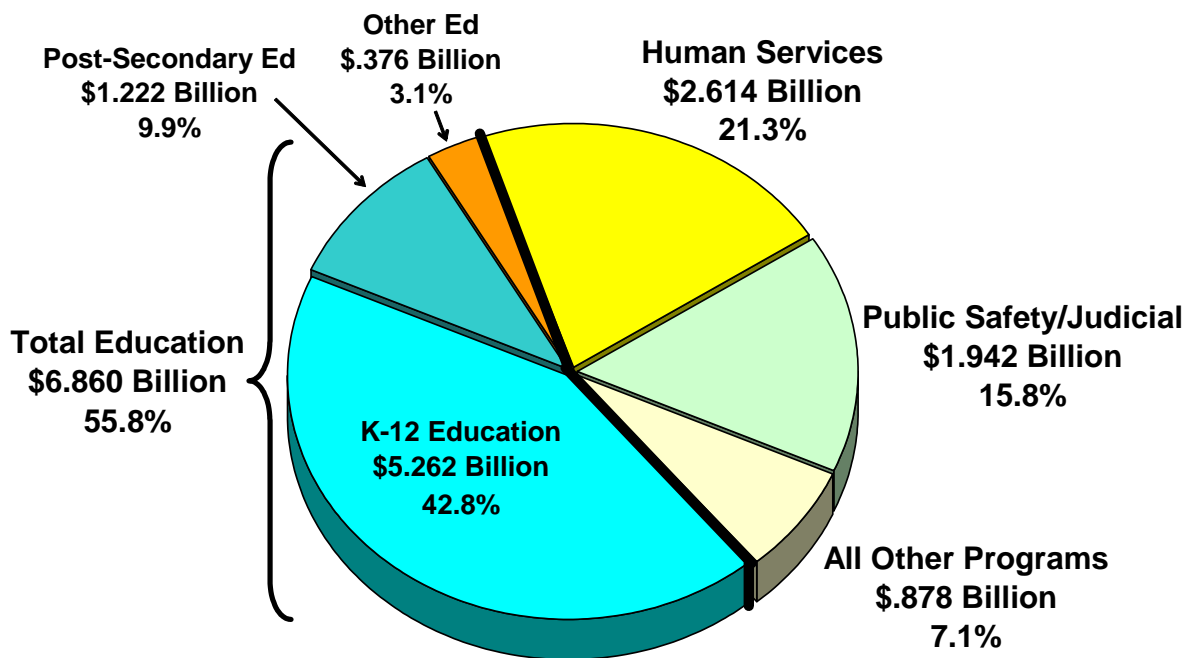
over the 2003-05 Legislatively Approved Budget of \$4.92 billion. The 2005-07 Legislatively Adopted Budget is \$240 million higher than the Governor’s budget of \$5 billion.<sup>13</sup>

The adopted budget includes \$4.834 billion General Fund, \$405.1 million Lottery Funds, and \$1 million Other Funds from certain state timber taxes. The budget provides \$2.567 billion for schools and ESDs in 2005-06 and \$2.673 billion in 2006-07.

To potentially reach a K-12 funding level of \$5.263 billion, the Legislature provided that the State School Fund would receive additional funding if General Fund revenues increase over the close-of-session economic and revenue forecast. If General Fund growth occurs as of the June 2006 forecast for 2005-07, then the State School Fund is eligible to receive an additional amount up to \$23 million for the 2006-07 school year.

Nearly 43% of the State’s General Fund and Lottery expenditures are dedicated to K-12 State School Fund budget education programs, which includes \$5.24 billion, and an additional \$23 million anticipated in June 2006. Nearly 56% of the state’s General Fund and Lottery expenditures are dedicated to all education programs for a total of \$6.860 billion as depicted below.<sup>14</sup>

**2005-07 General Fund & Lottery Funds Total \$12.295 Billion**  
 (includes \$23 million K-12 trigger for June 2006)



<sup>13</sup> <http://www.leg.state.or.us/comm/lfo/budgethigh05-07>

<sup>14</sup> <http://www.leg.state.or.us/comm/lfo/budgethigh05-07>

## **Lottery Distributions**

Most of the 2005-07 lottery resources, just over 66.9%, are used for education. This includes the State School Fund direct allocation of \$395.6 million and debt allocation of \$52.1 million for K-12 lottery-backed bonds; \$167.6 million dedicated to the Education Stability Fund; and Sports Action revenue and debt service allocated to the Oregon University System. Interest earnings on the Education Stability Fund, which are used to pay debt service on K-12 lottery-backed bonds and to fund Oregon State Scholarship Commission Need Grants, are not included in this percentage.<sup>15</sup>

## **Common School Fund**

The revenue estimate is based on the change in State Land Board distribution policy adopted in early 2005. To avoid substantial variations in distribution from year to year, the Board decided to calculate the growth rate using a three-year rolling average of fund values. This rate then will determine what percentage of the average fund value is to be distributed. The distribution percent can vary from 2% to 5% of the average value based on the average value growth rate. A condition is that there are sufficient earnings to make the distribution level. The distribution estimate is about \$90 million for the biennium and is significantly above the \$54 million for the 2003-05 biennium.<sup>16</sup>

## **If not sufficient, why is it not sufficient?**

The passage of Ballot Measure 5 in 1990 limited the amount of local property taxes collected and used for schools, shifting the bulk of the funding from local property tax to the state's General Fund. In response to Ballot Measure 5 and lawsuits, the state created a school fund distribution formula and began the process of equalizing the amount of funding school districts received per student, an amount that had been disparate between districts. In the equalization process, highly funded school districts' funding was frozen and then reduced, while lower-spending districts' funding was increased. In addition, Ballot Measure 5 capped the districts' ability to raise operating revenue locally; however, school districts do have the ability to raise some additional revenue within limits, which is termed "local option".

In 1996 Ballot Measure 47 was passed which strengthened the Oregon Constitution's limitations on property taxes on real estate, first imposed by Measure 5. In 1997 Ballot Measure 50 was sent to the voters by the Oregon Legislature. Ballot Measure 50 replaced Ballot Measure 47 and clarified the state's constitutional property tax limits. The estimated financial impact of Measure 50 was a \$361 million reduction, rather than Measure 47's intended \$458 million reduction.

In addition to the impact of Ballot Measures 5, 47 and 50, Oregon's ability to increase funding in 2001-03 and 2003-05 was affected by the state's economic recession and voter defeat of Ballot Measure 28 in January 2003, and the defeat of Ballot Measure 30 in February 2004. In the 2001-03 General Fund, actual revenue declined by \$731 million or 7.5% compared to the 1999-01 biennium. It would have declined 12.9% if the Legislature had not taken revenue related actions such as borrowing \$450 million through the issuance of appropriation credit bonds. Compared to

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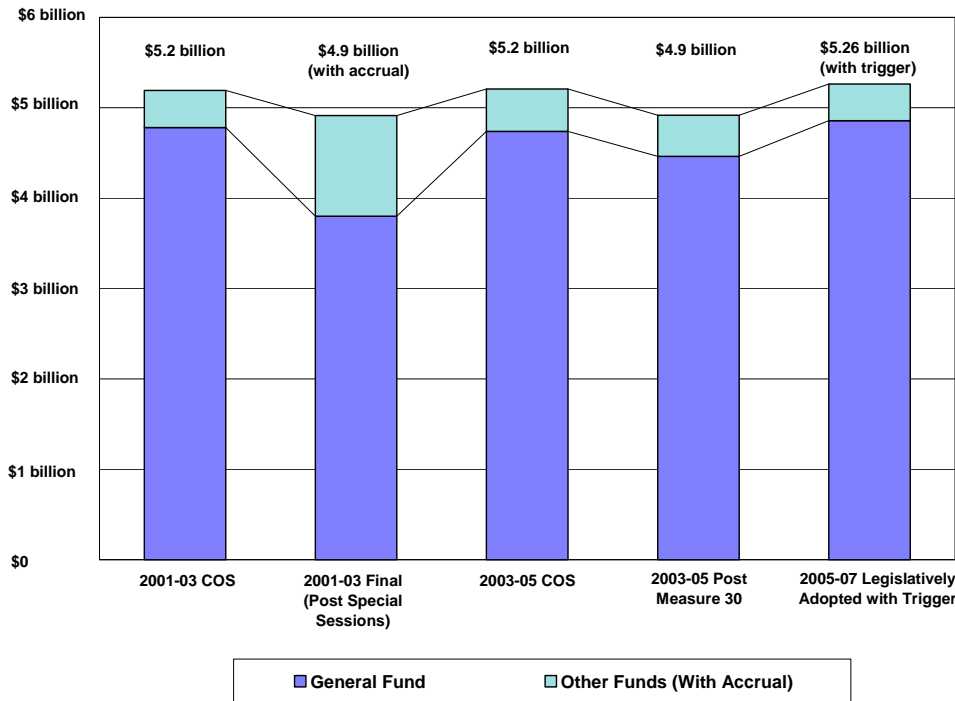
<sup>15</sup> <http://www.leg.state.or.us/comm/lfo/budgethigh05-07>

<sup>16</sup> <http://www.leg.state.or.us/comm/lro/home>



the close of the 2001 session revenue forecast used to build the legislative budget, General Fund revenue came in \$1.7 billion or 15.2% under. If revenue actions were not taken by the Legislature, revenue would have been \$2.36 billion or 20.6% below the 2001 close of session estimate. The defeat of Measure 30 had the effect of implementing HB 5077 which reduced the State School Fund by \$284.6 million compared to the 2003 legislatively approved budget. In addition, the State School Fund was reduced another \$14.3 million because property tax revenue that would have been available under Measure 30 did not materialize. The overall decline in the State School Fund was \$298.9 million as a result of Measure 30's defeat.<sup>17</sup>

**K-12 State School Fund - Historical Funding Levels**



**Additional factors leading to funding insufficiency:**

**Federal Mandates: Special Education and No Child Left Behind Act**

In 1975 Congress authorized the Education for All Handicapped Children Act which was renamed the Individual with Disabilities Education Act and was reauthorized in December 2004. The Federal Individuals with Disabilities Education Act (IDEA) was authorized with the intention that the federal government would fund up to 40 percent of the Act's cost. This level of funding has not been realized. In 2003-04 federal funds covered 15.8% of costs, and in 2004-05 it is estimated to cover 17.3% of costs. The state distribution formula accounts for special needs

<sup>17</sup> Paul Warner, LRO

<sup>18</sup> Updated by Ken Rocco, LFO

students by double-weighting these students. School districts report that this can still fall short of actual costs. The 11% cap waiver on these students and the high cost disability fund which allows districts to apply for funds for costs that exceed \$30,000 per student, provided additional revenue to offset some but not all of special expenditures. Because IDEA mandates a planning process through which individualized service levels for each student are determined, funding may be shifted from the general education program to cover special education costs.

The cost of implementing provisions of the No Child Left Behind Act (NCLB) are uncertain. Some states have attempted to quantify these costs but Oregon has not. In the President’s 2006 proposed budget, Oregon’s Title I funding will be reduced by 1%. This translates to a \$10 million dollar cut for Oregon’s NCLB funding.<sup>19</sup>

Public Employees Retirement System (PERS)

Because school payroll costs account for approximately 80% of district spending, increased PERS costs significantly impact a school’s budget; 40% of the PERS is made up of school employees. The average employer rate paid by school districts for Tier One and Tier Two members is 16.97% as of July 1, 2005 and will remain in effect until July 1, 2007. Approximately 67.5% of school districts pay the 6% employee contribution to the Individual Account Program (IAP) program. For those districts, the total cost of PERS adds 22.97% to payroll costs. Some districts pay less than the average rate, as nearly 90 school districts, out of a total of 198 districts, have issued pension obligation bonds to offset a portion or all of their PERS contribution rate. As of December 31, 2004, school districts had \$2.2 billion in outstanding pension bond obligations. Bond service schedules to repay that obligation are established by the school district to fit individual budgetary needs. PERS is a single plan, but has several component programs, such as Tier One, Tier Two, the new Oregon Public Service Retirement Plan (OPSRP), and the new Individual Account Program (IAP). The member 6% contribution previously going to Tier One and Tier Two member accounts has been redirected to the member’s IAP account due to PERS reform.<sup>20</sup>

Historic PERS Employer Rates	
1973	7.5%
1976	7.6%
1978	9.15%
1979	10.45%
1980	11.75%
1981	11.67%
1983	12.17%
1984	10.30%
1988	11.80%
1992	10.86%
1993	9.88%
1997	9.93%
1999	12.25%
2001	12.73%
2003	11.11%
2005	16.97%

Health Care

According to the Kaiser Family Foundation, premiums for job-related health benefits, rose 9.2 percent and was the first year of single-digit increases since 2000. Data from the Oregon School Boards Association “Oregon Teacher Salary and Economic Benefits Survey” reported an increase of 6.98% for 2005-06.<sup>21</sup>

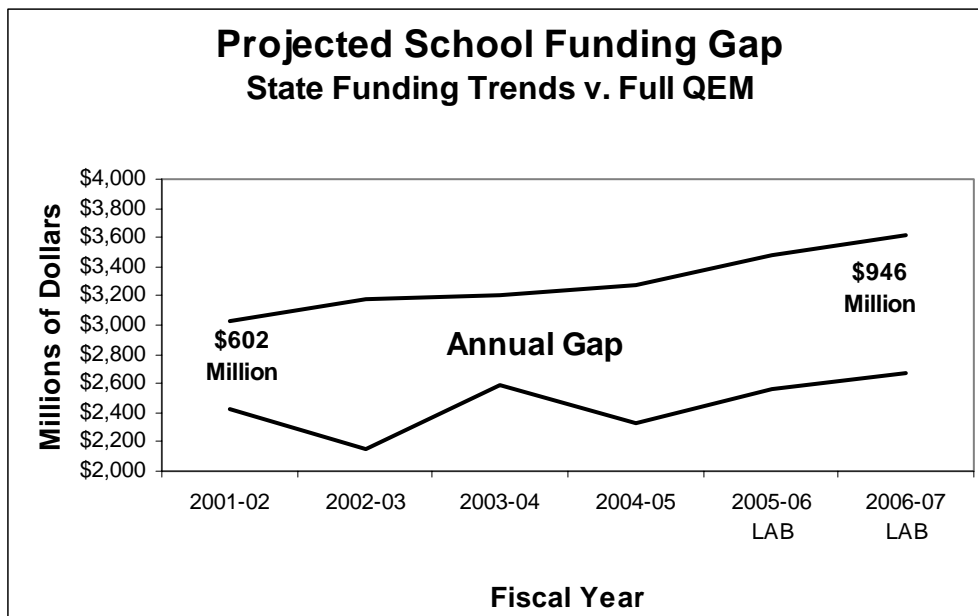
Transportation costs

During the 2003-04 school year, districts budgeted \$189 million for transportation costs. Due to the volatile fuel prices, in 2004-05 the district’s budgeted \$208 million for transportation costs, which is an increase of approximately \$19 million annually.<sup>22</sup>

<sup>19</sup> Nancy Latini, Oregon Department of Education  
<sup>20</sup> Steve Delaney, PERS Deputy Director, March 2006  
<sup>21</sup> Data collected by Ron Wilson, Oregon School Boards Association.  
<sup>22</sup> Oregon Department of Education, Data Base Initiative

### What is the extent of the insufficiency?

The chart below depicts the funding gap as reported by the 2004 QEC.<sup>23</sup> The total funding requirement for the 2005-07 K-12 budget, as determined by the QEC, is approximately \$10.8 billion. To determine the amount needed from the State General Fund there is subtracted local revenues not in the formula, federal revenue, property taxes and other local resources. The balance is the amount the QEC has determined the General Fund would need to provide in order to fully implement the QEM.<sup>24</sup>



### What is the Impact of Insufficiency

The Quality Education Commission believes that the Key Findings of the Best Practices Panel for 2002 continue to capture the essential elements of our charge. Best Practices are those strategies and programs that have been demonstrated in research and experience to be successful in effecting high student achievement. They are the specific programs that accompany the components of a Quality Education Model. Best Practices occur when:

- Each student has a personalized education program
- Instructional programs and opportunities are focused on individual student achievement of high-quality standards
- Curriculum and instructional activities are relevant to the lives of students

<sup>23</sup> Quality Education Commission Report, 2004, pg2, updated by Brian Reeder, ODE

<sup>24</sup> Brian Reeder, ODE, at the January 6, 2006 committee meeting

- Each student has access to a rich and varied elective co-curricular and extra-curricular program
- The school creates small learning environments that foster student connection
- The school provides and encourages connections with significant adults, including parents, mentors and other advisors to ensure that each student develops a connection to the greater community, along with a strong sense of self.
- The school makes data-informed decisions about the capability of programs to foster individual student achievement.
- The school at upper grade levels uses community-based and worksite learning as integral components of its instructional program.
- The school has a comprehensive staff induction program that guides recruitment and employment and provides ongoing professional development programs.
- Time is considered a variable, not a constant, in achieving high student success.
- Cost-effective management of resources allows school districts to better meet the needs of the greatest number of students.

The 2004 Quality Education Commission states that at the current funding levels, student performance is expected to stagnate. At the funding levels recommended by the Commission, student performance would be expected to increase substantially.

The chart below reflects the percent of students meeting standards from 2000 through 2005, obtained from the Oregon Department of Education web-site, which provided the State Assessment Scores. Some subject areas were not tested due to budget cuts or technical problems.

Statewide Assessment Test Categories	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2002 QEM estimated 2004/05	Percent difference Actual vs. QEM
3rd Grade Reading	82%	84%	80%	82%	82%	85.6%	90%	4.4%
3rd Grade Math	75%	75%	74%	78%	81%	86.2%	90%	3.8%
5th Grade Reading	73%	77%	74%	78%	76%	81.5%	88%	6.5%
5th Grade Math	69%	73%	72%	76%	78%	84.0%	87%	3.0%
5th Grade Math problem-solving	64%	76%	62%	-----	-----	-----	NL*	NL*
8th Grade Reading	64%	62%	61%	61%	59%	62.5%	74%	11.5%
8th Grade Math	56%	55%	54%	59%	59%	63.5%	70%	6.5%
8th Grade Writing	66%	68%	67%	-----	67%	-----	NL*	NL*
8th Grade Math problem-solving	55%	58%	51%	-----	-----	-----	NL*	NL*
10th Grade Reading	51%	52%	52%	52%	50%	53.5%	66%	12.5%
10th Grade Math	40%	42%	43%	45%	43%	46.6%	57%	10.4%
10th Grade Writing	72%	79%	79%	48%	54%	55.5%	NL*	NL*
10th Grade Math problem-solving	50%	57%	49%	47%	-----	-----	NL*	NL*

\*Not Listed

**How the amount appropriated in the budget may affect both the current practices and student performance identified by the commission under ORS 327.506 (4)(a) and the best practices and student performance identified by the commission under ORS 327.506 (4)(b)?**

The baseline schools are examples of prototype elementary, middle and high schools under the current practice and funding levels. The components in the fully implemented prototypes represent the resources needed to meet the state’s quality education goals based on research, best practice and professional judgment. The chart below lists the expected results of student achievement with “baseline” funding and the expected results with full implementation of the QEM in the year 2014.

Quality Education Model 2004		
	Baseline Prototype*	Full Prototype**
2002-03 cost per student	\$5,928	\$7,801
Grade School		
Reading		
3rd grade	89%	92%
5th grade	82%	91%
Math		
3rd grade	88%	95%
5th grade	87%	94%
2002-03 cost per student	\$6,837	\$7,663
Middle school		
Reading	63%	91%
Math	65%	93%
2002-03 cost per student	\$6,942	\$8,058
High school		
Reading	52%	90%
Math	49%	90%

\*Current funding level and percent meeting standards

\*\*Fully funded Quality Education Model and expected standards by 2014

**Does the state’s system of postsecondary education have quality goals established by state law?**

The Oregon University System, Oregon Community Colleges Association and Department of Community Colleges and Workforce Development were contacted. Each reported that they did not have the same statutory goals identified for K-12 schools.

The Legislature finds community colleges and higher education are critical to the state, but while these are components of the state’s system of public education, they do not have the same type of statutory goals identified for K-12, and thus, are exempt from the reporting requirements of Ballot Measure 1.

## **APPENDIX –A Quality Goals for the State System Kindergarten through Grade 12 Public Education**

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

- (1) “Academic content standards” or “academic standards” means expectations of student knowledge and skills adopted by the State Board of Education under ORS 329.045,
- (2) “Administrator” includes all persons whose duties require an administrative license.
- (3) “Board” or “state board” means the State Board of Education.
- (4) “Community learning center” means a school-based or school-linked program providing informal meeting places and coordination for community activities, adult education, child care, information and referral and other services as described in ORS 329.157. “Community learning center” includes, but is not limited to, a community school program as defined in ORS 336.505, family resource centers as described in ORS 417.725, full service schools, lighted schools and 21<sup>st</sup> century community learning centers.
- (5) “Department” means the Department of Education.
- (6) “District planning committee” means a committee composed of teachers, administrators, school board members and public members established for the purposes of ORS 329.537 to 329.605.
- (7) “English” includes, but is not limited to, reading and writing.
- (8) “History, geography, economics and civics” includes, but is not limited to, Oregon Studies.
- (9) “Oregon Studies” means history, geography, economics and civics specific to the State of Oregon. Oregon Studies instruction in Oregon government shall include municipal, county, tribal and state government, as well as the electoral and legislative processes.
- (10) “Parents” means parents or guardians of students who are covered by this chapter.
- (11) “Public charter school” has the meaning given that term in ORS 338.005.
- (12) “School district” means a school district as defined in ORS 332.002, an education service district, a state-operated school or any legally constituted combination of such entities.
- (13) “School Improvement and Professional Development program” means a formal plan submitted by a school district and approved by the Department of Education according to criteria specified in ORS 329.675 to 329.745 and 329.790 to 329.820.
- (14) “Second languages” means any foreign language or American Sign Language.
- (15) “Teacher” means any licensed employee of a school district who has direct responsibility for instruction, coordination of educational programs or supervision of students and who is compensated for such services from public funds. “Teacher” does not include a school nurse, as defined in ORS 342.455, or a person whose duties require an administrative license.
- (16) “The arts” includes, but is not limited to, literary arts, performing arts and visual arts.
- (17) “21<sup>st</sup> Century Schools Council” means a council established pursuant to ORS 329.704.
- (18) “Work-related learning experiences” means opportunities in which all students may participate in high quality programs that provide industry related and subject matter

related learning experiences that prepare students for further education, future employment and lifelong learning

**ORS 329.015 Education goals.** (1) The Legislative Assembly believes that education is a major civilizing influence on the development of a humane, responsible and informed citizenry, able to adjust to and grow in a rapidly changing world. Students must be encouraged to learn of their heritage and their place in the global society. The Legislative Assembly concludes that these goals are not inconsistent with the goals to be implemented under this chapter.

(2) The Legislative Assembly believes that the goals of kindergarten through grade 12 education are:

- (a) To demand academic excellence through a rigorous academic program that equips students with the information and skills necessary to pursue the future of their choice;
- (b) To provide an environment that motivates students to pursue serious scholarship and to have experience in applying knowledge and skills and demonstrating achievement; and
- (c) To provide students with lifelong academic skills that will prepare them for the ever-changing world

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

- (1) Provides equal and open access and educational opportunities for all students in the state regardless of their linguistic background, culture, race, gender, capability or geographic location;
- (2) Assumes that all students can learn and establishes high, specific skill and knowledge expectations and recognizes individual differences at all instructional levels;
- (3) Provides special education, compensatory education, linguistically and culturally appropriate education and other specialized programs to all students who need those services;
- (4) Provides students with a solid foundation in the skills of reading, writing, problem solving and communication;
- (5) Provides opportunities for students to learn, think, reason, retrieve information, use technology and work effectively alone and in groups;
- (6) Provides for rigorous academic content standards and instruction in mathematics, science, English, history, geography, economics, civics, physical education, health, the arts and second languages;
- (7) 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;
- (8) 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
- (9) Provides students with the knowledge, skill and positive attitude that lead to an active, healthy lifestyle;
- (10) Provides students with the knowledge and skills to take responsibility for their decisions and choices;

- (11) Provides opportunities for students to learn through a variety of teaching strategies;
- (12) Emphasizes involvement of parents and the community in the total education of students;
- (13) Transports children safely to and from school;
- (14) Ensures that the funds allocated to schools reflect the uncontrollable differences in costs facing each district;
- (15) Ensures that local schools have adequate control of how funds are spent to best meet the needs of students in their communities; and
- (16) Provides for a safe, educational environment

**ORS 329.035 Findings; objectives.** The Legislative Assembly declares that:

- (1) The State of Oregon believes that all students can learn and should be held to rigorous academic content standards and expected to succeed.
- (2) Access to a quality education must be provided for all of Oregon's youth regardless of linguistic background, culture, race, gender, capability or geographic location,
- (3) A restructured educational system is necessary to achieve the state's goal of the best educated citizens in the nation and the world.
- (4) The specific objectives of this chapter and ORS 329.906 to 329.975 are:
  - (a) To achieve the highest standards of academic content and performance;
  - (b) In addition to a diploma, to establish the Certificates of Initial Mastery and Advanced Mastery as evidence of new high academic standards of performance for all students;
  - (c) To establish alternative learning environments and services for students who experience difficulties in achieving state or local academic standards;
  - (d) To establish early childhood programs and academic professional technical programs as part of a comprehensive educational system; and
  - (e) To establish partnerships among business, labor and the educational community in the development of standards for academic professional technical endorsements and provide work-related learning experiences necessary to achieve those standards.

**ORS 329.045 Revision of Common Curriculum Goals including Essential Learning Skills and academic content standards; instruction in academic content areas.** (1) In order to achieve the goals contained in ORS 329.025 and 329.035, the State Board of Education shall regularly and periodically review and revise its Common Curriculum Goals. This includes Essential Learning Skills and rigorous academic content standards in mathematics, science, English, history, geography, economics, civics, physical education, health, the arts and second languages. School districts and public charter schools shall maintain control over course content, format, materials and teaching methods. The rigorous academic content standards shall reflect the knowledge and skills necessary for achieving the Certificate of Initial Mastery, the Certificate of Initial Mastery subject area endorsements, the Certificate of Advanced Mastery and diplomas pursuant to ORS 329.025 and as described in ORS 329.447. The regular review shall involve teachers and other educators, parents of students and other citizens and shall provide ample opportunity for public comment.

- (2) The State Board of Education shall continually review all adopted academic content standards and shall raise the standards for mathematics, science, English, history, geography, economics, civics, physical education, health, the arts and second languages to the highest levels possible.



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

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

**ORS 329.465 Certificate of Initial Mastery; subject area endorsements.** (1) The State Board of Education shall adopt academic content standards and requirements for the Certificate of Initial Mastery and for Certificate of Initial Mastery subject area endorsements.

(2) The State Board of Education shall prescribe the academic content standards pursuant to ORS 329.025 and 329.036, that a student must meet in order to obtain the Certificate of Initial Mastery or a Certificate of Initial Mastery subject area endorsement. The Certificate of Initial Mastery and the Certificate of Initial Mastery subject area endorsements shall be based on a series of performance-based assessments and content assessments benchmarked to mastery levels. The assessment methods shall include work samples and tests. The state board shall establish a certificate for students who, with additional services and accommodations do not meet the standards for the Certificate of Initial Mastery. Students shall be allowed to collect credentials over a period of years, culminating in a project or exhibition that demonstrates attainment of the required knowledge and skills that have been measured by a variety of valid assessment methods.

- (3) Requirements for the Certificate of Initial Mastery or a Certificate of Initial Mastery subject area endorsement shall:
  - (a) Ensure that students have the necessary knowledge and demonstrate the skills to read, write, problem solve, reason and communicate;
  - (b) Ensure that students have the opportunity to demonstrate the ability to learn, think, retrieve information and use technology;
  - (c) Ensure that students have the opportunity to demonstrate that they can work effectively as individuals and as an individual in group settings; and
  - (d) Ensure that student assessment is based on academic content standards.
- (4) (a) The State board shall establish the minimum number of work samples that a student must complete in each subject to receive the Certificate of Initial Mastery or to receive a Certificate of Initial Mastery subject area endorsement.
  - (b) If a school district receives the approval of the Department of Education, the school district may require a student, as part of the requirements for the Certificate of Initial Mastery or a Certificate of Initial Mastery subject area endorsement, to complete a greater number of work samples for a particular subject than the minimum number established by the state board.
- (5) The state board shall adopt requirements for the Certificate of Initial Mastery in mathematics, science and English. Each school district shall implement the Certificate of Initial Mastery in mathematics, science and English.
- (6) In addition, the state board shall adopt requirements for Certificate of Initial Mastery subject area endorsements in history, geography, economics, civics, physical education, health, the arts and second languages. A school district may offer to the students of the

school district a Certificate of Initial Mastery subject area endorsement in any of the following

- (a) History, geography, economics and civics.
  - (b) Physical education.
  - (c) Health.
  - (d) The arts.
  - (e) Second languages.
- (7) A student may receive a Certificate of Initial Mastery subject area endorsement only if the student has received the Certificate of Initial Mastery.
  - (8) The state board or a school district may not make the creation of a student portfolio a requirement for the Certificate of Initial Mastery or a Certificate of Initial Mastery subject area endorsement.
  - (9) The provisions of this section may be applied individually as appropriate to students enrolled in special education programs under ORS chapter 343.
  - (10) The Department of Education shall develop procedures to accommodate out-of-state students, students taught by a parent, legal guardian or private teacher as described in ORS 339.030, private school students transferring into public schools and migrant children from other states and countries.
  - (11) Nothing in this section is intended to apply the Certificates of Mastery programs or standards to private school students or students taught by a parent, legal guardian or private teacher as described in ORS 339.030.

**ORS 329.467 Submission of Certificate of Initial Mastery materials.** The State Board of Education shall submit Certificate of Initial Mastery standards, requirements and plan for implementation to the legislative interim committees on education for input and direction before administrative rules for the Certificate of Initial Mastery are adopted.

**ORS 329.475 Certificate of Advanced Mastery with career endorsements.** (1) After the State Board of Education adopts standards and rules for the Certificate of Advanced Mastery, each school district shall institute programs that allow students to qualify for a Certificate of Advanced Mastery with career endorsements that prepare students for post-secondary academic pursuits and professional technical careers.

- (2) School districts may implement the programs in a public education institution such as a public school, education service district, community college, public professional technical school or institution of higher
- (3) education, or any combination thereof, that enrolls the student and meets the requirement of the State Board of Education.
- (4) The programs must provide a combination of work-related learning experiences and study in accordance with ORS 329.855. The program shall include a comprehensive educational component that meets rigorous academic standards.
- (5) All courses necessary for a Certificate of Advanced Mastery shall be available to all students.
- (6) The State Board of Education shall adopt a framework for the Certificate of Advanced Mastery programs and timelines for implementation of the programs for the school districts to follow as resources become available to the school districts. The Department of Education may provide technical

assistance to assist school districts in the implementation of the Certificate of Advanced Mastery programs.

- (7) In establishing the requirements for Certificates of Advanced Mastery with career endorsements, the State Board of Education shall adopt rules that facilitate movement among the endorsements and shall encourage public school choice and mobility so as to enhance a student's opportunities for a full range of educational experiences.
- (8) The public education institution shall be reimbursed for the student's tuition by the district in which the student resides pursuant to ORS 339.115 and rules of the State Board of Education, in an amount not to exceed the student's tuition or the amount the district receives for the student from state funds, whichever is less. A school district shall not receive state funds for the student in an amount that exceeds the student's tuition. Any adult who wishes to pursue an endorsement, or any student having earned the Certificate of Advanced Mastery or a diploma or who has attained 19 years of age and who wishes to continue a program, may do so by paying tuition. As used in this section, "public education institution" does not include a public school to which a student has transferred under ORS 329.485.
- (9) Programs developed under this section shall meet the highest academic standards possible and provide students with opportunities for a broad range of quality work-related learning experiences.
- (10) A high school diploma issued by a private or out-of-state secondary school as signifying successful completion of grade 12 shall be considered equivalent to a high school diploma issued by an Oregon public school.

**Note:** Section 27, chapter 660, Oregon Laws 1995, provides:

**Sec. 27. Certificate of Advanced Mastery implementation by school districts; incentive programs.** (1) Pursuant to the standards and rules adopted by the State Board of Education, each school district prior to September 1, 2008, shall institute programs that allow students to qualify for the Certificate of Advanced Mastery. However, a school district is not required to award any Certificate of Advanced Mastery prior to September 1, 2008.

The Department of Education shall establish incentive programs to encourage school districts to implement the Certificate of Advanced Mastery prior to September 1, 2008. The incentive programs

- (2) shall provide a variety of models for implementation of the Certificate of Advanced Mastery in school districts that vary in size and location in the state. The incentive programs shall also provide a variety of models for career endorsement area
- (3) Notwithstanding subsection (1) of this section, school districts shall demonstrate continued progress toward development and implementation of the Certificate of Advanced Mastery prior to statewide implementation.

**APPENDIX B- Quality Education Model Baseline Compared to Full Prototype**

**Prototype Elementary School -- 340 Students: Baseline Compared to Full Prototype**

	<b>Baseline Prototype*</b>	<b>Full Prototype**</b>	<b>Difference</b>
Kindergarten	Half-day	Full-day	Doubles learning time
Average class size	24 for Kindergarten	20 to 1 for grades K-3. 25 for grades 1-5	Cuts class size by 4 for grades K-3 and by 1 for grades 4-5
K-5 classroom teachers	12.8 FTE	16.0 FTE	Adds 3.2 FTE
Specialists for areas such as art, music, PE, reading, math, TAG, library/media, second language, or child development	2.0 FTE	4.5 FTE	Adds 2.5 FTE
Special Education licensed staff	1.0 FTE	1.5 FTE	Adds 0.5 FTE
English as a second language licensed staff	0.5 FTE	1.0 FTE	Adds 0.5 FTE
Licensed substitute teachers	\$81 per student	\$81 per student	
On-site instructional improvement staff	None	0.5 FTE	Adds 0.5 FTE
Instructional support staff	5.0 FTE	6.0 FTE	Adds 1.0 FTE
Additional instruction time for students not meeting standards: 20% of students	Limited	Summer school, after-school programs, Saturday school, tutoring, etc.	Additional programs for 20% of students
Professional development time for teachers	3 days	Equivalent of 7days used for extended contracts, substitute time, etc.	Equivalent of 4 additional days
Leadership training for administrators	Limited	Based on 4 days of training	4 additional days
Students per computer	6	6	
Textbooks	\$36 per student	\$72 per student	\$36 per student
Classroom materials & equipment	\$43 per student	\$74 per student	\$31 per student
Other supplies	\$53 per student	\$76 per student	\$23 per student
Operations and maintenance	\$560 per student	\$615 per student	\$55 per student
Student transportation	\$319 per student	\$319 per student	
Centralized special education	\$59 per student	\$87 per student	\$28 per student
Technology Services	\$101 per student	\$101 per student	
Other centralized support	\$82 per student	\$82 per student	
District administrative support	\$224 per student	\$224 per student	
School cost per student	\$5,670	\$7,543	\$1,873 per student
ESD support per student	\$258	\$258	
Total cost per student in 2002-03 School Year	\$5,928	\$7,801	\$1,873 per student
Percent of students currently meeting standards (2003-04)			
Reading	3rd grade=86% 5th grade = 80%	n/a	
Math	3rd grade=83% 5th grade = 81%	n/a	
Percent of students expected to meet standards by year 2014			
Reading	3rd grade=89% 5th grade = 82%	3rd grade=92% 5th grade = 91%	
Math	3rd grade=88% 5th grade = 87%	3rd grade=95% 5th grade = 94%	
* The Baseline Prototype shows the Quality Education Model's prototype school costs estimated at the level of inputs that currently exist in Oregon schools.			
** The Full Prototype shows the prototype school costs estimated at the level of inputs recommended for the fully implemented Quality Education Model.			

## Prototype Middle School -- 500 Students: Baseline Compared to Full Prototype

	Baseline Prototype*	Full Prototype**	Difference
Class size in core subjects of math, English, science, social studies, second language	24	22, with maximum class size of 29 in core academic subjects	Cuts average class size by 2 in core subjects
Staffing in core subjects	20.8 FTE	21.0 FTE	Adds 0.2 FTE
Extra teachers in math, English, and science	None	1.5 FTE	Adds 1.5 FTE
Special Education licensed staff	2.75 FTE	3.0 FTE	Adds 0.25 FTE
English as a second language licensed staff	0.5 FTE	0.75 FTE	Adds 0.25 FTE
Media/Librarian	1.0 FTE	1.0 FTE	
Counselors	One for every 333 students	One for every 250 students	Adds 0.5 FTE
Licensed substitute teachers	\$77 per student	\$77 per student	
On-site instructional improvement staff	None	1.0 FTE	Adds 1.0 FTE
Instructional support staff	11.0 FTE	10.0 FTE	Eliminates 1.0 FTE
Additional instruction time for students not meeting standards: 20% of students	Limited	Summer school, after-school programs, Sat. school, tutoring, etc.	Additional programs for 20% of students
Professional development time for teachers	3 days	Equivalent of 7 days to be used for extended contracts, substitute time, etc.	Equivalent of 4 additional days
Leadership training for administrators	Limited	Based on 4 days of training	4 additional days
Students per computer	6	6	
Textbooks	\$43 per student	\$69 per student	\$26 per student
Classroom materials & equipment	\$58 per student	\$83 per student	\$25 per student
Other supplies	\$54 per student	\$82 per student	\$28 per student
Operations and maintenance	\$587 per student	\$645 per student	\$58 per student
Student transportation	\$314 per student	\$314 per student	
Centralized special education	\$59 per student	\$87 per student	\$28 per student
Technology Services	\$99 per student	\$99 per student	
Other centralized support	\$82 per student	\$82 per student	
District administrative support	\$224 per student	\$224 per student	
School cost per Student	\$6,579	\$7,405	\$826 per student
ESD support per Student	\$258	\$258	
Total cost per Student in 2002-03 School Year	\$6,837	\$7,663	\$826 per student
Percent of students currently meeting standards (2003-04)			
Reading	62%	n/a	
Math	61%	n/a	
Percent of students expected to meet standards by year 2014			
Reading	63%	91%	
Math	65%	93%	
* The Baseline Prototype shows the Quality Education Model's prototype school costs estimated at the level of inputs that currently exist in Oregon schools.			
** The Full Prototype shows the prototype school costs estimated at the level of inputs recommended for the fully implemented Quality Education Model.			

## Prototype High School – 1,000 Students: Baseline Compared to Full Prototype

	Baseline Prototype*	Full Prototype**	Difference
Class size in core subjects of math, English, science, social studies, second language	25	22, with maximum class size of 29 in core academic subjects	Cuts average class size by 3 in core subjects
Staffing in core subjects	41.0 FTE	44.0 FTE	Adds 3.0 FTE
Extra teachers in math, English, and science	None	3.0 FTE	Adds 3.0 FTE
Special Education licensed staff	3.5 FTE	3.75 FTE	Adds 0.25 FTE
English as a second language licensed staff	0.5 FTE	0.5 FTE	
Media/Librarian	1.0 FTE	1.0 FTE	
Counselors	One for every 333 students	One for every 250 students	Adds 1.0 FTE
Licensed substitute teachers	\$78 per student	\$78 per student	
On-site instructional improvement staff	None	1.0 FTE	Adds 1.0 FTE
Instructional support staff	20.0 FTE	20.0 FTE	
Additional instruction time for students not meeting standards: 20% of students	Limited	Summer school, after-school programs, Saturday school, tutoring, etc.	Additional programs for 20% of students
Professional development time for teachers	3 days	Equivalent of 7 days to be used for extended contracts, substitute time, etc.	Equivalent of 4 additional days
Leadership training for administrators	Limited	Based on 4 days of training	4 additional days
Students per computer	6	6	
Textbooks	\$55 per student	\$96 per student	\$41 per student
Classroom materials & equipment	\$80 per student	\$130 per student	\$50 per student
Other supplies	\$57 per student	\$125 per student	\$68 per student
Operations and maintenance	\$642 per student	\$705 per student	\$63 per student
Student transportation	\$332 per student	\$332 per student	
Centralized special education	\$59 per student	\$87 per student	\$28 per student
Technology Services	\$103 per student	\$103 per student	
Other centralized support	\$102 per student	\$102 per student	
District administrative overhead	\$224 per student	\$224 per student	
School cost per Student	\$6,684	\$7,800	\$1,116
ESD support per Student	\$258	\$258	
Total cost per Student in 2002-03 School Year	\$6,942	\$8,058	\$1,116
Percent of students currently meeting standards (2003-04)			
Reading	51%	n/a	
Math	44%	n/a	
Percent of students expected to meet standards by year 2014			
Reading	52%	90%	
Math	49%	90%	
* The Baseline Prototype shows the Quality Education Model's prototype school costs estimated at the level of inputs that currently exist in Oregon schools.			
** The Full Prototype shows the prototype school costs estimated at the level of inputs recommended for the fully implemented Quality Education Model.			