



December 2007

**Joint Special  
Committee on Public  
Education Appropriation**

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Report on Adequacy of  
Public Education Funding  
As Required by Article VIII,  
Section 8, of the Oregon  
Constitution  
  
2007-2009 Education Budget

## 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 specifying the content of the report. The statute reads, in part,

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

With regard to post-secondary public education, ORS 171.587 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.*

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

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

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

“Quality goals” for kindergarten through grade 12 (K-12) public 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.<sup>2</sup>

### **Quality Education Commission**

In 1997, House Speaker 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 codified by the legislature in 2001. This council became the Quality Education Commission (QEC).

Under ORS 327.506, the QEC is charged to:

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

The QEC report contains a budget model that describes and estimates the costs of activities that could be expected to result in identified outcomes. Testimony received by this committee from the Oregon Department of Education stated that this model, the Quality Education Model (QEM), does not mandate that schools make reductions or utilize resources as recommended in the QEM. Rather, the identified prototype schools reflect best practices research on high-performing schools. Essentially, prototype schools are examples of how schools could be organized to implement best practices programs.<sup>3</sup>

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<sup>2</sup> ORS 329.007 (Definitions), ORS 329.015 (Educational goals), ORS 329.025 (Characteristics of school system), ORS 329.045 (Revision of Common Curriculum Goals, performance indicators, diploma requirements, Essential Learning Skills and academic content standards; instruction in academic content areas), and ORS 329.065 (Adequate funding required). The full text of these statutes can be found in Appendix A.

<sup>3</sup> Quality Education Model Final Report, December 2006, pgs. 21-22.

The prototype schools approach is a tool to evaluate the level of resources required to implement education policy proposals. It is a “professional judgment” type of model that must rely on the judgments of education experts to predict the impact of different levels of resources on student achievement.<sup>4</sup>

The 2006 QEC Report indicated that full funding of the QEM for the 2007-09 biennium would require \$7.766 billion. This is equivalent to \$7,109/ADMw<sup>5</sup> in the first year and \$7,332/ADMw in the second year.

The QEC offered two alternatives to funding the total figure identified by the QEM. One alternative is a ten-year phase-in allowing funds to be appropriated in stepped annual amounts above current funding in order to reach the QEM goal figure.<sup>6</sup> The second alternative is to determine strategies likely to get the largest proportion of students to standard. The QEC recommended three strategies specifically: focus on reading in the early grades with sustained support in the middle grades; provide training and skill development needed by teachers and principals to deliver on all of the academic goals; and provide resources to pilot and implement high school reform and restructuring that is consistent with graduation requirements and the need for more personalized, rigorous contextual learning.<sup>7</sup>

### **Measures to Identify Progress Toward Quality Goals**

The QEM and its recommended funding levels are the primary measure for determining funding adequacy. With regard to student performance, the QEC looked to state standardized assessments to measure progress toward quality goals.<sup>8</sup> The following graphs show the trends in student achievement in Oregon as measured by the percent of students meeting or exceeding the state’s academic achievement standards in reading and math at grades 3, 5, 8, and 10.

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<sup>4</sup> *Ibid*, pg. 34.

<sup>5</sup> “ADMw” refers to average daily membership, weighted; the student count plus special student weightings (ORS 327.013).

<sup>6</sup> QEM Report, pg. 32.

<sup>7</sup> *Ibid*, pg. 5.

<sup>8</sup> *Ibid*, pg. 18.

Exhibit 1

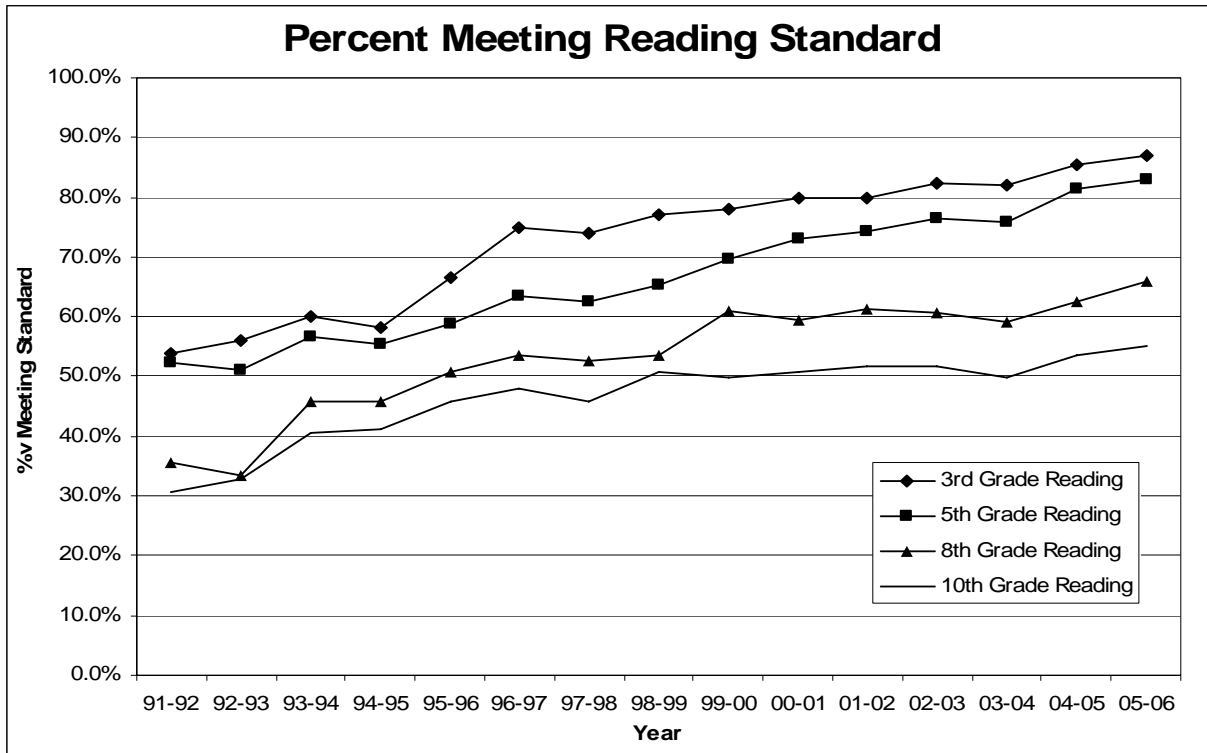
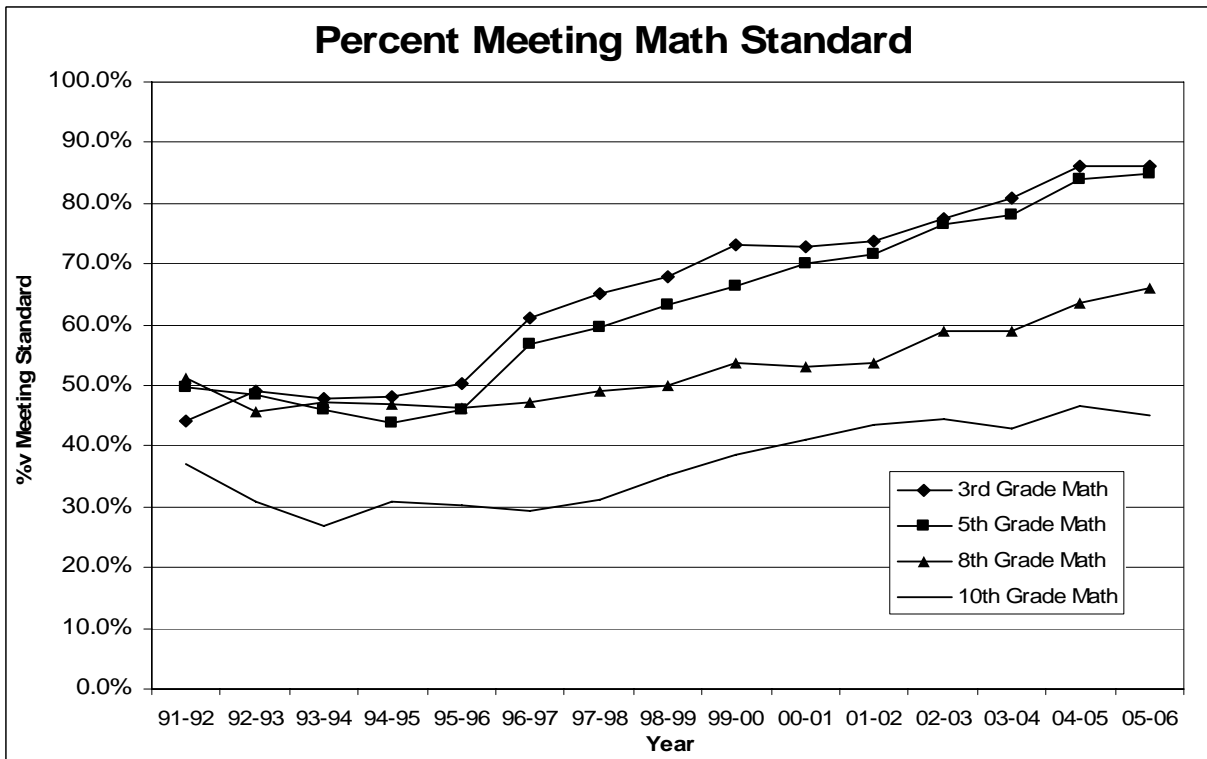


Exhibit 2



To understand Oregon's student achievement within the national context the QEC looked at several other measures. The committee believes that these measures should be included in this report for informational purposes only and that the primary indicator for student performance should be the state standardized assessments. It should be noted that a number of these measures do not directly relate to student performance. In many cases, not all students are evaluated. Additionally, under the federal No Child Left Behind Act (NCLB), success or failure in meeting Adequate Yearly Progress (AYP) may be impacted when parents decline to have their children tested.

- Student performance on the National Assessment of Educational Progress (NAEP) – Results from 2006-07 showed that 8<sup>th</sup> grade students scored statistically higher than the nation's students in both reading and mathematics. However, student scores were not statistically different from those in 2003 or 2005.<sup>9</sup>
- The Scholastic Achievement Test (SAT) – Oregon students scored second in the nation among states that tested at least 50% of their high school seniors. However, participation rates were down for most races and ethnicities.<sup>10</sup> Oregon's math score of 529 was three points lower than the previous year but higher than the national average of 515. Oregon's critical reading score of 522 was one point lower than in 2006, but still higher than the national average of 502.<sup>11</sup>
- The dropout rate compared to other states – The state's dropout rate for the 2005-06 school year decreased to 4.1%.<sup>12</sup> Dropout rates decreased for every race and ethnicity. The greatest decreases were for Hispanics, which fell from 9.6% to 8.1%, and for African Americans, which decreased from 8.2% to 6.0%.<sup>13</sup> Nationally, Oregon has a relatively high rate. The state was 17<sup>th</sup> highest in the country in 2002-03, the most recent period for which information is available.<sup>14</sup>

The following additional measures, although not specifically related to student performance, have been reviewed by predecessor committees as well as this committee.

### Achievement Gap

While the percentage of Oregon students meeting state standards has steadily increased, a gap exists between the average statewide numbers and those of Native American, African American, and Hispanic students. For example, in 2006, 66% of 8<sup>th</sup> grade students met state math standards. However, 53% of Native American, 45% of African American, and 43% of Hispanic students met the state math standards. In spite of Native American, African American, and Hispanic students showing the largest percentage increases from the previous year, an achievement gap exists.<sup>15</sup>

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<sup>9</sup> <http://www.ode.state.or.us/news/announcements/announcement.aspx?=3048>

<sup>10</sup> Statewide Report Card, 2005-2006, pg. III. <http://www.ode.state.or.us/data/annreportcard/rptcard2006.pdf>

<sup>11</sup> <http://www.ode.state.or.us/news/releases/default.aspx?yr=2005&kw=&rid=582>

<sup>12</sup> <http://www.ode.state.or.us/search/page/?id=1>

<sup>13</sup> Statewide Report Card, pg. III.

<sup>14</sup> National Center for Education Statistics, <http://nces.ed.gov/ccd/bat/output.asp>.

<sup>15</sup> Statewide Report Card, pg. 17.

### Federal Criteria

NCLB uses AYP to rate schools on student academic achievement for all groups of students. Oregon's final AYP report for 2005-06 indicates 855 schools (69.6%) of Oregon schools met AYP standards; 374 (30.4%) did not meet AYP standards. 518 (87.6%) of all Title I schools met AYP standards compared to 337 (52.8%) of non-Title I schools.<sup>16</sup>

### College Entry and Success

For the 2007-08 academic year, enrollment of Oregon resident freshmen into the Oregon University System (OUS) increased by 2.1%, compared to a decline of 1.2% in 2006. Across OUS, the number of newly admitted freshmen – both resident and nonresident – increased by 6.2% (compared to 3.0% the previous year), and newly admitted undergraduate transfer students increased by 0.8%, bringing an overall increase of 4.0% in new undergraduates.<sup>17</sup>

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<sup>16</sup> *Ibid*, pg. 46.

<sup>17</sup> [http://www.ous.edu/news\\_and\\_information/news/110807.php](http://www.ous.edu/news_and_information/news/110807.php)

## 2007-09 K-12 Appropriation

### Funding Sources

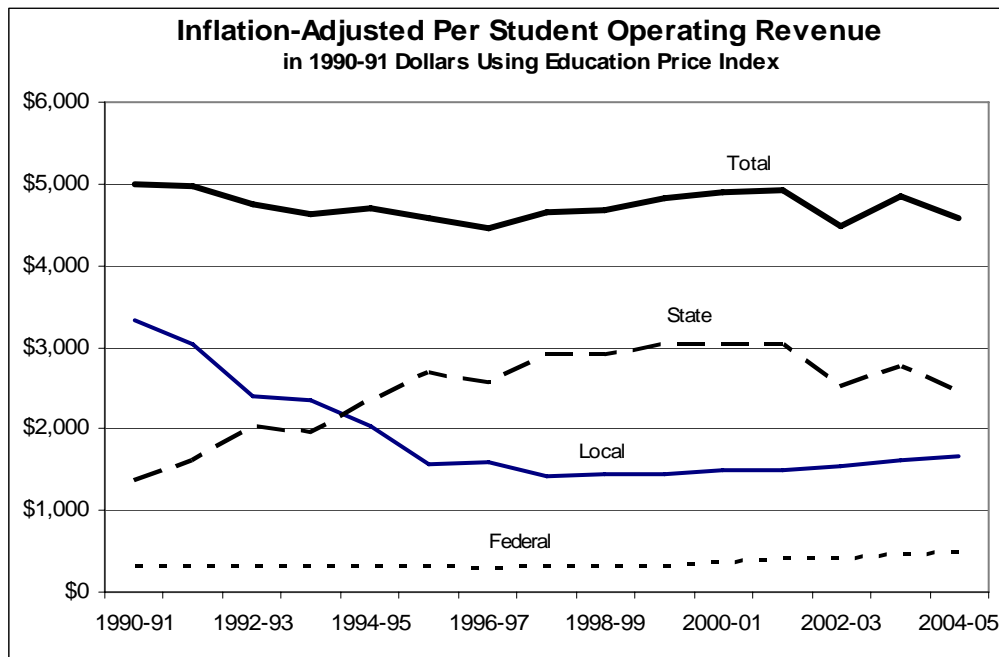
At the state level, Oregon's K-12 public education budget draws from four funds: the General Fund; Lottery Funds that are dedicated to economic development, education, and parks/salmon habitat; Other Funds that are dedicated by law for specific purposes; and Federal Funds also dedicated by law for specific purposes. School districts also draw upon local revenues from a variety of sources including property taxes, the Common School Fund, and, historically, state and federal timber taxes.

### History of K-12 Appropriations

Historically, Oregon schools received about 30% of their funding from state sources. The passage of Ballot Measure 5 in 1990 limited the amount of local property taxes that could be collected and used for schools. This shifted the bulk of funding from local property tax to the state's General Fund. The state now provides approximately 67% of the K-12 public education budget.

Exhibit 3 shows how per-student funding, when adjusted for inflation has declined over time. The measure of inflation used, labeled the Education Price Index, is a weighted average of teacher salary increases and health insurance premiums increases. This index better reflects actual price increases in the education sector than does the Consumer Price Index.<sup>18</sup>

### Exhibit 3



<sup>18</sup> QEM Report, pg. 14.



## **K-12 Appropriation Process**

The process for determining each biennia's K-12 appropriation begins with identification of the essential budget level (EBL) which is the cost to maintain current service levels. The EBL is determined each interim by the School Revenue Forecast Committee (Committee) that was established by executive order in 1999. The EBL is the same as the baseline budget level used in the QEM prototype school approach. Assumptions made by the Committee for the 2007-09 EBL included, among other factors, a 17.66% PERS rate; increases of 9% annually in health benefits costs; about a 2% annual increase in teacher salaries; and growth in student counts of 0.64% for 2005-06 and 0.56% for 2006-07.<sup>19</sup>

## **2007-09 K-12 Appropriation**

The legislatively adopted budget provides \$6.245 billion in state support for K-12 school funding. Of the total K-12 budget, \$5,610.8 million is from General Fund support, \$634.1 million is from lottery support, and \$242,000 is from state timber taxes (expended as Other Funds).<sup>20</sup> The budget includes \$109.4 million in Other Funds from the Common School Fund. These funds are included as local revenues.<sup>21</sup>

The overall appropriation represents an increase of about \$938.7 million, or 17.7%, above the 2005-07 legislatively approved budget of \$5.3 billion. More specifically, it represents a \$752.6 million General Fund increase and a \$186.8 million Lottery Fund increase.<sup>22</sup>

Over 54% of the state's General Fund and Lottery expenditures are dedicated to education programs generally with just over 41% going to the K-12 State School Fund budget. Nearly 93% of the state's expenditures are found in the three major program areas of Education, Human Services, and Public Safety (including Judicial Branch expenditures).<sup>23</sup>

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<sup>19</sup> 2007-09 Legislatively Adopted Budget Highlights, pg. 28. [http://www.leg.state.or.us/comm/lfo/2007-09\\_budget/2007-09%20Budget%20Highlights.pdf](http://www.leg.state.or.us/comm/lfo/2007-09_budget/2007-09%20Budget%20Highlights.pdf)

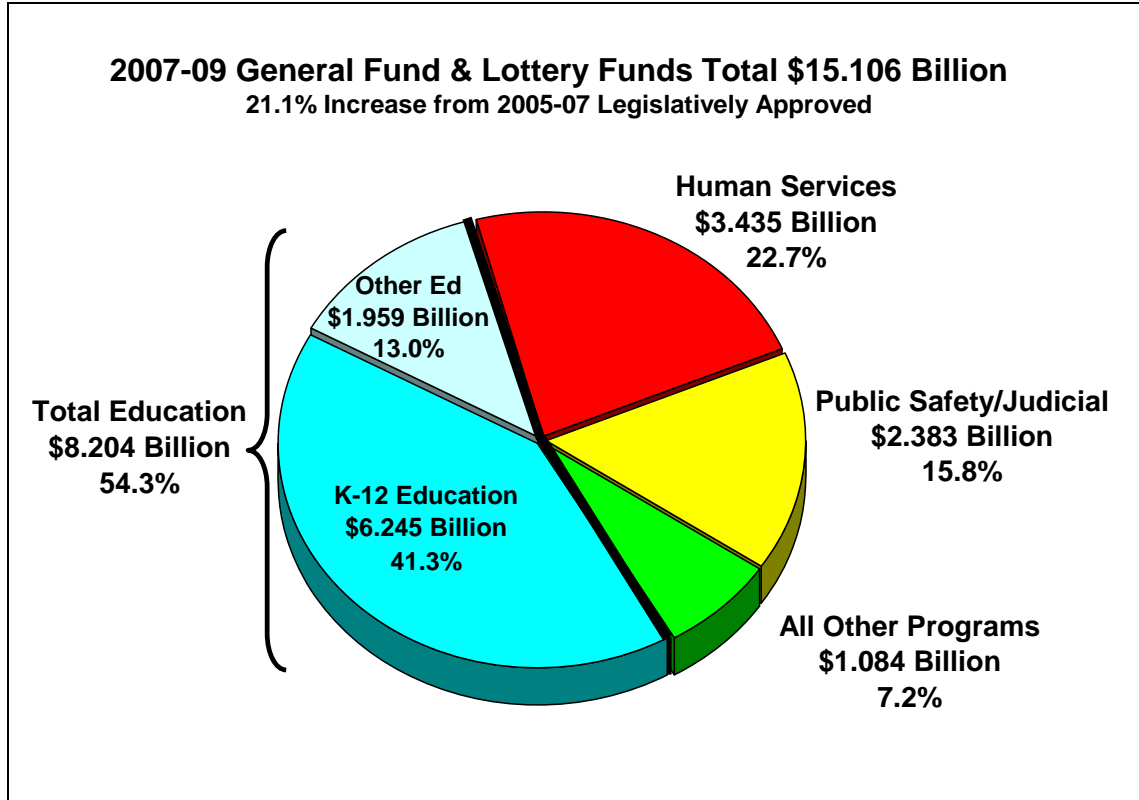
<sup>20</sup> *Ibid.*

<sup>21</sup> *Ibid.*, pg. 31.

<sup>22</sup> *Ibid.*, pg. 28.

<sup>23</sup> *Ibid.*, pg. 3.

Exhibit 4



For the 2007-09 biennium, the Department of Education anticipates an increase of \$26 million in federal funding, primarily for nutrition and special education grant-in-aid programs to schools and other local programs.<sup>24</sup>

During 2007-09, local revenues are expected to be \$2.8 billion or about \$235 million more than estimated for 2005-07 resulting in combined state and local support increasing by 15.2% from 2005-07 to 2007-09 (from \$7.904 billion to \$9.109 billion).<sup>25</sup>

<sup>24</sup> *Ibid*, pg. 12.

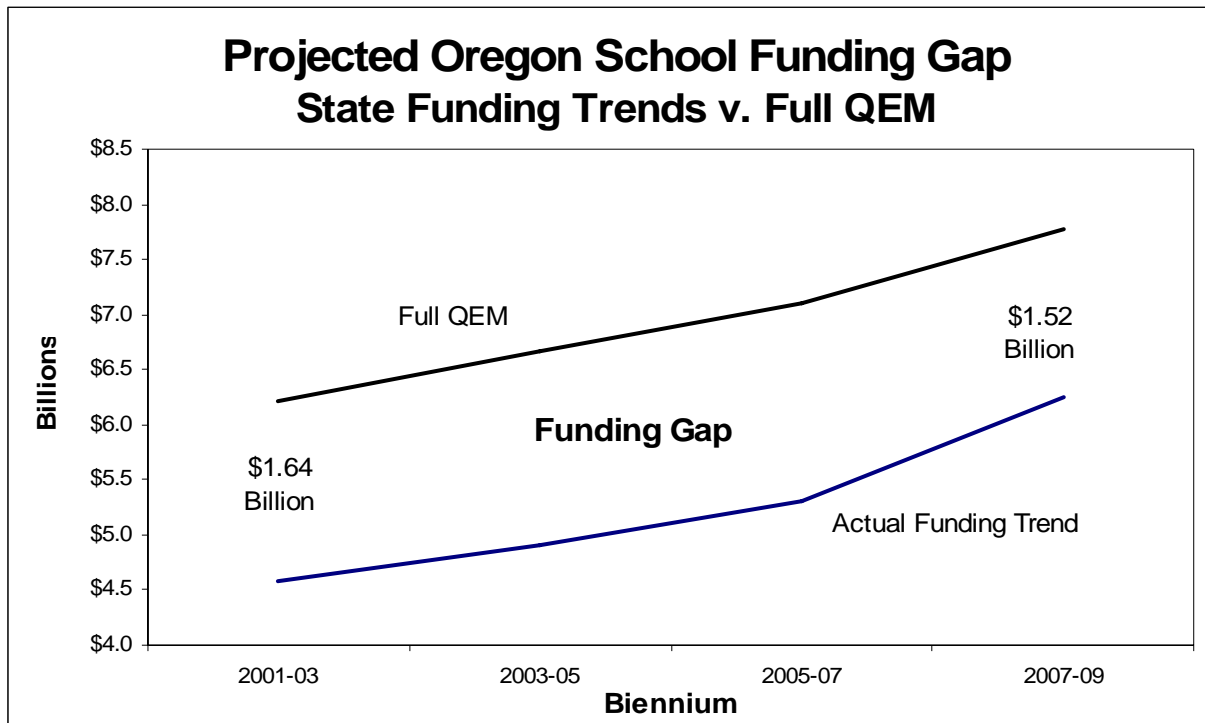
<sup>25</sup> *Ibid*, pg. 29.

## Sufficiency Determination

It is the determination of the Joint Special Committee on Public Education Appropriation that the amount of moneys appropriated for the 2007-09 biennium for K-12 public education is insufficient to meet the recommended funding levels of the QEC.<sup>26</sup> The QEM estimates that state funding of \$7.766 billion for K-12 is required to get 90% of Oregon students to meet the state's academic standards.<sup>27</sup> The state appropriation for K-12 public education funding was \$6.245 billion; a difference of \$1.521 billion.

The following chart illustrates the difference between the amounts recommended by the QEM and the amounts appropriated.

Exhibit 5



The state appropriation is about \$456 million above EBL. The two components of the increase are \$260 million for the School Improvement Fund, a grant program targeted to increase student achievement, and an additional \$196 million to the State School Fund. The legislature may restore additional funds for the School Improvement Fund in the future. The following targeted enhancements to grant-in-aid programs within the Department of Education's budget were also adopted:

- Funding the Oregon Pre-Kindergarten program at 75% (up from 60% in the 2005-07 biennium) of eligible children and families living at or below the federal poverty level.

<sup>26</sup> See Commission's charge, pg. 2.

<sup>27</sup> QEM Report, pg. 16.

The approved \$39 million General Fund was expected to fund 80% of the eligible families, but new data from the federal government increased the number of eligible families by an additional 1.4%.

- Mandated caseload increases in the Early Intervention/Early Childhood Special Education program. This program serves children from birth to the start of kindergarten that have developmental and other disabilities. New caseload projections have added \$11.9 million in General Fund.
- Initiation of a program to provide mentors for new teachers and principals during the first three years of employment (\$5 million General Fund).
- A grant to the Chess for Success Program (\$50,000 General Fund).
- A task force to study improvements in Civics education (\$50,000 General Fund).
- A grant to be directed to the Classroom Law Project to further the mission of expanding civics education in Oregon with an emphasis on staff development (\$160,000 General Fund).
- Additional funding (\$150,000 General Fund) for the Start Making a Reader Today (SMART) program.<sup>28</sup>

Although the committee has not adopted either of the QEC's recommended alternatives, the total state appropriation is slightly above the recommended first step toward full funding of the QEM. Also, several of the enhancements referenced above correspond to the partial goals identified in the QEC's second alternative.

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<sup>28</sup> Budget Highlights, pg. 31.

## Factors Leading to Insufficiency

In all three of the constitutionally-mandated reports since Ballot Measure 1 passed, this committee has found that funding insufficiencies were due to inadequate revenue growth and rapid cost increases in delivering educational services. Those factors continue to impact state spending on K-12 public education.

It is impossible to understand education's loss of revenue growth in Oregon today without referencing the passage of Ballot Measure 5 as described earlier. Additionally, the passage of Ballot Measure 47 in 1996 and Ballot Measure 50 in 1997 added another more restrictive constitutional limitation on real estate property taxes and thus further reduced property taxes from Ballot Measure 5's limitations.

Historically, Oregon ranked as a moderately high tax state with relatively high property and income taxes but no sales tax. Following these property tax cuts, Oregon is now considered a low-tax state, ranking 40<sup>th</sup> in state and local taxes as a share of personal income in 2003-04.<sup>29</sup> The amount of funding for schools has been decreasing in inflation-adjusted dollars. Prior to the passage of these ballot measures, school property tax rates in Oregon averaged \$16.53 for \$1,000 of market value. For the 2005-06 tax year, they averaged \$4.33 per \$1,000 of market value, a tax rate cut of 74% since 1990-91. With this dramatic cut in local property tax funding available for schools, the state, using general fund dollars coming primarily from the state income tax, carries the burden as the primary funding source for Oregon schools.<sup>30</sup>

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 Ballot Measure 30 in February 2004.

Ballot Measure 28 carried the option of increasing personal and corporate income tax rates for three years. It was referred to voters by the Fifth 2002 Special Session of the Oregon Legislature. Had it passed, it would have resulted in \$95 million or an additional 4.2% for K-12 public schools in 2002-03.

The defeat of Measure 30 had the effect of implementing House Bill 5077 (2003) 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 reduction in the State School Fund was \$298.9 million.

Federal mandates continue to impinge upon school funding uses. Under the Federal Individuals with Disabilities Education Act (IDEA), which was re-authorized in December 2004, Congress may fund up to 40% of the average per pupil expenditure involved in educating students with disabilities. This level of funding has never been realized. In 2006-07 federal funds covered 18% of costs. The state distribution formula accounts for special needs students by double-weighting them up to 11% of the district student enrollment. The state also provides additional

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<sup>29</sup> QEM Report, pg. 20.

<sup>30</sup> *Ibid*, pg. 12.

revenue to offset some of the costs for children who exceed the 11% Cap and for students with disabilities whose costs exceed \$30,000 per year. This is done through two state school fund instruments, the 11% Cap Waiver Fund and the High Cost Disability Fund. However, school districts report that this can still fall short of actual costs and require funding to be shifted from the general education program to cover special education costs.

Another federal program, the NCLB, carries additional costs that have not been quantified. During the 2007 Legislative Session, House Joint Memorial 2 and Senate Joint Memorial 12 called upon Congress to appropriate funds to more fully reimburse states or provide additional flexibility for states to comply with these mandates.

Although some of the cost increases in delivering educational services have leveled off or declined, they continue to impact K-12 public education funding. In particular, ADMw costs continue to increase even as the growth of the overall rate of average daily membership has leveled off. In other words, the number of weighted students continues to grow faster than the total population of students. ADMw was projected to grow .64% for the 2007-08 academic year and .56% for the 2008-09 academic year. This growth results in a \$79 million required expenditure and puts increased pressure on the overall budget for K-12 public education.

## Impact of Insufficiency on School Districts

The previous committee's report issued on funding sufficiency for the 2005-07 biennium indicated that student performance was expected to stagnate. In fact, the most recent QEC report found that, although the proportion of students reaching benchmark levels has generally increased over the past decade, student progress in reaching benchmark standards has slowed in most grades. It was also noted, however, that despite levels of funding that have not kept pace with cost increases in recent years, improved instruction has allowed Oregon students to experience an improved quality in their education.<sup>31</sup>

Going forward, the QEC indicates that, even if funding is not increased relative to recent levels, student performance can be expected to improve but at a diminishing rate. It attributes anticipated increases to better alignment of curriculum to state standards and notes that fully funding the QEM would increase the percentage of students meeting state standards at a faster rate.<sup>32</sup>

The most recent QEM did not factor in new high school diploma requirements adopted by the State Board of Education. The new requirements modify the Certificate of Initial Mastery (CIM) and Certificate of Advanced Mastery (CAM) programs by eliminating the certificates<sup>33</sup> and making the high school diploma the single credential for students' demonstration of minimum proficiencies in core academic subjects and career-related skills. The requirements also modify House Bill 3129 (2005) which added one credit each of English and mathematics and increased the total diploma credit requirement from 22 to 24. In the new requirements, the Board is requiring an additional credit of science and expanding the Arts/Professional Technical/Second Language requirement from one to three credits, while keeping the total diploma credit requirement at 24. All math credits must be at the Algebra 1 level and above. Additionally, the state will require that all students demonstrate they are proficient in certain "essential skills" – skills deemed critical for future success – before they will be awarded a diploma. Essential skills are process skills embedded in the existing content areas and can be demonstrated in a variety of courses, subjects, experiences, and settings. The enhancements required to incorporate these changes are important but will further widen the funding insufficiency.

With regard to impacts upon current and best practices, the chart in Appendix B provides a description of the impact by comparing factors and outcomes at baseline funding, which is the current level of funding, and full funding to implement best practices at each of the prototype schools.

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<sup>31</sup> *Ibid*, pg. 47.

<sup>32</sup> *Ibid*, pg. 29.

<sup>33</sup> See House Bill 2263 (2007).

## **Post-Secondary Quality Education Goals**

Previous reports of this committee have found that the Oregon University System and the Department of Community Colleges and Workforce Development did not have the same type of statutory goals as the K-12 public education system. Accordingly, they were exempt from the Ballot Measure 1 reporting requirements. This committee makes the same finding but notes that two Executive Orders<sup>34</sup> issued in August 2007 indicate progress in this area. Executive Order 07-12 establishes a new process for calculating the EBL for the community college support fund in order to provide a more accurate picture of resources necessary to fully support community colleges in Oregon. Executive Order 07-13 establishes the Post-Secondary Quality Education Commission charged with developing a new model for assessing the funding needs of community colleges and universities. It is believed that the new commission will provide a better idea of the statutory goals needed in order to thoughtfully invest in quality educational opportunities for all Oregonians.

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<sup>34</sup> See Appendix C.



## **APPENDIX A**

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

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

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

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

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

- (a) To equip students with the academic and career skills and information necessary to pursue the future of their choice through a program of rigorous academic preparation and career readiness;
- (b) To provide an environment that motivates students to pursue serious scholarship and to have experience in applying knowledge and skills and demonstrating achievement;
- (c) To provide students with the skills necessary to pursue learning throughout their lives in an ever-changing world; and

(d) To prepare students for successful transitions to the next phase of their educational development. [Formerly 326.710; 1995 c.660 §3; 2007 c.858 §2]

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

- (1) Provides equal and open access and educational opportunities for all students in the state regardless of their linguistic background, culture, race, gender, capability or geographic location;
- (2) Assumes that all students can learn and establishes high, specific skill and knowledge expectations and recognizes individual differences at all instructional levels;
- (3) Provides 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 and skills 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. [Formerly 326.715; 1995 c.660 §4; 1999 c.1029 §2; 2003 c.303 §3; 2007 c.858 §3]

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

opportunity for public comment.

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

(3) School districts and public charter schools shall offer students instruction in mathematics, science, English, history, geography, economics, civics, physical education, health, the arts and second languages that meets the academic content standards adopted by the State Board of Education and meets the requirements adopted by the State Board of Education and the board of the school district or public charter school. [Formerly 326.725; 1995 c.660 §6; 1999 c.200 §29; 1999 c.1029 §3; 2003 c.303 §5; 2007 c.858 §4]

**329.065 Adequate funding required.** Nothing in this chapter is intended to be mandated without adequate funding support. Therefore, those features of this chapter which require significant additional funds shall not be implemented statewide until funding is available. [Formerly 326.740]

**APPENDIX B**

<b>Quality Education Model 2006</b> <b>Prototype Elementary School – 340 Students</b> <b>Baseline Compared to Full Prototype</b>			
	<b>Baseline Prototype*</b>	<b>Full Prototype</b>	<b>Difference</b>
Kindergarten	Half-day	<b>Full-day</b>	<b>Doubles learning time</b>
Average class size	25	<b>20 to 1 for grades K-3</b> <b>24 to 1 for grades 4-5</b>	<b>Cuts class size by 4 for grades K-3</b>
K-5 classroom teachers	12.8 FTE	<b>16.0 FTE</b>	<b>Adds 3.2 FTE</b>
Specialists for areas such as art, music, PE, reading, math, TAG, library/media, second language, or child development	2.0 FTE	<b>4.5 FTE</b>	<b>Adds 2.5 FTE</b>
Special Education licensed staff	1.0 FTE	<b>1.5 FTE</b>	<b>Adds 0.5 FTE</b>
English as a second language licensed staff	0.5 FTE	<b>1.0 FTE</b>	<b>Adds 0.5 FTE</b>
Licensed substitute teachers	\$88 per student	\$88 per student	
On-site instructional improvement staff	None	<b>0.5 FTE</b>	<b>Adds 0.5 FTE</b>
Instructional support staff	5.0 FTE	<b>6.0 FTE</b>	<b>Adds 1.0 FTE</b>
Additional instruction time for students not meeting standards: 20% of students	Limited	<b>Summer school, after-school programs, Saturday school, tutoring, etc.</b>	<b>Additional programs for 20% of students</b>
Professional development time for teachers	3 days	<b>Equivalent of 7 days to be used for extended contracts, substitute time, etc.</b>	<b>Equivalent of 4 additional days</b>
Leadership training for administrators	Limited	<b>Based on 4 days of training</b>	<b>4 additional days</b>
Students per computer	6	6	
Textbooks	\$47 per student	<b>\$94 per student</b>	<b>\$47 per student</b>
Classroom materials & equipment	\$78 per student	<b>\$134 per student</b>	<b>\$56 per student</b>
Other supplies	\$72 per student	<b>\$98 per student</b>	<b>\$26 per student</b>
Operations and maintenance	\$636 per student	<b>\$698 per student</b>	<b>\$62 per student</b>
Student transportation	\$347 per student	\$347 per student	
Centralized special education	\$93 per student	<b>\$137 per student</b>	<b>\$44 per student</b>
Technology Services	\$127 per student	\$127 per student	
Other centralized support	\$151 per student	\$151 per student	
District administrative support	\$260 per student	\$260 per student	
<b>Percent of students meeting standards in 2004-05</b>			
Reading	3rd grade=86% 5th grade = 82%	n/a	
Math	3rd grade=86% 5th grade = 84%	n/a	
<b>Percent of students expected to meet standards by year 2014</b>			
Reading	3rd grade=96% 5th grade = 94%	<b>96%</b>	
Math	3rd grade=96% 5th grade = 96%	<b>97%</b>	

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

**Quality Education Model 2006**  
**Prototype Middle School -- 500 Students**  
**Baseline Compared to Fully Funded QEM**

	<b>Baseline Prototype*</b>	<b>Full Prototype</b>	<b>Difference</b>
Class size in core subjects of math, English, science, social studies, second language	23	<b>22, with maximum class size of 29 in core academic subjects</b>	<b>Cuts average class size by 1 in core subjects</b>
Staffing in core subjects	20.8 FTE	<b>21.0 FTE</b>	<b>Adds 0.2 FTE</b>
Extra teachers in math, English, and science	0.5 FTE	<b>1.5 FTE</b>	<b>Adds 1.0 FTE</b>
English as a second language licensed staff	0.5 FTE	<b>0.75 FTE</b>	<b>Adds 0.25 FTE</b>
Special Education licensed staff	4.0 FTE	<b>4.5 FTE</b>	<b>Adds 0.5 FTE</b>
Media/Librarian	1.0 FTE	1.0 FTE	
Counselors	One for every 333 students	<b>One for every 250 students</b>	<b>Adds 0.5 FTE</b>
Licensed substitute teachers	\$87 per student	\$87 per student	
On-site instructional improvement staff	None	<b>1.0 FTE</b>	<b>Adds 1.0 FTE</b>
Instructional support staff	11.0 FTE	<b>10.0 FTE</b>	<b>Eliminates 1.0 FTE</b>
Additional instruction time for students not meeting standards: 20% of students	Limited	<b>Summer school, after-school programs, Saturday school, tutoring, etc.</b>	<b>Additional programs for 20% of students</b>
Professional development time for teachers	3 days	<b>Equivalent of 7 days to be used for extended contracts, substitute time, etc.</b>	<b>Equivalent of 4 additional days</b>
Leadership training for administrators	Limited	<b>Based on 4 days of training</b>	<b>4 additional days</b>
Students per computer	6	6	
Textbooks	\$43 per student	<b>\$71 per student</b>	<b>\$28 per student</b>
Classroom materials & equipment	\$79 per student	<b>\$113 per student</b>	<b>\$34 per student</b>
Other supplies	\$73 per student	<b>\$104 per student</b>	<b>\$31 per student</b>
Operations and maintenance	\$656 per student	<b>\$667 per student</b>	<b>\$11 per student</b>
Student transportation	\$347 per student	\$347 per student	
Centralized special education	\$93 per student	<b>\$135 per student</b>	<b>\$42 per student</b>
Technology Services	\$129 per student	\$129 per student	
Other centralized support	\$143 per student	\$143 per student	
District administrative support	\$260 per student	\$260 per student	
<b>Percent of students meeting standards in 2004-05</b>			
Reading	63%	n/a	
Math	64%	n/a	
<b>Percent of students expected to meet standards by year 2014</b>			
Reading	74%	<b>91%</b>	
Math	74%	<b>92%</b>	

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

**Quality Education Model 2006**  
**Prototype High School -- 1,000 Students**  
**Baseline Compared to Full Prototype**

	<b>Baseline Prototype*</b>	<b>Full Prototype</b>	<b>Difference</b>
Class size in core subjects of math, English, science, social studies, second language	24	<b>21, with maximum class size of 29 in core academic subjects</b>	<b>Cuts average class size by 3 in core subjects</b>
Staffing in core subjects	42.0 FTE	<b>44.0 FTE</b>	<b>Adds 2.0 FTE</b>
Extra teachers in math, English, and science	None	<b>3.0 FTE</b>	<b>Adds 3.0 FTE</b>
English as a second language licensed staff	0.5 FTE	0.5 FTE	
Special Education licensed staff	5.0 FTE	<b>5.25 FTE</b>	<b>Adds 0.25 FTE</b>
Media/Librarian	1.0 FTE	1.0 FTE	
Counselors	One for every 333 students	<b>One for every 250 students</b>	<b>Adds 1.0 FTE</b>
Licensed substitute teachers	\$88 per student	\$88 per student	
On-site instructional improvement staff	None	<b>1.0 FTE</b>	<b>Adds 1.0 FTE</b>
Instructional support staff	20.0 FTE	20.0 FTE	
Additional instruction time for students not meeting standards: 20% of students	Limited	<b>Summer school, after-school programs, Saturday school, tutoring, etc.</b>	<b>Additional programs for 20% of students</b>
Professional development time for teachers	3 days	<b>Equivalent of 7 days to be used for extended contracts, substitute time, etc.</b>	<b>Equivalent of 4 additional days</b>
Leadership training for administrators	Limited	<b>Based on 4 days of training</b>	<b>4 additional days</b>
Students per computer	6	6	
Textbooks	\$51 per student	<b>\$89 per student</b>	<b>\$38 per student</b>
Classroom supplies and materials	\$109 per student	<b>\$177 per student</b>	<b>\$68 per student</b>
Other supplies	\$80 per student	<b>\$151 per student</b>	<b>\$71 per student</b>
Operations and maintenance	\$713 per student	<b>\$742 per student</b>	<b>\$11 per student</b>
Student transportation	\$362 per student	\$362 per student	
Centralized special education	\$93 per student	<b>\$135 per student</b>	<b>\$42 per student</b>
Technology Services	\$128 per student	\$128 per student	
Other centralized support	\$154 per student	\$154 per student	
District administrative overhead	\$260 per student	\$260 per student	
<b>Percent of students meeting standards in 2004-05</b>			
Reading	54%	n/a	
Math	47%	n/a	
<b>Percent of students expected to meet standards by year 2014</b>			
Reading	67%	<b>82%</b>	
Math	57%	<b>75%</b>	

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



**EXECUTIVE ORDER NO. 07 – 12**

**GOVERNOR’S PROCESS FOR CALCULATING THE ESSENTIAL  
BUDGET LEVEL FOR THE COMMUNITY COLLEGE SUPPORT FUND**

The State’s calculation of the “essential budget level” for the Community College Support Fund is not developed to a level of detail that captures the true costs of the system, and it does not support effective decision-making. The Governor and the Legislature need additional detailed and timely information about the reasonable assumptions of its essential budget level for Oregon’s community colleges in order to adequately plan future budgets.

Oregon’s current process for calculating the essential budget level for the K-12 and Oregon University Systems utilizes a database initiative (DBI) that provides the detailed information necessary for budget planning. The Community College Support Fund requires a similar process. The Department of Community College and Workforce Development is working to develop and implement a database initiative capacity similar to that used by the Department of Education for K-12 financial data. The DBI model will provide to the Community College Support Fund the level of detailed financial information necessary for sound budget planning.

**IT IS HEREBY ORDERED AND DIRECTED:**

1. No later than May 1, and December 1, of each even-numbered year, the Oregon Department of Administrative Services (DAS) shall calculate the essential budget level (EBL) for the Community College Support Fund for the upcoming biennium. That forecast shall consider and include:

- a. Projected changes in the cost of personal services including salary and compensation changes negotiated and/or approved by the college districts, changes in health benefit costs, changes in retirement program costs and staff turnover;
- b. Projected increases in the cost of services and supplies and capital outlay based on the methodology included in the DAS Budget Instructions;
- c. Adjustments resulting from legislatively approved phase-ins, phase-outs and one-time expenditures;
- d. Forecasted local revenues for community colleges as provided by the Department of Administrative Services, Legislative Fiscal Office, Legislative Revenue Office and Department of Revenue;





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- e. Projected tuition revenues based on an economic indicator (e.g. change in median family income);
- f. Projected revenues available to community colleges from other local, state and federal sources.

2. The required calculation of an EBL for the Community College Support Fund using the factors listed above is dependent upon successful implementation of the the Database Initiative project by the Department of Community Colleges and Workforce Development.

3. The Department of Administrative Services shall form and chair a "Community College Forecast Committee" to review the statewide budget forecasts. This committee shall consist of representatives from the Office of the Governor, the Department of Community Colleges and Workforce Development, the Legislative Fiscal Office, the Legislative Revenue Office, the Legislative Assembly and stakeholders from community colleges and labor unions. This committee shall meet in each even-numbered year prior to each EBL calculation and at other times as may be determined to be appropriate.

Done at Salem, Oregon this 28<sup>th</sup> day of August, 2007.

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Theodore R. Kulongoski  
GOVERNOR

ATTEST:

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Bill Bradbury  
SECRETARY OF STATE







**EXECUTIVE ORDER NO. 07 – 13**

**POST-SECONDARY QUALITY EDUCATION COMMISSION**

Oregon's economic future depends on a well-educated and well-trained workforce and citizenry. Oregon's community colleges are the primary providers of workforce training for both emerging and adult workers. Oregon's community colleges provide an entry point for students interested in workforce training, professional certificates or two or four-year degrees. Oregon's Universities provide access to four-year and advanced degrees, in addition to providing vital research used by Oregon businesses.

State support for the post-secondary education system in Oregon has steadily eroded since the passage of Ballot Measure 5 in 1990.

State funding for the post-secondary system comes primarily from the State general fund and student tuition. These sources are volatile, and state funding for the post-secondary education system needs stability.

State policymakers do not have adequate tools to allow them to determine the reasonable costs of providing a quality post-secondary education for Oregonians. In conjunction with the Governor's office, members of the education community are working to lay the foundation for understanding the needs of the post-secondary education system.

**THEREFORE, IT IS HEREBY ORDERED AND DIRECTED:**

1. The Post-secondary Quality Education Commission is hereby created to help direct the work necessary to complete a Post-secondary Quality Education Model to be used by state policymakers.
2. The Commission members shall be appointed by the Governor, after consultation with the Commissioner of Community Colleges and the Chancellor of the Oregon University System. Members shall serve at the pleasure of the Governor.
3. The chair shall be appointed by the Governor, after consultation with the Commissioner of Community Colleges and the Chancellor of the Oregon University System.
4. The Commission shall meet at the call of the chair. A majority of the members of the Commission shall constitute a quorum to do business.





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5. The Oregon Department of Community Colleges and Workforce Development and the Oregon University System shall jointly staff the Commission.

6. Members of the Commission shall receive no compensation for their activities as members of the Commission, but may be reimbursed for travel expenses incurred in the attending Commission business pursuant to ORS 292.495(2).

7. The Commission shall:

- a. Identify key issues to address in completing a model that identifies the particular needs of Community College and University students;
- b. Study the impact of the use of part-time faculty and graduate student employees on program quality and student success, and recommend a consistent definition to describe adjunct, contingent and part-time faculty;
- c. Determine the key values encompassing the mission of post-secondary education in Oregon including access to education, educational quality, student success, professional compensation, research, service, innovation, technical/career and adult basic education;
- d. Solicit input from educators, education policy experts and others about the elements of the model;
- e. Solicit public input regarding educational priorities for use in developing the model;
- f. Develop the model based on research, data, public input and experience; and
- g. Communicate with stakeholders regarding model development.

8. The Commission may establish subcommittees as necessary to assist in carrying out its work.

9. The Commission shall implement a work plan that will allow for completion of the model pilot in sufficient time to be used by the Governor in developing the 2009-11 Governor's Recommended Budget for the Postsecondary portions of the Education Enterprise.



**Office of the Governor  
State of Oregon**



**EXECUTIVE ORDER NO. 07 – 13  
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Done at Salem, Oregon this 28<sup>th</sup> day of August, 2007.

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Theodore R. Kulongoski  
GOVERNOR

ATTEST:

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Bill Bradbury  
SECRETARY OF STATE

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