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## Summary

Proponents of more revenue for Oregon schools continue to make false or irrelevant statements to support their desire to raise taxes. Per pupil education spending grew faster than inflation during the 1990s, and school districts and unions hold some of the blame for the cost of health benefits that now sap education budgets.

**Word count: 761**

***“Certainly it makes no sense to spend more money on education just for the sake of spending it.”***

## Just the spending facts ma'am

*By Nick Weller*

Superintendent of Public Instruction Susan Castillo has discussed the challenges Oregon schools face in a number of recent speeches. Her central concern: schools have been underfunded in the past decade. An objective analysis of the facts actually shows that school funding increased during the 1990s.

According to *Comprehensive Analysis of K-12 Education Finance in Oregon*, a report from the Oregon School Boards Association (OSBA), education spending as a percentage of total personal state income went from 4.6 percent in 1990 to 4.2 percent in 2000. Though Castillo uses this to underscore her point, it doesn't support her conclusion. That statistic simply means Oregon's total personal income grew faster than school spending.

Certainly it makes no sense to spend more money on education just for the sake of spending it. If Oregon could spend just two percent of personal income on education and deliver a high quality product it should jump at the chance, because doing so would leave Oregonians with more discretionary income for other uses. As a comparison, if the percentage of state income devoted to housing fell from 25 to 20 percent during the last decade, would that be a bad thing? A decline in spending as a percentage of personal income is actually a good thing if product or service quality remains constant or improves.

Castillo's second argument is that money has not kept up with the need when one takes into account the increase in students who are special education, low income and English language learners. There are several legitimate ways to calculate both the number of students and education spending. Unsurprisingly, Castillo focuses on a calculation that uses the smallest amount of money spent and the largest number of students, which provides the best case for her argument. The student count she uses inflates the actual number of students by adjusting for factors such as poverty, special education and English as a Second Language and has grown at a faster rate than more traditional measures of student population. According to the OSBA report, state revenue per pupil grew by 23 percent during the 1990s when using the largest student count, while inflation in the Portland region was 36 percent.

*-more-*

Such an approach ignores other state funding, as well as federal and local education spending. This is particularly important, because special education and programs for low-income students are specifically funded with federal tax dollars. Contrary to Castillo's assertions, the OSBA report shows a significant increase in education spending when federal, state and local dollars are counted using the widely accepted methodology of the National Center for Education Statistics (NCES). Even using the inflated student count, the NCES data show current spending per pupil grew by 43 percent. In short, per pupil spending increased faster than inflation during the last decade.

Castillo's third claim is that the cost of health insurance has risen far faster than inflation, which saps education budgets. This is true, but school boards, unions and administrators had a hand in this game. In the early 1990s these groups made a conscious decision to trade salary increases for benefits, perhaps because compensation paid in the form of benefits reduces payroll taxes and is therefore a cheaper way to increase total compensation. This tactic came back to hurt districts as benefit costs escalated rapidly during the decade.

In the Cascade report *First, Do No Harm*, Randall Pozdena, Ph.D. demonstrates that one cause of health care inflation is low or no-deductible comprehensive insurance policies, which are actually pre-paid health care plans. A predictable effect of the subsidization and pre-payment of health care is an increase in its use, perhaps beyond the point when costs exceed benefits. Teachers' unions and school boards have helped drive up the cost of health insurance by failing to adopt plans that give employees control over their benefit dollars and encourage responsible use of health care. School districts have a range of tools available to control benefit costs and give employees financial flexibility, but doing so requires changing the benefit structure, not more money. Castillo is correct that health insurance has become more costly, but school boards are not helpless victims. They partially created the problem and have viable solutions available to them.

Superintendent Castillo's three primary assertions about school funding in Oregon are either irrelevant or inaccurate. The facts demonstrate that education spending in Oregon grew over the last decade. Even if spending has declined recently, policymakers should be honest about the long-term trends rather than distort them in a push for higher taxes and greater government control over Oregonians' lives.

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