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Summary:

Annual state and local education spending in Oregon has increased by about \$1.7 billion over the past ten years. The latest actuarial estimates indicate next year, districts will have to pay 30 percent of payroll to fund PERS. Without meaningful PERS reform, there will not be money to reduce class sizes or increase graduation rates.

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May 8 Should Be Declared “Fix PERS Now Day”

By Eric Fruits, Ph.D.

The Oregon Education Association is organizing a statewide walk-out May 8 related to what it says is inadequate school funding. What they’re really demanding is a \$2 billion tax increase.

Districts across the state, including Portland, Beaverton, North Clackamas, Gladstone, and Eugene have canceled classes for the day, forcing working parents to stay home or line up day care for the strike. The teachers surely have their chants and songs already scripted for their rallies. But, there’s one slogan the teachers won’t be shouting. That’s: “Fix PERS Now!”

District administrators appear to be in support of the Oregon Education Association’s unauthorized strike. West Linn-Wilsonville superintendent Kathy Ludwig [said](#), “OEA’s purpose with this rally is to send the message to all Oregonians that public school funding has been insufficient for decades and needs to be addressed.” A written [statement](#) made to the Portland teachers’ union by superintendent Guadalupe Guerrero reads: “Our educators and students deserve better. It is long overdue that we prioritize schools in Oregon.”

The claim that Oregon hasn’t prioritized public education is simply wrong. Portland Public Schools voters have approved nearly \$1.3 billion in construction bonds since 2012. In 2011 and 2014, voters approved and renewed a local option property tax increase for Portland schools. Another renewal of the \$95 million tax is expected to be on the ballot this year.

In Oregon, total expenditures per student were \$13,037 in 2016, the most recent year for which [information](#) is available from the U.S. Census Bureau. Oregon is exactly in the middle of the state rankings of per student total expenditures. Six states, including Oregon, Washington, and California, have per student spending that is within five percent of the national average. Total expenditures include salaries, employee benefits such as health insurance and PERS, supplies, and debt service, among other things.

(over)



According to the state's Legislative Revenue Office, annual state and local education [spending](#) in Oregon has increased by about \$1.7 billion over the past ten years. This amounts to \$2,350 in increased spending per student and has greatly outpaced the rate of inflation.

Despite a booming economy with increased tax revenues and funding for schools, many districts claim they are facing a funding gap. Beaverton expects to cut more than 200 teachers. Portland plans to eliminate 45 classroom teaching positions and combine many fourth and fifth grade classrooms. These announcements raise the question: Why are districts cutting staff in the face of rising revenues?

PERS and other benefits are the biggest drivers of Oregon's education finance problems. The cost of paying for public employee retirements has doubled over the past ten years. In 2009, school districts paid approximately 15 percent of payroll to fund PERS. The latest [estimates](#) indicate next year, districts will have to pay 30 percent of payroll. The increased cost of PERS alone in the next biennium would cause the average class size to increase by two to four students per classroom.

It gets worse. In reaction to earlier PERS crises, many school districts took on additional debt to reduce their PERS obligations. The interest payments on the bonds are taking money out of classrooms. Census data indicate Oregon schools pay almost \$600 per student per year in interest payments alone, making it the fourth highest state in per student interest payments.

The OEA claims it's seeking more spending to reduce class sizes and improve graduation rates. However, the Oregon Business Council [calculates](#) PERS will consume much of the \$2 billion in tax increases under consideration by the legislature. Without meaningful PERS reforms, Oregonians will face decades of multi-billion-dollar tax increases every time the legislature meets.

The frustration of teachers is understandable. They are on the front lines of education. However, walking off the job is the wrong approach and sets a poor example for students. It punishes pupils, parents, and employers for our politicians' failure to fix PERS. It also misses the mark strategically because the legislature doesn't have any more money, and neither do put-upon taxpayers. Parents who are forced to stay home to watch their kids on May 8 should take them on a field trip to the OEA's rallies with signs of their own, reading, "No New Taxes—Fix PERS Now!"

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