

Memo

To: Angela Bonilla, PAT President
From: Mark Brenner, Labor Center, University of Oregon

Background

In 1979 the Oregon Legislature passed a “Two percent kicker” law, requiring the state to refund excess revenue to taxpayers when actual General Fund revenues exceed the forecast by more than two percent. With the passage of Measure 85 in 2012, corporations no longer receive the kicker, and corporate income taxes in excess of the revenue forecast are directed into the State School Fund.

The kicker has “kicked” in 13 of the past 21 biennial budgets, although the legislature suspended the kicker in the 1989-91 biennium. There has been a kicker in every biennial budget since 2011-13, and although the kicker for the 21-23 biennial budget cycle won’t be finalized until the fall, it is currently projected to be a record \$3.9 billion.

Estimated Impact of the Kicker on Public Education

Below we estimate the impact the Oregon Kicker has had on public education spending through the state school fund, and what the impact is projected to be for the 2021-23 biennial budget.

Table 1 – The Estimated Impact of the Oregon Kicker on Public Education (\$ millions)

Biennial Budget	State School Fund (SSF)	Student Success Act (SSA)	QEM Shortfall	Kicker	SSF Revenue Lost to Kicker	PPS Revenue Lost to Kicker
2011-13	\$5,799		\$2,205	\$124	\$47	\$2.76
2013-15	\$6,650		\$2,125	\$402	\$160	\$9.37
2015-17	\$7,376		\$1,782	\$464	\$180	\$10.51
2017-19	\$8,200		\$1,771	\$1,688	\$651	\$36.92
2019-21	\$9,000		\$1,773	\$1,898	\$654	\$40.12
2021-23	\$9,300	\$1,306	\$557	\$3,938	\$1,236	\$70.81

Oregon is expected to refund a record \$3.9 billion dollars through the kicker in this biennial budget, a move which will cost the State School Fund \$1.2 billion and will cost the Portland Public School system a total of \$70.8 million. The State School Fund revenue lost to the kicker is more than twice what would be needed to fully fund the state’s Quality Education Model.

The Oregon kicker has become an enormous drain on the State School Fund, and the problem is only getting worse. Cumulatively, the kicker has drained \$2.9 billion from Oregon Schools since 2011 and this year’s kicker will account for a stunning 42% of that total loss.

Methodology

To estimate the impact of the kicker on the State School Fund, we first calculated the percentage of general and lottery fund expenditures allocated to the State School Fund each budget cycle. Then we applied that percentage to the total personal income taxes refunded through the kicker each biennium.

To estimate the impact on the PPS budget, we took the annual State School Fund allocation to PPS from 2017 to 2023 and then compared the two-year allocations to the total State School Fund in each biennium. Over the last three biennial budgets, PPS accounts for between 5.7 and 6.1 percent of the total State School Fund, averaging 5.85 percent over this period. We used this average of 5.85 percent for the 2011-13, 2013-15 and 2015-17 biennia where we did not have district-level allocation data. Then we applied this percentage to the total personal income taxes refunded through the kicker each biennium.

Sources: [Historical kicker information from Oregon Department of Revenue Research Section](#). *Oregon Personal Income Tax Statistics; Characteristics of Filers: 2022 Edition: Tax Year 2020*. Salem, OR: Oregon Department of Revenue, 2022. [Kicker estimates for the 2021-23 biennium](#) taken from Oregon Office of Economic Analysis, *Oregon Economic and Revenue Forecast*, March 2023, Volume EXIII, No. 1. February 22, 2023. General Fund, Lottery Fund, and State School Fund Totals taken from the [Legislative Fiscal Office](#), Legislatively Adopted Budget Summary, various years. State School Fund allocation for Portland Public Schools taken from Oregon Department of Education, [State School Fund Payment Statements](#) April 15, 2023, May 15, 2022, May 15, 2021, May 15, 2020, and May 15, 2019. QEM Shortfall data State School Fund data presented in Table 1 from the [Quality Education Commission](#), *Quality Education Model: Identifying Best Practices and Calculating the Cost of a Quality Education*, Oregon Department of Education, August 2022.