

## Statewide Perspective:

# Best investment for revitalizing Oregon's Main Streets? Short- and long-term, it's public schools

In almost every community in Oregon, the local public school district is a – or *the* – major employer. Beyond districts' impact as communities' educational and social hubs, local public schools are vital to the economic health of Main Streets throughout Oregon.

What's a surefire investment in the short- and long-term health of the Oregon economy? One answer, according to recent studies, is to invest in public schools.

An ECONorthwest study (*K-12 Spending and the Oregon Economy*, Josephson and Tapogna, 2002) found that every \$1 million increase (or decrease) in Oregon K-12 spending:

- 1) Generates (or reduces) wages and business income in each Oregon region, on average, by \$1.292 million, and
- 2) Adds (or eliminates) 37.5 jobs, including 10.7 jobs not held by school employees.

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- +/- Generates (or reduces) regional wages and business income, on average, by \$1.292 million

Source: "K-12 Spending and the Oregon Economy," ECONorthwest, 2002

Further, the same ECONorthwest study found that "approximately nine jobs in other sectors of the Oregon economy are supported by every ten school employees" and, in the year 2000, "approximately \$695 million in other types of income such as rents, royalties, dividends and profits were received by Oregon residents and corporations as a result of school spending." These impacts are felt throughout all regions of the state (see chart at right).

Nationally, Levy Economics Institute researcher Thomas L. Hungerford and California State University, Sacramento professor Robert W. Wassmer found that "evidence is compelling that in most situations, **the worst thing a state legislature and governor can do to deal with a short-term fiscal crisis is to make cuts in state-supported K-12 public education** that result in the quality of the state's primary and

secondary educational outputs declining." According to their NEA working paper (*K-12 Education in the U.S. Economy*, Hungerford and Wassmer, 2004), studies since 1985 have repeatedly shown that **increased state education spending** is, short- and long-term, linked to:

- Increased employment
- Increased personal income
- Increased manufacturing Investment
- Increased economic development
- Increased small business starts
- Increased home values based on school quality

Conversely, the same studies have shown that **decreased state education spending** is, short- and long-term, linked to decreases in the same economic measures.

Compared to other alternatives, say Hungerford and Wassner, cuts to K-12 spending have been found to be more detrimental to statewide personal income (*Helms, 1985*), manufacturing employment (*Modifi and Stone, 1990*), small business starts (*Bartik, 1989*) and statewide employment (*Harden and Hoyt, 2003*). Similarly, Hungerford and Wassner found that school quality has a significant impact on home values (*Figlio and Lucas, 2000; Brasington, 2002; Downes and Zabel, 2002*).

## Regional Jobs and Income Supported by K-12 Spending

**Portland and the Northwest Coast:**  
44,400 jobs and \$1.7 billion in personal income

**Willamette Valley and the Central Coast:**  
29,000 jobs and \$1.0 billion in personal income

**Southern Oregon:**  
14,400 jobs (7.8% of total employment) and \$490 million in personal income

**Columbia River Gorge and Central Oregon:**  
6,800 jobs (7.8% of total employment) and \$235 million in personal income (10.6% of total income)

**Eastern Oregon:**  
6,500 jobs (9.2% of total employment) and \$200 million in personal income (12.1% of total income)

Source: "K-12 Spending and the Oregon Economy," ECONorthwest, 2002