The Twilight of the Setter?
Local Public School Finance in a Time of Institutional Change

By Corcoran, Romer, and Rosenthal

Discussion by Claire Lim
Summary

- This paper studies local public finance in school districts in Oregon, using the agenda-setter model by Romer and Rosenthal.
- In 1987, there was a rule change, measure 2, creating the “Safety Net”.
- Measure 2 modifies the reversion rule:

\[ R_t = B_t + A_t \]

becomes

\[ R_t = \max (B_t, L_{t-1}/N_t) + A_t \]
Suggestion 1 – General or Unique?

Why Oregon?

- “Oregon has the dubious distinction of being the only state in the nation that closes schools for lack of money” (page 7)
- “Opposition to school taxes was perhaps fostered by the relative prominence of the property tax in Oregon, a state which, quite exceptionally, had no sales tax.” (page 11)
- How was the situation of Oregon in 1980s different from that of other states?
  - Budget crisis?
  - Income distribution?
  - Institutional features (e.g., ballot measures)?
Suggestion 2 – Causes of the Change

- In the agenda-setter model, voters would not usually reject the setter’s proposal.
- Why did the change occur?
  - In 1976, the Oregon Supreme Court ruled against plaintiffs who argued in a class-action suit that the system discriminates against students in tax-poor districts.
  - As of 1984, one timber-rich district had a school tax rate of $1.32 per $1,000 assessed value, while another district, serving a suburban community near Eugene, taxed at a rate of $25.54 per $1,000.

Suggestion 3 – Characteristics of Districts?

- About 20% of districts used safety net. Which districts used the safety net the most?

- BASE mount is zero for some districts.
Suggestion 4 – Dynamic Aspects

- The reversion rule after measure 2 makes next year’s reversion point as a function of this year’s budget.
- Compare long-term trajectory of the budget in districts with small BASE and large BASE.
- Can we think about counterfactuals?
Suggestion 5 – Anatomy of changes

- How did the amount of local revenue change?
- How did total revenue and state aid change over time? Any trend?

![Graph showing the decline of local revenues in Oregon school revenues from 1970 to 2005.](chart.png)
Show the changes as continuous variable and also in the amount per student.

<table>
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<th>Year</th>
<th>Less than prev amt</th>
<th>Equal to prev amt</th>
<th>Up 0 to 6%</th>
<th>Up 6%</th>
<th>Up more than 6%</th>
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<tr>
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<td>13.3</td>
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<td>8.2</td>
<td>58.2</td>
<td>13.1</td>
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</table>
Suggestion 7 – Welfare and Inequality

- Can we assess long-term welfare consequences?
  - Is the data available for years after 1991?
  - Is the data available on school staffing, quality of education, etc.?

- How did the disparity in revenues across districts change as a result of measure 2?