

# **Presentation to the House Revenue Committee**

## **State School Funding Formula and The Task Force on School Funding**

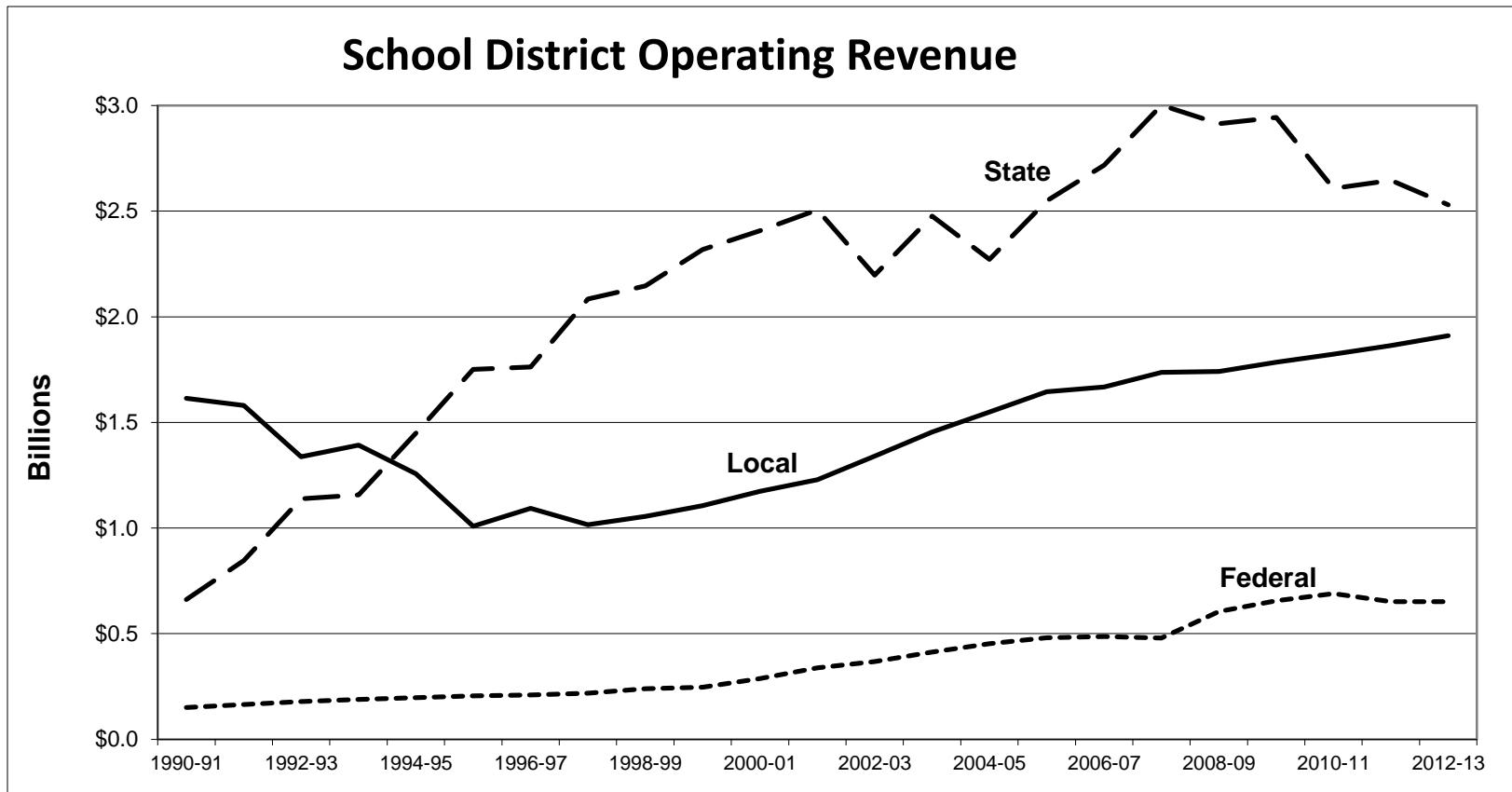
Brian Reeder, Assistant Superintendent

February 5, 2015

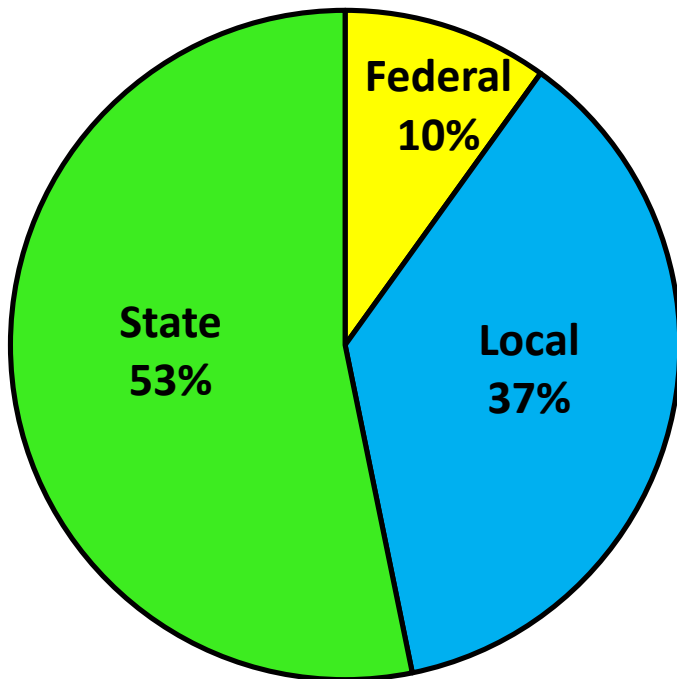
## **Funding of Oregon's K-12 Schools**

- Where does the funding come from?
- How much is it?
- How does it get to school districts and ESDs?
- What are the key education cost drivers?

## Sources of K-12 Funding: 1990-91 through 2012-13



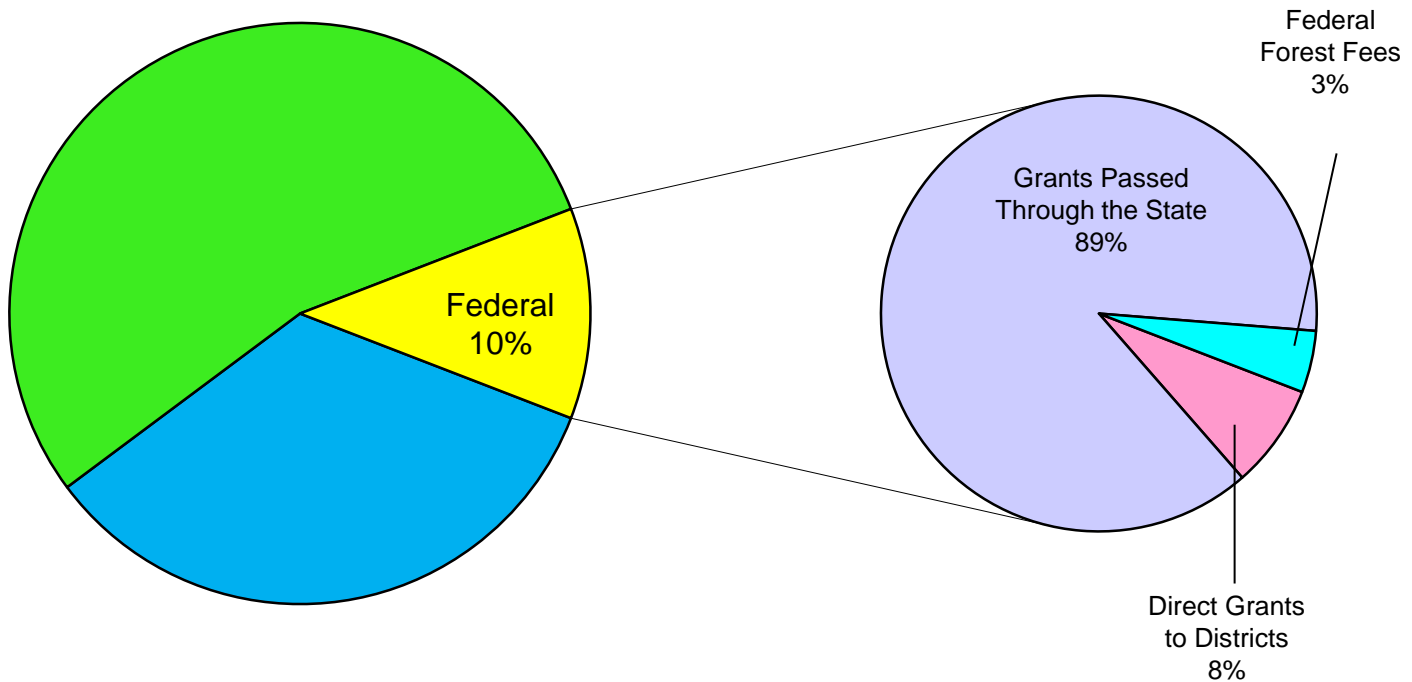
## Sources of Oregon K-12 Funding in 2012-13



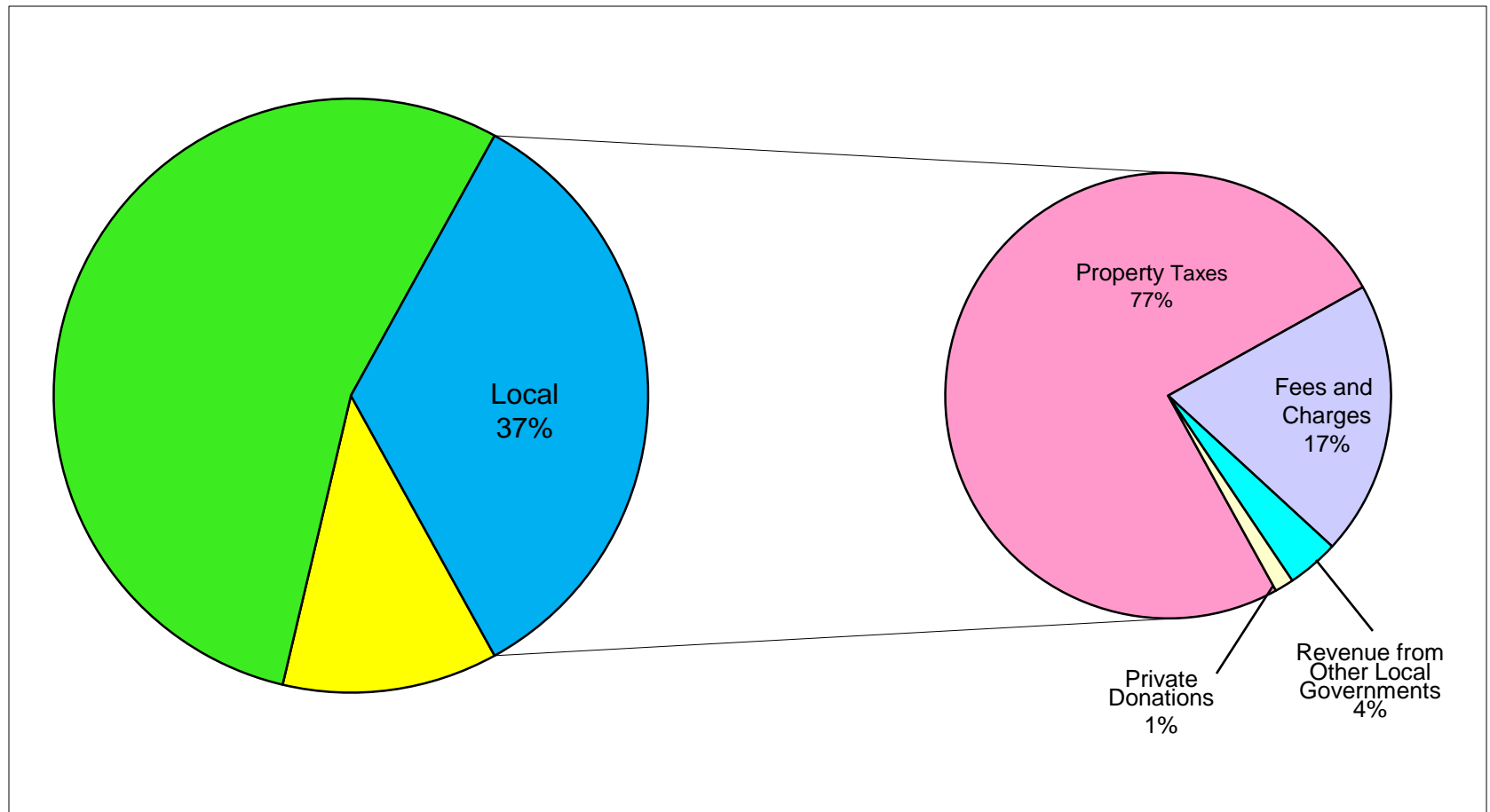
### Operating Funds by Source

Federal	\$0.57 billion
Local	\$2.10 billion
State	<u>\$3.03 billion</u>
Total	\$5.69 billion

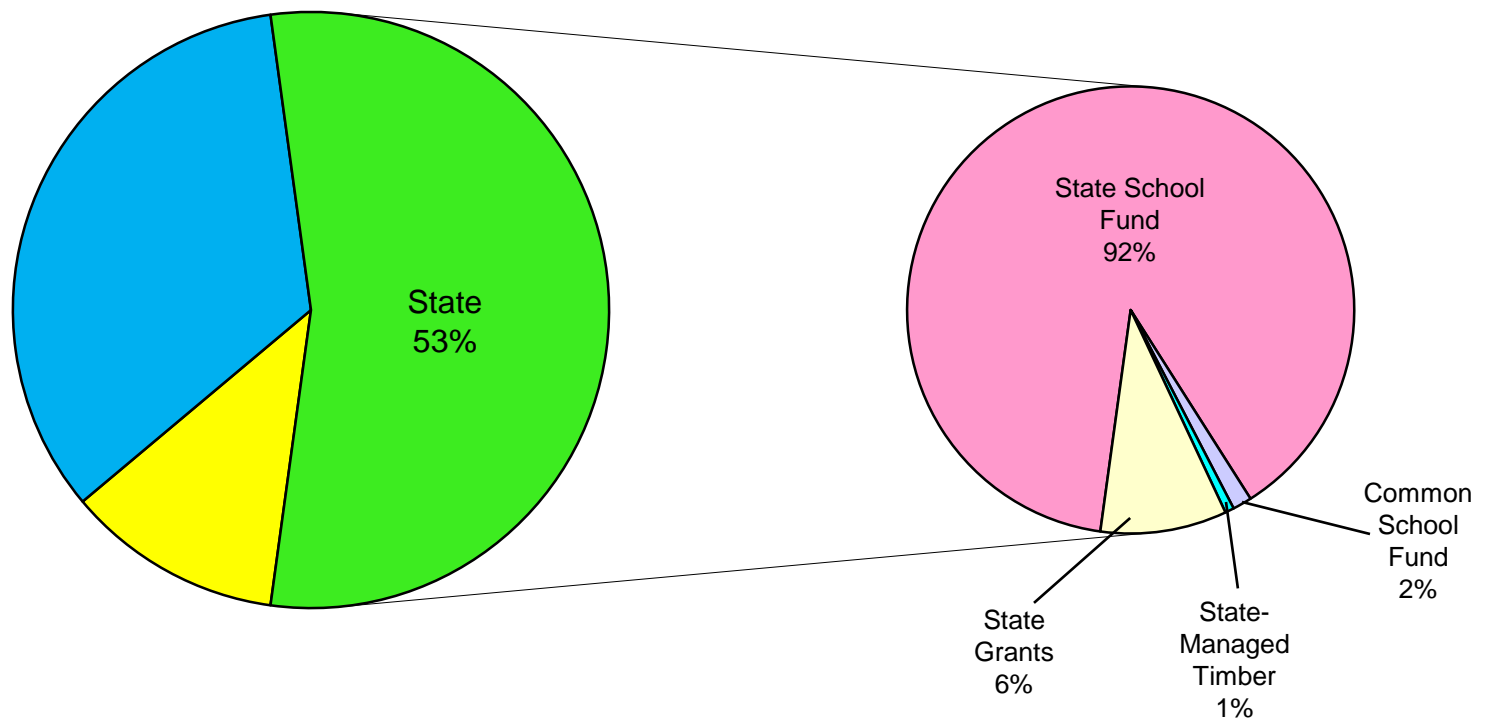
## Federal Funds for K-12 in 2012-13



## Local Funds for K-12 in 2012-13



## State Funds for K-12 in 2012-13



## **Oregon's Funding Formula: Background**

- The current formula was adopted by the 1991 legislature and was first used in 1992-93.
- The formula has not changed significantly over the years.
- The formula distributes most of the money—about 95%—on a “weighted” student basis, with higher-cost students weighted more heavily.
- The goal of the formula is to distribute funds equitably, compensating districts for differences in costs that are outside district control.
- ODE calculates the formula amounts for each district and ESD, then distributes the State School Fund as prescribed in law.
- Neither the formula nor ODE prescribes how districts and ESDs spend their formula revenue—those are local decisions.

## **Oregon's Funding Formula**

- About 80% of all district operating revenue comes to districts through the formula—commonly known as “Formula Revenue.”
- The remaining 20% is primarily state and federal grants, district fees and charges, and local option property tax revenue.
- The formula distributes a small amount of federal revenue, most local revenue, and nearly all state revenue.
- By statute, 95.5% of formula funds go to school districts and 4.5% go to ESDs.

## **Oregon's Funding Formula: Categories of Revenue**

### **➤ State School Fund**

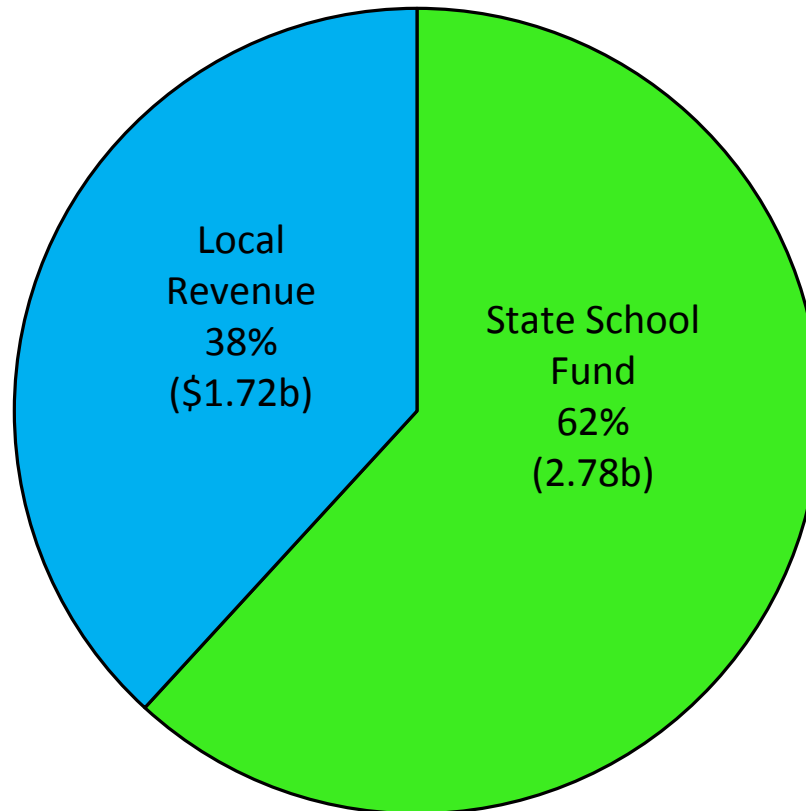
### **➤ "Local" Revenue**

- Local property taxes 94%
- Common School Fund 3%
- Federal Forest Fees 1%
- County School Fund < 1%
- State-managed timber revenue 1%
- Excess ESD Revenue < 1%
- Revenue in Lieu of Taxes < 1%



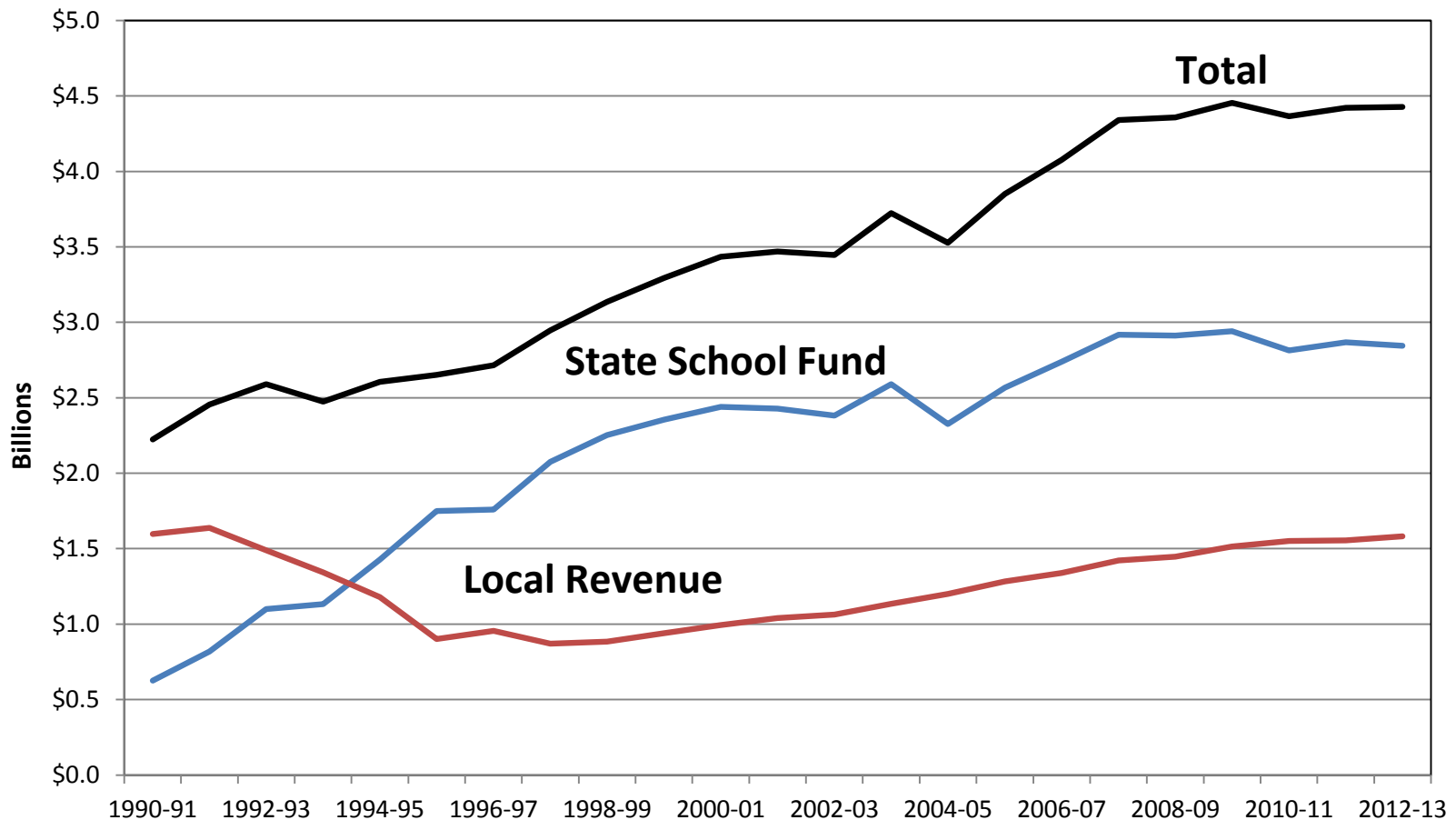
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## **2012-13 Formula Revenue: \$4.5 Billion**





## Formula Revenue History: 1990-91 through 2012-13



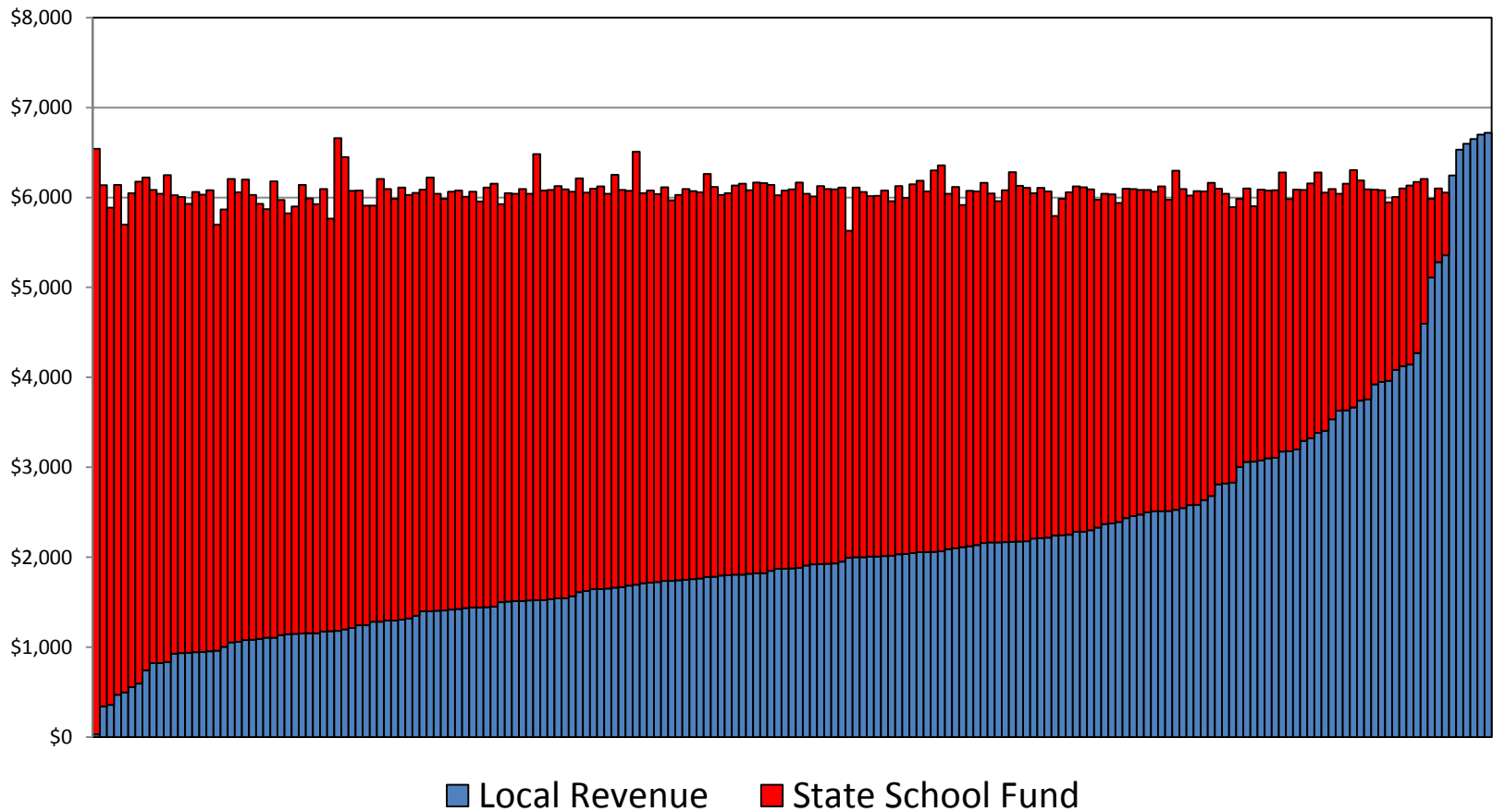
## **Key Points About Formula Revenue**

- All of the formula revenue, in effect, goes into one big pot and then is distributed to districts and ESDs on a per “weighted” student basis using the funding formula.
- Once each district’s and ESD’s share of the pot is determined, the state pays the portion that is not raised locally.



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## Every District Gets the About Same Amount for Each Weighted Student General Purpose Grant per ADMw 2012-13



## **Student Weights in the Funding Formula**

➤ Regular (grades 1-12)	1.0
➤ Kindergarten students	0.5
➤ Special Education	Additional 1.0
➤ ESL	Additional 0.5
➤ Pregnant/Parenting	Additional 1.0
➤ Poverty	Additional 0.25
➤ Neglected & Delinquent	Additional 0.25
➤ Students in Foster Homes	Additional 0.25
➤ Small School Correction	Varies by size of school

## **Formula Uses Average Daily Membership Weighted (ADMw)** **Student Counts**

ADMw = Average Daily Membership (ADM)  
+ Additional Weights

ADMw Extended = Greater of ADMw in the current year  
and ADMw in the prior year

## **Oregon's Funding Formula: 2012-13 Student Counts**

Average Daily Membership (ADM)	533,923
Average Daily Membership Weighted (ADMw)	655,909
Extended ADMw	659,956

## The General Purpose Grant

$$\begin{array}{c} \text{ADMw} \\ \text{Extended} \end{array} \times \left\{ \begin{array}{c} \$4,500 \\ \text{Target} \end{array} \right\} + \left\{ \begin{array}{c} \text{Teacher} \\ \text{Experience} \\ \text{Adjustment} \end{array} \right\} \times \begin{array}{c} \text{Balance} \\ \text{Ratio} \end{array}$$

### History of Balance Ratios

2002-03	0.996
2003-04	1.143
2004-05	1.078
2005-06	1.170
2006-07	1.245
2007-08	1.319
2008-09	1.280
2009-10	1.284
2010-11	1.249
2011-12	1.298
2012-13	1.335



## Oregon's Funding Formula Has Some Provisions Not Based on Student Weights

- **Teacher Experience Adjustment** gives more money to districts with higher-than-average teacher experience.
- **High-Cost Disability Grants** reimburse districts for special education students who cost more than \$30,000 to serve.
- **Transportation Grants** reimburse districts for 70-90% of eligible transportation expenditures.
- **Facilities Grants** provide funds for classroom equipment to districts that add new classrooms—up to 8% of construction costs.

# **Education Cost Drivers**

## **Enrollment Growth**

- Students in Poverty
- Special Education Students
- English Language Learners

## **Employee Salaries (51% of all district spending)**

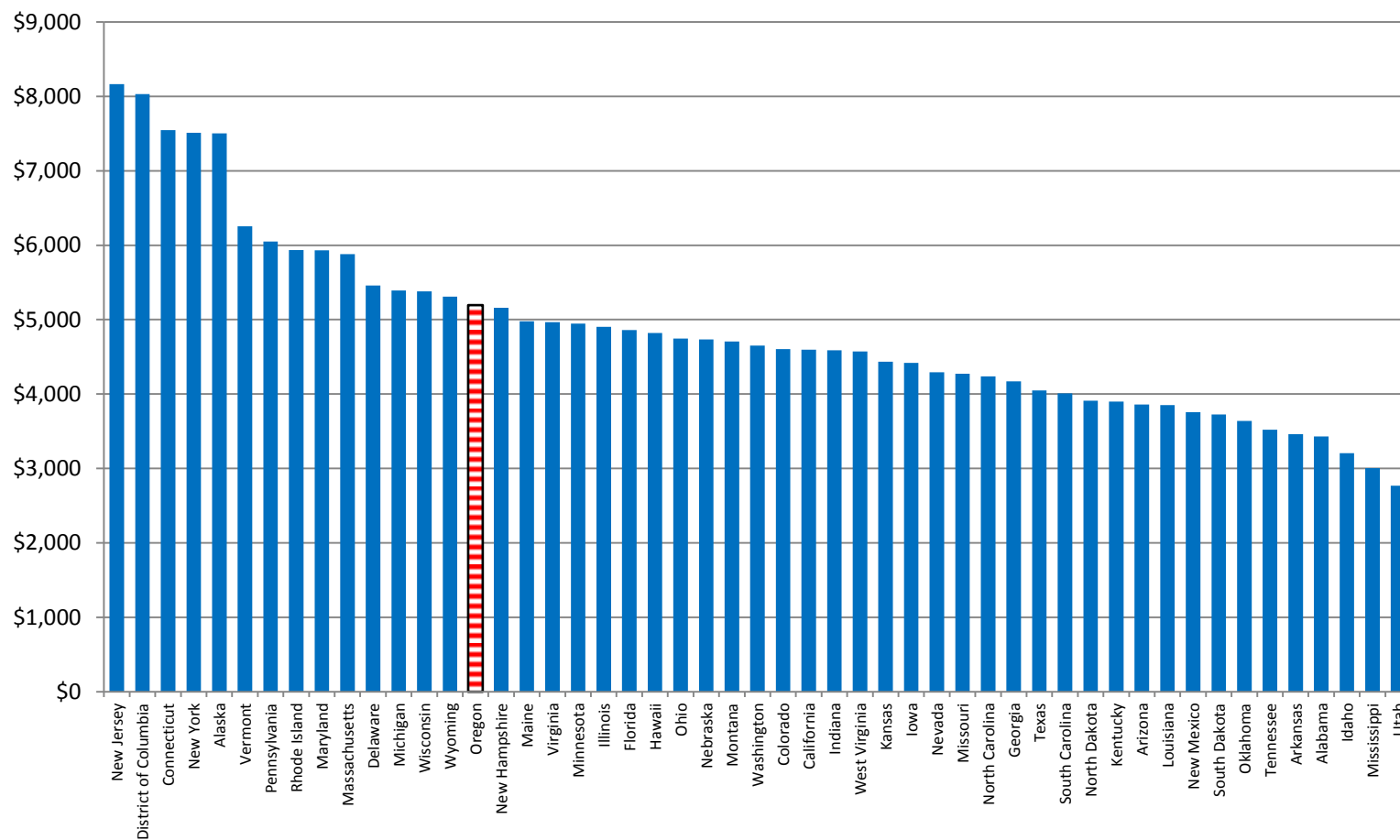
## **Employee Benefits (28% of all district spending)**

- Retirement System
- Health Insurance
- Social Security, Workers Comp., Unemployment Insurance

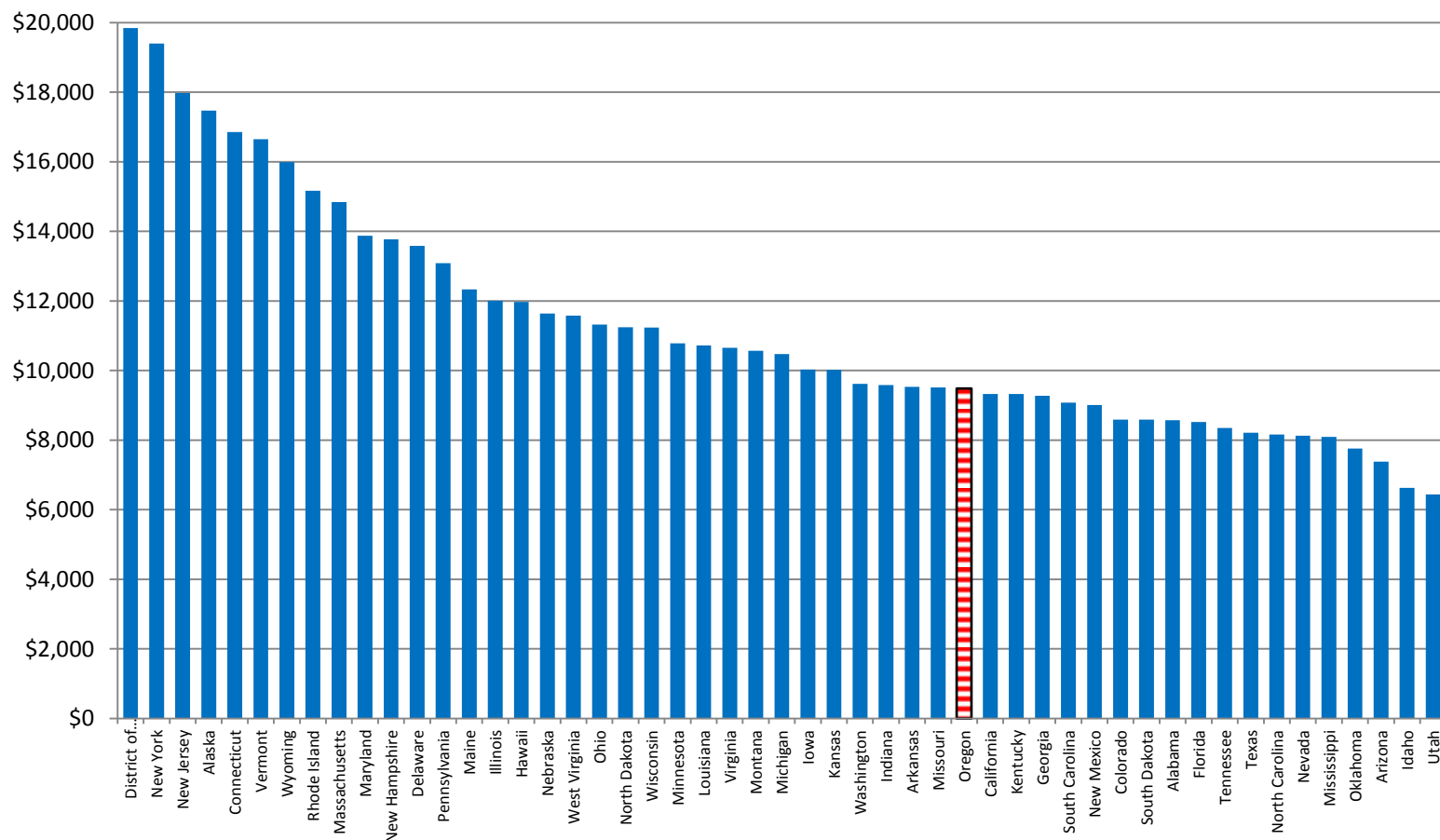
## Growth Rates for Key Education Cost Drivers

	<u>1990-91</u>	<u>2012-13</u>	<u>% Change</u>	<u>Average Annual % Change</u>
Total Enrollment	484,652	563,714	16%	0.7%
Special Ed. Students	52,551	85,421	63%	2.2%
Limited English Proficient	10,233	60,137	587%	8.4%
Students in Poverty	58,263	82,937	42%	1.6%
Average Teacher Salary	\$34,233	\$57,590	68%	2.4%
PERS Employer Rate	9.19%	18.55%		
Health Ins. Per Employee	\$4,546	\$12,580	177%	4.7%

## In 1990-91, Oregon Ranked 15<sup>th</sup> in Per Pupil Funding



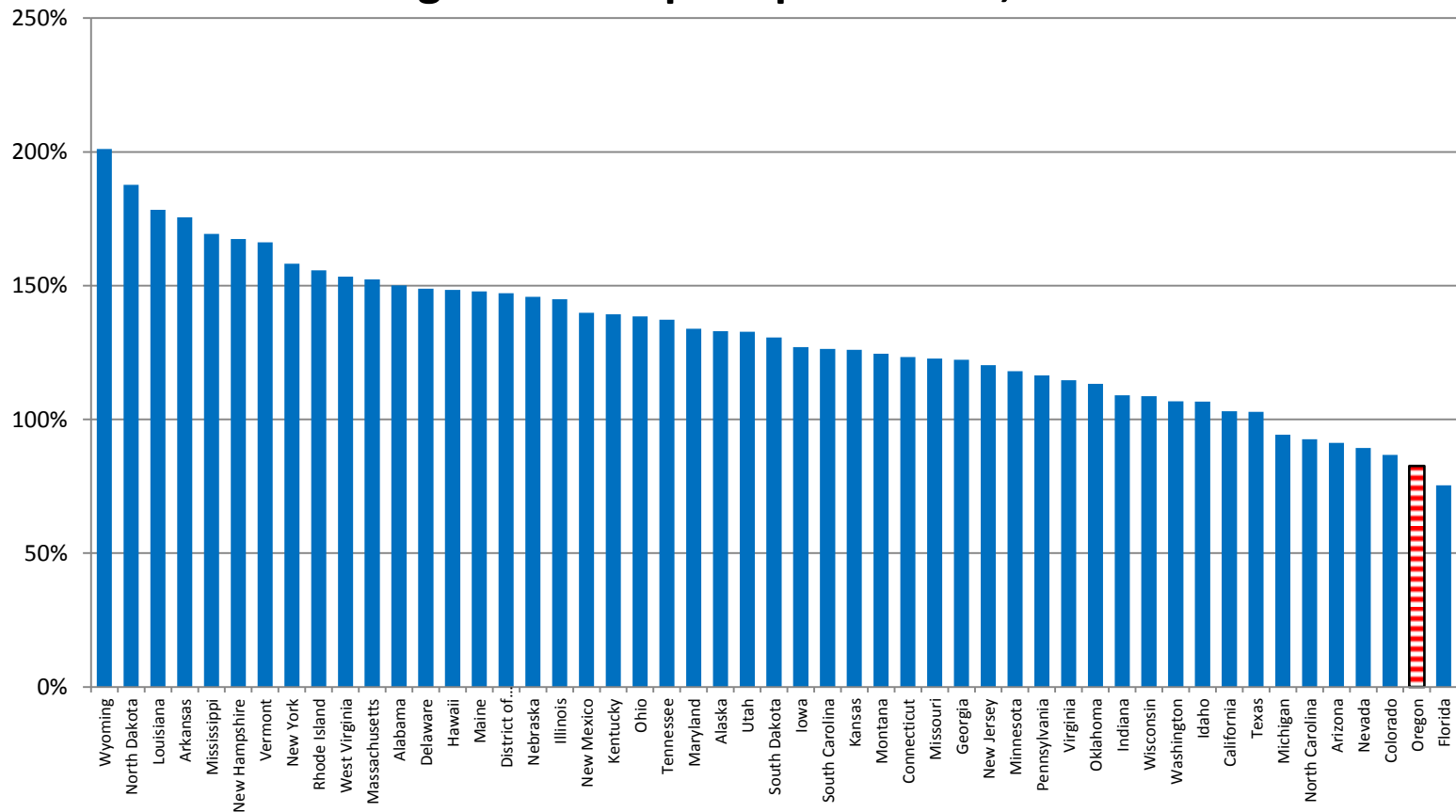
## By 2011-12, Oregon Had Fallen to 33<sup>rd</sup> in Per Pupil Funding





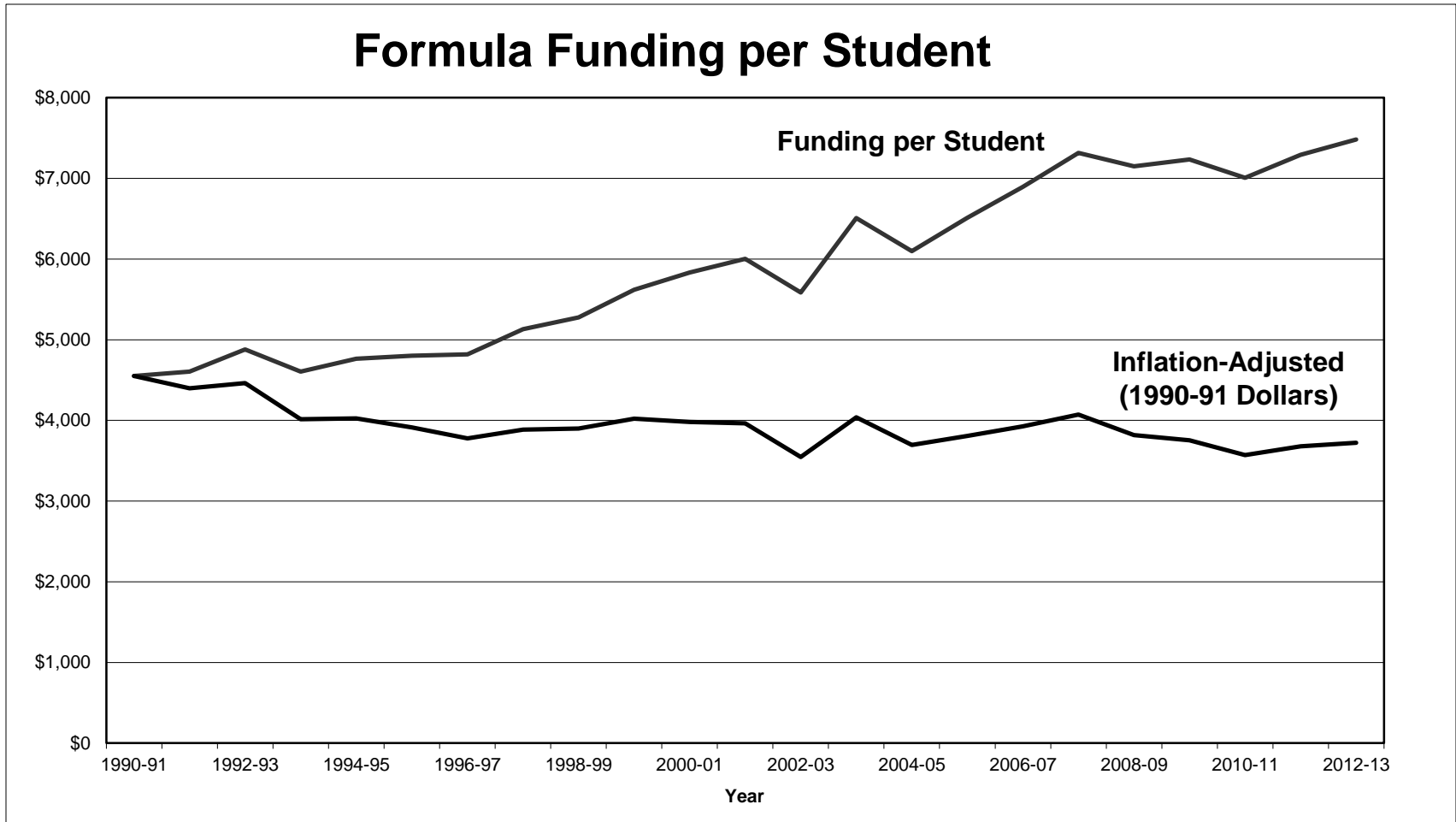
## Oregon Had the Second Lowest Growth in Funding

**Percent Change in Per Pupil Expenditures, 1990-91 to 2011-12**

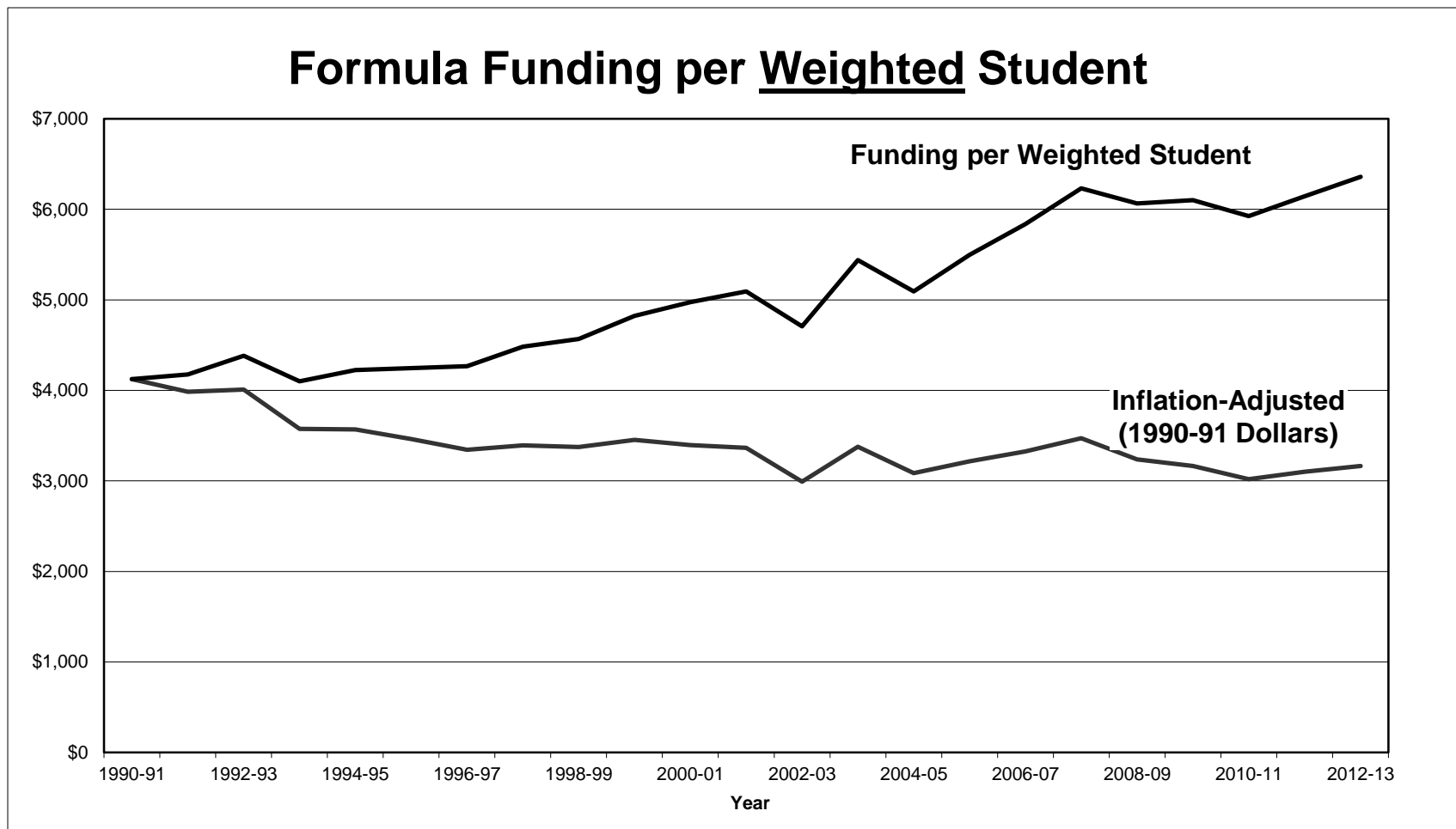




## Formula Funding Has Not Kept Up With Costs



## Formula Funding Has Not Kept Up With Costs



## **The School Funding Task Force**

- Created by HB 2506 in 2013
- 13 members, including 4 legislators
- Completed their report October 1, 2014

## Task Force Membership

Sen. Richard Devlin, Chair  
Senate District 19

Rep. Betty Komp, Vice-Chair  
House District 22

Sen. Fred Girod  
Senate District 9

Rep. Sherrie Sprenger  
House District 17

Kelly K. Devlin  
Teacher, David Douglas School District

John W. Hayes, Jr., PhD  
Chair, Forest Grove School Board

Claire S Hertz  
Beaverton School District Chief Financial  
Officer

Steven G. Isaacs  
President, Oregon Virtual Schools

Sena E. Norton  
Teacher, Oregon Trail School District

Bobbie Regan  
Portland Public Schools School Board

John M Rexford  
Superintendent, High Desert ESD

Heidi A Sipe  
Superintendent, Umatilla School  
District

Michael D Wolfe  
Chief Operations Officer, Salem-Keizer  
School District

## **Task Force Charge**

“The task force shall make recommendations regarding possible modifications to the funding formulas used to distribute State School Fund moneys to school districts and education service districts”.

## **The Task Force Created Three Subcommittees**

- Equity Subcommittee
- High Cost Disabilities Account Subcommittee
- English Language Learners Subcommittee

## **Equity Subcommittee Key Observations/Recommendations**

- When the original distribution formula was created, setting of the weights for at-risk students was based on research from other states. Oregon's weights have not been changed since the formula was first created. Now, Oregon has data to allow more in-depth study of the cost differences across categories of students.
- The fact that we still have achievement gaps for students with special needs suggests that the current weights may not be directing sufficient additional resources to districts with disproportionately large populations of students with special needs.
- Oregon should maintain its existing weighted student formula until a thorough study of the formula can be conducted. The study should provide a clear statement of the state's educational equity goals, then determine if the current formula is meeting those goals.
- The legislature should appropriate funds to conduct the study, and the emphasis of the study should be on whether the current weights are an accurate representation of the cross-district cost differences for which they were intended to compensate.

## **High-Cost Disability Subcommittee Recommendations**

- Maintain the current formula-driven grant and provide sufficient funding so the reimbursement rate is 80 percent without further diluting the State School fund disbursements
- To accomplish this, the amount of funding for the High Cost Disability Grant will need to be increased.

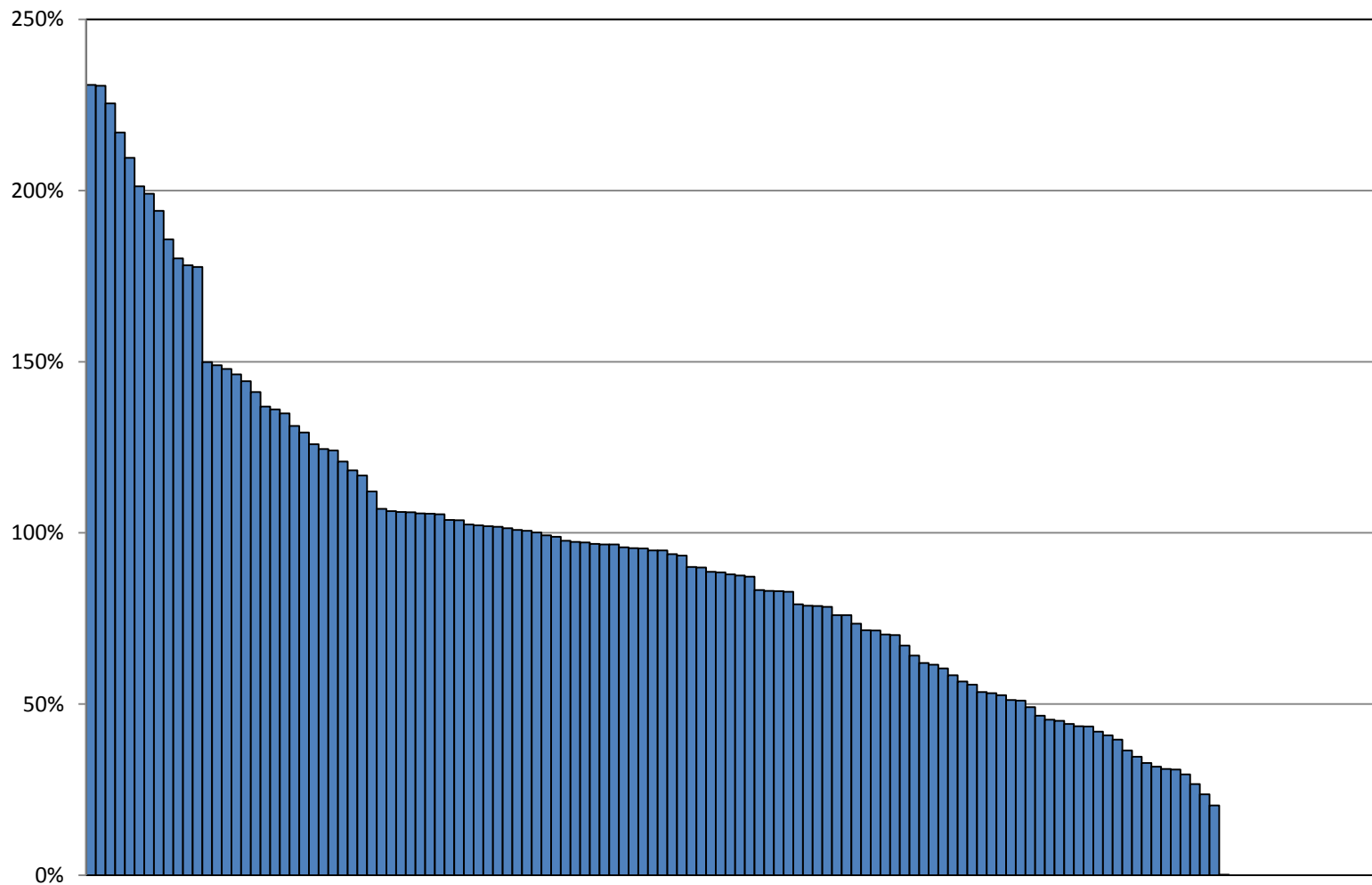
### **HIGH COST DISABILITIES ACCOUNT HISTORY**

School Year	Claims	Threshold	Claim Amount Allowed	Grant Award	Rate
2003-04	1,898	\$ 25,000	\$ 16,998,166	\$ 12,000,000	\$ 0.71
2004-05	2,183	\$ 25,000	\$ 20,054,272	\$ 12,000,000	\$ 0.60
2005-06	1,339	\$ 30,000	\$ 15,388,920	\$ 12,000,000	\$ 0.78
2006-07	1,739	\$ 30,000	\$ 19,894,981	\$ 12,000,000	\$ 0.60
2007-08	2,127	\$ 30,000	\$ 23,686,156	\$ 18,000,000	\$ 0.76
2008-09	2,365	\$ 30,000	\$ 28,697,349	\$ 18,000,000	\$ 0.63
2009-10	2,509	\$ 30,000	\$ 35,887,006	\$ 18,000,000	\$ 0.50
2010-11	2,569	\$ 30,000	\$ 35,795,306	\$ 18,000,000	\$ 0.50
2011-12	2,701	\$ 30,000	\$ 42,805,920	\$ 18,000,000	\$ 0.42
2012-13	2,774	\$ 30,000	\$ 44,550,768	\$ 18,000,000	\$ 0.40
2013-14	2,804	\$ 30,000	\$ 42,454,423	\$ 18,000,000	\$ 0.42

## **English Subcommittee Key Observations/Recommendations**

- Students at early levels of English language acquisition may require more time than more English-proficient students.
- Students who become English-proficient prior to high school graduate in higher numbers than their native-English speaking peers.
- Schools of education need to better prepare teachers and administrators to serve students who come to them speaking a language other than English.
- Districts should be encouraged to use their additional .5 weight on ESL programs and ELL students. However, requiring districts to spend all these dollars on ESL services is premature.
- Future studies of the School Funding Distribution Formula should include an in-depth analysis of the needs of this diverse population, the cost to meet those needs with research-based instructional strategies, and whether the .5 weight represents the necessary funding
- Poverty is an intrinsic factor in this population. The study recommended by the task force should evaluate whether students who are both ELL and in poverty require a different weight than students who ELL but not in poverty.

## Percent of ESL Revenue Spent on ESL Programs by District, 2012-13



## LEP Student Outcomes by LEP Exit Status

	<u>Exited Before HS</u>		<u>Exited During HS</u>		<u>Did Not Exit</u>	
	Number	Percent	Number	Percent	Number	Percent
Regular Diploma in 4 Years	1,300	75.8%	780	66.7%	808	52.2%
GED	44	2.6%	17	1.5%	23	1.5%
Other Credential	26	1.5%	26	2.2%	81	5.2%
Still Enrolled	152	8.9%	208	17.8%	220	14.2%
Dropped Out	192	11.2%	138	11.8%	417	26.9%

## Full Task Force Key Observations

- Without additional monies allocated to the State School Fund, there will inevitably be “winners” and “losers” with any recommended changes. That dynamic is reason to be cautious in recommending changes and to base any substantive changes on research that tells us:
  - that some classifications of students may require significant additional resources
  - whether additional weights in the formula are likely to have a tangible and positive impact in supporting student achievement
- The task force affirms that the Oregon weighted-factor model for funding allocation is working as intended.
- It is an allocation model not an expenditure model, meaning that it does not put requirements on how school districts and education service districts must spend their formula revenue.
- Adequacy of funding and allocation of funding are intertwined and it is difficult to consider changes to the allocation formula when funding is not adequate.
- Efforts need to be made to stop diluting the State School Fund through carve-outs dedicated to specific purposes.

## **Summary of Task Force Recommendations**

- The task force recommends that the Legislature consider whether the overall State School Fund appropriation is adequate in addressing the state's ambitious education goals.
- Oregon should maintain its existing weighted student formula until a thorough study of the formula can be conducted. The study should provide a clear statement of the state's educational equity goals, and then determine if the current formula is meeting those goals.
- The Legislature should appropriate funds to conduct the study and the emphasis of the study should be on whether the current weights are an accurate representation of the cross-district cost differences for which they were intended to compensate.
- The formula should be reviewed regularly—perhaps every eight years—to make sure it is accomplishing its goals.
- The distribution of the “carve-outs” from the SSF, and funding provided through strategic investments, should also be evaluated for equity effects.

## **Summary of Task Force Recommendations-cont.**

- The current formula-driven High-Cost Disabilities Grant should be maintained and the funding level set so that the reimbursement rate is 80 percent (currently it is about 40%).
- The Legislature should eliminate the requirement that ODE contract with school districts for Long Term Care and Treatment funding, and make LTCT funding a grant-in-aid based on a formula similar to the regular school district formula.
- Districts should be encouraged to use their additional .5 weight on English as a Second Language programs and English Language Learners. However, requiring districts to spend all these dollars on ESL services is contrary to an allocation formula.
- If a weighting change is proposed in the future, the subcommittee recommends that additional money be added to the State School Fund to avoid resource shifting and helping one group of students at the expense of another.
- The in-depth study recommended by the task force should evaluate whether students who are both ELL and in poverty require a different weight from that of students who are ELL but not in poverty.

## **Summary of Task Force Recommendations-cont.**

- The Department of Education should work with school districts to assure that the expenditure data for ESL programs is being reported accurately.
- Further research is advised on the proposal by the Department of Education regarding changing the current method of funding ELL students. Any change to the current formula should be fully researched and based on best practice.
- The 2015 Legislature is urged to examine the emerging and growing practice by school districts of allowing high school seniors to stay on a fifth year—despite having enough credits to graduate. When school districts allow a senior who has completed his/her high school requirements to stay a fifth year to attend community college, they are effectively diluting the state school fund formula for all other students and school districts in the state.