



# Oregon

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**Colt Gill**

Director of the Department of Education

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**TO: Co-Chair Frederick, Co-Chair McLain, & Members of the Joint Subcommittee On Ways and Means On Education**

**DATE: Mar 13, 2023**

**FROM: Kai Turner, Assistant Superintendent Office of Finance & Information Technology**

**RE: Request to provide the Interim Study of the Impact of Oregon State School Fund Spending on Disparities between Black, Indigenous, and People of Color (BIPOC) Students and Non-BIPOC Students**

Co-Chair Frederick, Co-Chair McLain, and Members of the Joint Subcommittee On Ways and Means Subcommittee On Education,

Thank you so much for the opportunity to provide information your request to provide the Interim Study of the Impact of Oregon State School Fund Spending on Disparities between Black, Indigenous, and People of Color (BIPOC) Students and Non-BIPOC Students. Below you will find the complete interim study for your review.

We are more than happy to continue providing information to you on our work and look forward to our continued partnership on behalf of all Oregon students. Please do not hesitate to reach out to me if you need further clarification.

With gratitude,  
Kai Turner

# **Interim Study of the Impact of Oregon State School Fund Spending on Disparities between Black, Indigenous, and People of Color (BIPOC) Students and Non-BIPOC Students**

**December 2022**

*This cover letter for the Interim Study was prepared by the Oregon Department of Education. The Interim Study was conducted by ECONorthwest.*



House Bill 5006 (2021) provided the Oregon Department of Education (ODE) with funding “...for a study of the impact of State School Fund spending on disparities between Black, Indigenous and People of Color (BIPOC) students and non-BIPOC students. The budget report for the legislation added the following explanation:

*A one-time \$500,000 General Fund appropriation was approved for a study of the impacts of State School Fund spending and to determine if this spending pattern results in disparities between students who are black, indigenous or people of color (BIPOC) and those who are not BIPOC students. The Oregon Department of Education will award a contract to an experienced researcher who has done research on exploring and modeling education finance policy and practice including research on the effects of fiscal policies and implications on resources at the school and classroom levels. The researcher awarded the contract should have completed at least one multi-year study of weighted student funding. The Department is to provide support and data for the researcher(s). The Department should also appoint an advisory committee with representatives from various educational advocacy and community groups with experience working with historically underserved students. This committee is to review variations in school level spending across multiple types of expenditures across 25 school districts, and to review the proportion of diverse teachers and students. The Department is to submit a report with the results and findings of the study and advisory committee by December 15, 2022.*

Accordingly, ODE appointed a State School Fund (SSF) Advisory Committee “with representatives from various educational advocacy and community groups with experience working with historically underserved students” in September 2021. The Committee met five times between October 2021 and August 2022.

To complete the study, ODE contracted with ECONorthwest, a research firm based in the Pacific Northwest that specializes in economics, finance, and planning. Since September 2022, ECONorthwest has met with the SSF Advisory Committee, conducted research, and analyzed data, and began the outreach process. This interim study is a result of these preliminary activities. In the coming months the research team will continue working on the quantitative analysis, seeking input from community and district partners, and meeting with the SSF Advisory Committee to share updates and receive input on the analysis, engagement process, and findings.

In June 2023, ODE will submit the final report, which will include a full description of the study findings. It was necessary to extend the final completion date to June 2023 due to the unanticipated length of the procurement process to select the researcher and the amount of time to perform the kind of research study that seems to be envisioned in the budget explanation.

#### Executive Summary

**In August 2022, ODE contracted with ECONorthwest to lead the study and develop interim and final reports for the Oregon Legislative Assembly. In accordance with House Bill 5006 (2021), the study is focused on equity, specifically, on how funding policies and procedures affect equity in resource allocation and in student outcomes, rather than the overall adequacy of funding.**

This interim report describes study progress to date, preliminary findings, and the study methodology. It contains seven sections:

1. **Research questions:** The section outlines the essential questions guiding the study:
  - What are the impacts of state laws and local policies and procedures on state and local resource distribution to schools?
  - What else influences how districts allocate resources to schools?
  - To what extent can revenue sources be tied to expenditures at the school level?
  - Based on the available data and evidence, what racial inequities exist and what adverse effects do BIPOC and Tribal students experience?
2. **Literature review:** The literature review is a first, foundational step in addressing the legislative inquiry and informs the subsequent analytic and investigative tasks. As such, the literature review focused on the following questions:
  - Does money matter?
  - What are the formulas and budget allocation rules that determine how money flows to schools?
  - Have finance policies led to disparities in per student funding—especially between BIPOC and non-BIPOC students?
3. **The Oregon State School Fund:** This section describes the structure and distribution of the State School Fund, Oregon’s largest investment in public education. The fund provides about 80 percent of general operation dollars for school districts and education services districts (ESDs), with the remainder coming from local revenues. The primary sources of the fund are the state’s general fund, lottery resources, and marijuana taxes.
4. **District selection:** Per the House Bill 5006 (2021) budget explanation, the Committee is to review “variations in school level spending across multiple types of expenditures across 25 school districts, and to review the proportion of diverse teachers and students.” This section identifies criteria used to select the 25 districts and five alternates, should one or more districts decline to participate, and lists the districts with selected data elements relevant to the study.
5. **Quantitative analysis:** This section contains the analysis completed thus far and the plan for upcoming analyses, with a focus on quantifying and communicating the relationships among revenue, spending, staff and student characteristics, and student outcomes.
6. **Engagement:** This section includes a description of the engagement activities that will underlie the study, including the survey and qualitative data collection to complement the quantitative analysis. To this date, ECONorthwest has conducted two engagement sessions with the SSF Advisory Committee and have adjusted the research priorities, questions, and approach based on input from the Committee. In the coming months, they will continue the engagement process through interviews with state-, district-, and school-level partners as well as a survey of key individuals from the 25 focus districts.
7. **Next steps:** In the coming months ECONorthwest will continue conducting quantitative analysis, partner engagement, and meeting with the SSF Advisory Committee to share updates and receive input on the analysis and engagement process and findings. The final report, to be provided in June 2023, will include an executive summary, a full description of study findings, and a complete description of the study methodology.

Link to full report: <https://www.oregon.gov/ode/schools-and-districts/grants/Documents/2022%20State%20School%20Fund%20Advisory%20Committee%20Report.pdf>

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# Interim Study of the Impact of Oregon State School Fund Spending on Disparities between Black, Indigenous, and People of Color (BIPOC) Students and Non-BIPOC Students

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December 13, 2022

Prepared for the Oregon Department of Education

Interim Report

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# Acknowledgements

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ECONorthwest prepared this interim report for the Oregon Department of Education (ODE). ECONorthwest and ODE thank the members of the State School Fund Advisory Committee for their guidance and involvement. Participating individuals and organizations include the following:

- Oregon educators, administrators, business managers, and community advocates
- Children’s Institute
- Coalition of Oregon School Administrators
- FACT Oregon
- Foundations for a Better Oregon
- Oregon Association of Education Service Districts
- Oregon Association of School Business Officials
- Oregon Coalition of Charter Schools
- Oregon Education Association
- Oregon Parent Teacher Association
- Oregon School Board Association
- Quality Education Commission
- Racial Justice Council
- Stand for Children
- State Board of Education

## Consulting Team

### *ECONorthwest*

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- Daniel Ramirez, Stakeholder Engagement Advisor

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# 1. Introduction

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Through House Bill 5006, the Oregon Legislature provided the Oregon Department of Education (ODE) with funding "...for a study of the impacts of State School Fund spending and to determine if this spending pattern results in disparities between students who are black, indigenous or people of color (BIPOC) and those who are not BIPOC students." Following direction in the HB 5006 budget note, ODE appointed a State School Fund Advisory Committee "with representatives from various educational advocacy and community groups with experience working with historically underserved students." The Committee met five times between October 2021 and August 2022.

ODE contracted with ECONorthwest to lead the study; the Committee and ECONorthwest began meeting together in September 2022. This interim progress report to the Legislative Assembly describes study progress to date, preliminary findings, and the study methodology.

The report includes seven sections:

- **Research questions:** The questions guiding the quantitative and qualitative data collection and analysis.
- **Literature review:** A summary of existing research on the impact of funding and other factors on educational outcomes, including state-level comparisons.
- **The Oregon State School Fund:** A description of the fund: its structure, formula, and components.
- **District selection:** The list of focus districts for the study and a description of the criteria and process used to develop the list. Per the HB 5006 budget note, the Committee is to review "variations in school level spending across multiple types of expenditures across 25 school districts, and to review the proportion of diverse teachers and students." The study's district-level engagement phase will focus on the 25 districts.
- **Quantitative analysis:** The analysis completed thus far and the plan for upcoming analyses, with a focus on quantifying and communicating the relationships among revenue, spending, staff and student characteristics, and student outcomes.
- **Stakeholder engagement:** A description of the engagement activities that will underlie the study, including the survey and qualitative data collection to complement the quantitative analysis.
- **Next steps:** The plan for developing the final analyses and report by June 2023.

Data collection for the mixed-methods study has begun with stakeholder engagement at the state level to refine the study approach, identify important statewide trends, and collect perspectives on the extent to which State School Fund (SSF) allocation leads to inequitable outcomes. We will investigate deeply to understand funding dynamics and data availability at the district level through interaction with the selected 25 school districts. We will round out our analysis with a quantitative analysis of the relationships between spending and educational outcome disparities in Oregon.



Two notes about the focus of this project: First, this study is focused on equity, specifically, on how funding policies and procedures affect equity in resource allocation and in student outcomes. This study is not about adequacy; the state created the Quality Education Commission to address questions of resource adequacy.

Second, the budget note specifies a focus on SSF spending patterns. SSF revenue can be identified at the district level but not at the school level, where SSF funds are blended with other general fund revenue sources (e.g., the Common School Fund, County Timber revenue). For this reason, SSF revenue cannot be tied directly to specific school-level expenditures. Throughout this report and the final report, we will isolate SSF revenue where the data allow. When the data do not allow isolating SSF funds, we will focus on revenue and expenditure aggregates that include SSF revenue and as little else as possible (e.g., school-level general fund expenditures are made largely, but not exclusively, using SSF revenue).

This study will provide policymakers with insights into current conditions as well as findings, suggested by existing research and the study data and analysis, related to improving transparency and reducing identified disparities.

## 2. Research questions

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The research team has developed the following key questions to guide the activities of the study:

1. What are the impacts of state laws and local policies and procedures on state and local resource distribution to schools?
2. What else influences how districts allocate resources to schools?
3. To what extent can revenue sources be tied to expenditures at the school level?
4. Based on the available data and evidence, what racial inequities exist and what adverse effects do BIPOC and Tribal students experience?

## 3. Literature review

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The literature review is a first, foundational step in addressing the legislative request and informs the subsequent analytic and investigative tasks.

The legislative inquiry triggers three, high-level questions:

First, the use of “impacts” assumes that different amounts of State School Fund spending affect important student outcomes. While this seems intuitive, the precise relationship between educational resources and outcomes has been long debated. So, the first question is: *does money matter?* Disparities in resources are concerning to the extent we have strong evidence that resources drive achievement, attainment, or other important educational outcomes.

Second, the inquiry calls for a review of how resources find their way from the state to a student, leading to the next question: *what are the formulas and budget allocation rules that determine how money flows to schools?* Understanding how resources flow from the state to a student may help with identifying the cause(s) of observed spending disparities.

And a third question, which is at the heart of the legislative request, asks: *have state and district-level finance policies, in Oregon and other states, led to measurable disparities in per-student funding—especially among BIPOC and non-BIPOC students?* Past studies have investigated spending disparities based on household income, but nascent research drawn from a newly assembled, national database on school-level expenditures offers an initial look at differences by race and ethnicity.

The following sections address each of these questions in turn.

## Question 1: Does money matter?

The connection between increased spending on schools and improved student outcomes seems intuitive. Yet, until recently, the dominant narrative emerging from the education research world was that increased school spending had unknown or limited impacts on student outcomes.

The skepticism around school spending and its link to student outcomes perhaps originated with the seminal 1966 Coleman Report.<sup>1</sup> The report—conducted in response to the *Brown v. Board of Education* decision to examine inequity and segregation in schools—involved a large, cross-sectional sample of schools and concluded that schools have little impact on student outcomes and that families and peers are the greatest determinants of student performance.

Even as technological advancements allowed for more rigorous statistical methods in research following the Coleman Report, researchers continued to come to mixed conclusions or find little connection between increased school spending and improved student outcomes. Eric Hanushek, a researcher from Stanford University, consistently concluded that there was no strong relationship between increases in school resources or spending and student outcomes,

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<sup>1</sup> Coleman, James et al. (1966). *Equality of Education Opportunity*. U.S. Department of Health, Education, and Welfare. Washington, DC.

saying "...[t]he accumulated research simply says there is no clear, systematic relationship between resources and student outcomes."<sup>2</sup>

Until the mid-2010s, Hanushek was regarded as one of the leading voices on the research literature around school spending and student outcomes, although researchers were far from a consensus on the topic. In 2015, however, new research emerged that claimed to show a systematic relationship between school resources and student outcomes.

Jackson, Johnson, and Persico (2015) published a study<sup>3</sup> that provided:

*"...[C]ompelling evidence that money does matter and that better school resources can meaningfully improve the long-run outcomes of recently educated children. At the same time, our results also suggest that money alone might not improve outcomes because the effect of any spending increases will depend on exactly how funds are spent."*

The study's publication in the National Bureau of Economic Research (NBER) Working Paper Series generated considerable discourse in the world of education research and recent findings from a growing body of literature have supported Jackson, Johnson, and Persico's findings.

Jackson, Johnson, and Persico employed event-study and instrumental variable models to determine that a 10 percent increase in per-pupil spending for twelve years of public-school education is associated with 0.27 more completed years of education, 7.25 percent higher wages, and a 3.67 percentage-point reduction in the annual incidence of adult poverty. In addition, they found these results are more pronounced for children from low-income families. Further, they found a positive link between increased school spending and measures of school quality, such as smaller class sizes, increased teacher salaries, and longer school years.

More recent research by Jackson and others has corroborated these findings. Miller (2017) estimated that a 10 percent increase in school spending can raise graduation rates by 3 to 5 percentage points and can raise student test scores by 0.07 to 0.09 standard deviations.<sup>4</sup> In 2018, Jackson and his co-authors linked funding declines related to the Great Recession to an end of decades-long growth in student test scores. In their most recent research, Jackson and Mackevicius's (2021) results suggest that a four-year increase in per-pupil spending translated into higher test scores or educational attainment in 90 percent of cases. As the tide of the

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<sup>2</sup> Hanushek, Eric (2015). "Education, Economics of." Hoover Institution, Stanford University, Stanford, CA, USA.

<sup>3</sup> Jackson, Kirabo C., Johnson, Rucker C., and Persico, Claudia (January 2015). *The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms*. National Bureau of Economic Research Working Paper Series.

<sup>4</sup> Past studies have suggested achievement growth of about 1.0 standard deviation per year in the elementary grades. Miller, Corbin (2017). *The Effect of Education Spending on Student Achievement: Evidence from Property Tax Wealth and School Finance Rules*.

research literature has shifted, findings increasingly indicate that money does matter when it comes to education.<sup>5</sup>

However, how money is spent also matters. The research underscores how funds are invested has substantial impacts on school quality and student outcomes. Jackson, Johnson, and Persico (2015) report that investments that result in decreased class sizes, higher teacher salaries, and longer school years have the greatest chance of boosting student outcomes.

Research from the Hamilton Project through the Brookings Institution found that preschool programs and reductions in class sizes for younger children improved high school graduation rates later. For older children, enhanced school choice and interventions in math often boosted high school graduation rates.<sup>6</sup>

## Question 2: What are the formulas and budget allocation rules that determine how money flows to schools?

For much of the 20<sup>th</sup> Century, financing of public elementary and secondary schools was highly localized and drew on local property tax bases that varied across cities and communities. That began to change with the 1971 *Serrano v. Priest* case and the California Supreme Court's ruling that the quality of a child's education should not depend on her neighborhood's property tax wealth. The California case led to a series of successful funding equity lawsuits and reforms across the United States. The following decades saw an increase in the state-level role in school finance, and the development of policies that sought to equalize funding across students according to need.<sup>7</sup>

In Oregon, local property tax limitations enacted in the early 1990s resulted in the state becoming the largest funder of K12 education and, coincident with the larger role, the legislature enacted a K12 school equalization formula that sought to promote resource equity across students and schools with varying needs and operational environments. Four principles guided the development of the formula:<sup>8</sup>

- Share all school funding statewide (combine and allocate all state and local general operating revenue)
- Let school districts decide how to spend their allocation (distribute state aid in a lump sum rather than in categorical grants)

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<sup>5</sup> Jackson, Kirabo and Claire Mackevicius (2021). *The Distribution of School Spending Impacts*. NBER Working Paper 28517. National Bureau of Economic Research. Cambridge, MA.

<sup>6</sup> Schanzenbach, D., Boddy, D., Mumford, M., and Nantz, G. (2016). *Fourteen Economic Facts on Education and Economic Opportunity*. The Hamilton Project.

<sup>7</sup> Skinner, Rebecca R. (August 26, 2019). *State and Local Financing of Public Schools*. Congressional Research Service. Congress of the United States. Washington, D.C. page 10.

<sup>8</sup> For a complete description of the State School Fund distributional rules see Legislative Revenue Office (July 2020) *K12 and ESD Finance*. State of Oregon. Salem, OR.

- Create funding differences only for uncontrollable cost differences (justify revenue differences in a rational manner)
- Avoid incentives for school districts to increase their allocation (minimize number of classifications<sup>9</sup> and set limits)

The equalization formula, and the associated rules that govern district uses of the resources, are the key drivers of K12 revenue and spending patterns across Oregon schools. The balance of this section explores how Oregon’s equalization formula compares to those of other states and how district-level budgeting policies affect student-level spending.

### State school finance programs

State school finance programs, most of which aim to improve resource equity, fall into five categories: foundational programs, full state grants, flat grants, district power equalization, and categorical grants. Thirty-seven states, like Oregon, rely primarily on foundational programs, which require some level of local taxing effort, state equalization aid, and local “leeway” funds<sup>10</sup> (i.e., a limited allowance to raise local taxes beyond what is required by state law).<sup>11</sup>

Most state finance programs seek to equalize spending on a per student basis, and many consider varying student, operational, and programming needs through weighted formulas. A weighted formula directs additional state dollars to districts with higher resource needs. The most common weights direct resources to English language learners, students from families with low incomes, and students with special needs. Summaries of state distribution formulas by the Congressional Research Service (see Exhibit 1) and the Education Commission of the States<sup>12</sup> indicate no state has adopted a weight based on a student’s race or ethnicity.

Oregon’s formula provides ten student cost weights and makes additional adjustments to account for differential levels of teacher experience and the enrollment of students with high-cost disabilities.<sup>13</sup>

During the 2021-23 biennium, the legislature approved \$13.9 billion in formula-related funding.<sup>14</sup> But as in other states, Oregon school districts have access to other state and local resources as well. The legislature approved \$1.7 billion in state-funded, K12 grant-in-aid resources during the biennium—much of that funded by the recently enacted Corporate

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<sup>9</sup> For example, student types such as special education and ELL.

<sup>10</sup> In Oregon, leeway funds are known as the Local Property Tax Option.

<sup>11</sup> Skinner (2019)

<sup>12</sup> See <https://www.ecs.org/50-state-comparison-k-12-and-special-education-funding/>, accessed November 11, 2022

<sup>13</sup> The ten weights are: special education, English language learners, pregnant and parenting, students in poverty, neglected and delinquent students, students in foster homes, kindergarten if half day, elementary district students (districts that do not offer a high school), union high district students (high schools serving elementary district students), and small schools.

<sup>14</sup> That is, \$9.3 billion in the State School Fund, which adds to \$4.6 billion in local property tax revenue.

Activity Tax. Additionally, localities will raise an estimated \$1.5 billion in local revenue that falls outside the State School Fund (i.e., local property tax options, fees, grants, and donations). Interstate comparisons of funding equity, discussed in the next section, consider all the resources available to school districts.

**Exhibit 1: Number of states assigning pupil weights or target dollar amounts in their state school finance programs to pupils in selected categories**

<b>Pupil Category</b>	<b>Number of States (Verstegen Survey)</b>	<b>Number of States (ECS Study)</b>
English learners	23	37
Low-income	22	35
Disabilities	22	29
Selected grade levels	21	na
Pupil population sparsity (small schools or LEAs)	12	20
Career and Technical Education program	8	na
Other disadvantaged pupils (foster, transient, pregnant, homeless, migrant, neglected, or delinquent)	6	na
Gifted and talented	4	13
Low-achieving	3	na

Source: Skinner (2019). *State and Local Financing of Public Schools*. Table prepared by Congressional Research Service based on data from Deborah A. Verstegen, *A Quick Glance at School Finance: A 50 State Survey of School Finance Policies*, 2018, <https://schoolfinancesdav.wordpress.com/>, and from Education Commission of the States, *50-State Comparison: K-12 Funding*, August 5, 2019, <https://www.ecs.org/50-state-comparison-k-12-funding/>

Notes: An individual state may be counted in more than one category. Based on the Verstegen survey, at least 32 states used one or more of the pupil categories. Based on the ECS survey, 42 states, the District of Columbia, and Puerto Rico used one or more of the pupil categories.

na: Not applicable, as this pupil category was not included on the ECS survey.

## District-level allocation approaches

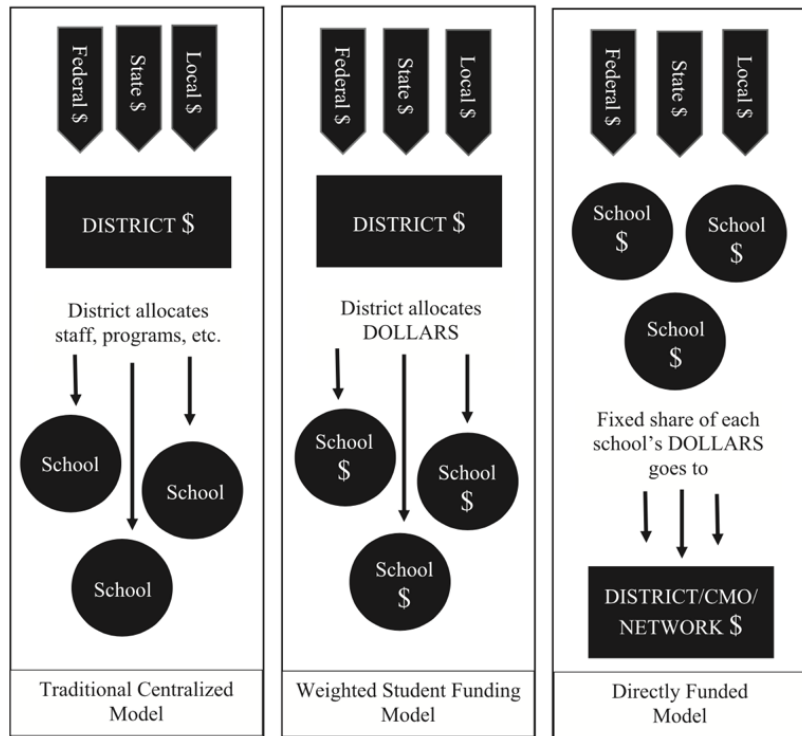
While state-level formulas play key roles in funding equity, some school finance researchers have contended district budget allocation rules are similarly important. Many states, including Oregon, give districts discretion in the use of formula funds and, by design, have no formal process to determine if resources, delivered through the weights, reach the intended students.

In seminal research, Marguerite Roza and Paul Hill found that methods used by districts to establish school-level budgets could contribute to spending inequities at the student level. Specifically, they focused on the implications of using average, district-wide teacher salaries when establishing a school’s budget—rather than the actual salaries of the teachers who serve in the school. In four school districts, they found that longer tenured and higher paid teachers were disproportionately concentrated in lower poverty / higher performing schools. In Seattle, for example, their analyses show that teachers in the district’s wealthier Northeast zone earned

8.8 percent more than teachers in the lower income Southeast zone. Similar patterns existed in Baltimore City, Baltimore County, and Cincinnati.<sup>15</sup> The report concluded with calls for action at the district, state, and federal levels, including annual reports of actual spending on staff and resources deployed in individual schools.<sup>16</sup>

More recently, Roza and others have found district-level allocation methods fall into three categories: traditional centralized models, weighted student funding models, and directly funded models (see Exhibit 2). In the Traditional Centralized Model, districts deploy staff, programs, and services to individual schools. Through emerging Weighted Student Funding Models (WSF), districts send a portion of their funding to schools—in the form of dollars rather than staff—based on the number and type of students in the school. And in the Directly Funded Model, which is often used to fund charter schools, funds are allocated directly to schools.<sup>17</sup>

Exhibit 2. How schools receive resources: Three allocation approaches<sup>15</sup>



The WSF model, in its design, addresses some of the school-allocation concerns raised by Roza and Hill (2004). It originated in Edmonton Canada in 1976, was implemented in Seattle in 1997, and now operates in various forms in 30 districts across the U.S. Most districts that use the WSF allocate less than half of their resources through weighted-dollar formulas and still rely on traditional methods, including average teacher and staff salaries.<sup>18</sup>

<sup>15</sup> Roza, Maguerite and Paul Hill (2004). “How Within-District Spending Inequities Help Some Schools to Fail.” *Brookings Papers on Educational Policy*. No. 7. Pp. 201-227.

<sup>16</sup> Ibid pp 216-218

<sup>17</sup> Roza, Marguerite et al. (Spring 2021). “Variation is the Norm: A Landscape Analysis of Weighted Student Funding Implementation” *Public Budgeting and Finance*. Wiley Periodicals.

<sup>18</sup> Ibid, page 6

Research on the effectiveness of WSF to foster equitable funding is still in early stages. A forthcoming paper in the *Peabody Journal of Education* will compare funding equity in WSF and non-WSF comparison districts.<sup>19</sup>

### Question 3: Have finance policies led to disparities in per student funding—especially between BIPOC and non-BIPOC students?

Calculations of intrastate funding inequities have been key inputs to finance reform lawsuits during the past 50 years and are used in the federal formula that distributes Title I-A funding.<sup>20</sup> Early research centered on differential state and local revenue delivered to school districts in high and low-poverty areas. Emerging research, built on newly available revenue data, attempt to measure inequities by income, race, and ethnicity at the school level. Despite deploying varied technical methods, the studies draw similar conclusions on the relative progressivity<sup>21</sup> of state funding systems.

#### Equity studies using district-level data

In recent years, the Albert Shanker Institute at Rutgers University, the Education Law Center, the Education Trust, and the Urban Institute have issued equity, or fairness, studies of state school finance systems. The studies evaluate revenue equity within states at the district level and deploy different methods. For example, the Shanker Institute simulates funding for a high-poverty district (i.e., 30 percent child poverty rate) compared to districts with no child poverty.<sup>22</sup> Similarly, the Education Law Center compares average per student revenue in high and low-poverty districts—defined as higher than 30 percent and less than 5 percent poverty, respectively.<sup>23</sup> The Education Trust sorts districts by their child poverty rates and compares revenue per student in the top-quartile high-poverty districts to revenue per student in the bottom-quartile, low-poverty districts.<sup>24</sup> And the Urban Institute calculates a statewide weighted average revenue per poor and non-poor child by multiplying district average revenue, for every district in the state, by their shares of poor and non-poor students.<sup>25</sup> The

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<sup>19</sup> Permission has not been granted by the author to cite the findings of associated working paper.

<sup>20</sup> Skinner (2019), page 15

<sup>21</sup> Researchers typically define progressivity as the degree to which the average low-income student attends districts that are better funded than districts that the average non-poor student attends.

<sup>22</sup> Baker, Bruce et al. (December 2021). *The Adequacy and Fairness of State School Finance Systems. Fourth Edition School Year 2018-19*. The Albert Shanker Institute. Rutgers University Graduate School of Education. New Brunswick, NJ.

<sup>23</sup> Farrie, Dannielle and David Sciarra (January 2022). *Making the Grade 2021: How Fair is School Funding in Your State?* Education Law Center. Philadelphia, PA.

<sup>24</sup> Morgan, Ivy and Ary Amerikaner (February 2018). *Funding Gaps 2018: Too Many Students Do Not Get Their Fair Share of Education Funding*. The Education Trust. Washington DC.

<sup>25</sup> Chingos, Matthew and Kristin Blagg (May 2017). *Do Poor Kids Get Their Fair Share of School Funding?* The Urban Institute. Washington, DC.



studies do not include federal revenue but, rather, document the state and local fiscal context in which the targeted federal investments are made.

Despite the variations in the calculation methods, rankings of relative progressivity are comparable across the reports. Alaska, Minnesota, South Dakota, and Utah report a sizable resource advantage (e.g., up to 20 percent more per student<sup>26</sup>) in districts with higher shares of low-income students. Conversely, Alabama, Florida, Illinois, Missouri, Nevada, New Hampshire, and Rhode Island are characterized as regressive—with the average poor student attending districts that are less well funded than districts that the average non-poor student attends (e.g., Illinois per student funding in high-poverty districts is 22 percent lower than funding in low-poverty districts<sup>27</sup>).

The analyses place Oregon in the middle of the distribution, with characterization ranging from slightly regressive to neutral or moderately progressive (see Exhibit 3). These interstate findings include all sources of state and local revenue and, in Oregon’s case, are not limited to revenue distributed through the State School Fund.

**Exhibit 3: Revenue per pupil in districts with high and low shares of students in poverty, Oregon, various years**

	High Poverty Districts	Low Poverty Districts	Difference	% difference (high poverty revenue relative to low poverty revenue)
Rutgers (2019\$)	*	*	*	-6%
Education Law Center (2019\$)	13,062	14,152	-1,090	-8%
Education Trust (2015\$)	*	*	*	5%
Urban Institute (2014\$)	12,119	11,980	139	1%

Source: Baker (2021), Figure 19; Farrie (2022), Figure 2; Morgan (2018), Figure 1; Chingos (2017), Table A.1. \*Per student revenue amount not reported

The reports note that although most distribution formulas have progressive features (e.g., weights for poverty status and other student characteristics that correlate with poverty status), other aspects of the funding system can offset progressivity. In Oregon’s case, local revenue that is outside the SSF—the local option tax, fee grants, and donations—may mitigate the progressive features of the funding formula. An analysis of those revenues is not the central focus of the legislative inquiry.

The Education Trust replicated its analysis to evaluate equity in resources for BIPOC and non-BIPOC students. As with their poverty-focused analysis, they sorted each state’s school districts by their share of BIPOC students and then compared revenue in the highest BIPOC-share districts (top quartile) to the lowest BIPOC-share districts (bottom quartile). The report

<sup>26</sup> Morgan & Amerikaner (2018)

<sup>27</sup> Ibid

characterized Louisiana, Ohio, and New Jersey as progressive (i.e., higher revenue per student in high-BIPOC-share districts) and Illinois and Nebraska as regressive. The report deemed Oregon neutral.<sup>28</sup>

## Equity study using district and school-level data

The Every Student Succeeds Act (ESSA) requires states to provide data on per-student spending for every public school in the United States. Proponents of the provision argued spending transparency would support equity and school improvement goals. Georgetown University's Edunomics Lab has consolidated state data submissions in the National Education Resource Database on Schools (NERD\$).<sup>29</sup>

Research incorporating the new school-level data are just emerging. In August 2022, Kenneth Shores and collaborators combined 2018-19 NERD\$ data with three other federal datasets to evaluate spending equity at the federal, state, and local levels.<sup>30</sup> The research is among the first to evaluate spending equity—based on income and race/ethnicity—*within school districts*. Using the Civil Rights Data Collection series, the study also examined student-teacher ratios and the distribution of novice teachers (i.e., fewer than three years of experience) across schools.

The research found K12 resource distribution, at the national level, is regressive for low-income, Black, and Hispanic students because those students live disproportionately in states with low per-student expenditures. However, within states and within districts, spending on low-income, Black, and Hispanic students is progressive.<sup>31</sup> At the district level, Black and Hispanic students receive \$487 and \$266 more per student than white students, respectively. And students eligible for Free and Reduced-Price Lunch (FRL) receive \$355 more than non-FRL students.

Notably, the analysis indicated that Black, Hispanic, and FRL-eligible students were exposed to more teacher resources, measured by total teacher salaries. But the generally progressive exposure to teachers had two important features: those students were generally placed in smaller classes (or otherwise experienced lower student-teacher ratios), but they were also exposed to higher shares of novice teachers. About 20 percent of teaching personnel for Black, Hispanic, and FRL student are novices.<sup>32</sup>

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<sup>28</sup> Ivy and Amerikaner (2018), page 11

<sup>29</sup> Hadley, Lucy et al. (2020). *A Moment of (Early) Truth: Taking Stock of School-By-School Spending Data*. Edunomics Lab. Georgetown University. Washington, DC.

<sup>30</sup> Shores, Kenneth A., Hojung Lee, and Elinor Williams (2022). *The Distribution of School Resources in the United States: A Comparative Analysis Across Levels of Governance, Student Subgroups, and Educational Resources*. Retrieved from Anneberg Institute at Brown University.

<sup>31</sup> For example, Utah has low overall spending per student and contributes to national regressivity, but within the state, distributes its limited resources progressively.

<sup>32</sup> Shores (2022), page 18

A supplementary analysis estimated equity expenditure gaps at the state level. The findings for Oregon are like those discussed in the previous section: funding is roughly neutral, with the state spending more, but not a statistically significant amount more, on Black students compared with white students.

## Conclusion

The legislative inquiry into revenue and spending equity for BIPOC and non-BIPOC students in Oregon coincides with similar national interest and a growing body of research on the topic. Recent research on the relationship between school spending and outcomes underscores that money, and how the money is spent, matters. With a new, clearer understanding of the ties between spending, achievement, and attainment, the investigation of how dollars flow from states to districts to schools to students has taken on a new urgency in Oregon and elsewhere. In the current study, we can start from a place of understanding that money matters.

According to multiple analyses conducted during the mid to late 2010s, Oregon's system of school finance, which includes the State School Fund as well as other components, is characterized as neutral: the average BIPOC or low-income student could expect resources roughly equal to those for an average non-BIPOC or affluent student. Those averages almost certainly hide important variations across districts that this study will attempt to uncover.

## 4. The Oregon State School Fund

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The State School Fund is the Oregon Department of Education's largest investment in public education.<sup>33</sup> The fund provides about 80 percent of general operation dollars for school districts and education services districts (ESDs), with the remainder coming from local revenues. The primary sources of the fund are the state's general fund, lottery resources, and marijuana taxes.

As noted above, this finance system evolved in the early 1990s to compensate school districts and ESDs for the loss of property tax revenue due to limitations imposed by Measure 5 and Measure 50, passed in 1990 and 1991, respectively. Prior to the passage of these measures, Oregon's educational system was funded primarily through local revenues.

Since 1991, school district funding has been allocated through an equalization formula required by Oregon statute. The formula, largely unchanged since its initial passage, is designed to equalize per student district funding, compensate districts for student and district characteristics that may impose greater costs, and maintain local control over spending

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<sup>33</sup> Sources for this section include the following:

Legislative Revenue Office (July 2020). *K-12 and ESD School Finance: State School Fund Distribution*. State of Oregon.

Wiltfong, Mike. *Overview of the State School Fund*. Oregon Department of Education.

Legislative Committee Services (September 2012). *Background Brief on Funding K-12 Schools*. State of Oregon.

decisions. While the allocation amounts are determined through state statute, districts and ESDs largely have discretion over how the dollars are spent.

## Fund structure

Both school districts and ESDs receive allocations from the SSF. Statutorily, school districts receive over 95 percent of the funding. The SSF allocation for school districts is composed primarily of four grants, the General Purpose Grant, the Transportation Grant, the High-Cost Disability Grant, and the Facility Grant. School districts receive grant funding based on formulas determined by state statute. The funds are also balanced against local revenues, with higher-revenue districts receiving less grant funding.

The General Purpose Grant makes up just over 95 percent of SSF funding. It is provided net of the other three grants, which are considered set asides. There are no constraints on how districts can spend this money and funding is primarily determined by the number of students in average daily membership (ADM) (weighted by certain student characteristics and controlling for average teacher experience) multiplied by a \$4,500 per student funding target.

The Transportation Grant is specifically to cover the cost of transporting students. The Transportation Grant makes up nearly 4 percent of SSF funding and uses actual transportation costs to determine the allocation amount. Eligible expenses include transporting students from home to school, between schools, or on field trips.

The High-Cost Disability Grant is intended to compensate school districts for the increased costs of serving students with disabilities where actual costs exceed \$30,000 per student. These grant dollars are provided specifically for students with high-cost disabilities in addition to allocations provided through the General Purpose Grant for students enrolled in special education.

Finally, the Facilities Grant (about 0.1 percent of the SSF) provides for school districts that are adding facilities to expand classroom space. These dollars are meant to compensate districts that have rising costs due to increasing student populations.

In addition to these four funds, there are other allocations from the SSF to support small high schools, English language learning (ELL) programs, educator advancement, special education, healthy schools, office functions, and other programs and expenditures.

## Grant formulas

Since 1991, SSF dollars have been allocated through formulas designed to provide school districts with allocations that are fair and adequate based on the district's size and specific student needs, while also accounting for local revenue levels.

## General Purpose Grant

The General Purpose Grant, which makes up the majority of the SSF school district funding, is allocated through a formula that accounts for the local revenue a school district already receives. School districts receiving more local revenue will receive smaller General Purpose Grant allocations.

Exhibit 4 shows how student ADM is weighted under the General Purpose Grant formula. Special education students, for example, are weighted at double non-special education students. These weights are based on the estimated additional cost to districts to serve these student populations. Some student populations, such as kindergarteners enrolled in half-day programs, reduce a district's total General Purpose Grant allocation.

### Exhibit 4. Weighted Student ADM

Student Characteristic	Total Student Weight
Special Education	2.0
Pregnant and Parenting	2.0
English Language Learner	1.5
Students in Poverty	1.25
Neglected and Delinquent	1.25
Students in Foster Homes	1.25
Kindergarten if Half-Day	0.5
Elementary District Student	0.90
Union High District Student	1.20
Small School	Varies

Source: Oregon Legislative Revenue Office

The weighted ADM is multiplied by a \$4,500 student target<sup>34</sup> with an adjustment for average teacher experience within the school district. The adjustment for teacher experience helps to account for the higher salary cost associated with longer-tenured teachers. The adjustment is calculated as \$25 multiplied by the difference between the average number of years of teacher experience in the district and the average number of years of teacher experience at the state. Exhibit 5 shows a simplified version of the General Purpose Grant formula.

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<sup>34</sup> The per student funding is based on a \$4,500 target but is adjusted based on actual funding available through the SSF and may be greater or less than the target itself.

## Exhibit 5. Simplified General Purpose Grant Formula



Source: Oregon Legislative Revenue Office

## Transportation Grant

The Transportation Grant reimburses school districts for expenses incurred in transporting students. The grant is calculated based on actual transportation expenses. Districts receive funding for up to 90 percent of eligible transportation costs.

The share of a district's eligible transportation costs the grant will cover ranges from 70 to 90 percent. To determine whether 70 percent, 80 percent, or 90 percent of a school district's transportation expenses are funded, districts are ranked by their transportation costs per student. Those in the highest decile with the highest costs receive 90-percent funding. Districts in the next highest decile receive 80-percent funding. All other districts receive 70-percent funding. Rural districts, with higher transportation expenses, tend to have a greater share of their expenses funded. Exhibit 6 shows a simplified graphic illustrating the Transportation Grant formula.

## Exhibit 6. Simplified Transportation Grant Formula



Source: Oregon Legislative Revenue Office

## High-Cost Disability Grant

The High-Cost Disability Grant is calculated by summing the per-student costs in excess of \$30,000 by district. The High-Cost Disability Grant is calculated using actual costs. For 2020-21 school year and onward, the state legislature capped the total grant amount at \$55 million (the cap was increased from \$35 million in 2015-16 and \$18 million in 2007-08).

If actual costs exceed the legislative cap, grants are pro-rated. Actual costs often exceed the legislative cap by a large margin, leading to only a portion of high disability costs being funded. Exhibit 7 shows a simplified graphic illustrating the High-Cost Disability Grant formula. Students with high-cost disabilities tend to be concentrated in urban areas where more services are available, which places a disproportionate amount of the costs on these districts.

## Exhibit 7. Simplified High-Cost Disability Grant Formula



Source: Oregon Legislative Revenue Office

## Facilities Grant

The Facilities Grant helps cover the cost of new school facilities for districts with rapidly growing student populations. The grant will cover 8 percent of facilities cost, excluding land. Over the last two decades, the grant has undergone several reductions and was capped at \$7 million for the 2019-20 school year. If 8 percent of facilities costs exceeds the \$7 million cap, grants will be prorated. Exhibit 8 shows a simplified graphic illustrating the Facilities Grant formula.

## Exhibit 8. Simplified Facilities Grant Formula



Source: Oregon Legislative Revenue Office

# 5. District selection

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Selecting the 25 Oregon school districts for deeper investigation is a critical step in this study. District-level stakeholder engagement will focus on these 25 districts. We will also survey selected staff from these districts and may also request additional budget, expenditure, and student data from these districts. This section identifies criteria used to select 25 districts and five alternates, should one or more districts decline to participate, and lists the districts with selected data elements relevant to the study.

## Criteria for selection

During the September 28<sup>th</sup> SSF Advisory Committee meeting we proposed to select districts that exhibit a reasonable range of variation along several dimensions: racial diversity, linguistic diversity, geography, enrollment size, student socioeconomic status, teacher demographics, and observed disparities in funding and outcomes. Due to data availability we were not able to thoroughly assess variation in teacher demographics in developing the list of districts below, although doing so will be part of the analytic plan in the next phase of the study. Only districts with average daily membership (ADM) greater than 500 were considered, so that study

participants (e.g., interviewees and survey respondents) will represent a larger number of students—and a larger number of BIPOC students—from across the state.<sup>35</sup>

Selection proceeded as follows, using a combination of quantitative and qualitative approaches:

1. Select the five districts with the largest 2019-20 BIPOC enrollment
2. Select ten districts from across the range of the estimated spending gap between BIPOC and white students (focusing on the most extreme)<sup>36</sup>
3. Select ten districts from across the range of outcome disparities between BIPOC and white students (focusing on the most extreme)
4. Review list to ensure variation in the factors listed above and adjust as necessary
5. Add five additional districts as alternates if one or more of the initial list declines to participate

## Focus districts

The map below (Exhibit 9) illustrates the geographic diversity of the 25 selected districts (in gold) and five alternates (in blue). Light-yellow districts were considered but not selected, and gray districts had ADM below 500 and were therefore not considered for selection.

Collectively, the 25 selections encompass about 45 percent of state ADM and 54 percent of BIPOC enrollment. The five alternates encompass 6 percent of state ADM and 10 percent of BIPOC enrollment. Exhibit 10 identifies the districts and presents selected data for each district. Additional charts in Appendix Exhibits A1 through A6 illustrate that the selected districts demonstrate variation in a number of dimensions: district-level poverty rate, share BIPOC enrollment, share ELL, and educational outcomes (high school outcomes and student learning growth).

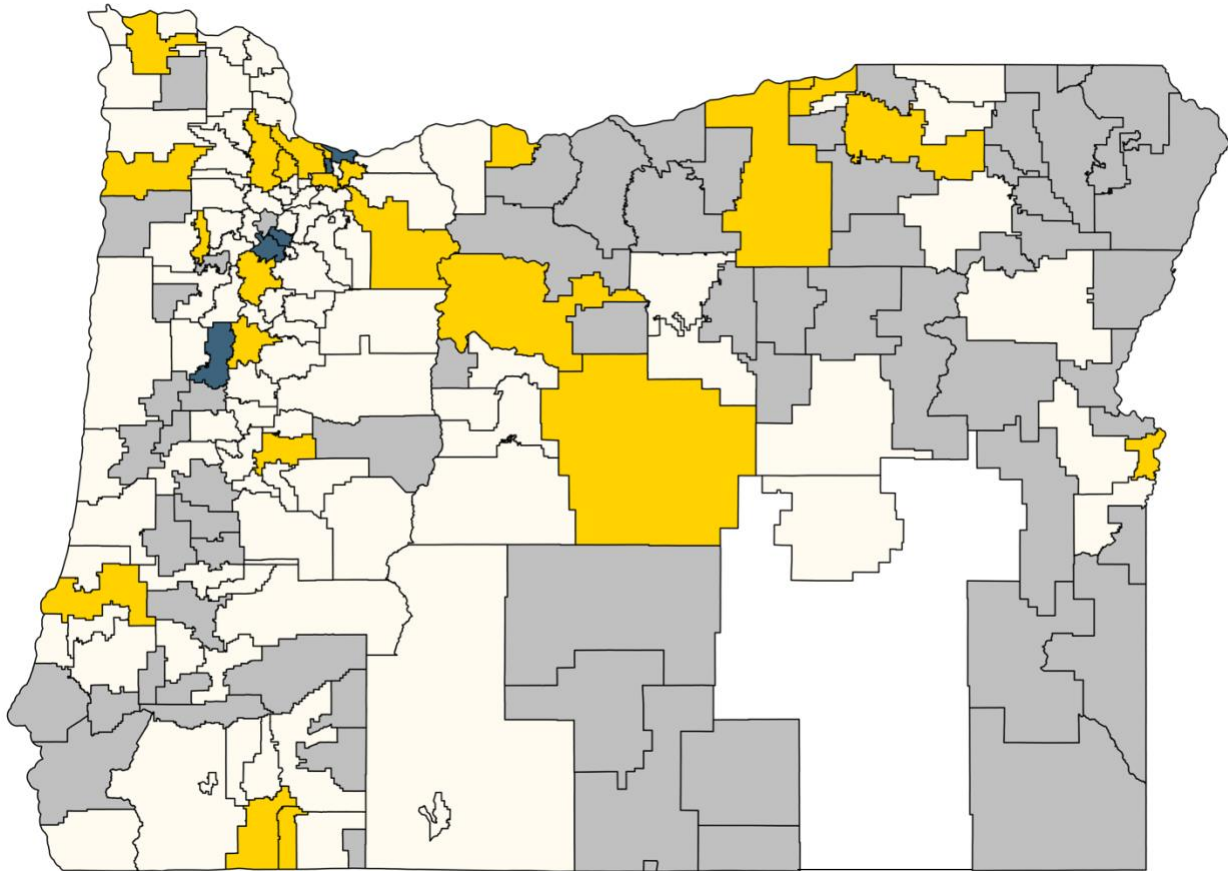
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<sup>35</sup> Districts with ADM below 500 represent about 2 percent of total enrollment across the state. In addition, data on outcomes for smaller districts, and therefore smaller numbers of students, are less available publicly and less reliable.

<sup>36</sup> For district selection, per-student spending estimates by race are estimated by averaging school-level per-pupil expenditures weighted by each school's BIPOC or white enrollment across schools within each district.



**Exhibit 9. Focus districts for State School Fund study (gold = selected, blue = alternate, light yellow = considered but not selected, gray = not considered due to ADM below 500, blank = no unified school district)**



Source: ECONorthwest

## Exhibit 10. Characteristics in 2019-20 of focus districts for State School Fund study

District	County	ADM	Percent BIPOC	Estimated expenditure per BIPOC student	Estimated expenditure per White student	Expenditure gap (BIPOC less White)	District poverty rate	District share ELL
Portland SD 1J	Multnomah	48,193	43%	\$16,451	\$15,532	\$919	9.4%	7.5%
Salem-Keizer SD 24J	Marion	41,372	54%	\$13,470	\$13,437	\$33	16.0%	16.6%
Beaverton SD 48J	Washington	41,088	54%	\$13,439	\$13,453	-\$15	8.9%	11.6%
Hillsboro SD 1J	Washington	20,154	56%	\$13,236	\$12,885	\$351	9.4%	16.7%
North Clackamas SD 12	Clackamas	17,227	39%	\$15,769	\$15,602	\$167	8.3%	9.3%
Medford SD 549C	Jackson	14,451	35%	\$13,201	\$12,937	\$264	19.1%	5.3%
Gresham-Barlow SD 10J	Multnomah	11,863	43%	\$12,972	\$11,795	\$1,177	12.3%	10.5%
Springfield SD 19	Lane	10,375	33%	\$15,497	\$15,217	\$280	21.2%	6.1%
Greater Albany Public SD 8J	Linn	9,415	31%	\$12,651	\$12,276	\$375	12.6%	6.3%
Douglas County SD 4	Douglas	6,051	21%	\$12,244	\$12,250	-\$6	15.4%	0.6%
Hermiston SD 8	Umatilla	5,669	59%	\$12,485	\$12,508	-\$23	18.5%	18.5%
Coos Bay SD 9	Coos	3,255	27%	\$13,193	\$12,710	\$483	22.7%	1.0%
Parkrose SD 3	Multnomah	3,099	68%	\$13,689	\$13,673	\$16	14.4%	15.3%
Pendleton SD 16	Umatilla	3,066	36%	\$11,653	\$12,329	-\$676	18.6%	2.8%
Crook County SD	Crook	3,038	22%	\$13,085	\$13,554	-\$469	16.9%	2.8%
Estacada SD 108	Clackamas	2,936	22%	\$9,482	\$8,944	\$539	5.6%	3.3%
North Wasco County SD 21	Wasco	2,927	48%	\$13,427	\$13,178	\$249	18.3%	12.0%
Jefferson County SD 509J	Jefferson	2,877	71%	\$17,972	\$17,118	\$854	21.8%	21.9%
Phoenix-Talent SD 4	Jackson	2,592	48%	\$14,276	\$13,898	\$379	23.8%	11.8%
Ontario SD 8C	Malheur	2,398	67%	\$14,893	\$14,840	\$53	29.5%	8.2%
Morrow SD 1	Morrow	2,265	59%	\$15,003	\$16,011	-\$1,008	18.5%	20.3%
Tillamook SD 9	Tillamook	2,227	36%	\$13,216	\$13,153	\$63	17.4%	7.8%
Astoria SD 1	Clatsop	1,879	25%	\$12,153	\$12,183	-\$30	13.9%	5.1%
Umatilla SD 6R	Umatilla	1,397	74%	\$14,471	\$14,574	-\$103	22.3%	29.6%
Sheridan SD 48J	Yamhill	911	31%	\$12,144	\$11,206	\$938	15.9%	1.5%
<i>Reynolds SD 7*</i>	<i>Multnomah</i>	<i>10,940</i>	<i>69%</i>	<i>\$13,951</i>	<i>\$13,161</i>	<i>\$790</i>	<i>18.0%</i>	<i>24.8%</i>
<i>David Douglas SD 40*</i>	<i>Multnomah</i>	<i>9,745</i>	<i>64%</i>	<i>\$17,372</i>	<i>\$17,140</i>	<i>\$231</i>	<i>20.5%</i>	<i>20.3%</i>
<i>Corvallis SD 509J*</i>	<i>Benton</i>	<i>6,691</i>	<i>33%</i>	<i>\$16,974</i>	<i>\$16,927</i>	<i>\$46</i>	<i>10.8%</i>	<i>7.1%</i>
<i>Woodburn SD 103*</i>	<i>Marion</i>	<i>5,623</i>	<i>85%</i>	<i>\$14,661</i>	<i>\$14,306</i>	<i>\$355</i>	<i>25.6%</i>	<i>33.3%</i>
<i>Gervais SD 1*</i>	<i>Marion</i>	<i>1,371</i>	<i>59%</i>	<i>\$14,474</i>	<i>\$10,194</i>	<i>\$4,280</i>	<i>14.0%</i>	<i>19.8%</i>

\*Alternate selection

Source: ECONorthwest

Note: Expenditures reflected in the table include all expenditures captured in school-level expenditure data published by ODE. These include funds from general, special, and enterprise funds. The general fund includes SSF revenue, among others.

## 6. Quantitative analysis

With the first round of data collection only recently completed as of report writing, and the anticipation that this study's quantitative analysis will inform, and be informed by, study engagement activities through preparation of the draft final report in 2023, this section presents a description of analysis anticipated for the coming months as well as interim findings based on analysis completed to date.

### Analysis plan

As described below, analysis to date has focused on state and district-level patterns of resource allocation. In the coming months, quantitative analysis will rely on recently received student-level data from ODE, with specifics determined in part by findings from the study's stakeholder

engagement activities. As noted in the introduction, SSF revenue cannot be tied directly to specific school-level expenditures. As a result, much of the data and analysis described below, as well as analysis planned for the next phase of the project, will of necessity reflect revenue allocation or spending that includes some amount of non-SSF revenue.

The planned analysis will span three broad areas of inquiry, described below. The analysis will examine trends over time in identified relationships among policies and practices; student, teacher, and school characteristics; and educational outcomes. This work will help to characterize recent progress towards, and future potential for, closing apparent disparities experienced by Oregon's BIPOC students.

### Analysis of specific formula weights on resource allocation

School-level expenditure data published by ODE will allow simulation of resource allocations that assume either different formula weights in the SSF funding formula or district-level resource allocations to schools that mimic SSF formula rules or alternatives thereto. Findings will inform policymakers about the relative importance of formula weights, how formula weights affect resource allocation towards or away from BIPOC students, and how district policies might enhance or diminish legislative intent as embodied in the funding formula.

### School and classroom-level staff resource allocation

As indicated in Section 3, studies have shown that allocation of teacher resources (salary, experience, class size) can vary across student populations. In addition, other research demonstrates the benefits to students of being taught by teachers of their own race or ethnicity.<sup>37</sup>

Interim findings suggest that BIPOC students' teachers have, on average, experience very similar to that of white students' teachers but that teacher salaries tend to be higher in schools with relatively more BIPOC students. Subsequent quantitative analysis will assess student exposure to BIPOC teachers as well as teachers of their own race or ethnicity and examine correlations between this exposure and subsequent educational outcomes. The study will also explore classroom-level allocation of teacher resources from a similar perspective assessing, for example, differences in class size and teacher tenure experienced by different student populations defined by race and ethnicity and correlations of this exposure with later outcomes.

### Predictive modeling

Predictive modeling will identify correlations among resource allocation; student, school, and teacher characteristics; and educational outcomes. This modeling will inform engagement activities and provide context for understanding observed and potential effects of the SSF. Results from the regression analysis will, however, provide primarily correlational information

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<sup>37</sup> For example, see Dee, T. (2004). "Teachers, race and student achievement in a randomized experiment." *The Review of Economics and Statistics*, 86(1), 195-210.

(i.e., not causal) and require careful interpretation. As a result, we will rely on the stakeholder input from interviews and the survey and existing, more-rigorous research highlighted in the literature review to frame our quantitative findings.

## Interim findings

The quantitative analysis to date has focused on characterizing the progressivity—the extent to which resource allocation focuses on underserved student populations—of SSF and K-12 revenue allocation more generally. We find, consistent with the national literature, a slight progressivity in Oregon. We also examined, at a high level, teacher resource allocation. Each set of results will be refined in the final report.

### Revenue allocation

At the state level, we find a slight progressivity in total school expenditures, as shown in Exhibit 11. The figure shows the estimated 2019-20 BIPOC-white expenditure gap expressed as a share of estimated BIPOC per-student expenditures and in dollars (a positive gap indicates that BIPOC students experience, on average, schools with higher per-student expenditures than do white students). General fund expenditures appear very slightly more progressive than expenditures from all funds. These results are consistent with estimates for Oregon from the national literature.

Note however that, consistent with findings described in the literature review, the unit of analysis matters. Calculations based on district-level spending suggest less progressivity than those based on school-level spending.

**Exhibit 11. Oregon's BIPOC-White Expenditure Gap, 2019-2020**

BIPOC-White Expenditure Gap		
	All expenditures	General Fund expenditures
Percent of BIPOC per-student exp.		
District level	1.8%	2.0%
School level	3.5%	3.7%
Dollars		
District level	\$242	\$226
School level	\$486	\$414

Source: ECONorthwest

The Section 3 literature review suggests that Oregon districts' reliance on non-formula local revenues could potentially undermine the distributive goals embedded in the SSF funding formula, and analysis so far supports this possibility, although the relative effects are generally small. Exhibit 12 shows per-student allocation of the SSF General Purpose Grant (GPG), all

General Fund, and all Funds, by quartile of district poverty.<sup>38</sup> Exhibit 13 shows similar information by quartile of BIPOC enrollment share.

**Exhibit 12. Resource Allocation by Quartile of Poverty, 2019-2020**

Quartile	Per ADM		
	General Purpose Grant	General Fund Expenditure	Total Expenditures
Highest	\$10,779	\$11,260	\$14,116
2nd	\$10,427	\$10,798	\$13,514
3rd	\$10,137	\$11,078	\$13,633
Lowest	\$10,023	\$11,049	\$13,481
Top Q - Lowest Q as a share of Lowest Q	7.5%	1.9%	4.7%

Source: ECONorthwest

**Exhibit 13. Resource Allocation by Quartile of BIPOC Enrollment, 2019-2020**

Quartile	Per ADM		
	General Purpose Grant	General Fund Expenditure	Total Expenditures
Highest	\$10,787	\$11,329	\$13,921
2nd	\$10,175	\$11,712	\$14,388
3rd	\$10,146	\$10,516	\$13,363
Lowest	\$10,307	\$10,585	\$13,001
Top Q - Lowest Q as a share of Lowest Q	4.7%	7.0%	7.1%

Source: ECONorthwest

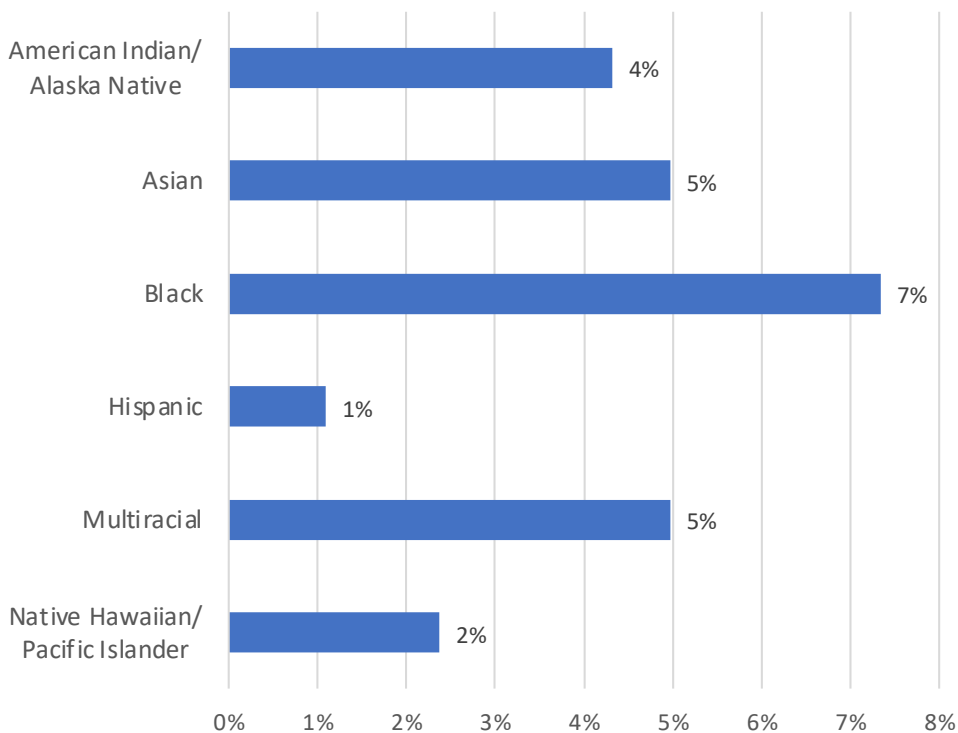
The percentages in the figure identify the progressivity of this distribution and are calculated as the difference in per-student spending between the highest-poverty quartile of districts and that for the lowest-poverty quartile.<sup>39</sup> The GPG allocation appears progressive. Other general fund expenditures are primarily non-formula local revenue; the allocation of these additional funds appears to reduce progressivity with respect to poverty but increase progressivity with respect to race and ethnicity. Adding all other expenditures, which include restricted federal funds, among other revenues, restore some of the progressivity with respect to poverty. Subsequent quantitative and qualitative analysis will explore these differences in more detail. The analysis

<sup>38</sup> The SSF General Purpose Grant (GPG) constitutes about 95 percent of the State School Fund.

will be limited by the fact that general fund expenditures at the school level are not identified by revenue source (e.g., GPG; non-formula local).

The data also indicate differences in progressivity across race and ethnicity (Exhibit 14) and across geography (Exhibit 16). Exhibit 15 provides district BIPOC enrollment shares for comparison. In general, areas with high concentrations of BIPOC students (Portland Metro, North Central Oregon, Southern Oregon Coast) also tend to have more progressive resource allocations, although there are exceptions in these regions. High-BIPOC districts in Northeast Oregon largely show the reverse.

**Exhibit 14. Per-student expenditures relative to white per-student expenditures, by race and ethnicity, 2019-2020**



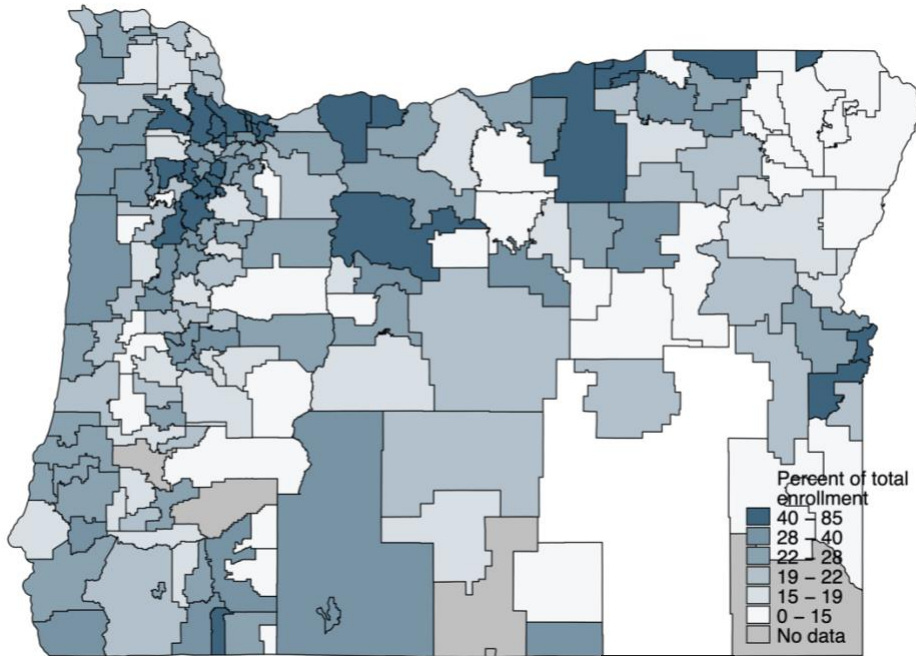
Source: ECONorthwest

### Interim conclusions

The analysis to date finds differences in resource allocation consistent with findings in the national literature and raises questions the available data will be able to address. Findings from the next phase of stakeholder engagement, at the district level, will refine the hypotheses to be tested. Ultimately, the next phase of quantitative analysis will provide a better understanding of how Oregon's State School Fund does, and could in the future, shape the K-12 education Oregon's BIPOC and Tribal students receive.

Exhibit 15. BIPOC enrollment by district, 2019-2020

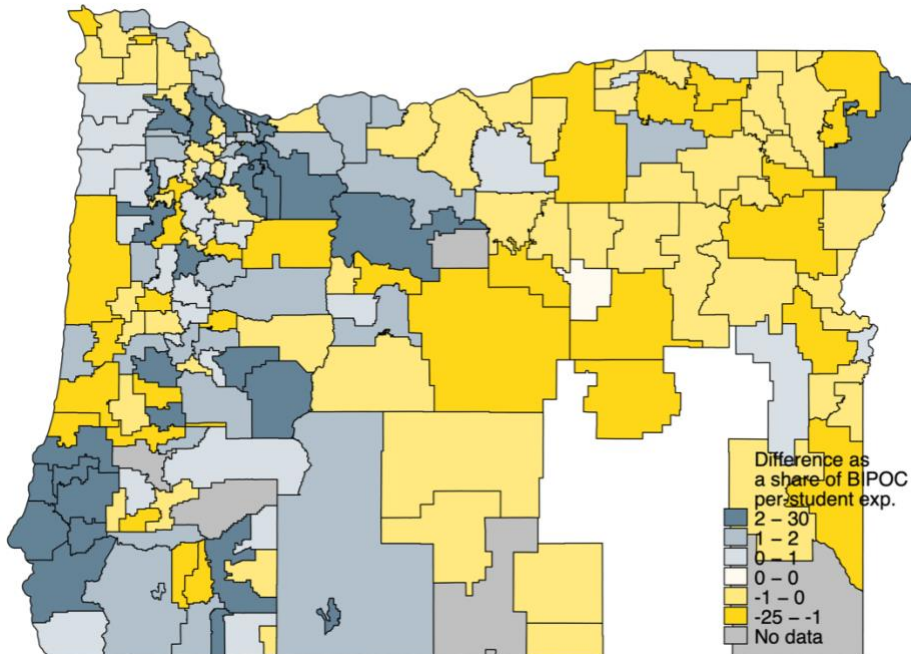
### BIPOC Enrollment by District



Source: ECONorthwest

Exhibit 16. BIPOC-white expenditure gap by district, 2019-2020

### BIPOC-White Expenditure Gap



Source: ECONorthwest

## 7. Stakeholder engagement

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This section outlines the engagement plan and provides a summary of the focus group and interviews completed thus far.

### Engagement plan

The two sessions held thus far with the SFF Advisory Committee—an introductory meeting and a focus group—informed the development and refinement of this engagement plan. We have adjusted the research priorities, questions, and approach based on input from the Committee. The plan includes interviews of state-, district-, and school-level stakeholders as well as a survey of key individuals from the 25 focus districts. The plan components are as follows:

#### State and regional-level interviews

Between 5-10 interviews with public education system employees and representatives from community groups and education advocacy groups will provide critical information about real and perceived gaps and limitations in data availability as well as the effects of local resource allocation and spending decisions, including non-monetary policies and practices that contribute to disparities in student outcomes. We are working with the Committee to identify interviewees, and we can provide participation stipends for interviewees if needed.

*Timeline: October 2022 – January 2023*

#### District and school-level interviews

We will conduct 20-25 interviews with selected staff from the 25 focus districts to gather more-detailed district-level perspectives than are possible from a survey. We will first reach out to school business managers / chief financial officers, but other possible interviewees could include district leaders, student services / special education practitioners, district educational equity committee members, or principals. We will select interviewees that span different regions of the state (urban, rural, remote), levels (elementary, middle, high school), and other relevant dimensions. The interviews will take place concurrent with the district-level survey and may inform the design of the survey. Stipends are available if needed.

*Timeline: January – February 2023*

#### Potential topics/questions for interviews

1. From your perspective how is the SSF supporting equitable outcomes?
2. In what ways do you think the SSF might be better allocated to support equitable outcomes?



3. What are the systems, structures, patterns, and processes that you use to set budgets in your school district?
4. How do you use those funds to address inequities, reduce disparities and obstacles, and increase access for students?
5. Are resources being applied for students based on their intended allocation?
6. Are programs developed based on student needs with dedicated resources?
7. How do you allocate funding and dedicate resources in your district (based on goals, target growth areas, student needs, staff needs, equity frameworks, collective bargaining agreements, etc.)?
8. How do you make decisions about funding at your schools? Specifically, how are you making decisions that might better support students who are often marginalized within the system?

### District-level survey

Concurrent with the district-level interviews, we will conduct a survey of district staff from among the 25 focus districts to efficiently collect information about topics suggested by the literature review and state-level stakeholder engagement. Survey respondents will include chief financial officers and possibly other staff. We will pilot the survey instrument prior to dissemination. We will also ask respondents if they are interested in being interviewed for the study or if they'd recommend particular individuals for interviews.

*Timeline: January 2022 – February 2023*

### Key survey topics/questions

1. Do district budgeting processes address inequitable outcomes for BIPOC students? If so, how?
2. Do these processes differ for State School Fund revenue relative to other revenue sources? If so, how?

### Requests for financial, outcome, and other district-level data

The consultant team is sensitive to the fact that, particularly since the beginning of the COVID-19 pandemic, district staff often have little or no time to address external research requests. To ensure we impose the minimum burden on staff necessary to achieve study goals we will develop, and pilot, with key staff data requests before sending them to districts. The 25 districts will not necessarily use the same data systems and may have varying capabilities to provide data at a given level of detail.

*Timeline: January 2022 – February 2023*

## Engagement thus far

This section provides a summary of engagement sessions thus far. As the study progresses, we will continue to share results with the Committee and collaborate on articulation of findings.

### Advisory Committee focus group

The research team conducted a focus group with members of the SSF Advisory Committee. Some of the key themes that emerged were 1) the methodology for the engagement phase of the study, 2) the lack of clarity on how state school funds are spent, and 3) how improved coding by school districts could improve fund expenditure transparency and outcomes.

#### 1) Methodology

The Committee suggested ways to approach the research questions, what qualitative data to use, and how to integrate the qualitative and quantitative data. Most participants felt that the qualitative data (i.e., data from interviews) should be linked directly to the 25 identified districts and used to help clarify and nuance the findings from the quantitative data. Most also agreed that interviews with school and school district employees would be more helpful than interviews with state-level administrators. Participants expressed mixed feelings about interviewing students and parents, with some believing these would add valuable perspectives and others suggesting that parents and students would be unable to offer meaningful understanding of situations across schools. One individual suggested that the team should focus on “high-outcome” schools—interviewing students, parents, and teachers at such schools to identify what’s helping students succeed. Another suggested that we focus on “schools that are coding and those that aren’t” to better understand why and how budget codes can offer clarity on funding and outcomes.

#### 2) Clarity of Expenditures

Several participants noted the difficulty in knowing exactly what the State School Fund actually funds, given that it is one part of a larger funding pool for most districts. Most acknowledged that the state school funding formula is based on district demographics and that districts with greater need get greater resources. However, they noted that despite this general district-level equity, in larger districts with greater populations and larger numbers of schools there is no way to know how the funding is distributed among the schools. Secondly, within a district that is receiving weighted funds, it is unclear how the district is utilizing those additional funds or if they are being used to reduce inequities for the students receiving them. The group discussed the implications of the lack of deliberate weights for BIPOC and Tribal students and expressed some frustration that the only tracking of weighted funds was for the EL weighting (because of HB 3499). And as one person noted, “districts count expenditures somewhat differently from one another,” making tracking challenging.

### 3) Coding expenditures

Improved and consistent coding of expenditures was raised several times as a possible solution to SSF spending transparency. One participant suggested “more robust finance manuals, resources for districts, and uniform coding.” There was a general frustration that the SSF is the “largest expenditure in our state budget” and yet “we have no idea where the money goes.”

#### Interviews thus far

The research team has conducted a few preliminary interviews with state-level public education system employees. A few themes are beginning to emerge; we will confirm or extend these themes through the study’s remaining interviews.

In response to questions about the relationship between SSF spending and outcomes, interviewees mentioned a lack of tracking and knowledge about how those funds are spent, especially when combined with other funds like local option and federal funds. However, every interviewee so far has discussed House Bill 3499 as an example of linking accountability and spending, recognizing that even this approach has some issues to resolve. While interviewees noted that having accountability for weighted English-learner (EL) spending is important, they indicated that additional components could make accounting for outcomes even more effective, and they recommended this level of accountability for other weighted components of the SSF (not just EL), and the SSF in general.

Regarding outcomes for EL learners at the school/district level, one concern that arose is that there are no state-level recommendations on best practices for spending the allocated money and school districts don’t have the time/resources to do their own research to identify best practices. While school districts reportedly appreciate the control over how to spend their funds, they would like more data, research, and recommendations on what is working in other districts. One interviewee characterized it in this way:

*“There’s a lack of guidance around what best practices look like so districts have been forced to make their own decisions. There’s a lot of research and data out there to show us what works around academic performance, but there’s no organized push out of that data. Instead, we have money being pushed out. Districts don’t have time to spend on research to find best practices. Throwing money at the situation does create inequities because the money is used haphazardly, not with BIPOC students in mind.”*

Secondly, interviewees reported that school districts often don’t have (or collect) the data to draw linkages between how funding is being spent and how spending affects outcomes, but when they are provided with data or information that highlights or clarifies these linkages, they are more likely to invest in things that “move the needle” for equitable outcomes. School staff care about and are interested in equitable outcomes but lack understanding of how to code expenditures in a way that would allow spending to be tied to outcomes. One interviewee noted that they see a lack of meaningful communication between a district’s business offices, its academic offices, and the local community. They noted that some districts communicate better

than others, and one benefit of the roll out of the Student Investment Account (SIA) grant funding is that it requires more conversations across school business offices, academic offices, and the local community, as the SIA program requires a review of academic return on investment.

Finally, interviewees thus far have identified at least two factors as critical to BIPOC student success. First, qualified, diverse, and supported teachers are needed. “Students have to be able to see themselves reflected in the educators they’re seeing every day.” Hiring must be intentional – “not just what they look like but what they bring to the table, their struggles and challenges and how they overcame them.” Students need teachers and educators who are great facilitators of learning and who are supported with resources and ongoing pedagogical training. The second key factor was “a strong curriculum, an instructional base that students can build their knowledge on.” These two factors were noted as critical to advancing the success of BIPOC students.

## 8. Next steps

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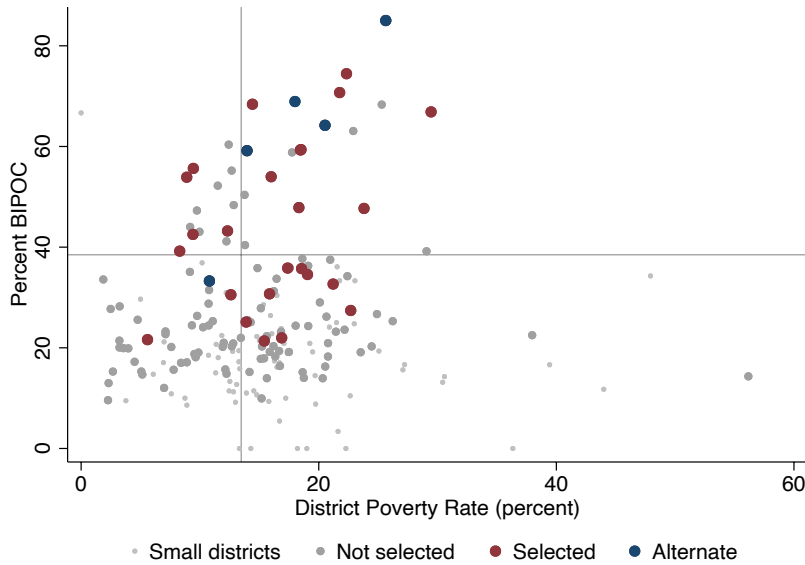
This interim report to the Legislative Assembly describes study progress to date, preliminary findings, and study methodology. In the coming months the research team will continue working on the quantitative analysis and stakeholder engagement, as described in Sections 6 and 7 above. We will continue to meet with the SSF Advisory Committee to share updates and receive input on the analysis and engagement process and findings.

The final report, to be provided in June 2023, will include an executive summary, a full description of study findings, and a complete description of the study methodology.

# 9. Appendix

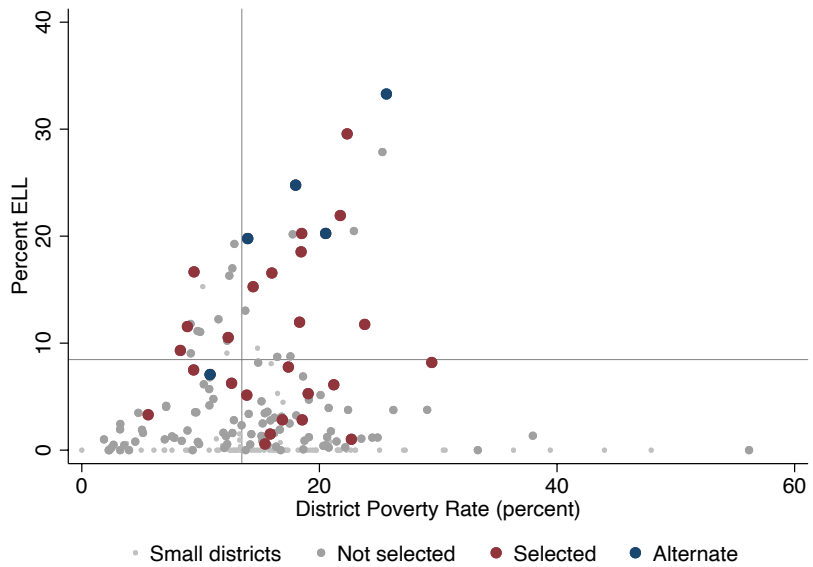
## Characteristics of selected districts

Exhibit A1. BIPOC Enrollment and District Poverty Rate by District Selection Status, 2019-2020



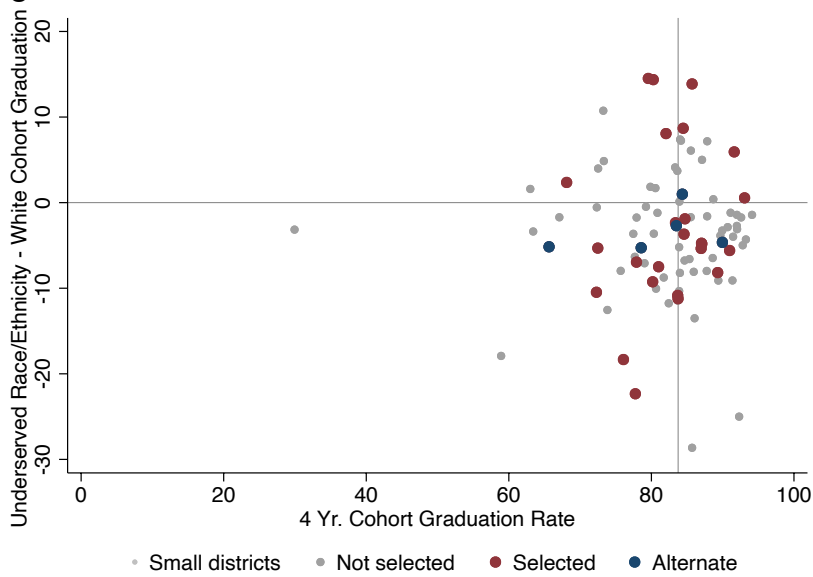
Source: ECONorthwest

Exhibit A2. ELL Enrollment and District Poverty Rate by District Selection Status, 2019-2020



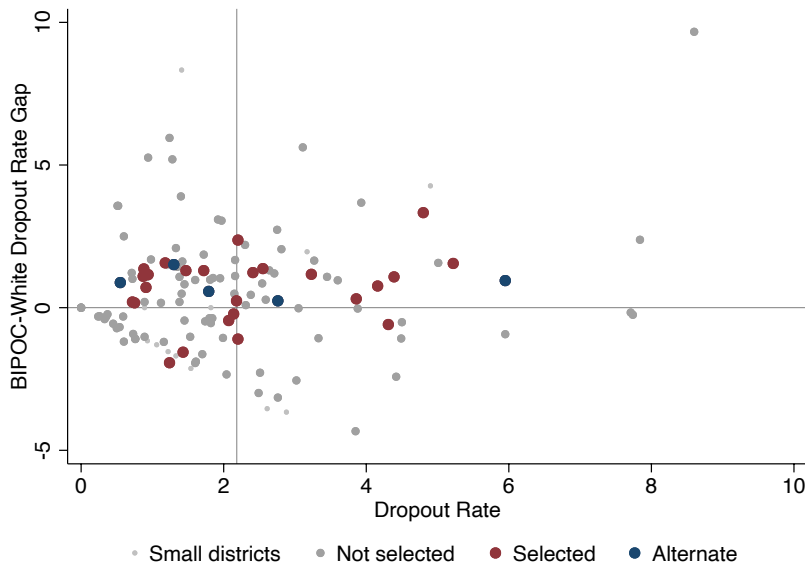
Source: ECONorthwest

**Exhibit A3. BIPOC-White 4-Year Cohort Graduation Gap and Overall 4-Year Cohort Graduation Rate by District Selection Status, 2018-2019**



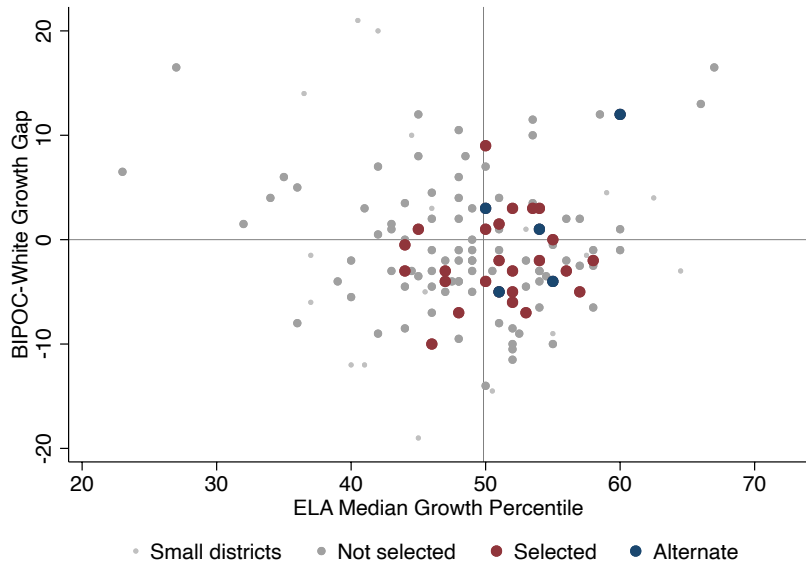
Note: BIPOC-white gap calculated as the difference between students of underserved races/ethnicities and white students.   
 Source: ECONorthwest

**Exhibit A4. BIPOC-White Dropout Rate Gap and Overall Dropout Rate by District Selection Status, 2018-2019**



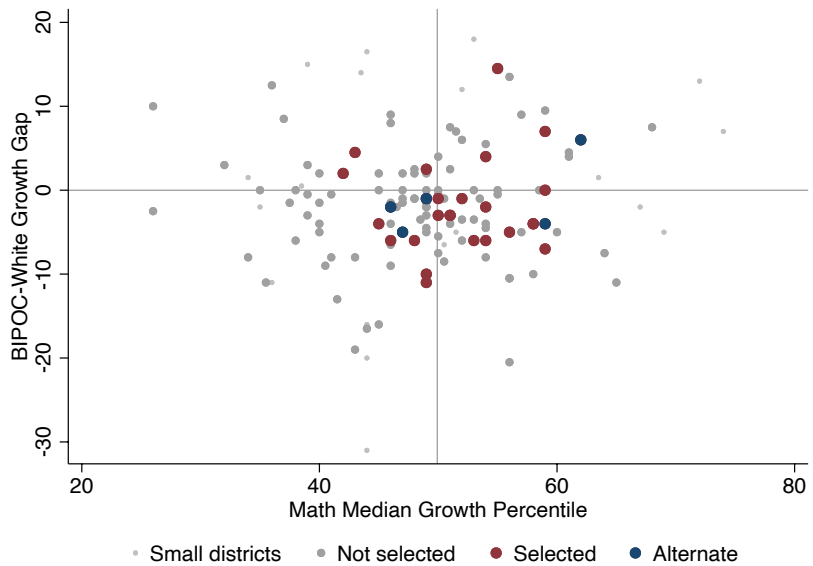
Note: BIPOC-white gap calculated as the difference between students of underserved races/ethnicities and white students.   
 Source: ECONorthwest

**Exhibit A5. BIPOC-White ELA Median Growth Percentile Dropout Rate Gap and Overall Median Growth Percentile by District Selection Status, 2018-2019**



Note: BIPOC-white gap calculated as the difference between students of underserved races/ethnicities and white students.  
Source: ECONorthwest

**Exhibit A6. BIPOC-White Math Median Growth Percentile Dropout Rate Gap and Overall Math Median Growth Percentile by District Selection Status, 2018-2019**



Note: BIPOC-white gap calculated as the difference between students of underserved races/ethnicities and white students.  
Source: ECONorthwest