Exploring Alternatives for Funding Adequate Education in Oregon

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American Institutes for Research

February 2025

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Introduction

In this report, we offer a national overview of how states fund their schools. This work builds on our previous systematic examination of Oregon's school funding system and offers an in-depth exploration of alternative funding systems that are currently used across the United States. Central to this examination is the notion of educational adequacy. Virtually all states are constitutionally responsible for providing an education to all students that is deemed sufficient, often referred to as *adequate*. While the notion of what constitutes an adequate education can be both vague and varied across state constitutions, the work performed for this study uses a conception stipulating that all students should have equal opportunity to achieve a common set of outcomes at the same target level, regardless of their specific educational needs or learning circumstances, including where they attend school.[1] Providing an adequate education to all students necessitates that educational funding differs across districts, schools, and students to account for the differing needs of students and other contextual characteristics.

We begin by offering a framework for understanding how educational costs differ across student, school, and district characteristics. We then summarize whether and to what extent funding mechanisms in each state attempt to address cost differences. Finally, we offer a comparative analysis of K–12 public education funding systems in a set of peer states (Washington, Colorado, Idaho, and Montana), detailing how they fund schools to address varying educational costs associated with student needs and other district characteristics and highlighting the similarities and differences in funding approaches between Oregon and these states.

Section 1: Examining State School Funding Systems

Students come to school with different learning needs and socioeconomic backgrounds and require different types and levels of educational support to achieve state standards and outcomes deemed adequate. Similarly, schools in different contexts may require different levels of resources because they differ in size (scale of operations) or in the prices they must pay for staff and non-personnel inputs. Resource requirements that vary based on student needs and context translate to differences in the cost of education among districts and schools.

[1] For more on conceptions of educational equity and adequacy, see Baker and Green (2015).

Presently, all states operate school funding formulas and supplemental grants-in-aid programs that attempt to address differences in educational costs across school districts. However, the policies used to adjust for cost differences vary considerably across states. In this section, we present a framework for understanding differences in educational costs across school districts. We then describe the range of cost factors that states adjust for in their education funding policies and present a typology of the different approaches used by states to allocate additional aid to school districts to offset these differences in costs.

Understanding Funding Differentiation Across Educational Costs

States may choose to differentiate educational funding based on a variety of cost factors and programmatic preferences. The cost of educating students to a common level of outcomes varies across schools and districts based on the level of student needs or other contexts, known as cost factors. Cost factors are characteristics of students, schools, or districts that affect the level of spending required to achieve stated goals *and* are outside the control of local school and district administrators (Chambers & Levin, 2009). Legislators, parents, and other stakeholders may also have preferences or imposed mandates for specific educational programs such as career and technical education (CTE), which may be reflected in education funding policy.

Exhibit 1 describes the four main types of factors by which states may choose to differentiate education funding due to costs or preferences: (a) student need, (b) context and programming, (c) grade range, and (d) price level of inputs. Student need factors can include both individual and collective population characteristics. Individual students with specific educational needs (e.g., students with disabilities [SWD], English learner [EL] students, and economically disadvantaged students) may need specialized programs, services, or interventions to achieve common outcomes. These efforts require additional resources that come at a higher cost to schools and districts, which states may seek to address through additional funding.

Collectively, the student population has other characteristics—such as the local concentration of student economic disadvantage—that may require schoolwide intervention and additional funding to achieve common outcomes. For example, an economically disadvantaged student may not have a specific educational need to be remediated, but a school population with many economically disadvantaged students may require smaller classes, early childhood programs, and other services to provide students with an equal opportunity to achieve common educational goals. These schoolwide interventions increase costs for schools and districts with high concentrations of student need.

School context—particularly the size of a district or school and the population density of the community in which it is located—may also affect costs and necessitate differentiated funding.

For example, research has shown that districts with fewer than 100 students operate at almost double the per-pupil cost of districts with 2,000 students, and districts with 100 students to 300 students are about 50% more costly than those with 2,000 students (Baker, 2005). These cost differences are largely attributable to differences in underlying staffing ratios. Population sparsity can also result in higher transportation costs because students must travel further distances, on average, to get to school.

State-level programming requirements may also create a need for funding differentiation. For example, if the state requires gifted and talented programs or CTE programs, these represent costs to local districts because they may require additional non-personnel resources or smaller class sizes to meet these mandates with fidelity. The need for educational resources also differs across grade ranges. For example, younger students in early elementary school may require smaller class sizes or instructional aides, increasing costs. High schools, on the other hand, often provide departmentalized, subject-specific classes as well as specialized courses and extracurricular activities (such as athletics or marching band) that may require additional resources.

Finally, school districts within the same state may require different levels of funding to obtain educational inputs (staff and non-personnel). In particular, the compensation required to recruit and retain a similarly qualified teacher may differ across districts within a state due to competing job opportunities, differences in the cost of living, and certain districts being considered more desirable places in which to live and work (Chambers & Fowler, 1995; Taylor, 2015).

Exhibit 1. Factors Considered in Education Funding Differentiation

Student need	Contexts/programming	Grade range	Price level of inputs
Individual student characteristics • Economic disadvantage • Disability status • EL status • Gifted and talented status **Collective population characteristics** • Concentrations of students living in poverty or EL students	• District or school enrollment size • Population sparsity or extent of rurality • CTE	• Differences in academic and nonacademic programming needed for students in different grades	• Geographic differences in staff compensation and prices of non-personnel resources

Adjusting for Differences in Costs Using State School Finance Policy

Most states implement K–12 education funding policies that in some way address differences in the cost of educating different students. A key goal of these policies is to provide additional resources to school districts with higher costs, driven by the factors mentioned above, particularly those located in communities that are less able to raise revenues locally to pay for education (Baker, 2018).

Although each state's school funding formula is structured differently, all state policies have the following two features:

- They recognize a core set of cost factors that contribute to differences in educational costs across districts.
- They use one or more mechanisms to distribute supplemental aid to offset the additional costs introduced by these factors.

Together, the cost factors and mechanisms incorporated into school funding formulas comprise the building blocks of state efforts to redistribute educational resources among school districts.

Mechanisms by Which Additional Funding Is Allocated

For each cost differentiation considered, state school finance formulas apply different mechanisms to adjust for differences in cost. The most frequently used mechanisms are (a) single student weights or stipends, (b) multiple student weights, (c) resource-based allocations, (d) cost reimbursement, (e) categorical grant programs, and (f) capitated funding.

- **Single student weights or a flat per-pupil amount.** Most states use a foundation formula to distribute funds to schools. These models establish a baseline amount of funding per enrolled student. District funding is then determined by multiplying the baseline amount by a weighted student count of enrollment, which is modified to account for costs associated with students' needs or other contextual information about the district or its schools. Some states use a single weight for a given student group to provide additional funding to school districts. For instance, all EL students in Oregon count for an additional 0.5 enrollment when totaling district enrollment counts. Alternatively, rather than tying additional funding to some percentage of the base, states may simply provide a district with a flat per-pupil amount (e.g., an additional dollar amount per enrolled student living in a family experiencing poverty).
- **Multiple student weights.** States may adjust funding from their foundation formula using multiple weights or dollar amounts that are tied to different levels of need within a student group. For example, states may use multiple weights corresponding to the amount of time a student has been classified as an EL (Ohio) or differences in students' English proficiency

(Maine) (Augenblick, Palaich, and Associates et al., 2018). Multiple weights are also used to adjust for differences in costs associated with educating students with disabilities who have different needs (e.g., by disability category or more general categories of mild or moderate disability).

- **Resource-based allocations.** Under this model, states allocate specific tangible resources (e.g., teacher time, paraprofessionals, and teacher aides) based on the number of students with certain characteristics, such as being deemed at risk or an EL. The amount of additional state revenues a district receives is based on the additional costs (determined by the state) of the resources. For example, Delaware provides one teaching position and some non-personnel funding for every 16.2 students in Grades K–3 (Atchison et al., 2023).
- **Cost reimbursement.** Under this model, the state reimburses districts for additional costs associated with providing educational services and supports to certain students. This approach differs from the other mechanisms; rather than providing a fixed dollar amount, state aid is tied directly to district expenditures. For example, Vermont provides school districts with supplemental state aid to educate students with disabilities using a reimbursement system, in which the state reimburses school districts for up to 60% of allowable expenses (Kolbe et al., 2019). Oregon also uses a form of cost reimbursement for some of its funding for students with disabilities, with costs above $30,000 per pupil eligible for reimbursement through the High-Cost Disability grant.
- **Categorical grant programs.** Some states operate categorical grant programs that provide additional state aid to school districts for specific purposes from separate (stand-alone) appropriations. For example, most states provide supplemental funding for special education and related services through a categorical grant program that operates separately from the state's general education funding formula. States may also use categorical grant programs to direct additional funding to school districts for educational programs for at-risk, gifted and talented, and EL students. With this mechanism, districts qualify for additional funding through a formula that ties state aid to student need, or through a competitive process that awards funding based on demonstrated need or merit. For example, Delaware's Opportunity Fund distributes a $55 million categorical grant to districts based on the number of students who are either economically disadvantaged or EL students, which is equivalent to approximately $1,000 dollars per eligible pupil (Atchison et al., 2023).
- **Capitated funding.** Capitated (also called census-based) funding mechanisms allocate state funds to local education agencies based on the number of students within a school district. Typically, funding takes the form of a flat grant paid to a district based on its overall average daily membership (ADM), rather than the number of students who meet specific eligibility

criteria. This approach is used infrequently and is used exclusively to fund adjustments for students with disabilities and gifted and talented students. For example, New Jersey asserts that 15.4% of students in each district are eligible for weighted funding for students with disabilities (Baker et al., 2020). Alabama sets a much lower threshold, asserting that 5 percent of students in each district are eligible for SWD weighted funding. The rationale for this funding mechanism is to avoid incentivizing the over-identification of students where there may be some amount of discretion and subjectivity.

Cost Factors Considered in State Funding Formulas

Student Need

State funding policies incorporate adjustments for differences in the cost of educating students with higher levels of need, including:

- **Economically disadvantaged or at-risk students.** Most state school finance formulas (45) currently consider differences in student disadvantage (Exhibit 2). These funds aim to address the costs associated with investments in compensatory programs and student support services for students who are living economically disadvantaged or who have been identified as at-risk for academic failure.[2]
  - In schools and districts, the extent of financial need is typically tied to either the number of students who meet specified criteria or the percentage of a district's population who are identified as economically disadvantaged. States use different indicators to identify economically disadvantaged students. The most commonly used indicator is the share of students in a school district who receive or are eligible to receive nutrition benefits through the National School Lunch Program (NSLP). Under the NSLP, the thresholds for eligibility are 130% of the Census poverty line or below for free lunch and 130% to 185% for reduced-price lunch. An increasing number of states and districts, including Oregon, are using indicators of poverty from other administrative data sources collected by the state to reduce the administrative burden on families. For example, Illinois uses eligibility for Medicaid, the Children's Health Insurance Program, Temporary Assistance for Needy Families, or the Supplemental Nutrition Assistance Program as proxies for students from low-income households. For funding through the State School Fund, Oregon currently uses the United States Census Bureau's Small Area Income Poverty Estimates (SAIPE) to calculate poverty rates at the district level (OAR 581.023.0006).
  - Some states distinguish funding for economic disadvantage based on the concentration of economically disadvantaged or at-risk students in a district. For example, California's

[2] Six states (Alaska, Florida, Georgia, Idaho, South Dakota, and West Virginia) do not have policies for providing additional state funding to account for the impacts of poverty on student achievement. Wisconsin has a policy for additional funding for school districts serving high concentrations of students in poverty, but it was not funded in the 2023–25 biennium.

formula includes a concentration grant that allocates additional funds to districts in which more than 55% of students meet the state's definition of an at-risk student, distributing an additional 65% of the base grant amount for each student above the 55% threshold.[3] Other states use a sliding scale to allocate state aid, in which districts with greater concentrations of students living in poverty receive more aid per student than those with lower concentrations (e.g., Nebraska, New Jersey).

- Alabama, Arizona, Florida, and Georgia define at-risk students using non-economic measures or proxies (ECS, 2016). For example, Georgia provides funding for 20 additional days of instruction for 10 percent of the enrolled students in districts identified as not reaching or maintaining adequate academic achievement relative to grade level.

Exhibit 2. Cost Adjustments for Economically Disadvantaged or At-Risk Students, 50-State Summary

Cost adjustment	Total number of states applying adjustment	Formula adjustments					Categorical grant
		Single weight/ dollar amount	Multiple weights/dollar amounts	Resource-based allocation	Cost reimbursement	Capitated	
Economically disadvantaged or at-risk students	45	19 (AZ, FL, GA, HI, IN, KY, LA, ME, MS, MO, NM, NV, ND, OK, **OR**, RI, SC, UT, VT)	20 (AR, CA, **CO**, CT, IA, KS, MA, MD, MI, MN, NH, NE, NJ, NY, OH, PA, TN, TX, VA, WY)	3 (IL, NC, **WA**)			3 (AL, DE, **MT)**

Note. In subsequent analysis, we compare Oregon's funding system to a set of peer states (Colorado, Idaho, Montana, and Washington). These states, if present, are bolded (Oregon in **orange** and peer states in **blue**) to highlight their cost adjustment approaches.

Source. The summary of state funding policies is based on information reported by Augenblick, Palaich and Associates et al. (2018), EdBuild (n.d.), and the Education Commission of the States [ECS] (2024). Individual states' statutes and other documents were reviewed when further information or clarification was needed.

[3] California's definition of an at-risk student includes the unduplicated count of FRPL-eligible students, EL students, or foster youth.

- **EL students.** All but two states provide additional funding to educate EL students—that is, students who cannot communicate fluently or face challenges learning effectively in English (Exhibit 3).[4] EL students have a variety of different educational needs and require specialized instruction and support services to meet common academic standards.
  - Most states provide a constant rate of per-pupil EL supplemental funding based on either the number or share of EL students served by a school district. Maine, however, applies a sliding scale that corresponds with the concentration of EL students in a district. Larger concentrations of EL students result in increasingly large weighting factors. In some states, EL funding adjustments vary based on the level of proficiency or grade level of the EL student. For example, Hawaii assigns different weights according to students' level of English language proficiency (larger weights are given for students who are less proficient in English and smaller weights for students with greater proficiency). Massachusetts's formula places additional weight on EL students but the weight varies according to grade level.

Exhibit 3. Cost Adjustments for English Learners, 50-State Summary

Cost adjustment	Total number of states applying adjustment	Formula adjustments					Categorical grant
		Single weight/ dollar amount	Multiple weights/dollar amounts	Resource-based allocation	Cost reimbursement	Capitated	
English learners	48	19 (AR, FL, GA, KS, KY, LA, MD, MO, NE, NH, NM, NV, OK, **OR**, PA, RI, SC, SD, UT)	20 (AL, AK, AZ, CA, **CO**, CT, HI, IA, IN, ME, MA, MI, MN, NJ, ND, NY, OH, TN, TX, VT)	5 (IL, NC, VA, **WA**, WY)	1 (WI)		3 (DE, **ID**, WV)

Note. In subsequent analysis, we compare Oregon's funding system to a set of peer states (Colorado, Idaho, Montana, and Washington). These states, if present, are bolded (Oregon in **orange** and peer states in **blue**) to highlight their cost adjustment approaches.

Source. The summary of state funding policies is based on information reported by Augenblick, Palaich and Associates et al. (2018), EdBuild (n.d.), and the Education Commission of the States [ECS] (2024). Individual states' statutes and other documents were reviewed when further information or clarification was needed.

[4] Mississippi and Montana are the only two states that do not have existing policies to provide school districts with additional funding to offset the cost of providing supplemental educational supports to EL students.

- **Students with disabilities.** All states provide local school districts with some form of supplemental funding to help pay for special education and related services for students with disabilities (Exhibit 4). Funding is typically tied to either the overall share of students with disabilities in a district or differentiated according to the number of students identified for special education using one of 13 federally defined disability categories (e.g., specific learning disability, autism spectrum disorder, visual impairment; Kolbe et al., 2019).
  - 23 states operate high-cost reimbursement programs, in which the state pays a significant portion of the cost of services and supports provided to students with severe disabilities (Exhibit 5). Students with severe disabilities require intensive or unique supports that can exceed the typical costs of supports for students with disabilities. For students with disabilities who require the most expensive supports (i.e., the top 5% in terms of expenditures), spending has been documented to be as much as 5.5 times to 8.7 times greater than average spending for a general education student and 8.8 times to 13.6 times greater for students in the top 1% of per-pupil special education student expenditures (Chambers et al., 2003). Qualifying for reimbursement or a supplemental grant from a state's high-cost pool is typically tied to a specific spending threshold. In 10 states, this threshold is determined by a set dollar value, over which districts may be partially or fully reimbursed for the expenses occurred serving a child with a high-cost disability. For example, school districts in Oregon may request reimbursement from Oregon Department of Education (ODE) when spending for approved services for a single special education student is greater than $30,000 in a given school year.[5] In 12 other states, reimbursement eligibility is determined using a multiplier of the state's average per-pupil spending (Exhibit 5). For example, Washington's high-cost disability reimbursement threshold is set at 2 times the statewide average per-pupil expenditure (PPE) for districts with fewer than 1,000 FTE students, and 2.2 times the statewide average PPE in districts with more than 1,000 FTE students.
  - Oregon is one of only seven states that has a cap on the share of students who may be identified as students with disabilities for the purposes of state formula funding (Exhibit 6). Further, among the seven states that impose a funding cap for students with disabilities Oregon has the most stringent cap (11%). Some states use a census-based approach for funding special education, providing funding for a fixed percentage of students. For example, Alabama asserts that 5% of all students in each district require special education services and distributes funds to districts accordingly.

[5] This High Cost Disabilities Account is funded every budget biennium at a fixed level. If the total approved excess costs across all districts exceeds the amount in the account, available funds are prorated across districts eligible for reimbursement, based on the districts proportional share of the total statewide approved excess cost. (ORS 327.347).

Exhibit 4. Cost Adjustments for Students with Disabilities, 50-State Summary

Cost adjustment	Total number of states applying adjustment	Formula adjustments					Categorical grant
		Single weight/ dollar amount	Multiple weights/dollar amounts	Resource-based allocation	Cost reimbursement	Capitated	
Students with disabilities	50	7 (LA, MD, MO, NH, NY, **OR**, SC)	30 (AB, AK, AL, AR, AZ, CA, **CO**, FL, GA, HI, **ID**, IL, IN, IA, KY, MA, ME, MN, **MT**, NM, NV, ND, OH, OK, PA, SD, TN, TX, UT, **WA**)	3 (DE, MS, VA)	5 (KS, MI, NE, WI, WY)	2 (NJ, VT)	2 (NC, WV); 1 (for high-cost students only: RI)

Note. In subsequent analysis, we compare Oregon's funding system to a set of peer states (Colorado, Idaho, Montana, and Washington). These states, if present, are bolded (Oregon in **orange** and peer states in **blue**) to highlight their cost adjustment approaches.
Source. The summary of state funding policies is based on information reported by Augenblick, Palaich and Associates et al. (2018), EdBuild (n.d.), and the Education Commission of the States [ECS] (2024). Individual states' statutes and other documents were reviewed when further information or clarification was needed.

Exhibit 5. High-Cost Disability Student Reimbursement Programs and Eligibility Determination, 50-State Summary

	States
High-cost disability reimbursement programs:	
Eligibility determined by fixed spending threshold	10 (AR, CA, KS, MA, NJ, OH, **OR**, VT, WV, WI)
Eligibility determined by per-pupil spending multiplier	13 (AL, AK, CT, LA, ME, MO, NH, NM, ND, NY, RI, SD, **WA)**
Total	23

Note. In subsequent analysis, we compare Oregon's funding system to a set of peer states (Colorado, Idaho, Montana, and Washington). These states, if present, are bolded (Oregon in **orange** and peer states in **blue**) to highlight their cost adjustments approaches.
Source. The summary of state funding policies is based on information reported by Fatima et al. (2024) and on individual states' statutes and other documents when further information or clarification was needed.

Exhibit 6. State Percentage Enrollment Caps on Special Education Formula Funding

State	Percentage enrollment cap
Oregon	11%
Utah	12.18%
North Carolina	12.75%
Nevada	13%
Maine	15%
Washington	15%
New Jersey	15.40%

Note. Percentage enrollment cap reflects the share of a district's enrollment that may be identified as students with disabilities for the purposes of formula funding. In subsequent analysis, we compare Oregon's funding system to a set of peer states (Colorado, Idaho, Montana, and Washington). These states, if present, are bolded (Oregon in **orange** and peer states in **blue**) to highlight their special education enrollment caps.
Source. Individual states' statutes and other documents were reviewed to identify each cap.

- **Gifted and talented students.** Thirty-seven states implement policies that provide school districts with additional funding for programs targeted at gifted and talented students (Exhibit 7). Most states allocate funding using weights or resource allocation adjustments. However, there is no commonly accepted approach across states for identifying the number or share of gifted and talented students in a school district. Oregon offers limited funding for its legislatively mandated Talented and Gifted programs through a competitive categorical grant fund. In the 2023–25 biennium, this program received $350,000 for the whole state (Oregon Legislative Fiscal Office, 2024). North Carolina uses a census-based approach for gifted and talented funding which assumes that 4% of a school district's membership qualifies as gifted and talented and provides funding on this basis. Georgia embeds funding for gifted and talented students in its special education funding programs.

Exhibit 7. Cost Adjustments for Gifted and Talented Students, 50-State Summary

Cost adjustment	Total number of states applying adjustment	Formula adjustments					Categorical grant
		Single weight/ dollar amount	Multiple weights/dollar amounts	Resource-based allocation	Cost reimbursement	Capitated	
Gifted and talented students	37	10 (AZ, GA, IL, LA, MD, MN, NV, OK, SC, TX)	5 (AK, HI, IA, **ID**, **WA**)	6 (DE, MS, OH, VA, WV, WY)	3 (KS, ME, ND)	1 (NC)	12 (AL, AR, **CO**, FL, IN, KY, MI, **MT**, NE, **OR**, UT, WI)

Note. In subsequent analysis, we compare Oregon's funding system to a set of peer states (Colorado, Idaho, Montana, and Washington). These states, if present, are bolded (Oregon in **orange** and peer states in **blue**) to highlight their cost adjustment approaches.

Source. The summary of state funding policies is based on information reported by Augenblick, Palaich and Associates et al. (2018), EdBuild (n.d.), and the Education Commission of the States [ECS] (2024). Individual states' statutes and other documents were reviewed when further information or clarification was needed.

Contexts and Programming

State policies identify districts and schools that qualify for supplemental aid based on size, geography, or some combination of both size and geography. Many states provide supplemental funding to offset differences among school districts in the cost of transportation. With respect to specialized programs, several states provide additional funding for CTE.

- **Geographic location or population density.** Thirteen state school finance formulas include cost adjustments for either the geographic location or the population density of the community in which a district or school is located (Exhibit 8).
  - State policies differ in how they measure population density and define thresholds to determine which districts are located in sparsely populated areas. For example, Michigan defines a sparsely populated school district as having fewer than 4.5 students per square mile. Wisconsin identifies districts with fewer than 10 students per square mile, and New York identifies districts with fewer than 25 students per square mile. By contrast, North Dakota defines sparsity as fewer than 100 students in a 275 square mile area (equivalent to 0.36 students per square mile).
  - In addition to population density, some state policies incorporate criteria based on a school district's physical geography and the distance between neighboring districts and schools. When considering physical geography, states recognize that some school districts operate in remote or geographically isolated areas. In Maine, additional consideration is given to districts in remote areas of the state and "island schools," which are located on islands accessible only by boat (EdBuild, n.d.). Michigan provides

supplemental aid to small and remote schools in the Upper Peninsula that are at least 30 miles from any other public school or located "on islands that are not accessible by bridge" (EdBuild, n.d.). In Arkansas, a school is identified as geographically isolated if no more than 50% of the bus route is on hard-surfaced roads or if geographic barriers impede travel to other schools.

- Some states further condition aid on the driving distance between districts or schools. In Arkansas, for example, a district must not only have low enrollment and be in a geographically sparse area but must also be at least 12 miles from the nearest out-of-district high school. To qualify for additional aid in Colorado, a small school must be at least 20 miles from the nearest district school with the same grade levels. In Nebraska, small elementary schools must be at least 7 miles away from the nearest elementary school or must be the only elementary school in their district.

Exhibit 8. Cost Adjustments for Geographic Isolation or Population Density, 50-State Summary

Cost adjustment	Number of states applying adjustment	Formula adjustments				Discretionary grant program or appropriation
		Single weight	Multiple weights	Resource-based allocation	Flat grant per pupil	
Geographic isolation or population density	13	5 (AR, **CO**, FL, ND, NE)	4 (AK, AZ, NY, SD)	2 (**ID**, WV)		2 (MI, TX)

Note. In subsequent analysis, we compare Oregon's funding system to a set of peer states (Colorado, Idaho, Montana, and Washington). These states, if present, are bolded (Oregon in **orange** and peer states in **blue**) to highlight their cost adjustment approaches. *Discretionary grant program or appropriation* refers to states that have a pot of money set aside for a given purpose, but do not have an explicit formula for allocating these funds. In such cases, the state then decides how to allocate the money set aside for the given purpose.
Source. The summary of state funding policies is based on information reported by EdBuild (n.d.), Verstegen (2018) and ECS (2023). In addition, individual states' statute and other documents were reviewed when further information or clarification was needed.

- **District or school size.** Twenty-nine states recognize that small districts and schools are less able to take advantage of operational economies of scale and must spend more on a per-student basis to provide equivalent educational opportunities (Exhibit 9). Of the states that incorporate an adjustment for district or school size into their formula, half (13) condition this funding on some measure of geographic isolation (i.e., districts and schools that are both small and in a geographically isolated or sparsely populated area).
  - Most states use student enrollment to determine at what point a district or school becomes sufficiently small to qualify for additional assistance, but apply different cut

points for receiving aid. For example, Arizona classifies districts with fewer than 600 students as small, whereas Michigan's definition is fewer than 250 students. In Colorado, districts with fewer than 5,000 students receive "Size Factor" funding. New Mexico uses different enrollment criteria for schools and districts: Small schools have fewer than 400 students and small districts have fewer than 2,000 students.

- Other states set enrollment thresholds based on the number of students in a grade or the average class size in a school. Oregon, for example, defines small elementary schools as having no more than 28 students per grade (and being located more than 8 miles from the nearest elementary school). For a secondary school to be considered small in Oregon, it must be located in a district with fewer than 9,500 students and must enroll fewer than 350 students if the school has four grades and fewer than 267 students if the school serves only three grades. Maine defines small elementary schools (Grades PK–8) as those with fewer than 15 students per grade (and located no less than 8 miles from the nearest PK–8 school) and small secondary schools as those with fewer than 29 students per grade or 200 total students or fewer (and located no less than 8 miles from the nearest high school).
- Only a handful of states identify small districts and schools using staff-based criteria. For example, New York defines a small district as one that employs fewer than eight full-time equivalent (FTE) teachers.

Exhibit 9. Cost Adjustments for District or School Enrollment, 50-State Summary

Cost adjustment	Number of states applying adjustment	Formula adjustments				Discretionary grant program or appropriation
		Single weight	Multiple weights	Resource-based allocation	Flat grant per pupil	
District or school enrollment	29	4 (IA, OK, PA*, WV*)	11 (AK, AR*, AZ, **CO**, FL, KS, LA, ME, ND, NM, TX)	5 (NC*, SD, UT*, **WA**, WY)	4 (MN*, MO, **OR***, WI*)	5 (CA*, GA, **ID**, MI*, VT)

* Indicates states for which the funding adjustment for enrollment is applied only to small districts or schools that are also geographically isolated.

Note. In subsequent analysis, we compare Oregon's funding system to a set of peer states (Colorado, Idaho, Montana, and Washington). These states, if present, are bolded (Oregon in **orange** and peer states in **blue**) to highlight their cost adjustment approaches. *Discretionary grant program or appropriation* refers to states that have a pot of money set aside for given purposes but do not have an explicit formula for allocating these funds. In such cases, the state decides how to allocate the money set aside for the given purposes.

Source. The summary of state funding policies is based on information reported by EdBuild (n.d.), Verstegen (2018), and ECS (2023). Individual states' statutes and other documents were reviewed when further information or clarification was needed.

- **Transportation.** Most states (44) provide additional support for student transportation (Exhibit 10). Transportation aid usually operates as a categorical grant program, separate from adjustments for school size or population density and in addition to base funding provided by the state. The criteria for receiving aid differ considerably across states. For example, Oregon reimburses 90% of costs to districts at or above the 90th percentile of the statewide distribution of transportation expenses, 80% for districts between the 80th and 90th percentiles, and 70% for districts below the 80th percentile. In contrast, Wyoming simply reimburses local school districts for 100% of their transportation costs. Other states condition funding on miles driven or the average distance between students' homes and schools or provide a flat grant amount for each student the district transports to school.

Exhibit 10. Cost Adjustments for Transportation Grant/Aid Program, 50-State Summary

Cost adjustment	Number of states applying adjustment	Discretionary grant program or appropriation
Transportation Grant/Aid Program	44	AK, AL, AR, AZ, CA, **CO**, DE, FL, GA, HI, **ID**, IA, IL, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, **MT**, NC, ND, NE, NJ, NM, NV, NY, OH, OK, **OR**, PA, RI, SC, TN, TX, UT, VT, **WA**, WI, WY

Note. In subsequent analysis, we compare Oregon's funding system to a set of peer states (Colorado, Idaho, Montana, and Washington). These states, if present, are bolded (Oregon in **orange** and peer states in **blue**) to highlight their cost adjustment approaches. *Discretionary grant program or appropriation* refers to states that have a pot of money set aside for given purposes but do not have an explicit formula for allocating these funds. In such cases, the state decides how to allocate the money set aside for the given purposes. In most states, supplemental aid for student transportation operates as a categorial program, relying on an array of bespoke distribution strategies (e.g., percentage reimbursement, per-student or per-route, flat grants).
Source. The summary of state funding policies is based on information reported by EdBuild (n.d.), Verstegen (2018) and ECS (2023). In addition, individual states' statute and other documents were reviewed when further information or clarification was needed.

- **CTE programming.** Every state provides dedicated funding for CTE programs (although the definition and extent of funding vary greatly by state; Exhibit 11). Most states provide CTE funding as a categorical item. For example, Oregon provides the CTE Revitalization Grant, which educational entities may apply to for funding to improve or expand CTE offerings (ODE, 2024). Other states use a single weight for CTE programs in their funding formula. For example, South Carolina provides a 1.29 weight for each pupil in Grades 9–12 enrolled in a CTE program in a school district. Florida adds a weight of 1.072 for each student enrolled in Career Education in grades 9-12. Texas uses multiple weights for CTE programs, ranging from 1.1 to 1.47, depending on whether courses are part of an approved program of study. Washington uses a resource-based formula for CTE programs, providing a 23:1 student–

teacher ratio for CTE classes in Grades 7–12 and a ratio of 19:1 for skills centers (regional centers that provide CTE programs deemed too expensive to offer at high schools).

Exhibit 11. Cost Adjustments for Career and Technical Education, 50-State Summary

Cost adjustment	Number of states applying adjustment	Formula adjustments				Discretionary grant program or appropriation
		Single weight	Multiple weights	Resource-based allocation	Flat grant per pupil	
Career and Technical Education	50	12 (FL, GA, IA, KS, LA, MA, MN, NJ, NY, SC, VT, WY)	8 (AK, AZ, AR, IN, KY, OH, TX, UT)	5 (DE, MS, NC, TN, **WA**)	4 (**ID**, MI, VA, WI)	21 (AL, CA, **CO**, CT, HI, IL, MD, ME, MO, **MT**, ND, NE, NV, NH, NM, OK, **OR**. PA, RI, SD, WV)

Note. In subsequent analysis, we compare Oregon's funding system to a set of peer states (Colorado, Idaho, Montana, and Washington). These states, if present, are bolded (Oregon in **orange** and peer states in **blue**) to highlight their cost adjustment approaches. *Discretionary grant program or appropriation* refers to states that have a pot of money set aside for given purposes but do not have an explicit formula for allocating these funds. In such cases, the state decides how to allocate the money set aside for the given purposes.
Source. The summary of state funding policies is based on information reported by EdBuild (n.d.), Verstegen (2018), and ECS (2023). Individual states' statutes and other documents were reviewed when further information or clarification was needed.

Grade Range

Thirty states adjust funding for differences in educational costs across grade levels, allocating different levels of funding for each student who falls within a given grade range (Exhibit 12). Cost differences across grade levels can be tied to smaller class sizes in early elementary grades and increased course offerings and supplemental academic and nonacademic programming in middle and secondary grades. This is exemplified by the fact that most states consider cost differences across multiple grade spans, though the grade range criteria used in formulas vary across states (Exhibit 13). In Oregon, students in districts that only serve Grades 9–12 receive a weight of 1.2, while students in districts that only serve Grades K–8 receive a weight of 0.9.

Exhibit 12. Grade Range Adjustments, 50-State Summary

Cost adjustment	Total number of states applying adjustment	Formula adjustments				Different base amount
		Single weight	Multiple weights	Resource-based allocation	Flat grant per pupil	
Grade range	30	4 (ME, MN, TX, VT)	8 (AZ, FL, GA, HI, NJ, NM, OK, **OR**)	12 (AL, AR, DE, **ID**, IL, NC, OH, TN, UT, VA, **WA**, WY)	2 (LA, MI)	4 (CA, MA, **MT**, SC)

Note. In subsequent analysis, we compare Oregon's funding system to a set of peer states (Colorado, Idaho, Montana, and Washington). These states, if present, are bolded (Oregon in **orange** and peer states in **blue**) to highlight their cost adjustment approaches.
Source. EdBuild (n.d.).

Exhibit 13. Grade Levels Considered in Grade Range Adjustments, 50-State Summary

Grade level	Number of states
Kindergarten	6
Elementary (Grades K–3, Grades K–2, Grades 1–3, Grades 1–2)	21
Intermediate (Grades 4–6, Grades 4–5)	10
Middle (Grades 4–8, Grades 7–8, Grades 6–8, Grades 7–9)	9
Comprehensive elementary/middle (Grades K–8)	1
Secondary (Grades 9–12)	9
Comprehensive middle/secondary (Grades 4–12, Grades 6–12, Grades 7–12)	9

Source. EdBuild (n.d.).

Resource Prices or Geographic Cost Differences

Twelve states adjust for differences in the price school districts must pay to hire similarly qualified teachers (Taylor, 2015). States use one of three approaches to adjust for these labor costs: (a) a comparable wage index, which measures regional differences in the cost of hiring teachers by comparing regional differences in the cost of hiring nonteachers who are college graduates (e.g., Florida, Massachusetts, and New York); (b) a comparable cost of living index, which measures differences among communities in the cost of purchasing a similar "basket" of consumer goods and services (e.g., Colorado); or (c) a hedonic wage index, which adjusts costs based on factors that affect teacher employment choices and attempts to provide districts with comparable resources to recruit and retain teachers of similar quality (e.g., Maine and Texas).[6]

[6] Additional information on state-level strategies for adjusting funding for regional differences in the cost of teacher wages can be found in Baker (2008), Silverstein and Brown (2024), and Taylor (2015).

These indices create district-level cost difference data that are then applied to modify district funding. For example, Massachusetts uses a wage adjustment factor, which uses wage data reported by the state's Department of Employment to calculate the ratio between the average wage of all workers in the area surrounding a school district and the statewide average wage for all workers. For districts with an average wage that falls below the statewide average, no adjustment to funding is made. However, in districts with above-average wages, funding related to employee salaries are positively weighted by dividing the difference in wages by three. For example, the cost of labor for Boston Public Schools is 26.1% higher than the statewide average. Thus, all funding related to salaries is weighted by:

$$1 + \left(\frac{.261}{3}\right) = 1.087$$

Section 2: Vignettes of Peer State Funding Systems

All states incorporate multiple cost factors and funding mechanisms into their overarching school funding policies. Together, these factors and mechanisms provide different types and amounts of supplemental aid to school districts to offset differences in education costs. While our previous report detailed current policies in place in Oregon, this report illustrates how state approaches to educational funding can differ by comparing the funding systems of four other peer states: Colorado, Idaho, Montana, and Washington .[7] Specifically, we first provide vignettes describing the funding mechanisms of each of these states. These are followed by tabular summaries that compare the key components of the funding systems (Exhibit 14) and the shares of K-12 education revenues from local, state, and federal sources (Exhibit 15) across the states. The descriptions of funding policies used across these states are not intended to serve as nationally representative policy archetypes. Rather, they offer examples of the range of cost factors and mechanisms that have been incorporated into state education funding policies within this set of peer states.

[7] Peer states were selected based on the federal Department of Education Regional Educational Laboratory program northwest region, which includes Oregon, Alaska, Idaho, Montana, and Washington. Because Alaska is a relatively unique educational context, we chose to substitute it with Colorado, which has several demographic and contextual similarities to Oregon, such as the racial demographics of the student population and the proportion of traditional public school districts that are classified as city, rural, or suburb and town by the National Center for Education Statistics.

Vignettes of Peer States

Colorado

Colorado uses a foundation funding formula to allocate state aid to districts.[8] Like other states that use a foundation formula, the state assigns a base amount to the typical student who has no specific needs requiring additional educational supports. For the 2023–24 school year, the base per-pupil amount was $8,076.41 (Colorado Legislative Council Staff, 2024).

This base per-pupil amount is adjusted for regional cost differences across all districts using the Cost of Living Factor—an index of the relative cost of a set basket of goods, which the state updates every 2 years (Colorado Legislative Council Staff, 2024; Taylor, 2015). The Cost of Living Factor distributes larger amounts of funding to districts with the highest costs of living in the state. Colorado also adjusts the base per-pupil amount for all districts by a Size Factor Adjustment, which allocates larger amounts of funding to districts that have smaller total enrollments.

A district's target funding level is determined by applying weights for economically disadvantaged students, EL students, and grade level to the adjusted base per-pupil amount (i.e., adjusted using the Cost of Living Factor and Size Factor Adjustment). School districts and the state determine the portion of the funding target each will pay using a formula based on a combination of property taxes, the wealth of district residents, motor vehicle fees, and other local taxes (EdBuild, n.d.)

For economically disadvantaged students, Colorado applies multiple weights to the base per-pupil amount for at-risk students, defined eligibility for NSLP free or reduced price lunch (FRPL) eligibility. For districts at or below the statewide average of FRPL eligibility, students receive a weight of 1.12. In districts that have FRPL rates above the state average and between 459 students and 50,000 students enrolled, the weight increases by 0.03 for each percentage point over the statewide average. For districts with more than 50,000 enrolled students, each percentage point over the statewide average rate of FRPL eligibility increases the FRPL weight by 0.036. In both cases, the maximum weight of funding for students eligible for FRPL may not exceed 1.30 (Colo. Rev. Stat. § 22-54-104).[9]

[8] In May 2024, Colorado approved a new school funding formula that will take effect in the 2025–26 school year (Colorado General Assembly, 2024). While it remains a foundation funding formula, various definitions and weighting amounts will change. Given that this new formula has not yet taken effect, we opted to report the structure of the expiring funding formula, for which there are available data on funding levels and distributions.

[9] The 1.3 maximum weight is reached by smaller districts when FRPL enrollment is 6 percentage points over the state average. Larger districts meet the threshold at 5 percentage points over the state average; Beginning with the new funding formula in the 2025–26 school year, Colorado will switch its definition of "at-risk" students to use districts' rate of certification in benefits programs and a neighborhood socioeconomic status indicator, rather than relying on FRPL data.

For EL students, Colorado provides 1.08 times the base per-pupil amount and provided an additional $31 million categorical grant fund for the 2023–24 school year (Colo. Rev. Stat. § 22-54-104.6). Colorado makes only one adjustment based on grade level, with students in half-day kindergarten receiving a weight of 0.58.

Funds for students with disabilities and gifted and talented programs come from outside the main funding formula through the Exceptional Children's Act. Colorado uses a per-pupil system that categorizes students with disabilities into two tiers to account for differences in student needs. Colorado allocates $1,750 to districts for each student with a disability (known as Tier A funding). Districts receive an additional $6,000 for all students with disabilities who have specific high-cost disabilities (known as Tier B funding; Colo. Rev. Stat. § 22-20-114).[10] Colorado also provides a high-cost Special Education Trust Fund to reimburse districts for special education spending on individual students that is above $100,000 or 2.5% of operating expenses (Colo. Rev. Stat. Ann. § 22-20-114). A Gifted Education Fund allocates $14.7 million in categorical grants for gifted and talented students.

Washington

Washington operates a resource-based formula for allocating aid to school districts. Unlike Oregon, Washington does not use a per-pupil baseline funding amount in its primary education funding formula (EdBuild, n.d.). Instead, funding levels are based on staffing ratios and classroom instructional hours, which vary based on the educational needs of students and the types of staff employed, with separate student-to-staff ratios for teachers, administrators, and student support staff like nurses and guidance counselors (Verstegen, 2018). For example, Washington allocates funds to provide the necessary number of FTE teachers to generate a 27:1 student–teacher ratio in Grades 4–6. The amount of funding a district would receive based on this ratio is calculated using the statewide minimum teacher salary (approximately $75,000 in the 2023–24 school year), which is then modified by a Regionalization factor based on local housing costs (RCW 28A.150.412). For example, districts in the top tercile of single-family residential values receive an additional 18% from state salary allocations, while a district in the bottom tercile of single-family residential values receives an additional 6% in state salary allocations. Washington's staffing ratios are also adjusted to provide a greater level of resources to small schools and districts than they would otherwise qualify for using the standard resource ratios.

Washington's education spending is largely controlled directly by the state, with 75% of non-federal funding coming from state revenues (National Center for Education Statistics [NCES],

[10] These include disability categories defined as "vision or hearing disabilities, autism, a significant identifiable emotional disability, a traumatic brain injury, multiple disabilities, or significant limited intellectual capacity" (Colorado Legislative Council Staff, 2024).

2024). Washington collects a statewide property tax and distributes this and other tax revenues to school districts. Local school districts may raise local tax levies for both capital and operational expenditures, but the amount of funding raised locally is limited by law to "the lesser of $2.50 per $1,000 of assessed value or $2,500 per student" (Washington Department of Revenue, n.d.).

Washington accounts for additional costs associated with serving economically disadvantaged students by providing funding through the Learning Assistance Program, which targets funds to students who are FRPL eligible (RCW 28A.150.260). Each school district receives funding equivalent to the calculated cost of providing an additional 2.40 instructional hours per week, using an implied learning assistance program class size of 15 students per teacher. In districts where at least 50% of students qualify for FRPL, the amount of funding increases to the equivalent of 3.50 hours of additional instruction time. Washington uses a similar approach to allocate additional resources for EL students (RCW 28A.150.260). For students in Grades K–6, funds are distributed to provide an additional 4.78 instructional hours per week, using an implied class size of 15 EL students per teacher. This amount increases to 6.78 hours per week for students in Grades 7–12.

Washington also adjusts funding for gifted and talented students, capitated at 5% of total district enrollment. The additional funds for each district are calculated as the resources required to provide an additional 2.16 hours of instructional time, using an assumed class size of 15 gifted and talented students (RCW 28A.150.260).

Washington adjusts funding by grade level using a given implied class size for varying grade levels. For students in Grades K–3 with one FTE teacher, this class size is set at 17.00 students, increasing to 27.00 students for Grades 4–6, 28.53 students for Grades 7–8, and 28.74 students for Grades 9–12 (RCW 28A.150.260). In addition, Washington adjusts funding for district size or school size, allocating additional support units for elementary schools with fewer than 100 students and high schools with fewer than 300 students (Washington Office of Superintendent of Public Instruction, 2023).

While most funding is resource-based, funding for students with disabilities is distributed outside of this model and is based on weighting a district's basic education allocation (the per-pupil dollar amount determined necessary for a school district based on resource allocation ratios). For special education funding, Washington uses multiple weights dependent on the proportion of the school day that a student receiving special education spends in a general education setting. For students in general education settings for more than 80% of the day, a weight of 1.12 is applied. A weight of 1.06 is applied for students in general education settings for less than 80% of the day (RCW 28A.150.390). For funding purposes, identification rates for

students with disabilities are capitated at 15%. The state also provides Safety Net Awards—a high-cost services aid program for students with disabilities whose needs exceed those supported by funding provided through the formula (RCW 28A.150.392).

Idaho

Like Washington, Idaho uses a resource-based funding formula to calculate the cost of education based on staff salaries, course materials, and other resources. Consequently, the state does not specify a base per-pupil funding amount. Instead, the formula is based on support units – funding units allocated based on average daily attendance (ADA), grade level, and enrollment. In the 2023–24 school year, districts received 16,850 total support units, each valued at $41,391. Of the funding for each support unit, $21,854 was required to be used for employee benefits, while the remaining $19,537 was for district discretionary spending.

Higher grade levels and lower enrollments lead to more support units, and therefore more per-pupil funding. For example, a district with a school with a kindergarten enrollment of 8 would receive 0.5 support units, while a school with a kindergarten enrollment of 40 would receive one support unit, representing 16:1 and 40:1 student–support unit ratios, respectively (Idaho Code 33-10). A district with an elementary school with 24 students in Grades 1–6 would receive 2 support units, while an elementary school with 60 students would receive 4 support units, representing 12:1 and 15:1 student–support unit ratios, respectively.

Idaho does not adjust statutory funding based on economic disadvantage. However, the state does appropriate non-statutory categorical grants for EL students. In the 2023–24 school year, the state legislature appropriated $4.87 million for this purpose, approximately $260 per EL student (Idaho Legislative Services Office, 2023). Idaho applies capitated, resource-based weights for students with disabilities—asserting that special education students represent 6% of enrollment in Grades K–6 and 5.5% of enrollment in Grades 7–12—and then applies a 14.5:1 student–support unit ratio for these students in districts with more than 14 students with disabilities (with smaller varying ratios for districts with fewer than 14 students with disabilities). Since 2017, Idaho has also inconsistently funded a categorical grant for supporting gifted and talented students (EdBuild, n.d.). In the 2023–24 school year, the state appropriated $1,000,000 in funding for gifted and talented students (Idaho Legislative Services Office, 2023).

Idaho adjusts funding to support districts that are small, remote, or have decreasing enrollment. As noted previously, the resource allocation model delivers a higher rate of resources per student in schools with lower ADA. Elementary and secondary schools at least 10 miles or 15 miles away from the nearest elementary or secondary school, respectively, also receive additional state funding. The enrollment used to calculate funding is limited to a decrease of 3%, regardless of how much enrollment declines in a given year.

Unlike many states, Idaho does not require school districts to raise local property taxes to support its schools. However, districts have a variety of options they may implement to generate local revenue for the maintenance and operation of schools. Idaho also funds bond levy equalization to assist school districts with less fiscal capacity to generate local revenues through bond measures.

Montana

Montana uses a hybrid system for education funding that combines base per-pupil allocations with substantial categorical grant funding to establish a target level of funding. It then distributes funds to help districts meet this target. Unlike many states that use foundation funding, Montana does not set a single base per-pupil funding amount. Rather, it calculates two funding amounts: the basic entitlement and per average number belonging funding (per-ANB funding; a measure of enrollment) (Montana Office of Public Instruction [Montana OPI], 2023).

The basic entitlement for each district depends on enrollment numbers in Grades K–6, Grades 7–8, and Grades 9–12. For example, in the 2023–24 school year, districts received $57,246 if they served any elementary school students, plus an additional $2,863 per 25 students over 250 students in enrollment. Per-ANB funding supplements this on a per-pupil basis. Each elementary school is allocated $6,123 for its first student, and this amount then decreases by $0.20 for each additional elementary student, up to 1,000 students. Each additional student after 1,000 is allocated $5,923.20. The diminishing per-student funding rate effectively provides gradually increased per-student funding for low-enrollment districts. Both the basic entitlement and per-ANB funding are higher for middle school and high school grades. For example, the basic entitlement for a high school was $334,483, plus $17,175 for each additional 80 students over 800 students. Per-ANB funding was $7,840 for the first student, decreasing by $0.50 per student up to 800 students, and $7,440.50 for each student over 800 students. These higher funding rates effectively represent positively weighted funding for higher grade levels.

Montana funds students with disabilities through a hybrid system of flat per-pupil grants and reimbursements for high costs. In the 2023–24 school year, special education appropriations totaled $45 million (Montana OPI, 2023). Of this special education funding, 52.5% is allocated to Instructional Services Block Grants and 17.5% to Related Services Block Grants. These funds are distributed to school districts on a per-pupil basis, regardless of disability status, and were funded at approximately $214 per pupil, or $1,474 per student with disabilities. Another 25% of the special education appropriation is allocated to high-cost service reimbursements, with the remaining 5% allocated to special education cooperatives and boards that pool resources to offer specialized services for students with disabilities in low-enrollment or remote locations. Districts must match state funds at a 3:1 state–local ratio to receive state special education

funds. Expenditures on students with disabilities that exceed dollars received through Block Grants are partially reimbursable by the state, for at least 40%.[11]

Montana has five additional categorical grant programs that are considered part of the core funding formula. These provide $235 dollars for each American Indian student reported in the fall enrollment count; $24 per pupil to support the education of American Indian cultural heritage; $3,566 per licensed educator or other licensed professional; $23 per pupil for supporting state data reporting requirements; and the At-Risk Student Component, which allocates funds to economically disadvantaged students. In districts with a total population under 20,000, "at-risk" students are defined as students eligible for FRPL. Districts with a total population more than 20,000 use poverty counts from the U.S. Census Bureau (Montana OPI, 2023). In the 2023–24 school year, this fund totaled $6 million, equivalent to $41 per pupil statewide or $87 per FRPL eligible student, with funds distributed according to the number of FRPL eligible students.

The funds described above are used to establish the minimum level of funding that each district in Montana must meet. This minimum is equal to 80% of the per-ANB and basic entitlement funding calculations, 100% of all non-SWD categorical funding, and 40% of funding for students with disabilities. Each district receives 44.7% of its basic entitlement and per-ANB entitlement via state funding, along with 100% of non-SWD categorical funds, funds for students with disabilities that are matched by the district, and equalization funds that distribute additional dollars to districts with less capacity for revenue generation. Districts may exceed this minimum level through local property tax levies, up to meeting 100% of the calculated target funding from each entitlement and categorical grant. In the 2023–24 school year, local revenues accounted for 29% of non-federal funds in Montana's public school district budgets (Montana OPI, 2023).

Montana does not adjust funding for sparsity, EL students, or resource price levels. The state does, however, provide $350,000 of categorical funding for gifted and talented student education that districts may apply for and must agree to match on a 1:1 basis.

[11] Reimbursement rates above 40% are dependent on funding availability each year.

Exhibit 14. Overview of Oregon and Peer States' School Funding Formula

	Oregon	Colorado	Washington	Idaho	Montana
Funding model	Foundation	Foundation	Resource-based	Resource-based	Hybrid/ foundation
Economic disadvantage/ at-risk students	Weight = 1.5	Multiple weights (1.12–1.30) depending on poverty concentration	Multiple weighted resource ratios depending on poverty concentration	N/A	Categorical grant
English learners	Weight = 1.5	Weight = 1.08; categorical grant	Multiple resource ratios based on grade level	Categorical grant	N/A
Students with disabilities	Weight = 2.0 (capped at 11% of enrollment); high-cost reimbursement	Multiple weights; high-cost services funding	Multiple weights (capped at 15% of enrollment); high-cost reimbursement	Census-based and resource-based allocation	Flat per-pupil amount; high-cost services funding
Gifted and talented	Categorical grant	Categorical grant	Census-based resource weights	Categorical grant	Categorical grant
Grade level	Multiple weights: Grades 9–12 only =1.2; Grades K–8 only =0.9; Half-day K = -0.5	Multiple weights: Half-day K = 0.58; Full-day K– Grade 12 = 1.0	Multiple weighted resource ratios depending on grade level	Multiple grade-level weights using support units	Multiple weights by grade level and enrollment size
Size and geography	Enrollment and remoteness adjustments	Enrollment adjustments (Size Factor)	Enrollment adjustments	Enrollment and remoteness adjustments	N/A
Resource prices	N/A	Cost of Living Factor	Regionalization Factor	N/A	N/A

Note. FTE is full-time equivalent. Weights are reported as the additional per-pupil allocation assigned to meet the cost of educating a student with a given need.

Source. The summary of state funding policies is based on information reported by EdBuild (n.d.), ECS (2024), and Verstegen (2018). Individual state statutes and other documents were reviewed when further information or clarification was needed.

Exhibit 15. Summary of Oregon and Peer States' Revenue Sources for Education Funding, 2018-19 School Year

State	Revenue Source		
	Local	State	Federal
Oregon	42%	52%	6%
Colorado	51%	43%	6%
Washington	25%	68%	7%
Idaho	24%	66%	10%
Montana	44%	43%	13%

Note. The reported values are taken from the 2018-19 school year to capture the share of revenue sources prior to the substantial increase in federal spending due to the COVID-19 pandemic.
Source. NCES, 2021

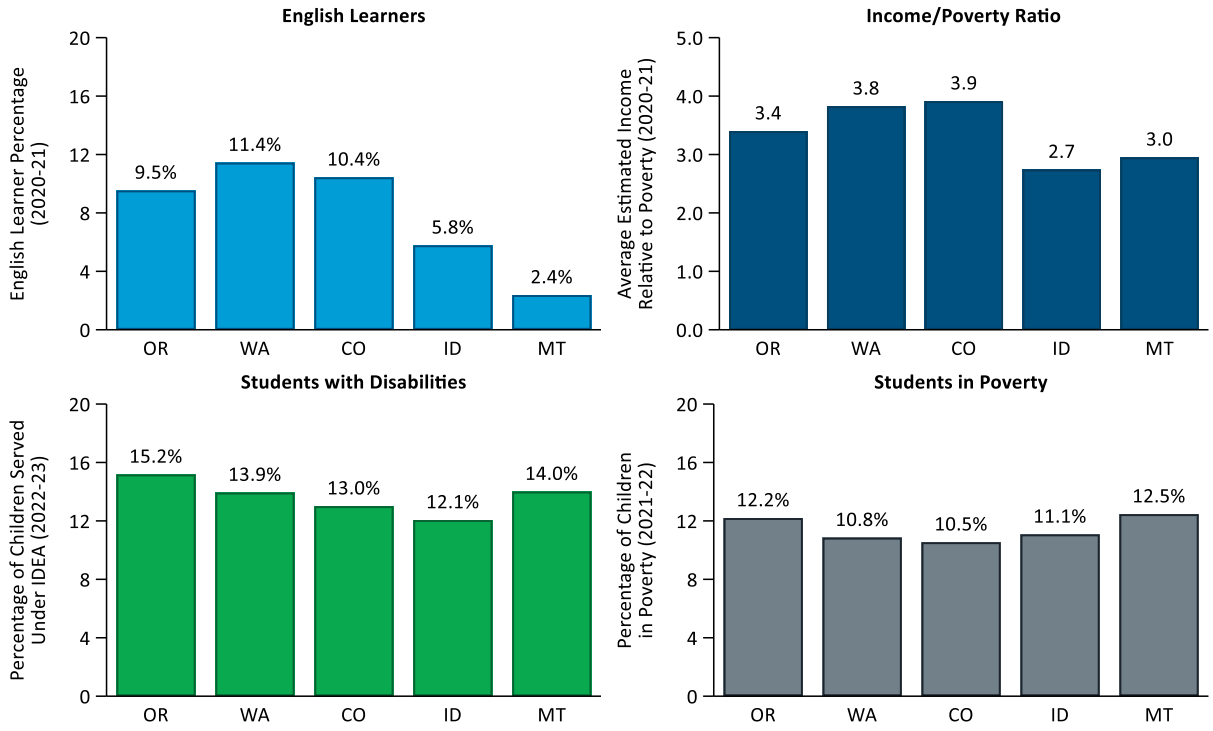
Comparison of School Finance Indicators

In this section, we make some additional comparisons across the selected peer states, focusing on student needs, educational outcomes, and indicators of how well states fund their education systems. We first compare four measures of statewide student need across the peer states: statewide incidence of EL, poverty, and special education, and an income-to-poverty ratio, which represents the average ratio of household income, in dollars, to the federal poverty threshold in the neighborhood surrounding the school attended by the typical student in the state.[12]

Exhibit 16 shows that Oregon has lower average percentages of EL students and income/poverty ratio than Washington or Colorado, but has higher values for both measures than Idaho and Montana. Oregon also has the highest percentage of students with disabilities among this set of states. Finally, Oregon has the second highest rate of students in poverty, just 0.3 percentage points lower than Montana and more than 1 percentage point higher than all other peer states.

[12] For example, an income-to-poverty ratio of 3.4 indicates that on average, the typical student in Oregon attends a school in a neighborhood when the average income is 3.4 times greater than the federal poverty line. Documentation for the income-to-poverty ratio can be found in Geverdt (2018).

Exhibit 16. Comparison of Student Needs Across Peer States in 2020-21



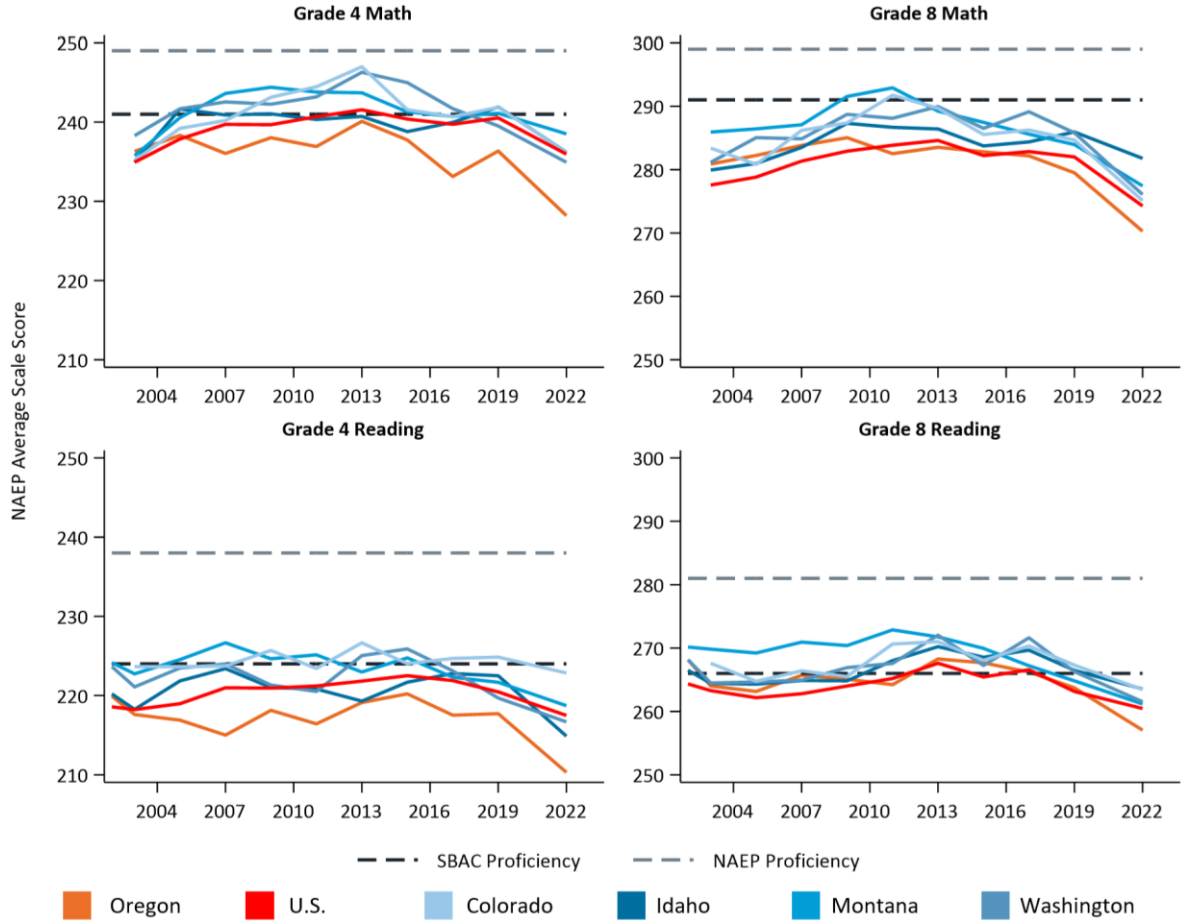
Note. For poverty, district level estimates were aggregated at the state level (weighted by enrollment size). Income/poverty ratio reports the ratio of average family income to the federal poverty threshold in the neighborhood for each school in a state. These values are aggregated within each state (weighting for school enrollment) to report average income relative to the federal poverty threshold.
Source. Percentages of EL students and students with disabilities: Digest of Education Statistics (Office of Planning, Evaluation, and Policy Development, 2021). Percentage of children living in poverty: SAIPE (United States Census Bureau, 2021). Income/poverty ratio: School-level Education Demographic and Geographic Estimates (EDGE; NCES, n.d.).

In Exhibit 17, we analyze academic outcomes across Oregon and its peer states by examining mathematics and reading using the National Assessment of Educational Progress (NAEP) between the 2001-02 and 2021-22 school years, displaying both NAEP proficiency scores and the NAEP equivalent of Smarter Balanced Assessment Consortium (SBAC) proficiency. In both 4th and 8th mathematics, and 4th grade reading, Oregon has had average test scores below NAEP and SBAC proficiency since the early 2000s. Oregon's average test score had been at or close to SBAC proficiency, but below NAEP proficiency, in 8th grade reading for much of this period, but in recent testing periods has been below both proficiency measures.[13]

[13] In the 2022 testing period, the standard error for the average test scores in Oregon were as follows: 4th grade reading – 1.6; 4th grade math – 1.1; 8th grade reading – 1.3; 8th grade math – 1.3. Therefore, in the 2022 testing period, neither the SBAC nor NAEP proficiency levels are within the 95% confidence interval of Oregon's average test scores.

Additionally, since the early 2000s, Oregon has generally had lower average test scores than its peer states for mathematics and reading in both Grades 4 and 8. In the 2022 testing period, the differences in average test scores between Oregon and each of the peer states were statistically significant across both grades and both subjects in all instances except for 4th grade reading in Idaho. Oregon has also had lower average test scores than the U.S. average score in 4th grade tests, while being at, or just slightly below, the U.S. average in 8th grade tests.[14] While performance in all peer states generally trended downward from the 2012-13 to 2021-22 school years, this trend was especially pronounced in Oregon. The gap in average test scores widened between Oregon and the peer states during this decade across all grade–subject combinations.

Exhibit 17. Comparison of Grade 4 and Grade 8 Mathematics and Reading National Assessment of Educational Progress Scores Across Peer States

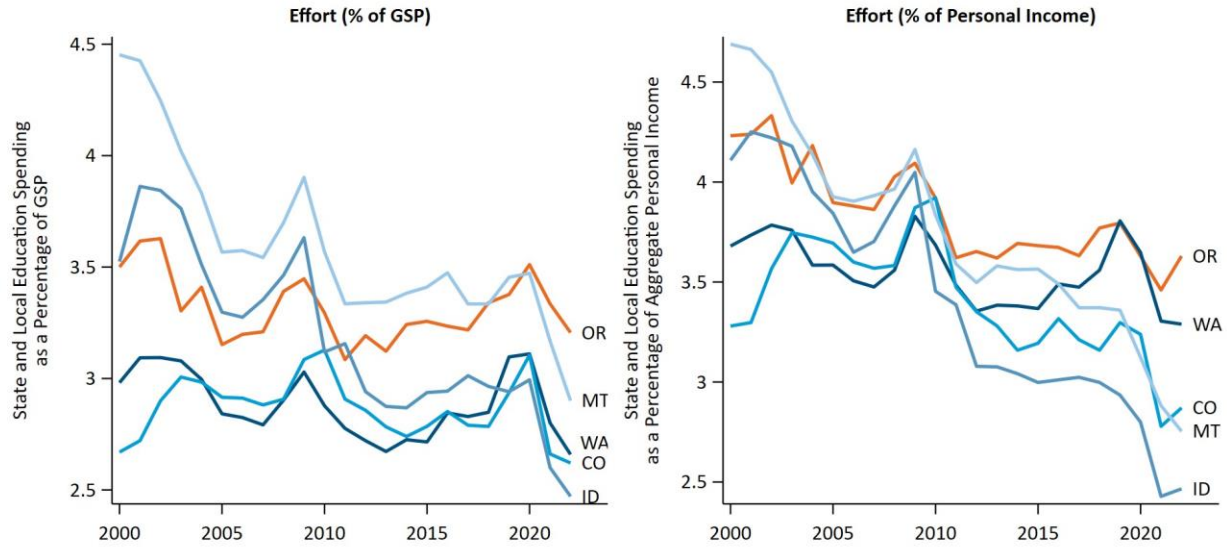


Note. NAEP is the National Assessment of Educational Progress; SBAC is the Smarter Balanced Assessment Consortium. Years refer to the spring of the school year (e.g., 2022 denotes the 2021-22 school year)
Source. NAEP (n.d.).

[14] Differences between Oregon and the U.S. average are statistically significant at a 95% confidence level for 4th grade reading, 4th grade math, and 8th grade math in the 2022 testing period.

We now turn to a comparing Oregon and the set of peer states across indicators of school funding effort and equity. Fiscal effort is a measure of how much a state spends relative to its fiscal capacity, or put differently, a measure of a state's fiscal prioritization of education spending. Baker and colleagues (2024) define fiscal capacity in two ways: using gross state product (GSP) and using state aggregate personal income. Effort is then defined as total state and local spending as a percentage of the two fiscal capacity measures. As shown in Exhibit 18, effort decreased across all these states between the 1999-2000 and 2020-21 school years, with a precipitous decline coinciding with the start of the Great Recession in 2008. However, in the 2020-21 school year, Oregon had the highest level of funding effort across both GSP and aggregated personal income–based effort measures.

Exhibit 18. Comparison of Fiscal Effort for Education Across Peer States



Note. Years refer to the spring of the school year (e.g., 2020 denotes the 2019-20 school year).
Source. School Finance Indicators Database (Baker et al., 2024).

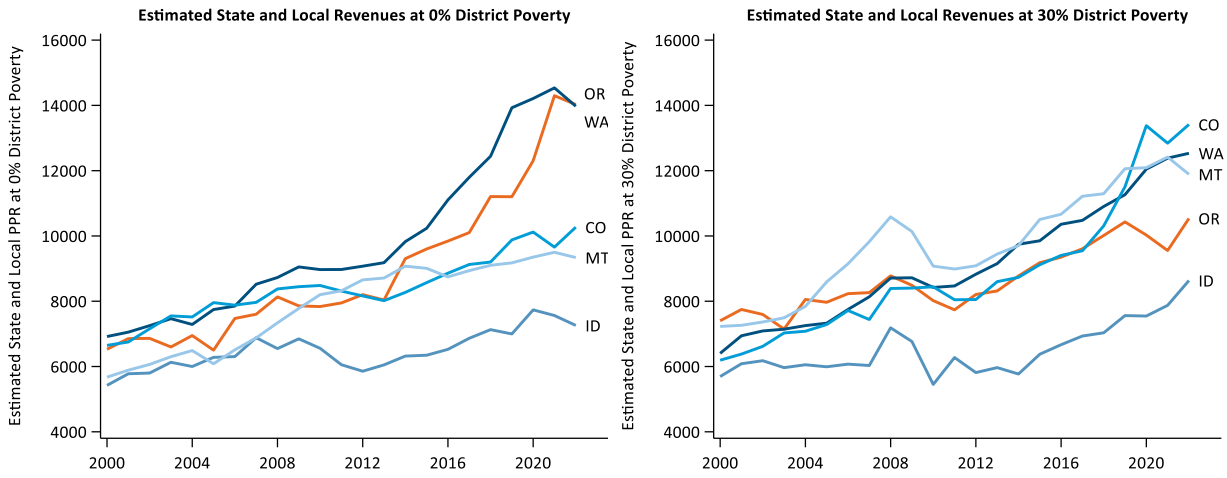
Exhibits 19 and 20 examine the progressivity of the per pupil state and local revenues that are distributed to local school districts to support public K-12 education across Oregon and peer state districts. Progressivity is a measure of equity based on the strength of the relationship between district-level funding from state/local revenues and student socioeconomic disadvantage. In Exhibit 19, the estimated state and local revenues per pupil (PPR) are presented for districts with 0% poverty and 30% poverty, based on each state's actual revenue and student poverty data.[15] These figures allow us to compare the per-pupil funding levels of

[15] Baker and colleagues (2024) estimate regression models to predict revenue levels across states at different rates of poverty using actual district-level revenue as a function of factors such as population density, district enrollment, and local labor market wages.

school districts in Oregon and the peer states and visualize the expected difference in funding across varying levels of district-level poverty. Since the 2011-12 school year, the expected revenue of a district with 0% poverty has increased in Oregon, and in the most recent year with available data (2021-22), the state has the highest expected per-pupil revenue rate for a low-poverty district among the peer states.

However, Exhibit 19 also demonstrates that Oregon compares less favorably to the peer states when examining the expected state and local revenues per-pupil in a district with 30% poverty. Since the 2013-14 school year, an Oregon school district with a 30% poverty rate would be expected to have lower revenues per-pupil than a district with a 0% poverty rate. This difference between 0% and 30% poverty districts has also grown larger over time. In the most recent year, an Oregon school district with 30% poverty has the second lowest state and local revenues per-pupil among the peer states, above only Idaho, and is lower than Colorado, Washington, and Montana. While expected per-pupil revenues have also increased since 2011-12 for districts with 30% poverty in Oregon, the rate of this increase has been slower than for the state's districts with 0% poverty.

Exhibit 19. Comparison of Estimated State and Local Revenues Per Pupil Across Peer States in Districts with 0% and 30% Poverty



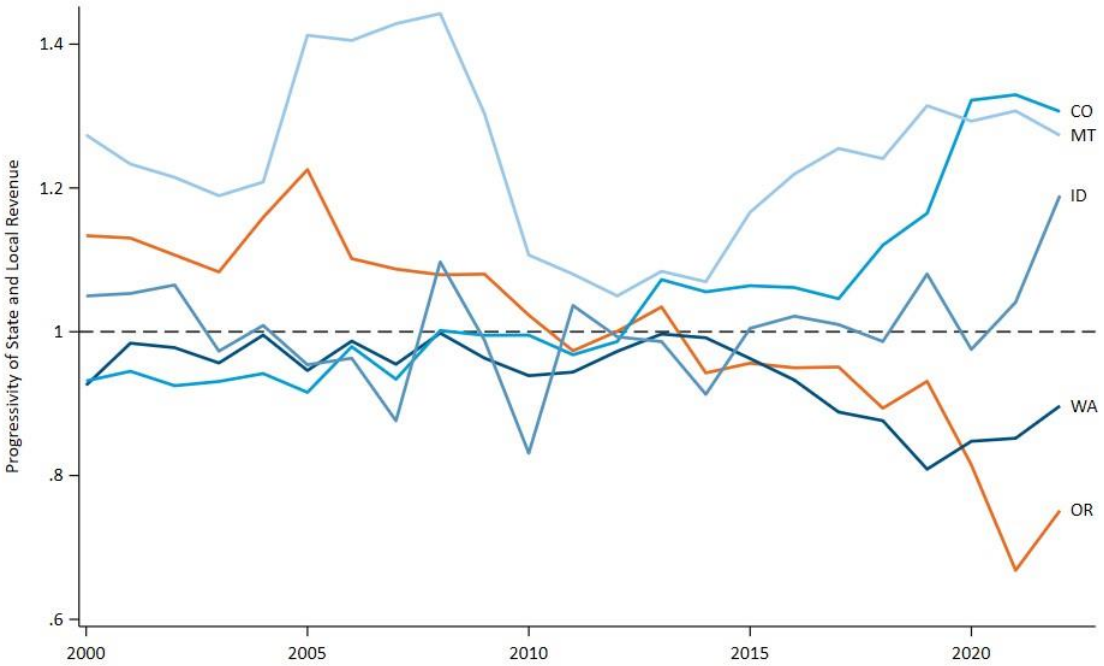
Note. PPR stands for per-pupil revenues. Years refer to the spring of the school year (e.g., 2020 denotes the 2019-20 school year).
Source. School Finance Indicators Database (Baker et al., 2024).

In Exhibit 20, we examine the relationship between school district poverty and state and local revenues per pupil more directly. Baker and colleagues (2024) operationalize a measure of progressivity as the ratio of the predicted state and local revenue per pupil in a district with

30% poverty compared with a district with 0% poverty. In Exhibit 20, we display this measure of progressivity for Oregon and each peer state over time. Values greater than 1 are progressive, meaning that higher poverty districts on average receive more state and local funding per pupil, while those less than 1 are regressive, meaning higher poverty districts on average receive less state and local funding per pupil.

As shown in Exhibit 20, estimates of progressivity in Oregon have trended from progressive to regressive since the 1999-2000 school year. Since the 2013-14 school year, Oregon's funding was regressive according to this measure, with a substantial increase in regressivity from school years 2018-19 to 2020-21. Among peer states, Washington is the only other state that has been consistently regressive since the 2013-14 school year. However, in the most recent years of available data, Oregon has proven to be even more regressive than Washington. Since 2012-13, Colorado became decidedly progressive and was joined by Idaho in the most recent two years. While consistently progressive across the full analysis period, Montana experienced a precipitous decline in its progressivity after 2008 and partially rebounded starting in 2019.

Exhibit 20. Comparison of State/Local Funding Progressivity (Equity) in Terms of Student Poverty, Across Peer States



Note. Progressivity is measured as the ratio of the predicted level of state and local revenues in a district with 30% poverty, compared with a district with 0% poverty. Years refer to the spring of the school year (e.g., 2020 denotes the 2019-20 school year).
Source. School Finance Indicators Database (Baker et al., 2024).

Summary

All states operate school funding formulas and supplemental grants-in-aid programs to address differences in education costs across school districts. States commonly differentiate funding to districts based on (a) student needs, including economically disadvantaged and at-risk students, EL students, students with disabilities, and gifted and talented students; (b) district and school size and location; (c) CTE or other specialized programming; (d) grade range; and (e) resource price levels. State funding formulas use different mechanisms to adjust for cost differences, including weights, resource-based allocations, cost reimbursement, and categorical funding.

Currently, Oregon's funding formula adjusts for differences in education costs across school districts associated with special education, EL students, poverty, and CTE, and adjusts for contextual factors such as grade level, school and district size, and remoteness. While this covers nearly all commonly addressed education cost factors, the policy frameworks used by other states point to several considerations when designing school finance reforms in Oregon.

- Few states cap the share of students with disabilities for whom districts receive funding, and no other state with such a cap has a limit as low as Oregon's (11%). Further, Oregon's funding formula allocates only a single weight for special education that does not differentiate between the various types of disabilities and their differential costs in education. Most states use multiple levels of weighting when allocating funds for students with disabilities, and this may be a strategy worth exploring.
- Oregon's school funding system also does not account for the concentration of student populations. In many states, including Colorado and Washington, districts that serve a high concentration of students living in poverty receive funding over and above the base per-pupil weight for student poverty. Accounting for the increased costs associated with large concentrations of high-need students, across any need category, may also be worth considering.
- Finally, Oregon's funding model does not use cost adjustments to account for regional price differences across school districts. While only 12 states currently use these cost adjustments, Colorado is a good example of a demographically similar state that uses such a method. Colorado's approach is relatively complicated, as the state both generates and continually updates its selected basket of goods on which regional price differences are based. Other approaches, like using the Comparative Wage Index for Teachers maintained by the federal government, may offer a useful way of accounting for differences in educational costs currently ignored in Oregon's funding model.

While the empirical analysis described in subsequent reports will detail specific factors and corresponding cost differentials associated with providing an adequate education to all students in Oregon, state policymakers will ultimately need to decide whether and how best to incorporate these factors and their associated funding into an education finance system. The state vignettes provide several examples of how different peer states approach education funding. Colorado employs a foundation aid formula that is structurally similar to Oregon's. Both set a target funding level, based on a series of weights, which defines the amount of funding believed necessary to deliver an adequate education, and then use state funds to meet the difference between local revenues and the adequate funding level.

One of the advantages of such a system is that the formula is simple to understand; districts receive an amount of money to support students, modified by their educational need. Montana, Idaho, and Washington all use more complicated schemes for distributing funds that rely on categorical grant distributions or resource-based models with staffing or funding unit ratios. Such mechanisms can make the process through which resources are delivered to schools opaque. This undermines transparency, which is a key desirable property of funding distribution systems (Chambers & Levin, 2009).

However, the relative complexity of these funding systems does not speak to their ability to allocate more resources to students with greater need. Using a weighted funding system alone is not enough to guarantee the progressivity of all funding, since according to Baker et al. (2024), Oregon and Colorado are at opposite extremes of progressivity among the set of peer states. Montana, Idaho, and Washington are all more progressive than Oregon in terms of delivering additional educational resources to districts serving the highest percentages of students from low-income households, despite having far more complicated formula mechanisms. While the metric developed by Baker et al. (2024) presents just one approach to modeling funding progressivity, the findings are nonetheless notable. In future reports, we will perform our own equity analysis to further assess how educational resources are distributed to high-need districts in Oregon.

The comparison of student needs, student outcomes, and school finance indicators across states highlights several key differences between Oregon and the peer states that may point to models for improvement. Oregon has moderate to high need in terms of the share of students who are economically disadvantaged, EL students, or students with disabilities, compared with the selected peer states. Further, Oregon has lower average NAEP scores than any of its peer states in fourth and eighth grade reading and math. Having relatively high needs and a lower level of baseline performance means that Oregon will likely need to invest more resources than the peer states to achieve comparable goals for educational outcomes. While Oregon has the highest level of funding effort among the peer states, nationally Oregon ranks only 22nd and

23rd according to GSP and aggregated state income effort measures, respectively, which suggests there may be opportunity for further investment.

Given the similarities in existing funding models between Oregon and Colorado, the latter may be a useful state to examine further as a potential model for improvements, particularly for how funding is distributed to school districts in Oregon. While Oregon spends more overall and puts in more effort in fiscal terms, Colorado is more progressive according to Baker and colleagues' (2024) national measures of funding progressivity, while also being a relatively strong performer on the NAEP compared with the other peer states. To achieve educational adequacy for all students, one must provide equitable funding to students with the greatest educational needs. There is ample opportunity to better translate Oregon's high level of educational spending into a more progressive system that promotes equal educational opportunity for all.

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