

Memorandum

PREPARED FOR: Senate and House Education Committees

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RE: AIR Education Funding Study FAQ



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This memorandum addresses frequently asked questions about the American Institutes for Research (AIR) education funding studies and identifies topics for legislators to consider moving forward. Senate Bill 1552 (2024) required AIR to study Oregon's Quality Education Model (QEM), assess the state's current funding system for public K-12, including special education, and offer an alternative cost estimate to provide an adequate education for all students.¹ AIR published their study reports and presented the findings to a joint informational meeting with the House and Senate Education Committees on February 26, 2025.²³

Frequently Asked Questions

What are the differences between AIR's and Quality Education Model's (QEM) approach to developing adequate funding estimates?

AIR's cost-function model is an *output*-oriented approach that uses existing data on past spending and student outcomes to determine adequate funding to achieve specified outcomes. The QEM uses a professional judgement model, which is an *input*-oriented approach. In this model, a panel of experts first identifies the resources, i.e., the inputs, needed to achieve specified outcomes for different types of schools based on size, grade levels, and student needs, and then estimates the cost of providing those resources.

Why is AIR's estimate for adequate funding so much higher than the QEM?

Despite their different approaches to estimating adequate funding, AIR explains that the primary reason their estimate is higher is that it is based on how much funding is needed to achieve specific outcomes regarding reading and math proficiency, chronic absenteeism, and graduation rates, without any changes in efficiency or quality of education services. In contrast, the QEM estimate only considers funding needed to achieve a specific graduation rate.

Did AIR analyze the relationship between student outcomes and how districts spend their funds?

AIR's adequate funding estimates do not account for how districts spend their funds. Their analysis shows that some districts have higher student outcomes with lower total levels of spending, while others have lower outcomes with higher spending. It was not within AIR's scope of study to look into why. AIR uses the term efficiency to differentiate expenditures associated

¹ [Senate Bill 1552 \(2024\)](#)

² American Institutes for Research, [Evaluation of Oregon's Quality Education Model](#). Last accessed May 9, 2025.

³ American Institutes for Research, [Evaluation of Oregon's Quality Education Model: Joint Legislative Briefing for Oregon House and Senate Education Committees, 2025](#).

with outcomes and expenditures that aren't. They explained their model helps identify more or less "efficient districts," but understanding what's behind those differences requires a different type of study.

Does the study explain why Oregon has lower academic outcomes but spends more money per-pupil than other states?

AIR researchers observed an irregularity in Oregon's high fiscal effort (the proportion of the state budget for education) and low student outcomes compared to other states. Importantly, however, their study did not explore why. The AIR study also found that compared to other states, Oregon ranked near the top for increase in per-pupil expenditures and near the bottom for decline in student outcomes over the COVID pandemic period, but they did not explore why. Additional studies are needed to understand the factors that are driving these patterns.

How do AIR's findings compare to the Edunomics Lab study?

AIR and Edunomics have each stated that the best approach to improving student outcomes will consider both adequate levels of funding and more efficient spending. AIR's study focused on estimating an adequate level of funding to achieve specific student outcomes based on current spending patterns. However, their analyses found broad variation in the relationship between district spending and student outcomes that warrants further study to learn from differences in how districts spend their funds. Unlike AIR, Edunomics did not do a comprehensive economic study of Oregon's education funding system. Still, their national studies look at return on investment by comparing spending and student outcomes at the school and district levels.⁴ Edunomics presented data to the Joint Subcommittee on Education that shows varying levels efficiency across Oregon school districts, underscoring a need to identify factors that might be driving these differences, including considering differences in the level of student needs in the state.⁵

Is the National Assessment of Educational Progress (NAEP) an adequate assessment for measuring student achievement in Oregon?

NAEP is an adequate assessment for measuring student achievement at the national level and for comparisons across states, but it has limitations within individual states. It assesses knowledge and skills in content standards determined by a national panel, not the content standards adopted by the Oregon State Board of Education. The assessment is taken by a representative sample of students who are selected using the best methodological practices. Although students in all states can opt-out of participating in the assessment, data reported in the 2023-24 Oregon Statewide Report Card shows participation rates are similar in Oregon and

⁴ Edunomics Lab at Georgetown University, [Measuring ROI: a National and State-by-State Look Over Time](#) and [ROI Scatterplots: Spending vs Outcomes by School](#). Last accessed May 9, 2025.

⁵ Edunomics Lab at Georgetown University, [Getting the Most From our K-12 Education Dollars](#). Presented to the Joint Subcommittee on Education, January 28, 2025.



nationally for NAEP math and reading tests among all student groups for whom data is available.⁶

Are disability categories an accurate proxy for students' levels of need?

If more specific data about levels of need is not available, then disability category can be used as a proxy. Level of need, however, can vary broadly within disability categories. For example, autism spectrum disorder can range from mild to severe and level of need might be adjusted accordingly.⁷ Funding allocations based on categories may not be as accurate as basing them on the level of services students receive according to their Individual Education Plans ("IEP"), which is how New Mexico allocates special education funding.⁸ Oregon currently does not have a statewide system for identifying students' levels of needs based on their IEPs.

To improve funding adequacy for special education, AIR researchers recommend a funding formula that provides separate weights for students with low-cost and middle- to high-cost disabilities. The disability categories in each tier are

- low-cost: specific learning disability, speech, or language impairment
- middle-cost: developmental delay, emotional disturbance, intellectual disability, other health impairment
- high-cost: Autism spectrum disorder, deaf-blindness, hearing impairment, multiple disabilities, orthopedic impairment, traumatic brain injury, visual impairment

AIR's recommendation is based in part on a finding that districts with larger shares of students with middle- and high-cost disabilities spend more per student than districts with larger shares of students with low-cost disabilities. The cost tiers are based on findings from a national study published in 2003 by the Center for Special Education Finance at AIR.⁹

How does AIR's recommended funding distribution formula compare to Oregon's current formula?

AIR recommends a funding distribution formula that could substantially improve statewide outcomes by allocating more resources to better meet the needs of students with disabilities, students in poverty, English language learners, and students in small school districts. Key differences between AIR's recommended formula and Oregon's current formula are as follows.

- **Removes weights** for students who are pregnant and parenting, in foster care, and neglected and delinquent. It also removes the teacher experience factor, weights for union high districts, and the negative weights for non-full-day Kindergarten, and

⁶ Oregon Dept. of Education, Oregon Statewide Report Card 2023-24, last accessed May 8, 2025.

⁷ Waizbard-Bartov, Einat et al. (2023) [Autism Severity and Its Relationship to Disability](#), *Autism Research: Official Journal of the International Society for Autism Research* vol. 16,4 (2023): 685-696.

⁸ New Mexico Legislative Education Committee (2020) [Serving Students with Disabilities in New Mexico: Challenges and Potential Solutions](#)

⁹ Chambers, J., Shkolnik, J., & Perez, M. (2003) "Total Expenditures for Students With Disabilities, 1999-2000: Spending variation by disability." Center for Special Education Finance. American Institutes for Research.



elementary districts. Researchers instead focused on weight categories that their analysis showed are more predictive of improvements to student outcomes.

- **Creates two different weights for students with disabilities**, one for low-cost disabilities and a combined one for middle- and high-cost disabilities.
- **Adds four different weights for small school districts** based on enrollment sizes of 0-100, 101-300, 301-600, and 601-1200 students.
- **Adds a weight for high schools** based on the proportion of district enrollment in grades 9-12.
- **Changes the poverty rate calculation** from using Census/SAIPE estimates of poverty to using an Economically Disadvantaged Index (EDI) that researchers constructed using multiple measures of poverty. Researchers offer two options for the EDI, one that accounts for the proportion of Black and Hispanic students in a district and one that doesn't. They found that the former is more predictive of improvements to student outcomes.
- **Calculates each district's per-pupil funding amount using an Overall Needs Index** that accounts for higher concentrations of student needs. This is done by adjusting the size of weights according to the proportion of students eligible in each weight category. This results in larger effective weights and subsequently higher Overall Needs Index scores for districts that serve more students with higher needs.

Legislative Considerations

The AIR study yielded new information and recommendations regarding Oregon's K-12 education funding system. Here are several considerations for legislators to explore:

- **Does the legislature want to revisit the current State School Fund distribution formula?** The report points to significant issues with how funding is currently distributed and makes suggestions for improvement.
- **If so, what is a forum for that work?** For example, a Joint Committee, Task Force, or Workgroup could take on this work. There are multiple ways the legislature could approach reviewing or revising the formula, but it will require significant time and effort. Other states that reworked their school funding distribution formulas spent years devising not only the new formula itself, but multi-year implementation plans to move school districts from the current formula to the new one.
- **Special education funding:** AIR's report describes alternative funding methods based on ranges of student needs. The legislature could review current funding models adopted by other states to determine whether a model would better suit the needs of Oregon's students.

