FUNDING EQUITY PANEL REPORT

To the Quality Education Commission

June 19, 2002

FINAL

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A. Executive Summary of Recommendations

1. The Panel determined there are very real differences in the absolute cost of paying for equal opportunity-to-learn based on intellectual, cultural, social, economic, emotional, linguistic and other differences among individual students and based on variable characteristics of districts themselves. No distribution formula can take into account each independent variation that might occur, but a system should attempt to account for and balance the most substantial asymmetric costs identified.
2. The Panel determined adequacy should be defined as: the resources required to offer each student an opportunity to reach a given level of outcomes and to continue to make significant progress when those outcomes are met early.
3. The Panel identified issues that some purport to be possible sources of equity problems. The state must gather data from the state database to assess whether significant cost differences related to these possible equity problems exist, assess whether refinement to the prototypes is necessary and, if so, determine a methodology for refinement:
   - Small rural schools
   - Transportation
   - Safety
   - Special education
   - Concentrations of high needs students
   - Rapid or declining district growth
   - Regional cost differences
   - ESD programs, services and shared funding
   - Local option money
   - Foundations, and local contributions (city, county, special districts)
   - Level of federal funding
4. The Panel identified these possible sources of asymmetric costs and savings, and recommends examining the extent to which federal funds might offset particular asymmetric costs categories such as poverty and special education and developing recommendations based on those findings for the alteration of the model.
5. Clearly, federal funds and other funds do represent significant revenue to many districts and should be accounted for in our model. They are not distributed evenly across districts, however, these funds should be part of the calculation for establishing a statewide amount needed to provide equal opportunity for students to achieve outcomes.
6. A conscious biennial review based on demographics and trends in the mix of students would help produce a methodology that might adjust statewide costs to a changing demographic mix.
7. The Panel notes that court decisions lead schools toward finance systems that view equity as an opportunity for each student to reach established state goals. The Panel

recommends the state define equity as equal opportunity to meet the state's performance goals—i.e., that equity be described in terms of outcomes rather than inputs. The task (which may fall to the QEC) would be to evaluate how well the current formula performs, relative to the adopted concept of equity, and to make recommendations for the steps needed to move the formula toward consistency with the adopted equity goals. The state also needs a process for regularly evaluating how well the formula is doing relative to the state's equity goals.

8. More is known today than was known when the weights were created in 1991. When the formula was created we did not have performance based goals to review the outcomes against. The state should examine each weight category to look for the research based support for the weight. We also need to consider best practices related to the goals of education as we develop the formula. We live in a dynamic world and need a system and process that looks at all the factors before LRO is required to produce a "winners & losers" simulation. All of this information just illustrated to the Panel that, even if the state went to a more streamlined weighting formula, removing those for which there is limited research supporting the weight, there would be significant dislocations of dollars in individual districts. Nonetheless, the state should examine each weight category to develop the research base for support of the weight.
9. We strongly support a line item in the state budget that separates out the highest cost special education student programs. We need recognition that the state currently does not provide funding for special education, it simply redistributes funds from the overall allocation. In special education services for students with the most involved handicapping conditions the state should strive to identify actual costs, using best practices. The Panel anticipates work from the Special Education Study Group that encompasses these findings from this Panel's work. We recommend waiting for the work of that Special Education study and would follow their counsel. They are expected to review service delivery and cost elements. A further consideration related to the next item, if funds are provided in a separate fund for the low incidence, high cost special education student through ESDs (as is often the case, especially through Regional Programs) that funding should not be "equalized" in the same manner as other ESD funding is equalized. The dollars for services to this population should follow the student.
10. The Panel recommends the QEM allocation be equal per weighted student served in ESD regions using the ESD study divisions of special education, technology, instructional support and professional development, and the revenue figures be added to the prototype schools. We believe equity of funding requires all major revenue to be considered when establishing equal opportunities for students to meet the goals of a quality education.
11. The Panel believes there are requirements for some small and remote schools to have increased funding that allows them to provide an equal opportunity to meet the quality education goals of the state. The two weighting formula items now used are

only rough proxies for the likely differences. Oregon has 74 districts with fewer than 500 students. There are eight high schools with fewer than 100 students and 15 with fewer than 200 students. We leave it to the special study group on small schools to determine if some distinction should be made between, say Riverdale, with 105 high school students in urban Multnomah county, and Powers, with 101 high school students in rural Coos county. We believe the QEM requires different assumptions to establish program/cost requirements for these outliers. Consideration should be given by the Best Practices Panel to what the program requirements would be in such a prototype school.

12. A future Panel should study capital needs in schools districts. To help school districts use their capital resources most efficiently and to better understand the effects of education policies on the infrastructure needs of school districts, the State should create a school infrastructure model that takes into account major capital improvements, routine maintenance, deferred maintenance, and the building-for-replacement cycle. The infrastructure model also should explicitly address the question of what types of buildings are needed to achieve the educational goals specified in the Quality Education Model. *[Our panel explored one approach to capital expenditure integration into a full funding model. This involved a method of capturing the annual capital costs per student. To do this the model would look at the three prototype schools and estimate the land and construction costs of each, the expected useful life of the facilities, the annualized amortization and the annualized amortization costs per student. From these figures one would get the estimated total annual capital costs that could be used in the Model for capital cost purposes. This is only an example, there may be better methods to account for capital needs.]*

13. Funding Equity Panel recommends a change in statute to read:

In ORS 327.013 (4) delete "$4,500" and insert "the amount determined by the Quality Education Model as needed to fully fund the prototype schools".

> **327.013.** The State School Fund distributions shall be computed as follows:
> (1) General Purpose Grant = Funding Percentage × Target Grant × District extended ADMw.
> (2) The funding percentage shall be calculated by the Superintendent of Public Instruction to distribute as nearly as practicable the total sum available for distribution of money.
> (3) Target Grant = Statewide Target per ADMw Grant + Teacher Experience Factor.
> ***(4) Statewide Target per ADMw Grant = ~~$4,500~~ The amount determined by the Quality Education Model as needed to fully fund the prototype schools.***

Setting the QEM funding level as a standard is consistent with the Constitutional requirement for the Governor and Legislature to report on the discrepancy between the actual funding level and the QEM. This change will enable comparisons to be drawn between the QEM target funding level and current support level as a measure of adequacy. State funding levels could be tracked over time to assess progress toward meeting the QEM Standard, with adjustments as appropriate.

B. Introduction

In understanding the work of the Funding Equity Panel it is necessary to understand the conceptual framework that has been established in previous QEM work. The basic charge, then as now, is to define the state funding requirement to meet state education goals.

The state has established goals with academic and performance standards. It has assessment procedures in place to measure how students do in meeting these standards. The Quality Education Commission has designed prototype schools capable of meeting the goals of the state. **Our Panel was charged with determining whether there are costs not captured in the prototypes**. We examined issues related to high cost special education, rural and urban diseconomies of scale, capital expenditures, and changing demographics.

When costs are established for the prototype schools they must be translated into a cost per student. From the cost per student in the prototype, we can estimate a cost statewide by multiplying the cost times the total number of students. **Our Panel was charged with determining whether there is other revenue, not provided by the state, that should be considered as providing for some student education needs.** We examined federal funds, ESD funds, local option money, foundations, and local contributions (city, county, special districts). We know what the state actually provides through its General Fund and we know what is projected for local property taxes.

OUR PANEL IS CHARGED WITH:

1. ***DETERMINING WHETHER THERE ARE COSTS NOT CAPTURED IN THE PROTOTYPES.***
2. ***DETERMINING WHETHER THERE IS OTHER REVENUE TO BE CONSIDERED THAT IS NOT PROVIDED BY THE STATE.***
3. ***DETERMINING IF THE EQUALIZATION FORMULA ADEQUATELY ACCOUNTS FOR THE VARIATIONS AMONG STUDENTS AND DISTRICTS.***
4. ***DETERMINING WHAT EQUITY DEFINITION WILL BE OPERABLE IN OUR FUNDING STRUCTURE.***

Once the total available funding is established the model assumes distribution through the current equalization formula. Oregon uses a weighted distribution equalization formula. **The Panel was charged with determining if the equalization formula adequately accounts for the variations among students and districts.** For this review we looked at what the variations are and how they are used or not used in the current formula.

Underlying this whole framework is our definition of equity. We need a clear concept of what we mean by equity in order to know if the current formula is achieving the state's equity goals. **The Panel was charged to determine what equity definition should be operable in our funding structure.** As we recognize Oregon's education goals are performance-based, it follows that the state's definition of equity should also be performance-based. The goals of a quality education are established in statute and in administrative rules that implement the statutes. They include the standards created in the Oregon Education Act for the 21st Century (ORS 329). This act required the ODE to establish Certificates of Initial and Advanced Mastery (CIM and CAM) and connects

these certificates to the state's Common Curriculum Goals and Essential Learning Skills which "have rigorous content standards in mathematics, science, history, geography, economics, civics, English and physical education." The Act further states that schools "shall maintain control over course content, format, materials and teaching methods."

OREGON STATUTES ESTABLISH THE STATE STANDARDS FOR A QUALITY EDUCATION, ODE PROVIDES THE PLAN FOR IMPLEMENTING THE STATUTES

There may be an inherent conflict between state goals and federal goals. The feds may have trumped the state in one area by saying that 100% of students need to meet reading and math standards. If the *state* doesn't embrace *that* goal and try to accomplish it, the burden will fall on local school districts. Local districts in Oregon don't have the capacity to make it happen, given their limited ability to raise additional resources. The model will have to accommodate the full goals that districts are expected to meet, whether they are established by the state or federal government. And we should not fall back to just dealing with the limited reading and math federal goals. While their 100% seems higher than Oregon's 90% for meeting or exceeding standards, we should keep clearly in mind that the feds are only looking at the academic elements of reading and math. Oregon has a full array of academic and performance goals far deeper and richer than the simple reading and math elements. (See matrix in the appendices showing a comparison of Oregon and federal goals.)

Nonetheless, we set a high standard for every district (even if it is the state's 90% rather than the fed's 100%), the system can't possibly be equitable unless each district can provide each student an *equal opportunity* to achieve the goals. If we don't define equity in that way—i.e., in terms of equal opportunity to meet standards—then just how do we define equity? It would not make sense to have equity goals that are not consistent with performance goals.

C. Background

The QEM–2000 report identified that one of the most critical issues facing policy makers is how to deal with school funding equity. Questions were raised about mechanisms for distribution, dollar levels per pupil, and the relationship of funding equity to the goals of education the State has articulated.

THE STATE HAS BEEN GIVEN CONTROL OF FUNDING, SETS DISTRIBUTION POLICY, ESTABLISHES ACADEMIC AND PERFORMANCE STANDARDS AND MUST ASSURE FAIRNESS

A reality of the post-Measure 5 environment is the State has assumed a central funding role and sets distribution policy. The current method of distribution is for the State to assume control of all local and state revenues and to allocate funds to school districts based on a district's weighted student population with a capitation formula. Districts in turn determine how the funds are used to meet state academic and performance standards. As we examine the concept of expectations relative to meeting or exceeding standards set by the state, we will need to review what a "minimum" standard is. We expect schools not only to provide students with opportunities to meet the standards but also to provide those who meet the standards early continue to be challenged to continue to improve.

In past years the *level* of State funding has been driven by the debate over *equity*. Since the *Serrano v. Priest* decision in California in 1971, equity in nearly all cases has been defined as equal per-pupil revenue across districts. The legislature in Oregon has effectively defined equity as the full implementation of their distribution formula. (This Panel recommends a different definition later in this report.) Oregon has a foundation formula with weights for categories thought to require higher than average costs. Even when funding is adequate, there are important issues to be considered in the distribution of school funds.

THERE ARE DIFFERENCES IN THE ABSOLUTE COST OF EQUAL OPPORTUNITY BASED ON INTELLECTUAL, CULTURAL, SOCIAL, ECONOMIC, EMOTIONAL, LINGUISTIC AND OTHER DIFFERENCES AMONG INDIVIDUAL STUDENTS

First, assuring per student per dollar equity does not assure education equity. Second, in devising distribution formulae, other issues arise including the particular challenges associated with remote, small schools, proportion of students from families in poverty, multiple ethnic and language groups, differences in the cost of doing business in different regions of the state, with rapidly growing school districts, and with those facing declining enrollment. Add to this mix the disparate levels of funding provided by Education Service Districts and you see a variation that is not likely to provide uniform opportunity for students across the state.

FINDING: This panel determined there are very real differences in the absolute cost of paying for equal opportunity-to-learn based on intellectual, cultural, social, economic, emotional, linguistic and other differences among individual students and based on variable characteristics of districts themselves. No distribution formula can take into account each independent variation that might occur, but a system might account for and balance the most substantial asymmetric costs that can be identified.

The weights now in the distribution formula include those for various special needs students, for teacher experience, for remote small schools and for transportation costs at seventy percent of actual costs. Some important distribution issues have not been addressed previously by the model or the current state school funding formula and have been items of discussion and study by the Funding Equity Panel, with a desire to make the Quality Education Model more effective.

Nationally, in recent years, the debate on school funding has shifted toward one of resource adequacy, and this is one of the main issues the Quality Education Model has been designed to address. "How much should it cost for Oregon schools to give all students an opportunity to meet the Oregon standards?"

FINDING: Our Panel has determined adequacy should be defined in terms of the resources required to offer each student an opportunity to reach a given level of outcomes and to make significant continued progress when those outcomes are met early.

With this shift in emphasis from an inputs design to an outputs design, the issue of better establishing the connection between inputs and outputs becomes more urgent. If we accept one role of the State is to assure significant progress toward and beyond some standard level of student achievement, then developing resources that provide all students an opportunity to make continuous progress is essential. In this context it is important to recognize that students with differing characteristics, indeed *districts* with differing characteristics, require different levels of resources to reach established educational standards. The funding equity issue necessarily becomes tied to questions of how the costs of reaching the desired standards vary with these differences in characteristics.

SCHOOLS PROVIDE STUDENTS WITH OPPORTUNITIES TO MEET THE STANDARDS AND CHALLENGE THEM TO CONTINUE TO IMPROVE

D. Challenges

The challenge presented to the Funding Equity Panel was to determine how Oregon is to provide the same level of educational opportunity to every child no matter the district where they reside. We looked at dollar equity, service level equity and equity in opportunity for achieving the education goals set by the state. The Panel looked at factors that are used in the Quality Education Model to determine what, if any, adjustments are necessary to make the model more likely to produce an equal opportunity to learn to the established standards. The model needs examination on several fronts.

1. **Asymmetric Costs.** We would suggest there are some unusual costs or potential savings in "outlier" schools that are not captured in the current prototype schools. To establish this, it will be necessary to determine if the current prototype elementary, middle and high schools in the Quality Education Model adequately estimate statewide school costs. We will need to ascertain if there is a class of schools with costs substantially different from typical schools. Further, the state should look at a range of actual schools to see if standard prototypes can adequately represent the entire universe of schools for purposes of establishing a statewide budget. We identified issues that some purport to be possible sources of problem:

ARE THERE COSTS FOR SOME DISTRICTS NOT CONSIDERED BY THE MODEL THAT SHOULD BE

   – Small rural schools
   – Transportation
   – Safety
   – Special education
   – Concentrations of high needs students
   – Rapid or declining district growth
   – Regional cost differences
   – ESD programs, services and shared funding
   – Local option money
   – Foundations, and local contributions (city, county, special districts)
   – Level of federal funding

   The state must gather data from the state database to assess whether significant cost differences exist, assess whether refinement to the prototypes is necessary and, if so, determine a methodology for refinement.

FINDING: The Panel has identified these possible sources of asymmetric costs and savings, and recommends a next step of examining the extent to which federal funds might offset particular asymmetric cost categories such as poverty and special education and to develop recommendations based on those findings for the alteration of the model.

2. **Student Demographics.** The Panel reviewed data concerning changes over time of the various weighted items in the formula. We believe a methodology needs to be developed for assessing costs of special populations, including special education, second language, and poverty. Care should be taken to avoid using only average factors. The methodology should look at high performing schools and extract factors that would emphasize or emulate that high performance model. The Panel reviewed student demographics to verify the QEM prototype schools assumptions about the mix of ESL, special education and students in poverty. We would suggest that prototype school programs and costs are established to serve these special needs students.

REVIEW BIENNIALLY THE DEMOGRAPHIC TRENDS TO ADJUST MODEL COSTS

FINDING: A conscious biennial review based on demographics and trends in the mix of students would help produce a methodology that might adjust statewide costs to a changing demographic mix. An example of demographic change that will impact the model is ODE data showing that for every three *new* students in the state, two are Hispanic. Over the next 5-10 years this should influence district program development and delivery.

3. **Federal Funds and Other Funds.** The current model does not incorporate the application of federal funds, which provide additional resources to address the needs of special populations. The model also does not consider the compounding costs that may occur in schools with very high concentrations of students with high cost special needs.

Our charge was to look at methodology that exposed trends by major category of student populations (again, special education generally, high cost special education, English language learners, and students in poverty). We were to consider whether prototype schools adequately reflect additional costs of serving these populations, and consider how distribution of special needs students among schools affects state-wide costs.

FEDERAL AND OTHER FUNDS SHOULD BE CONSIDERED IN COST CALCULATIONS OF THE MODEL

FINDING: Clearly, federal funds and other funds do represent significant revenue to many districts and should be accounted for in our model. However, they are not distributed evenly across districts. For establishing a statewide amount needed to provide opportunity for students to achieve equal outcomes, these funds should be part of the calculation necessary for meeting the standard of adequacy identified in the QEM.

An added challenge to the QEM is review of the distribution of federal funds for special needs students. These monies are almost always provided for specific purposes and are restricted for those purposes only. Nonetheless, they are part of what a district has available to meet the needs of students. The question of "offset," "replacement" or "supplanting" is not at issue here. It is simply a matter of accounting for the funds as part of the resources available to meet student educational

needs. The QEM attempts to determine how much money is needed to provide equal opportunities for all students to achieve or make significant progress relative to established state standards. To do so it must capture the full spectrum of revenue available to schools in this endeavor.

These issues have been part of Oregon's funding discussions for some time and with the QEM as a guide for funding adequacy it becomes an even bigger concern than previously. Our Panel is charged to coordinate as much as is possible (with variation in time lines this is a particular challenge) with the special education commission, the ESD study and the small school study established by the legislature.

4. **Distribution Model.** Our charge includes developing a conceptual framework for reviewing the fairness of the distribution model. Applying this to thorny issues such as special education, ESDs, small remote schools and transportation takes an examination of cost differences among districts.

This part of our charge includes, albeit obliquely, a consideration of the distribution formula – to be clear, *not* to redraft the current or to design a new distribution formula. Oregon's equalization formula distributes the State School Fund allocation, weighted for differences among students in districts. The weights reflect variations for special education, poverty, ESL/ELL, teacher experience, and small schools. The formula *does not add additional dollars* for these special populations. It is a weighting tool only – a "zero-sum game." If statewide populations of certain categories go up, the formula does not capture this, it simply shifts money from one category to another.

THE EQUALIZATION DISTRIBUTION FORMULA MUST BE FAIR AND CAPTURE AS MUCH AS POSSIBLE THE UNCONTROLLED VBARIANCES IN SCHOOLS COSTS

The way the concept recognizes differences in the numbers of high cost students for example, is illustrated in the Woodburn District which has over 50% of its students identified as ESL. The .5 weight for ESL students recognizes the added resources these students require. But, it does not add dollars, it shifts them.. This may be a quagmire beyond redress but, if funding is not fairly distributed it is hard to hold all schools accountable for achieving Oregon's quality education goals.

More is known today than was known when the weights were created in 1991. The Panel believes if the state were to go to a more streamlined weighting formula, removing those elements for which there is limited scientific study supporting the weight, there would be significant dislocations of dollars in individual districts. Nonetheless, the state should examine each weight category to develop the scientific support for the weight. Nearly every district can point to some inequity – remote districts face overhead and transportation costs, urban districts face higher personnel and service costs, districts with older buildings face higher maintenance and upkeep costs, districts with special needs students believe the formula inadequately compensates them, districts with concentrations of high cost special education students feel particularly unserved by the formula.

FINDING: A special study group should be convened by the legislature to review current information and data and either confirm the weights in the formula, replace them or provide other more pertinent weights.

5. **Legal History of School Finance Systems.** With some understanding of the program and model challenges presented, the Panel looked as some legal history. This history helps to guide current thinking and planning for defining equity and for making that definition operational in the state system of schools.

   a. **National.** The history of education in the U.S. shows the 19th and early 20th Centuries as a time when a *foundation* for public schooling was being built. The latter half of 20thCentury brought a quest to ensure *access* to the system. Emerging as we ended the 20th Century and entered the 21st Century we see the challenge is to render the system more *effective*. Effectiveness implies accountability – adequacy of program and resources, and efficiency in using resources.

   Beginning with the post-World War II Civil Rights movement, judicial and legislative steps were taken to gain access to public schools for a wider portion of the population. B*rown v. Board of Education* ruled against racially segregated schools. *Lau v. Nichols* facilitated provision of services to limited English proficient students. Disabled students were included in public schools by courts and then by Congress. The 1978 Higher Education Act's Title VI extended these issues of equity to include parity of resources and services based on gender. In *Doe v. Phyler* courts extended the rights of a public education to immigrant students.

   As litigation related to school funding moved forward we see the equity issue falling into three distinct waves.

   The first wave cases were mostly based on the equal protection clause of the U.S. Constitution, but few were successful. One of the earliest cases, a 1968 Illinois equal protection case, *McInnis v. Shapiro*, produced an outcome that initially discouraged reform advocates. In this case plaintiffs, representing poor children in low-wealth Illinois districts, asked the court for a remedy by which funding would be distributed in keeping with children's educational needs. The court, citing the difficulty in constructing a judicially manageable solution, rejected their pleas.

   LOW-WEALTH DISTRICTS ARGUED FOR EQUAL FUNDING BASED ON EQUAL PROTECTION CLAUSES IN THE U.S. CONSTITUTION

   An early success, based on federal equal protection, was *Serrano v. Priest* in 1971, where the California Supreme Court ruled that California's school finance system was unconstitutional because it violated the federal equal protection clause. However, two years later a setback occurred with the U.S. Supreme Court's narrow negation of plaintiffs' position in a landmark Texas case, *San Antonio v Rodriguez*. The court ruled that education is not a fundamental right and that

differences in funding among districts were acceptable as long as the differences were rationally related to a legitimate state purpose. With the U.S. Supreme Court's ruling in *Rodriguez*, local control over school finance, the source of the large disparities in per student funding in California's finance system, was considered a legitimate state purpose, so the *Rodriguez* ruling effectively overturned the *Serrano* decision and effectively ended challenges to state education funding systems based on the federal constitution.

The second wave of school finance litigation redirected the equal protection crusade to a state-by-state endeavor, based on *state* equal protection and due process clauses. Many state courts have been willing to strike unequal financing conditions, relying upon state constitutional provisions. In 1973, the New Jersey state Supreme Court decision in *Robinson v. Cahill* undid a conventional foundation formula that failed to equalize to any but the most moderate per pupil spending levels.

LOW-WEALTH DISTRICTS ARGUED FOR EQUAL FUNDING BASED ON STATE CONSTITUTIONAL EQUAL PROTECTION & DUE PROCESS CAUSES

On the West Coast, *Serrano v. Priest (Serrano II)* triggered a substantial reform of the Golden State's school finance mechanisms. It found education to be a fundamental right under the California Constitution, and state law is controlling when a court determines that state constitutional rights are broader than their federal counterparts. These cases, and ones like them in other states, seldom led to rapid solutions. It actually took New Jersey and California three decades, and many intervening trials and legislative tribulations, to lay the issue to rest, and even today it may not be over.

In both the first and second waves of school finance litigation, the focus was on a concept of equity based on equal funding per student. Where courts found state school finance systems unconstitutional, it was because there existed large disparities in funding per student among districts. No court argued that funding per student needed to be equal for all districts, but in the systems that were found unconstitutional the disparities in funding per student were so great that the courts could find no rational relationship to a legitimate state purpose.

The third wave of litigation, which began in the late 1980s, took a fundamentally different approach by putting a greater emphasis on student programs and opportunities rather than on equality of funding. Litigants argued that equal funding didn't necessarily translate into equal programs or equal opportunities for students because of cost differences among districts, and the result was a persistence of the unequal outcomes that had long been present. Kentucky was a bellwether, struggling to use its education system as a lever to escape from decades of a languishing economic climate. In 1989, in *Rose v. Council for Better Education Inc*., the Kentucky Supreme Court declared that state's *entire education system* to be unconstitutional. It then directed its General Assembly to re-create the state's elementary and secondary schools, ensuring that

every child would have access to an adequate education. The Court defined "adequate" to be a level of knowledge and skills that enables students to participate fully in civic, economic, and cultural affairs. The Kentucky Court effectively changed the terms of the debate in school finance law, recognizing a new state obligation in public education, that schooling be "adequate," and shifting the emphasis of its judicial oversight from equity to adequacy.

BASED ON STATE CONSTITUTIONAL EDUCATION CLAUSES, DISTRICTS ARGUED FOR ADEQUATE PROGRAMS TO GET STUDENTS TO EXPECTED STATES STANDARDS

This shift in the courts to a view based on adequacy, or equal program levels and outcomes, rather than on equal funding, paralleled a growing body of educational research showing that student background and characteristics can have a large impact on student learning and on the level of resources needed for students to reach a given level of academic performance.

The third wave also saw a shift in legal strategies, with litigants bringing cases based on the education clauses of state constitutions rather than on the due process or equal protection clauses. This shift in focus to education clauses had important implications for the equity debate because it forced policymakers and the courts to consider the level and impacts of actual education programs rather than just funding levels. This occurred because most state education clauses contain what has been called a "substantive component"—language that requires the state to provide an education system that achieves at least a minimum level of programs or student outcomes for all students. Although the specific language differs from state to state, most constitutions require that education systems be "meaningful" or "adequate" in the sense that they prepare students to participate in society and the economy. In other words, the focus of state education clauses is on equity in what education systems achieve rather than on equity in funding. (The Oregon Constitution states, "The Legislative Assembly shall provide by law for the establishment of a uniform, and general system of Common schools.")

In general, court cases since the late 1980s have shifted the focus of the equity debate away from equity in terms of equal funding and toward an equity concept where student needs drive funding. Under this view of equity, unequal expenditures per student are acceptable, or may even be required, if they are related to student needs. The challenge to state policymakers in this environment is to assess how student needs differ from district to district and to determine, as accurately as possible, how those varying needs affect the level or resources required so that every district is able to meet the state's educational goals

b. Oregon. The most recent court challenge in Oregon was filed in circuit court in Deschutes County on behalf of three eighth grade students in 1994. It became known as *Withers vs. State of Oregon* and produced some of the same arguments made in two previous challenges to the constitutionality of Oregon's school funding system.

OREGON'S HISTORY IS OF CASES BASED ON EQUAL PROTECTION & DUE PROCESS CONSTITUTIONAL CLAUSES

In 1976, *Olsen v State of Oregon (2776 Or 9, 554, P2d 139)* found no breech of the constitution and in 1991 *Coalition for Equitable School Funding v State of Oregon (311 Or 300.811 P2d 116)* found no breech of the constitution. *Withers* argued the same points as these earlier challenges because they believed Ballot Measure 5 had dramatically changed the facts of equity for school districts. They used arguments outlined in "wave one" and "wave two" litigation noted above – U.S. Constitutional guarantees of equal protection and Oregon Constitutional guarantees for equal protection and issues based on "a uniform and general system of common schools."

In 1994 the trial court issued a judgment declaring Oregon's school funding system did not violate either the Oregon or United States Constitutions. The plaintiffs appealed and the Court of Appeals affirmed the trial court's opinion. *[Withers v State of Oregon, 133 Or App 337, 891 P2d 675 (1995).* The Oregon Supreme Court denied review. *(Or 284)]*.

In 1996, the *Withers* plaintiffs filed a request for supplemental relief. At the same time, a suit was filed on behalf of three middle school students in Bend School District (*Solomon*). This case was consolidated with *Withers* and became known as *Withers II*. The claim was that circumstances had changed and justified a re-evaluation. The Court found that "supplemental relief" was not available because no declaratory judgment had been entered. However, the judge allowed the plaintiffs to seek a declaratory judgment identical to the relief previously requested. The plaintiffs then argued that the judgment previously made had accepted the state's assertion that the new state funding distribution formula would "equalize" funding to all districts. The legislature, however, had put constraints on full implementation of the funding distribution formula in an attempt to phase-in the full formula. The Court found that the "phase-in can no longer be called temporary and because full equity is no longer assured but is, instead, contingent on adequate revenue, the State's policy no longer meets the criteria for constitutionality … and … violates Article I, section 20 (Equal Protection) of the Oregon Constitution."

The state appealed the judgments in *Withers II* and the plaintiffs filed a motion to dismiss the appeal. In 1997 the Court denied the motion to dismiss. Briefs were submitted on the appeal and the Court subsequently found that the legislature had taken the necessary steps to fully implement the funding distribution and no Constitutional guarantee was abridged.

The consequence of these cases from 1976 through 1997 is the finding that the state's funding formula, fully implemented, is "equitable" in terms of Constitutional guarantees.

This history is recapped as a way to demonstrate the path courts have taken in leading schools to finance systems that view equity as an opportunity for each student to reach established state goals.

E. Exposition of Findings

1. **Equity.** One of the early issues the Panel discussed was the meaning of equity within the concept of school funding. The literature on school finance identifies four essential concepts of equity – equity of fiscal capacity, equity in funding, equity in programs offered and equity in outcomes achieved. The Panel deliberated on each.

   A. ***EQUITY IN FISCAL CAPACITY*** FOCUSES ON FUNDING DECISIONS BEING PRIMARILY IN THE HANDS OF LOCAL VOTERS. OFTEN THE STATE EQUALIZES DISTRICTS' ABILITY TO RAISE REVENUE BY BALANCING EACH LOCAL DOLLAR PER THOUSAND IN TAX AND ASSURING EACH DISTRICT CAN PRODUCE APPROXIMATELY THE SAME REVENUE FOR EACH MIL OF VALUE IN THE TAXING DISTRICT. SLIGHT VARIATIONS IN FUNDING PER STUDENT ARE NOT CONSIDERED INEQUITABLE (OR, ALTERNATIVELY, ARE CONSIDERED AN ACCEPTABLE TRADEOFF BETWEEN EQUITY AND LOCAL CONTROL).

   This funding approach assumes many of the differences in spending per student are associated with a heavy reliance on local funding and result from differences in local property wealth per student. When such wealth differences exist, low-wealth districts usually have the opportunity to offset at least some of the differences by taxing themselves at higher tax rates, but historically there is still a very high correlation between property wealth per student and spending per student. This typically leads to a state guarantee of a given level of total revenue per student for each mil of property taxes levied, with local voters choosing the desired tax rate. These mechanisms are characteristically called "power-equalizing formulas." Under such formulas, large differences in funding per student can still exist because some districts may set much higher tax rates than others. Under such formulas, funding decisions are largely local and there is a clear tradeoff between the goals of equity and local control.

   DUE TO DIFFERENCES IN PROPERTY VALUE, EVEN WHEN "POWER-EQUALIZED," LARGE DIFFERENCES IN SPENDING CAN EXIST.

   B. ***EQUITY OF FUNDING LEVEL*** FOCUSES ON FUNDING DECISIONS THAT ARE PRIMARILY CENTRALIZED, THAT IS, STATE DETERMINED. THE PRESUMPTION IS THAT EQUAL FUNDING PER STUDENT RESULTS IN EQUITY. DISPARITY BETWEEN HIGH AND LOW VALUE DISTRICTS HAVE USUALLY RESULTED IN SOME ATTEMPT BY THE STATE TO EQUALIZE REVENUE-RAISING CAPACITY.

   EQUAL REVENUE, EVEN ON A WEIGHTED STUDENT BASIS, DOES NOT NECESSARILY RESULT IN EQUAL STUDENT OPPORTUNITY TO LEARN.

   This funding approach presupposes equal resources for each student will provide essentially equal opportunities, and "equal opportunities" is one definition of equity. Any differences in student outcomes result primarily from differences in how well students take advantage of the opportunities they are provided. This approach has historically formed the standard against which state funding mechanisms have been judged, both by policymakers and by the courts.

In many states, including Oregon, equal inputs translate to equal revenue per *weighted* student. It is recognized that some students cost more to educate than others, so students with certain characteristics are given a weight of greater than 1.0 in the funding formula. The result is districts with proportionately more students qualifying for added weights will receive more revenue. Many of the weights in Oregon's formula are not based on formal studies of cost differences, so there is debate on whether Oregon's formula *accurately* adjusts for cost differences. This approach, because it adjusts for cost differences, has the potential to move the formula toward the ***equity of outcomes*** concepts.

C. ***EQUITY OF PROGRAMS*** OR CORE CURRICULUM AND COURSE OFFERINGS ALSO FOCUSES ON FUNDING DECISIONS WHICH ARE LARGELY CENTRALIZED. PROVIDING EQUAL COURSE OFFERING LEVELS FREQUENTLY COSTS MORE IN SOME DISTRICTS THAN OTHERS. THE LOGIC BEHIND THIS APPROACH IS THAT EQUAL PROGRAM LEVELS ARE MORE LIKELY TO PROVIDE STUDENTS WITH EQUAL OPPORTUNITIES THAN ARE EQUAL FUNDING PER STUDENT APPROACHES. IT IS, IN SOME SENSE, AN EXTENSION OF THE EQUAL FUNDING PER STUDENT APPROACH, BUT RECOGNIZES THAT IT COSTS MORE TO PROVIDE A GIVEN LEVEL OR CORE CURRICULUM IN SOME DISTRICTS THAN IN OTHERS, INDEED, IN SOME *SCHOOLS* THAN IN OTHERS, SO IT WILL TAKE DIFFERENT LEVELS OF RESOURCES PER STUDENT TO PROVIDE EQUAL PROGRAMS. PROVIDING EQUAL COURSE OFFERINGS INVITES STATE PRESCRIBED CURRICULUM. IN THIS METHOD IT IS NECESSARY TO DEFINE THE FUNDAMENTAL OR CORE COURSE OFFERINGS THAT WILL BE FUNDED. DUE TO THE DIVERSITY OF STUDENTS AND COMMUNITIES, DEFINING SUCH A "BASIC EDUCATION" HAS BEEN A PITFALL IN MOST SUCH ATTEMPTS.

DEFINING CORE CURRICULUM TO PROVIDE EQUAL PROGRAM TO ALL STUDENTS IS DIFFICULT BECAUSE OF DIVERSE COMMUNITY VALUES.

D. ***EQUITY OF OUTCOMES*** IS THE FINAL CONCEPT OF FUNDING DECISION, ALSO LARGELY CENTRALIZED, AND FOCUSED ON EQUAL OUTCOMES IN EACH DISTRICT (OR, MORE DRAMATICALLY, EACH SCHOOL OR EACH STUDENT). THE FIRST AND MAJOR TASK IS TO DETERMINE THE DESIRABLE "OUTCOMES." AS A RULE THEY TEND TO BE MEASURABLE ELEMENTS LIKE TEST RESULTS AND PORTFOLIO ENTRIES FOR CORE ACADEMIC AND PERFORMANCE AREAS DEFINED IN THE STATE OR DISTRICT STANDARDS. OREGON POLICY MAKERS HAVE RECOGNIZED THAT MUCH IS GIVEN UP IF THE STATE FOCUSES ONLY ON EASILY MEASURED STANDARDS. THE STATUTES AND ADMINISTRATIVE RULES PROVIDE FOR PREPARING STUDENTS FOR A DEMOCRATIC SOCIETY. THIS MEANS A COMPREHENSIVE EDUCATION, NOT A NARROW THREE-R'S APPROACH.

OUTCOMES NEED TO INCLUDE MORE THAN JUST THOSE WHICH CAN BE EASILY MEASURED.

IT IS RECOGNIZED THAT ACHIEVING ESSENTIALLY COMPARABLE RESULTS COSTS MORE IN SOME DISTRICTS. AN ADAPTATION TO THIS CONCEPT IS SETTING A RELATIVELY HIGH MINIMUM OUTCOME GOAL OR TEST RESULTS, AND VARIATIONS IN OUTCOMES ABOVE THE GOAL WOULD NOT BE CONSIDERED INEQUITABLE. A

STANDARDS-BASED SYSTEM OF EDUCATION IS ESPECIALLY SUITABLE FOR A RESULTS BASED FUNDING PLAN.

The logic behind this approach is that equity should be defined in terms of educational outcomes as measured by tests and performance displays, rather than resource inputs. It recognizes that the resources required to achieve equal outcomes will vary among districts, both because costs differ and because the characteristics of students and other external factors differ in ways that require more resources to bring students up to any given standards target.

FINDING: The Panel concludes that policymakers should officially adopt a statement of what is meant by equity in school funding. We recommend the state adopt a concept of equity based on *equal opportunity to meet the state's performance goals*—i.e., that equity be defined in terms of outcomes rather than inputs. The task (which may fall to a future QEC) would be to evaluate how well the current formula performs, relative to the adopted concept of equity, and to make recommendations for the steps needed to move the formula toward consistency with the adopted equity goals. The state also needs a process for regularly evaluating how well the formula is doing relative to the state's equity goals.

2. Cost Factors in Distribution.

a. If No Weights Existed. The chart below indicates that on a statewide basis relatively little money is actually moved by the weights in the formula - $50.7 million in a $3.4 billion allocation, about one and a half percent if there were no weights, and *cumulatively* $72.2 million (2.1%) under the current weighting system.

Difference from SSF$$ Without Extended ADMw if Weights or Other Formula Factors are Applied From 2000-2001 Data

	No IEP (includes waivers)	No ELL/ESL	No Pregnant & Parenting	No Poor	No Neglected and Delinquent	No Small School Correction	No Small High School Factor	No Weighting at All	No Transport	No Teacher Experience Adjustment
Total Dollars Moved	1.784m	31.287m	2.102m	15.775m	1.235m	16.775m	3.241m	**50.725m**	11.520m	9.217m
				Poverty		Small Schools				

The chart shows that factors in our formula fall into three groups:

- Those that seem to **move the most money** are factors dealing with:
  - ELL (ESL) – $31.3 million,
  - small schools – $20 million, and
  - poverty – $17 million
- Moving **somewhat less money** are:
  - transportation – $11.5 million and
  - teacher experience – $9.2 million

- Finally the **lowest amount of movement** comes from:
  - pregnant and parenting – $2.1 million, and
  - special education – $1.8 million
- Additionally, there is a **facilities grant** (up to 8% of construction cost, to a cap of the allocation amount) which **moves $17.5 million**

While the movement of total dollars in the state budget (1.5%) may seem insignificant, it is important to note it may be *extremely* significant in shifting funds for a particular school district. For example, no EEL/ESL weighting would shift between two and four million dollars out of Portland, Woodburn and Salem and shift between one and two million dollars to Eugene, Bend, Springfield and Albany. Or, no small school/small high school correction would shift more than three hundred thousand out of Klamath Co., Morrow, Sherman, Vernonia, Jewell and others and the same shift to the states 12 largest districts.

FINDING: More is known today than was known when the weights were created in 1991. When the formula was created we did not have performance based goals to review the outcomes against. The state should examine each weight category to look for the research based support for the weight. We also need to consider best practices related to the goals of education as we develop the formula. We live in a dynamic world and need a system and process that looks at all the factors before LRO is required to produce a "winners & losers" simulation. All of this information just illustrated to the Panel that, even if the state went to a more streamlined weighting formula, removing those for which there is limited research supporting the weight, there would be significant dislocations of dollars in individual districts. Nonetheless, the state should examine each weight category to develop the research base for support of the weight.

b. Special Education. There is some support for dividing the special education population into low-cost/high-incidence handicapping conditions and high-cost/low-incidence handicapping conditions. Gathering the data that would allow for such distinctions would be a challenge. Just looking at definitions for qualification (diagnostic labels) for IEPs does not always distinguish the cost involved in providing service. Students with hearing disabilities may have minor program needs or may have major program needs. Students may have multiple handicapping conditions. Children with autism may have handicapping conditions that would usually take significant program resources but in *some* instances not. Most indications for weighting categories would suggest emphasis on program and service need rather than on diagnostic category.

In the QEM–2000 report, high-cost, low-incidence special education student services are funded with a proposed $30 million annual allocation outside the prototype school funding. Such a plan is not now the case and would take new legislation and allocation. It leaves last-dollar responsibility with local districts but suggests a new level of funding available for high cost special education students. Our Panel will defer to the special education study group that is examining this issue in depth this interim.

They are initially moving in the direction of the recommendation of the QEM–2000 report. Our Panel agrees with that recommendation and further recommends the continued funding for *inclusion services* for students with handicaps in the low cost, high incidence category (special education students served primarily in the regular school classroom setting) should be maintained in the model. We also recommend the eleven percent cap and override procedures be revised.

FINDING: We strongly support a line item in the state budget that separates out the highest cost special education student programs. We need recognition that the state currently does not provide funding for special education, it simply redistributes funds from the overall allocation. In special education services for students with the most involved handicapping conditions the state should strive to identify actual costs, using best practices. The Panel anticipates work from the Special Education Study Group that encompasses these findings from this Panel's work. We recommend waiting for the work of that Special Education study and would follow their counsel. They are expected to review service delivery and cost elements. A further consideration related to the next item, if funds are provided in a separate fund for the low incidence, high cost special education students through ESDs (as is often the case, especially through Regional Programs) that funding should not be "equalized" in the same manner as other ESD funding is equalized. The dollars for services to this population should follow the student.

c. **Education Services Districts.** Previous QEM reports have left the funding from ESDs out of the model. The funding of ESDs and their participation in providing services to students in local districts has altered dramatically in the past 25 years.

Prior to 1977 ESD equalization (raising funds for component districts) and operating budgets were voted on every year. Between 1977 and 1991, for all but a few ESDs, the equalization function was eliminated. Some, but not all, ESDs established tax bases (permanent levies) which could increase by up to 6% each year. In 1991, as a result of BM 5, compression began (establishing an ESDs *share* of local property tax dollars inside the $5.00 per thousand limit). ESDs initially received 100% replacement funding from the state but that dropped to 85% for 1992-93 and to 71.33% in 1993-94. By 1997 compression was complete, BM 50 passed, and ESDs received 75% of BM5 replacement funding and 100% of BM 50 loss. In 1998-99 a formula replaced the previous funding plan and took into account local funding for calculating the state funds to be allocated. In the 1999 Legislative Session a plan was instituted to begin equalizing funding for ESDs. At that time the lowest resource ESD had $51 per ADMw (Crook/Deschutes) and the highest resource ESD had $1,985 per ADMw (North Central). The 2001 Legislature created 5-year plan for the ESDs to be equalized in the same manner as local districts have been during the past decade.

Due to the considerable disparity in resources and the multiple ways ESDs provided services to their component local districts, and because of the variation in actual service offered, it has been hard to capture data that is comparable.

And it has been difficult to determine a uniform basic program provided by ESDs to local districts. This interim there is a study being conducted by ODE to determine core services of ESDs.

FINDING: This Panel recommends the QEM allocation be equal per weighted student served in ESD regions using the ESD study divisions of special education, technology, instructional support and professional development and the revenue figures be added to the prototype schools. We believe equity of funding requires all major revenue to be considered when establishing equal opportunities for students to meet the goals of a quality education.

d. **Remote and Small Schools.** This is another area of special study during this interim. Our Panel believes remote and small schools represent some significant "outlier" considerations for funding. The rub is determining what it takes to be remote (more than ten miles to the next nearest school? within the same district or including neighboring districts? route miles or "as the crow flies?") And, should there be some consideration for "necessary" remote and small schools? That is, what consideration should be made for schools that could, but don't want to, combine with neighboring schools. Larger districts close and combine schools to gain efficiencies, even in light of arguments about the importance of the school to a neighborhood identity. Is this different for a small district? And, what constitutes a small school? How about a small school in a not so small district?

FINDING: Even without answers for any of the above questions, our Panel believes there are requirements for some small and remote schools to have increased funding that allows them to provide an equal opportunity to meet the quality education goals of the state. The two weighting formula items now used are only rough proxies for the likely differences. Oregon has 74 districts with fewer than 500 students. There are eight high schools with fewer than 100 students and 15 with fewer than 200 students. We leave it to the special study group to determine if some distinction would be made between, say Riverdale, with 105 high school students in urban Multnomah county, and Powers, with 101 high school students in rural Coos county. We believe the QEM requires a prototype school, developed with different assumptions than those for the other prototypes, that establishes program/cost requirements for these outliers. Consideration should be given by the Best Practices Panel to what the program requirements would be in such a prototype school.

e. **Capital Costs.** These costs are still not dealt with. The QEM–2000 appropriately focuses on funding school operating costs, and capital spending excluded from the Model. The level of capital spending does, however, have implications for the Model. There is an interplay between operating costs for maintenance, deferred maintenance and capital construction of new building space. When a district defers maintenance, it will incur higher annual operating costs for upkeep. When a building is new it will incur lower annual operating costs. The three spending issues are interdependent elements.

Under Oregon law, the financing of expenditures for school capital improvement is the responsibility of local school districts and not included in the state funding formula. Districts finance debt service payments required to fund capital spending by floating bonds, paid by levying local property taxes that must be approved by local voters. Because voters in many districts are unwilling or unable to pay for major capital improvements, and well-kept, sufficient facilities affect delivery of educational services, the state should have more responsibility for supplementing local capital spending. It is a clear equity issue to consider the differences in districts that have the capacity to and have voter support for bonding of capital costs.

FINDING: A special Panel needs to study capital needs in schools, districts and ESDs. These costs need to be broken out from teaching and learning costs. To help districts use their capital resources most efficiently and to better understand the effects of education policies on the infrastructure needs of school districts and ESDs, the State should create a school infrastructure model that takes into account major capital improvements, routine maintenance, deferred maintenance, and the building-for-replacement cycle. The infrastructure model also should explicitly address the question of what types of buildings are needed to achieve the educational goals specified in the Quality Education Model. Our panel explored one approach to integrating capital expenditures into a full funding model. This involved a method capturing the annual capital costs per student. This model is treating the schools as if all facilities were sold to a Public Corporation, creating a statewide bond for executing this plan. Schools would get maintenance, plus "lease payments" to establish a true cost for use of capital. To do this the model would look at the three prototype schools and estimate the land and construction costs of each, the expected useful life of the facilities, the annualized amortization and the annualized amortization costs per student. From these figures one would get the estimated total annual capital costs that could be used in the Model for capital cost purposes. A descriptive chart of this example would be:

Estimated Annual Capital Costs per Student

	1000-Student High School	500-Student Middle School	340-Student Elem. School
Land & Construction Costs	$35,000,000	$10,000,000	6,000,000
Expected Useful Life of Facilities	50 years	50 years	50 years
Annual Amortization Costs (at 6%)	$2,220,540	$634,440	$380,664
Total Number of Students in Oregon, 2000-2001	163,358	130,686	250,482
Annual Amortization Costs per Student	$2,221	$1,269	$1,120
Estimated Total Annual Capital Costs	$362,742,973	$165,824,852	$280,439,647

f. **Fixed and Variable Cost.** Distinctions in fixed and variable costs are a consideration this Panel did not fully examine. We have some concern with a prototype that begins to determine a set level of fixed costs that must be accounted for in any school program. Yet we know there are costs that exist whether an elementary school has 100 students or 600 students. (For instance, a principal, a library, a playground, etc.) Losing 24 students in a very large district (where that may translate to 2 students per grade level) does not offer an FTE reduction but does lose 24 x the SSF amount. Similarly, losing 10 students in a very small district doesn't change the need for the principal, secretary and custodian but nonetheless does lose 10 x the SSF amount. Our concern is the appearance of establishing a prescriptive staffing or program model. Even in the current QEM there are those who mistake the prototype school for a template rather than an example.

g. **Target Grant.** The distribution formula. The Funding Equity Panel recommends the Commission support a change in the Target per ADMw Grant in the school funding distribution calculation. The funding formula should use the Quality Education Model amount. This will not affect the Total Revenue a district receives. Total Revenue will still depend on the amount allocated by the legislature to the State School Fund. What will alter will be the Ratio stated in the formula. Instead of a ratio related to the subjective Target Grant, now set at $4,500, it would represent a ratio related to the amount determined by the Quality Education Model as needed to fully fund the prototype schools which are based in research and best-practices. An example is stated below. It indicates a per ADMw amount that is 109.2% of the target of $4,500. Then it shows the QEM calculation which produces a per ADMw amount (the same amount) that is 85.4% of what the QEM indicates is necessary ($5,762 in 2001-02) to fund the model.

Current system looks like this:

ADM2002w	x	(Target + Teacher Experience)	x	Ratio	+	Transportation	+	Facility Grant	=	Total Revenue
2,628.8	x	(***4,500***+25)	x	1.0923356 Shows 109.2 % of target	+	280,000	+	25,000	=	13,298,683

A system that used the QEM calculation would look like this:

ADM2002w	x	(Target + Teacher Experience)	x	Ratio	+	Transportation	+	Facility Grant	=	Total Revenue
2,628.8 Same ADMw count	x	(***5,762***+25) New target based on QEM 2000 calculation	x	.854125 Shows 85.4% of target	+	280,000 Same transportation	+	25,000 Same facility grant	=	13,298,683 Same total

FINDING: The Funding Equity Panel recommends a change in statute to read:

In ORS 327.013 (4) delete "$4,500" and insert "the amount determined by the Quality Education Model as needed to fully fund the prototype schools".

327.013. The State School Fund distributions shall be computed as follows:
(1) General Purpose Grant = Funding Percentage × Target Grant × District extended ADMw.
(2) The funding percentage shall be calculated by the Superintendent of Public Instruction to distribute as nearly as practicable the total sum available for distribution of money.
(3) Target Grant = Statewide Target per ADMw Grant + Teacher Experience Factor.
(4) Statewide Target per ADMw Grant = ~~$4,500~~ The amount determined by the Quality Education Model as needed to fully fund the prototype schools.

Using the QEM funding level as the target is consistent with the Constitutional requirement for the Governor and Legislature to report on the discrepancy between the actual funding level and the QEM. This enables comparisons between the QEM target funding level and current support level as a measure of adequacy. State funding levels could be tracked over time to assess progress toward meeting the QEM Standard, with adjustments as appropriate.