

Executive Summary of *The Impact of Oregon State School Fund Spending on Disparities between Black, Indigenous, and People of Color (BIPOC) Students and Non-BIPOC Students*

Prepared by ECONorthwest for the Oregon Department of Education, June 2023

Through House Bill 5006 (2021), the Oregon Legislature required the Oregon Department of Education (ODE) to conduct “a study of the impacts of State School Fund spending and to determine if this spending pattern results in disparities between students who are Black, Indigenous, or People of Color (BIPOC) and those who are not BIPOC students.”¹ ODE contracted with ECONorthwest to lead the study and appointed a State School Fund (SSF) Advisory Committee comprising individuals representing educational advocacy and community groups with experience working with historically underserved students.

The study is focused on equity, specifically, on how funding policies and procedures affect equity in resource allocation and in student outcomes, rather than the overall adequacy of funding. This focus coincides with national interest in and a growing body of research on the topic. Recent research on the relationship between school spending and outcomes underscores that money, and how the money is spent, matters. In multiple recent studies, Oregon’s system of school finance, which includes the SSF as well as other components, is characterized as neutral: the average BIPOC or low-income student could expect resources roughly equal to those for an average non-BIPOC or affluent student.

Quantitative analysis findings

Findings from the quantitative analysis generally agree with existing research identified in this report. We also explored the potential effects of alternate General Purpose Grant (GPG) funding-formula weights. Important findings include the following:

- **Oregon’s SSF allocation method is slightly progressive — but close to average among states — with respect to race and ethnicity.** BIPOC students attend schools with total per-student expenditures that are, on average, 3.5 percent higher than do non-BIPOC students, although outcome disparities remain significant. The literature provides insight into the potential benefits of this type of spending progressivity.
- **Adding a hypothetical BIPOC weight of 0.5 to the GPG funding formula could, on average, increase expenditures in schools that BIPOC students attend by 1.4 percent.** This and similar modeling can be useful for understanding how changing formula weights might affect resource allocation.² This change could reduce test score gaps on statewide assessments by 9 percent across all BIPOC students. Part of the closure would occur because some (including some BIPOC) students would attend schools with relatively lower expenditures, reducing achievement. Increasing SSF resources to maintain stable funding in districts with relatively few BIPOC students could mitigate this side effect.
- **The proportion of teachers who identify as BIPOC (12 percent in 2021-22) remains far below the BIPOC share of enrollment (41 percent in 2021-22).** About one-fifth (22 percent) of BIPOC students

¹ For the purposes of this study, “State School Fund spending” is interpreted to mean spending of the SSF General Purpose Grant (GPG), which accounts for 95% of district formula revenue. See full report for more detail. The Oregon State School Fund is Oregon’s largest investment in public education. It provides about 80 percent of general operation dollars for school districts and education services districts (ESDs), with the remainder coming from local revenues. The primary sources of the fund are the state’s general fund, lottery resources, and marijuana taxes.

² This study did not include an assessment of the legal prohibitions and requirements associated with race-based policies.

were taught by at least one race-congruent teacher in 2021-22.³ Our analysis suggests benefits associated with aligning student and teacher demographics. Specifically, we find evidence of a small but statistically significant increase in on-time high school graduation associated with having a race-congruent teacher. These and other findings warrant further investigation as the state seeks to understand how best to close long-standing outcome inequities.

Engagement findings

A survey and interviews revealed several key findings. First, school districts do not track expenditures of SSF GPG separately from expenditures of other general fund revenue at the school, staff, or student level, complicating efforts to measure the impact of SSF funds on equity efforts. District representatives cited the complexity and administrative burden of separating SSF funds from other funding sources as a major obstacle to more-detailed tracking.

Second, participating school district representatives generally believe that districts' general fund distribution rules and practices, along with other initiatives, are narrowing racial and ethnic disparities in educational outcomes. Representatives of larger districts and those with a higher percentage of BIPOC students were more likely to agree with this statement. Many districts rely on other funds, such as Student Investment Account (SIA) funds, to support equity-based efforts.

Third, school district staffing and funding formulas are primarily based on student enrollment and class sizes. Any remaining funds are often dedicated to meeting specific needs such as culturally relevant sports opportunities or safety needs. Only one district reported using a specific staffing formula that considers equity. This formula is based on economic need and poverty.

Last, most district representatives described insufficient funding levels, with limited resources to meet all students' core needs and allocate additional funding to equity measures. Small districts and those with a higher percentage of underserved and BIPOC students face greater challenges due to structural racial and economic injustices.

Conclusion

School districts in Oregon do not track expenditures of SSF GPG separately from expenditures of other general fund revenue at the school, staff, or student level, making it difficult to determine with certainty whether spending patterns result in disparities between students who are BIPOC and those who are not BIPOC. State and local laws and policies such as formula weights, class size ratios, and required programming drive state and local resource distribution to schools, leading to a slightly progressive—but close to average among states—resource allocation with respect to race and ethnicity.

In light of persistent, long-standing outcome inequities between Oregon's BIPOC and non-BIPOC students, some school districts have district-level equity plans and equity directors. Representatives of many school districts—especially smaller districts—report insufficient levels of funding for additional initiatives. Research referenced and applied to Oregon in this report indicates that additional resources, and the ways in which resources are allocated, can play a role in addressing long-standing outcome inequities.

³ Having a race-congruent teacher means that the student and teacher share the same race and ethnicity (as defined in the data).