

STATE BOARD OF EDUCATION – ADMINISTRATIVE RULE SUMMARY**Title/OAR #:** Adoption—Calculation of Extended ADMw for Charter Schools/ OAR 581-023-106**Date:** January 4, 2015**Staff/Office:** Michael Elliott, School Finance, ODE; Cindy Hunt, Superintendent's Office, ODE **New Rule** **Amend Existing Rule** **Repeal Rule****Hearing Date:** _____ **Hearings Officer Report Attached****Prompted by:** **State law changes** **Federal law changes** **Other****Action Requested:** **First Reading/Second Reading Agenda** **Adoption** **Adoption/Consent****PROPOSED/AMENDED RULE SUMMARY:**

Changes definition of extended ADMw. Removes requirement that charter school extended ADMw be calculated separate from the non-charter schools in the district. Provides for additional funds to a district that has a charter school closure.

BACKGROUND: Oregon K-12 Public Schools are funded through a combination of local revenues and money appropriated by the Legislature. The Oregon Department of Education (ODE) first totals all available funding for school districts and then distributes the money appropriated by the legislature to school districts—not individual schools—through the State School Fund Formula (Formula).

The Formula's goal is to equalize funding across the state. The Formula achieves this goal by dividing the total revenue available by the number of weights in the state to get a funding per weight amount. The weights are often expressed as "ADMw" which means Average Daily Membership Weighted. Each district counts the number of ADMw it has and multiplies that by the per weight amount to determine how much funding it will receive under the Formula. The average statewide funding per ADMw is \$6,970 for the 2015-16 school year.

ADMw is also equalized across years. Each district gets the greater of the current year's ADMw or the previous year's ADMw. This is known as extended ADMw. The purpose behind this is to allow districts in declining enrollment to plan for the eventual drop in funding. Without extended ADMw, districts would not have certainty in the budget process which could result in significant issues for the district in trying to budget for the upcoming school year.

In 2011, the legislature authorized a change to the calculation of extended ADMw. Before that period, charter school ADMw data was included with the rest of the school in the district before the calculation of extended ADMw. In 2011, the legislature required charter

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school extended ADMw to be calculated separately from the non-charter school in the district. The two extended ADMw numbers would then be combined for a district-wide total extended ADMw. The goal of this change was to capture charter school growth in a declining enrollment district to ensure that districts were receiving the highest levels of funding possible.

In 2015, the legislature passed HB 2150 undoing those changes. The legislature learned that several districts were planning on opening charter schools simply to take advantage of a onetime doubling of funding as a result of the new way that extended ADMw was calculated. HB 2150 removes the new calculation of extended ADMw and goes back to the calculation of extended ADMw as a district wide number. The tables below illustrate the change from the current method to the HB 2150 method.

Current method of calculating extended ADMw:

	Current Year ADMw	Previous year ADMw	Extended ADMw
Non-charter	900	1,000	1,000
Charter	200	150	200
Total extended ADMw			1,200

HB 2150 method of calculating extended ADMw

	Current Year ADMw	Previous year ADMw	Extended ADMw
Non-charter	900	1,000	
Charter	200	150	
Total extended ADMw	1,100	1,150	1,150

This will eliminate the incentive for districts to open charter schools simply to gain increased funding. It does not create any additional barriers to the opening of a charter school.

HB 2150 also addressed several other issues with the calculation of extended ADMw. First, it no longer includes the charter school's ADMr in the calculation of extended ADMw when a charter school closes. This will prevent districts that are small and have large charter schools closing from seeing a one time windfall in funding because their previous ADMw is greater than their current ADMw.

Second, HB 2150 provides some relief to districts that have a charter school closing. If a charter school closes from a district, the district frequently has costs associated with that closing. Normally those costs would be covered by the extended ADMw the district would see for the closed charter school. Because districts no longer have that option, HB 2150 provides that districts with a closed charter school will receive a onetime funding increase equal to the district's general purpose grant per extended ADMw multiplied by 5% of the charter school's ADMr. This will be paid outside of the formula and can be used by the district to defray some of the costs associated with closing a charter school.

Finally, HB 2150 provides immediate relief to districts that closed a charter school in 2015-16. Because districts were not able to plan for the change in the law, HB 2150 provides additional funding to districts in the amount of the district's general purpose grant per extended ADMw multiplied by 3% of the charter school's ADMr. Districts can only use this funding for costs associated with closing the charter school.

ISSUES/CONCERNS THAT SURFACED DURING RULE WORK:

The major issue that surfaced during rule work is a request by the districts to continue to provide charter school ADMw broken out from the rest of the district information. School Finance is working with the IT department to see if that can happen.

CHANGED SINCE LAST BOARD MEETING?

- N/A; first read—hasn't been before board
- No; same as last month
- Yes – As follows:

FISCAL IMPACT:

The Fiscal Impact Statement for HB 2150 provided a \$50,000 impact to ODE to reprogram its systems. As part of ODE's budget, ODE received position authority and funding for an Information Systems Specialist 7 to help with these and other State School Fund changes.

EFFECT OF YES VOTE: If the Board approves this rule, then it will implement revisions required by HB 2150.

EFFECT OF NO VOTE: If the Board does not approve this rule, the OAR 581-023-0106 will be out of alignment with the statutes created by HB 2150.

581-023-0106

Calculation of Extended ADMw for Charter Schools

~~(1) The following definitions and abbreviations apply to this rule:~~

~~(a) "ADM" means average daily membership as defined in ORS 327.006(3) and OAR 581-023-0006 to 581-023-0008.~~

~~(b) "ADMw" or "average daily membership weighted" means ADMw or average daily membership weighted as defined in ORS 372.013(1)(e)(A).~~

~~(c) "Extended ADMw" means as that term is described in ORS 327.013(1)(e).~~

~~(d) "Public Charter Schools" means as that term is defined in ORS 338.005.~~

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~~(e) “Non-charter schools” are all institutions, programs and schools used by a district to calculate and receive funding pursuant to ORS 327.013, excluding charter schools as defined in ORS 338.005.~~

~~(f) “Students Eligible for Special Education” means children with a disability under ORS 343.035.~~

~~(g) “English as a Second Language Program”, or “ESL”, means programs that comply with OAR 581-023-0100(4)~~

~~(h) “Pregnant and Parenting Program” means programs that comply with OAR 581-023-0100(3).~~

~~(i) “Small School Correction” means additional weighting pursuant to ORS 327.077.~~

~~(j) “Students in poverty” means those students as defined in ORS 327.013(1)(c)(A)(v)(I).~~

~~(2) Pursuant to ORS 338.155, for State School Fund purposes, extended ADMw for public charter schools will be calculated as follows:~~

~~(a) The ADMw of all charter schools in a given school district will be separately calculated on an individual charter school basis;~~

~~(b) The charter school Extended ADMw will be calculated separately from the Extended ADMw calculated for non-charter schools in that same school district.~~

~~(c) The Extended ADMw for charter schools will be combined with the Extended ADMw for the non-charter schools to arrive at one extended ADMw for each school district.~~

~~(d) The combined Extended ADMw will be used to calculate the school district’s portion of the State School Fund distribution pursuant to ORS 327.013.~~

~~(3) The ADMw for a charter school includes:~~

~~(a) An additional 1.0 weight for all students in a Pregnant and Parenting program as described in OAR 581-023-0100(3).~~

~~(b) An additional 0.5 weight for all students in an English as a Second Language Program as described in OAR 581-023-0100(4).~~

~~(c) An additional 0.25 weight for each student in the charter school as calculated by ORS 338.157 to adjust for the poverty level.~~

~~(d) An additional weight for a remote small elementary school correction as calculated pursuant to ORS 327.077 if the charter school qualifies as a remote small elementary school under ORS 327.077.~~

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~~(e) An additional weight for a small high school correction as calculated pursuant to ORS 327.077 if the charter school qualifies as a small high school under ORS 327.077.~~

~~(f) Students Eligible for Special Education attending a charter school will be added to the charter school's ADMw pursuant to ORS 338.165.~~

~~(4) The extended ADMw for non-charter schools shall be calculated as the district extended ADMw pursuant to ORS 327.013(1)(e)(A)–(C).~~

~~(5) Pursuant to ORS 338.155(1)(b)(C) all funds to be distributed to charter schools based on charter schools' ADMw will first be distributed to the district where the charter school is located. The funds will then be distributed to the charter schools pursuant to ORS 338.155(2), (3) or (7).~~

~~(6) This rule first applies to State School Fund distribution commencing with the 2011–2012 fiscal year.~~

(1) The following definitions and abbreviations apply to this rule:

(a) “ADM” means average daily membership as defined in ORS 327.006(3) and OAR 581-023-0006 to 581-023-0008.

(b) “Cease to operate” means the closure of a charter school due to any of these reasons: closure or dissolution of charter school or termination or nonrenewal of charter.

(c) “Extended ADMw” means as that term is described in ORS 327.013(1)(c).

(d) “Public Charter Schools” means as that term is defined in ORS 338.005.

(2) A school district's general purpose grant per extended ADMw shall be calculated as follows:

(a) Estimated general purpose grant per extended ADMw will be based on the latest estimates published by the Department of Education at the time of calculation.

(b) Final general purpose grant per extended ADMw will be based on the estimates used for the May reconciliation as published by the Department of Education.

(3) School districts that have a public charter school which ceases to operate shall receive funding equal to the district's general purpose grant per extended ADMw multiplied by five (5) percent of the charter school's previous year's ADM as follows:

(a) School districts shall receive an estimated amount of funding as calculated by section (2)(a) of this rule in the year immediately after the charter school ceases to operate. The funding will be distributed by the Department of Education outside of the State School Fund payment cycle.

(b) The Department of Education shall reconcile the amount of funds a district received in subsection (a) above as follows:

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(i) The Department will determine the final ADM of the charter school using the ADM reported in the annual ADM collection for the year in which the charter school was last open.

(ii) The Department will use the final general purpose grant per extended ADMw as determined by section (2)(b) of this rule.

(iii) The Department will reconcile the amount calculated in subsection (3)(a) of this rule with the final calculation based on data determined by subsections (b)(i)-(ii).

(iv) If the Department owes the school district additional funds as a result of May reconciliation, the Department will pay the school district outside of the State School Fund payment.

(v) If a school district owes the State School Fund money, the Department will invoice the school district for the amounts owed.

(4) School districts that had a public charter school cease to operate following the 2014-15 school year are eligible to receive additional funding to assist with expenses incurred in closing the public charter school.

(5) The maximum additional funding that a school district is eligible to receive is based on three (3) percent of the public charter's ADM multiplied by the school district's general purpose grant per extended ADMw using the following data:

(a) The ADM for the public charter school as reported by the school district in the last collection period for the 2014-15 school year.

(b) The final general purpose grant per extended ADMw as reported under section (2)(b) of this rule.

(6) School districts that wish to receive these funds must submit quarterly reports for 2015-16 that:

(a) Follow the template created by the Department.

(b) State the date of the expense.

(c) Give a description of the expense.

(d) Provide an explanation of how the expense related to the closure of the public charter school.

(e) Provide the amount of the expense.

(7) The Department shall review the quarterly reports and approve or deny the expense based on whether the expense is reasonably related to the closure of the public charter school.

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(8) The Department will reimburse school districts for all approved expenses up to the maximum additional funding for that district.

(9) If there are additional funds remaining for that district after the end of the 2015-16 school year, the school district may submit yearly expense reports to receive additional reimbursement.

(10) The yearly expense reports will follow the same format set forth in section (6) of this rule.

(11) School districts may submit yearly reports for the 2016-17, 2017-18, and 2018-19 school years.

(12) At the end of the 2018-19 school year, any funds remaining will be redistributed to the State School Fund for distribution in the 2019-20 school year.