



# The Task Force on School Funding 2013-2014

## Report to the Legislature

October 1, 2014

**DRAFT**



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# THE SCHOOL FUNDING TASK FORCE

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## The Task Force on School Funding

### Executive Summary

In 2013, the Oregon Legislature enacted HB 2506 establishing the Task Force on School Funding. The task force was directed to make recommendations regarding possible modifications to the funding formulas used to distribute State School Fund moneys to school districts and education service districts. HB 2506 directed the task force to report its findings and recommendations to the interim committees of the Legislative Assembly related to education no later than October 1, 2014.

The 13-member task force consisted of two members appointed by the President of the Senate from among the Senate; two members appointed by House Speaker from members of the House of Representatives; and nine members appointed by the Governor. Among those appointed by the Governor were those who represented school teachers, school administrators, school district business managers, district school board members, and education service district personnel. Senator Richard Devlin served as chair with Representative Betty Komp serving as vice-chair.

The task force met nine times, from November 2013 through September 2014. Chair Devlin named three subcommittees: Equity, English as a Second Language, and High Cost Disabilities.

In addition, the 2014 Legislature, through a budget note,<sup>1</sup> directed the Oregon Department of Education to provide the task force with information on the level and allocation of funding for the Long Term Care and Treatment program. ~~The information must include (1) the actual costs of providing adequate and comparable educational services to students who receive services under the program; (2) various alternatives for allocating and distributing funding to these programs in an equitable manner to maximize the amount that is used for direct educational services to these students; (3) alternatives of metrics for measuring the effectiveness of the programs and providers of these educational services; and (4) other information the task force requests.~~

The task force received public testimony at its March and August meetings.

Chair Devlin and Vice-Chair Komp extend their thanks to the individuals who served on the task force and those who took the time to testify on this important subject.

**OBSERVATIONS** ~~(DRAFT—language suggested by editing committee for discussion purposes)~~

<sup>1</sup> HB 5201 (2014).

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- The task force affirms that the Oregon weighted-factor model for funding allocation is working as intended.
- It is an allocation model not an expenditure model, meaning that it does not put requirements on how school districts and education service districts must spend their formula revenue..
- Adequacy of funding and allocation of funding are intertwined and it is difficult to consider changes to the allocation formula when funding is not adequate.
- Efforts need to be made to stop diluting the State School Fund through carve-outs dedicated to specific purposes and to the funding of strategic initiatives.

## RECOMMENDATIONS

- As Oregon looks to achieve its 40-40-20 goals - and in light of recent stagnant state achievement results - the task force recommends that the legislature consider whether the overall state school fund appropriation is adequate in addressing the state’s ambitious education goals.
- Oregon should maintain its existing weighted student formula until a thorough study of the formula can be conducted. The study should provide a clear statement of the state’s educational equity goals, then determine if the current formula is meeting those goals. The formula should be changed only if the study provides clear evidence that the current formula is not meeting the state’s agreed-upon equity goals.
- The legislature should appropriate funds to conduct the study, and the emphasis of the study should be on whether the current weights are an accurate representation of the cross-district cost differences for which they were intended to compensate. The Equity Subcommittee or a larger group of task force members should have input into the design of the study.
- The formula should be reviewed regularly—perhaps every eight years—to make sure it is accomplishing its goals.
- The distribution of the “carve-outs” from the SSF, particularly the High Cost Disability Grant and the Facilities Grant, should be studied as well. Funding provided through strategic investments should also be evaluated for its equity effects.
- Maintain the current formula-driven High-Cost Disabilities Grant and set the funding level so that the reimbursement rate is 80 percent (currently it is about 40%).
- Eliminate the requirement that ODE contract with school districts for Long Term Care and Treatment funding, and make LTCT funding a grant-in-aid based on a formula similar to the regular school district formula.
- [Insert recommendations from new ELL subcommittee here]

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- The 2015 Legislature is urged to examine the emerging and growing practice by school districts of allowing high school seniors to stay on a fifth year—despite having enough credits to graduate. The State School Fund was intended to cover the costs of kindergarten through senior year of high school. When school districts allow a senior who has completed his/her high school requirements to stay a fifth year to attend community college, they are effectively diluting the state school fund formula for all other students and school districts in the state. The Task Force respects the goal – supporting students as they begin college – but believes that a separate funding source should be found if this practice continues.
- ~~Oregon should maintain its existing weighted student formula until a thorough study of the formula can be conducted. The study should provide a clear statement of the state’s educational equity goals, then determine if the current formula is meeting those goals. The formula should be changed only if the study provides clear evidence that the current formula is not meeting the state’s agreed-upon equity goals.~~
- ~~The legislature should appropriate funds to conduct the study, and the emphasis of the study should be on whether the current weights are an accurate representation of the cross-district cost differences for which they were intended to compensate. The Equity Subcommittee or a larger group of task force members should have input into the design of the study. The formula should be reviewed regularly—perhaps every eight years—to make sure it is accomplishing its goals.~~
- ~~The distribution of the “carve-outs” from the SSF, particularly the High Cost Disability Grant and the Facilities Grant, should be studied as well. Funding provided through strategic investments should also be evaluated for its equity effects. Both the carve-outs and the strategic investments should be evaluated for their incentive effects to make sure they do not create unintended consequences.~~
- ~~The practices of successful districts should be identified and shared with other districts in a systemic way so that all districts can benefit. In order to achieve equity of student outcomes, all districts need to be using their resources in the most effective manner. Additional resources alone will not ensure better outcomes—resources must be used wisely.~~
- ~~The study should explore if there are some equity issues that are best dealt with outside of the education system.~~
- ~~Maintain the current formula-driven High-Cost Disabilities Grant and set the funding level so that the reimbursement rate is 80 percent (currently it is about 40%).~~
- ~~Eliminate the requirement that ODE contract with school districts for Long Term Care and Treatment funding, and make LTCT funding a grant-in-aid based on a formula similar to the regular school district formula.~~
- ~~The 2015 Legislature is urged to examine the practice of allowing high school seniors to stay on a fifth year—despite having enough credits to graduate—and attend a postsecondary institution, with~~

**Comment [mdw2]:** Not sure what this statement means?

the school district negotiating tuition and book prices with the college and using State School Fund monies for those expenses:

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## The Task Force on School Funding

### Task Force Membership

Sen. Richard Devlin, Chair  
Senate District 19

Rep. Betty Komp, Vice-Chair  
House District 22

Sen. Fred Girod  
Senate District 9

Rep. Sherrie Sprenger  
House District 17

Kelly K. Devlin  
Teacher, David Douglas School District

John W. Hayes, Jr., PhD  
Chair, Forest Grove School Board

Claire S Hertz  
Beaverton School District Chief Financial  
Officer

Steven G. Isaacs  
President, Oregon Virtual Schools

Sena E. Norton  
Teacher, Oregon Trial School District

Bobbie Regan  
Oregon Schools Board Assn. Board  
Member

John M Rexford  
Superintendent, High Desert ESD

Heidi A Sipe  
Superintendent, Umatilla School District

Michael D Wolfe  
Chief Operations Officer, Salem-Keizer  
School District

### INTRODUCTION

The K-12 education budget is a significant portion of the state’s budget, about 39.7 percent.<sup>2</sup> Funds are distributed to school districts through a statutory formula created in 1991. While elements of the formula have been added or modified or removed, the last wholesale review of the formula by the Legislature was in 1999.<sup>3 4</sup>

In 2013, the Oregon Legislature enacted HB 2506 establishing the Task Force on School Funding. The legislation directed the task force to make recommendations regarding possible modifications to the funding formulas used to distribute State School Fund moneys to school districts and education service districts. HB 2506 directed the task force to report its findings and recommendations to the interim committees of the Legislative Assembly related to education no later than October 1, 2014.

The 13-member task force consisted of two members appointed by the President of the Senate from among the Senate; two members appointed by House Speaker from among members of the House of Representatives; and nine members appointed by the Governor. Among those appointed by the Governor were those who represented school teachers, school administrators, school district business managers, district school board members, and education service district personnel.

Senator Richard Devlin served as chair with Representative

<sup>2</sup> Legislative Fiscal Office. 2013-15 Budget Highlights Update, p. 4. <https://www.oregonlegislature.gov/lfo/Documents/2013-15BudgetHighlightsUpdate.pdf>

<sup>3</sup> House Special Committee on School Finance. *The State School Fund Distribution Formula: Time for a Change?* September 2000.

<sup>4</sup> Outside parties have also looked at the formula but no changes ~~were~~ made. In 2005, a report was prepared for The Chalkboard Project, *Oregon School Finance: A Review of System Stability, Adequacy, Equity and Transparency*. The following year, another report was prepared for The Chalkboard Project, *Achieving Efficient and Sufficient Funding for Every Publicly Funded K-12 Student in Oregon*.

Betty Komp serving as vice-chair. The task force met nine times, from November 2013 through September 2014. Chair Devlin named three subcommittees: Equity, English as a Second Language, and High Cost Disabilities Account. The task force received public testimony at its March and August meetings; members of the public raised issues about aspects of the formula that were falling short of meeting the need. *See Appendix B for summaries of public testimony received.*

In addition to examining the three topics of its subcommittees in greater depth, the task force reviewed the history and intent of the school funding distribution formula as well as the components of the formula itself, and heard presentations on a number of programs.

While the focus of the task force was on the distribution formula, the issue of funding adequacy was a recurrent theme, with some members believing that the two were so closely intertwined they could not be analyzed separately. Members of the task force generally agreed that funding adequacy was a critical factor in any discussion of school funding.

## BACKGROUND

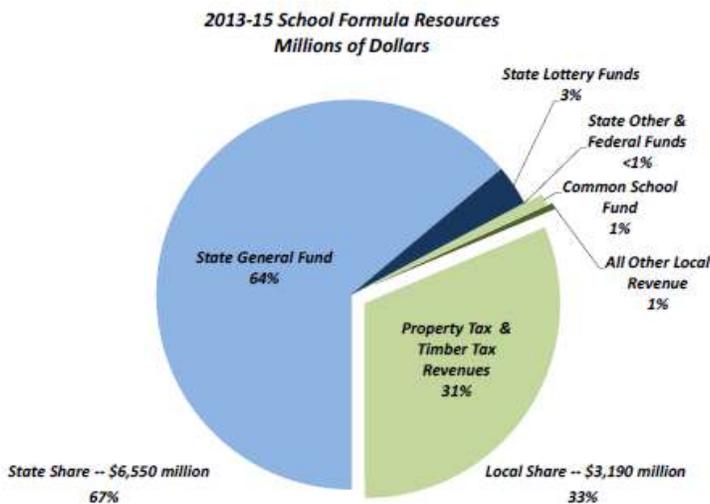
### THE STATE SCHOOL FUND

Prior to passage of Ballot Measure 5, schools were largely dependent on local property taxes. Revenue raised for school districts through this method varied significantly throughout Oregon. Economically-depressed counties or areas with tax-exempt properties could not raise the same amount of revenue as other counties. With the passage of Ballot Measure 5 (1990) and Ballot Measure 50 (1997), the funding

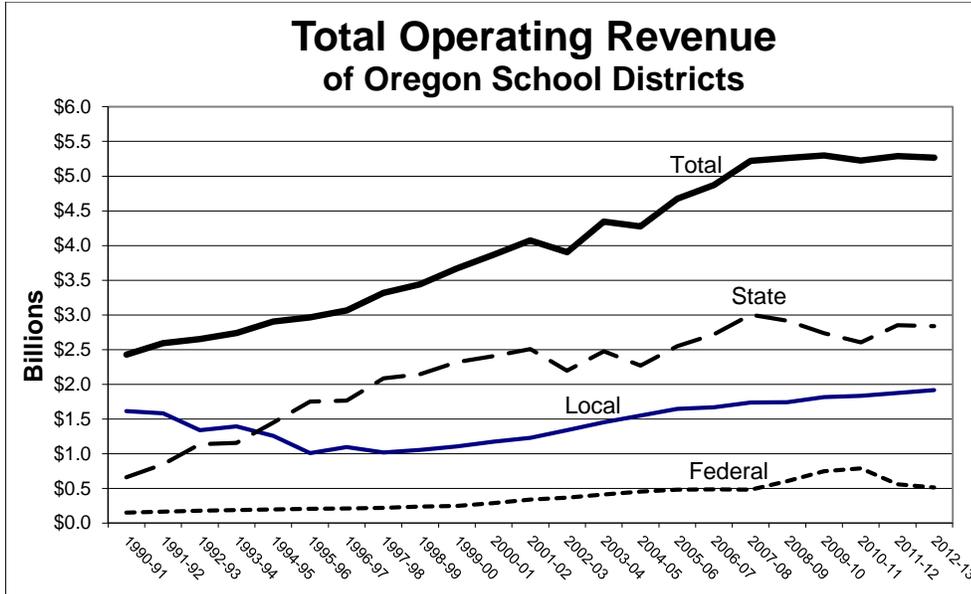
of Oregon schools dramatically changed. Both measures limited property taxes for schools and education service districts. Funding shifted from local property taxes to the state General Fund.

Measure 5 required the state legislature to offset lost property tax revenue with money from the state General Fund, which is composed primarily of

state income taxes. As a result, Oregon schools are increasingly supported by state, not local, dollars.<sup>5</sup>



<sup>5</sup> The amount of state dollars any particular district receives varies from district to district. See Table 21.



NOTE: Technically, the “State School Fund” consists of moneys appropriated by the Legislature and does not include local revenue. However, funds that are run through the distribution formula include both state and local dollars.

School funding is determined by the Legislature, using available state dollars and is weighed against other needs of the state. It is not a cost-based system.

#### LOCAL REVENUES

Property taxes  
Common School Fund  
County School Fund  
Federal forest revenue  
County trust forest revenues  
ESD shared revenues  
Supplantable federal funds  
Payments in-lieu of property taxes  
Local option taxes above limit

Legislators, frustrated by the disconnect between the state education budget and the actual costs of educating students in Oregon schools, created the Quality Education Model in 2001. The QEM was established “to define the costs sufficient to meet the established quality goals for kindergarten through grade 12 public education.”<sup>6</sup> The Quality Education Commission oversees this process and writes a biennial report. The Oregon Department of Education staffs the commission. Those reports, and other QEC

work may be found on the ODE website: <http://www.ode.state.or.us/search/results/?id=166>. While informing debate on the adequate level of state funding, neither the Governor nor the Legislature uses the QEM-calculated amount to budget education dollars.

<sup>6</sup> ORS 327.497

## THE STATE SCHOOL FUND DISTRIBUTION FORMULA

### *History*

As early as 1978, the Oregon Legislature examined the funding disparities among school districts. While wide disparities were found, the impetus to address funding differences did not exist prior to passage of Ballot Measure 5 in 1990. With the shift to primarily state funding, these inequities were deemed unacceptable. A new measure of fairness was implemented, influenced by school finance court cases.<sup>7</sup>

A work group was formed under the leadership of the Legislative Revenue Office and included education stakeholders and was informed by other states' funding methods. The funding distribution method developed and adopted by the 1991 Legislature is commonly referred to as the State School Fund (SSF) Distribution Formula. The SSF Distribution Formula is the statutory definition of fairness applied to the financial needs of school districts. While aspects of the formula have been modified over the years, the basic framework has not changed since its inception in 1991.

*The measure of equity adopted by the legislature is essentially equal financial resources per student for similar groups of students. This was the primary measure of equity used in school finance in 1991. Funding equity per student may generally provide for similar educational programs and opportunities. However funding equity does not necessarily result in equal educational results or achievement levels.*

Legislative Revenue Office.

*K-12 and ESD School Finance, State School Fund Distribution. Research Report #2-10. July 2010*

The mechanism used to deliver equal financial resources per student for similar groups of students is a student weighting system; more expensive to educate students receive a larger weight. The weights were intended to adjust funding for unavoidable cost differences between groups of students. By funding weighted students equally across the state, each district may generally provide for similar educational programs and opportunities.

The following principles guided the development of the new distribution formula:<sup>8</sup>

- Share all school funding sources statewide.
  - Method: Allocate all state and local general operating revenue.
- Let school districts decide how to spend their allocation.
  - Method: Distribute state aid in lump sum, not categorical grants.

<sup>7</sup> Legislative Revenue Office. K-12 and ESD School Finance, State School Fund Distribution. Research Report #2-10. July 2010.

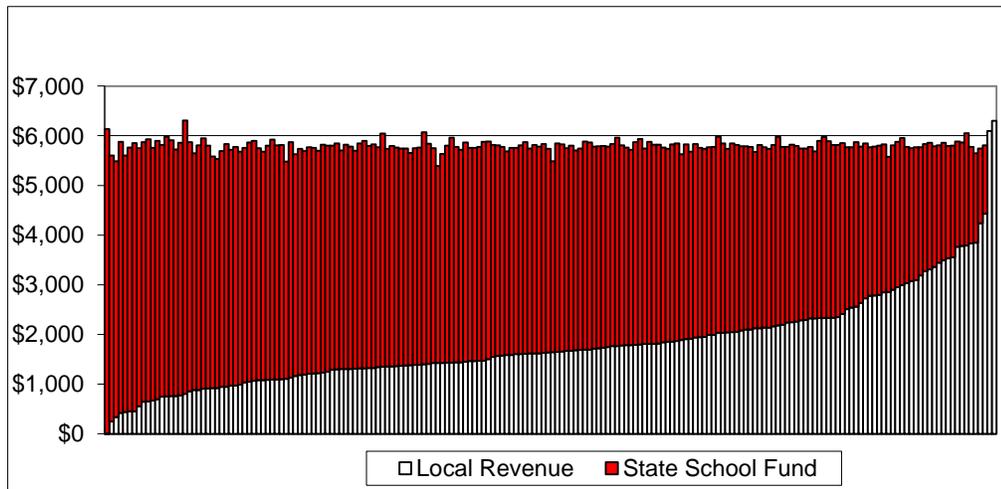
<sup>8</sup> Legislative Revenue Office. K-12 and ESD School Finance, State School Fund Distribution. Research Report #2-10. July 2010

- Create funding differences only for uncontrollable cost differences (to avoid incenting districts to over-identify students that were eligible for additional funding).
  - Method: Justify revenue differences in a rational manner.
- Avoid incentives for school districts to increase their allocation.
  - Method: minimize number of classifications and set limits.

The formula starts with a district's local revenue as the base. Then the equalized funding per weight across the state is determined. The state revenue is used to supplement the district's local revenue to arrive at the total amount of funding for each district based on the number of weighted students the district has. *Table 1.1 reflects local and state revenue per district.*

The 1990 work group maintained the transportation funding formula created in 1981. In the pre-Measure 5 formula, 60 percent of transportation cost was reimbursed. When the new formula was

**Table 1.1 Formula Revenue per Student Weight (ADMw) by School District (2009-10)**



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developed, this was changed to 70 percent. The 30 percent was to encourage local districts to minimize costs incurred. In 2003, the formula was changed again to give the 10% of highest cost districts a 90% reimbursement, the next 10% of districts an 80% reimbursement. The remaining district continue to receive a 70% reimbursement.

Other issues considered by that group, but ultimately not addressed, included a cost-of-living factor. In addition to addressing funding parity, the issues of adequacy and stability were also discussed as critical elements of this state responsibility.

The Oregon Legislature adopted the school funding formula embodied in SB 814 in 1991 and included property tax loss replacement funds mandated by Measure 5 and an additional allocation totaling \$1.1 billion for 1992-93.

Over the years, legislators added grants or “carve outs” from the State School Fund—money taken off the top of the SSF prior to it being divided up amongst the school districts—for specific purposes.

In 1999, a formula was developed for education service districts based on the student enrollment of the ESD’s component school districts. The Legislature has changed the formula over the years. Currently, ESDs receive 4.5 percent of the State School Fund, with a minimum of \$1 million going to fund an ESD.

*The Formula*

The state combines local revenues with state appropriations such that students across the state receive about the same amount of dollars to fund their education. For the 2014-15 school year, the funding per student weight is about \$6,800. If local revenues are low, state aid is high to compensate. While small variations still exist, equalization has largely been achieved.

$$\text{General Purpose Grant} = \text{Students (ADMw)} \times \$4,500 \text{ Target Adjusted by Teacher Experience \& Balanced to Total Funds}$$

(The \$4500 amount in statute is a starting point only; in recent years, funding has grown so that the process of balancing to total funds has resulted in funding per student weight of approximately \$6,800.)

*Weighted Student Count*

The first weight is the enrollment weight. This funding is given for each student enrolled in Oregon’s public schools. The student count starts with the “average daily membership” or “ADM.” This is the number of students enrolled in the district. It is also referred to as the “ADM<sub>r</sub>” or average daily membership, resident.

An important element of the formula is its

STUDENT WEIGHTS		
	Weight	Total Weights
Special Education	1.0	2.0
English as a Second Language	.5	1.50
Pregnant & Parenting	1.0	2.0
Students in Poverty	.25	1.25
Neglected & Delinquent	.25	1.25
Students in Foster Homes	.25	1.25
Kindergarten	-.5	.5
Elementary District students	-.10	.90
Union High District Students	.20	1.20
Small School	varies	

student weights (ORS 327.013).<sup>9</sup> The formula assumes that some students will require more services than others, and therefore, will cost more to educate than others. These additional costs are accounted for in the formula by giving those students additional weight. The weights are based on student and district characteristics and provide additional funding for those characteristics. In 2014-15, there are expected to be approximately 567,000 students in Oregon.<sup>10</sup> However, it is estimated there will be 672,000 weights.

While a student may fall into more than one or two categories, state law limits the total to three weights (the first weight for enrollment plus two additional weights).<sup>11</sup>

#### *Kindergarten*

Kindergarten students receive a half weight that reflects the typical half-day kindergarten day. Beginning in 2015, a full weight will be available to those districts that provide full-day kindergarten.

#### *Special Education*

Students receiving special education services based on an Individualized Education Plan (IEP) get an extra full weight. The double weighting primarily reflects a national study in 1988 that showed districts were on average spending about twice the norm for services to special education students. At the time of the creation of the formula, legislators wanted to avoid creating a complicated weighting system that might encourage districts to classify students in categories that generated more funds.

Legislators, concerned about over-identification, capped the double weight at no more than 11 percent of a district's enrollment. However, recognizing that some districts did have more than 11 percent special education students, districts may appeal the 11 percent cap to the Department of Education.

The number of students on an IEP has averaged about 13 percent of total enrollment over the last five years. In 2012-13, 73,503 students<sup>12</sup> were identified as needing special education services. In the 2014-15 estimate, there are 59,010 weights in this category, and another 5,628 weights<sup>13</sup> above the 11 percent cap, which are granted under the 11 percent cap waiver. Not all waiver requests are granted.

#### *English as a Second Language*

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<sup>9</sup> NOTE: While districts receive student weights, they are not required by law to spend the weights on the students in the respective categories.

<sup>10</sup> Oregon Dept. of Education Oct. 1, 2013 Enrollment.

<sup>11</sup> ORS 327.013 limits the additional weights to two, with the exception of the additional .25 poverty rate, [the .25 weight for neglected, delinquent, and foster students](#), and the additional remote small elementary and small high school funding, if applicable.

<sup>12</sup> Based on the 2012 Special Education Child Count.

<sup>13</sup> 5628 weights represent approximately \$34,190,100.

Students who are not proficient in English get an additional half weight until the student is able to profit from classes taught in English. Students must be receiving additional services to qualify for this weight. According to Oregon Department of Education data for 2012-13, there were 55,402 English learners in Oregon schools, or 9.96 percent of all K-12 students.<sup>14</sup> The most common languages after English are Spanish, Russian, Vietnamese, Chinese, Korean, Ukrainian, Arabic, Somali, and Romanian.<sup>15</sup> In the 2014-15 estimate, there are 23,264 weights in this category.

#### *Pregnant & Parenting*

Students who are pregnant or parenting receive an additional full weight. To be eligible, a student must be a resident school district and be receiving services. In the 2014-15 estimate, there are 1,036 weights in this category.

#### *Students in Poverty*

Students in poverty receive an additional .25 weight. Unlike the other weight calculations, this calculation relies on U.S. Census Bureau Data. The data provides the total number of children age 5 to 17 that live in families in poverty for the district as a whole. Individual students are not identified in this weight category.<sup>16</sup> In the 2014-15 estimate, there are 26,393 weights in this category.

#### *Neglected & Delinquent Students and Students in Foster Homes*

In the 2014-15 estimate, there are 892 weights in this category.

#### *Elementary District Students<sup>17</sup>*

Elementary districts are those that do not offer high school. In 1990, data indicated that these districts typically spend less than the average per student and so are assigned less than a full weight, a .9 weight. This results in a reduction of weights, for a loss of 18.55 weights in the 2014-15 estimate.

#### *Union High School District Students*

Union High School Districts are only responsible for educating students in grades 9 through 12. When the formula was created, data indicated that these districts spend more than the average district. In the 2014-15 estimate, there are 12 weights in this category.

#### *Small Schools*

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<sup>14</sup> Oregon Department of Education. 2012 Oregon Report Card, p. 5.

<sup>15</sup> Ibid.

<sup>16</sup> 2013 Oregon Report Card, p. 30.

<sup>17</sup> Most elementary districts and union high school districts were eliminated during the 1996-97 merger effort of the state.

Students enrolled in small schools receive an extra weight. This weight is based on the size of the school, not the size of the district. The weight is based on grade level and distance to the nearest school site. The smaller the school, the higher the weight.

For elementary schools to qualify, they must also be “remote” which is defined as more than eight miles from the nearest elementary school in the same district (A small high school qualifies for additional funding if the school is in a school district with less than 8,500 ADMw. A small high school does not have a distance requirement. The formula for this additional amount is in statute. In the 2014-15 estimate, there are 7,061 weights in this category.

#### *Youth Corrections Programs*

Youths who have been taken into custody by the juvenile justice system to a county Juvenile Detention facility (short-term stays) or to a state Oregon Youth Authority facility (longer term stays) receive dollars for their education through the SSF. Juvenile Detention Education Programs receive an additional .5 weight for their students for a total of 1.5 weights. Youth Corrections Education Programs receive an additional full weight for their students for a total of 2.0 weights for each student.

#### Other Factors in the Formula

##### *Teacher Experience Factor*

As teachers gain more experience, their salaries increase. Virtually all school districts use pay schedules based in part on teacher experience. Incorporating this into a student weight was not feasible so an adjustment factor was added to the base funding per student. This factor increases or decreases each district’s base funding per student by \$25 for each year the district’s average teacher experience exceeds (or falls short of) the statewide average.

$$\text{Teacher Experience Adjustment} = \$25 \times (\text{District Average} - \text{State Average})$$

##### *Extended ADMw*

Each year, school districts count their enrolled students for purposes of funding. Districts with declining enrollment can experience funding difficulties because their costs typically do not decline as quickly as their revenues. To avoid such difficulties, state law allows school districts to use the current year’s ADMw as a funding basis, *or* the prior year’s, whichever is greater. This is commonly known as *extended ADMw*. It has been an element of the distribution formula since 1991.

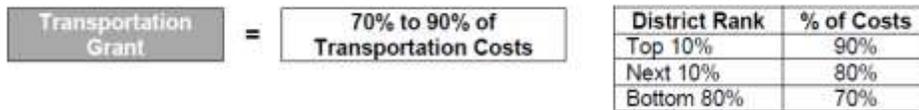
##### *Grants*

Grants, or “carve-outs” amount to about six percent of the total formula. Grants fund a specific service.

*Transportation Grant*

Unlike other elements of the SSF Distribution Formula, the Transportation Grant uses actual, eligible costs as the factor to adjust for different transportation costs per student. Eligible costs include transporting students to and from school,<sup>18</sup> bus replacement costs, and field trips that extend the classroom. The state reimburses districts for a share of their actual costs. In the pre-Measure 5 formula, 60 percent was reimbursed. This was later changed to 70 percent.

In 2003, to address those districts with much higher transportation costs, a three-tiered approach was adopted. To determine which districts have a higher percentage, the average transportation cost per student is calculated for each district. Districts are then ranked from highest to lowest cost per student. The top ten percent of the highest cost districts qualify for 90 percent grants, and the next ten percent qualify for 80 percent. The bottom 80 percent qualify for 70 percent grants, the minimum reimbursement rate.



*High Cost Disability Grant*

Some special education students are extraordinarily expensive to educate. The double weight afforded special education students is insufficient to cover these expenses. In 2003, the Legislature established the High Cost Disabilities Account.<sup>19</sup> Each biennium, the Legislature appropriates monies to this account. A school district may receive funds from the account if the school district has a resident pupil with a disability for whom the eligible costs to the school district of providing special education and related services exceed \$30,000.<sup>20</sup> If the Legislature fails to appropriate enough funds to fully pay the school district costs, the grants are prorated. In the 2003-05 biennium, the Legislature appropriated \$12 million. This was increased to \$18 million in 2007-09.

*School Facilities Grant*

The Legislature created the Facility Grant for the purpose of assisting rapidly growing school districts with the costs of furnishing and equipping new facilities. It cannot be used for capital construction costs. Grants are limited to eight percent of total construction costs for new buildings. The grants to districts cannot exceed \$20 million per biennium (reduced from \$25 million by the 2013 Legislature for

<sup>18</sup> ORS 327.043 requires elementary students to reside at least a mile from school and secondary students to reside one and a half miles from school for those costs to be eligible for reimbursement from the State School Fund.

<sup>19</sup> SB 550 (2003), Oregon chapter law 715.

<sup>20</sup> The original threshold was \$25,000 but was raised to \$30,000 in 2005.

the 2013-15 biennium) and are prorated if the \$20 million does not cover costs for those school districts qualified for a facility grant. School district bonds can now be used to furnish schools, so the legislature has begun phasing out the grant.

#### *Grants for Special & Compensatory Education Programs*

Programs that fall within this category are the Oregon School for the Deaf; a Medicaid match for administration efforts to secure Medicaid funds for services provided to children with disabilities; hospital programs for education services to children who are hospitalized for extended periods of time; day and residential treatment programs; regional services provided to children with low-incidence disabling conditions; early childhood special education; early intervention services for children from birth to age three; evaluation services for children with disabilities to determine program eligibility and needs; education services to children residing at state hospitals; disadvantaged children program; early childhood education; child development specialist program; youth care centers; staff development and mentoring; career and technical education grants; special science education programs; and Talented and Gifted children program (ORS 327.023).

#### *Long Term Care and Treatment Grant*

LTCT programs provide services to those students with mental health or severe behavioral issues. The education portion of the services they receive are partly funded (48 percent) through the State School Fund, with the remaining funding coming from a state General Fund appropriation (44 percent) and federal funds (7 percent).

#### *Oregon School for the Deaf*

The Oregon School for the Deaf is a residential and day facility that serves deaf and hard-of-hearing students from around the state. The school receives some of its funding from the SSF (6 percent) and the rest from a General Fund appropriation and federal funds.

#### *Talented and Gifted Program*

The term “talented and gifted” refers to children whose outstanding abilities require special education programs or services to realize their potential. State policy (ORS 343.396) states that when talented and gifted programs are offered by school districts, the state will provide financial and technical support. This program resides within the Oregon Department of Education and was funded with \$350,000 for the 2013-15 biennium.

#### *Speech Pathology Program*

The state has a goal to increase the number of speech-language pathologists and speech-language pathology assistants. This program was funded with \$150,000 for the 2013-15 biennium.

*Skilled Nursing Facility Students*

This program was funded with \$500,000 (2013-14); \$2.5 million (2014-15).

*Small School District Supplement Fund*

The Small School District Supplement Fund receives \$5 million from the State School Fund. Small school districts are districts under 8,500 weighted students with high schools having fewer than 350 students for four grades and 267 students for three grades. Out of 197 school districts about 95 qualify for a grant. This grant is scheduled to sunset on June 30, 2015.

*Oregon Virtual School District*

The Oregon Virtual School District resides within the Oregon Department of Education and provides a library of online curriculum for school districts. In 2013-15, the Legislature appropriated \$800,000 from the SSF for OVSD.

*Network of Quality Teaching and Learning*

This is a new teacher and administrator mentoring and professional development program, funded by the 2013 Legislature. It funds 13 full-time equivalent positions within the Oregon Department of Education (\$3.7 million) and activities in school districts. It was funded with \$33 million from the SSF and an additional \$12 million from the Common School Fund for a total of \$45 million for the 2013-15 biennium.

*Nationally-Normed Assessments*

Oregon law (ORS 329.488) directs the Dept. of Education to contract with a nonprofit entity to administer a nationally-normed assessments to all students in grade 10 who are enrolled in a public school. This program received \$550,000 for the 2013-15 biennium.

*Local Option Equalization Grant*

The interplay between Ballot Measure 5 and Ballot Measure 50 leaves a gap between assessed value and market value for real property. School Districts have the option to ask voters to approve a tax that would capture revenue based on that gap. This revenue stays with the district and is not considered part of the formula.

Some districts that pass these local option taxes do not have the real property value to obtain much revenue from the tax. Thus, the Legislature provides a local option equalization grant. The Legislature varies the amount from year to year, but funded it at \$3.5 million for 2013-15.

## TASK FORCE WORK

The task force met ~~nineteen~~ times, from November 2013 through September 2014. Determining the scope and creating a framework for discussions became an early focus of the group. In order to determine a direction for the task force, it heard a variety of presentations about different aspects of the State School Fund Distribution Formula:

- History of the distribution formula;
- A national perspective on school funding formulas;
- Elements of the distribution formula;
- The different student weights within the formula;
- The new data source for the poverty weight;
- The different special grants outside the formula;
  - Weights and Carve Outs;
  - The Small School District Supplemental Fund Grant;
  - Talented and Gifted programs;
  - Youth Corrections/Juvenile Detention Education Programs
  - Long Term Care and Treatment programs
- Deputy Superintendent Saxton’s proposals on English Language Learners and Special Education (*See Appendix C*).
- Scio Superintendent Gary Tempel and Carol McKiel, Linn-Benton Community College described ~~Scio’s options of the~~ “5<sup>th</sup> year senior” program, where high school seniors with enough credits to graduate stay enrolled in high school, ~~thus while using K-12 State School Funds to attending~~ community college. (*See Appendix C*.)

By its second meeting in December, many requests were made of staff concerning data. Without in-depth analysis of the current effect of the formula—both intended and unintended—on district behaviors and student performance, task force members were reluctant to change the formula. Because the task force lacked both the time and the staff for such an analysis, the task force settled on three aspects of the formula it found of particular interest and created subcommittees: Equity; High Cost Disabilities Account; and English Language Learners.

#### *Public Testimony*

The task force received public testimony at its March and August meetings. ~~All the e~~Comments focused on getting more money to school districts generally or to particular programs. Topics included English Language Learners, the desirability of having an equitable system, small and remote school districts, the funding of long term care and treatment centers, the education of incarcerated youths, special education, talented and gifted students, charter schools, and the mechanics of the formula, generally. Testimony from the Confederation of School Administrators, Oregon School Boards

Association, and Oregon Education Association generally cautioned the task force against making formula changes without a clear understanding of the effects of such changes and whether the changes would improve education delivery. See Appendix B for minutes of the testimony.

### Discussions

An overriding concern of task force discussions was that without additional funding any change in the distribution formula would create winners and losers; some districts would receive more funding and some less. This situation prompted many task force members to comment on the adequacy of funding.

Larger discussions included the following topics:

- What is the goal of a public education?
- How do other states distribute school funds?
- Were the basic mechanics of using student weights in the formula sound?
- Were the weights supported by data?
- Were new weightings needed?
- Was the funding being used effectively?
- Did the formula facilitate the state’s 40-40-20 Goal?
- What were the goals of the formula?
- What dynamic did funding play in student performance?

### SUBCOMMITTEES

The three subcommittees presented their tentative recommendations at the July 2014 meeting of the full task force.

#### EQUITY SUBCOMMITTEE

Task force members Sen. Devlin, Kelly Devlin, John Hayes, Steven Isaacs, Sena Norton, Claire Hertz, and Michael Wolfe served on the Equity Subcommittee. The subcommittee met three times. The subcommittee reserved the right to modify its recommendations upon feedback and discussion.

#### Observations

- When the distribution formula was created in 1991 in response to Measure 5, equity in resource allocation among districts was the goal; the former system of school funding (2/3 property taxes) provided funding levels that varied so much across districts that the system was widely considered to be inequitable.

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- The current distribution formula provides a far more equitable distribution of resources than the former system, but the level of resources dedicated to K-12 is still not adequate.
- When the original distribution formula was created, setting of the weights for at-risk students was based on research from other states. Oregon’s weights have not been changed since the formula was first created. Now, Oregon has data to allow more in-depth study of the cost differences across categories of students.
- The fact that we still have achievement gaps for students with special needs suggests that the current weights may not be directing sufficient additional resources to districts with disproportionately large populations of students with special needs.
- The fact that comparable school districts have different student outcomes suggests that additional money alone cannot eliminate the achievement gaps. Educational practices do matter and should be factored into the evaluation of the formula.
- When school funding reaches more adequate levels it will be easier to make adjustments to the student weights, if they are justified.
- The state’s 40-40-20 Goal could/should help steer education funding policies.

#### ~~Tentative~~ Equity Subcommittee Recommendations

- Oregon should maintain its existing weighted student formula until a thorough study of the formula can be conducted. The study should provide a clear statement of the state’s educational equity goals, then determine if the current formula is meeting those goals. The formula should be changed only if the study provides clear evidence that the current formula is not meeting the state’s agreed-upon equity goals.
- The legislature should appropriate funds to conduct the study, and the emphasis of the study should be on whether the current weights are an accurate representation of the cross-district cost differences for which they were intended to compensate. The Equity Subcommittee or a larger group of task force members should have input into the design of the study. The formula should be reviewed regularly—perhaps every eight years—to make sure it is accomplishing its goals.
- The distribution of the “carve-outs” from the SSF, particularly the High Cost Disability Grant and the Facilities Grant, should be studied as well. Funding provided through strategic investments should also be evaluated for its equity effects. Both the carve-outs and the strategic investments should be evaluated for their incentive effects to make sure they do not create unintended consequences.
- The practices of successful districts should be identified and shared with other districts in a systemic way so that all districts can benefit. In order to achieve equity of student outcomes, all districts need to be using their resources in the most effective manner. Additional resources alone will not ensure better outcomes—resources must be used wisely.

- The study should explore if there are some equity issues that are best dealt with outside of the education system.

### HIGH COST DISABILITIES ACCOUNT SUBCOMMITTEE

Task force members John Hayes, Bobbie Regan, John Rexford, and Michael Wolfe served on the High Cost Disabilities Account Subcommittee. The subcommittee met once and reviewed the history of the grant.

In 2003-04, there were 1898 eligible students with \$16,998,166 in claims above the \$25,000 threshold (changed to \$30,000 in 2005-06). Because claims exceeded the grant, the individual grants to school districts were prorated, and districts received \$.71 per dollar claimed. In 2012-13, there were 2774 eligible high cost students and \$44,550,768 in claims were made by school districts. This represents a 46 percent increase in eligible students and a 162 percent increase in claims. The prorated payment in 2012-13 was \$.40 per dollar.

In 2012-13 there were 29 high cost students with costs above \$100,000 and 761 students with costs of \$50,000 or more, which is \$48.41 million in total costs. Of the \$48.41 million in costs, school districts received approximately \$10.23 million from the High Cost Disabilities Account. After adding General Fund and special education revenues from the State School Fund, there was a gap of \$28.93 million or about \$38,000 per student.

#### Issues:

Through public testimony and discussion among the members of the full School Funding Task Force, the following issues were raised in regard to the High Cost Disability Grant:

1. Should the minimum \$30,000 qualifying threshold for the grant be reduced? If so, to what level?
2. If the minimum threshold is reduced, what effect would that have on the funding level of all students?
3. Is the grant funded adequately?
4. Is the prorated reimbursement adequate?
5. Should there be incentives for districts to keep costs down?

**HIGH COST DISABILITIES ACCOUNT HISTORY**

School year	Claims	Threshold	Claim Amount Allowed	Grant Award	Rate
2003-04	1,898	\$ 25,000	\$ 16,998,166	\$ 12,000,000	\$ 0.71
2004-05	2,183	\$ 25,000	\$ 20,054,272	\$ 12,000,000	\$ 0.60
2005-06	1,339	\$ 30,000	\$ 15,388,920	\$ 12,000,000	\$ 0.78
2006-07	1,739	\$ 30,000	\$ 19,894,981	\$ 12,000,000	\$ 0.60
2007-08	2,127	\$ 30,000	\$ 23,686,156	\$ 18,000,000	\$ 0.76

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2008-09	2,365	\$ 30,000	\$	28,697,349	\$	18,000,000	\$	0.63
2009-10	2,509	\$ 30,000	\$	35,887,006	\$	18,000,000	\$	0.50
2010-11	2,569	\$ 30,000	\$	35,795,306	\$	18,000,000	\$	0.50
2011-12	2,701	\$ 30,000	\$	42,805,920	\$	18,000,000	\$	0.42
2012-13	2,774	\$ 30,000	\$	44,550,768	\$	18,000,000	\$	0.40
2013-14*	2,804	\$ 30,000	\$	42,454,423	\$	18,000,000	\$	0.42
*Estimate at this time								

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Recommendations:

The subcommittee reserved the right to modify its recommendations upon feedback and discussion.

1. Maintain the current formula-driven grant and provide sufficient funding so that the reimbursement rate is 80 percent without further diluting State School Fund disbursements.

To accomplish this, the amount of funding for the High Cost Disability Grant will need to be increased. This can be accomplished, in part or in whole, by reducing other carve outs such as the Facilities Grant, the amount ODE withholds each biennium and/or the amount of funds dedicated to strategic investments. The recommendation is to increase the reimbursement rate without further diluting the State School Fund (SSF) disbursements, so additional revenue from outside of the SSF would be required.

Comment [r3]: This eventually gets distributed, so using it would result in formula funding being reduced.

In order to set a reimbursement rate at, or about 80 percent, based on current data, the overall grant would need to be \$36 million per year, which is twice as much as the current allocation for the grant.

ENGLISH LANGUAGE LEARNERS SUBCOMMITTEE

Task force members Rep. Komp, Heidi Sipe, John Hayes, Claire Hertz, John Rexford, and Kelly Devlin served on the English Language Learners Subcommittee. The subcommittee reserved the right to modify its recommendations upon feedback, additional data, and discussion.

Issues Raised

Through public testimony and discussions among the full School Funding Task Force, the following issues were raised:

1. Whether there should be a minimum amount distributed to school districts with small ELL populations;
2. Whether the weight was too small;
3. Whether the weight creates incentives for school districts to keep students in ELL programs even after they no longer benefit from the services;

4. Whether the lack of accountability in spending harms the provision of ELL services;
5. Whether districts should be required to spend all of the funds they receive for ELL students on ELL services.

The subcommittee also considered the proposals made by Deputy Superintendent Rob Saxton (*see Appendix C*).

Tentative ELL Subcommittee Recommendations

The subcommittee reviewed the data and addressed the issues raised and made ~~Accordingly, the subcommittee makes~~ the following recommendations regarding the current funding formula for ELL students:

1. Increase the weight for ELL students to 0.6. This will provide additional funding for those districts with small ELL populations. Additionally, this will help provide additional services to many ELL students who are also economically disadvantaged.
2. Give the additional ELL weight for 7 years for students who test at 1 or a 2 on the ELPA and 4 years for students who test at 3 or above. These timeframes are consistent with information provided to the committee related to research on the mastery of English as a primary language. This proposal will eliminate the incentive for districts to keep ELL students in ELL programs beyond their ability to benefit from the services. This will also give districts more stable funding as they will be given set amounts for specific periods of time.
  - a. The subcommittee recommends further research and discussion on this proposal to work out the details. Concerns raised include tracking requirements, how to handle students who change districts, when the funding would start, and when the students would be tested on the ELPA to determine funding level.
3. Increase accountability for ELL spending. The subcommittee does not embrace the any set spending requirement. Further, the subcommittee is very sensitive to the significant resources it would take at the local and state level to implement an accountability system. However, the subcommittee recommends that ELL funding be spent on ELL services to assist those students. The subcommittee recommends that additional research and study is conducted on how to increase accountability. Further, the subcommittee recommends that a pilot project be implemented based on that study.

**Comment [mdw4]:** We need the subcommittee members to validate that these issues were actually raised by them.

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**Comment [mdw5]:** Not sure why this proposal would be called out?

**Comment [mdw6]:** This will be rewritten based on the subcommittee's current work assignment.

**TASK FORCE OBSERVATIONS FINDINGS & RECOMMENDATIONS**

TBD at Aug/Sept meetings

### OBSERVATIONS

- The task of reviewing the adequacy and efficacy of the State School Fund and making possible modifications to the funding formula used to distribute State School funds is daunting. Task force members took their roles very seriously, understanding that without additional monies allocated to the State School Fund, there will inevitably be “winners” and “losers” with any recommended changes. That dynamic is reason to be cautious in recommending changes and to base any substantive changes on research that tells us: 1) that some classifications of students may require significant additional resources (high-cost special education students and English language learners with severely interrupted formal education are two examples); 2) whether additional weights in the formula are likely to have a tangible and positive impact in supporting student achievement; and 3) the impact on students/school districts/ESDs who are on the “losing” end if no additional resources are put into the State School Fund related to recommended changes to weights or timelines around funding.
- The task force affirms that the Oregon weighted-factor model for funding allocation is working as intended. Weights for various categories of students are warranted.
- The State School Fund is an allocation model not an expenditure model and does not put requirements on how school districts and education service districts must spend their formula revenue.
- Adequacy of funding and allocation of funding are intertwined and it is difficult to consider changes to the allocation formula when funding is not adequate.
- Efforts need to be made to stop diluting the State School Fund through carve-outs dedicated to specific purposes; the funding of strategic initiatives; and the funding of new, albeit valuable, services such as full-day kindergarten or 5<sup>th</sup> year senior programs without commensurate additional funding to offset the related costs.
- It’s important to recognize that the state of Oregon has one of the highest rates of child poverty in the nation. While the weight for poverty in the State School Fund can and should be reviewed, the state must look to address this issue in a broader systemic way. (Original wording was “The study should explore if there are some equity issues that are best dealt with outside of the education system” and there was a question about what this meant. I wasn’t sure either but took a guess. Let me know if this captures the thought accurately. We can also delete this altogether.)
- The practices of successful districts should be identified and shared with other districts in a systemic way so that all districts can benefit. To achieve equity of student outcomes, all districts need to be using their resources in the most effective manner. Additional resources alone will not ensure better outcomes.

Comment [mdw7]:

**RECOMMENDATIONS:**

- As Oregon looks to achieve its 40-40-20 goals - and in light of recent stagnant state achievement results - the task force recommends that the legislature consider whether the overall state school fund appropriation is adequate in addressing the state’s ambitious education goals.
- Oregon should maintain its existing weighted student formula until a thorough study of the formula can be conducted. The study should provide a clear statement of the state’s educational equity goals, then determine if the current formula is meeting those goals. The formula should be changed only if the study provides clear evidence that the current formula is not meeting the state’s agreed-upon equity goals.
- The legislature should appropriate funds to conduct the study, and the emphasis of the study should be on whether the current weights are an accurate representation of the cross-district cost differences for which they were intended to compensate. The Equity Subcommittee or a larger group of task force members should have input into the design of the study.
- The formula should be reviewed regularly—perhaps every eight years—to make sure it is accomplishing its goals.
- The distribution of the “carve-outs” from the SSF, particularly the High Cost Disability Grant and the Facilities Grant, should be studied as well. Funding provided through strategic investments should also be evaluated for its equity effects.
- Maintain the current formula-driven High-Cost Disabilities Grant and set the funding level so that the reimbursement rate is 80 percent (currently it is about 40%).
- Eliminate the requirement that ODE contract with school districts for Long Term Care and Treatment funding, and make LTCT funding a grant-in-aid based on a formula similar to the regular school district formula.
- [Insert recommendations from new ELL subcommittee here]
- The 2015 Legislature is urged to examine the emerging and growing practice by school districts of allowing high school seniors to stay on a fifth year—despite having enough credits to graduate. The State School Fund was intended to cover the costs of kindergarten through senior year of high school. When school districts allow a senior who has completed his/her high school requirements to stay a fifth year to attend community college, they are effectively diluting the state school fund formula for all other students and school districts in the state. The Task Force respects the goal – supporting students as they begin college – but believes that a separate funding source should be found if this practice continues.

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- Oregon should maintain its existing weighted student formula until a thorough study of the formula can be conducted. The study should provide a clear statement of the state’s educational equity goals, then determine if the current formula is meeting those goals. The formula should be changed

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only if the study provides clear evidence that the current formula is not meeting the state’s agreed-upon equity goals:

- The legislature should appropriate funds to conduct the study, and the emphasis of the study should be on whether the current weights are an accurate representation of the cross-district cost differences for which they were intended to compensate. The Equity Subcommittee or a larger group of task force members should have input into the design of the study. The formula should be reviewed regularly—perhaps every eight years—to make sure it is accomplishing its goals.
- The distribution of the “carve-outs” from the SSF, particularly the High Cost Disability Grant and the Facilities Grant, should be studied as well. Funding provided through strategic investments should also be evaluated for its equity effects. Both the carve-outs and the strategic investments should be evaluated for their incentive effects to make sure they do not create unintended consequences.
- The practices of successful districts should be identified and shared with other districts in a systemic way so that all districts can benefit. In order to achieve equity of student outcomes, all districts need to be using their resources in the most effective manner. Additional resources alone will not ensure better outcomes.
- The study should explore if there are some equity issues that are best dealt with outside of the education system.
- Maintain the current formula-driven High-Cost Disabilities Grant and set the funding level so that the reimbursement rate is 80 percent (currently it is about 40%).
- Eliminate the requirement that ODE contract with school districts for Long Term Care and Treatment funding, and make LTCT funding a grant-in-aid based on a formula similar to the regular school district formula.
- Insert recommendations from new ELL subcommittee here
- The 2015 Legislature is urged to examine the practice of allowing high school seniors to stay on a fifth year—despite having enough credits to graduate—and attend a postsecondary institution, with the school district negotiating tuition and book prices with the college and using State School Fund monies for those expenses.

**Comment [mdw8]:** Back to my earlier comment about what this actually means.

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### **Long Term Care & Treatment Programs**

The Oregon Department of Education has recently reviewed this program and made significant changes to streamline processes, improve data, and increase communication.

In 2011, the responsibility of educating children residing in long term care and treatment facilities changed from the Oregon Department of Education to the school district in which the facility was located. When this change was made, language regarding how the payment was not and maintained the

requirement that the funding flow to districts through a contract. Contracts create paperwork for both the state agency, the school district, and the facility. Bills must be invoiced and paid on a reimbursement basis.

It is the recommendation of the task force that the statute be changed so that LTCT funding is provided to school districts in the form of a grant-in-aid. The department would still provide oversight and require that the school districts spend the funds appropriately. This has the advantages of maintaining oversight of the dollars spent, allowing districts and facilities access to funding on the front end (rather than be reimbursed), and streamlining the administrative processes.

In addition to this statutory change, the task force supports internal department efforts to improve services to this population of students. Those internal changes include developing an impartial application process for districts to access the 5 percent Emergency Funds; enforcing language in contracts that prohibit contractors from subcontracting without department approval; amending the administrative rule to allow the department some discretion in making adjustments to ensure small LTCT sites have adequate funding; and funding to an “adequate service level” as defined by the Oregon Department of Education.

APPENDIX A

77th OREGON LEGISLATIVE ASSEMBLY-2013 Regular Session

Enrolled  
House Bill 2506

Introduced and printed pursuant to House Rule 12.00. Pre-session filed (at the request of House Interim Committee on Revenue)

CHAPTER .....

AN ACT

Relating to school funding; creating new provisions; amending ORS 294.383, 327.008, 327.019 and 329.488; repealing ORS 327.009, 334.800 and 334.820; appropriating money; and declaring an emergency.

Be It Enacted by the People of the State of Oregon:

**SECTION 1.** (1) The Task Force on School Funding is established.

(2) The task force consists of 13 members appointed as follows:

(a) The President of the Senate shall appoint two members from among members of the Senate.

(b) The Speaker of the House of Representatives shall appoint two members from among members of the House of Representatives.

(c) The Governor shall appoint nine members who represent:

(A) School teachers, school administrators, school district business managers, district school board members and personnel of education service districts;

(B) Geographically diverse urban and rural schools; and

(C) Schools of various sizes.

(3) The task force shall make recommendations regarding possible modifications to the funding formulas used to distribute State School Fund moneys to school districts and education service districts.

(4) A majority of the voting members of the task force constitutes a quorum for the transaction of business.

(5) Official action by the task force requires the approval of a majority of the voting members of the task force.

(6) The task force shall elect one of its members to serve as chairperson.

(7) If there is a vacancy for any cause, the appointing authority shall make an appointment to become immediately effective.

(8) The task force shall meet at times and places specified by the call of the chairperson or of a majority of the voting members of the task force.

(9) The task force may adopt rules necessary for the operation of the task force.

(10) The task force shall submit a report in the manner provided by ORS 192.245, and may include recommendations for legislation, to the interim committees of the Legislative Assembly related to education no than October 1, 2014.

(11) The Department of Education shall provide staff support to the task force.

(12) Notwithstanding ORS 171.072, members of the task force who are members of the Legislative Assembly are not entitled to mileage expenses or a per diem and serve as volunteers on the task force. Other members of the task force are not entitled to compensation or reimbursement for expenses and serve as volunteers on the task force.

(13) All agencies of state government, as defined in ORS 174.111, are directed to assist the task force in the performance of its duties and, to the extent permitted by laws relating to confidentiality, to furnish such information and advice as the members of the task force consider necessary to perform their duties.

**SECTION 2.** Section 1 of this 2013 Act is repealed on the date of the convening of the 2015 regular session of the Legislative Assembly as specified in ORS 171.010.

**SECTION 3.** The Office of Regional Educational Services is abolished.

**SECTION 4.** (1) The Regional Educational Services Account is abolished.

(2) Any moneys remaining in the Regional Educational Services Account on the effective date of this 2013 Act that are unexpended, unobligated and not subject to any conditions shall revert to the General Fund.

**SECTION 5.** ORS 327.009, 334.800 and 334.820 are repealed.

**SECTION 6.** ORS 294.383 is amended to read:

294.383. (1) As used in this section, "extended ADMw" means:

(a) For a school district, the district extended ADMw as calculated under ORS 327.013.

(b) For an education service district, the sum of the extended ADMw of the school districts located within the territory of the education service district.

(2) Notwithstanding ORS 294.333, a school district or education service district that uses the accrual basis method of accounting may include as accrued revenues in the budget and financial statement of the school district or education service district, for any fiscal year, an amount from the next fiscal year that is to be received in the next fiscal year. The amount accrued under this section may not be greater than the amount calculated under subsection (3)(b) or (c) of this section multiplied by the extended ADMw of the school district or education service district.

(3)(a) For each fiscal year, the Department of Education shall calculate the amount available in the State School Fund for grants and distributions to school districts and the amount available for grants and distributions to education service districts under ORS 327.008, 327.013 and 327.019 based on the appropriations and allocations made to the State School Fund for that fiscal year by the Legislative Assembly in regular session. The department may not include in the amount calculated to be available for school districts and education service districts under this paragraph the amounts received by the Youth Corrections Education Program and the Juvenile Detention Education Program under ORS 327.026 from the State School Fund [or amounts transferred to the Regional Educational Services Account as provided by ORS 327.009].

(b) The department shall calculate for school districts an amount equal to (the amount calculated under paragraph (a) of this subsection for school districts ÷ 12) ÷ the total statewide extended ADMw of all school districts.

(c) The department shall calculate for education service districts an amount equal to (the amount calculated under paragraph (a) of this subsection for education service districts ÷ 12) ÷ the total statewide extended ADMw of all education service districts.

(d) The department may adjust the calculations under this subsection based on current data for the factors used to calculate the State School Fund distribution to school districts and education service districts under ORS 327.008, 327.013 and 327.019.

(e) Notwithstanding paragraph (d) of this subsection, the department may not adjust the calculation under paragraph (a) of this subsection based on changes made to the appropriations or allocations to the State School Fund by the Legislative Assembly in special session or by rule of the Oregon Department of Administrative Services relating to allotting funds.

(4) Notwithstanding ORS 294.333, a community college district or community college service district that uses the accrual basis method of accounting may include as accrued revenues in the budget and financial statement of the community college district or community college service dis-

trict, for any fiscal year, an amount from the next fiscal year that is to be received in the next fiscal year. The amount accrued under this section may not be greater than 25 percent of the amount the community college district or community college service district received as a Community College Support Fund grant for the fiscal year for which the revenues are to be accrued.

**SECTION 7.** ORS 327.008, as amended by section 3, chapter 91, Oregon Laws 2012, is amended to read:

327.008. (1) There is established a State School Fund in the General Fund. The fund shall consist of moneys appropriated by the Legislative Assembly and moneys transferred from the Education Stability Fund. The State School Fund is continuously appropriated to the Department of Education for the purposes of ORS 327.006 to 327.077, 327.095, 327.099, 327.101, 327.125, 327.137, 327.348, 336.575, 336.580, 336.635, 342.173, 343.243, 343.533 and 343.961.

(2) There shall be apportioned from the State School Fund to each school district a State School Fund grant, consisting of the positive amount equal to a general purpose grant and a facility grant and a transportation grant and a high cost disabilities grant minus local revenue, computed as provided in ORS 327.011 and 327.013.

(3) There shall be apportioned from the State School Fund to each education service district a State School Fund grant as calculated under ORS 327.019.

*[(4) There shall be apportioned from the State School Fund the amount to be transferred to the Regional Educational Services Account as calculated under ORS 327.009.]*

*[(5) (4) All figures used in the determination of the distribution of the State School Fund shall be estimates for the same year as the distribution occurs, unless otherwise specified.]*

*[(6) (5) Numbers of students in average daily membership used in the distribution formula shall be the numbers as of June of the year of distribution.]*

*[(7) (6) A school district may not use the portion of the State School Fund grant that is attributable to the facility grant for capital construction costs.]*

*[(8) (7) The total amount of the State School Fund that is distributed as facility grants may not exceed \$25 million in any biennium. If the total amount to be distributed as facility grants exceeds this limitation, the Department of Education shall prorate the amount of funds available for facility grants among those school districts that qualified for a facility grant.]*

*[(9) (8) Each fiscal year, the Department of Education shall transfer the amount of \$18 million from the State School Fund to the High Cost Disabilities Account established in ORS 327.348.]*

*[(10) (9) Each fiscal year, the Department of Education may expend up to \$550,000 from the State School Fund for the contract described in ORS 329.488. The amount distributed to education service districts from the State School Fund under this section and ORS 327.019 shall be reduced by the amount expended by the department under this subsection.]*

*[(11) (10) Each biennium, the Department of Education may expend up to \$350,000 from the State School Fund to provide administration of and support for the development of talented and gifted education under ORS 343.404.]*

*[(12) (11) Each biennium, the Department of Education may expend up to \$150,000 from the State School Fund for the administration of a program to increase the number of speech-language pathologists and speech-language pathology assistants under ORS 348.394 to 348.406.]*

**SECTION 8.** ORS 327.019 is amended to read:

327.019. (1) As used in this section:

(a) "Education service district extended ADMw" means the sum of the extended ADMw of the school districts located within the territory of the education service district as computed under ORS 327.013.

(b) "Local revenues of an education service district" means the total of the following:

(A) The amount of revenue offset against local property taxes as determined by the Department of Revenue under ORS 311.175 (3)(a)(A);

(B) The amount of property taxes actually received by the district including penalties and interest on taxes;

(C) The amount of revenue received by the district from state-managed forestlands under ORS 530.115 (1)(b) and (c); and

(D) Any positive amount obtained by subtracting the operating property taxes actually imposed by the district based on the rate certified pursuant to ORS 310.060 from the amount that would have been imposed by the district if the district had certified the maximum rate of operating property taxes allowed by law.

(2) Each fiscal year, the Superintendent of Public Instruction shall calculate a State School Fund grant for each education service district as provided in this section.

(3)(a) Each fiscal year, the superintendent shall calculate the total amount appropriated or allocated to the State School Fund and available for distribution to school districts, education service districts[,] and programs [and the Office of Regional Educational Services] + total amount of local revenues of all school districts, computed as provided in ORS 327.011, + total amount of local revenues of all education service districts. The superintendent may not include in the calculation under this paragraph amounts received by the Department of Education from the State School Fund under ORS 343.243.

(b) The superintendent shall multiply the amount calculated under paragraph (a) of this subsection by 95.5 percent.

(c) Based on the amount calculated under paragraph (b) of this subsection, the superintendent shall calculate a funding percentage to distribute as nearly as practicable under ORS 327.006 to 327.133 and 327.348 the total amount calculated under paragraph (b) of this subsection as school district general purpose grants, facility grants, high cost disabilities grants and transportation grants to school districts.

(d) Based on the funding percentage calculated under paragraph (c) of this subsection, the superintendent shall calculate the general purpose grant, facility grant, transportation grant and high cost disabilities grant amounts for each school district.

(4)(a) The general services grant for an education service district shall equal the higher of:

(A) The total amount calculated under subsection (3)(d) of this section for the school districts located within the territory of the education service district  $\times$  (4.5  $\div$  95.5); or

(B) \$1 million if the education service district received a general services grant of \$1 million for the 2010-2011 school year.

(b) Notwithstanding paragraph (a) of this subsection and only for State School Fund distributions made for the first school year after two or more education service districts join together, if an education service district received a general services grant as provided by paragraph (a)(B) of this subsection prior to the education service district joining together with one or more other education service districts to form a new education service district:

(A) The general services grant for the new education service district shall be calculated for each component education service district as though the component education service districts had not joined together to form a new education service district; and

(B) A component education service district that received \$1 million as provided by paragraph (a)(B) of this subsection shall be entitled to receive \$1 million under the calculation provided by this paragraph.

(5) Subject to subsection (6) of this section, the State School Fund grant for an education service district = general services grant – local revenues of the education service district.

(6)(a) After completing the calculations under subsections (2) to (5) of this section, the Superintendent of Public Instruction shall apportion from the State School Fund to each education service district an amount = (funding percentage  $\times$  general services grant) – local revenues of the education service district.

(b) The funding percentage used in paragraph (a) of this subsection shall be calculated by the superintendent to distribute as nearly as practicable the total amount available for distribution to education service districts from the State School Fund for each fiscal year.

(7) Notwithstanding subsections (5) and (6) of this section:

(a) The State School Fund grant of an education service district may not be less than zero; and

(b) The State School Fund grant of an education service district shall be in an amount that, when combined with the local revenues of the education service district, equals \$1 million or more.

(8) An education service district shall distribute to school districts located within the territory of the education service district any amount of local revenues of the education service district that is greater than the general services grant. The amount that each school district receives under this subsection shall be prorated based on the district extended ADMw of the school district as calculated under ORS 327.013.

(9)(a) An education service district shall distribute to a school district that is located within the territory of the education service district but that has withdrawn from the education service district as provided in ORS 334.015 the amounts received by the education service district as a general services grant and from the School Improvement Fund.

(b) The amounts that a school district receives under this subsection:

(A) Shall be prorated based on the district extended ADMw of the school district as calculated under ORS 327.013;

(B) Shall equal 90 percent of the school district's prorated share, as calculated under subparagraph (A) of this paragraph; and

(C) May be used to pay for any expenses incurred in providing services described in ORS 334.175 (2) to the students of the school district by:

(i) The school district;

(ii) The education service district from which the school district withdrew;

(iii) An education service district that is not the education service district from which the school district withdrew; or

(iv) Any other public entity with which the school district has entered into a contract to provide the services.

**SECTION 9. The amendments to ORS 294.383, 327.008 and 327.019 by sections 6 to 8 of this 2013 Act and the repeal of ORS 327.009 by section 5 of this 2013 Act apply to State School Fund distributions commencing with the 2013-2014 distributions.**

**SECTION 10. ORS 329.488 is amended to read:**

329.488. (1) The Department of Education shall contract with a nonprofit entity to administer a nationally normed assessment, in collaboration with the department, to all students in grade 10 who are enrolled in a public school. The purpose of the assessment is to predict the success of students on, and provide practice for students taking, college entrance exams.

(2) The department shall base the selection of the contractor under subsection (1) of this section on all of the following criteria:

(a) The contractor must be able to provide to the department statewide data containing the results of the assessment;

(b) The contractor shall provide an assessment that:

(A) Identifies students with high potential to excel in advanced placement (AP) or other honors courses based on a research-based correlation of scores on the grade 10 assessment to advanced placement examinations;

(B) Examines students in mathematics, reading and writing; and

(C) Provides results that can be used by Oregon's higher education institutions to recruit students to attend college;

(c) The contractor must be able to supply schools with an item-by-item analysis of student performance on the assessment; and

(d) The contractor must be able to make available to each student taking the assessment a free career assessment and online exploration of colleges and career opportunities.

(3)(a) In lieu of using the contractor selected by the department under subsection (1) of this section, a school district may apply to the department for a waiver to allow the district to enter into a contract with a different nonprofit entity for the purpose of administering a nationally normed assessment to all students in grade 10 who are enrolled in the public schools operated by the district. The department shall grant the waiver if:

(A) The district had entered into a contract with the entity for the 2007-2008 school year to administer a grade 10 assessment;

(B) The entity, in coordination with the district, administered a grade 10 assessment during the 2007-2008 school year;

(C) For the most recent school year in which the entity administered a grade 10 assessment, the entity met the criteria set forth in subsection (2) of this section as in effect for the school year in which the entity administered the assessment; and

(D) The entity plans to meet the criteria set forth in subsection (2) of this section as in effect for the school year for which the school district seeks a waiver.

(b) A waiver granted by the department under this subsection:

(A) Is valid for one school year; and

(B) May be renewed each school year.

(c) The department shall reimburse a school district for the cost of assessments allowed under this subsection from funds available to the department under ORS 327.008 [10] (9).

(4) Notwithstanding subsections (1) and (3) of this section:

(a) The department may, under rules adopted by the State Board of Education, waive the assessment for specific groups of students; and

(b) Upon request from a student who is enrolled in a public school operated by a school district or the parent or guardian of the student, the school district shall waive the assessment for the student.

**SECTION 11.** (1) The Network of Quality Teaching and Learning Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Network of Quality Teaching and Learning Fund shall be credited to the General Fund.

(2) Moneys in the Network of Quality Teaching and Learning Fund are continuously appropriated to the Department of Education for the Network of Quality Teaching and Learning established by section 1, chapter \_\_\_\_\_ Oregon Laws 2013 (Enrolled House Bill 3233).

(3) The Department of Education, on behalf of the State of Oregon, may solicit and accept gifts, grants or donations from public and private sources for the Network of Quality Teaching and Learning. Moneys received under this subsection shall be deposited into the Network of Quality Teaching and Learning Fund.

**SECTION 12.** If House Bill 3233 does not become law, section 11 of this 2013 Act is repealed.

**SECTION 13.** If House Bill 3233 becomes law, ORS 327.008, as amended by section 3, chapter 91, Oregon Laws 2012, and section 7 of this 2013 Act, is amended to read:

327.008. (1) There is established a State School Fund in the General Fund. The fund shall consist of moneys appropriated by the Legislative Assembly and moneys transferred from the Education Stability Fund. The State School Fund is continuously appropriated to the Department of Education for the purposes of ORS 327.006 to 327.077, 327.095, 327.099, 327.101, 327.125, 327.137, 327.348, 336.575, 336.580, 336.635, 342.173, 343.243, 343.533 and 343.961.

(2) There shall be apportioned from the State School Fund to each school district a State School Fund grant, consisting of the positive amount equal to a general purpose grant and a facility grant and a transportation grant and a high cost disabilities grant minus local revenue, computed as provided in ORS 327.011 and 327.013.

(3) There shall be apportioned from the State School Fund to each education service district a State School Fund grant as calculated under ORS 327.019.

(4) All figures used in the determination of the distribution of the State School Fund shall be estimates for the same year as the distribution occurs, unless otherwise specified.

(5) Numbers of students in average daily membership used in the distribution formula shall be the numbers as of June of the year of distribution.

(6) A school district may not use the portion of the State School Fund grant that is attributable to the facility grant for capital construction costs.

(7) The total amount of the State School Fund that is distributed as facility grants may not exceed ~~[\$25]~~ \$20 million in any biennium. If the total amount to be distributed as facility grants exceeds this limitation, the Department of Education shall prorate the amount of funds available for facility grants among those school districts that qualified for a facility grant.

(8) Each fiscal year, the Department of Education shall transfer the amount of \$18 million from the State School Fund to the High Cost Disabilities Account established in ORS 327.348.

(9)(a) Each biennium, the Department of Education shall transfer \$33 million from the State School Fund to the Network of Quality Teaching and Learning Fund established under section 11 of this 2013 Act.

(b) For the purpose of making the transfer under this subsection:

(A) The total amount available for all distributions from the State School Fund shall be reduced by \$5 million;

(B) The amount distributed to school districts from the State School Fund under this section and ORS 327.013 shall be reduced by \$14 million; and

(C) The amount distributed to education service districts from the State School Fund under this section and ORS 327.019 shall be reduced by \$14 million.

(c) For each biennium, the amounts identified in paragraph (b)(B) and (C) of this subsection shall be adjusted by the same percentage by which the amount appropriated to the State School Fund for that biennium is increased or decreased compared to the preceding biennium, as determined by the Department of Education after consultation with the Legislative Fiscal Officer.

~~[(9)]~~ (10) Each fiscal year, the Department of Education may expend up to \$550,000 from the State School Fund for the contract described in ORS 329.488. The amount distributed to education service districts from the State School Fund under this section and ORS 327.019 shall be reduced by the amount expended by the department under this subsection.

~~[(10)]~~ (11) Each biennium, the Department of Education may expend up to \$350,000 from the State School Fund to provide administration of and support for the development of talented and gifted education under ORS 343.404.

~~[(11)]~~ (12) Each biennium, the Department of Education may expend up to \$150,000 from the State School Fund for the administration of a program to increase the number of speech-language pathologists and speech-language pathology assistants under ORS 348.394 to 348.406.

**SECTION 14. If House Bill 3233 becomes law:**

(1) The amendments to ORS 327.008 by section 13 of this 2013 Act apply to State School Fund distributions commencing with the 2013-2014 distributions.

(2) Notwithstanding ORS 327.008 (9)(c), the amounts identified in ORS 327.008 (9)(b)(B) and (C) shall first be adjusted beginning in the 2015-2017 biennium.

**SECTION 15. If House Bill 3233 becomes law, ORS 329.488, as amended by section 10 of this 2013 Act, is amended to read:**

329.488. (1) The Department of Education shall contract with a nonprofit entity to administer a nationally normed assessment, in collaboration with the department, to all students in grade 10 who are enrolled in a public school. The purpose of the assessment is to predict the success of students on, and provide practice for students taking, college entrance exams.

(2) The department shall base the selection of the contractor under subsection (1) of this section on all of the following criteria:

(a) The contractor must be able to provide to the department statewide data containing the results of the assessment;

(b) The contractor shall provide an assessment that:

(A) Identifies students with high potential to excel in advanced placement (AP) or other honors courses based on a research-based correlation of scores on the grade 10 assessment to advanced placement examinations;

(B) Examines students in mathematics, reading and writing; and

(C) Provides results that can be used by Oregon's higher education institutions to recruit students to attend college;

(c) The contractor must be able to supply schools with an item-by-item analysis of student performance on the assessment; and

(d) The contractor must be able to make available to each student taking the assessment a free career assessment and online exploration of colleges and career opportunities.

(3)(a) In lieu of using the contractor selected by the department under subsection (1) of this section, a school district may apply to the department for a waiver to allow the district to enter into a contract with a different nonprofit entity for the purpose of administering a nationally normed assessment to all students in grade 10 who are enrolled in the public schools operated by the district. The department shall grant the waiver if:

(A) The district had entered into a contract with the entity for the 2007-2008 school year to administer a grade 10 assessment;

(B) The entity, in coordination with the district, administered a grade 10 assessment during the 2007-2008 school year;

(C) For the most recent school year in which the entity administered a grade 10 assessment, the entity met the criteria set forth in subsection (2) of this section as in effect for the school year in which the entity administered the assessment; and

(D) The entity plans to meet the criteria set forth in subsection (2) of this section as in effect for the school year for which the school district seeks a waiver.

(b) A waiver granted by the department under this subsection:

(A) Is valid for one school year; and

(B) May be renewed each school year.

(c) The department shall reimburse a school district for the cost of assessments allowed under this subsection from funds available to the department under ORS 327.008 [(9)] (10).

(4) Notwithstanding subsections (1) and (3) of this section:

(a) The department may, under rules adopted by the State Board of Education, waive the assessment for specific groups of students; and

(b) Upon request from a student who is enrolled in a public school operated by a school district or the parent or guardian of the student, the school district shall waive the assessment for the student.

**SECTION 16.** This 2013 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2013 Act takes effect on its passage.

## APPENDIX B

## PUBLIC TESTIMONY – March 21, 2014

Mark Witty, Superintendent, Grant School District, testified regarding small and remote schools and the importance of maintaining the existing grants. In small and remote areas, economy of scale becomes an issue. It is difficult to create equity of opportunity. He would like to see the small high school grant in the law be permanent; it sunsets now and must be renewed. The distribution formula needs to be equitable for rural schools. Schools are a major driver of the local economy. It's difficult in some districts to pass bond levies that keep schools up. His district has a lot of old schools.

Robin Morris Collin, Oregon Commission on Black Affairs testified on behalf of equity in Oregon's education investment. Oregon's demographic trends show a significant increase in retirees and an increase in ethnic groups that is faster than the national average. An increasingly elderly white population will come to depend on an ethnically diverse young population to support economic growth through taxes. Public policy must take a long view. Equity in education is critical for a prosperous future for all Oregonians (written testimony).

Michelle Vlach-Ing, Oregon Commission on Asian Affairs, testified on the importance of a workforce that is multilingual and adept in cultural understanding. The needs of the Asian and Pacific Islander community are varied. They are a resource for the state. She encouraged the task force to keep in mind the value of funding ELL, language immersion, early learning, and support teacher diversity for all students. (written testimony).

Alberto Marino, Oregon Commission on Hispanic Affairs, testified that equity in education is determined by how it invests in the learning of all its students. He encouraged that task force to build equity into its school investments and track funds to targeted groups clearer, and tie investments to the outcomes of communities of need. If equity is not at the core of our investments in education and if improvement in outcomes for struggling students is not the measure of our success we have little hope of achieving the goals of education reform (written testimony).

Sue Levin, Stand for Children, testified regarding the sub-par outcomes for Oregon students. She noted Oregon has seen a tremendous growth in the number of students for whom English is not their first language. The achievement gap between ELL students and native English speakers is large. The distribution formula provides an additional half weight to ELL students, yet the academic results are stagnant. Districts have an incentive in keeping students in an ELL program. A new ODE study shows that students who exit ELL programs before high school graduation are successful. Districts must focus on exiting students from ELL programs in a timely fashion (written testimony).

Rev. Joseph Santos-Lyons testified on behalf of the Asian Pacific American Network of Oregon (APANO). Brought several folks with him. APANO is concerned about ELL achievement. The current formula does not drive success. We need better results. Some districts have made great strides in ELL, such as Salem-Keizer with improved graduation rates. Others are not as successful. ELL kids are not graduating on time. Oregon needs increased accountability from school districts. The Oregon Department of Education should encourage school districts to use the English Language Learner weight for the benefit of ELL students.

Bridget Cook, Adelante Mujeres, testified regarding English Language Learners. Her organization serves the Forest Grove School District with English language support services. Parents come to America to provide their children with opportunities they didn't have in their home country and education is the key to that opportunity. Parents do not understand ELPA scores, and what it means to be in ELL courses. Parents don't understand the difference between ELL and dual language services. There needs to be better understanding.

Wei-Wei Lou, Beaverton Public Schools, testified that she is the English as a Second Language for the district. Beaverton has about 12,800 language minority students. The funding formula is critical for

student success in this population. The achievement gap is a symptom of something—probably a funding gap for English Language Learners.

Tnach Nguyen, Asian Pacific American Network of Oregon, testified that English Language Learners do not have access to mainstream classes. Parents of these children do not realize they have the right to bypass the English Language Learner programs.

Kathleen Jonathan, Salem-Keizer School District, works closely with the Marshallese community in Salem. Marshallese is the third largest language spoken within the school district. Budget reductions she is the only staff person to serve 250 Marshallese students. She was parent of three boys who were English Language Learners; they graduated on time. One challenge is that the school district needs more bilingual and bicultural staff, particularly for Marshallese island students.

Doug Riggs, Oregon Alliance of Children's Programs, testified about the funding of long term care and treatment programs. Funding these programs has been a topic before the Legislature for a number of years. In 2008, the "Parrish Report" was authorized. There have been a succession of budget notes since then. Children served by these programs are disproportionately affected by poverty and are in communities of color. When school funding goes up, these kids are left behind. He stated that he wanted to work with legislators and any work group created on this topic. The Alliance recommended moving Long Term Care and Treatment education services into the State School Fund; amending the funding formula to make it more consistent with the SSF distribution formula; and increasing funding for LTCT programs from 2x to 3x weighted ADM.

Josh Graves, Catholic Community Services, talked about three of their programs that serve youths. The Catarino Cavazos Center helps Hispanic-Latino youth who have been adjudicated to learn skills and behaviors for healthy relationships and to lead productive lives. Another is a supportive apartment community where young people are helped to transition into adulthood from foster care. The Community Homes for Children provide children living in long-term foster care a nurturing home. These are children who do not thrive in a typical setting. They need additional support. They can become re-traumatized in a regular school setting. Many are wards of the state; their parents are not involved in their lives. They are our children and we need to advocate for them. This funding is critical to the academic success of these children.

Dr. Mark Lewinsohn, LifeWorks NW, testified regarding long term care and treatment funding. LifeWorks NW is one of the largest providers of mental health, addiction, and prevention services in Oregon and operate three psychiatric day treatment programs serving children, youth, and families. Their goal is to return children to a regular education setting. These types of settings have a longer school year and have to stretch dollars out over more time. The current level of funding is inadequate, not cost-based, and does not resemble the overall k-12 model (written testimony).

Chuck Bennett, Confederation of Oregon School Administrators, testified regarding the funding formula. COSA opposes major changes to the funding formula. The formula recognizes that some students will cost more to educate than others, and it is reflected in the weights in the system. While these broad categories reflect cost differentials among students, it has not been used to instruct local boards on expenditures. It is up to local budget committees how to allocate funds. He included some historical documents created when the funding formula was created (written testimony).

Jim Green, Oregon School Boards Association, testified regarding the distribution formula. He echoed Mr. Bennett's comments. OSBA supports the local boards' decision-making authority and would oppose efforts to dictate how those funds should be spent. When the formula was created, they wanted to involve parents and the community to determine how best to spend the dollars. The districts all have different needs. If changes are made, it should be made based on accurate data. The LTCT organizations want to be in the formula; they are not now. They get funds through the grant-in-aid programs. OSBA would like to see the levels increased to what they need to serve those kids. The distribution formula recognizes average costs. The small school high school correction comes up every two years for renewal and should

be made permanent. It's a small fraction of the total budget. They have unique needs. We will work with advocates on the budget note concerning LTCT.

Patrick McArthur, Multnomah Education Service District, testified about long term care and treatment funding. The ESD served 241 students last year, almost all wards of the state. They have success through a calm, therapeutic setting and individualized instruction. Their ESD has experienced 30 percent budget cuts in the last biennium. They have a highly successful program, but need adequate funding. He requested that these programs have extended ADMw that school districts and juvenile correction programs receive to stabilize funding (written testimony).

Kendra Wasson, Positive Advancement Center for Education, testified about long term care and treatment funding. PACE is serves children have significant disabilities. PACE operates under the purview of Northwest Regional ESD. Most students have experienced trauma, abuse, and multiple placements. All students have a developmental disability. Each experiences severe emotional/behavioral disabilities. Through the use of Positive Behavior Intervention and Support they were able to decrease use of restraints by 59 percent. These students need to be prioritized and need adequate and stable funding, such as with a 3x weight. If they don't get these services the children will need other social services (written testimony).

Chris Panike, La Grande School District, testified regarding special education. La Grande has a pocket of group homes for the developmentally disabled, yet they do not get additional funding. Once students are placed in these group homes within their school district, they are resident students and the responsibility of the district, despite their parents living in other districts. He asked that the formula be modified such that the high cost disabilities threshold is lowered to \$20,000 or \$25,000 (from \$30,000) and the 11 percent cap waiver formula on special education be eliminated. The district doesn't qualify for a lot of other programs; they need funding assistance (written testimony).

Torri Lynn, Oregon Juvenile Department Directors Association, testified about youth in corrections settings. These kids have been traumatized. Education programs need funding stability. Rather than spend more money on adult corrections programs, more should be invested earlier. He asked that Juvenile Detention Education Program funding weight be increased from 1.5 to 2.0 and include youth who are participating in a retention-based Youth Care Center as part of the population served within a Juvenile Detention Education Program. Their school year is longer—the same pot of money gets stretched thinner (written testimony).

Austin Hayes, Sauvie Island Academy, testified in favor of greater funding for charter schools. He described the advantages of the small school and how he has benefited. The charter school should get the full 100 percent of funding that other schools receive. If they had greater funding, they could have more and better teachers.

Halee Hopkins, Sauvie Island Academy, testified in favor of greater funding for charter schools. She described her school and the special opportunities she has by attending the small charter school. She enjoys a close relationship with her teachers and has one-on-one assistance. Charter schools often cannot afford quality teachers. Students get to learn via exploration. It isn't logical that charter schools get less funding—students aren't worth less.

Matt Radich, a teacher at Sauvie Island Academy, testified that the statute has a funding at 80 percent of the school district's per student funding at a minimum for a charter school serving grades K-8. His chartering district has chosen that minimal level. He'd like to see it closer to a full 100 percent. Some students need alternatives and charter schools offer those alternatives.

Andrew Mason, Open Meadow Alternative Schools, testified regarding funding for alternative schools. They serve students who don't succeed in regular schools. Alternative schools help keep kids out of jail. He suggested that Oregon has a substantial number of marginalized students that aren't graduating. Customized interventions for teens will help increase graduation rates. He suggest Response To Intervention could provide a framework for weighted funded or possibly the use of an actuarial algorithm

that looks at the odds of graduating on time and fund that way. The task force should revisit the weights; they are a blunt instrument.

Bill Wellard, The Child Center in Springfield, testified about long term care and treatment funding. His facility has 1150 “slots” or 2000 kids. He has been involved in day treatment programs for 43 years. It has been discouraging to see education funding for long term care and treatment dwindle. The children have severe emotional disorders and needs. Their funding is separate, not part of the State School Fund. When the SSF increases, these programs don’t see similar funding increases. The children already have many challenges, they don’t deserve funding shortages. He urged the task force members to review the Parrish Report.

Margaret Delacy, Oregon Association for Talented and Gifted, noted that there is no funding for TAG students in the formula. These students are within many of the other student categories that have been discussed today. There’s no mechanism to provide extra services. While TAG services are mandated by law, they are not funded. The large education groups have not supported TAG funding in the past.

Marta Guembes, APANO, described her experiences with Portland Public Schools. Students are kept in English Language Learner classes too long. There’s a lack of appropriate identification and services. ELL students don’t have access to regular classes and counselors. Parents aren’t always communicated in language they understand. PPS has violated the students’ civil rights. PPS does not serve ELL students well. Parents work hard to provide better opportunities, yet ELL students are treated like second class students. ELL has not worked for decades. Districts are not accountable.

Simon Levear, Director of Fiscal Services, Cascade School District, reminded task force members that the distribution formula is a distribution formula of a fixed amount of money; if someone gets more, someone else gets less.

#### PUBLIC TESTIMONY – August 27, 2014

Bob Stewart, Gladstone School District and the Confederation of Oregon School Administrators, testified regarding the task force work. Stewart stated Gladstone’s new mission is to “grow great people.” He was present when the formula was first developed. The central function was to develop a formula that was equitable. Some areas of the state were funded much differently. Districts agreed to the formula because, in general, it distributed the money in a fair and equitable way. There have been many changes to the formula considered over the years including eliminating the weighting entirely. School districts have rejected other suggested changes because they didn’t improve school funding. COSA membership supports maintaining the funding formula as it is. More money would be welcomed, especially for some populations, but without additional funding changes simply move money around.

Craig Hawkins, Director, Confederation of Oregon School Administrators, stated that COSA deliberated on this question of amending the distribution formula at length. The formula works pretty well. It needs further study and additional investment. The topics of poverty, high cost disabilities, English Language Learners all deserve additional attention.

Laurie Wimmer, Oregon Education Association, testified that the distribution formula worked well; the poverty weight may need to be examined and possibly increased. OEA agrees with most recommendations, but disagrees with any language concerning the equity of outcomes. The distribution formula is designed to account for uncontrollable cost factors and does that pretty well. Regarding the proposed changes to the ELL formula, OEA has concerns. The proposal would shift millions. Under the proposal there were 169 losers and 29 winners. The proposal also creates a spending mandate and results in a loss of local control. The shift in funding would result in lots of losses throughout the districts. The incentive proposal assumes lack of quality or volition on the part of districts; that assumption lacks foundation or evidence. There is no evidence that the proposals would move the needle for kids.

Jim Green, Oregon School Boards Association, supported earlier comments. He recounted the history of the formula creation. It was a way to equitably distribute money throughout the state. It’s equitable now.

There's not enough money in the State School Fund. It is not a spending formula; that's the decision of local school boards after hearing from the community about their priorities. Do not modify the formula unless it is supported by significant research. ELL proposal not supported by research; districts will have to reduce their budget. Salem-Keizer is a big winner, but Salem-Keizer would still need to make programmatic cuts in other areas. Salem-Keizer has a significant ELL population; the district is doing better—they are moving the dial.

Toya Fick, Stand for Children, testified in support of the ELL proposals. She represented a number of organizations on this issue: Stand for Children, the Asian Pacific American Network of Oregon, the Chalkboard Project, The Education Trust, and Adelante Mujeres. While the ELL proposal is not perfect it is a step in the right direction. Oregon is not doing as well as other states with educating this population. More information needs to be gathered. Kids are not being served well. She urged the task force to adopt the recommendations of the ESL subcommittee: increase the weight for ELL students to .6; give the additional ELL weight for seven years for students who test at 1 or 2 on the ELPA and 4 years for students who test at 3 and above; and increase accountability for ELL spending.

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## PRESENTATIONS

*The National Perspective*

National school funding expert John Meyer, APA Consulting, reviewed elements of a good school finance formula.

- ✓ Sensitive to the needs of schools and districts
- ✓ Sensitive to district wealth
- ✓ Sensitive to district tax rates
- ✓ Spending variation due to need and tax effort
- ✓ Spending level flexibility and equity
- ✓ Flexibility in how to spend funds
- ✓ Considers all types of expenditures
- ✓ Limits state aid not sensitive to wealth and need
- ✓ Treats taxpayers equitably
- ✓ State has process for periodically assessing equity
- ✓ State has process for periodically assessing adequacy

	2009	2014
Revenues per Student (NEA)	29th	27th
<b>Spending</b>		
Per Pupil Expenditures	31st	34th
Percent of Total Tax Capacity Dedicated to Ed.	38 <sup>th</sup> (tied)	45 <sup>th</sup> (tied)
Ave. Teachers' Salary (NEA)	17th	14th
<b>Equity</b>		
Correlation (Wealth/Spending)	19th	28th
Coefficient of Variation	16 <sup>th</sup> (tied)	18 <sup>th</sup> (tied)
Restricted Range	17th	11th
Overall EdWeek Grade	C	C-
Overall EdWeek Ranking	30 <sup>th</sup>	33rd

Oregon uses what is generally considered the preferred “foundation formula.” It adjusts for uncontrollable student need using student weights and adjusts for uncontrollable district characteristics, such as remoteness.

Mr. Meyer noted that future funding formula issues would likely include adequacy; equalization strategies; pre-kindergarten expansion; governance (e.g. virtual and charter schools); new teacher pay

systems; and incentives/performance-related funding.

In terms of revenue, the National Council of State Legislatures describes a high quality system to include a balanced variety of revenue sources; one that is reliable, stable, and sufficient; and one that is made up of elements that are complimentary. Oregon falls short with its heavy reliance on a progressive income tax, no general sales tax, and a limited property tax. Mr. Meyer did confirm that Oregon’s current formula is working well in comparison to other states, however noted that the poverty weighting was low.

*Deputy Superintendent Rob Saxton Presentations*

DS Saxton made two proposals to change the distribution formula to the School Funding Task Force.

For special education, he proposed making the double weight a block grant; the district would get the double weight for 11 or 13<sup>21</sup> percent of its student enrollment. Districts would receive this amount even if they had fewer than 11 or 13 percent special education students. That would create an incentive to do a good job of identifying what students need services, rather than over-identifying students. There would like need to be an exceptions process.

For English language learners, DS Saxton noted that according to ODE analysis, ELL students that exit ELL services before high school have a better graduation rate than students with English as a first language. This suggested that schools should focus on teaching English in the early years of a student's life. The formula should not encourage districts to keep students identified as ELL, but instead reward districts for their successes with this group of students.

He suggested the following formula changes to the ELL weight:

- Increase the ELL weight from 0.5 to 0.6
- Fund the weight for seven years for students that score a 1 or a 2 on the English Language Proficiency Assessment (ELPA)
- Fund the weight for four years for students identified as a 3 or higher on the ELPA
- Require districts spend 90 percent of the ELL funds on ELL services
- Fund a district bonus of \$250 for every ever-ELL student who graduates from that district.

*HIGH SCHOOL SENIORS WHO STAY ON A FIFTH YEAR TO EARN COLLEGE CREDIT WHILE HAVING ENOUGH HIGH SCHOOL CREDIT TO GRADUATE*

Some school districts are offering high school students the opportunity to delay graduating—even if they have the required number of credits to do so—in order to attend college, usually a local community college. School districts negotiate payment with the college, using State School Funds. This opportunity benefits the student by providing a meaningful senior year and a supported transition into higher education which likely results in greater success for the student. The student and the student's family benefit by avoiding tuition costs. The community college counts the student for their funding purposes.

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<sup>21</sup> Proposal under development.

While this kind of program clearly benefits the student, the overall policy of using funds intended for K-12 education for college has not been debated by the Legislature or any of the boards of education. According to ODE, approximately 3500 students were enrolled as seniors in both 2011-12 and 2012-13.<sup>22</sup> Because these kinds of programs are likely to increase, members of the task force urged the 2015 Legislature to examine the practice and make any modifications necessary to ensure adequate funding for traditional K-12 education.

Gary Tempel, Superintendent, Scio School District, described Scio’s Fifth Year Senior program, accompanied by Carol McKiel, Director, High School Partnerships, Linn-Benton Community College.

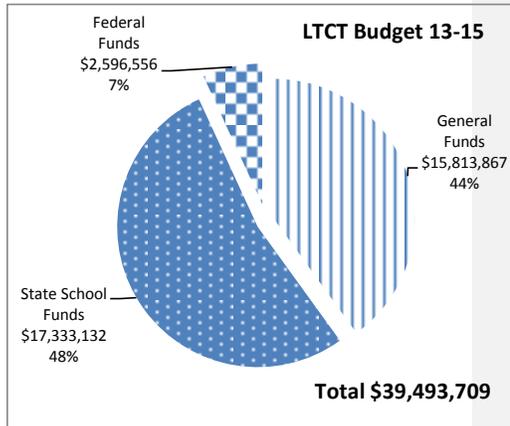
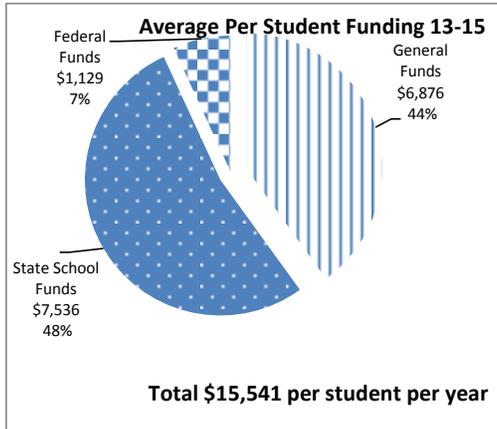
Scio’s early college program started in 2003 with the goals of increasing attendance, challenging seniors, and increasing college completion rates for their students. Scio focused on students earning the Oregon Transfer Module, a package of lower-division credits earned at the community college that can be transferred to any university. The district pays for 15 credits, books, fees. Students move through college faster. The community college provides counseling and support. Tempel noted that the program was a good investment for the state: for every \$1 the state invests, it gets a \$4 return.

With the program, students realize that school doesn’t stop after high school and gives students the infrastructure to get them firmly on the college path. One student earned his BA in just two years. This is a bridge from high school to college. The first year of college has the most washouts; students can’t cope with the freedom and lack of support. High school counselors help students feel safe and accountable. Students in the 5<sup>th</sup> year program have higher completion rates. Students realize they can be a success in college. There is a huge increase in college-going students in districts with these programs, many of them first-generation college students.

#### *Long Term Care & Treatment*

Mitch Kruska, Oregon Dept. of Education (ODE), described the Long Term Care and Treatment programs. These programs treat children with mental health or behavioral issues. They can be day or residential facilities. There are 47 program sites recognized and funded by ODE and the student enrollment in these sites vary greatly. The school district in which the LTCT site resides is responsible for providing educational services to students placed in these sites. LTCT receives its funding from the SSF, a state appropriation, and federal funds. Total 2013-15 funding was \$34.7 million. The distribution formula is found in administrative rule and is similar to the SSF. Day students are weighted at 1.5 and residential students at 2.0. The per child funding for the 2013-14 school year was \$13,687 for a day treatment student and \$15,642 for a residential treatment student. In comparison, in the SSF a regular student received \$6,521 in 2013-14 and a special education student was funded at \$13,042 per year.

<sup>22</sup> ODE data does not show whether students had earned enough credits to graduate from high school.



The Legislature, through a budget note in HB 5201, directed ODE to inform the School Funding Task Force what were the “actual costs of providing adequate and comparable education services” under LTCT programs. As a result, ODE defined an “adequate service level” as follows:

- 8-10 students: 1 teacher + 2 instructional assistants
- 10-15 students: 1 teacher + 3 instructional assistants
- 15+ students Add 1 teacher and two additional assistants for every 10 students.

Based upon an internal review of the program, ODE planned to take the following actions:

- ✓ Require monthly reporting from facilities of enrollment and attendance resulting in more accurate student counts.
- ✓ Request the State Board of Education to amend the funding formula OAR to allow ODE some discretion in making adjustments to ensure small LTCT sites have adequate funding.
- ✓ Request the State Board of Education to amend the OAR such that both day and residential students receive a 2.0 service level weighting (eliminating the 1.75 weighting for day treatment).
- ✓ Add language to contracts to require expenditure report submission that clearly identifies the amount of funding each LTCT site received.
- ✓ Enforce language in contracts that prohibit contractors from subcontracting out portions of work without ODE approval.
- ✓ Develop an impartial application to access the 5 percent Emergency Fund; put in place fiscal practices that assure the 5 percent Emergency Fund will be accurately calculated and set aside; and communicate to contractors and facilities the existence of this fund.
- ✓ Meet with stakeholders to review existing statutes, OARs, and regulations to determine what actions, if any, need to be taken to assure that LTCT education programs reflect best practices