

SCHOOL FUNDING TASK FORCE

May 12, 2014

Hearing Room A, State Capitol Building, Salem, OR

Members Present:

Sen. Richard Devlin, Chair

Sen. Fred Girod

Rep. Betty Komp, Vice-Chair

Rep. Sherry Sprenger

Kelly Devlin

John W. Hayes, Jr. PhD.

Steven Isaacs

Claire Hertz

Bobbie Regan

John Rexford

Sena Norton

Heidi Sipe

Michael Wolfe

Staff:

Brian Reeder, Assistant Superintendent, Research & Data Analysis, ODE

Stephanie Parks, Executive Assistant, ODE

Michael Elliott, Fiscal Analyst, ODE

The task force convened at 1:07 pm.

Chair Devlin reviewed the agenda. The testimony from the prior meeting raised a number of issues. Staff were present to describe the programs and take questions.

REVISED POVERTY CALCULATIONS

Michael Elliott, School Finance Fiscal Analyst, ODE

Elliott reviewed changes made to how the poverty calculation was changed in the last year. The problem was that the data underlying the poverty calculation was out of date or inaccurate. Big districts were using data that was 13 years old and out of date. Small districts were basing their calculations on free-and-reduced lunch counts, which were inaccurate.

The department sought to use data that was regularly updated so that the money (.25 weight) would go to those districts that were serving students in poverty. Following stakeholder input, the department switched from 2000 Census data to the federal Small Area Income Poverty Estimate data for both large and small districts. This data is updated annually.

As a result, some districts saw their funding increase and some decrease relative to what they would have gotten using the old data. Eighty districts saw an increase and 177 saw a decrease. 54.5% of the state's ADMw saw a funding increase; 45.5% saw a funding decrease.

This occurred because the state saw an increase in the number of poverty weights. More weights has the effect of decreasing the value of all the weights. Overall, there was a \$30 reduction per weight.

Lessons learned include involving stakeholders early, the change needs to be understood and supported by an underlying principal of fairness and equity.

Discussion:

- Whether school districts supported the change
- That the funding weight was not changed, just the factors used in calculating it.
- Districts will see a change in numbers annually.

School Funding Formulas: A National Perspective

John Meyers and Mark Fermanich, APA Consulting

Meyers introduced himself and his background. APA is a Denver-based consulting firm that works primarily with state-level policymakers on education finance and governance issues. They have worked extensively with states on the procedures used to allocate state aid to districts and schools, and are experienced with issues of school finance equity and adequacy and linking school finance to student results.

Discussion:

- Each state is unique in terms of how it approaches formulas.
- There are two major parts to a model school finance formula: spending needs and revenue.
- A good school finance formula:
 - Is sensitive to the needs of schools and districts
 - Is sensitive to district wealth, and to district tax rates
 - Is flexible in how to spend funds, considering all types of expenditures
 - Treats taxpayers equitably
 - Has a process for periodically assessing equity and adequacy.
- Oregon's school funding formula is a "foundation" formula – generally considered the preferred approach. It adjusts for costs that are outside of districts' control that are related to student need, using weights. It adjusts for uncontrollable district characteristics.
- The National Conference of State Legislatures (NCSL) Principles of a high quality state revenue system say that revenue relies on a balanced variety of revenue sources; is reliable, stable and sufficient; and is made up of elements that are complementary. Oregon's state revenue system relies heavily on a progressive income tax (among the highest in the country) as there is no general sales tax and limited property tax.
- Future funding formula issues include adequacy, equalization strategies, pre-K expansion, governance of virtual and charter schools, new teacher pay systems, and incentives/performance-related funding.

TASK FORCE REPORT

Brian Reeder, Asst. Superintendent, Office of Research & Data Analysis, ODE

Reeder noted that the task force was directed to report back to the interim committees of the Legislative Assembly related to education no later than October 1, 2014. The report may include recommendations for legislation. He commented that what came out of the subcommittees was fairly consistent with what was heard today from APA Consulting. Oregon's formula is not a bad formula; it explicitly tries to take into account higher costs of serving different types of students. It focuses on costs outside of district control. Weights probably need to be reviewed.

Reeder mentioned that the work of the equity task force deserves more discussion. Michael Wolfe agreed, and said it was hard to know if weights are adequate because not enough studies have been done. If we decide to commission a study, we must make sure it is "scoped" appropriately.

SUBCOMMITTEE UPDATES

Reeder reported that subcommittees had not met since the April 24 meeting of the full task force. All three subcommittees will meet again prior to the next task force meeting on June 24th.

Two issues were brought up for future discussion:

1. Long-term care and treatment. The Department of Education will be meeting with some providers in the near future, and will bring together other stakeholders.
2. The issue of providing more opportunities for students at the end of their high school careers. This presents interesting issues; what does it mean to the school formula?

ADJOURN

The next meeting is scheduled for June 24, from 1:00 – 4:00.

The meeting adjourned at 3:30 pm.