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School Funding Task Force

C/O Jan McComb, Task Force Staff

Oregon Dept. of Education

Salem, Oregon

Dear Task Force Co-chairs and Members,

Please accept this written reflection of the issues concerning Oregon’s school funding formula in lieu of in-person testimony. It is our hope that these ideas will be of use in your efforts as you sort through the competing perspectives of how Oregon ought to move forward with updating its equity distribution formula for K-12 public education.

To begin, we would ask the Task Force to keep in mind the well-respected philosophy of equity of opportunity that the existing formula honors. By ensuring, to some degree, that the distribution of resources is allocated with uncontrollable cost differentials and differing regional economic capacities in mind, the school funding formula does not ensure adequacy of funding, but it does ensure equity of funding. Adequacy, which depends on the appropriation of sufficient funding by the Oregon Legislature each biennium, is often confused with the fairness question, which is what the formula is designed to deliver. Additionally, we have observed over the 23 years it has been in existence that the formula is sometimes confused for a spending mandate. Given that local districts know best how to budget their share of resources, with input from their local communities, we would strongly oppose a change from a distribution formula (how resources are shared) to a spending formula (mandating how shared resources are to be budgeted). Top-down micromanagement of funding decisions is a prescription for unintended consequences.

The Legislative Revenue Office describes these philosophies in its 2004 report on the formula:

“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….

“The **logic of funding equity** is that differences in revenue resources between school districts must be justified in some rational manner. Now that the state is the primary source of education funding, the goal is to either justify or eliminate the variations in resources among districts that existed prior to the 1990 passage of Measure 5.

“To accomplish this goal, the following principles guided the development of the new formula:

• 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.

• Create funding differences only for **uncontrollable cost differences**.

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.

In short, every district should get the same amount per student, adjusted only for unavoidable differences in costs.

#### -**K-12 and ESD SCHOOL FINANCE**

**State School Fund Distribution**, LRO, 2004

We do believe that it is useful for this Task Force to consider “tweaks” to this equity model, which is nationally respected. That is, we believe that it is useful to consider whether the formula delivers on its intended promise in its mechanics. Research shows us that it may be sound to re-engineer weights to more strongly reflect the costs of certain student demographics to increase the goal of fairness (see attached bibliographical links).

**Some of the possible areas of change we’d support are:**

* Poverty Weight Increase

According to the Center on Budget and Policy Priorities, poverty-based funding per low-income student ranges in the U.S. from $111 over the base funding (Arkansas) to $5199 (Massachusetts). The Center’s report (see links) notes that “many researchers and educators believe that high-poverty schools face particular obstacles to academic achievement” that higher per-student funding could remedy. They continue, “Research [indicates] that **the actual cost of educating low-income students is at least 100 percent greater than non-poor students**.” Because Oregon’s formula adds only a quarter weight extra for students in poverty, the distribution may undercount this cost driver. One solution might be to double-count all students in poverty; a second idea would be to move all students to at least a .5 and then add another .5 for school districts with high poverty concentrations. The latter suggestion takes into account the greater challenges faced by students in high-poverty areas.

* Full-day Kindergarten

Oregon adopted an optional full-day Kindergarten law in 2011, which will begin disadvantaging school districts unable to offer the “option” as of 2015. This is because the formula weight for those districts that do offer extended-day programs will get a full weight per kindergartner, while districts unable to do so will receive just a half weight, and will additionally subsidize those districts able to offer it. Neither capital costs for increased capacity nor operational costs – estimated to be $100 million a year – were funded in this phased-in law. AT the time of the law’s passage, just 34 percent of five-year-olds were in full-day programs; in the current school year, just 38 percent are enrolled in full-day K. Even though the changeover is just a year away, Oregon has barely moved the needle on full enrollment. This is because of funding insufficiency. As the ***Oregonian*** Editorial Board noted in its September 2013 opinion piece on implementation of full-day K, “Full-day kindergarten is a wise investment, much like a full school year and manageable class sizes. Oregon is smart to boost early learning. However, the state can't just expand an entire grade and make it free by calling it so. It needs a financial plan to cover the costs.”

We agree with the ***Oregonian****.* In addition to funding the move to full day, however, it makes sense to address the formula as well. Our recommendation is to fully count all enrolled Kindergarten students and to prioritize for matching bond money those districts with low capacity to add classroom space. By moving to 1.0 weight for all kindergartners, Oregon would be consistent with its policy of fully funding those students whose course loads are just at 50 percent of a full day (typically 12th graders). This would remove the punitive effect of differential Kindergarten funding – a policy improvement OEA has long advocated, because the formula was not designed to offer incentives for, nor punishments against, programmatic decisions at the local level.

**Policy proposals that represent areas of concern include the following:**

* Long-term Care and Treatment

In the 2014 Legislative Session, advocates for students placed in 30- to 90-day mental health and addictions treatment petitioned policymakers to treble the weight for these students’ educational needs. OEA and its allies opposed this proposal and asked instead for this Task Force to create a subcommittee to review the true educational (as opposed to therapeutic treatment) costs for students in these facilities. We believe that a look at audited expenditures will help inform such a review. OEA stands ready to participate in the development of a solution to this issue, whether inside the formula or as a statewide, categorical grant.

* English-language Learners

We are aware that an effort exists to transform the distribution formula into a spending mandate with respect to students for whom English is a second language. Given that this violates the purpose of the formula as an equity-based distributional tool, we would strongly oppose such a change. A slippery slope exists with formula manipulations of this type. Should the Task Force or the Legislature believe that a higher level of financial effort needs to be invested in ELL programs, categorical grants ***outside*** the formula would be a better way to achieve this goal. We believe, however, that school districts are in the best position to determine their budgets, with local community input. For this reason, we believe that the current formula should not impose a spending mandate.

* Outcomes-based Funding

It is an article of faith in some quarters that all students will achieve at the same pace, to the same standards, in the same ways, and without a fully adequate investment in the education enterprise. It is typically these same people who prescribe market-based funding “reforms” that focus on graduation rates, high-stakes test scores, attendance, and other factors to judge – and penalize – schools whose students perform below expectations. Were an institution’s ambitions for our children the only criterion upon which students’ success hinged, we would have no concern about using distributional formulas as a means of reward and punishment, but clearly, the research shows that the number-one predictor of student educational success is family income, not institutional effort. Given that Oregon’s public schools have received a declining share of resources in most of the past two decades of appropriations (adjusted for inflation and enrollment), using the formula in this way lacks research validity and violates common sense. In effect, the same Legislature that underfunds schools would be then redistributing that insufficient sum in a way that advantages some students and schools and disadvantages others. This strategy may in fact have constitutional implications, given that the state furnishes the lion’s share of K-12 resources and has an obligation to equalize resources. We would oppose this undermining of our equity principles in the strongest possible terms.

**Conclusion**

Oregon’s school funding formula was created with broad consensus and a research basis. Experience has shown the basic system to be fair, neutral, and efficient. The formula does not ensure adequacy – only a sufficient appropriation can do that – but it does honor local control and accounts for uncontrollable cost and resource variations among districts. Research shows that the basic elements of Oregon’s formula are the gold standard, as several published documents will attest (see links). OEA advocates for a gentle touch as this Task Force moves forward with modest reforms, not wholesale revolution, to the equity formula that has worked so well for 23 years.

**Bibliographic Links to OEA’s Testimony**

<http://www.oregonlegislature.gov/lro/Documents/rr3_4_k12esd_schoolfinanceSSF_dist.pdf>

Legislative Revenue Office Report on School Funding Formula

<http://www.cpec.ca.gov/CompleteReports/ExternalDocuments/State_Poverty_Education.pdf>

Center on Budget and Policy Priorities Poverty Funding Report

<http://www.oregonlive.com/opinion/index.ssf/2013/09/clock_ticking_on_oregon_full-d.html>

Oregonian Editorial on Full-day Kindergarten and Full Funding

<http://www.ode.state.or.us/gradelevel/kindergarten/full_day_k_enrollment_report.pdf>

Oregon Dept. of Education Full-day Kindergarten Enrollment Report

<http://www.schoolfundingfairness.org/>

Equity In School Funding

<http://www.csus.edu/calst/government_affairs/reports/School_Funding_Formulas_Final.pdf>

A Review of the Best Funding Formula Elements (for California’s Reform Effort)

<http://epaa.asu.edu/ojs/article/view/769/923>

Funding Formulas: Academic Research