

**THE OREGON DIPLOMA**  
Moving Education Forward

**Oregon Department of Education**

Presentation to the House Revenue Committee

State School Funding Formula

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1

**THE OREGON DIPLOMA**  
Moving Education Forward

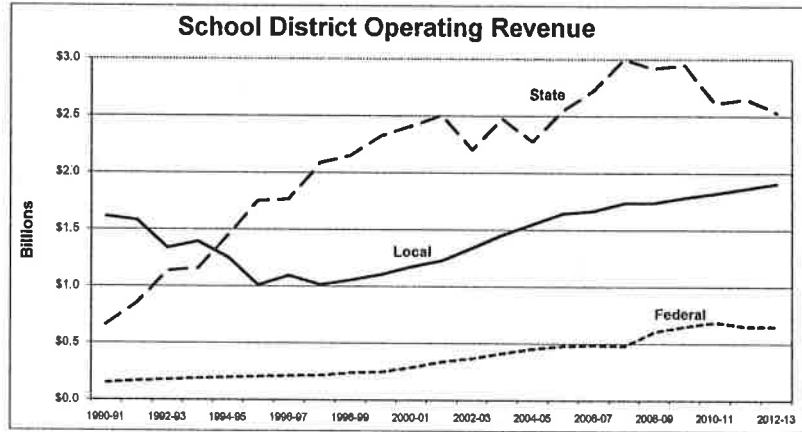
**Funding of Oregon's K-12 Schools**

- Where does the funding come from?
- How much is it?
- How does it get to school districts and ESDs?
- What are the key education cost drivers?

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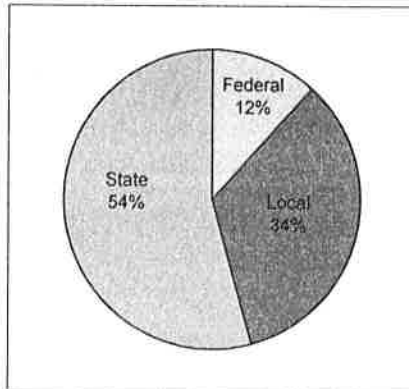
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### Sources of K-12 Funding: 1990-91 through 2012-13



3

### Sources of Oregon K-12 Funding in 2008-09

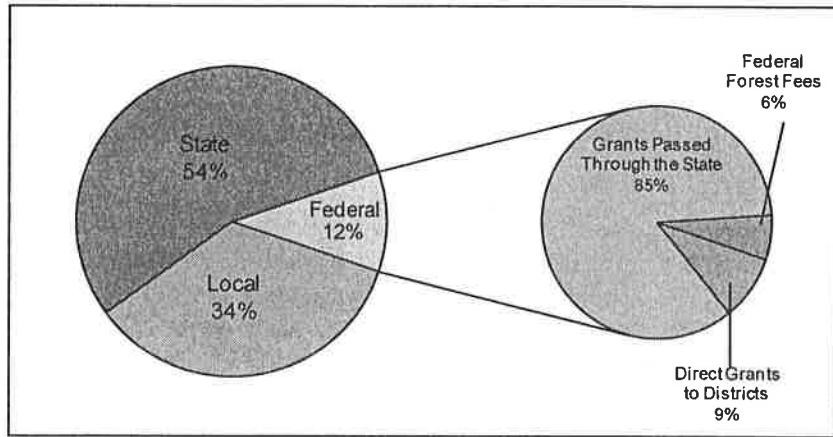


#### Operating Funds by Source 2008-09

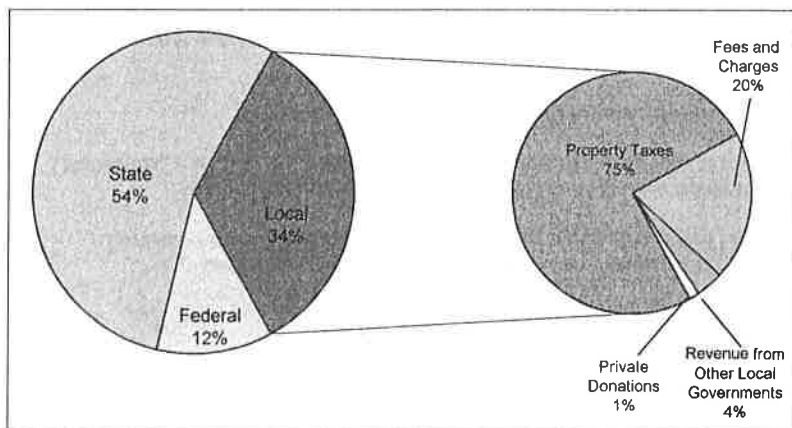
Federal	\$0.67 billion
Local	\$1.94 billion
State	<u>\$3.11 billion</u>
<b>Total</b>	<b>\$5.72 billion</b>

4

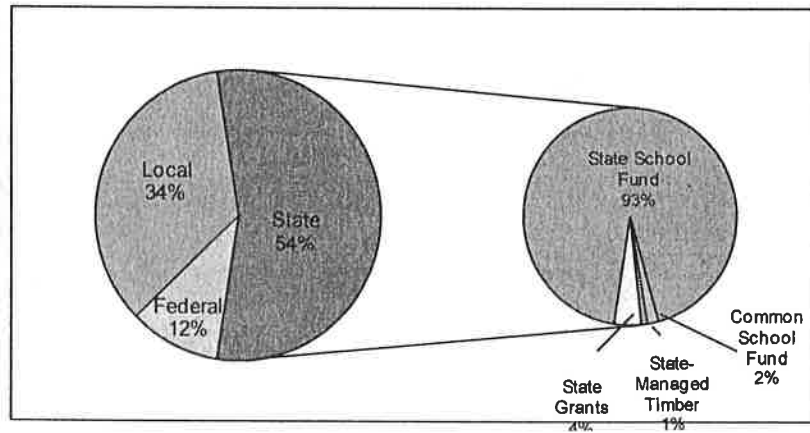
### Federal Funds for K-12



### Local Funds for K-12



## State Funds for K-12



7

## Oregon's Funding Formula: Background

- The current formula was adopted by the 1991 legislature and was first used starting in 1992-93.
- The formula has not changed significantly over the years.
- The formula distributes most of the money—about 95%—on a “weighted” student basis, with higher-cost students weighted more heavily.
- The goal of the formula is to distribute funds equitably, compensating districts for differences in costs that are outside district control.
- ODE calculates the formula amounts for each district and ESD, then distributes the State School Fund as prescribed in law.
- Neither the formula nor ODE prescribes how districts and ESDs spend their formula revenue—that is a district decision.

8

## Oregon's Funding Formula

- About 80% of all district operating revenue comes to districts through the formula—commonly known as “Formula Revenue.”
- The remaining 20% is primarily federal grants and district fees and charges.
- The formula distributes a small amount of federal revenue, most local revenue, and nearly all state revenue.
- By statute, 95.25% of formula funds go to school districts and 4.75% go to ESDs.

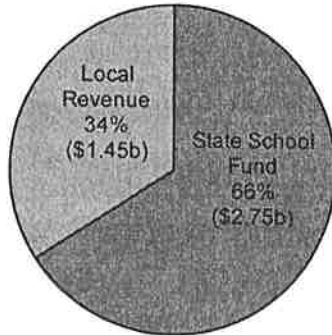
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## Oregon's Funding Formula: Categories of Revenue

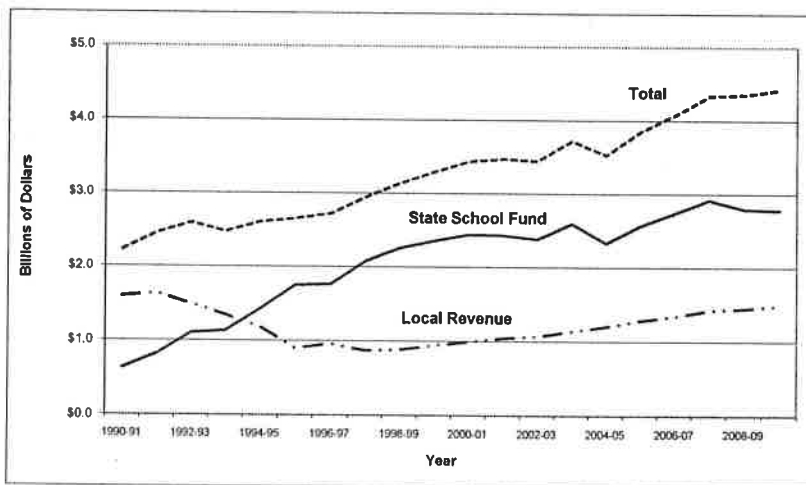
- **State School Fund**
- **“Local” Revenue**
  - Local property taxes 93%
  - Common School Fund 3%
  - County School Fund 2%
  - Federal Forest Fees 1%
  - State-managed timber revenue 1%
  - Excess ESD Revenue < 1%
  - Revenue in Lieu of Taxes < 1%

10

**2008-09 Formula Revenue: \$4.2 Billion**



**Formula Revenue History: 1992-93 through 2008-09**



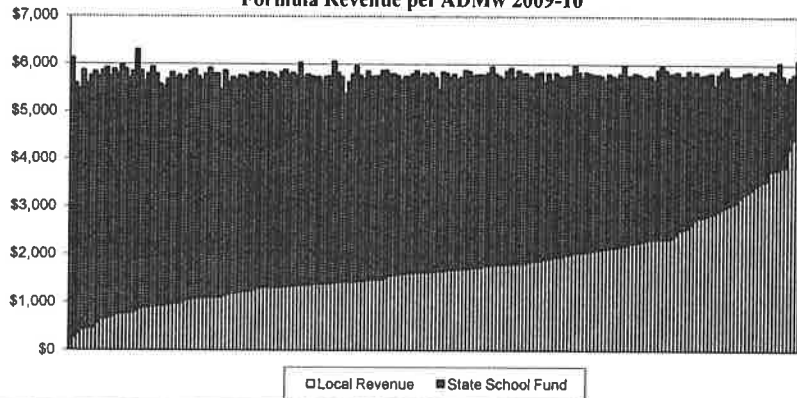
## Key Points About Formula Revenue

- All of the formula revenue, in effect, goes into one big pot and then is distributed to districts and ESDs on a per “weighted” student basis using the funding formula.
- Once each district’s and ESD’s share of the pot is determined, the state pays the portion that is not raised locally.

13

## District Allocations in 2009-10

Every District Gets the Same Amount for Each Weighted Student  
Formula Revenue per ADMw 2009-10



14

### Student Weights in the Funding Formula

➤ Regular (grades 1-12)	1.0
➤ Kindergarten students	0.5
➤ Special Education	Additional 1.0
➤ ESL	Additional 0.5
➤ Pregnant/Parenting	Additional 1.0
➤ Poverty	Additional 0.25
➤ Neglected & Delinquent	Additional 0.25
➤ Students in Foster Homes	Additional 0.25
➤ Small School Correction	Varies by size of school

### Formula Uses Average Daily Membership Weighted (ADMw) Student Counts

ADMw = Average Daily Membership (ADM)  
+ Additional Weights

ADMw Extended = Greater of ADMw in the current year  
and ADMw in the prior year



### Oregon's Funding Formula: 2009-10 Student Counts

Average Daily Membership (ADM)	534,146
Average Daily Membership Weighted (ADMw)	656,502
Extended ADMw	662,662

### The General Purpose Grant

$$\text{ADMw Extended} \times \left[ \begin{array}{l} \$4,500 \\ \text{Target} \end{array} + \begin{array}{l} \text{Teacher} \\ \text{Experience} \\ \text{Adjustment} \end{array} \right] \times \text{Balance Ratio}$$

History of Balance Ratios

2001-02	1.086
2002-03	0.996
2003-04	1.143
2004-05	1.078
2005-06	1.170
2006-07	1.245
2007-08	1.319
2008-09	1.280
2009-10	1.284
2010-11	1.246

## Oregon's Funding Formula Has Provisions Not Based on Student Weights

- **Teacher Experience Adjustment** gives more money to districts with higher-than-average teacher experience.
- **High-Cost Disability Grants** reimburse districts for special education students who cost more than \$30,000 to serve.
- **Transportation Grants** reimburse districts for 70-90% of eligible transportation expenditures.
- **Facilities Grants** provide funds for classroom equipment to districts that add new classrooms—up to 8% of construction costs.

19

## Education Cost Drivers

### Enrollment Growth

- Special Education Students
- English Language Learners
- Students in Poverty

### Employee Salaries (54% of all district spending)

### Employee Benefits (27% of all district spending)

- Retirement System
- Health Insurance
- Social Security, Workers Comp., Unemployment Insurance

20

### Growth Rates for Key Education Cost Drivers

	1990-91	2009-10	% Change	Average Annual % Change
Total Enrollment	484,652	561,698	16%	0.8%
Special Ed. Students	52,551	82,764	57%	2.4%
Limited English Proficient	10,233	67,311	558%	10.4%
Students in Poverty	58,263	83,242	43%	1.9%
Average Teacher Salary	\$34,233	\$55,332	62%	2.6%
PERS Employer Rate	9.19%	14.08%		
Health Ins. Per Employee*	\$4,546	\$15,913	250%	6.8%

\*Estimated

### Formula Funding Has Not Kept Up With Costs

**Inflation-Adjusted Formula Funding per ADMw**

