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**HB 2098: State School Fund Poverty Weighting  
Joint Ways & Means Subcommittee on Education  
Michael Elliott, ODE  
May 16, 2013**

Good morning Co-Chairs Komp and Monroe, and members of the Joint Ways & Means Subcommittee on Education. For the record, I am Michael Elliott speaking on behalf of the Oregon Education Department. I am here today to speak in favor of HB 2098. HB 2098 modifies how the State School Fund poverty weight is calculated.

### **Background**

The State School Fund distribution formula distributes the legislatively appropriated K-12 education dollars to school districts around the state based on the number of students the district has as well as specific characteristics of those students. Below is a table that lists some of the characteristics of students that would receive additional weights, or funding.

Category of Student	Additional Weight	Total Weight
Special education <sup>1</sup>	1	2
English as second language	.5	1.5
Impoverished	.25	1.25
Union high school student	.2	1.2
Elementary district	-.1	.9

The poverty weight is complex and calculated as the sum of the following:

- The US decennial census or the school district's proportion of students in the county receiving free or reduced price lunches if the number is higher than the number determined from census data and only if the school district had an average daily membership of 2500 or less for the 1995-96 school year.

### **ISSUE**

The US Census Bureau stopped reporting poverty as part of the official decennial census in 2000. Instead the Census Bureau uses several subsidiary surveys and programs to report poverty.<sup>2</sup> Thus, larger districts have been limited in their poverty to a prorating of their current ADM to their ADM in 2000. While this accounts for changes in population, it does not account for changes in the nature or severity of poverty. Smaller districts, under 2,500 ADMw have been able to adjust their 2000 census data with free and reduced lunch data, but the current calculation does not fully capture changes in poverty even for these small districts. The result is outdated data that does not reflect current poverty across the state. This is even more problematic given the Great Recession and the impact it had on Oregonians.

<sup>1</sup> Shall not exceed 11% of district ADM without review and approval of Dept. of Education (ORS 328.013).

<sup>2</sup> The Census Bureau's website at <http://www.census.gov/hhes/www/poverty/> (last visited April 9, 2013).

## Legislation

HB 2098 replaces the old poverty formula with updated data based on rules adopted by the State Board of Education. The use of rule accomplishes two goals. First, it allows the Department to work with school districts to determine the best method to collect data and calculate data to get accurate poverty numbers. The second goal of the rule is to give the Department flexibility to respond to changing data availability as well as changing economic conditions to continue to get the most accurate data on poverty possible.

There are two general types of data that the department can use. The first type of data is external data, such as the Small Area Income and Poverty Estimates (SAIPE) and other federal data. The SAIPE is a separate survey from the U.S. Census that is conducted every year. It collects data on poverty from the American Community Survey and other data. The SAIPE is most accurate estimate on poverty for counties and school districts with populations below 65,000.<sup>3</sup>

There are pros and cons to every type of data. The pros for external data is that, so long as it is from a reliable source, it has been checked by third parties. Further, there is no cost to Oregon to use the data. Finally, the SAIPE provides data on poverty at the school level.

The cons to using external data is that it is not controlled by Oregon. Thus, if a definition were to change or the SAIPE were to be eliminated, then the data may no longer work for Oregon's needs. An additional concern with survey data is that as the population surveyed gets smaller, the margin of error increases. Even though the SAIPE is the best estimate of poverty for small populations, the smaller the population the wider the margin of error. As Oregon has some very small school districts, even this data may not accurately reflect poverty in all of Oregon's school districts.

The second data source would be internal data collected by the department from the districts. The advantage of this data is that it is the most flexible as it would be collected by the districts. The districts would be reporting the data so there would not be any margin of error concerns. Additionally, there would be no chance for the definition to change because it would be an Oregon specific definition that was developed in conjunction with the districts.

One of the disadvantages to internal data is that it can impose a burden on the districts. It would be an additional collection for the districts to report. This means additional staff time for the districts at a time where staff time is a precious commodity. The actual impact to the districts should be minimal. Additionally, the districts would have incentive to provide this information as funding would be based on this information.

Another disadvantage to using internal data is that districts may not collect accurate data. For example, districts already collect free and reduced lunch data. However, there is a significant concern that some students, especially high school students, may under report because of social stigma. Thus, even using district data may not provide a perfect picture of poverty in Oregon.

The goal of the rule would be to allow the department to work with districts to develop the best method of collecting and reporting on poverty in the state. Getting accurate data is extremely important. Poverty is directly related to the achievement gap. The better more accurate data we can

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<sup>3</sup> The Census Bureau's website at: <http://www.census.gov/hhes/www/poverty/about/datasources/description.html#saipe> (last visited April 9, 2013).

get, in collaboration with the districts, the better we can direct resources to closing the achievement gap.

### **Fiscal Impact**

The department expects that the more accurate poverty figures will increase the number of students considered impoverished. Because the exact data set or calculation to be used has not been determined we do not know how many additional weights will be added to the formula. However, adding additional weights does not require additional revenue as the current revenue will be redistributed equally among all of the weights.

The fiscal impact to the Department would be in two parts. First, the Department would have costs associated with developing administrative rules defining poverty. Once the definition was determined, then the Department would have additional costs for implementation, most notably in programming. Estimated fiscal impact to the Department is \$28,893 for the 2013-15 biennium.

