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HB 2098: State School Fund Poverty Weighting
House Education Committee
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Good afternoon Chair Gelser and members of the House Education Committee. 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 ¹	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. 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 The result is outdated data that does not reflect

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

current poverty across the state. This is even more problematic given the Great Recession and the impact it had on Oregonians.

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 American Community Survey (ACS) and other federal data. The ACS is a separate survey from the U.S. Census that is conducted every year. It collects data on poverty among other items. The ACS provides several data sets, the most accurate being a compilation of the last five years of the survey.

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 ACS 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 ACS 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. Thus, a survey would work for medium to large districts such as Corvallis, Salem-Keizer, etc. However, for small districts such as Ashwood and Alsea, the margin of error may be significant enough to question the value of the data.

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 every year by the districts. Additionally, the districts would be reporting the data so there would not be any statistical sampling size issues. 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 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. For example, if the federal data is used, the number of students in poverty would increase from 20,770 to 29,958. That is an additional 9,188 weights in the formula. If no additional funding is added to the formula then the per weight State School Fund grant would be reduced from \$5,964 to \$5,882—a loss of \$82 per student. To keep funding at the same level per weight, the total state funds would have to increase by approximately \$54.8 million.

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 \$86,713 for the 2013-15 biennium.