

FY2011
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Grade based on % of Actual Funding Disparity

Oregon

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Introduction

This chapter compares district and charter school revenues statewide and for Multnomah County for fiscal year 2011 (FY11)¹. This is the first year Oregon has been included in this series of studies,

and therefore no longitudinal data or analyses are included in this chapter.

Funding disparities between districts and charter schools for the same geographic area are explored. The per pupil funding values in the analysis are weighted to compare district and charter schools as though they served the same proportions of urban and suburban students (see Methodology for details). Additional research and insights not included in this chapter appear in the monograph at the beginning of this report. The monograph also includes a state-by-state Return on Investment (ROI) analysis, which combines the analysis of revenues with student performance data.

Highlights of the FY11 Analysis

- Statewide Oregon’s 74 open enrollment charter schools² received 43.3 percent less funding than district schools: \$10,806 vs. \$6,127 per pupil (Figures 1 & 3).
- Oregon charter schools received \$6,127 per pupil, but district schools would have received an estimated \$10,968 to educate the same students, a difference of \$4,841 or 44.1 percent. Weighting the district per pupil revenue for charter enrollment therefore increases the funding disparity by \$162 from the statewide difference above (Figure 3).
- Multnomah County’s 15 charter schools received 39.3 percent less funding than district schools: \$9,268 vs. \$5,622 per pupil, a difference of \$3,646 per pupil (Figure 3).
- Charter schools in Oregon educate 2.8 percent of total public school enrollment but receive only 1.6 percent of total revenues (Figures 2 & 3).
- Magnitude of Disparity: In Oregon, if school districts statewide received the same level of per pupil funding as charter schools for FY11, they would have received *over \$2.5 billion less* in total revenues (\$2,560,067,686).

Probable Causes of the Disparities

Chapter 338 of Oregon’s Public Charter School law establishes a charter funding mechanism that produces a high level of funding inequity between districts and charter schools.

Disparities by Design

(1) Local Revenue Access

- Other than single-district charter schools that continue to be treated as traditional school districts for funding purposes, charter schools are not eligible to receive Local revenues raised by school districts.

(2) State Revenue Access

- The charter school funding formula provides charter schools with revenues from the State School Fund General Purpose Grant only. Charter schools are thus denied legal access to numerous additional State sources of revenue, although nothing in statute prohibits districts from sharing in these revenues.

(3) Federal Revenue Access

- Charter school law is silent on charter school access to Federal revenues. Although charter school students would be included in Federal application headcounts, there is nothing in statute that requires the distribution of Federal revenues to charter schools.

Figure 1

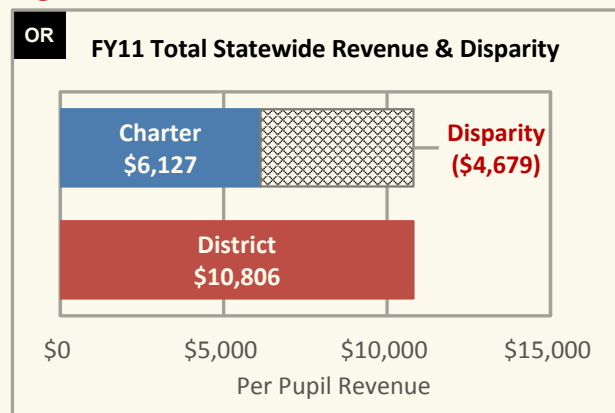


Figure 2

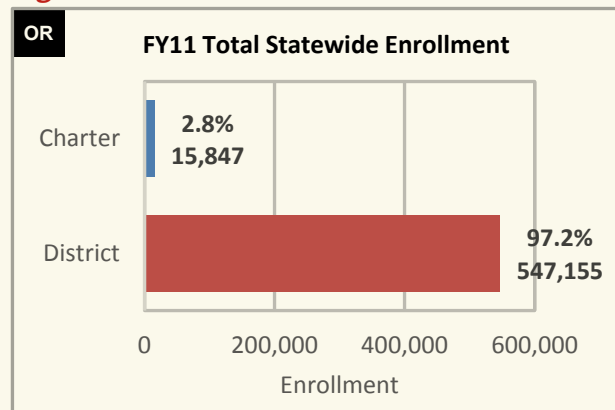


Figure 3

OR Summary Data Table						
FY2010-11	Statewide		Statewide Weighted by Charter Enrollment		Multnomah County	
Per Pupil Revenue						
District	\$10,806		\$10,968		\$9,268	
Charter	\$6,127		\$6,127		\$5,622	
Difference	(\$4,679)		(\$4,841)		(\$3,646)	
% of District	(43.3%)		(44.1%)		(39.3%)	
Per Pupil Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	\$1,472	\$260	\$1,476	\$260	\$1,428	\$339
State	\$4,653	\$5,221	\$4,756	\$5,221	\$3,675	\$4,811
Local	\$3,479	\$70	\$3,495	\$70	\$3,327	\$0
Other	\$1,086	\$292	\$1,125	\$292	\$720	\$458
Public-Indeter.	\$116	\$177	\$116	\$177	\$117	\$3
Indeterminate	\$0	\$108	\$0	\$108	\$0	\$12
Total	\$10,806	\$6,127	\$10,968	\$6,127	\$9,268	\$5,622
Enrollment						
District	547,155 97.2%		Focus Area Districts Educate 25.6% of All District Students		139,964 98.0%	
Charter	15,847 2.8%		Focus Area Charters Educate 17.8% of All Charter Students		2,813 2.0%	
Total Enrollment	563,002		N/A		142,777	
Charter Schools	74		N/A		15	
Revenue						
District	\$5,912,469,418 98.4%		N/A		\$1,297,175,156 98.8%	
Charter	\$97,094,078 1.6%		N/A		\$15,815,367 1.2%	
Total Revenue	\$6,009,563,496		N/A		\$1,312,990,523	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter
Federal	13.6%	4.2%	13.5%	4.2%	15.4%	6.0%
State	43.1%	85.2%	43.4%	85.2%	39.7%	85.6%
Local	32.2%	1.1%	31.9%	1.1%	35.9%	0.0%
Other	10.1%	4.8%	10.3%	4.8%	7.8%	8.1%
Public-Indeter.	1.1%	2.9%	1.1%	2.9%	1.3%	0.1%
Indeterminate	0.0%	1.8%	0.0%	1.8%	0.0%	0.2%
Magnitude of Disparity = Total Funding Difference x District Enrollment (see above)						
	(\$2,560,067,686)				(\$510,263,664)	

*The Oregon Department of Education could provide FY11 audits for only 74 of the 110 charter schools operating during FY11. Charter enrollment numbers in this figure are for the 74 charter schools for which we had data.

(4) Facilities Funding Access

- Charter schools receive no facilities funding.

(5) Formula Shortcomings

- Charter school revenue calculations are based on district characteristics, with the exception of specifically identified special education students. The weighted poverty factor, for example, is assumed to be the same as the district of location.
- Districts retain responsibility for special education oversight and, in many cases, provision of additional services. The funding formula therefore allocates a majority of per pupil funding for special education students to the resident district.

(6) District Status

- Except for single-district charter schools, charter schools in Oregon do not have district status and are exceedingly dependent on their districts for fair revenue distribution.

(7) Excessive Authorizer Fees

- State statute allows districts to negotiate with charter schools to establish a per pupil funding level that must be between 80 and 95 percent of the General Purpose Grant, depending on grade levels served. The amount that districts retain, which can be between 5 and 20 percent, is intended to be used for administrative and oversight fees. Actual charter funding levels, however, show that many charters receive far less than statute requires (see section below on charter school funding system).

Accountability

(1) Data Reporting and Collection

- Oregon does not require financial data collection and reporting for Oregon charter schools, resulting in very little information being available on charter schools in the state. The only independent charter school data are collected through annual financial audits, and the state fails to enforce requirements for submission of audits to the department of education. Charter schools regularly voice concern over fair revenue distribution but have little recourse when no data are collected and monitored to evaluate revenue allocations against statutory requirements.

Figure 4

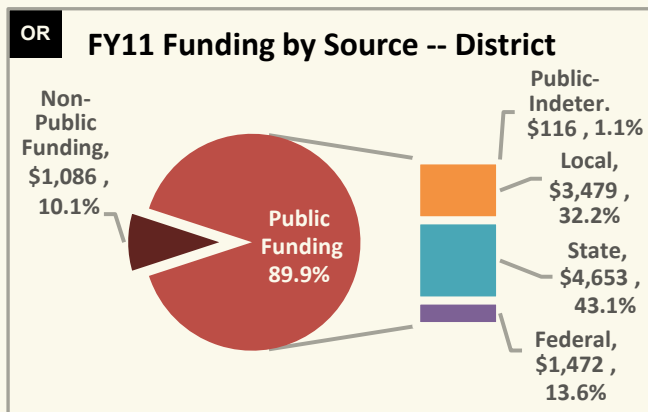
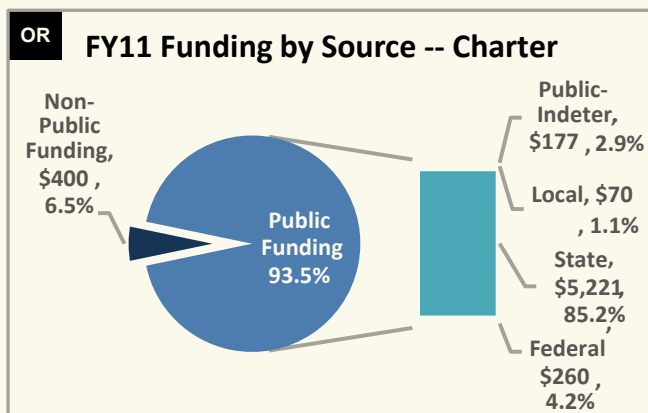


Figure 5



Analysis of Revenues by Funding Source

Note that Oregon has been added to this series of studies for the FY11 analysis. Therefore, no longitudinal data are available, and Figures 6–9 will not appear in this chapter.

Total Revenue

Charter schools are out-funded by districts from all nearly all sources in Oregon, which is why there is a \$4,679 disparity in per pupil revenue, a 43.3 percent difference, between districts and charters (Figure 10). As Figures 3, 4 and 5 all show, charter schools receive a fraction of the Local revenues of districts. Local dollars accounted for 1.1 percent of total charter funding versus 32.2 percent for school districts. The bulk of funding for the state’s charter schools originates from State sources (\$5,221), which accounted for 85.2 percent of all charter revenues. State revenues for school districts, however, represent 43.1 percent of total revenues, nearly half of the statewide charter percentage. Even so, state funding for districts lags state charter school funding by only \$568 per pupil. Federal revenue differences also play a significant role in the funding disparity, with charters receiving 82.3 percent less in Federal dollars per pupil.

Multnomah County district and charter revenues fell short of statewide total revenues per pupil, a reversal of the trend amongst most states in this study in which the urban focus areas generate higher funding levels per student. As Figures 3 and 10 both show, the disparity between districts and charters is also less for the focus area (39.3%).

Figure 10

OR Disparity as Percent of District -- Over Time			
Negative Disparities Mean Districts Receive More (red text)			
Focus Area	FY2003	FY2007	FY2011
Statewide	N/A	N/A	-43.3%
Multnomah County	N/A	N/A	-39.3%

Total Funding Less Other

Our study includes total funding whether the funds originate from public or private sources. The “Other” category is comprised primarily of philanthropic dollars, which can play a significant role in the financing of charter schools. Public funding includes Local, State, Federal, Indeterminate-Public, and where we cannot determine the source, Indeterminate. In Figures 4 and 5 above, Other revenues, or Non-Public dollars, are broken out to determine if funding from public sources is distributed equitably to districts and to charter schools.

Statewide, public funding alone accounted for 89.9 percent of total district revenues and 95.2 percent of charter revenues, but in dollar amounts this equates to \$9,720 per pupil for districts and \$5,835 per pupil for charter schools, a difference of \$3,885, or 40.0 percent. For Multnomah County, the difference in public revenues was slightly less, at \$3,384 (39.6%). District public revenues were \$8,548 per pupil or 92.2 percent of total revenues whereas charter school public dollars were \$5,164 per pupil or 91.9 percent of total revenues.

Other Funding

Other revenues encompass all forms of revenue not originating from public revenue sources, such as returns on investments, charges for facility rentals, food service charges and philanthropy. Historically,

Other revenues have played a significant role by cushioning funding gaps for charter schools. And although we do not have longitudinal data to track Other revenues for Oregon, the prominence of Other dollars is not significant for charter schools in Oregon for FY11, a change in trend we've seen across some states for that fiscal year.

The state's districts reported a higher percentage of total revenues originating from Other sources (10.1%) than did the state's charter schools (4.8%): \$1,086 versus \$292 per pupil, a difference of \$794. Multnomah County charters recorded higher Other revenues than the state charter average, resulting in a smaller variance with the district: \$458 per pupil for charters and \$720 for Multnomah district schools, a \$262 difference.

Where the Money Comes From³

Oregon's funding for public education comes largely from the State School Fund (SSF), which is appropriated biennially by the legislature. SSF is funded by state income taxes and lottery revenues. The Common School Fund, a Trust Fund managed by the Oregon Department of State Lands, is specifically set up to benefit Oregon's public schools. Revenues from this fund come from land management and mineral and timber resources. Although these funds are not necessarily local in nature, they are considered local by statute and distributed directly to school districts. Other local tax revenues come primarily from property tax assessments (94.4% in the 2011–2013 Biennium budget), bond levies and taxes on State timber, and forest fees.

How Oregon funds Its Districts

Oregon's current school funding system was established in 1991 after Ballot Measure 5 passed in 1990. The state intended the new funding system to create equity across districts by transferring the majority of education funding responsibility to the state when, prior to 1990–91, districts shouldered the bulk of education costs. Along with a new funding system, the legislature established Quality Education Goals that the state's districts should be able to meet with new funding levels. In 1998–99, Oregon developed the Quality Education Model (QEM) to determine adequate funding levels required to meet the state's Quality Education Goals. The Quality Education Commission monitors and updates the QEM and reports to the legislature every two years.⁴ The 2011 report by the Commission found that current funding levels were inadequate to meet statutorily set goals.

Local required district contributions are set by the state, and assessment growth is capped at three percent annually. The state makes up the remainder of the foundation costs, which met 65 percent of the total foundation obligations for FY11. State foundation aid is equalized for lower wealth districts, but districts can retain above and beyond local revenues that are collected after equalized amounts are established. Districts also set their own capital raising efforts.

There are four main grants that make up Oregon's foundation program: General Purpose Grants, Transportation Grants, High-cost Disability Grants, and Facility Grants.

General Purpose Grants account for approximately 93 percent of foundation funding, depending on the year. The state calculates General Purpose Grants (GPG) using weighted average daily membership counts (ADM), and there are no restrictions on how the funds are spent. One of two ADM counts can be used for funding calculations—either the prior year's weighted ADM, or the current year weighted ADM, whichever is greater. The formula provides additional weights for student grade-level differences and student characteristics, including special needs, ELL, poverty, pregnant or parenting students, or students in foster care. The weights assigned to a student beyond General ADM cannot exceed 2.00. An additional teacher experience factor of plus or minus \$25 is added to the General Purpose Grant per weighted ADM

that hinges on whether the district's average teacher experience falls above or below the state average.

Additional weights for specific school characteristics include remote, small elementary school; small high school; Union High School; or Elementary district. The base amount of the General Purpose grant is \$4,500 per pupil and is not adjusted for inflation.

Transportation Grants reimburse districts for actual transportation expenditures at 70, 80, or 90 percent of total approved costs to adjust for varying costs of students. Approved expenditures include transporting students to and from school, between schools, on field trips, and special approved circumstances.

High-cost Disability Grants provide schools with approved costs for the education of a single special-needs student above \$30,000. The legislature approves an annual amount that is deducted from the General Purpose Grant total to be reserved for these grants. If costs exceed the amount available, the Department of Education (DOE) prorates the total amount of money available for distribution.

Facility Grants cover up to eight percent of the total construction costs for new school buildings, excluding land. The state restricts costs for new buildings to instructional spaces and can include additions and portable classrooms but not buildings used for purposes such as central administration.

Other State School Fund subgrants include the Small High School Grant, in which small high schools in small school districts that fall under the enrollment thresholds split the \$2.5 million allocated per ADM.

Around 4.5 percent of the State School Fund and local revenues goes to support Education Service Districts (ESD) every year.

How Oregon Funds Its Charter Schools⁵

The formula described below applies to independent charter schools authorized by a school district, the State Board of Education or a higher education institution. Oregon also permits single-district conversion charter schools, which continue to operate as traditional school districts for funding purposes and therefore generate considerably more revenue.

For funding purposes, the state combines the weighted ADM of a charter school's population with the weighted ADM of the district in which the charter school is located, and the state provides funds to the school district of location for distribution to the charter school. A charter school is assumed to have the same poverty percentage as the district of location, and therefore the charter school's ADM will be weighted using the district's poverty weights.

For charter schools authorized by a district, the charter school negotiates the amount of state funds it will receive from the district. The charter school payment must be at least equal to: 1) 80 percent of the amount of the school district's General Purpose Grant per weighted ADM for students in grades K–8 or 2) 95 percent of the district's weighted General Purpose Grant for students in grade 9–12. For charter schools authorized by the State Board of Education or a higher education institution, the district must pay the charter at least 90 percent of weighted General Purpose Grant for K–8 students and 95 percent of weighted General Purpose Grant for students in grades 9–12. Districts retain the difference as an administrative fee for oversight and services.⁶

School districts maintain responsibility for all special education services, and special education students enrolled in charter schools are considered students of the school district for reporting purposes. School districts receive funding for all enrolled special education students and are responsible for identifying, locating, evaluating, and in most cases, providing services for all charter school enrolled special education students. The resident district retains 55 percent of the funds per K–8 special needs student, and 5 percent goes to the sponsoring entity. For enrolled special education students, charter schools receive at least an

amount equal to: 1) 40 percent of the ADM weighted GPG for the district in which the charter school is located for students in grades K–8 and 2) 47.5 percent of the ADM weighted GPG for students in grades 9–12.

Charter school General Purpose Grant funding is paid by the state, and charter schools are not eligible by statute for local funding, although a handful of districts provided a portion of local option revenues to charter schools in FY11. In addition, charter school students may be included in district headcounts for federal funding purposes, but state law does not require school districts to pass these funds to charter schools. In fact, statute does not even address charter school access to federal revenues. Districts have access to other state funds, but state statute is silent with regard to their application to charter schools. Districts receive funding through the School Improvement Fund, State Fiscal Stabilization (definitely applicable for FY11), School Day Restoration Fund and Debt Service, Transportation grants, High-Cost disability grants and Facility Grants. A 2010 analysis of Oregon charter school funding estimated that charter schools lack access to 30 percent of revenue available to school districts. Of the 70 percent of education dollars charter schools receive, the actual distribution of dollars by school districts can vary between 40 and 60 percent of the dollars that districts receive on behalf of charters; this does not meet the requirements set out in statute.⁷

Funding for Facilities

Overall the state provides very little towards capital outlay for Oregon public schools. As described above, the state makes some funds available to school districts through Facility Grants, but local districts raise the majority of capital outlay funds through their taxing authority and bond referendums. Local school districts can use the state’s credit rating in borrowing for capital projects. In addition, the Oregon State Department of Energy provides annual funds for school energy conservation.⁸

Charter schools receive no funding for capital needs.

Select Enrollment Characteristics

Figure 11 shows data for both charter and district school demographics. We include these data, if available, to look at possible differences in the types of students served to discern whether high-need student populations may be resulting in higher levels of funding for either charter or district schools. *It must be noted that the data for charter schools in Figure 11 below are not accurate.* Oregon collects very little demographic data on its charter schools. In Oregon, poverty data are not collected separately for charter schools. Charter schools are assumed to have the same student characteristics as their home districts. Information on the number of free or reduced-price lunch students at charter schools or the number of Title I charter schools could not be obtained through the state, and NCES data collection for Oregon did not include information for 49 charter schools, or 66.2 percent of the state’s charter schools.

Figure 11

OR Select Enrollment Characteristics									
Student Group >>>	Percentage of Total Enrollment								
	Free & Reduced Lunch			Title I			Special Education		
	Year >>>	FY03	FY07	FY11	FY03	FY07	FY11	FY03	FY07
Statewide District	N/A	N/A	51.8%	N/A	N/A	48.9%	N/A	N/A	N/A
Statewide Charter	N/A	N/A	12.8%	N/A	N/A	10.8%	N/A	N/A	N/A

Funding Practices Summary

We have assigned ratings to each state based on the quality of the data available, as well as the extent to which charter schools have access to specific streams of revenue (Figure 12).

Figure 12

OR								
Funding Practices Summary								
PURPOSE	GRADE			FUNDING				REF
	FY2003	FY2007	FY2011	Federal Source	State Source	Local Source	Facilities Source	
This table summarizes answers to key funding mechanism questions in context with a grade based on actual funding results.	N/A	N/A	F					
	Grade based on % of Actual Funding Disparity							
ACCESS TO FUNDING SOURCES								
Do charter schools have access to this funding source according to state statutes?	No	Yes	No	No	No			1
In practice, do charter schools have at least as much access to this funding source as districts have?	No	Yes	No	No	No			2
Do charter school students receive at least 95% as much per pupil in revenue for this source as district students?	No	Yes	No	No	No			
DATA AVAILABILITY								
Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for district schools?							Yes	
Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for charter schools?							No	3
FUNDING FORMULA								
Are charter schools treated as LEAs for funding purposes?							No	
Does the state provide funding for charter schools and districts based primarily on student enrollment?							Yes	

1 Statute does not specifically address federal funds for charter schools. Based on annual audits, it appears that some charters receive federal revenues as pass-throughs from the district, but many do not.

2 Charter schools receive their share of weighted General Purpose Grant funding from State revenues only. Charter schools do not have access to Local revenues.

3 Charters are locally authorized component units, and therefore no financial records are maintained separate from school districts. Several public records requests were filed to obtain 74 of 110 audits for FY11. Audits are not made available publicly.

Endnotes

- 1 FY11 District revenues and enrollment were available on the Oregon Department of Education website. The state does not collect charter school financial data beyond a requirement to submit an annual audit to the Oregon Department of Education (ODE). We submitted numerous FOIA requests and eventually received 74 of the 110 audits for operational charter schools during FY11. FY11 charter school enrollment data were provided by the ODE Office of Education Improvement and Innovation. All revenue data from charter school audits, which are not based on a uniform accounting and reporting system, were entered into a database by individual charter school and district of location. Revenues were categorized by revenue source, to the best extent possible. Charter revenue totals for public sources and corresponding enrollments were then deducted from district totals to avoid double counts.
- 2 Oregon had 110 operational charter schools during FY11, but we were able to obtain only 74 audits through multiple requests.
- 3 “Oregon School Funding.” Sustainable School Collaborative. <http://www.sustainableschools.org/sosi/oregons-school-system/oregon-school-funding>
- 4 “Oregon.” Access, Litigation. http://www.schoolfunding.info/states/or/lit_or.php3.
- 5 Unless otherwise noted, the summary information for this section comes directly from the charter school law, “Chapter 338 – Public Charter Schools.”
- 6 Wilkins, Vanessa. “Unintended Consequences: An Analysis of Charter School Funding in Oregon.” Northwest Center for Educational Options, April 21, 2010.
- 7 Ibid.
- 8 Filardo, Mary et al. “State Capital Spending on PK-12 School Facilities.” 21st Century School Fund, November 2010.