

# **School Finance: Formula Revenue**

January 30, 2019

House Committee on Revenue

# Sources and Distribution

- I. Background Information and Big Picture
- II. Sources of Formula Revenue
- III. About Formula: Fundamentals of Formula Revenue Distribution – commonly referred to as State School Fund Distribution
- IV. Additional Information

# I. Background and Big Picture

- Operationally
- Distribution Charts 2015-19
- Big Picture

# Operationally

- Revenue Available = State School Fund + Local Revenues of School Districts and Education Service Districts
- Shares: After “Carve-outs” from the top, School Districts (SD) receive 95.5%, Education Service Districts (ESD) 4.5%
- Within SD and ESD shares, there are statutorily defined grants and distributions

# The Distribution Chart (Example: 2015-19 Distribution)

<https://olis.leg.state.or.us/liz/2017R1/Downloads/MeasureAnalysisDocument/39116>

<https://olis.leg.state.or.us/liz/2017R1/Downloads/MeasureAnalysisDocument/39896>

# Big Picture I

**State School Fund + Local Revenue  
= \$ available for SDs and ESDs**

## **(-) Carve-Outs and Set-Asides off the top**

- Small High School Grants
- Talented and Gifted; Speech Pathology
- Virtual School District
- Network for Quality Teaching and Learning (NQTL)
- Long Term Care and Treatment; Pediatric Nursing Facility; State School
- Office of School Facilities
- English Language Learner and No Charge School Lunch
- Local Option Equalization Grant
- Reserves\* and Others

**= Formula Revenue to be distributed to SDs and ESDs (100%)**

\* Reserves will be eventually distributed according to formula

# Big Picture II

= Formula Revenue to be distributed to School Districts and ESDs (100%):  
Of this, SD share = 95.5%, ESD share = 4.5%

## (1) School Districts (95.5%)

- (-) High Cost Disabilities Grant

- (-) Facility Grant

- (-) School District Share of NQTL

= Formula Revenue available for distribution to SDs

= **General Purpose Grant + Transportation Grant**

## (2) Education Service Districts (4.5%)

- (-) 10th Grade Assessment

- (-) ESD Share of NQTL

= Formula Revenue available for distribution to ESDs

# In One Picture

**State School Fund + Local Revenue = \$ available for SDs and ESDs**

**(-) Carve-Outs and Set-Asides off the top**

- **Small High School Grants**
- **Talented and Gifted; Speech Pathology**
- **Virtual School District**
- **Network for Quality Teaching and Learning (NQTL)**
- **Long Term Care and Treatment; Pediatric Nursing Facility; State School**
- **Office of School Facilities**
- **English Language Learner and No Charge School Lunch**
- **Local Option Equalization Grant**
- **Reserves and Others**

**= Formula Revenue to be distributed to SDs and ESDs (100%)**

**(1) School Districts (95.5%)**

**(-) High Cost Disabilities Grant**

**(-) Facility Grant**

**(-) School District Share of NQTL**

**= Formula Revenue available for distribution to SDs**

**= General Purpose Grant + Transportation Grant**

**(2) Education Service Districts (4.5%)**

**(-) 10th Grade Assessment**

**(-) ESD Share of NQTL**

**= Formula Revenue available for distribution to ESDs**



## II. Sources of Formula Revenue: “State” vs. “Local”

- State School Fund (SSF)
- Local Revenues
- Currently, roughly 2/3 from SSF, 1/3 from Local Revenues
- For the 2017-19 school years
  - SSF = \$8.20 billion
  - Local Revenues (estimate\*) = \$3.96 billion

\*As of Feb 2017. Since then, revised up slightly

# State School Fund (SSF)

- General Fund
- Lottery Resources
- Marijuana Revenue

# Local Revenues

ORS 327.011 explicitly lists local revenues for the purpose of SSF distribution

- Permanent rate based property taxes (SDs and ESDs)
- Common School Fund distribution
- County School Fund and State Timber Sale Revenue from state managed forestlands
- Federal timber payment (Secure Rural Schools program)
- Occasional federal funds without specific application, and not deemed, under federal law, non-supplantable
- Moneys in lieu of property taxes
- Local option property taxes above statutorily allowed limits

### School Revenue - Expected Local Revenue (FY 2019-21)

	Revised Estimates (March 2018)			March 2018 Forecast		
	2017-18	2018-19	2017-19	2019-20	2020-21	2019-21
<b><u>School Districts (A)</u></b>						
<b>Total Available Local Revenue</b>	1,829,649,396	1,903,200,454	<b>3,732,849,850</b>	1,979,027,746	2,053,528,340	<b>4,032,556,087</b>
<b>Net Property Taxes</b>	1,734,888,075	1,804,545,260	3,539,433,335	1,876,115,532	1,946,657,365	3,822,772,897
Property Taxes	1,764,553,050	1,835,135,172	3,599,688,222	1,906,705,444	1,978,206,898	3,884,912,342
Excluded from Formula	-29,664,975	-30,589,912	-60,254,887	-30,589,912	-31,549,533	-62,139,445
<b>Other Revenues</b>	94,761,321	98,655,193	193,416,515	102,912,214	106,870,976	209,783,190
Common School Fund	57,631,707	60,862,987	118,494,693	64,444,163	67,713,564	132,157,727
County School Fund	10,309,246	10,515,431	20,824,677	10,725,740	10,940,254	21,665,994
State Timber	22,820,368	23,276,776	46,097,144	23,742,311	24,217,158	47,959,469
ESD Equalization Sharing	4,000,000	4,000,000	8,000,000	4,000,000	4,000,000	8,000,000
<b><u>Education Service Districts (B)</u></b>						
<b>Total Available Local Revenue</b>	121,983,050	126,621,527	<b>248,604,577</b>	131,172,673	135,748,926	<b>266,921,600</b>
<b>Net Property Taxes</b>	124,636,200	129,247,739	253,883,939	133,771,410	138,319,638	272,091,049
<b>Other Revenues</b>	-2,653,150	-2,626,213	-5,279,363	-2,598,737	-2,570,712	-5,169,449
State Timber	1,346,850	1,373,787	2,720,637	1,401,263	1,429,288	2,830,551
ESD Equalization Sharing	-4,000,000	-4,000,000	-8,000,000	-4,000,000	-4,000,000	-8,000,000
<b>Total Available Local Revenue (A+B)</b>	<b>1,951,632,446</b>	<b>2,029,821,981</b>	<b>3,981,454,427</b>	<b>2,110,200,419</b>	<b>2,189,277,267</b>	<b>4,299,477,686</b>

17-19 est (March 18)	<b>3,981,454,427</b>
17-19 est (Feb 17) for budget	<b>3,960,916,543</b>

# A Closer Look into School District Property Taxes (Imposed) 2018-19\*

\*Preliminary, DOR

COUNTY	Permanent Levy			Local Options			Bonds			Total		
	FY 17-18	FY 18-19	% CH	FY 17-18	FY 18-19	% CH	FY 17-18	FY 18-19	% CH	FY 17-18	FY 18-19	% CH
Baker	6,360	7,003	10.1	0	0		69	50	-26.6	6,428	7,054	9.7
Benton	36,971	38,653	4.5	6,585	7,921	20.3	10,969	17,834	62.6	54,525	64,408	18.1
Clackamas	220,134	230,014	4.5	18,652	20,272	8.7	101,767	106,598	4.7	340,553	356,885	4.8
Clatsop	26,494	27,528	3.9	1,251	1,384	10.6	7,930	8,210	3.5	35,676	37,122	4.1
Columbia	23,885	24,750	3.6	0	0		5,417	5,861	8.2	29,302	30,611	4.5
Coos	21,914	22,489	2.6	0	0		1,745	5,087	191.6	23,659	27,577	16.6
Crook	9,652	10,334	7.1	0	0		1,936	1,925	-0.5	11,588	12,259	5.8
Curry	10,373	10,720	3.3	0	0		1,734	1,761	1.6	12,106	12,481	3.1
Deschutes	108,057	114,422	5.9	1242	1,369	10.3	45,727	48,119	5.2	155,025	163,911	5.7
Douglas	37,214	38,809	4.3	5	5	-4.7	5,414	5,043	-6.9	42,633	43,857	2.9
Gilliam	2,400	2,449	2.1	114	0	-100	209	215	3.1	2,723	2,665	-2.1
Grant	927	984	6.2	0	0		0	0		927	984	6.2
Harney	2,451	2,584	5.4	0	0		235	210	-10.6	2,686	2,794	4
Hood River	10,912	11,552	5.9	2,422	2,650	9.4	4,259	4,361	2.4	17,593	18,563	5.5
Jackson	85,822	89,590	4.4	3,559	3,856	8.4	28,873	28,960	0.3	118,254	122,406	3.5
Jefferson	7,456	7,807	4.7	0	0	6.4	3,837	4,130	7.6	11,293	11,937	5.7
Josephine	30,236	31,434	4	0	0		2,228	2,088	-6.3	32,464	33,522	3.3
Klamath	21,384	21,779	1.8	0	0		5,327	5,350	0.4	26,711	27,129	1.6
Lake	4,381	4,185	-4.5	0	0		0	0		4,381	4,185	-4.5
Lane	148,418	154,760	4.3	16,491	19,158	16.2	48,031	49,739	3.6	212,940	223,657	5
Lincoln	35,522	36,883	3.8	0	0		5,450	5,995	10	40,971	42,878	4.7
Linn	43,894	45,661	4	359	427	18.9	16,521	17,247	4.4	60,773	63,335	4.2
Malheur	8,288	8,079	-2.5	0	0		2,212	2,294	3.7	10,501	10,372	-1.2
Marion	105,126	109,736	4.4	0	0		38,654	62,043	60.5	143,781	171,778	19.5
Morrow	8,042	8,734	8.6	0	0		2,095	2,147	2.5	10,136	10,880	7.3
Multnomah	362,595	374,103	3.2	93,374	98,660	5.7	160,283	169,167	5.5	616,252	641,929	4.2
Polk	26,252	27,247	3.8	90	100	11.6	10,546	14,254	35.2	36,888	41,601	12.8
Sherman	1,481	1,524	2.9	0	0		0	0		1,481	1,524	2.9
Tillamook	22,607	23,716	4.9	0	0		3,135	4,430	41.3	25,741	28,146	9.3
Umatilla	24,506	25,647	4.7	332	349	5.1	15,475	15,783	2	40,314	41,779	3.6
Union	8,895	9,188	3.3	0	0		2675	2,746	2.7	11,570	11,934	3.2
Wallowa	1,214	1,273	4.9	0	0		0	0		1,214	1,273	4.9
Wasco	11,057	11,649	5.4	0	0		2,336	1,935	-17.2	13,393	13,584	1.4
Washington	295,782	307,782	4.1	41,358	43,950	6.3	136,995	140,709	2.7	474,135	492,441	3.9
Wheeler	551	578	4.9	2	1	-38.8	3	2	-44.3	556	581	4.4
Yamhill	38,545	40,226	4.4	0	0		23,537	18,369	-22	62,082	58,595	-5.6
<b>State Total</b>	<b>1,809,798</b>	<b>1,883,872</b>	<b>4.1</b>	<b>185,836</b>	<b>200,103</b>	<b>7.7</b>	<b>695,622</b>	<b>752,661</b>	<b>8.2</b>	<b>2,691,256</b>	<b>2,836,636</b>	<b>5.4</b>

# III. About Distribution Formula

- Mechanics
- What Formula Is and Is Not About
- Distribution Principles
- **Formula Revenue** distributed to a school district  
= General Purpose Grant + Transportation Grant +  
High Cost Disabilities Grant + Facility Grant
- Some Terms in Formula
- Cost Factors in Formula with Focus on Student  
Cost Weights

# SSF Distribution to Districts: Mechanics

- Formula revenues to districts are determined
- Districts keep their local revenues in their accounts
- For a school district (SD),
  - If apportioned formula revenue  $>$  local revenue, the district receives the difference from the state
  - If apportioned formula revenue  $=<$  local revenue, no additional money to the district; district keeps the difference
- For an ESD, extra local revenue is turned over to the formula revenue pool (as part of SD revenue for the following year)

# What Formula Is or Is Not About

- Not about general cost reimbursement
- Not about revenue entitlement per student
- Not about funding adequacy or stability
- Not about outcomes or achievements
- Not about program quality or accountability
- About Measuring **Relative Need** of Districts for Funding, Given **Student and District Characteristics**



# SSF Distribution: Principles

- Share school funding sources statewide - Allocate all state and local operating revenue
- Let each district decide how to spend its allocation - Give state aid in lump sum, not categorical grants
- Adjust funding only for **uncontrollable cost** differences - Justify revenue differences in a rational manner
- Avoid incentives to increase district allocation - Minimize classifications and set limits

# Some Terms in Formula

- ADM - Average daily membership
- ADMw - ADM adjusted by student cost weights
- Extended ADMw - Higher of current or prior year ADMw to alleviate financial burden of a district in coping with sometimes abrupt change in ADM and associated ADMw

# Cost Factors in Formula

- Student Cost Weights
  - Special Education and At Risk
  - Grades and School
- Teacher Experience Adjustment
  
- Transportation Costs
- High Cost Disability Students
- New Facility Costs

# Grants Not Dependent on ADMw

- **Transportation Grant** - 70% to 90% of approved transportation costs (depending on district's cost per ADM)
- **High Cost Disabilities Grant** – Up to district's sum of approved costs above \$30,000 per disability student; limited to \$35 million per year; prorated if statewide costs exceed the limit
- **Facility Grant** – Up to 8% of district's total construction costs of new buildings; limited to \$9 million per biennium in 17-19; prorated if statewide costs exceed the limit

# General Purpose Grant

- Equals Weighted Students multiplied by (\$4,500 + teacher experience adjustment), balanced to available formula revenue for distribution, or

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

# Student Cost Weights

## Special Education and At Risk

Each student has one weight

### Additional Weight

Individualized education program (IEP)	1.00
English language learner (ELL)	0.50
Students in poverty	0.25
Neglected and delinquent	0.25
Students in foster homes	0.25
Pregnant and parenting	1.00

# Student Cost Weights

## Grades and School

	<b>Weight</b>
Elementary district students	0.90
Union High district students	1.20
Remote small elementary schools (K-8)	Varies
Small high schools (9-12)	Varies

# Teacher Experience Adjustment

$$\$25 \times \left[ \begin{array}{c} \text{District} \\ \text{Average} \\ \text{Experience} \end{array} - \begin{array}{c} \text{State} \\ \text{Average} \\ \text{Experience} \end{array} \right]$$

Examples:

$$\$25 \times (14.07 - 12.07) = + \$50 \text{ per ADMw}$$

$$\$25 \times (11.07 - 12.07) = - \$25 \text{ per ADMw}$$



# SSF Distribution to School Districts (Summary)

Equals

- General Purpose Grant** (using extended ADMw)
- + **Transportation Grant** (reimbursed at 70-90%)
- + **High Cost Disabilities Grant** (up to district's sum of approved costs above \$30,000 per disability student)
- + **Facility Grant** (up to 8% of district's total construction costs of new buildings)

## An Example\*:

# Salem-Keizer SD 24J (2017-18)

- Local revenue = \$88.4 million
- Extended ADMw = 53,054 (ADM = 41,337), Teacher experience adjustment = - 0.36
- General Purpose grant = \$409.6 million, Transportation grant = \$11.9 million, High Cost Disabilities grant = \$4.3 million
- SSF Distribution to SD 24J =  $(409.6 + 11.9 + 4.3) - 88.4$   
= \$337.4 million

\*Estimates

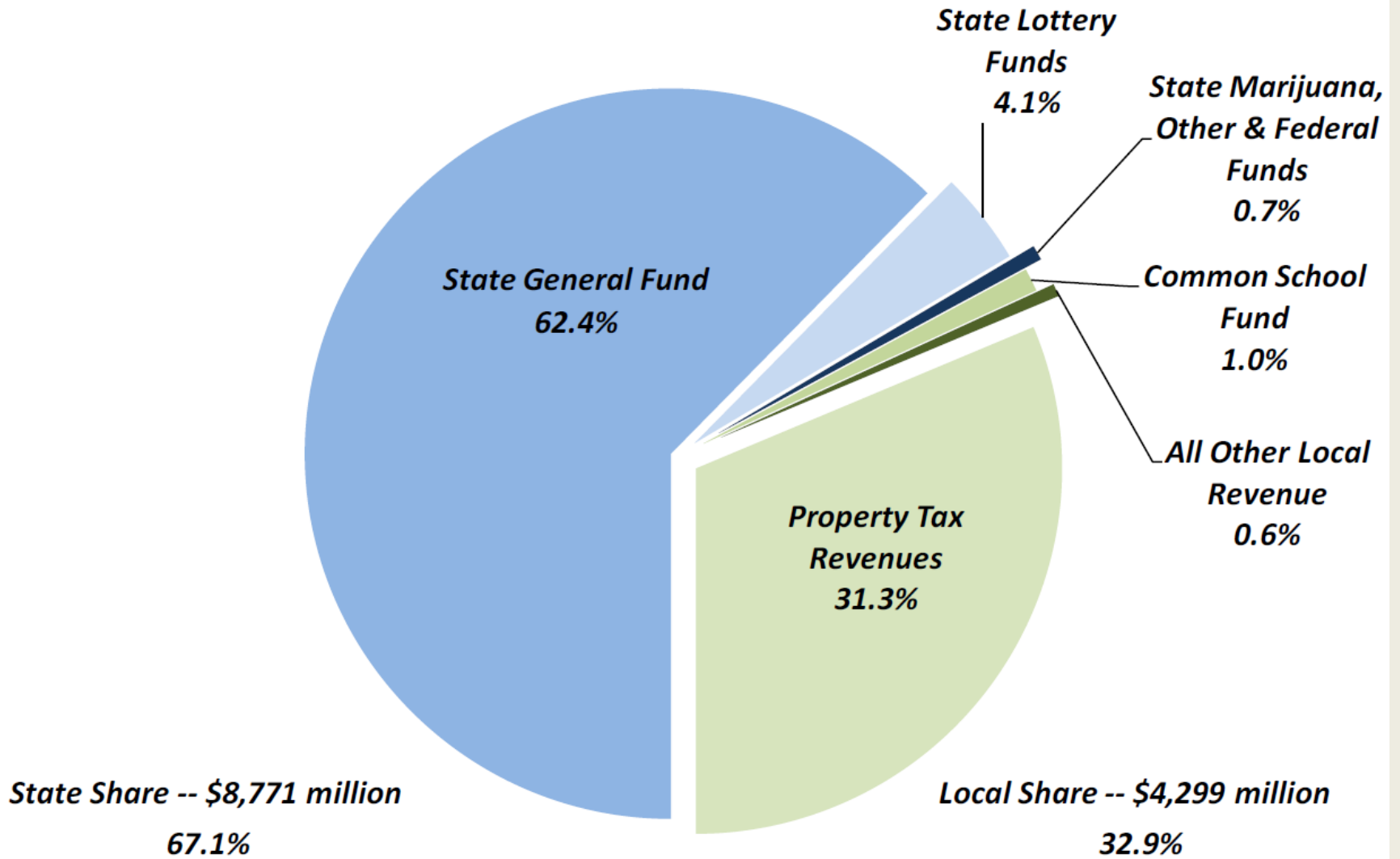
# IV. Additional Information\*

- 2019-21 Resources for Formula Revenue Distribution (Current Service Level)
- SSF vs. Local Revenue over time
- ADM History
- Additional Weights for Formula

\*Source:

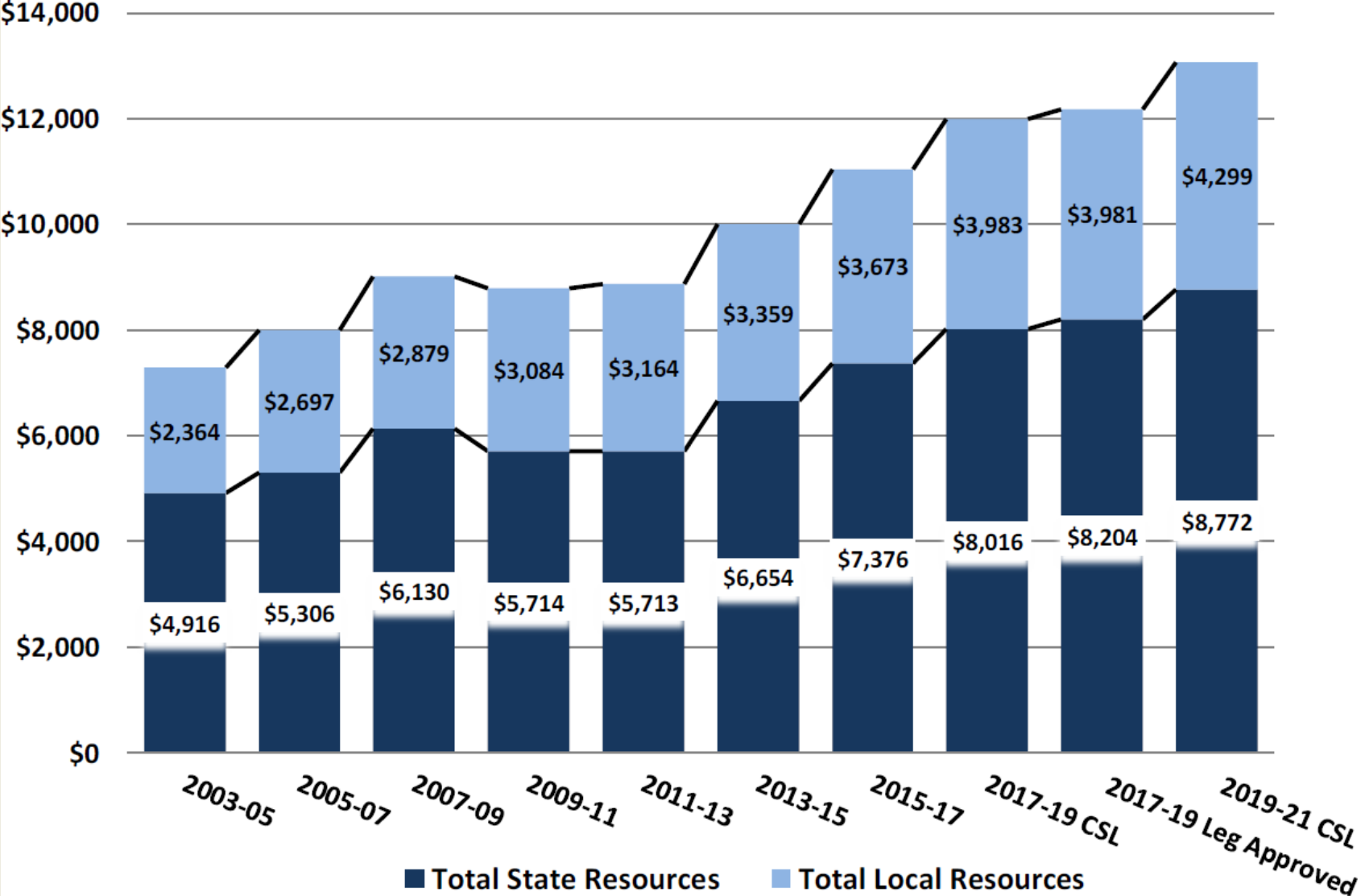
<https://olis.leg.state.or.us/liz/2019R1/Downloads/CommitteeMeetingDocument/154520>

# 2019-21 Current Service Level School Formula Resources



# School Formula Funding

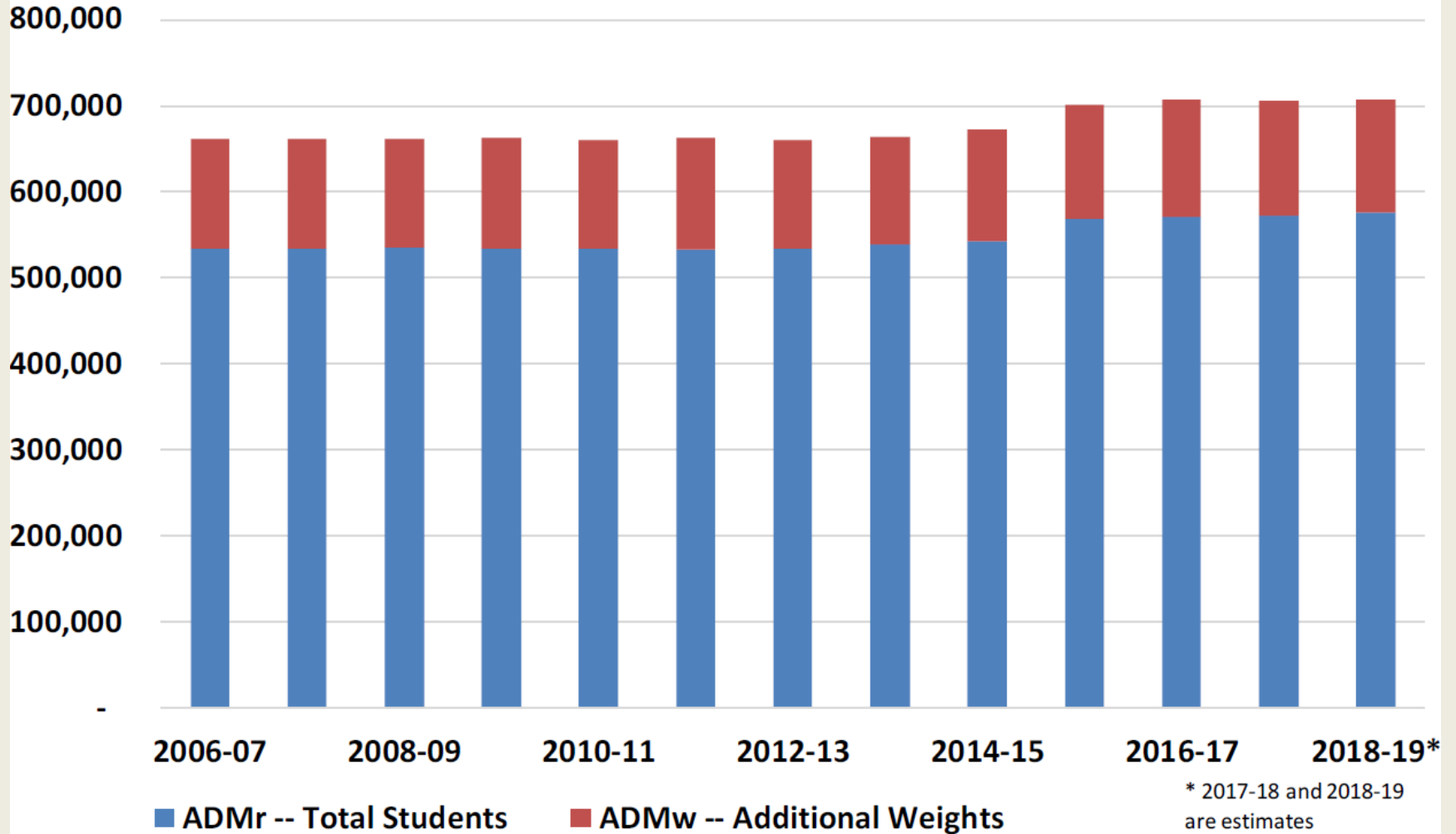
*Millions of Dollars*



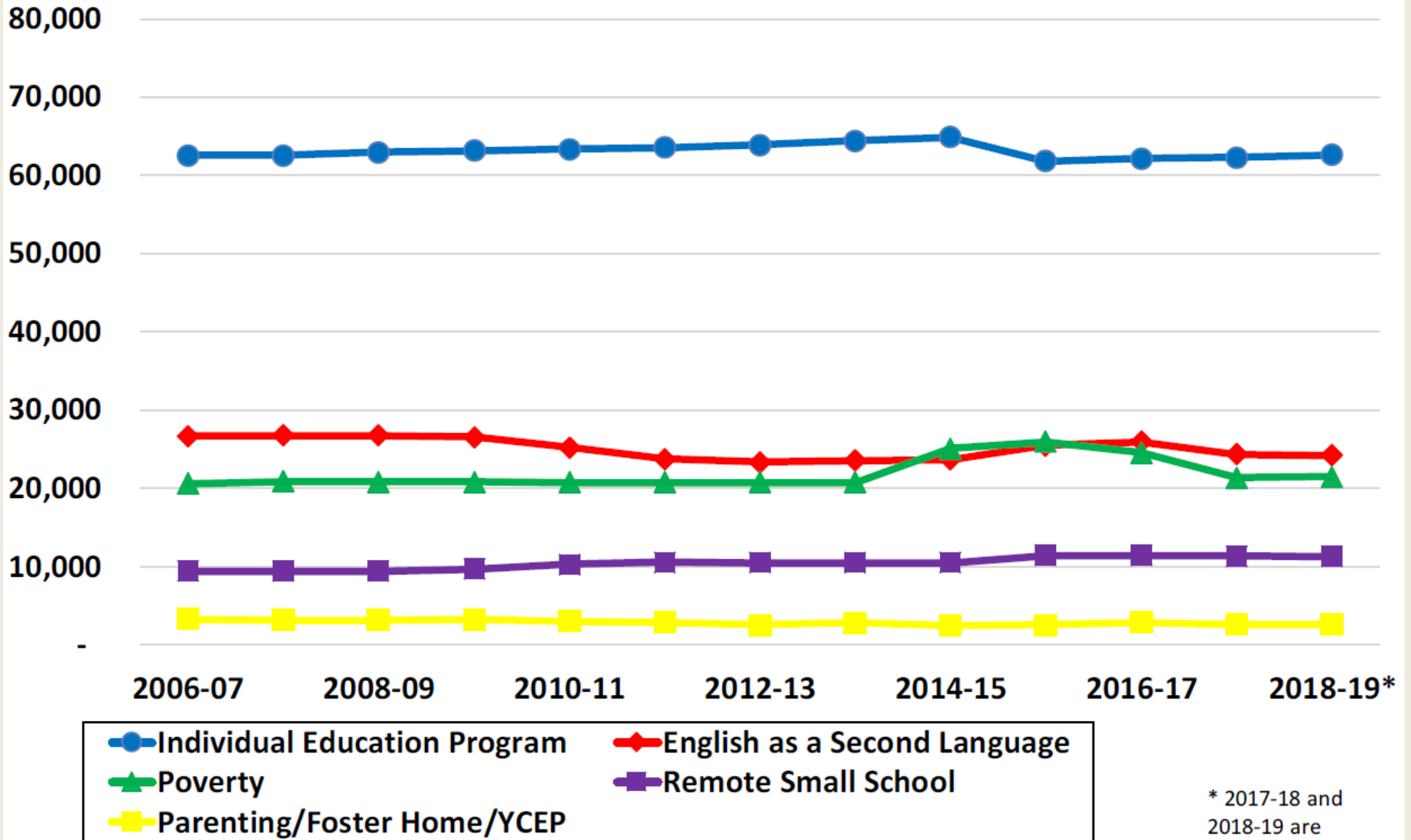
# Average Daily Membership (ADM) History

## Number of Students (ADM<sub>r</sub>) With Additional Weights (ADM<sub>w</sub>)

### 2006-07 to 2018-19\*



## Additional Weights for School Funding Formula 2006-07 to 2018-19\*



\* 2017-18 and 2018-19 are estimates