



June 9, 2021

TO: House Revenue Committee
FR: Morgan Allen, COSA
RE: Testimony in support of Senate Bill 743

Good afternoon Chair Nathanson and members of the House Revenue Committee,

My name is Morgan Allen and on behalf of the Coalition of Oregon School Administrators and our 2500 members across Oregon, we urge your support for Senate Bill 743. This legislation is a proactive attempt to deal with school funding impacts due to likely future fluctuations in enrollment in virtual charter schools.

COSA members have been navigating the impacts of COVID-19 and wildfires on school enrollment. We recently learned from ODE that enrollment is down about 20,000 students statewide this year. Meanwhile, enrollment at virtual charter schools has increased by about 7,700 students statewide.

As school districts move to reopen in-person learning, we anticipate that many students will return to their neighborhood school and leave virtual charter schools. School district funding is significantly impacted by enrollment. With that in mind, COSA convened a group of superintendents, including superintendents from districts that sponsor virtual charter schools, to discuss immediate steps we recommend the Legislature take to protect the State School Fund from financial disruptions.

One such anomaly could occur for school districts that sponsor virtual charter schools. Under current law, school districts that sponsor virtual charter schools would likely see a significant, one-time boost in their funding. And due to the State School Fund Equalization formula, those boosts would come out of the funding of other school districts.

Without passage of this bill, it is almost certain that millions of dollars in one-time payments will go to virtual charter schools for students they are no longer serving. This will impact the funding of every district in the state and could mean tens of thousands, hundreds of thousands, or even millions of dollars in reduced funding for individual school districts.

Senate Bill 743 contains two proposed changes COSA is asking you to adopt.

Proposed Change #1 - Amend the current State School Fund statute to permanently change the calculation of extended ADMw for school districts that sponsor virtual charter schools. This would create an extended ADMw calculation for the brick and mortar students in the district if their student count is declining. This would ensure school districts that have declining brick

Key Terms

ADM: Average Daily Membership for the school district. The average number of actual students enrolled in a school district.

ADMw: Average Daily Membership, weighted. The weighted number of students in a district based on funding weights in the State School Fund formula.

Extended ADMw: School districts receive the higher of Average Daily Membership, weighted (ADMw) from the State School Fund for the current year or the previous school year.

and mortar enrollment would receive extended ADMw payments even if the virtual charter school growth would normally prevent it using current calculation methods.

Proposed Change #1: Current law vs. SB 743

- School District A has declining brick and mortar enrollment and sponsors a virtual charter school.
- School District A has 100 students enrolled in district brick and mortar schools and 500 students enrolled in their virtual charter school in the 2020-21 school year. Total ADM is 600 and total ADMw is 700 for the district.
- School District A has 90 students enrolled in district brick and mortar schools and 525 students enrolled in their virtual charter school in the 2021-22 school year. Total ADM is 615 and total ADMw is 725 for the district.

<u>2021-22 Funding Under Current Law</u>	<u>2021-22 Funding if SB 743 Passes</u>
School district A gets no extended ADMw payment. The enrollment growth at the virtual charter school is greater than the enrollment loss in the brick and mortar school.	School district A would qualify for extended ADMw for the decline from 100 ADM to 90 ADM. Assuming those 10 students represent 15 ADMw, then the district would receive the additional payment of 15 ADMw in 2021-22.

Proposed Change #2 - For the 2021-23 biennium (2021-22 and 2022-23 school years only), cap the extended ADMw payments for virtual charter schools at 10% of the current statutory calculation. SB 743 would make this a two-year temporary change that sunsets after the 2022-23 school year.

Proposed Change #2 : Current law vs. SB 743

- School District A sponsors a virtual charter school with declining enrollment
- This scenario assumes that the school district’s brick and mortar enrollment is flat for ease of comparison.
- School District A’s virtual charter school enrollment in 2020-21 is 1000. Total ADM is 1000 and total ADMw is 1500.
- School District A’s virtual charter school enrollment in 2021-22 is 600. Total ADM is 600 and total ADMw is 1100.
- SB 743 would make this a two-year temporary change that sunsets after the 2022-23 school year.

<u>2021-22 Funding Under Current Law</u>	<u>2021-22 Funding if SB 743 Passes</u>
School District A qualifies for Extended ADMw and receives payment for 1500 ADMw in 2021-22, instead of 1100. The estimated payment would be 400 X \$8500, or \$3.4 million in the 2021-22 school year.	School District A still qualifies for Extended ADMw but is capped at 10% of the total value. The estimated amount of the payment would be 40 X \$8500, or \$340,000 in the 2021-22 school year.

Thank you for the opportunity to share this testimony. We urge your passage of SB 743 and would be happy to answer any questions from the Committee.