School Finance:
Local Option Equalization Grant (An Example)

Senate Interim Committee On Finance and Revenue

Presented by

Legislative Revenue Office

State of Oregon
Legislative Revenue Office

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Overview

1. Local Option Equalization Grants – Purpose and Data

2. "Effective" local option tax rate

3. Property Wealth per student and Target District

4. Grant Eligibility/Qualification and Grant Size – ORS 327.336

5. Grant Amount for a School District – formula

6. Actual Calculation of the Grant for Philomath 17J

*Throughout the discussion, Philomath 17J is used for illustration

Local Option Equalization Grants (ORS 327.333)

- To provide substantial equity in opportunity among school districts in which electors support local option taxes for primary and secondary education

- Provide grant supplements to those districts that enact local option taxes and that have lower property wealth per student

Note: This grant started with HB 2300 (2001)

Local Option Equalization Grants
(2021-22, $1,000)

District	Grants
Beaverton	$1,328.8
Crow-Applegate-Lorane	$12.9
Hood River	$589.5
Philomath	$539.9
Sweet Home	$213.7
Falls City	$173.4
State Total	$2,858.3

Source: Oregon Department of Education

"Effective" Local Option Tax Rate

- **"Effective" local option tax rate** is defined as

    local option taxes imposed ÷ **AV** of the school district in the _current_ year

    where, AV = total assessed value

    e.g. Philomath 17J: $1.1 mil/$940 mil = 0.00117021

- Right now, except for 18 school districts, effective local option tax rate would be zero because numerator is zero

Property Wealth and Target District*

- **Property Wealth per student** for a school district is defined as

  AV ÷ eADMw from _prior_ year

  where, AV = total assessed value, eADMw = extended ADMw

  e.g. Philomath 17J: $879 mil/1,935.8 = $454,076

- **Target District** is the school district ranked **just below the top 25% in terms of property wealth per student** in the _prior_ school year

  2021-22 target district property wealth = $692,411 (using _prior_ year data)

- This target district is used as cut-off for grant eligibility/qualification

*LRO calculations and estimates based on ODE, DOR data. All figures are rounded.

Grant Eligibility and Grant Size

- To qualify for the grant, (1) a school district has a property wealth per student equal to or lower than the target district (meaning lower 75% of school districts), and (2) it imposes local option property tax in the current fiscal year

- A high property wealth district that belongs to the highest 25% will not qualify for this grant. School districts with no local option taxes will not receive grants either.

- There are formulas for calculating grants - formulas use effective local option tax rate and property wealth per student relative to target district

- *The higher the effective local option tax rate is and the lower the property wealth per student relative to target district,* **the higher the grant**, subject to caps*.

*Cap has not been a concern

Equals = A x B x C

Where

A = Effective local option tax rate for *current* year

B = (Property Wealth per student of the *Target* School District –
Property Wealth per student of the School District)

C = Extended ADMw of the school district for the *prior* year

Note: Cap = *minimum* of 20% of formula revenue (GP + Facility + HCD, not including Transportation grant) or $1,000 per ADMw with escalation

Local Option Equalization Grant = A x B x C = $539,900

A = Effective local option tax rate = 0.00117021

B = Property Wealth of the Target School District – Property Wealth of Philomath 17J = $692,411 - $454,076 = $238,335

C = 1935.8

For More Information

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