

Policymaker Brief on AIR's Analysis of K-12 Funding in Oregon



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Overall Summary and Recommendations

The American Institutes for Researcher (AIR) conducted a rigorous and thorough examination of Oregon's K-12 funding system to estimate the cost of providing equal opportunity to receive an adequate education in all districts in Oregon.

We estimate that Oregon would have needed to spend \$22,210 per student from state and local sources, equivalent to an approximate \$5,000 per-pupil or a total of \$2.8 billion overall in additional spending, to achieve an adequate education in the 2022-23 school year. This would provide all districts with the resources predicted to be necessary for raising statewide education outcomes substantially. Specifically, math and reading proficiency rates would be expected to rise approximately 20 percentage points, reaching rates of 56% and 60%, respectively. Chronic absenteeism would decrease from a high rate of over 35% to 28%, just below the national average. Finally, graduation rates would be expected to rise to 89%, just under the state goal of 90% and above the national average of 87%.

We also recommend that Oregon revise how K-12 funds are distributed. We produce a funding model that provides a base amount of about \$14,600 per student (for SY2024-25) with weights that deliver greater funding to districts that serve greater concentrations of high-need students (economically disadvantaged, English learner (EL), or students with disabilities) as well as to districts with greater shares of students in grades 9-12 and districts with fewer than 1,200 students. Our model is like the current State School Fund (SSF) formula but uses fewer categories with weights that are generally larger than those used in the current system. AIR's weights are based on the proportion of district enrollment in each category (e.g., % EL), rather than the SSF use of student counts. Unlike the SSF, our model uses two weights for students with disabilities, one for students with low-cost disabilities and a larger weight for students with moderate- or high-cost disabilities. Further, the AIR formula removes the Teacher Experience Factor and is designed to distribute all K-12 funding in the state.

Adopting our recommended funding targets and formula would result in larger funding increases for those districts serving high-need students. For example, under our recommended model, districts in the lowest quintile of economic disadvantage would experience an average increase of \$2,700 per pupil, while districts in the highest quintile of economic disadvantage would receive an additional \$8,000 per pupil. The recommended funding system is more adequate and equitable delivering additional dollars that would allow students in all districts the opportunity to achieve at a higher standard and concentrate additional dollars in districts that serve higher incidences of students with needs that require more costly services to reach the higher outcome standard.

Study Motivation: Putting Oregon's Performance in Context

Oregon's chronic absenteeism and graduation rates and scores on the National Assessment of Educational Progress are worse than national averages. And while all states were impacted by the COVID-19 pandemic, Oregon experienced negative changes in terms of chronic absenteeism and testing performance exceeding those experienced by the average state. Moreover, available post-pandemic data suggests the state has not yet experienced meaningful rebounding on these measures.

In turn, there is a pressing need to improve K-12 education and raise student outcomes in Oregon. Levels and trends of school performance in the state suggest that current resources are insufficient or may be distributed in a manner that inhibits the current state K-12 education system from meeting its goals of providing all students with equal access to the transformative power of high-quality education.

In this context, AIR conducted a rigorous analysis to understand (1) the relationship between student, school, and district characteristics (e.g., student needs, district enrollment size, etc.) and student outcomes; (2) the relationship between student, school, and district characteristics needs and school funding; and (3) the cost for all students to achieve common and adequate outcomes in Oregon. AIR used the results of their analysis to develop a recommended weighted student funding formula that delivers adequate funding to all Oregon school districts based on the differential cost associated with students facing different needs and the characteristics where they attend school.

Key Findings

Student, School, and District Characteristics and Student Outcomes

Oregon schools with more students who are economically disadvantaged, EL, or have a disability tend to have lower student outcomes (standardized test scores, chronic absenteeism rates, and graduation rates). Districts with enrollments below 1,200 also have lower student outcomes, on average. This suggests additional funding may be needed in small school districts or those with greater needs to provide equal learning opportunity for all students.

Student, School, and District Characteristics and School Expenditures

Spending per pupil is higher in schools with higher levels of economic disadvantage and students with disabilities, on average. However, there is no association between spending and the share of students who are EL. Smaller districts also tend to spend more per pupil. Importantly, while spending tends to be higher in smaller districts and in schools with greater incidences of students who are economically disadvantaged and students with disabilities, this does not imply that funding levels are sufficient for supporting an equal opportunity for all students to achieve at an adequate outcome level.

The cost of an adequate education in Oregon

We find that when controlling for a broad range of student, school, and district characteristics, higher student outcomes are associated with higher costs per pupil. Additionally, the cost per pupil of producing a given outcome level is higher in schools with larger shares of students who are economically disadvantaged, designated as EIs, or with a disability, or in districts with fewer than 1,200 students. These findings indicate that (1) raising statewide student outcomes will require additional

spending and (2) in order for all students to have equal educational opportunity to achieve at a higher outcome level, additional funding per pupil must be provided to districts that serve larger shares of high-need students and those with smaller enrollment sizes.

AIR's Recommended Funding Formula

Using the relationships between spending, student, school, and district characteristics, and academic performance described above, we developed a funding formula that would provide equal opportunity for all districts to achieve at an adequate level. As noted above, the projections target a substantially improved level of academic performance than current state outcomes. The AIR recommended funding formula has a base per-pupil funding amount of \$14,643, before accounting for any type of student needs or district characteristics. The formula then uses multiplicative weights to deliver additional funding per-pupil to districts that:

- Serve a greater share of students who are economically disadvantaged, are EL, who have a low-cost disability, or who have a moderate- or high-cost disability.
- Serve a greater share of students in high school grades.
- Have total enrollments below 1,200, with escalating weights for smaller districts below this threshold.

Report 5 of AIR's analysis includes a detailed description of how these weights can be used to calculate funding amounts for school districts based on their enrollment characteristics and sizes.

Summary of Other Findings and Recommendations

Special Education Funding

The share of students receiving special education services in Oregon has increased over time, especially among students with moderate- or high-cost disabilities. Special education spending per student increased 21.5% from 2019/20 to 2022/23; after adjusting for inflation, the statewide average increased just 4.3% over that period. Average spending by district varies, with districts with the largest percentages of students with moderate- and high-cost disabilities spending on average \$1,194 more per student than districts that had the smallest percentages of students with greater needs.

Federal and state funding for special education grew 17.2% between 2018/19 and 2022/23; however, after accounting for inflation, the spending power of the dollars districts received in 2022/23 was about the same as 2018/19. Even with recent increases in state appropriations, there is a growing gap between the funding districts receive from federal and state sources and what they must spend to provide special education services to students with disabilities. Altogether, federal and state special education funding paid for about 88% of Oregon districts' special education expenditures (FY 2022/23), with the rest paid for using non-special education funding from other state and local sources.

Districts receive very different amounts of state special education funding, ranging from as little as \$6,068 to \$89,223 per student who receives special education. Districts serving higher percentages of

students with moderate and higher-cost disabilities received nearly the same amount of state funding per student as districts that have students with less costly needs.

Districts that serve students with disabilities who are extremely costly can apply for additional funding from the High-Cost Disability Fund (HCDF). However, in 2022-23 the HCDF covered only 41% of eligible district expenditures that districts applied for.

Based on our analysis, we recommend the following changes to special education funding in Oregon.

1. **Revise the SSF special education weight:** Revisions should reflect the rise in average additional expenses for special education services *or* establish multiple weights to provide greater funding for students with moderate- or high-cost disabilities, as is recommended in AIR's funding model.
2. **Eliminate the state's SSF funding cap for special education students:** Only 7 states have a special education funding cap and Oregon's 11% cap is below the national average special education rate of 17%. Most districts receive waivers from the cap, but do not receive full funding per student above the cap. Providing the SSF weight to all special education students would be more efficient and equitable and create greater funding predictability for state and district budgets.
3. **Consider additional appropriations to the HCDF:** If a revised single SSF special education weight is adopted, we recommend additional funding for the HCDF to fully meet reimbursable district expenses. If multiple SSF weights are adopted that direct more funding per student with moderate- or high-cost disabilities, we recommend raising the HCDF threshold to cover only students with extraordinary special education expenses.

Assessment of the Quality Education Model (QEM)

The QEM uses a valid methodological framework for estimating the cost of an adequate education. However, there are many aspects of the QEM that are not aligned with the current best practices for input-oriented funding models. Report 3 of AIR's study provides the Quality Education Commission (QEC) with a series of specific recommendations that should be implemented to improve the methodological rigor of the QEM. The recommendations in the report would expand the scope of the work conducted by the QEC and require additional resources. However, following these recommendations would produce more robust and policy-relevant estimates of the cost of an adequate education in Oregon.



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