

SCHOOL FINANCE

SHARING
STATE AND LOCAL
RESOURCES



K-12 DOLLARS PAY FOR

- Teaching 550,000 Students
- Employing 36,000 Teachers & Aids
- Employing 12,000 Support Staff
- Operating 1,450 School Sites
- Operating 198 School Districts

K-12 STUDENTS

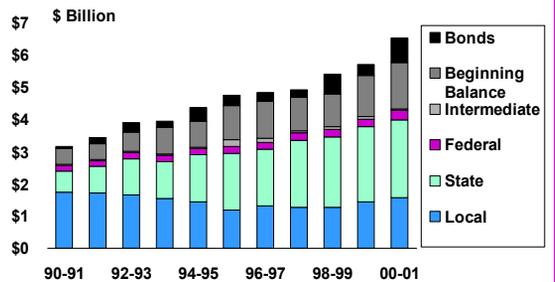
- **Public**
 - School Districts 550,000
 - State Schools 1,000
- **Private**
 - Private and Parochial 38,000
 - Home schooling 11,000

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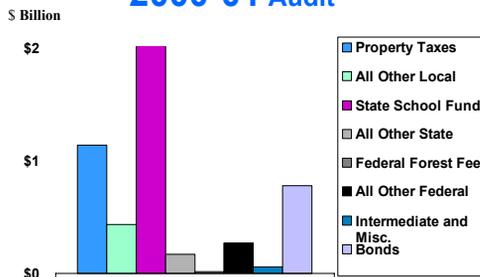
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K-12 RESOURCES Audited



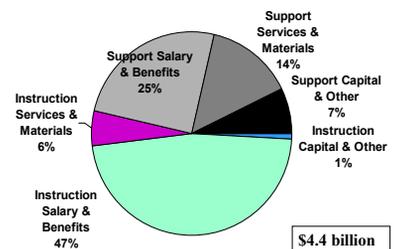
Note: Excludes interfund transfers.

K-12 REVENUE 2000-01 Audit



Note: Excludes interfund transfers.

K-12 EXPENDITURES 2000-01 Audit



Note: Excludes interfund transfers, debt service and ending balance.

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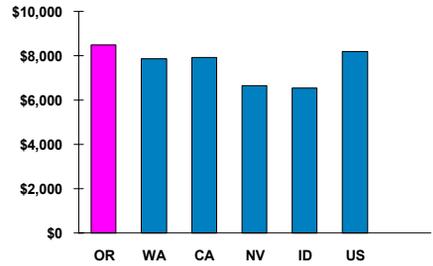
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COMPARISONS TO NEIGHBORING STATES

2000-01

K-12 REVENUE PER STUDENT 2000-01

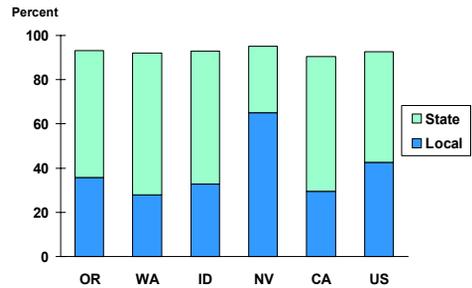


K-12 REVENUE PER STUDENT 2000-01

	<u>Per Student</u>	<u>Rank</u>
OREGON	8,488	19
California	7,930	25
Washington	7,855	26
Nevada	6,652	43
Idaho	6,528	44
United States	8,184	

Source: NEA "Rankings of the States 2001"

K-12 REVENUE SOURCES 2000-01



K-12 REVENUE SOURCES 2000-01

	LOCAL		STATE	
	<u>%</u>	<u>Rank</u>	<u>%</u>	<u>Rank</u>
Washington	27.8	43	64.3	7
California	29.4	40	61.1	13
Idaho	32.8	35	60.0	15
OREGON	35.8	33	57.3	19
Nevada	64.9	2	30.2	50
US	42.5		50.2	

Source: NEA "Rankings of the States 2001"

K-12 STUDENT ENROLLMENT PER TEACHER

	<u>Students</u>	<u>Rank</u>
California	20.9	2
Washington	20.0	3
OREGON	19.2	5
Nevada	18.6	6
Idaho	18.0	7
United States	16.1	

Source: NEA "Rankings of the States 2001"

FUNDING BACKGROUND

Measures 5 and 50

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BEFORE MEASURE 5

- Primarily local funding from property taxes with wide variation in property value and spending per student
 - High property value per student and low tax rate
 - Low property value per student and high tax rate
- State funding to
 - Provide flat grants per student
 - Help offset differences in value per student
 - Fund percent of transportation costs

AFTER MEASURES 5 & 50

- Primarily state funding to
 - Replace local property taxes
 - Move toward equalizing revenue per student
- Limited local property taxes because
 - Measure 5 limits tax rate (but not value growth)
 - M 50 sets tax rate and limits value increases
- Oregon Constitution
 - Uniform and general system of schools

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K-12 and ESD FUNDING SOURCES

2001-03 Biennium

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STATE SCHOOL FUND Adopted 1991

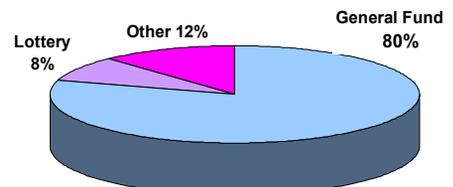
MEASURE 5

- Shifted School Funding to State
- Removed Local Control of Funding Level

OREGON CONSTITUTION

- Uniform and General System of Schools

STATE SCHOOL FUND 2001-03 Biennium



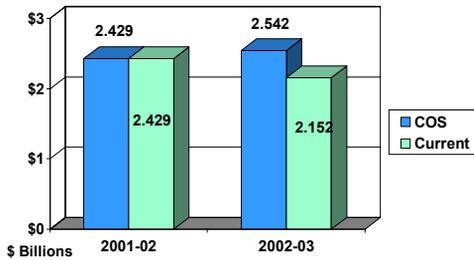
\$4.58 billion

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STATE SCHOOL FUND 2001-03 Transition

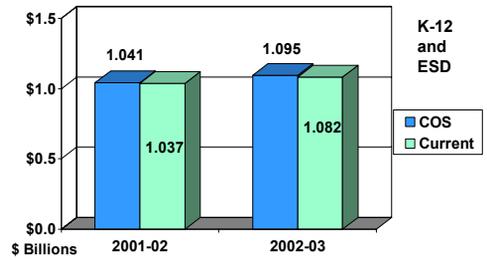


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FORMULA LOCAL REVENUE 2001-03 Transition

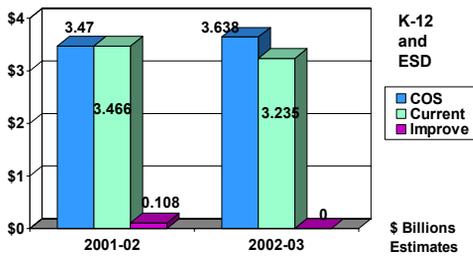


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STATE and LOCAL REVENUE 2001-03 Transition

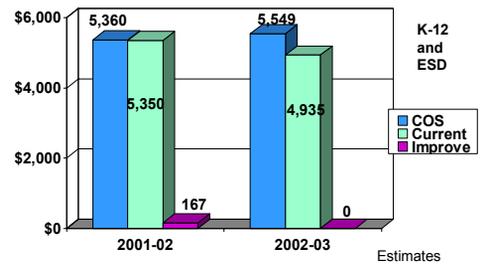


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STATE and LOCAL REVENUE 2001-03 Transition per ADMw



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STATE SCHOOL FUND 2001-03

Appropriation used for:

- Disabled Out-of-State Placement
- Small High Schools
- State Special Education
- K-12 School Equalization Formula
- Youth Correction and Detention Programs
- ESD Equalization Phase-in

LOCAL FORMULA REVENUE

- Operating property taxes collected
- Common School Fund
- County School Fund
- Federal forest revenue
- State managed county trust forests
- Grant & Wallowa ESD funds shared
- Revenue *in lieu* of property taxes

STATE AND LOCAL REVENUE ALLOCATION

Estimates

K-12 School	<u>2001-02</u>	<u>2002-03</u>
Disabled Out-of-State Place	\$ 0.4	\$ 0.4
State Special Education	7.1	7.5
Small High Schools	4.5	4.5
School Equal. Formula	3,294.8	3,077.0
Education Service Districts	156.8	143.0

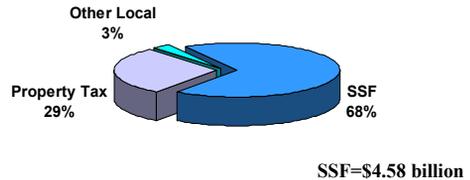
\$ in millions

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K-12 & ESD REVENUE 2001-03 Biennium



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TOTAL REVENUE CAP

	K-12	ESD
• 2001-02	\$3,326.8	\$158.0
• 2002-03	3,488.6	165.9
• Excess state funds for school lottery bonds		

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Additional K-12 State Funding

	<u>1999-01</u>	<u>2001-03</u>
School Improvement Fund	0	\$108
Lottery Backed Bonds for Capital Projects	\$127	0
Network Technology	\$50	0

Note: Dollars in millions

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K-12 SCHOOL EQUALIZATION FORMULA

State School Fund

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DISTRIBUTION PRINCIPLES

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

EQUALIZATION FORMULA GENERAL FORMAT

STATE REVENUE + LOCAL REVENUE

EQUALS

STUDENTS X BASE FUNDING PER STUDENT X COST FACTORS

EQUALIZATION FORMULA COST FACTORS

- Student Cost Weights
- Teacher Experience Adjustment
- Transportation Costs
- New Facility Costs (started 99-00)

EQUALIZATION FORMULA

STATE REVENUE + LOCAL REVENUE

EQUALS

General Purpose Grant + Transportation Grant + Facility Grant

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FORMULA STUDENT COUNTS

- ADM - Average daily membership
- ADMr - ADM with kindergarten half-weighted
- ADMw - ADMr adjusted by student cost weights
- Extended ADMw - Higher of current or prior year ADMw

STUDENT COST WEIGHTS Special Education and at Risk

	Total Weight
Individual Education Program (IEP)	2.00
Students in poverty	1.25
English as Second Language (ESL)	1.50
Pregnant and parenting	2.00
Neglected and Delinquent	1.25
Students in Foster Homes	1.25

SPECIAL EDUCATION WEIGHT

Extra weight of one for each student with IEP

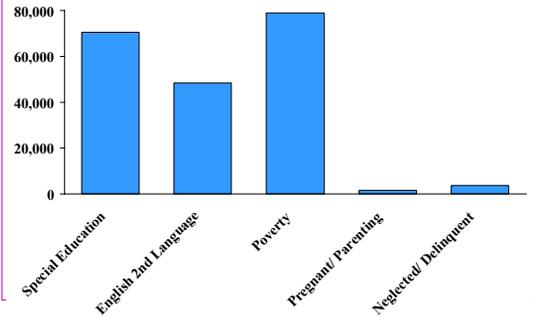
- Limited to 11% of ADMr
- ODE may approve above limit
(Typically less than full allowance)
- May get additional out-of-state allowance

POVERTY WEIGHT

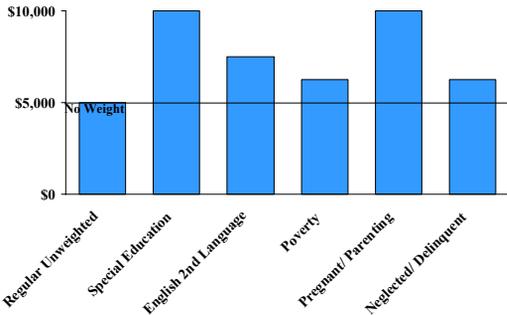
Extra weight of 0.25

- Based on latest census count
- Adjusted by ADMr change since census
- Small districts may reallocate county census count by student lunch eligibility
Districts under 2,500
Can use original or reallocated count

SPECIAL EDUCATION AND AT RISK STUDENTS



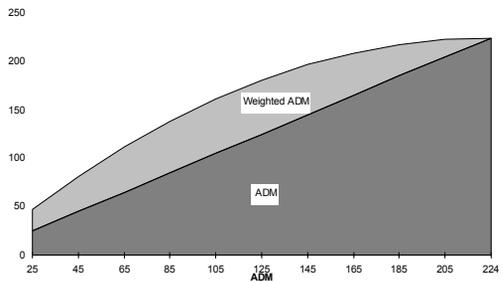
REVENUE BY STUDENT WEIGHT General Purpose Grant



STUDENT COST WEIGHTS Grades and School

	Total Weight
Kindergarten	.50
Elementary district students	.90
Union High district students	1.20
Remote small schools	Varies
Small high school phase-in	Varies

REMOTE SMALL ELEMENTARY SCHOOL Weighted ADM (8 Grades) 12 Miles to Nearest Elementary School

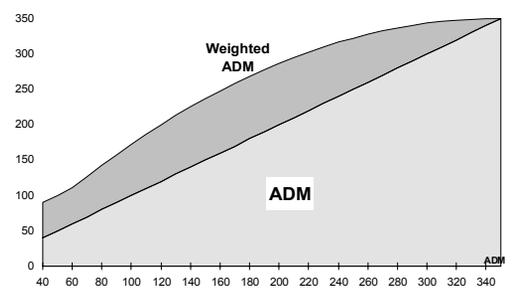


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REMOTE SMALL HIGH SCHOOL WEIGHTED ADM (4 Grades) 20 Miles to Nearest High School



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SMALL HIGH SCHOOL ADDITIONAL WEIGHT

- Limited to existing small high schools
- Limited to districts under 8,500 ADMw
- Extends eligibility to those less than 10 miles to nearest high school
- Increases weight if less than 20 miles
- Phases in additional weight at 25% per biennium

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SMALL HIGH SCHOOL ADDITIONAL WEIGHT

Remote Small High School Weight depends on number of grades, students and distance.

2003-04 Additional Weight
equals:

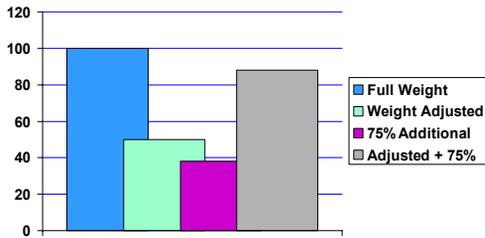
75% X (Small High School Weight without
Distance Adjustment - Small High School
Weight with Distance Adjustment)

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SMALL HIGH SCHOOL EXAMPLE

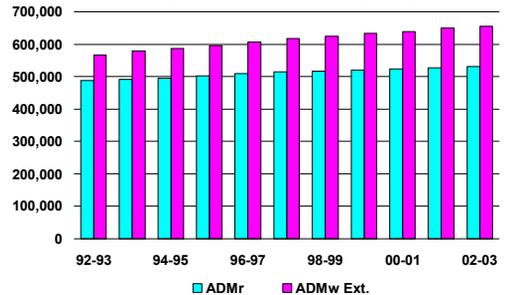


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STUDENT COUNTS ADM_r and ADM_w Extended



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TEACHER EXPERIENCE ADJUSTMENT

$$\$25 \times \left[\frac{\text{District Average Experience} - \text{State Average Experience}}{\text{State Average Experience}} \right]$$

EXAMPLES:

$$\$25 \times (15.5 - 13.5) = + \$50 \text{ per student}$$

$$\$25 \times (12.5 - 13.5) = - \$25 \text{ per student}$$

GENERAL PURPOSE GRANT

Equals

$$\text{ADMw Extended} \times \left[\frac{\$4,500 \text{ Target} + \text{Teacher Experience Adjustment}}{\$4,500 \text{ Target}} \right] \times \text{Balance Ratio}$$

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TRANSPORTATION COSTS

Approved costs:

- Elementary students more than 1 mile away
- Secondary students more than 1.5 miles away
- Between school sites
- Preschool handicapped students
- Students on field trips
- Room and board *in lieu of* transportation

TRANSPORTATION GRANT

Equals

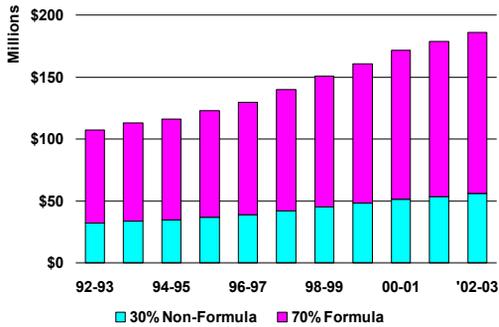
$$70\% \times \text{Approved Transportation Costs}$$

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TRANSPORTATION



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FACILITY COSTS

- Limited to cost of additional classrooms from
 - new construction
 - additions and
 - portables
- Construction costs exclude land cost

FACILITY GRANT

Equals

Up to 8% of
Construction Costs

- Prorated if biennial total exceeds \$17.5 mil.
- Cannot be used for construction
- Paid in school year facility first used

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FACILITY GRANTS

	<u>99-00</u>	<u>00-01</u>	<u>01-02</u>	<u>02-03</u>
Districts	39	44	34	49
Grants (\$ millions)	\$7.8	\$9.7	\$5.0	\$12.5
Percent	5.6%	5.6%	3.0%	3.0%

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EQUALIZATION FORMULA

STATE REVENUE + LOCAL REVENUE

EQUALS

General Purpose Grant + Transportation Grant + Facility Grant

EQUALIZATION FORMULA

STATE REVENUE + LOCAL REVENUE

EQUALS

Student ADMw Extended X \$4,500 adjusted by teacher experience and to total funds + 70% of Transport Costs + Up to 8% of Const. Costs

FORMULA EXAMPLE

STATE REVENUE + LOCAL REVENUE

EQUALS

Student ADMw Extended X \$4,500 adjusted by teacher experience and to total funds + 70% of Transport Costs + Up to 8% of Const. Costs

$$5,000 \times (\$4,500 + \$25) \times 107\% + 70\% \times \$1,428,571 + 0 = \$25,208,750 \text{ OR } \$5,042 \text{ Per ADMw Extended}$$

EQUALIZATION FORMULA EXAMPLES

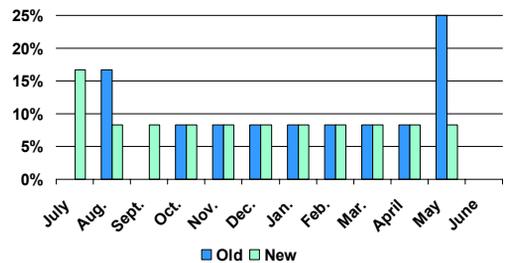
District	A	B	C
Target per ADMw	\$4,500	\$4,500	\$4,500
Plus Experience	25	25	-25
Times Adjustment	<u>107%</u>	<u>107%</u>	<u>107%</u>
Target Adjusted	\$4,842	\$4,842	\$4,788
70% Trans Per	<u>200</u>	<u>100</u>	<u>150</u>
Total Per ADMw	\$5,042	\$4,942	\$4,938

FORMULA REVENUE K-12 2002-03



Total \$3.1 billion

STATE SCHOOL FUND PAYMENT SCHEDULE



STATE SCHOOL FUND PAYMENT SCHEDULE

	<u>02-03</u>	<u>03-04</u>		<u>02-03</u>	<u>03-04</u>
July	0%	16.6%	January	8.3%	8.3%
August	16.6%	8.3%	February	8.3%	8.3%
September	0%	8.3%	March	8.3%	8.3%
October	8.3%	8.3%	April	8.3%	8.3%
November	8.3%	8.3%	May	25.0%	8.3%
December	8.3%	8.3%	June	0%	0%

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K-12 FORMULA RESULTS

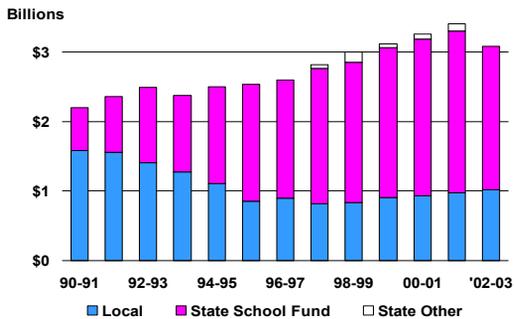
State School Fund
and Local Revenue

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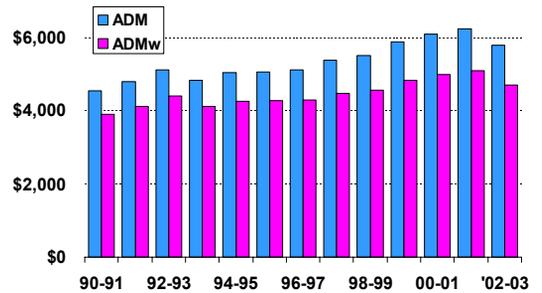
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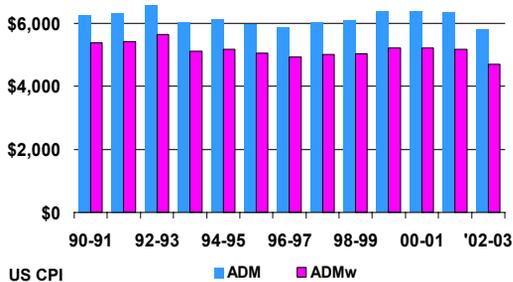
K-12 FORMULA REVENUE



K-12 FORMULA REVENUE Per Student



K-12 FORMULA REVENUE Per Student Adjusted for Inflation



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K-12 FUNDING EQUITY

- “Equity” is the current equalization formula
- Equity applies to school districts
- Equalization formula is policy choice
- Formula has and will change

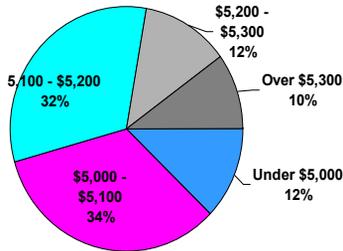
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FORMULA DISTRIBUTION

District Revenue per Student 2001-02



Note: Student is ADMw extended.

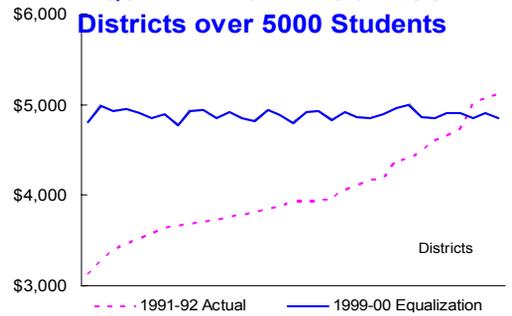
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EQUALIZATION PROGRESS

Districts over 5000 Students



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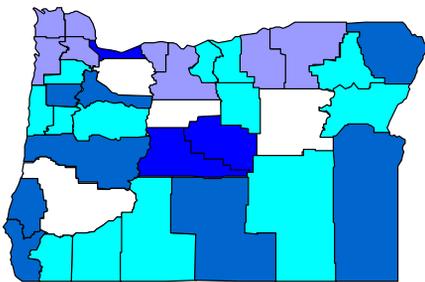
EDUCATION SERVICE DISTRICTS

(ESDs)

ESD MERGERS

- Before 1993 merger legislation
29 county-wide ESD districts
6 counties without an ESD because of county-wide school district
- After 1995 merger legislation
21 ESDs statewide

ESD REGIONS



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ESD PURPOSES

- Assure an opportunity for an equitable and excellent education to all students
- Assist the State Board of Education in providing state level services
- Assist in the coordination of services provided by school districts and health, social service, and employment training agencies
- Provide varied and flexible services to component school districts

ESD FUNDING SOURCES

State Funds

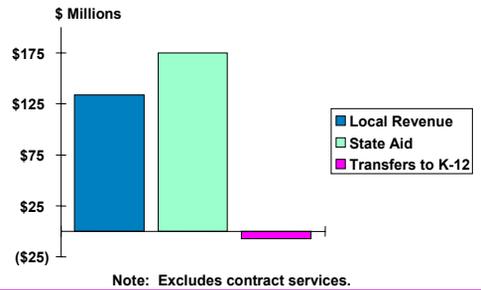
- State School Fund
- Fund specific programs

Local Revenue

- Property taxes for resolution services
- Contracts for services

Federal Funds

EDUCATION SERVICE DISTRICTS 2001-03 Biennium



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ESD EQUALIZATION GENERAL LOGIC

- ESDs provide services to school districts
- ESD costs are related to school districts costs
- K-12 equalization formula weights students for cost differences
- ESD revenue should be proportional to its school districts formula revenue

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DISTRIBUTION METHOD GENERAL FORMAT

STATE REVENUE + LOCAL REVENUE

EQUALS

PERCENT OF COMPONENT SCHOOL
DISTRICT FORMULA REVENUE

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ESD PHASE-IN FUNDING

Calculate using

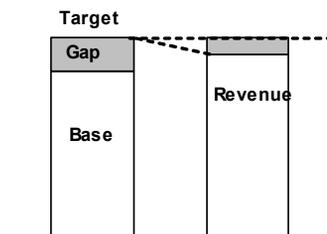
1. Base Revenue
2. Target Revenue
3. Gap Revenue (Adjustment to Base)
4. Minimum Revenue per District

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LOW FUNDED ESD

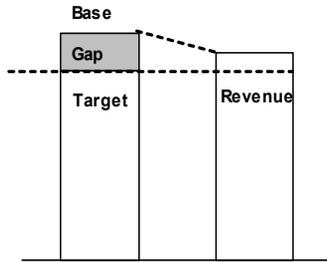


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HIGH FUNDED ESD



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PHASE-IN DISTRIBUTION GENERAL FORMAT

STATE REVENUE + LOCAL REVENUE

EQUALS

Balanced to funds available

- Base Revenue
- Percent of Gap (plus or minus)
- Extra \$ if below minimum

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K-12 AND ESD EQUITY Share of Total

	K-12	ESD
2002-03	95.36%	4.64%
2003-04	95.25%	4.75%
2004-05	95.15%	4.85%
2005-06	95.00%	5.00%

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EQUALIZATION TARGET

ESD PERCENT OF COMPONENT SCHOOL DISTRICT FORMULA REVENUE

Year	% of Total	% of K-12
2002-03	4.64%	4.866%
2003-04	4.75%	4.987%
2004-05	4.85%	5.097%
2005-06	5.00%	5.263%

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ESD REVENUE BASE 2003-04

Higher of (a) 2002-03 revenue per student
X 2003-04 students
(b) 2002-03 State School Fund
and local revenue

Note: Students is extended ADMw.

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PERCENT OF GAP BASE ADJUSTMENT

High Funded ESDs only

Year	Gap Percent
2002-03	-25.00%
2003-04	-33.33%
2004-05	-50.00%
2005-06	No gap

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PERCENT OF GAP BASE ADJUSTMENT

LOW FUNDED ESDs ONLY

Calculate percent using
remaining funds available

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ESD MINIMUM REVENUE

<u>Year</u>	<u>Minimum</u>
2001-02	\$ 700,000
2002-03	750,000
2003-04	800,000
2004-05	900,000
2005-06	1,000,000

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FINAL EQUALIZATION DISTRIBUTION

STATE REVENUE + LOCAL REVENUE

EQUALS

5.263% OF COMPONENT SCHOOL
DISTRICT FORMULA REVENUE

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ESD "Equity"

- "Equity" is a percent of component school district revenue
- Equity applies to districts
- Definition is a policy choice
- Definition will likely change

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OTHER FUNDS

- School Improvement Fund
- Education Stability Fund
- Local Option Equalization

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OUT-OF-STATE DISABILITIES PLACEMENT EDUCATION FUND

	<u>99-00</u>	<u>00-01</u>	<u>01-02</u>
Students	5	4	5
Deposits	\$400,000	\$400,000	\$400,000
Payment	409,456	316,592	392,051
Ave. Paid	81,891	79,132	78,410
Ending Balance			707,368

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EDUCATION STABILITY FUND

- Voters approve HJR 80 in Sept. 2002
- Funded by 18% of net lottery earnings
- 10% in Oregon Growth Account to invest in emerging growth businesses
- 25% of earnings to State Scholarship Commission, 75% to repay school lottery bonds
- Transfers \$150 million to SSF in May 2003
- Available balance of \$107 million July 1, 2003
- Estimated deposits of \$118 million in 03-05.

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Other State Revenue 2001-03 Biennium

State School Fund

- Out-of State Disability Fund \$ 0.8
- State Special Education 14.6
- Small High School 9.0
- Special Education Study 0.2

Other

- School Improvement Fund 108.0

Dollars in millions

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LOCAL OPTION PROPERTY TAX

1999 HB 2753

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LOCAL OPTION

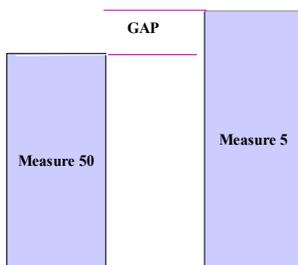
- Requires voter approval
- Limits tax to "gap"
- Restricts operating levy to 5 years and capital to 10 years
- Allows fixed dollar levy or rate base levy

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TAX LIMITS



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EXCLUSION FROM FORMULA LOCAL REVENUE

Excludes the lesser of:

- Tax gap
- 10% of formula revenue
- \$500 per student x students

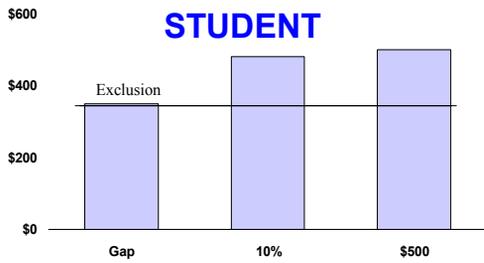
Note: Students are weighted.

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LOCAL OPTION PER STUDENT



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LOCAL OPTION ELECTIONS

	<u>Pass</u>	<u>Fail</u>	<u>Total</u>
2001 Elections	3	13	16
2002 Elections	2	9	11
Percent	19%	81%	

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LOCAL OPTION EQUALIZATION

- Target is assessed value per student at 75th percentile
- Districts below target eligible for grant
- Grant first paid in biennium following voter approval
- Proportional reduction if insufficient funds
- $\text{Grant} = \text{ADM} \times \text{Tax Rate} \times (\text{Target} - \text{District AV per ADM})$

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2003-05 BIENNIUM

Balanced Budget

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STATE SCHOOL BUDGET

State School Fund	\$5,050.8
School Improvement Fund	0
Local Option Equalization	0.6
Total	5,051.4

Dollars in millions

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K-12 and ESD REVENUE 2003-05 Gov. Balanced Budget

	<u>2003-04</u>	<u>2004-05</u>	<u>Biennium</u>
Local Revenue	\$1,105	\$1,163	\$2,268
State School Fund	<u>2,554</u>	<u>2,497</u>	<u>5,051</u>
Total	3,659	3,660	7,319

Dollars in millions

K-12 REVENUE Governor's Balanced Budget

	<u>2003-04</u>	<u>2004-05</u>	<u>Biennium</u>
Local Revenue	\$1,035	\$ 1,091	\$ 2,126
State School Fund	<u>2,441</u>	<u>2,382</u>	<u>4,823</u>
Total	3,476	3,473	6,949

Dollars in millions

1/15/99

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ESD REVENUE Governor's Balanced Budget

	<u>2003-04</u>	<u>2004-05</u>	<u>Biennium</u>
Local Revenue	\$ 70	\$ 73	\$ 143
Transfers to K-12	0	-1	-1
State School Fund	<u>103</u>	<u>105</u>	<u>208</u>
Total	173	177	350

Dollars in millions

STATE SCHOOL SUPPORT IF NO LEGISLATIVE ACTION

- Continue ESD phase-in
- Continue small school distance phase-in
- No change in student weights
- No change in local revenue sources
- No new out-of-state placement funds
- No new per student small high school funds
- No school improvement funds