

SCHOOL FUNDING TASK FORCE

July 14, 2014

Hearing Room 343, State Capitol Building, Salem, OR

Members Present:

Sen. Richard Devlin, Chair
Sen. Fred Girod
Rep. Betty Komp, Vice-Chair
Rep. Sherry Sprenger
Kelly Devlin
John W. Hayes, Jr. PhD.

Steven Isaacs
Claire Hertz
Sena Norton
Bobbie Regan
John Rexford
Michael Wolfe

Members Excused:

Heidi Sipe

Staff:

Brian Reeder, Asst. Supt., Research & Data
Analysis, ODE

Jan McComb, Legislative Coordinator, ODE
Michael Elliott, Fiscal Analyst, ODE
Michael Wiltfong, Director, School Finance, ODE

NOTE: Exhibits and testimony submitted to the task force may be found on the task force's website.

<http://www.ode.state.or.us/search/page/?id=4122>

Chair Devlin convened the task force at 1:05 pm and reviewed the agenda.

PUBLIC TESTIMONY

Rep. Whisnant testified possible changes in the SSF Distribution Formula. In the past he has introduced legislation to eliminate or modify the teacher experience factor and eliminate extended ADMw. He suggested that the task force recommend legislation that would require school districts to report to the Oregon Department of Education how they are spending the funding derived from the additional weights given to poverty and ELL and the districts' outcomes for those expenditures. How can we support additional spending in these areas without accountability and outcomes? He and Representatives Witt and Fagan planned to introduce a bill requiring transparency and accountability of additional funds for low-income students.

SUBCOMMITTEE UPDATES

High Cost Disabilities Subcommittee

Michael Wiltfong reviewed the High Cost Disabilities Account and its history of reimbursement rates. It does not pay 100% of district costs. It pays between 40% and 70% of costs, depending on the year. It is now paying 42 cents per dollar expended by the district on this student population.

Subcommittee recommendations:

Maintain the current formula-driven grant and set the reimbursement rate at 80%. To accomplish this, the amount of funding for the High Cost Disability Grant will need to be increased. This can be accomplished, in part or in whole, by reducing other carve outs such as the Facilities Grant, the amount ODE withholds each biennium and/or the amount of funds dedicated to strategic investments. The recommendation is to increase the reimbursement rate without further diluting the State School Fund (SSF) disbursements. Additional revenue from outside of the SSF would be ideal.

In order to set a reimbursement rate at, or about 80%, based on current data, the overall grant would need to be \$36 million per year, which is twice as much as the current allocation for the grant.

Discussion:

- 99 of 197 school districts of all sizes asked for reimbursement.
- There was no correlation between district size and the impact of high-cost students with disabilities.
- Every year, the amount requested has gone up; it is likely to fall below 42% next time.
- It is not just small districts that are significantly affected.
- Large districts are much more likely to have large class sizes.
- Whether the account should be indexed; fund should increase as costs increase.
- Given the relatively low payment rate of 40%, this could be considered inequitable.
- The value in not diluting the SSF in funding the High Cost Disabilities Account at a higher amount.
- Economies of scale, and the ability of larger districts to absorb more high cost students than smaller districts.
- Whether the facilities grant should be phased-out.

ELL Subcommittee

Michael Elliott provided some background on English Language Learners. Districts must have a plan to teach these students, using qualified teachers. 141 districts have ESL programs. Each student gets an additional half-weight in funding, about \$3400. Top five districts with ELL students are Salem, Beaverton, Portland, Hillsboro, Reynolds, Umatilla, Woodburn. The graduation rate is 49%.

John Rexford reviewed the English Language Learner subcommittee recommendations regarding the current funding formula for ELL students:

1. Increase the weight for ELL students to 0.6. This will provide additional funding for those districts with small ELL populations. Additionally, this will help provide additional services to many ELL students who are also economically disadvantaged.
2. Give the additional ELL weight for 7 years for students who test at 1 or a 2 on the ELPA and 4 years for students who test at 3 or above. These timeframes are consistent with information provided to the committee related to research on the mastery of English as a primary language. This will also give districts more stable funding as they will be given set amounts for specific periods of time.
 - a. The subcommittee recommends further research and discussion on this proposal to work out the details. Concerns raised include tracking requirements, how to handle

students who change districts, when the funding would start, and when the students would be tested on the ELPA to determine funding level.

3. Increase accountability for ELL spending. The subcommittee does not embrace the any set spending requirement. Further, the subcommittee is very sensitive to the significant resources it would take at the local and state level to implement an accountability system. However, the subcommittee recommends that ELL funding be spent on ELL services to assist those students.

The subcommittee recommends that additional research and study is conducted on how to increase accountability. Further, the subcommittee recommends that a pilot project be implemented based on that study.

Discussion:

- Whether ESL funds could or should be used to fund summer school.
- Even if the funding stopped after seven years, schools would still be required to service students until they are ready to exit the ESL program.

Equity Subcommittee

Brian Reeder reviewed the work of the Equity Subcommittee

Observations

- When the distribution formula was created in 1991 in response to Measure 5, equity in resource allocation among districts was the goal; the former system of school funding (2/3 property taxes) provided funding levels that varied so much across districts that the system was widely considered to be inequitable.
- The current distribution formula provides a far more equitable distribution of resources than the former system, but the level of resources dedicated to K-12 is still not adequate.
- When the original distribution formula was created, setting of the weights for at risk students was based on research from other states. Oregon's weights have not been changed since the formula was first created. Now, Oregon has data to allow more in-depth study of the cost differences across categories of students.
- The fact that we still have achievement gaps for students with special needs suggests that the current weights may not be directing sufficient additional resources to districts with disproportionately large populations of students with special needs.
- However, the fact that comparable school districts have different student outcomes suggests that additional money alone cannot eliminate the achievement gaps. Educational practices do matter and should be factored into the evaluation of the formula.
- When school funding reaches more adequate levels it will be easier to make adjustments to the student weights, if they are justified.
- The state's 40-40-20 Goal could/should help steer education funding policies.

Tentative Recommendations

- Oregon should maintain its existing weighted student formula until a thorough study of the formula can be conducted. The study should provide a clear statement of the state’s educational equity goals, then determine if the current formula is meeting those goals. The formula should be changed only if the study provides clear evidence that the current formula is not meeting the state’s agreed-upon equity goals.
- The legislature should appropriate funds to conduct the study, and the emphasis of the study should be on whether the current weights are an accurate representation of the cross-district cost differences for which they were intended to compensate. The Equity Subcommittee or a larger group of Task Force members should have input into the design of the study. The formula should be reviewed regularly—perhaps every 8 years—to make sure it is accomplishing its goals.
- The distribution of the “carve-outs” from the SSF, particularly the High Cost Disability Grant and the Facilities Grant, should be studied as well. Funding provided through strategic investments should also be evaluated for its equity effects. Both the carve-outs and the strategic investments should be evaluated for their incentive effects to make sure they do not create unintended consequences.
- The practices of successful districts should be identified and shared with other districts in a systemic way so that all districts can benefit. In order to achieve equity of student outcomes, all districts need to be using their resources in the most effective manner. Additional resources alone will not ensure better outcomes—resources must be used wisely.
- The study should explore if there are some equity issues that are best dealt with outside of the education system.

Discussion:

- Clarifying that the subcommittee supports a weighted system, not necessarily the current weights.
- Importance of adequacy.
- Striking the words, “resources must be used wisely,” because it implies school districts do not use resources wisely now.
- Whether the last sentence under the first bullet needed to be clarified, to make clear that the weights in the formula should only be done if research supports it.
- Breaking up the first bullet point into two bullets.
- That school districts cannot provide every resource a student may need.
- High poverty students, not making a recommendation there

TASK FORCE REPORT

Reeder reviewed the outline for the report.

Discussion:

- What topics should be included in the report.
- Whether a subcommittee should be formed to edit the report.
- That Michael Wolfe will prepare a report outline and send to staff.

- Legislative report should recommend that any legislation should be reviewed by the substantive education committees before being referred to the Revenue committees.
- The 2015 Legislature should address the fifth year senior issue before it expands much further.
- Include in the report what the other two subcommittees had to say about equity.

NEXT STEPS, MEETING SCHEDULE

Chair Devlin stated the next meeting was August 27. The task force would take public testimony on the preliminary recommendations.

ADJOURN

Chair Devlin adjourned the committee at 3:30 pm.