**Description of the Formula**

The 1991 session of the Oregon Legislature created a new measure of financial equity for school districts. Equity is not viewed as the same funding per student for all school districts; school districts will have students with special needs, will need to offer different programs, and will experience different costs to deliver equivalent programs and services. The foundation program consists of four different types of grants: General Purpose Grants, Transportation Grants, High Cost Disability Grants, and Facility Grants. The formula distributes both state revenue and the bulk of local revenue. The following principles guided the development of the new formula:

1. Share all school funding sources statewide
2. Let school districts decide how to spend their allocation,
3. Create funding differences only for uncontrollable cost differences.
4. Avoid incentives for school districts to increase their allocation.
5. Provisions of the four grants are discussed in the following paragraphs.

**General Purpose Grants**

These grants are based on weighted student counts; they account for roughly 93% of the formula revenue. (This percentage can vary from year to year based on the total funding available and the amounts devoted to the other three types of grants. There are no constraints on how General Purpose Grant money can be spent.)

- Weighted Student Counts are the sum of the General Education Average Daily Membership (ADM) count plus the additional student weights based on special needs. The value of a weighted student is then calculated based on available revenues. Each student in grades 1-12 is assigned a General Education ADM of 1.0, with kindergarten students counted at 0.50. Additional weights are then added to the General Education ADM based on special needs, resulting in a measure known as Weighted Average Daily Membership, or ADMw. A teacher experience factor of $25 is added to, or subtracted from, the General Purpose Grant per ADMw depending on whether the district’s average teacher experience exceeds, or falls below, the state average.
- The initial base value of the General Purpose Grant per ADMw was set in statute in 1991 at $4,500. After considering the available revenues, number of weighted students, the teacher experience adjustment, transportation grants, high cost disability grants, and facility grants, the
amount of the General Purpose Grant per ADMw was actually $5,837 for the 2009-10 school year. Because the initial base value of $4,500 per ADMw set in statute is not adjusted for inflation, current amounts per ADMw are considerably higher than the base value of $4,500.

The weights used in the calculations for the equalization formula are listed in the following table.

Weights used in the Equalization Formula

<table>
<thead>
<tr>
<th>Group</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Special Education and At-Risk</strong></td>
<td></td>
</tr>
<tr>
<td>General Education ADM</td>
<td>1.00</td>
</tr>
<tr>
<td>Special Education</td>
<td>1.00</td>
</tr>
<tr>
<td>English as a second Language</td>
<td>0.50</td>
</tr>
<tr>
<td>Pregnant and Parenting</td>
<td>1.00</td>
</tr>
<tr>
<td>Students in poverty</td>
<td>0.25</td>
</tr>
<tr>
<td>Neglected and Delinquent</td>
<td>0.25</td>
</tr>
<tr>
<td>Students in foster home</td>
<td>0.25</td>
</tr>
<tr>
<td><strong>Grade and School</strong></td>
<td></td>
</tr>
<tr>
<td>Kindergarten</td>
<td>-0.50</td>
</tr>
<tr>
<td>Elementary district students</td>
<td>-0.10</td>
</tr>
<tr>
<td>Union high school district students</td>
<td>0.20</td>
</tr>
<tr>
<td>Small school</td>
<td>Varies</td>
</tr>
</tbody>
</table>

Note: Maximum additional weighting assigned to any student, beyond the General Education ADM, cannot exceed 2.00, but not all weights are coupled.

Transportation Grants
The transportation grant uses actual expenditures as the factor to adjust for different costs per student. The transportation grant reimbursement rate is either 70%, 80% or 90% of approved transportation expenditures. Approved expenditures include transporting students to and from school (if over 1 mile from elementary school or 1.5 miles from high school), between schools, on field trips and for other reasons in special cases. This categorical grant is only available to reimburse for actual transportation expenditures. The highest cost districts tend to be in rural districts with a low density of students where most students ride a bus over considerable distances.

High Cost Disability Grant
This grant is awarded based on approved actual costs above $30,000 for an individual student to help compensate for the uneven distribution of high cost disability students. High cost disability students tend to be concentrated in urban areas where medical and therapeutic services are available. The cost for their education can be dramatically higher than the revenue generated from the double weighting of these students in the school equalization formula.

Oregon’s legislature establishes the amount of the High Cost Disabilities Grant to be deducted from the State School Fund prior to the calculation of the General Purpose Grant. The effect of including a high cost disability grant in the formula reduces the total for the General Purpose Grant by $18 million per year. If the total approved costs exceed available funding in any fiscal year, the department prorates the amount of money available for distribution. All districts share
in the cost and those districts with students who have high cost disabilities benefit by their high cost disability grant exceeding the reduction in their general purpose grant.

Facility Grant
The cost of new facilities to increase classroom space is the differentiating cost factor for districts with new classrooms to equip. The facility grant payment is not to exceed 8% of the total construction costs of new school building costs excluding land. New buildings include additions and portable classrooms, but exclude buildings not used for some classes such as a central administration. Initially, grants to districts could not exceed $17.5 million per biennium and were prorated if eligible costs exceeded $17.5 million. The 2005 Oregon Legislature increased the amount to $25 million per biennium beginning in 2007-09 and this amount was carried forward for 2009-11.

District-Based Components

Density/Sparsity of Small Schools
Students in a qualified small school receive an extra weight based on grade level, average grade size, and distance to the nearest school. The weight is based on the size of each school, not the size of the district. To qualify as a small elementary school, the school must have been in the same location since 1995 and qualified as a small school in 1995 (elementary) and in 2009 (high school). Elementary schools also must be remote – more than 8 miles from the nearest school. If small high schools become larger than the allowable size as the result of a merger, the new, larger school receives the combined weight for four years following the merger.

Grade Level Differences
Kindergarten General Education ADM is weighted at .50, elementary school districts ADM at .90 and union high school district ADM at 1.20. There are also varying small school weights.

Declining Enrollment or Growth
The equalization formula uses the larger of the current year’s ADMw or prior year’s ADMw. Extended ADMw is the term used for the higher amount of the two years.

Capital Outlay and/or Debt Service
One of the four components in the school equalization includes a limited grant program for classrooms. Please see the facilities grant program described above).

Transportation
State support for pupil transportation is one of the four components in the state’s equalization program. The rate of reimbursement to the school district for pupil transportation is either 70%, 80% or 90% of approved costs.

Other
Small High School
In 2005, the Legislature transferred $5 million ($2.5 million per year) from the State School Fund (K-12 Equalization Formula) to the Small School District Supplement Fund. Small districts are those with fewer than 8,500 weighted students (ADMw) with high schools having
fewer than 350 students for four grades and 267 for three grades. Of the 197 school districts in the state, 95 districts qualify. Each eligible small school district receives its proportionate share of the small high school funding each year of the biennium. The 2007 legislature eliminated funding for this program starting in the 2012-13 school year.

State Special Education Programs
Three state education programs are funded directly out of the State School Fund. They are for students in hospitals, long-term care facilities, and a facility for the deaf.

Virtual School
For the 2009-11 biennium, the sum of $1.8 million was transferred from the State School Fund to the Department of Education to develop a statewide virtual school district.

Educational Service Districts
The state also funds 20 Educational Service Districts (ESDs). Their functions are to support school districts, help with business operations and provide special education services as needed. Of the funds distributed by the funding formula, 4.75% of the total is distributed to the ESDs.

Student-Based Components

Special Education
Two types of funding are provided in addition to the general education funding for special education students. An additional weight of 1.0 is identified for special education students and the “High Cost Disability Grant” for disabled students whose annual IEP costs exceed $30,000. Please see the High Cost Disability Grant description above.

Compensatory Education
Oregon funds students in Pregnant and Parenting Programs at a weight of 1.0, students in poverty at .25, neglected and delinquent students at .25 and students in foster care at .25 in addition to the students’ general education ADM.

English Language Learner/Bilingual Education
Students served in programs for English Language Learners are eligible to receive weighting of .50 in addition to the students’ general education ADM.

Gifted and Talented Education
Does not apply.

Revenue and Expenditure Information

State Mandates Restricting Revenue or Expenditure Increases
Does not apply.

Property Assessment Ratios Used/Legal Standards for Property Assessment
Oregon maintains both assessed values and real market values for all taxable properties. Assessed values were set for existing properties in 1997 and are allowed to grow at 3% per year,
but cannot exceed real market value. Local property tax rates are applied to assessed values, but total taxes imposed on each property cannot exceed 0.5% of real market value for education taxing districts or 1.0% of real market value for non-education taxing districts.

Measure of Local Ability to Support Schools
Property valuation per pupil.

School District Budget and Tax Rate Procedures/Sources of Local Revenue
All 197 school districts are fiscally independent. Local permanent property tax rates can be applied to assessed value without voter approval. In addition, “local option” property tax levies can be established with voter approval. For each property, taxes imposed by the sum of the permanent rate and the local option rate cannot exceed 0.5% of the real market value of the property for all education taxing districts combined (school districts, education service districts, and community college districts).

State Support for Nonpublic Schools
Does not apply.