



# **2007 HB 2040 REPORT**

## **Small School District Funding**

**November 2008**

**Legislative Revenue Office**  
State Capitol Building  
900 Court Street NE, Room 143  
Salem, Oregon 97301  
(503) 986-1266

<http://www.leg.state.or.us/comm/lro/home.htm>

(This page is intentionally left blank.)

# 2007 HB 2040 REPORT

## Small School District Funding

### EXECUTIVE SUMMARY

House Bill 2040 passed by the 2007 Legislature requires that the interim revenue committees conduct a study of the funding adequacy for small school districts and small education service districts. The bill does not define “adequate” or “small.”

The report defines adequate funding for small school districts as funding sufficient to provide students an opportunity for an academic program comparable to that provided by a medium sized school district. Small districts are defined as those with 1,000 or fewer students on average and are divided into three groups subgroups—extra small (0-150), very small (151-500) and small (501-1,000). Medium sized districts are those having 1,001-3,000 students. Given these categories, small school districts are 55% of districts, have about 7% of students and receive just over 8 % of state and local school formula revenue.

Small district profiles illustrate how they differ from larger districts. The differences may be well known, but the degree of differences may not be. Small districts have a lower percent of English language learners and a higher percent of students in poverty. Transportation costs per student are much higher. The student teacher ratio and the student administrator ratio are lower. Teacher salaries are lower and costs for building support per student is higher. Advanced high school classes are often lacking. Likely changes in these characteristics as well as academic accountability and expectations since adoption of the current school funding formula in 1995 tend to support a view of deficiency in financial adequacy due to additional small school scale inefficiencies.

A measurement of adequacy is modeled at the school level. Most small districts have only one high school and 1 or 2 elementary schools so school adequacy is comparable to district adequacy. This also allows easier comparison to current law funding for small schools. Using a district size at about the middle of each district category size, students are divided between elementary and high school to determine a model school size. Then a combination of 2006-07 actual data and estimated data incorporating professional judgment are used to calculate per school adequate cost for both an elementary and a high school.

Model small school district revenue under current law uses the state school equalization formula to calculate estimated revenue by model school size. Actual additional student weights for the small school size are included in the formula. Averages per student in each district size category are used for other weights and grants. State small high school grants (separate from formula dollars), federal revenue and education service district revenue for small schools are also included using averages per student for each district size category.

Comparing adequate and current law results show inadequate funding for extra small school districts and marginal adequacy for very small and small districts. The model for medium school districts does not quite show the expected result. There is about a 4% variation. This raises some doubt about how well the simple models and methodology mimic actual school districts.

The model results are based on assumptions, methodology and estimates that may not adequately reflect reality.

ESDs are categorized as small, mixed or large based on the size distribution of component school districts. Small ESDs are defined as having at least 75% of their component school districts as small school districts. Given the lack of uniformity in ESD services, small ESDs are considered to be adequately funded if their component school districts are adequately funded to contract for services more efficiently provided by an ESD. This implies that small ESDs with extra small school districts are underfunded. As the funding for small component school districts of a small ESD increases, the small ESD funding increases as well (unless the ESD remains below the \$1 million minimum).

## 2007 HB 2040 Section 10

### **Background**

The 2007 Legislature passed HB2040. Section 10 of that bill requires the legislative interim revenue committees to conduct a study of the adequacy of funding for small school districts and small education service districts. The study is to examine four issues:

1. The adequacy of current funding for small school districts and small education service districts (ESDs)
2. The types of small school district not provided adequate funding
3. The relationship between small school districts and education service districts
4. The long term effects of inadequate funding for small school districts and small education service districts.

The interim revenue committees are to make recommendations to the 2009 Legislature and may file proposed legislation to enact their recommendations.

The text of HB2040 Section 10 is in Appendix B. The key words are "adequate" and "small".

### **Adequate Funding**

HB2040 does not define what adequate funding is for small school districts or small education service districts or give guidance about how to measure adequacy. This leaves the study design completely open to interpretation.

Adequate school funding typically is measured by the cost for expected student outcomes or results. Outcomes are usually measured by a change in test scores from an increased level of funding. There are four general approaches to modeling adequate funding:

- Successful school model
- Professional judgment model
- Evidence based model
- Statistical cost function model

These models are normally applied to average sized schools, not small schools or small school districts.

The legislation does not indicate what goal or outcome funding adequacy is to achieve. Proponents of the legislation indicate that adequacy is intended to be sufficient funding for small school districts to offer students the opportunity for an academic program comparable to that for larger school districts. The major concern is adequate funding for small high schools and their ability to offer higher level or advanced courses and a variety of elective classes besides a standard program. The interest is to have adequate funding for equal opportunity, not equal outcomes. There is also concern that future adequate funding for small school districts includes the expected cost of having highly qualified teachers and other requirements of implementing the No Child Left Behind federal legislation.

Given this intent, the approach is to measure adequacy by comparing small school districts and schools to medium sized districts and schools. The goal is to evaluate small school district funding adequacy relative to medium sized school districts, not absolute funding adequacy.

This turns adequacy into a horizontal equity concept of academic opportunities. The goal is adequate horizontal equity of the academic programs between small and medium sized school districts. This avoids having to determine absolute adequacy for small districts while not doing the same for medium and large sized districts. The intent of this report then is to provide information on which to base recommendations and not to provide any rigorous or detailed measure of adequate funding for specific student outcomes.

**Small School Districts**

HB 2040 also does not indicate what constitutes a small school district. Typically size is measured by number of students. Average daily membership (ADM) is the measure of students used to specify district size.

For purposes of this report, school districts are divided into 5 ADM size categories shown in the following table. This provides roughly equivalent numbers of districts in each category varying from 32 to 46. There are three sizes of small districts. An advisory group indicated that extra small districts were thought to have significantly different circumstances that warranted a separate category. The three small district groups are 55% of school districts, but only about 7% of ADM. The average number per grade varies from about 5 ADM for the extra small districts to about 60 for small districts. School equalization formula revenue per student for extra small districts approaches twice that for large districts. Refer to Table 1.

**Table 1**

**Distribution Summary  
 2006-07**

	School District Size by ADM				
	0 - 150	151 - 500	501 - 1,000	1,001 - 3,000	3,001 - 50,000
	Extra Small	Very Small	Small	Medium	Large
<b>School Districts</b>					
Number	38	39	32	42	46
Percent	19.3%	19.8%	16.2%	21.3%	23.4%
<b>Students (ADM)</b>					
Number	2,186	10,960	23,494	79,012	416,149
Percent of Total	0.4%	2.1%	4.4%	14.9%	78.3%
Average # per District	58	281	734	1,881	9,047
Ave. Number per Grade (12.5)	4.6	22.5	58.7	150.5	723.7
<b>Equalization Formula Revenue</b>					
Revenue per ADM	13,726	9,386	7,741	7,268	7,161

**School District Profiles**

School district profile information provides some insight into how certain characteristics of school districts vary with size. These differences may be well known, but the magnitude may not be. Some of these characteristics are factors in the different per student operating costs of districts.

Table 2

**School Equalization Formula Profile  
 by School District Size**

Profile	School District Size by 2006-07 ADM				
	0 - 150	151 - 500	501 - 1,000	1,001 - 3,000	3,001 - 50,000
	Extra Small	Very Small	Small	Medium	Large
<b>Student (2006-07)</b>					
Share of State Total					
ADM	0.4%	2.1%	4.4%	14.9%	78.3%
Small school additional ADM	23.0%	40.6%	23.9%	4.0%	8.5%
Formula Revenue	0.8%	2.7%	4.7%	14.8%	77.0%
Students by Category					
ADM	2,186	10,960	23,494	79,012	416,149
IEP Percent of ADM	13.3%	14.3%	14.5%	13.8%	13.1%
ESL Percent of ADM	1.4%	2.3%	3.9%	9.7%	10.7%
Poverty Percent of ADM	20.9%	18.9%	17.0%	17.3%	15.0%
High Cost Disability Percent	0.1%	0.1%	0.2%	0.2%	0.4%
Small school added ADM Pct.	98.9%	34.8%	9.6%	0.5%	0.2%
Formula Revenue per ADM	\$13,726	\$9,386	\$7,741	\$7,268	\$7,161
<b>Geographic</b>					
Ave. transportation cost per ADM	\$1,255	\$710	\$545	\$438	\$393
Trans. Cost Above Formula per ADM	\$186	\$171	\$151	\$131	\$118

**Formula Shares**

Table 2 illustrates how the current school equalization formula measures are distributed by district size. Small school districts have about 7% of ADM and just over 8% of school formula revenue. They have about the same percent of individualized education program (IEP) students, but a much lower percent of English as a second language (ESL) and high cost disability (HCD) students. The percent of poverty students is somewhat higher for the extra small and very small categories. Formula revenue per ADM increases as size decreases. This is primarily due to the small school added student weight and transportation costs. Formula revenue for the extra small category is almost twice as high as for the medium size category.

Transportation costs per ADM increase as size decreases. The transportation cost per student for the extra small size is almost 3 times that for a medium sized district. Cost not included in the transportation grant also increases as size decreases even with the 80% and 90% transportation grants for the highest per student cost districts.

**School Grade Level**

Separating data by grade level when possible may provide some clarity in differences between elementary school costs and high school costs. The Department of Education labels schools as elementary, middle, junior high, high school or combined. To have only two education levels, middle and junior high schools are grouped with elementary assuming more elementary than

high school grades. Combined schools are included with high schools assuming the high school portion will dominate cost differences.

<b>Table 3</b>					
<b>School Resource Utilization Profile</b>					
	<b>School District Size by 2006-07 ADM</b>				
	<b>0 - 150</b>	<b>151 - 500</b>	<b>501 - 1,000</b>	<b>1,001 - 3,000</b>	<b>3,001 - 50,000</b>
	<b>Extra Small</b>	<b>Very Small</b>	<b>Small</b>	<b>Medium</b>	<b>Large</b>
<b>Student/Teacher Ratio</b>					
Elementary	10.0	15.8	18.4	19.4	20.5
High School	9.6	14.1	18.2	20.1	22.3
<b>Student/Administration Ratio</b>					
Admin. and Admin. Support					
Elementary	74.9	101.6	110.4	117.4	133.4
High School	61.8	83.8	90.3	96.9	112.7
<b>Licensed FTE Staff</b>					
Salary					
Elementary	40,976	45,365	45,182	46,005	51,041
High School	40,425	44,328	45,089	46,508	51,382
Years experience					
Elementary	14.8	15.3	14.0	13.3	12.7
High School	12.9	13.8	12.7	12.7	12.3
<b>Operating Funds per Enrolled Student (06-07)</b>					
Direct classroom					
Elementary	6,904	5,541	4,664	4,667	4,919
High School	7,332	5,813	4,941	4,500	4,715
Classroom support					
Elementary	1,773	1,196	1,306	1,334	1,553
High School	2,473	2,190	2,226	2,126	2,081
Building support					
Elementary	3,506	2,537	1,945	1,766	1,586
High School	4,485	2,784	2,132	1,870	1,628
Central support					
Elementary	1,488	732	578	464	333
High School	1,962	782	584	469	340
Total Support					
Elementary	13,671	10,007	8,494	8,230	8,391
High School	16,252	11,570	9,883	8,964	8,763

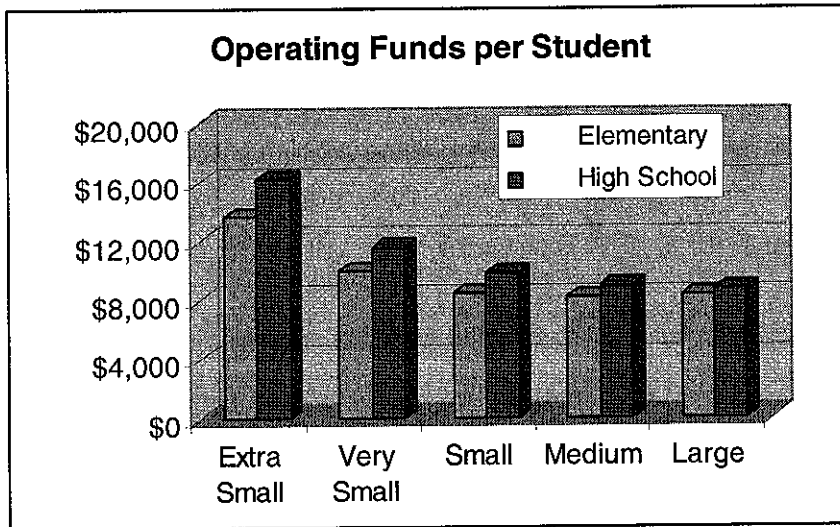
**Resource Utilization**

Small school districts by necessity use resources differently than larger districts. Their size tends to make them less economically efficient than larger districts. There are fewer students per teacher and per administrative staff. The student/teacher ratio and the student/administration ratio for extra small districts is roughly half that for large districts. The average salary for licensed staff is lower for small districts, especially at the elementary level. The salary at the elementary level is higher than for high school for all three small school sizes.



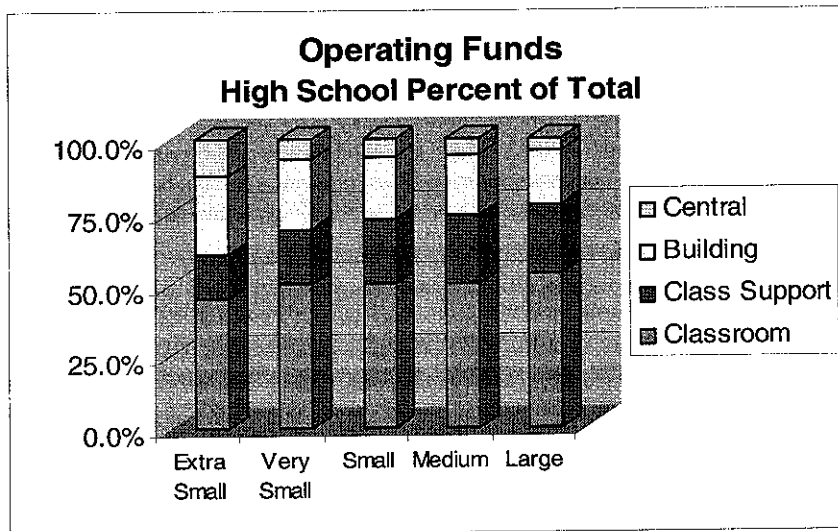
This is explained by the elementary average years of teacher experience being greater than for high school.

**Chart A**



The distribution of operating funds per enrolled student also shows how resources are divided up among 4 cost centers. Operating funds include general fund and federal fund expenditures. Using the medium size district as the standard, extra small elementary districts spend 66% more per student, very small at 22% more and small at 3% more. Extra small high school districts spend 81% more per student than medium size, very small at 29% and small at 10% more. There is little difference per student between medium and large size districts for both elementary and high school districts.

**Chart B**



How operating funds are divided up between the four cost centers varies by size also. The extra small and very small districts spend a higher percent of their operating funds on building

and central support and less on direct classroom and classroom support. This applies to both elementary and high schools. The small district category follows the same pattern, but is not too different from the medium sized district category.

**Survey**

High school class schedules from 60 medium or smaller sized school districts were collected by the Oregon Small Schools Association. The sample of schedules was reviewed for 5 course offerings: pre-calculus, calculus, chemistry, physics, foreign language year one and foreign language year two. The review covered two successive years because some small districts offer a class only every other year. Distance or on-line classes were included, but off-site classes were not.

**Table 4 High School Course Offerings**

	<b>Extra Small</b>	<b>Very Small</b>	<b>Small</b>	<b>Medium</b>
<b>Pre-calculus</b>	80%	78%	100%	89%
<b>Calculus</b>	30%	43%	72%	89%
<b>Chemistry</b>	80%	83%	94%	100%
<b>Physics</b>	50%	74%	67%	84%
<b>Foreign Language 1</b>	90%	100%	100%	100%
<b>Foreign Language 2</b>	50%	91%	94%	100%
<b>Districts Reporting</b>	10	23	18	19

While the sample is small it is likely indicative of the lack of upper level classes being available at smaller high schools. The assumption is that the main reason is a lack of sufficient funding. Also a qualified teacher or distance learning may not be available even if funding is possible.

**School Adequacy**

**Standard**

The assumption for adequacy is that small school districts should have the financial ability to offer students the opportunity for an academic program comparable to that offered by medium sized school districts. Although some classes offered may not all be in the traditional classroom format, they may be available online or in some other format. The chosen format would have to be financially viable for small districts given the small number of students that may want or need a class typically offered at a school in a medium sized district. The approach then is to attempt to mimic the funding for a typical school program in a medium sized district and apply the funding for that school to schools in a small district. This approach is similar to using a detailed school prototype like the quality education model (QEM) designed specifically for small schools, but in a lot less detail.

**School Size**

School size, not district size, and corresponding operating expenditures are the basis for the analysis. Using schools as the basis of comparison is also consistent with comparison to current law support for small schools. Focusing on small schools in small districts excludes combining data for small schools in large districts. However, this excludes only a minor number of small schools. These schools also may be subsidized in some way by the large district which

would warrant their exclusion. Small districts generally have 1 or 2 elementary schools and 1 or perhaps 2 high schools.

**Adequacy Assumptions**

For each district size category assume a district student number near or at the midpoint of the size range. The large size is excluded because the comparison is small to medium. The elementary-high school division of students is about 2/3 elementary and 1/3 high school. The key assumption is required teacher FTE (or alternative instruction equivalent).

The advisors with small school experience were asked to give their estimate for the number of teacher FTE necessary for each small school category based on their professional judgment. The number is to reflect the teachers necessary to provide an academic program similar to, but not a duplicate of, a typical school in a medium sized district including special education.

**Table 5  
 School Model and Adequate Funding Estimate**

<b>ADM Range District ADM</b>	<b>Extra Small 0-150 65</b>	<b>Very Small 151-500 300</b>	<b>Small 501-1,000 750</b>	<b>Medium 1,001-3,000 2,000</b>
<b>Students</b>				
Elementary	45	200	510	1,313
Secondary	20	100	240	687
<b>Number of Schools</b>				
Elementary	1	1	2	4
Secondary	1	1	1	1
<b>Students per School</b>				
Elementary	45	200	255	328
Secondary	20	100	240	687
<b>Teacher FTE per School</b>				
Elementary	3.5	10.0	13.0	16.0
Secondary	7.5	9.5	15.0	30.8
<b>Student Teacher Ratio</b>				
Elementary	12.9	20.0	19.6	20.5
Secondary	2.7	10.5	16.0	22.3
<b>Classroom Funds per Teacher</b>				
Elementary	69,040	87,548	85,818	90,540
Secondary	70,387	81,963	89,926	90,450
<b>Support and Admin. Funds per Student</b>				
Elementary	6,767	4,465	3,829	3,504
Secondary	8,920	5,756	4,942	4,456
<b>School Adequate Funds</b>				
Elementary	546,155	1,768,478	2,092,024	2,599,749
Secondary	706,304	1,354,251	2,534,973	5,848,554
<b>Adequate Funds per Student</b>				
Elementary	12,137	8,842	8,204	7,921
Secondary	35,315	13,543	10,562	8,512

For elementary schools the number of teachers corresponds to the number of classrooms needed for blended grades, not a classroom per grade. Special education is an additional 0.5 FTE teacher.

For small high schools, the number of teachers (or alternative instruction equivalent) is more problematic. Assume 1 teacher each for 5 core classes of math, science, English skills, social studies/history and foreign language. Assume .5 to 1.5 FTE each for health/physical education, art/music, career technical education, special education and other electives as well as substitute teachers. Other electives may include, for example, advanced classes or a second foreign language. As school size increases, the number of teachers increase, but not in the same proportion since the size of extra small classes may double without an additional teacher.

Teacher expense is the average direct classroom expense per teacher times the number of teachers. Support and administrative expenses is all operating expenses except direct classroom costs from Table 3 on a per student basis times the number of students.

These assumptions give a general funding requirement per school for the school size as well as funding per student. As expected per student funding increases as school size decreases. The numbers are a ballpark estimate of the school cost and should not be interpreted as the correct amount for any sized school in small districts. Cost will vary from a combination of factors. Districts have fixed school sites, varying combinations of grades per site, various numbers of students given student density and transportation distances, staff filling multiple positions, individual student needs and facility utility and maintenance support. There may not be much flexibility in how resources are combined and used.

## **Current Funding**

HB2040 references current statutes that provide two additional funding sources to school districts that have small schools: additional student weights and small high school grants. The small school weighting adds extra student counts to the district number eligible for funding in the state school equalization formula. This helps compensate for having small schools with small class sizes. The small high school grant distributes funds proportional to the number of small high school students and is in addition to school equalization formula revenue.

The current law calculations are based on the size of an eligible school, not the size of a school district. Based on school size, current law allows additional funding to large school districts with eligible small schools. Funding based strictly on school district size would not allow this result.

The added weight for small school has several restrictions for qualification. Elementary schools are small if the average ADM is less than 28 per grade or 224 for 8 grades. High schools are small if ADM is below 350 for four grades and 267 for three grades. A small high school must also be in a school district with less than 8,500 weighted students. The location of a small school cannot have changed since January 1, 1995. Existing small schools must have qualified as an elementary small school on July 18, 1995 or a small high school on October 23, 1999. Under exceptional circumstance the Superintendent of Public Instruction can waive these conditions. The result is only existing small schools can continue to qualify. Recent charter schools (unless previously qualified as small schools) and alternative schools, though small, do not qualify.

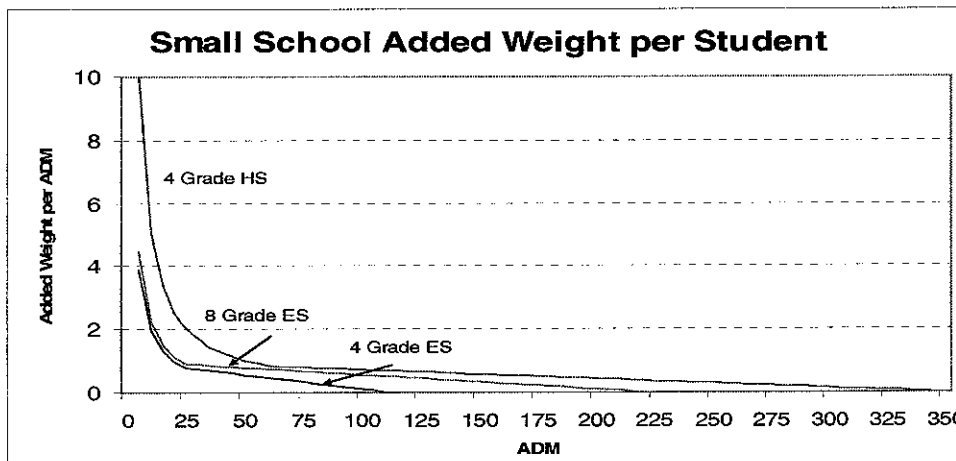
An elementary school must also meet a minimum distance requirement of at least 8 miles from the nearest elementary school. An exception to the distance requirement is if there are physiographic conditions making transportation unfeasible. If the distance is between 8 and 12 miles, the added weight is a fraction of the full weight for over 12 miles.

### Added Weight

The small school calculation uses four basic school models—two elementary and two high school. Each has a minimum size school that is the funding model for all schools smaller than the minimum funding size. Each has a variable size model for funding schools between the minimum and maximum funding size. The variable size takes into account the number of grades served.

The small elementary school calculation is based on a class of 28 per grade for grades 1 to 8. There is a minimum of 25 students per school so each school with less than 25 has the same number of added students. The calculation measures the gap between a full class of 28 for each grade and the actual number. The additional student count is this gap as a percent of 28 for each grade multiplied by the school ADM. As the actual number approaches 28 per grade, the added weight declines. But as the weight declines it is multiplied by an increasing ADM. The result is the graph in Chart A for a 4 and 8 grade elementary school and a 4 grade high school.

Chart C



The small high school model for added weight is based on a four grade small high school with a maximum average of 87.5 students per grade ( $87.5 \times 4 = 350$ ). A minimum of 60 ADM is used so any small high school with fewer than 60 students will have the same added weight. As with a small elementary school, there is an inverse relationship between number of students and additional weight.

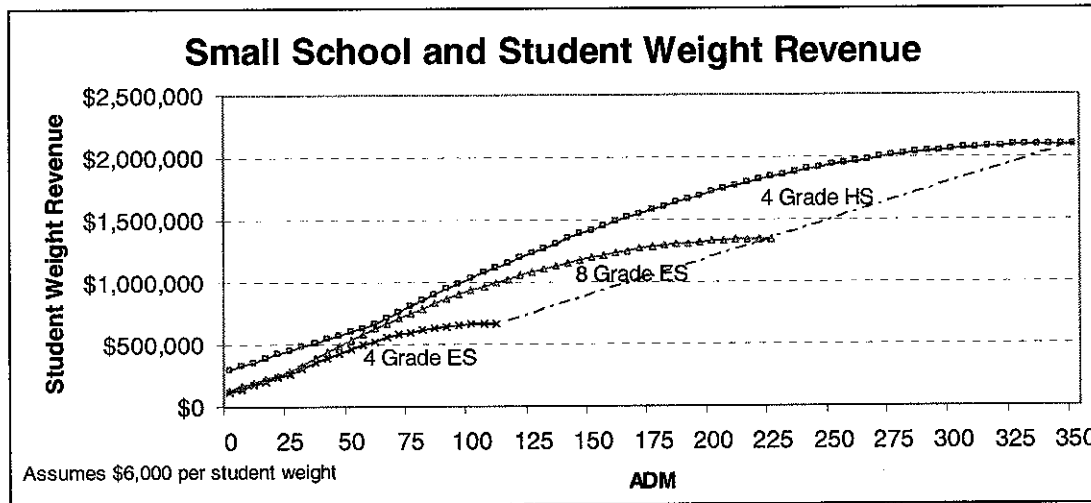
For a detailed description of how the small school added weight is calculated and the funding derived from the weight, see Research Report #3-08 titled "Student Weights for Small Schools."

### Weight Revenue

Chart D illustrates the total revenue for the regular student weight of 1 for each student plus the added small school weight. This gives a better picture of the general purpose grant portion of

equalization formula revenue given a small school size. The minimum ADM (25, 60) used in the calculation starts the funding above zero. The added small school weight is what creates the curves. Otherwise the lines would be straight increasing at an assumed \$6,000 per added student. The funding for a small elementary school with about 80 ADM is close to that for a small high school at about 80 ADM. The small elementary school tops out at \$1,344,000 and the small high school at \$2,100,000 still assuming \$6,000 per student weight. After the small school reaches its maximum student size, revenue increases along the dashed line at the rate of \$6,000 per student.

**Chart D**



**2006-07 Funding**

Estimated 2006-07 school funding for each school size is from four sources: school equalization formula, federal funds, small high school grants and ESDs.

Equalization formula revenue is the combination of a calculated general purpose grant and an average per student transportation and high cost disability grant. The general purpose grant for each school size is the school student size plus the added small school weight for that size (assumes no elementary distance adjustment) plus an average weight per student for all the other non-small school student weights. The general purpose grant is the combined weights valued at the average general purpose grant per weighted student for the district size. This allows a calculated amount for both elementary and high schools, but has the limitation of using some average district data in both calculations.

Federal funding for districts is from general fund and special fund federal revenue. However, this excludes federal forest related revenue included in school formula local revenue. Included, for example, are special education, English language learner, school lunch and other federal support programs.

The small high school grant is included for high schools on a per student basis at \$195 per ADM. This is the actual 2006-07 distribution.

School district ESD revenue is that district's ESD direct classroom funding per ESD student multiplied by school district students. School district students and allocated revenue is then

summed by district size category and averaged per student. This average is used for both elementary and high school levels.

The results in Table 6 are subject to limitations. Note that for the medium district school there is no difference between elementary and high school per student amounts. Only the small school correction weight and small high revenue create any difference and neither impacts the medium district school.

**Table 6**  
**Estimated Current Funding per School**

<b>ADM Range District ADM</b>	<b>Extra Small 0-150 65</b>	<b>Very Small 151-500 300</b>	<b>Small 501-1,000 750</b>	<b>Medium 1,001-3,000 2,000</b>
<b>Equalization Formula</b>				
Elementary	569,100	1,595,800	1,830,500	2,381,700
Secondary	449,300	1,150,200	2,152,300	4,973,400
<b>Federal</b>				
Elementary	47,500	193,000	218,300	296,800
Secondary	21,100	96,500	205,400	621,700
<b>Small High School</b>				
Secondary	3,900	19,500	46,800	0
<b>ESD</b>				
Elementary	25,200	79,800	91,800	101,700
Secondary	11,200	39,900	86,400	213,000
<b>Combined Funding</b>				
Elementary	641,800	1,868,600	2,140,600	2,780,200
Secondary	485,500	1,306,100	2,490,900	5,808,100
<b>Funding per Student</b>				
Elementary	14,300	9,300	8,400	8,500
Secondary	24,300	13,100	10,400	8,500

### Funding Implications

Small school district funding needs relative to larger districts have likely increased since the adoption of the school formula calculations for small schools in 1995. The school operating environment is different. Laws governing school districts have changed. As new requirements are placed on schools, small school districts are likely not as efficient at meeting these added requirements. Several small districts have gotten smaller adding to their inefficiency. Some of the school district profile information also indicates potential funding deficiencies for small school districts.

These funding implications are based primarily on the following observations:

- Increased academic requirements, accountability and expectations
- Limited flexibility of grades per school site and students per teacher
- Limited or nonexistent advanced high school classes
- Excluding a percent of formula transportation costs that are higher per student

- Higher building support expense per student
- Higher administrative expense per student
- Excluding kindergarten students from the additional school weight calculation
- Having a somewhat higher percent of poverty students

The school models are an attempt to attach a dollar amount to any inadequate funding. The model school differences are summarized in Table 7. The difference is the gap between the estimate of what actual funding would be from Table 6 and the estimated adequate funding level from Table 5. The results on the surface show elementary schools overfunded and high schools underfunded, but this probably is the result of the lack of revenue allocation information between the two. Taking into account the number of elementary and high schools in the model districts, the tentative result is that only the extra small districts are inadequately funded.

Ideally, the medium model district would have a difference of zero. That is not the result. The difference is about 4%. The medium district gap illustrates the limitations of one model school being a composite for all schools in a size category. The gap is likely due to a combination of both methodology and data. This unbalanced result means the medium model is not capturing enough expenses or capturing too much revenue or the implication could be a change in ending balance. This reality test makes the small school district model numbers somewhat suspect and implies that caution must be used in drawing any conclusions.

**Table 7**

**Estimated Funding Difference  
 (Current less Adequate)**

<b>ADM Range District ADM</b>	<b>Extra Small 0-150 65</b>	<b>Very Small 151-500 300</b>	<b>Small 501-1,000 750</b>	<b>Medium 1,001-3,000 2,000</b>
<b>Model School Difference</b>				
Elementary	95,650	100,120	48,580	180,450
Secondary	-220,800	-48,150	-44,070	-40,450
<b>Model District Difference</b>				
Elementary	95,650	100,120	97,160	721,800
Secondary	-220,800	-48,150	-44,070	-40,450
Net	-125,150	51,970	53,090	681,350
<b>Model Student Difference</b>				
Elementary	2,160	460	200	580
Secondary	-11,020	-440	-160	-10

## Small Education Service Districts

### Small ESDs

Like for school districts, HB2040 does not indicate what qualifies as a small education service district. The assumption is that ESD size should be defined in terms of the size of the ESD's component school districts—districts within an ESD boundary. A small ESD is one that has at least 75% of its component school districts being small school districts. Given this requirement, eight of the 20 ESDs qualify as small ESDs. Three of the nine small ESDs have 1 or 2 medium sized component school districts.



There is no clear delineation of ESDs as to medium and large based on component district size. ESDs large in terms of students may have a few small districts. For purposes of this report, a large ESD is one with at least 58% of its component school districts being medium or large. This provides 7 large ESDs. The remaining 5 are considered mixed ESDs having small, medium and large component school districts.

Table 8 shows the relationship between small school districts and ESDs. Small school districts are concentrated in 8 eastern Oregon ESDs. Almost all ESDs have at least one small school district. All small ESDs have fewer than 6,000 students.

Table 8

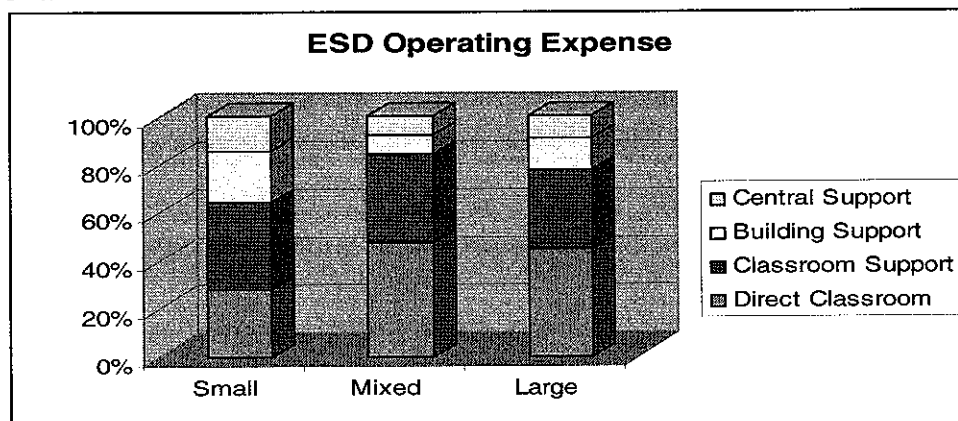
**Number of ESD Component School Districts  
 by School District Size**

Education Service District	Component School District Size by 2006-07 ADM					
	0 - 150	150 - 500	500 - 1,000	1,000 - 3,000	3,000 - 50,000	Total
<b>Small</b>						
Lake 11	3	1	1			5
Union/Baker 13	1	6		2		9
Malheur 14	7	1	1	2		11
Harney 17	9		1			10
Wallowa 18	1	3				4
North Central 19	5	1				6
Grant 20	3	1	1			5
Jefferson 21	2		1	1		4
<b>Mixed</b>						
Lane 5	1	5	2	5	3	16
Douglas 6	1	6	2	3	1	13
South Coast 7	1	1	5	2	1	10
Region 9		2		1	1	4
Umatilla/Morrow 12	2	3	2	3	2	12
<b>Large</b>						
Northwest 1		1	7	6	6	20
Multnomah 2		1	1		6	8
Willamette 3		3	5	7	6	21
Linn-Benton-Lincoln 4	1	1	3	3	4	12
Southern Oregon 8	1	2		3	7	13
High Desert 10				1	3	4
Clackamas 15			1	3	6	10
<b>State Total</b>	<b>38</b>	<b>38</b>	<b>33</b>	<b>42</b>	<b>46</b>	<b>197</b>

SmlSchESDSize.xls

ESD operating expenses can be grouped in the same categories as school districts. Chart E shows that, like small school districts, small ESDs spend a higher percent on building and central support than mixed and large ESDs.

Chart E



**Service Relationship**

The ESD mission is to “assist school districts and the Department of Education in achieving Oregon’s educational goals by providing equitable, high quality, cost-effective and locally responsive educational services at a regional level” (ORS 334.005). ESDs are to provide regionalized core services (ORS 334.175). The service plan has to at least include services in five areas: special education, technology support, improvement services, administrative and support services, and other services required by law such as compulsory attendance. One core service goal is to maximize operational efficiencies of component school districts. Services can be provided directly by ESD staff or indirectly through a school district, another ESD or under contract with a private or public entity.

ESDs typically play a more important role for small school districts. An ESD can provide many services to all its small school districts more economically than each small district can do so individually. The ESD helps its component school districts avoid barriers to efficiency. They also have the flexibility to provide funding for services in lieu of actual services. Large component districts may be efficient at providing a service for themselves that is available from their ESD and prefer ESD funds in lieu of that service.

Five of the seven small ESDs have only small school districts. These ESDs can concentrate on providing services designed specifically for small school districts. All large ESDs except High Desert have small school districts.

Small school districts were surveyed for their level of satisfaction with their existing ESD services. About 60 small districts responded. The results from the Oregon Small Schools Association survey are above average (Table 9).

The statements are: (Strongly disagree to strongly agree scale of 1 to 5)

1. My ESD provides the variety of services needed by my school district.
2. My ESD provides high quality services to my school district.

**Table 9 District Satisfaction with ESDs**

	Extra Small	Very Small	Small
1. Variety of Services	3.7	3.4	3.6
2. High Quality Services	3.8	3.6	3.9

The theory appears to be that substantial flexibility in both how services are provided and how they are funded will yield the highest cost efficiency on a regional basis. Whether a change in this regional ESD/small school district structure would improve service efficiency is not explored.

### **Funding Relationship**

The ESD equalization formula funds each ESD at about 4.75% of the sum of school equalization formula revenue for their component school districts with a \$1 million dollar minimum. The minimum is considered necessary to fund a basic staff and fixed costs. Five ESDs qualify for the minimum—Grant, Harney, Wallowa, Lake and North Central. Average formula revenue is about \$300 per weighted student. The average for the 5 minimum funded districts is twice the state average.

ESDs must allocate 90% of their formula revenue as approved by a two-thirds majority of the component school districts with at least 50% of the students. This gives school districts some leverage on what services their ESD provides with ESD dollars.

Given that ESDs are to assist school districts, it is unclear how to define adequacy for ESDs. The assumption is small ESDs are adequately funded if their component small school districts in particular are adequately funded. This implies that small ESDs with extra small school districts are underfunded. A relative increase in a small ESD's component small school district school formula revenue also increases the ESD's formula revenue share of the state ESD total (unless still below the \$1 million minimum).

## **Long Term Effects of Inadequate Funding**

Inadequate funding for small school districts raises the possibility of their failing to meet state standards in the future. If inadequate funding increases over time, districts will likely show a gradual deterioration in programs and services. Shorter school weeks and school years would likely be prevalent as an exterior sign of deterioration and affect student performance. Financial reserves will be used up. Eventually the Superintendent of Public Instruction may find some small districts to be deficient. Failure to meet state standards set by the State Board of Education within two years can result in the withholding of State School Fund moneys until deficiencies are corrected. With funding causing the deficiency, withholding state funds would not be a solution. Small high schools would likely be the first closed with students tuitioned to another district. In a worse case scenario, there is precedence for a school district to temporarily close its doors.

Small school districts are concerned about having the financial ability to implement federal No Child Left Behind requirements. For example, having highly qualified teachers in each high school subject area will likely require more funds for salaries and benefits. While this affects all districts, small school districts will likely have a more difficult time meeting requirements due to financial limitations.

Inadequate funding for small ESDs from state funds would result in fewer or lower quality core services. This over time would shift more of the funding burden to their component school districts and reduce the scale economies provided by the ESD. Services and support supplied by small ESDs could be replaced by adequately funded component school districts either contracting with ESDs or providing the services themselves with presumably less efficiency. ESDs are also subject to State School Board standards and the potential of being found nonstandard.

There can also be secondary long term community impacts from inadequate small school district funding. Many small school districts encompass small communities. As such they can be an important source of economic benefits from district employment and goods and services purchased locally. The small district plays a role in the social cohesion of the community and likely is a focal point for community gatherings. Again in a worse case scenario, a small school closure can create social and economic hardships on the community it serves.

## **Potential Policy Issues**

Some policy issues are listed as potential changes to address any underfunding of small school districts relative to larger districts and the relationship between small districts and ESDs. Policy changes typically involve trade offs between incentives, outcomes, equity and administrative costs.

Fund small schools or small school districts

Fund based on student weights, student teacher ratios, fixed costs or other factors

Use different funding formulas for different sizes of small schools or districts

Revise the eligibility for the small school additional student weight

Revise the calculation of the small school additional student weight

Review the role of the elementary school distance factor

Revise the distribution of the small high school supplement fund

Review the role of ESDs for small school districts

Specify ESDs provide specific services to small school districts

Allow ESDs limited governance authority over small school districts under given circumstances

## **Related Reports**

The following reports are available on the Legislative Revenue Office website under publications:

“Student Weights for Small Schools,” Research Report #3-08

“2007 School Finance Legislation: Funding and Distribution,” Research Report #4-07

“K-12 and ESD School Finance: State School Fund Distribution,” Research Report #4-06

School Districts by Size Category

2006-07

County	School District	ADM	Small Sch. Weight	Small H.S. ADM	Education Service District
<b>0-150 ADM Extra Small</b>					
BAKER	Huntington SD 16J	79.2	86.7	32.7	Malheur 14 ESD
BAKER	Burnt River SD 30J	56.6	76.0	25.5	Union/Baker 13 ESD
BENTON	Alesa SD 7J	147.8	104.4	53.9	Linn-Benton-Lincoln 4 ESD
COOS	Powers SD 31	129.2	102.6	45.3	SouthCoast 7 ESD
DESCHUTES	Brothers SD 15	0.0	0.0	0.0	Crook/Deschutes 10 ESD
DOUGLAS	Camas Valley SD 21J	139.9	105.5	0.0	Douglas 6 ESD
GILLIAM	Arlington SD 3	111.1	99.5	36.7	North Central 19 ESD
GILLIAM	Condon SD 25J	148.7	100.3	54.7	North Central 19 ESD
GRANT	Monument SD 8	52.1	78.5	18.6	Grant 20 ESD
GRANT	Dayville SD 16J	57.3	78.8	23.6	Grant 20 ESD
GRANT	Long Creek SD 17	36.2	72.8	5.9	Grant 20 ESD
HARNEY	Harney County SD 4	78.7	50.1	0.0	Harney 17 ESD
HARNEY	Pine Creek SD 5	11.9	22.4	0.0	Harney 17 ESD
HARNEY	Diamond SD 7	11.0	22.4	0.0	Harney 17 ESD
HARNEY	Suntex SD 10	10.2	22.4	0.0	Harney 17 ESD
HARNEY	Drewsey SD 13	9.7	22.4	0.0	Harney 17 ESD
HARNEY	Frenchglen SD 16	9.3	22.4	0.0	Harney 17 ESD
HARNEY	Double O SD 28	2.0	22.4	0.0	Harney 17 ESD
HARNEY	South Harney SD 33	12.3	22.4	0.0	Harney 17 ESD
HARNEY	Harney County Union High	86.2	66.0	86.2	Harney 17 ESD
JACKSON	Pinehurst SD 94	41.2	22.4	0.0	Jackson 8 ESD
JEFFERSON	Ashwood SD 8	5.0	21.5	0.0	Jefferson 21 ESD
JEFFERSON	Black Butte SD 41	39.3	21.5	0.0	Jefferson 21 ESD
LAKE	Paisley SD 11	77.1	88.9	0.0	Lake 11 ESD
LAKE	Plush SD 18	12.5	17.7	0.0	Lake 11 ESD
LAKE	Adel SD 21	24.5	22.4	0.0	Lake 11 ESD
LANE	Blachly SD 90	137.7	103.8	46.2	Lane 5 ESD
MALHEUR	Jordan Valley SD 3	75.1	107.3	28.2	Malheur 14 ESD
MALHEUR	Juntura SD 12	13.3	22.4	0.0	Malheur 14 ESD
MALHEUR	Annex SD 29	82.0	15.9	0.0	Malheur 14 ESD
MALHEUR	Malheur County SD 51	10.5	0.0	0.0	Malheur 14 ESD
MALHEUR	Harper SD 66	72.9	84.7	25.8	Malheur 14 ESD
MALHEUR	Arock SD 81	21.0	22.4	0.0	Malheur 14 ESD
MORROW	Ione SD	137.7	104.6	0.0	Umatilla 12 ESD
UMATILLA	Ukiah SD 80	39.0	72.8	26.5	Umatilla 12 ESD
WALLOWA	Troy SD 54	4.0	22.4	0.0	Wallowa 18 ESD
WHEELER	Spray SD 1	66.0	75.5	40.7	North Central 19 ESD
WHEELER	Fossil SD 21J	80.3	83.3	24.9	North Central 19 ESD

County	School District	ADM	Small Sch. Weight	Small H.S. ADM	Education Service District
WHEELER	Mitchell SD 55	57.5	74.4	29.7	North Central 19 ESD
<b>150-500 ADM Very Small</b>					
BAKER	Pine Eagle SD 61	164.6	129.3	74.3	Union/Baker 13 ESD
BENTON	Monroe SD 1J	406.5	80.7	122.2	Linn-Benton-Lincoln 4 ESD
CLATSOP	Jewell SD 8	154.6	108.9	63.8	Northwest 1 ESD
CURRY	Port Orford-Langlois SD 2C	321.2	191.0	125.9	SouthCoast 7 ESD
DOUGLAS	Douglas County SD 15	247.8	147.2	104.2	Douglas 6 ESD
DOUGLAS	North Douglas SD 22	386.2	76.7	110.4	Douglas 6 ESD
DOUGLAS	Yoncalla SD 32	345.3	82.3	127.7	Douglas 6 ESD
DOUGLAS	Elkton SD 34	164.0	106.6	61.6	Douglas 6 ESD
DOUGLAS	Riddle SD 70	428.8	85.6	141.6	Douglas 6 ESD
DOUGLAS	Glendale SD 77	446.5	87.8	156.2	Douglas 6 ESD
GRANT	Prairie City SD 4	158.1	106.5	46.5	Grant 20 ESD
JACKSON	Prospect SD 59	170.6	118.4	85.6	Jackson 8 ESD
JACKSON	Butte Falls SD 91	175.0	108.7	80.2	Jackson 8 ESD
LAKE	North Lake SD 14	202.5	108.3	64.5	Lake 11 ESD
LANE	Mapleton SD 32	191.1	114.3	71.7	Lane 5 ESD
LANE	Crow-Applegate-Lorane SD	364.0	124.1	132.0	Lane 5 ESD
LANE	McKenzie SD 68	239.8	116.0	86.3	Lane 5 ESD
LANE	Lowell SD 71	278.6	69.1	92.6	Lane 5 ESD
LANE	Marcola SD 79J	224.7	80.0	86.8	Lane 5 ESD
MALHEUR	Adrian SD 61	243.6	109.5	90.5	Malheur 14 ESD
MARION	St Paul SD 45	235.4	58.7	73.1	Willamette 3 ESD
MULTNOMAH	Riverdale SD 51J	429.8	84.9	138.1	Multnomah 2 ESD
POLK	Perrydale SD 21	314.9	78.0	110.3	Willamette 3 ESD
POLK	Falls City SD 57	171.2	55.0	67.1	Willamette 3 ESD
SHERMAN	Sherman County SD	259.3	147.1	100.2	North Central 19 ESD
UMATILLA	Helix SD 1	159.1	83.9	53.6	Umatilla 12 ESD
UMATILLA	Pilot Rock SD 2	389.9	83.8	133.4	Umatilla 12 ESD
UMATILLA	Echo SD 5	248.8	64.0	82.6	Umatilla 12 ESD
UNION	Union SD 5	444.4	87.8	156.0	Union/Baker 13 ESD
UNION	North Powder SD 8J	205.5	103.7	59.7	Union/Baker 13 ESD
UNION	Imbler SD 11	309.5	76.3	109.3	Union/Baker 13 ESD
UNION	Cove SD 15	239.6	83.7	87.9	Union/Baker 13 ESD
UNION	Elgin SD 23	404.2	84.1	134.7	Union/Baker 13 ESD
WALLOWA	Joseph SD 6	229.2	90.6	90.7	Wallowa 18 ESD
WALLOWA	Wallowa SD 12	229.9	68.2	90.6	Wallowa 18 ESD
WALLOWA	Enterprise SD 21	375.8	85.7	142.1	Wallowa 18 ESD
WASCO	South Wasco County SD 1	232.2	120.6	88.0	Region 9 ESD
WASCO	Dufur SD 29	268.5	123.1	105.6	Region 9 ESD
WASHINGTON	Gaston SD 511J	499.4	88.6	182.8	Northwest 1 ESD
<b>500-1,000 ADM Small</b>					
CLACKAMAS	Colton SD 53	709.6	75.9	241.8	Clackamas 15 ESD

County	School District	ADM	Small Sch. Weight	Small H.S. ADM	Education Service District
CLATSOP	Knappa SD 4	533.6	87.6	195.1	Northwest 1 ESD
CLATSOP	Warrenton-Hammond SD 3	800.6	56.0	281.3	Northwest 1 ESD
COLUMBIA	Clatskanie SD 6J	870.8	29.3	318.3	Northwest 1 ESD
COLUMBIA	Vernonia SD 47J	700.0	97.4	239.6	Northwest 1 ESD
COOS	Coquille SD 8	934.1	0.0	0.0	SouthCoast 7 ESD
COOS	Myrtle Point SD 41	703.5	74.4	245.6	SouthCoast 7 ESD
COOS	Bandon SD 54	738.5	57.3	279.3	SouthCoast 7 ESD
CURRY	Central Curry SD 1	619.2	99.4	236.3	SouthCoast 7 ESD
DOUGLAS	Oakland SD 1	540.8	88.6	184.4	Douglas 6 ESD
DOUGLAS	Glide SD 12	750.4	84.5	270.9	Douglas 6 ESD
DOUGLAS	Reedsport SD 105	682.0	74.6	245.0	SouthCoast 7 ESD
GRANT	John Day SD 3	756.4	100.6	272.1	Grant 20 ESD
HARNEY	Harney County SD 3	932.8	30.0	317.5	Harney 17 ESD
JEFFERSON	Culver SD 4	632.0	84.7	212.5	Jefferson 21 ESD
LAKE	Lake County SD 7	734.8	93.0	270.4	Lake 11 ESD
LANE	Pleasant Hill SD 1	900.1	0.0	0.0	Lane 5 ESD
LANE	Oakridge SD 76	625.8	83.1	219.5	Lane 5 ESD
LINN	Harrisburg SD 7	890.1	60.8	273.3	Linn-Benton-Lincoln 4 ESD
LINN	Santiam Canyon SD 129J	607.5	86.4	203.8	Linn-Benton-Lincoln 4 ESD
LINN	Central Linn SD 552	640.2	85.2	210.3	Linn-Benton-Lincoln 4 ESD
MALHEUR	Vale SD 84	878.4	92.3	291.1	Malheur 14 ESD
MARION	Jefferson SD 14J	869.4	58.3	277.6	Willamette 3 ESD
MARION	Mt Angel SD 91	766.1	80.6	228.1	Willamette 3 ESD
MULTNOMAH	Corbett SD 39	608.2	83.5	132.3	Multnomah 2 ESD
TILLAMOOK	Neah-Kah-Nie SD 56	687.9	77.0	238.8	Northwest 1 ESD
TILLAMOOK	Nestucca Valley SD 101	573.3	81.4	225.6	Northwest 1 ESD
UMATILLA	Athena-Weston SD 29RJ	594.4	79.5	231.8	Umatilla 12 ESD
UMATILLA	Stanfield SD 61	531.4	85.3	140.3	Umatilla 12 ESD
YAMHILL	Amity SD 4J	797.2	60.6	273.6	Willamette 3 ESD
YAMHILL	Willamina SD 30J	910.0	33.9	312.6	Willamette 3 ESD
YAMHILL	Sheridan SD 48J	975.0	70.5	254.5	Willamette 3 ESD

**1,000-3,000 ADM Medium**

BAKER	Baker SD 5J	1,919.9	24.7	0.0	Union/Baker 13 ESD
BENTON	Philomath SD 17J	1,656.4	16.1	0.0	Linn-Benton-Lincoln 4 ESD
CLACKAMAS	Molalla River SD 35	2,846.8	3.7	0.0	Clackamas 15 ESD
CLACKAMAS	Estacada SD 108	2,284.9	0.0	0.0	Clackamas 15 ESD
CLACKAMAS	Gladstone SD 115	2,162.0	0.0	0.0	Clackamas 15 ESD
CLATSOP	Astoria SD 1	1,906.6	0.0	0.0	Northwest 1 ESD
CLATSOP	Seaside SD 10	1,499.6	0.0	0.0	Northwest 1 ESD
COLUMBIA	Scappoose SD 1J	2,120.2	0.0	0.0	Northwest 1 ESD
COLUMBIA	Rainier SD 13	1,128.0	0.0	0.0	Northwest 1 ESD
COOS	North Bend SD 13	2,122.3	0.0	0.0	SouthCoast 7 ESD
CURRY	Brookings-Harbor SD 17C	1,663.0	0.0	0.0	SouthCoast 7 ESD

County	School District	ADM	Small Sch. Weight	Small H.S. ADM	Education Service District
DESCHUTES	Sisters SD 6	1,413.4	0.0	0.0	Crook/Deschutes 10 ESD
DOUGLAS	South Umpqua SD 19	1,632.9	0.0	0.0	Douglas 6 ESD
DOUGLAS	Winston-Dillard SD 116	1,467.0	0.0	0.0	Douglas 6 ESD
DOUGLAS	Sutherlin SD 130	1,395.7	0.0	0.0	Douglas 6 ESD
JACKSON	Phoenix-Talent SD 4	2,654.1	0.0	0.0	Jackson 8 ESD
JACKSON	Ashland SD 5	2,794.8	0.0	0.0	Jackson 8 ESD
JACKSON	Rogue River SD 35	1,043.0	0.0	0.0	Jackson 8 ESD
JEFFERSON	Jefferson County SD 509J	2,881.8	22.4	0.0	Jefferson 21 ESD
LANE	Fern Ridge SD 28J	1,607.1	0.0	0.0	Lane 5 ESD
LANE	Creswell SD 40	1,205.4	0.0	0.0	Lane 5 ESD
LANE	South Lane SD 45J3	2,803.4	65.6	0.0	Lane 5 ESD
LANE	Junction City SD 69	1,769.7	0.0	0.0	Lane 5 ESD
LANE	Siuslaw SD 97J	1,416.3	0.0	0.0	Lane 5 ESD
LINN	Sweet Home SD 55	2,278.1	0.0	0.0	Linn-Benton-Lincoln 4 ESD
LINN	Scio SD 95	1,993.7	81.0	226.9	Linn-Benton-Lincoln 4 ESD
MALHEUR	Ontario SD 8C	2,724.0	0.0	0.0	Malheur 14 ESD
MALHEUR	Nyssa SD 26	1,129.2	15.9	333.6	Malheur 14 ESD
MARION	Gervais SD 1	1,051.2	32.3	314.7	Willamette 3 ESD
MARION	Cascade SD 5	2,104.7	0.0	0.0	Willamette 3 ESD
MARION	North Marion SD 15	1,855.3	0.0	0.0	Willamette 3 ESD
MARION	North Santiam SD 29J	2,349.9	0.0	0.0	Willamette 3 ESD
MORROW	Morrow SD 1	2,108.6	87.1	150.5	Umatilla 12 ESD
POLK	Central SD 13J	2,722.9	0.0	0.0	Willamette 3 ESD
TILLAMOOK	Tillamook SD 9	1,943.0	0.0	0.0	Northwest 1 ESD
UMATILLA	Umatilla SD 6R	1,221.1	3.3	346.8	Umatilla 12 ESD
UMATILLA	Milton-Freewater Unified SD	1,937.3	0.0	0.0	Umatilla 12 ESD
UNION	La Grande SD 1	2,077.1	0.0	0.0	Union/Baker 13 ESD
WASCO	North Wasco SD 21	2,743.4	0.0	0.0	Region 9 ESD
WASHINGTON	Banks SD 13	1,181.2	0.0	0.0	Northwest 1 ESD
YAMHILL	Yamhill-Carlton SD 1	1,192.6	0.0	0.0	Willamette 3 ESD
YAMHILL	Dayton SD 8	1,004.9	18.6	330.6	Willamette 3 ESD
<b>3,000-50,000 ADM Large</b>					
BENTON	Corvallis SD 509J	6,436.8	0.0	0.0	Linn-Benton-Lincoln 4 ESD
CLACKAMAS	West Linn-Wilsonville SD 3	7,987.7	0.0	0.0	Clackamas 15 ESD
CLACKAMAS	Lake Oswego SD 7J	6,577.1	0.0	0.0	Clackamas 15 ESD
CLACKAMAS	North Clackamas SD 12	16,712.3	0.0	0.0	Clackamas 15 ESD
CLACKAMAS	Oregon Trail SD 46	4,024.7	0.0	0.0	Clackamas 15 ESD
CLACKAMAS	Oregon City SD 62	7,771.9	0.0	0.0	Clackamas 15 ESD
CLACKAMAS	Canby SD 86	4,828.5	0.0	0.0	Clackamas 15 ESD
COLUMBIA	St Helens SD 502	3,530.5	0.0	0.0	Northwest 1 ESD
COOS	Coos Bay SD 9	3,390.6	0.0	0.0	SouthCoast 7 ESD
CROOK	Crook County Unit SD	3,063.9	26.1	0.0	Crook/Deschutes 10 ESD
DESCHUTES	Bend-LaPine Administrative	14,617.4	0.0	0.0	Crook/Deschutes 10 ESD



County	School District	ADM	Small Sch. Weight	Small H.S. ADM	Education Service District
DESCHUTES	Redmond SD 2J	6,478.2	0.0	0.0	Crook/Deschutes 10 ESD
DOUGLAS	Douglas County SD 4	6,264.2	0.0	0.0	Douglas 6 ESD
HOOD RIVER	Hood River County SD	3,735.2	105.2	58.5	Region 9 ESD
JACKSON	Central Point SD 6	4,419.1	0.0	0.0	Jackson 8 ESD
JACKSON	Eagle Point SD 9	4,098.7	27.9	0.0	Jackson 8 ESD
JACKSON	Medford SD 549C	11,928.9	0.0	0.0	Jackson 8 ESD
JOSEPHINE	Grants Pass SD 7	5,546.9	0.0	0.0	Jackson 8 ESD
JOSEPHINE	Three Rivers/Josephine Co	5,287.3	31.5	0.0	Jackson 8 ESD
KLAMATH	Klamath Falls City Schools	3,809.0	0.0	0.0	Jackson 8 ESD
KLAMATH	Klamath County SD	6,264.6	408.3	619.0	Jackson 8 ESD
LANE	Eugene SD 4J	17,281.5	0.0	0.0	Lane 5 ESD
LANE	Springfield SD 19	10,540.4	0.0	0.0	Lane 5 ESD
LANE	Bethel SD 52	5,532.2	0.0	0.0	Lane 5 ESD
LINCOLN	Lincoln County SD	5,338.0	179.6	320.0	Linn-Benton-Lincoln 4 ESD
LINN	Greater Albany Public SD 8	8,597.0	0.0	0.0	Linn-Benton-Lincoln 4 ESD
LINN	Lebanon Community SD 9	4,114.1	0.0	0.0	Linn-Benton-Lincoln 4 ESD
MARION	Silver Falls SD 4J	3,418.1	22.4	0.0	Willamette 3 ESD
MARION	Salem-Keizer SD 24J	37,225.1	0.0	0.0	Willamette 3 ESD
MARION	Woodburn SD 103	4,707.1	0.0	0.0	Willamette 3 ESD
MULTNOMAH	Portland SD 1J	42,727.1	0.0	0.0	Multnomah 2 ESD
MULTNOMAH	Parkrose SD 3	3,343.7	0.0	0.0	Multnomah 2 ESD
MULTNOMAH	Reynolds SD 7	10,715.9	0.0	0.0	Multnomah 2 ESD
MULTNOMAH	Gresham-Barlow SD 10J	11,576.0	0.0	0.0	Multnomah 2 ESD
MULTNOMAH	Centennial SD 28J	6,330.7	0.0	0.0	Multnomah 2 ESD
MULTNOMAH	David Douglas SD 40	9,685.5	0.0	0.0	Multnomah 2 ESD
POLK	Dallas SD 2	3,125.5	0.0	0.0	Willamette 3 ESD
UMATILLA	Hermiston SD 8	4,524.0	0.0	0.0	Umatilla 12 ESD
UMATILLA	Pendleton SD 16	3,219.6	0.0	0.0	Umatilla 12 ESD
WASHINGTON	Hillsboro SD 1J	18,996.8	0.0	0.0	Northwest 1 ESD
WASHINGTON	Forest Grove SD 15	5,760.3	0.0	0.0	Northwest 1 ESD
WASHINGTON	Tigard-Tualatin SD 23J	11,958.6	0.0	0.0	Northwest 1 ESD
WASHINGTON	Beaverton SD 48J	35,785.0	0.0	0.0	Northwest 1 ESD
WASHINGTON	Sherwood SD 88J	3,984.2	0.0	0.0	Northwest 1 ESD
YAMHILL	Newberg SD 29J	4,900.6	0.0	0.0	Willamette 3 ESD
YAMHILL	McMinnville SD 40	5,988.2	0.0	0.0	Willamette 3 ESD
<b>State</b>		531,800.8	9,404.1	14,558.7	

SmiSchSizeTbl

Notes:

## Appendix B: Section 10 of HB2040

(6)(a) After completing the calculations under subsections (2) to (5) of this section, the Superintendent of Public Instruction shall apportion from the State School Fund to each education service district an amount = (funding percentage × general services grant) – local revenues of the education service district.

(b) The funding percentage used in paragraph (a) of this subsection shall be calculated by the superintendent to distribute as nearly as practicable the total amount available for distribution to education service districts from the State School Fund for each fiscal year.

(7) Notwithstanding subsections (5) and (6) of this section[.]:

(a) The State School Fund grant of an education service district may not be less than zero; and

**(b) The State School Fund grant of an education service district shall be in an amount that, when combined with the local revenues of the education service district, equals \$1 million or more.**

(8) An education service district shall distribute to its component school districts any amount of local revenues of the education service district that is greater than the general services grant. The amount that each component school district receives under this subsection shall be prorated based on the district extended ADMw of each school district.

**SECTION 9.** The amendments to ORS 327.019 by section 8 of this 2007 Act apply to State School Fund distributions commencing with the 2007-2008 distribution.

**SECTION 10.** (1) During the 2007-2009 biennium, the legislative interim committees on revenue shall conduct a study of the adequacy of funding of small school districts and small education service districts. The committees shall examine:

(a) The relationship between small school districts and education service districts;

(b) Whether the additional amounts received by small school districts that are attributable to the additional amount added to the ADMw of those districts under ORS 327.013 (7)(a)(F) and 327.077 and the amount awarded as grants under ORS 327.357, when combined with other funding, are adequate to provide sufficient funding for those small school districts;

(c) What types of small school districts are not being provided adequate funding; and

(d) The long term effects of not providing small school districts and small education service districts with adequate funding.

(2) Based on the study, the legislative interim committees on revenue shall make recommendations to the Seventy-fifth Legislative Assembly and may pre-session file proposed legislation that would implement the recommendations.

**SECTION 11.** ORS 327.006 is amended to read:

327.006. As used in ORS 327.006 to 327.133, 327.348[, 327.355, 327.357, 327.360] and 327.731:

(1) "Aggregate days membership" means the sum of days present and absent, according to the rules of the State Board of Education, of all resident pupils when school is actually in session during a certain period. The aggregate days membership of kindergarten pupils shall be calculated on the basis of a half-day program.

(2)(a) "Approved transportation costs" means those costs as defined by rule of the State Board of Education and is limited to those costs attributable to transporting or room and board provided in lieu of transporting:

(A) Elementary school students who live at least one mile from school;

(B) Secondary school students who live at least 1.5 miles from school;

(C) Any student required to be transported for health or safety reasons, according to supplemental plans from districts that have been approved by the state board identifying students who are required to be transported for health or safety reasons, including special education;

(D) Preschool children with disabilities requiring transportation for early intervention services provided pursuant to ORS 343.224 and 343.533;

(E) Students who require payment of room and board in lieu of transportation;

(F) A student transported from one school or facility to another school or facility when the student attends both schools or facilities during the day or week; and