

OREGON

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I. GENERAL BACKGROUND

State

During the decade of the 1990s several forces converged to dramatically change school funding in Oregon. A property tax dollar limit per thousand of assessed value was passed, followed by a cap on value growth. In between, the legislature changed the funding distribution formula and adopted a new standards-based education system with content and performance measurements by which to compare schools. What was a primarily a locally funded system became a state funded system, and the state responded with more controls and direction.

Prior to 1991, local school boards and district voters determined the size of the kindergarten through twelfth grade school district budgets. The state played a minimal role, providing less than 30% of the operating funds. Under that scenario, there was wide disparity throughout the state in the amount of money provided per student. Earlier court challenges had been attempted, but the Oregon Supreme Court found that the constitution required “a system of uniform” schools and not absolute funding equity. It also found that “local control” was a hallmark of Oregon education financing and that this permitted differences in school funding between districts to exist. Some districts simply had the ability to raise more money than others. The major control was centered at the local level and primarily resided with the voters.

Oregon’s state funding formula had its origins in a November 1946 voter-approved initiative. The first distribution was made in the school year 1947–48; legislatures subsequent to that have made a variety of changes in the way the funds are appropriated and distributed. A foundation formula was adopted in 1978 and there was only minimal change from then to 1991. The state's share of school district revenue fluctuated through the 1960s and 1970s then drifted downward through the 1980’s until the state was providing only 30% in 1990.

In the 1990s the several critical pieces of legislation that dramatically impacted Oregon education:

1. Three Measures Changing the Tax System. The first, Measure 5, in response to what voters perceived to be unacceptably high property tax rates, became effective July 1, 1991. Under this Measure, non-school taxes on any parcel of property cannot exceed \$10 per \$1000 of real market value and school taxes cannot exceed \$5 per \$1000. Voters cannot approve operating taxes outside these limits. The Measure took effect over a five-year period. The state was technically required to replace the local property tax losses to the districts and, in doing so, control of local school funding was effectively moved to the State. Unfortunately, the level of per student funding did not grow apace and many districts were leveled down while others were leveled up in the process. With the new requirement for a higher proportion of funding to come from the state, equalization became more important. The distribution formula for state money was altered; new money simply replaced what had been lost in local revenues, and growth in funding did not match growth in student population and inflation.

Two additional tax initiatives were passed by the voters in 1996 and 1997, respectively, which capped the growth of property value, further reduced property taxes and increased the state's school funding responsibility. Measure 47 passed initially and was then superseded by Measure 50 which was submitted by the Legislature to "fix" the unworkable elements in Measure 47. In May 1997 voters passed the constitutional amendment (Measure 50, now OR. CONST., ART. XI, § 11a) which replaced all previous limitations except for Measure 5 (OR. CONST., ART. XI, § 11a (11) and § 11b). Thus, property taxes are subject to two separate limits.

Under Measure 50, each district has a fixed, permanent tax rate for operations. The rate was established in 1997–98 after reducing most operating tax authority by 17%. Districts may not increase this rate. Measure 50 also limits property values. Each property's maximum 1997–98 assessed value was rolled back to its 1995–96 value less 10%. In future years, this maximum value can grow up to 3% per year. Assessed value cannot exceed real market value. New property is assessed at the average ratio of assessed to market value of existing property of the same class in the same area.

The Measure 50 and Measure 5 limits do not apply to general obligation bonds. Bonds, however, must be approved at a general election or an election at which at least 50% of eligible voters cast a ballot.

Today, the state provides approximately 70% of the funding to most school districts. The amount the state distributes to K–12 districts is determined by the amount the state legislature approves in its biennial K–12 budget, and that amount represents nearly half of the state's entire general fund budget.

2. Two statutes passed by the legislature. In 1991 and 1995, the Oregon Legislature passed and then revised legislation, *The Oregon Education Act for the 21st Century*, authorizing the state to develop standards for what students should know and be able to do, and assessments to determine how well they had mastered the knowledge and skills outlined in those standards. Based on the rigorous academic content standards in mathematics, science, history, geography, economics, civics and English (language arts—reading, writing, speaking and listening), the Act requires that school districts award Certificates of Initial Mastery (CIM) to eligible 10th graders beginning in the 1998–99 school year and Certificates of Advanced Mastery (CAM) to eligible 12th graders beginning in the year 2004-05. Benchmarks for state testing in English, mathematics, science and social sciences have been determined for the 3rd, 5th, 8th and 10th grade levels. Other areas are to be developed.

Oregon's education reform legislation sets the standards and requires school districts to adapt (and align) their curriculum to meet those levels. The goal of the legislation is to have the “best educated citizens in the nation by the year 2000 and a work force equal to any in the world by the year 2010.” Implementation has been challenging, particularly for districts facing annual budget cuts.

3. School Funding Equalization. In 1991, a third important piece of legislation passed which mandated funding equalization among Oregon's school districts. This “leveled the playing field” between high and low-spending districts and set the stage for comparisons of the results schools were achieving with similar resources. The equalization distribution formula was gradually phased in with flat funding and stop-loss formulas used to protect districts that would otherwise experience sharp reductions in revenue.
4. The Database Initiative Project. The fourth action impacting Oregon's school funding was the passage and funding of the Database Initiative Project in 1997. This project was designed to create common definitions of various spending functions among all schools. The pilot of this project has been completed and the database is set for full implementation if approved and funded by the current legislature. All districts will code and report

expenditures in a uniform manner beginning December 1999 so that by January 2001 it will be possible to compare spending among schools and districts statewide. The database being created will contain non-financial information (class size, retention, drop-outs, demographics, etc.) as well as the financial data, and state assessment results.

All of these actions have combined to result in a similitude in Oregon schools that did not exist before 1991. It also creates a framework in which the true relationship between costs and performance can, perhaps for the first time, be determined. State funds for the public school system are derived primarily from the state income tax. Oregon does not have a sales tax; attempts to find a source of new funding to replace the property taxes reduced due to the property tax limitation have failed.

Local

The state had 198 fiscally independent districts with in excess of 540,000 students enrolled in 1998–99, of which 189 districts were responsible for grades K–12, 8 were elementary and 1 were union high districts. In addition, there were 21 fiscally independent education service districts (ESDs) that provided a range of programs and services to the local districts in their service region.

Property taxes constitute the sole source of local district tax revenues. Other sources of local revenue are insignificant because the state uses them as if they were state revenues. They include a County School Fund (used to pay some special education costs), timber revenues, and a State Common School Fund. All of these funds are factors in the state distribution formula to reduce the state's contribution and are, therefore, not actually "local" sources of funding.

Tax levy increases are limited by two constitutional provisions. No more than a simple majority vote is needed. However, there is a cap of \$5 per thousand of assessed value and there is no authority to levy outside that cap. Virtually all taxing districts are at the \$5 limit.

Funding Summary 1998–99

Total State School Aid (All Programs)		\$ 2,100.1 million
Grants in Aid	2,100.1 million	
Teacher Retirement Contributions	0 million	
FICA	0 million	
Total Local School Revenue		\$ 884.3 million
Property Tax	884.3 million	
Other local source tax revenue	0 million	
Local source non-tax revenue	0 million	
Total Combined State and Local School Revenue		\$ 2,984.4 million
State Financed Property Tax Credits Attributable to School Taxes		0

II. LOCAL SCHOOL REVENUE

Listed below are the local revenues offset against state aid: operating property taxes collected; private timber taxes; common school fund; county school fund; federal forest fees (school 25%); county trust forest revenues; ESD equalization revenue; supplantable federal funds; payments in-lieu of property taxes.

Operating property taxes are over 95% of these local revenues. One exception is Portland's property taxes for its Public Employees Retirement System (PERS) bond payment and voluntary desegregation program costs. Portland's local revenue in the distribution formula is reduced by these costs. The desegregation exclusion is limited to 3% growth a year and is repealed July 1, 2005.

Private timber taxes are the western and eastern Oregon privilege taxes on the value of harvested timber. County trust forest revenue from former county timberland (mostly the Tillamook forest) is managed by the state. ESD equalization revenue is ESD property taxes shared directly with its component school districts. Some federal funds are not offset against state aid because federal law prohibits using these funds to offset ("supplant") other revenues. Other sources of local funds such as interest and public or private contributions are not included.

The State School Fund (SSF) distribution formula, in effect, overrides whatever formula may exist for the distribution of each of these local revenues to K–12 schools. Although each specific formula still operates, the SSF formula cancels its effect by offsetting the revenue against state aid.

Property Taxes

The property tax is the only local tax used to fund schools. It is expected to raise a net of approximately \$893 million for schools in 1998–99. Property is assessed at a percent of “real market value,” which is constitutionally defined as the minimum amount of cash that could reasonably be expected in an “arm-length” transaction during the period for which the property is taxed. Oregon statute provides for exemption or special assessment for certain types of property.

County assessors determine the value of property in each of the 36 counties, except that utilities and some large industrial properties are centrally assessed at the state level. Statute requires that each property be physically re-appraised every six years. After passage of a property tax limitation, assessors were diligent in bringing all properties into compliance with this requirement.

Income Taxes

Local school districts have no authority to tax income. However, income taxes are the primary source of state general fund.

Sales Tax

Oregon has no general sales tax, state or local.

Tax Credits and Exemptions

There are literally hundreds of state statutory credits and exemptions from the local property tax. They cost hundreds of millions of dollars. The legislature reviews many of these credits and exemptions at each biennial session and changes few. Major exemptions include intangible property (stocks, bonds), tangible personal property of individuals (household furnishings, sporting equipment), licensed property (cars, trucks), business inventories, government property (unless leased), and property used for religious or charitable purposes. Timber, electric cooperatives, rural telephone exchanges and some other property are exempt from property taxation because other taxes are paid *in lieu* of property tax.

Some property, though taxable, is taxed at lower values. This “specially assessed” property includes some forest land, farm land, and open space land. These properties are valued at their value in the restricted use and are subject to penalties if not continued in the use for which it is specially assessed.

III. TAX AND SPENDING LIMITS

\$5 Per Thousand Property Tax Limit (Ballot Measure 5)

In November 1990, Oregon voters approved an initiative petition (Ballot Measure 5) constitutionally limiting property tax rates (OR. CONST., ARTICLE XI, § XIb). It limits the number of dollars per thousand that education districts (local K–12 school districts, education service districts, and community colleges) can assess on local property for operations only (not capital/bonded debt). That limit was set as a gradual reduction from a maximum of \$15/\$1,000 real market value in 1991 to \$5/\$1,000 real market value in 1995. During that period only, the measure required the state to replace those local property tax losses to the local districts. However, the state was already providing about 29% of K–12 school funding. That 29% was NOT protected under Measure 5. The legislature did not fully fund this portion of the budget, thereby causing many school districts to experience reductions in their budgets.

In November 1996 voters passed an initiative limiting property value growth (Ballot Measure 47). This constitutional change further reduced property taxes placing pressure on the state legislature to fund schools more fully. It included requirements that property tax measures be passed with a majority of registered voters voting and with a majority approving the increase (a “double majority”). The measure also limits what school districts can finance with bond measures to items that were most likely to last for 20 years. This prohibited using bonds for general maintenance and for supplies like computers and desks.

A year later, on referral from the legislature (because so much of Ballot Measure 47 was unworkable) Measure 50 was passed as a modification of Measure 47. It clarified that the property tax system was to shift from a *tax base* system to a *tax rate* system. Through a complicated formula, state revenue officers calculated the assessed values of all taxed property, implemented the statewide 17% reduction promised under the earlier measure, and established a permanent tax rate per \$1,000 assessed value for each taxing district and each property classification.

Prior to Measures 5, 47, and 50, voters approved a specific tax base (dollar amount) which local districts would receive. If the total value of all properties in the district increased but the levy amounts did not, then the amount assessed (tax rate per \$1,000

value) on each property decreased. With the new system, local districts may collect more total local property taxes as the property values increase, because the permanent tax rate is applied across the board on a per \$1,000 basis. There is no limit on the total amount of taxes collected.

Budget Deficits, Spending Limits

Budget Deficits. Statute prohibits budget deficits by prohibiting maturities on notes from extending beyond the end of the fiscal year. Local municipalities and school districts are likewise prohibited from deficit spending.

Two Percent Surplus Kicker. The 2% surplus kicker law gives taxpayers an income tax credit if actual state revenue comes in more than 2% higher than it was forecast at the time the budget was adopted. Under the kicker, General Fund money is split into two pots, (1) corporate taxes and (2) all other revenues. At the end of each biennium, if the actual collections in either of these two pots is more than 2% higher than forecast at the close of the regular session, then a refund or credit must be paid to income taxpayers.

The 2% kicker, adopted in 1979, first kicked in 1985. Refunds due to individuals in 1991 and to corporations in 1993 were suspended by the Legislature. The increased General Fund revenues were allocated to state school support to help with Measure 5 replacement costs.

State Spending Limit

State statute (OR REV. STAT. § 291.355) limits the growth of the biennial state budget to “no greater than the rate of growth of personal income in Oregon in the two preceding calendar years.” State law (not the Oregon Constitution) limits the growth of General Fund appropriations to the growth of personal income in the state. The limit for any biennium is based on the growth of personal income in the two most recent calendar years compared to the prior two years. All General Fund appropriations, except debt service and property tax relief (senior deferral), are subject to the limit. The limit is calculated based on actual appropriations. Thus, if the legislature does not appropriate up to the limit in a biennium, the base for calculating the next spending limit is “ratcheted down”.

IV. EARMARKED STATE REVENUE

Common School Fund.

The Common School Fund (\$745 million in 1998–99) was established by the Oregon Constitution (Article VII, § 2) in 1859, at which time the federal government granted to the state the 16th and 36th section of every township to support the public schools. Proceeds from the management of these lands accrue to the Common School Fund principal. The income earned on this principal is distributed to school districts twice each year - \$10.7 million is to be paid in 1998–99.

Lottery Funds.

The Oregon lottery has become an important source of state revenue. While the lottery funds are technically considered “Other” funds in the state budget, they are spent as if they were general funds. Net lottery proceeds cover a little less than 5% of school resources.

V. THE BASIC SUPPORT PROGRAM

State School Fund

Funding in 1998–99: approximately \$1,466.8 million.

Percentage of Total State Aid: 69.8%.

Nature of Program: Foundation program known as the State School Fund (Chapter 780, Oregon Laws 1991)

Allocation Units: Pupils, Weighted Average Daily Membership (ADMw).

Local Fiscal Capacity: Equalized assessed property valuation plus timber revenue, federal aid, and other revenue sources.

How Formula Operates: A general purpose grant is calculated by multiplying a target grant times district ADMw times a funding percentage. The target grant is statutorily set at \$4,500 per ADMw. An adjustment to the target grant amount is made on the basis of the difference between the district's average teacher experience and the statewide average teacher experience. Twenty-five dollars is

added to or subtracted from the target grant for each year a district's average teacher seniority in years exceeds or is less than the statewide average teacher experience.

Local and State Share: For K–12 school districts, the statewide school distribution formula requires that any increase in local property tax revenue be offset by a decrease in state funding. The amount that the state distributes to K–12 districts is determined by the amount the state legislature approves in its biennial K–12 budget. This allocation also includes the amount distributed to Education Service Districts (ESDs). In 1998–99 the state share was 70.1%, the local share 29.9%.

ESD Funding. ESDs provide school districts with services including instructional materials, teacher training, and special education support. The type and level of ESD services varies among the 21 ESDs. Measure 5 reduced ESD property tax funding as well as that of local schools. The legislature replaced only 71% of ESD property tax losses the first biennium, increasing that to 75% in the 1997 legislative session. A state formula was created to deal with state distribution of ESD funds, based on their previous funding levels. With Measures 47/50 ESDs received the same reduction in local property tax collections and were also switched to a tax rate system. Because their state funding formula was based on Measure 5, a new state funding formula is being developed during the 1999 legislative session.

General Operating Revenue. The permanent formula allocates state and local general operating revenue available to local school districts. General operating revenue is the K–12 formula portion of the State School Fund (SSF), local school district operating property taxes and certain other sources. Local revenue stays with the district where collected, but is treated as if a state resource. General operating revenue does not include bond revenue or state and federal categorical aid. These funds are dedicated to specific programs and cannot be used for general purposes.

Weighting Procedures: Rather than attempt to generate an individual cost factor for each district or type of district, the permanent formula incorporates a system of weights directly into the student counts.

The student counts begin with average daily membership (ADM). This becomes Resident Average Daily Membership (ADMr) with kindergarten students counted as half. The ADMr count is then adjusted to reflect the differences in cost of

educating disparate types of students. For example, a special education student (one with an individualized education plan) receives a cost weight of 2.0. In effect, one student counts as if two students. Technically, the student counts as two ADMw, where the “w” stands for weighted.

The double weighting primarily reflects national studies that showed districts were, on average, spending about twice the norm for services to special education students. Although some IEP students cost much more than twice the average and others cost less, the legislature wanted to avoid creating a complicated weighting scheme that would encourage districts to classify students in categories that generated more funds.

Weights in the permanent formula are shown below.

	<u>Weight</u>	<u>ADMw</u>
Special education and at Risk		
Special Education	1.00	2.00
English as second language	0.50	1.50
Pregnant and parenting	1.00	2.00
Students in poverty	0.25	1.25
Neglected and delinquent	0.25	1.25
Students in foster homes	0.25	1.25
Grade and School		
Kindergarten	-0.50	0.50
Elementary district students	-.10	0.90
Union High district students	0.20	1.20
Remote Small School	Varies	

The maximum additional weight is 2.0 but not all weights are counted. In looking at these weights, please note the following: A district must get approval of the Department of Education to qualify more than 11% of its students for the special education weight.

The poverty weight is based on a census count of the number of children in poverty families. It is not based on identifying individual students, but a group. Likewise state data on students in foster homes and in facilities for neglected and delinquent children are group counts. Because these three counts do not identify individual students, they are not included in a 2.0 maximum additional weight per student.

Elementary districts do not offer a high school and typically spend less than the average per student while the union high schools that serve these areas spend more than the average. The union high and elementary weights are designed to shift funds between these districts without affecting the total available in the geographic area. These weights apply to only a few exceptions as most elementary and union high districts were required to merge into unified (K–12) districts by 1996–97.

Students enrolled in a remote small school receive a higher weight. The weight is based on grade level, average grade size, and distance to the next nearest school site. The smaller the school, the higher the weight. To qualify, elementary schools must be more than 8 miles and secondary schools more than 10 miles from the nearest school. This weight is based on the size of each school, not the size of a school district. A few “large” school districts have remote small schools qualifying for this additional funding.

Weighted students in the formula include the Youth Corrections Education Program (YCEP) students. This state agency program is treated as though it is a special school district. Each student counts as two ADMw.

The formula uses the higher of the current year ADMw or prior year ADMw. Extended ADMw is the term for the higher of the two years.

Adjustments for Special Factors: Teacher Experience Adjustment. Virtually all school districts have pay schedules based in part on teacher experience. As teacher experience increases, so do salaries. Incorporating this into a student weight was a real problem, so an adjustment factor was added to the base funding per student. This factor increases (or decreases) each district's base funding per student by \$25 for each year the district's average teacher experience exceeds (or falls short of) the state-wide average. Statewide these district gains and losses balance out.

Also, to make the formula easier to understand, the pre-adjustment base funding per student was arbitrarily set in law at \$4,500. However, this figure must be factored up or down depending on the state appropriation and the other funds available for allocation by the formula.

Distribution Equity. By any measure, the state has eliminated most of the differences in school funding that existed before Measure 5. For all legislative purposes the current permanent equalization formula is the adopted definition of equity. This means 100% equity would be achieved if the permanent formula operates without constraints. The definition is further defined by the factors used in the formula and these are subject to change over time as new issues arise that appear to be significant in affecting a district's cost for educating students and that may be unique to some districts. In 1991–92 the total statewide absolute difference between the actual distribution and the equalization formula was about \$303 million. This was about 13.2% of the state and local funds distributed. In 1998–99 the estimated total absolute difference between the constrained formula and the permanent formula was about \$16 million. This is just over 0.5% of state and local revenue distributed. By this measure, 96% of the “inequity” that existed before the changes has been eliminated.

Aid Distribution: Districts normally receive SSF payments according to the following payment schedule.

August 15	16 2/3 %
October 15	8 1/3 %
November 15	8 1/3 %
December 15	8 1/3 %
January 15	8 1/3 %
February 15	8 1/3 %
March 15	8 1/3 %
April 15	8 1/3 %
May 15	<u>25 %</u>
	100 %

Using information from school districts, the Department of Education makes an estimate in March preceding the school fiscal year for budgeting purposes. The Department makes payments based on this March estimate during the following fiscal year until May when adjustments are made using a revised estimate. Based on new information during the fiscal year, the Department periodically revises its pre-fiscal year March estimate and informs districts about the new estimate. In legislative session years the Department revises the March estimate to the adopted appropriation and makes payments on that amount. Adjustments for prior-year over and under payments based on audit reports are also made in May.

Districts Off Formula: None.

VI. TRANSPORTATION

The transportation grant is a further adjustment to the distribution formula. Each grant is 70% of approved transportation costs. Approved costs are those attributable to transporting students from home to school (if over one mile from elementary school or 1.5 miles from high school), between schools, on field trips, and for other reasons in special cases.

VII. SPECIAL EDUCATION

Funding in 1998–99: Included in basic formula.

Percentage of Total State Aid: No state aid provided..

Funding for special education is included within the Basic Support Program. In 1998–99 schools spent about \$179 million on special education students. Additionally, the state spent approximately \$49 million. Of the state's \$49 million, \$6.2 million comes from a County School Fund billing process (local dollars).

Description: The state provides services, either directly or through contract, to severely handicapped hearing impaired, visually impaired, autistic, and/or orthopedically impaired children. They fund six regional programs, the Oregon State School for the Deaf and the Oregon State School for the Blind to provide services to over 2,000 preschool and school-age students.

The state also contracts with local school districts or education service districts for the provision of educational programs in state-operated hospitals and private hospitals, as well as private agency programs with which the Children and Family Services Division contracts for long-term care or treatment (OR REV. STAT. Chapter 343).

State Share: The state provided \$18.7 million in 1998–99 biennium for the services provided through the Regional Programs. The state funds 100% of costs for the State Schools for the Deaf and the Blind (\$8.8 million), hospital programs (\$1.3 million), and private agency programs (\$14.4 million) above the amount billed to the County School Fund in the county of residency of the student.

Local Share: Local funding is derived from a billing to County School Funds (\$6.2 million in 1998–99) in the county of residency for each student in these programs for the average educational cost per student in that county. County School Funds (OR REV. STAT. § 328.005-045) consist of a statutorily required tax levy portion and a 25% share of the National Forest Receipts allocated to each county. The tax levy portion is the lower of \$10 per census child (ages 4-20) or the minimum amount a county was required to levy in 1965-66. After payment of the required contribution for special education, the remaining funds, if any, are distributed to school districts on a per ADMr basis. Districts also provide services to special need students in the local district. These students qualify for the local district count for the State School Fund (foundation grant) distribution to districts.

Extent of Participation: Not reported.

VIII. COMPENSATORY EDUCATION

Oregon provides is no special compensatory education funding.

IX. TALENTED AND GIFTED EDUCATION

Funding in 1998–99: \$0.1 million.

Percentage of Total State Aid: less than 1%.

Description: Talented and gifted students are identified as those who demonstrate outstanding ability or potential in intellectual, academic, creative, leadership and visual and performing arts areas and who need special services in order to realize their potential. Statute requires districts to identify and serve talented and gifted students (ORS 343.391-.413) but provides only limited funding for such services. In the 1998–99 budget, the state provided \$103,723 for local districts to provide talented and gifted students with services. Districts actually spend about \$6 million for TAG programs, the difference coming from regular school funding.

Extent of Participation: Not reported.

X. BILINGUAL EDUCATION

There is no state requirement on, or funding for bilingual education.

XI. EARLY CHILDHOOD EDUCATION

Funding in 1998–99: \$12.3 million.

Percentage of Total State Aid: less than 1%.

Description: The Oregon Pre-Kindergarten Program serves the same population as the Federal Head Start program. It was funded in 1998–1999 at \$12.3 million. This, combined with the Federal Head Start funding in Oregon, allows school districts to serve about 30% of the eligible students.

Extent of Participation: Not reported.

XII. OTHER CATEGORICAL PROGRAMS

Professional Development.

Funding for the 1998–99: \$0.2 million.

Percentage of Total State Aid: less than 1%.

Description: The staff development Program provides resources and support to enable schools and school districts to design and implement local training and retraining of professional staff in improvement of curriculum and instruction methodologies (OR REV. STAT. Chapter 329).

State Share: Fully funded by state appropriation.

Extent of Participation: 140 out of 1,237 schools.

Student Driver Training.

Funding for 1998–99: Not reported.

Percentage of Total State Aid: No state aid provided..

Description: This provides a student driver training program for public and private school students. It is primarily funded by fees collected by the Oregon Motor Vehicles Division for the Student Driver Training Fund (OR REV. STAT. § 343.705-.750).

State Share: The state pays 90% of the cost of conducting the courses or \$150 per student, whichever is lower. Pro-rata reductions are made if funds are inadequate to pay all approved claims in full.

Extent of Participation: Approximately 117 schools.

Out-of-State Disability Placement

The 1997 Legislature created an Out-of-State Disabilities Placement Education Fund. These funds would otherwise be distributed by the equalization formula. Districts with disabled students in facilities in other states qualify for grants. These districts can apply for reimbursement for costs in excess of twice the district allocation (excluding transportation) for these students. If reimbursement claims exceed funds available, grants are prorated.

State Share: The state set aside \$400,000 from the State School Fund for this purpose in the 98–99 budget.

Extent of participation: 50 districts.

XIII. TEACHER RETIREMENT

The Oregon Public Employees Retirement System sets the local district contribution rate. The rate is currently set at 9.93%. It is scheduled to go up to 12.25% in July 1999. The employee contribution is 6%, but in many cases the 6% is picked up by the local school district as a result of collective bargaining.

State Share: None.

Extent of Participation: All school districts must participate in the retirement system for all employees.

XIV. TECHNOLOGY

The state has no statewide technology plan. The Department of Administrative Services is devising a Technology Enterprise Network for all state agencies, including schools and higher education to begin in the next biennium (1999–2001). Through 1998–99 all agencies and schools have developed their own plans for implementation. For the past five years the ESDs have pooled resources

with local districts and created a K–12 technology network that serves all school in the state. Through this Oregon Public Education Network (OPEN) schools gain technology connectivity and access.

State Share: The state provided \$1 million to OPEN in 1998–99 for technology.

Extent of Participation: 1,102 of 1,216 Oregon schools (91%) are connected through the Oregon Public Education Network.

XV. CAPITAL OUTLAY AND DEBT SERVICE

State school aid is not provided for capital outlay financing. Capital outlay needs generally are met from the sale of bonds. Bond issues require voter approval. Once approved, the levy to pay the principal and interest is not subject to any tax rate or levy limitation. Bond levies are passed by a simple majority of those voting if offered in November General Elections. If they are placed on the ballot at other times the double majority rule applies—there must be a turn-out of 50% of the registered voters and a 50% approval.

Bonded debt amounts are limited to the following percentages of real market value of all taxable property in a district: For each grade K-8 for which the district operates schools, .0055 of real market value. For each grade 9–12 for which the district operates schools, .0075 of real market value.

State Share: None.

Extent of Participation: Since May 1997, 46 district sought bond approval for 66 measures, 25 of the measures passed, 41 failed.

XVI. STANDARDS/ACCOUNTABILITY MEASURES

Annual Fiscal Audit. All school districts must have an annual, third-party audit of the books and accounts of the district. All accountants must be selected from a roster of authorized municipal accountants maintained by the State Board of Accountancy under ORR REV. STAT. § 297.670. The audit must also include those factors that are used to compute the State School Fund distribution. Each district audit is filed with the State Department of Education and with the State Department of Revenue.

Assessing Effectiveness. (OR REV. STAT. § 329.085-.095) The state assesses the effectiveness of each public school district on a periodic basis. The state also requires school districts and schools to conduct self-evaluations and update their local district improvement plans on a biennial basis. The self-evaluation process must involve the public in the setting of goals. The local district improvement plan must: include efforts to achieve local efficiencies and efforts to make better use of resources; develop programs and policies to achieve a safe, educational environment; include the district's and school's short-term and long-term plans for staff development; and include a review of demographics, student performance, student access to and utilization of educational opportunities and staff characteristics.

School District and School Profiles. (OR REV. STAT. § 320.105) The Superintendent of Public Instruction prior to September 30 of each year must collect and produce school profiles. These must contain information on demographics, student performance in schools, student access to educational opportunities and staff characteristics. They must also include a concise budget report of the school district, including revenues and expenditures of the district. The profiles must be made available to the media and copies sent to each district. The districts must make the profiles available to the public.

Oregon Report Card. (OR REV. STAT. § 329.115) Prior to September 30 of each year, the Superintendent of Public Instruction must issue an Oregon Report Card on the state of the public schools and progress toward achieving the goals of the Oregon Education Act for the 21st Century. The Report Card must contain: demographic information of public school children in the state; information pertaining to student achievement, including statewide assessment data, graduation rates and dropout rates, including progress toward achieving the education benchmarks established by the Oregon Progress Board, with data disaggregated by minority groups where applicable; information pertaining to the characteristics of the school and school staff, including assignment of teachers, experience of staff and the proportion of minorities and women represented on the teaching and administrative staff; and budget information, including source and disposition of school district operating funds and salary data, examples of exemplary programs, proven practices, programs designed to reduce costs or other innovations in education being developed by school districts in the state that show improved student learning.

XVII. REWARDS/SANCTIONS

Successful Schools Program (OR REV. STAT. § 329.825-830)

The State Department of Education is charged to establish a system of determining successful schools and dispensing appropriate incentive rewards to those schools. The minimum reward for each successful school is \$1,000 for each teacher at the school. This is a voluntary program for which districts may submit applications. The criteria for determining successful schools includes: the results from the statewide assessment system; the achievement of measurable academic goals from school improvement plans; and other criteria which the Department of Education from time to time determines is related to improved student learning.

XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS

Oregon Statute (OR REV. STAT. § 336.615) provides for alternative education programs “designed to assist students achieve the goals of the curriculum in a manner consistent with their learning styles and needs.” The law allows that a parent or guardian, with the approval of the resident district, may enroll a student in an appropriate and accessible public or private alternative program of instruction, or instruction combined with counseling, when the program is registered with the State Department of Education. The resident district is responsible for funding the student’s placement and may claim the student for state reimbursement. Districts are required to provide alternative options for students that are expelled, have recurring disciplinary problems, have erratic attendance that keeps the student from benefiting from a regular educational program, or when the parent or guardian applies for exemption from the regular program. Districts must notify parents or guardians of the availability of free, appropriate and accessible alternative programs.

Magnet and open enrollment plans are at the discretion of local districts. Many districts do provide magnet middle and high school programs, usually special-focus programs within a comprehensive education plan. Open enrollment is practiced by most districts on agreement with neighboring districts.

Oregon has no charter school legislation per se. A statute is being developed, with legislative leadership and the governor’s office in agreement on language as this report is being written.

XIX. AID TO PRIVATE SCHOOLS

Private elementary and secondary schools are required to register with the Department of Education. The State Board of Education establishes minimum standards for registration that include assurances of quality and content of instruction; sufficiency of facilities, equipment and materials; qualifications of directors and administrators; provision of accurate descriptions of program used with prospective students; credentialing of graduates; adequacy of records and standard transcripts; financial soundness; and compliance with federal and state laws. The state has no provision for funding of students in a private school. Private and parochial schools in Oregon enroll about 40,000 K–12 students statewide (between 7 and 8% of the eligible students). There are about 370 such schools.

XX. RECENT/PENDING LITIGATION

On February 17, 1994 a complaint was filed in circuit court in Deschutes County on behalf of three eighth grade students, *Withers v. State* produced some of the same arguments made in two previous challenges to the constitutionality of the Oregon's school funding system. In 1976, *Olsen v. State*, 554 P.2d 139 (Or. 1976), the court found no breach of the constitution and in 1991 *Coalition for Equitable School Funding v State*, 811 P.2d 116 (Or. 1991), the court found no breach of the constitution. *Withers* argued the same points in the belief that Ballot Measure 5 had dramatically changed the facts of equity for school districts. In August 1994 the trial court issued its judgement declaring Oregon's school funding system did not violate either the Oregon or United States Constitutions. The plaintiffs appealed and the Court of Appeals affirmed the trial court's opinion (*Withers v State*, 891 P.2d 675 (Or. App. 1995)). The Oregon Supreme Court denied review.

In November 1996, the *Withers* plaintiffs filed a request for supplemental relief. At the same time, a suit was filed on behalf of three middle school students in Bend School District (*Solomon*). This case was consolidated with *Withers* and became known as *Withers II*. The claim was that circumstances had changed and justified a re-evaluation. The Court found that "supplemental relief" was not available because no declaratory judgment had been entered. However, the judge allowed the plaintiffs to seek a declaratory judgment identical to the relief previously requested. The plaintiffs then argued that the judgment previously made had accepted the state's assertion that the new state funding distribution formula would "equalize" funding to all districts. The legislature, however, had put constraints on full implementation of the funding distribution formula in an

attempt to phase-in the full formula. The Court found that the “phase-in can no longer be called temporary and because full equity is no longer assured but is, instead, contingent on adequate revenue, the State’s policy no longer meets the criteria for constitutionality ... and ... violates Article I, § 20 of the Oregon Constitution.”

In May 1997 the state appealed the judgments in *Withers II*. In April 1997 the plaintiffs filed a motion to dismiss the appeal. In November 1997 the Court denied that motion to dismiss. Briefs have been submitted on the appeal and oral arguments are scheduled for the fall of 1999.

XXI. SPECIAL TOPICS

N/A.