

Dear Business Managers,

As many of you are aware, the State Board of Education is proposing to change the way poverty is calculated as part of the State School Fund Formula. The current system uses Decennial Census data for the vast majority of districts. However, the Decennial Census no longer collects poverty information. For the past 13 years, we have been basing poverty calculations on 2000 census data. Given two recessions and the shifts in population and poverty, it is clear that we need a more current and accurate means of calculating poverty to ensure that districts with increased poverty are getting the resources to support the educational needs of their students.

The proposed system is based on the U.S. Census Bureau's Small Area Income Poverty Estimate (SAIPE). This is a statistical model that estimates poverty for small population sizes, like our school districts. The model is based on many data sets including the decennial census, Supplemental Nutritional Aid Program data, several yearly surveys by the U.S. Census, and some IRS data. The result is a model that counts and provides the following information: the total population of the school district, the population age 5 to 17, and the population age 5 to 17 that are in families in poverty.

In October, I had published a projection of how the updating of the poverty calculation would play out in terms of relative changes in funding. As part of this projection, I used 2014-15 funding from the state. This includes the 51% of the original \$6.55 billion to be used in 2014-15 and the additional \$100 million provided as part of the special session. I also estimated a 2.2% increase for local revenue.

On the ADMw side of the equation, I used 2013-14 extended ADMw. I did not calculate any change as that would be a district-specific issue and did not readily lend itself to a percent change as part of the projection. The ADMw being used in the projections is the exact same as it is on the July 10, 2013-14 estimates.

In mid-December, the Census Bureau provided the latest 2012 SAIPE data. Also in December, districts submitted their Estimate of Membership and Revenue collection which includes district specific estimates for 2014-15 ADMw information. These changes have allowed me to update the projections with more current and accurate information.

At this time, I am able to complete a run that uses estimated local revenue and ADMw data for 2014-15. The state funding will remain the same, but local revenues will move from a projection to an estimate supplied by the district. Additionally, ADMw will be updated to use the 2014-15 estimates.

The results are in. I am attaching a copy of the latest run. Looking at this new run on a statewide basis reveals several results:

- The total additional weights dropped. The initial projection increased state-wide weights by 4,000. This run only increases weights attributable to poverty by 3,000.
- SAIPE shows that poverty has dropped in the state from 2011 to 2012.
- More districts are seeing a relative increase in funding.
- Districts in general are seeing an absolute increase in funding from 2013-14.

The other major change for this run is that I have included a code that explains what is happening to an individual district at a high level. The codes run from A to G. They are as follows:
Explanation Codes:

A. 80 District. The increase in poverty increased overall funding. The increase in the poverty weight was greater than the loss of any other weight and also greater than the loss of funding per weight because of additional weights in the system.

B. 11 Districts. Poverty and extended ADMw increased. However, the increase did not offset the relative loss of funding per weight.

C. 24 Districts. Poverty increased, but only indirectly increased extended ADMw. This means that another variable, most likely a decline in student enrollment, prevented the poverty increase from being fully realized. The end result is that even with the increase in extended ADMw, the amount is not enough to overcome the relative loss of funding per weight.

D. 45 Districts. Poverty increased, but extended ADMw did not. Districts are still using extended ADMw and seeing only the relative loss of funding per weight.

E. 17 Districts. Poverty weights decreased in these districts, but the districts use the previous year ADMw. The districts are only seeing the relative loss of funding per weight.

F. 16 Districts. Districts were increasing enrollment. Poverty weights decreased current year ADMw and thus decreased extended ADMw. These districts are seeing a relative loss in funding due to decreased weights and decreased funding per weight.

G. 1 District. Poverty decreased, but another factor increased extended ADMw. The increase was not greater than the loss of funding per weight.

H. 3 Districts. Poverty increased but another factor reduced extended ADMw resulting in a relative loss in funding.

The intent of these codes is to provide a general explanation of what is happening. Specific analysis of an individual district would need to be done for a more complete understanding.

Please note that these numbers should not be used as the official ODE estimate for 2014-15. While they use the same data, the official estimates will not be available until early March. Whether the official estimates will include this new system of calculating poverty will be dependent on whether the State Board adopts this proposed system at their January meeting. Going forward, the swings in funding should be much less. We are updating 13 years' worth of poverty data all at once. When a new system is in place that updates on an annual basis, the swings will be smaller and more transparent.

Thank you for all of your help in getting this information together. Please let me know if you have any questions.

Michael