

Findings on Idaho's Public School Funding Formula

Highlights from OPE reports

April 2016

HCR 033 adopted by the Idaho Legislature in 2016 provides for the establishment of an interim legislative committee to study and make recommendations for the state's public school funding formula. The importance of undertaking this effort is underscored by three of our previous evaluations that have addressed specific issues of the funding formula and overall public school funding. This document highlights relevant findings and recommendations from our evaluations to assist the interim committee and stakeholders.

Our survey of stakeholders in the 2009 evaluation revealed valuable insights.

We believe insights from our survey are essential considerations for anyone reviewing the strengths and weaknesses of the current funding formula: (1) stakeholders did not understand the rationale behind the workings of the formula, (2) stakeholders believed that the formula may have no longer reflected the original funding rationale, (3) stakeholders were not in agreement on whether the formula matched their preferences for how the state should distribute funds.

Funding formula design may lead to unintended consequences in some cases.

Our evaluations in 2007 and 2013 showed that the average daily attendance (ADA) ranges, in conjunction with "stop loss" protections built into the funding formula, may occasionally create unusual results when smaller districts and charters increase or decrease in attendance. At the time of our 2007 evaluation, 13 years had passed since the last major revisions to the formula. By then, much of the institutional memory concerning reasons for the formula design had been lost. We could not tell whether the consequences of the design were intended by its authors.

Use of Average Daily Attendance in Public Education, 2007 (with follow-ups in 2009 and 2010)

Public Education Funding in Idaho, 2009 (together with a separately published technical appendix)

Policy Difference between Charter and Traditional Schools, 2013



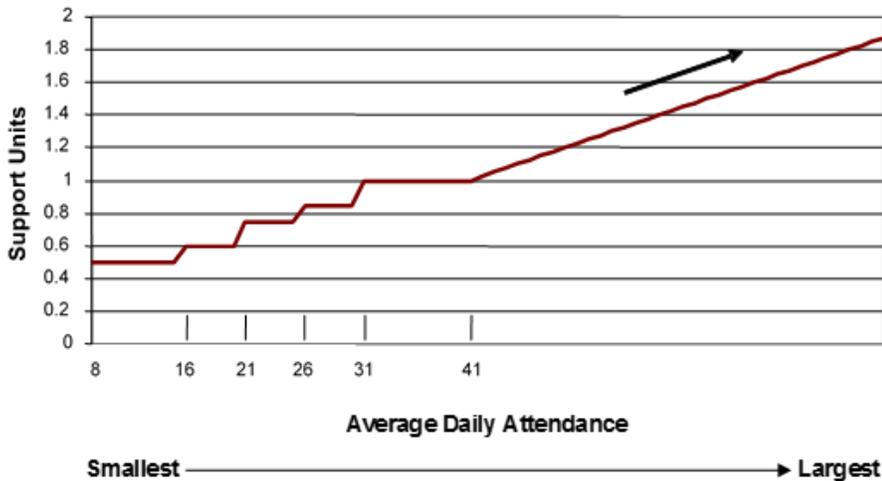
For details:

Average daily attendance and the calculation of support units for various grades are in chapter 2 and appendix A of the 2007 evaluation.



Rakesh Mohan, Director
Office of Performance Evaluations
Idaho Legislature
208-332-1470
www.legislature.idaho.gov/ope





Steps in the formula may cause winners and losers among districts and charters.



Note: This chart for kindergarten generally represents issues with the calculation of support units based on average daily attendance ranges.

As shown in the exhibit, if the district's average daily attendance was very close to the bottom of the range, a minor decrease in attendance could cause a major decrease in support units.

Similarly, if the district's average daily attendance was close to the top of the range, a minor increase in attendance could cause a major increase in support units.

Beyond an average daily attendance level of 41, however, the number of support units is directly proportional to average daily attendance.

When a district's total average daily attendance declines, statute limits the corresponding reduction of support units. However, that protection may not always prevent support unit reductions in instances where total average daily attendance is stable but the distribution of average daily attendance among individual grades changes significantly. This lack of protection could happen, for example, if declines in kindergarten ADA were completely offset by increases in elementary ADA (total ADA would not change).

Whether to use attendance or enrollment for funding calculations is a policy decision.

Both attendance and enrollment have benefits and drawbacks when used for counting students for funding purposes. Regardless of which measure is chosen, accurate collection and reporting of attendance information is essential for ensuring that public funds are distributed equitably among school districts and charter schools, including virtual charter schools.



For details:

Appendix B of the 2007 evaluation looks at public school funding in other states and discusses the pros and cons of using student enrollment or student average daily attendance.

Addressing changing needs of the education system requires periodic changes to the funding approach.

Our 2009 evaluation observed that 15 years had passed since Idaho last made major revisions to its public school funding approach. Over those years, the needs of the educational system had changed and the formulas needed attention. That observation is still relevant today.

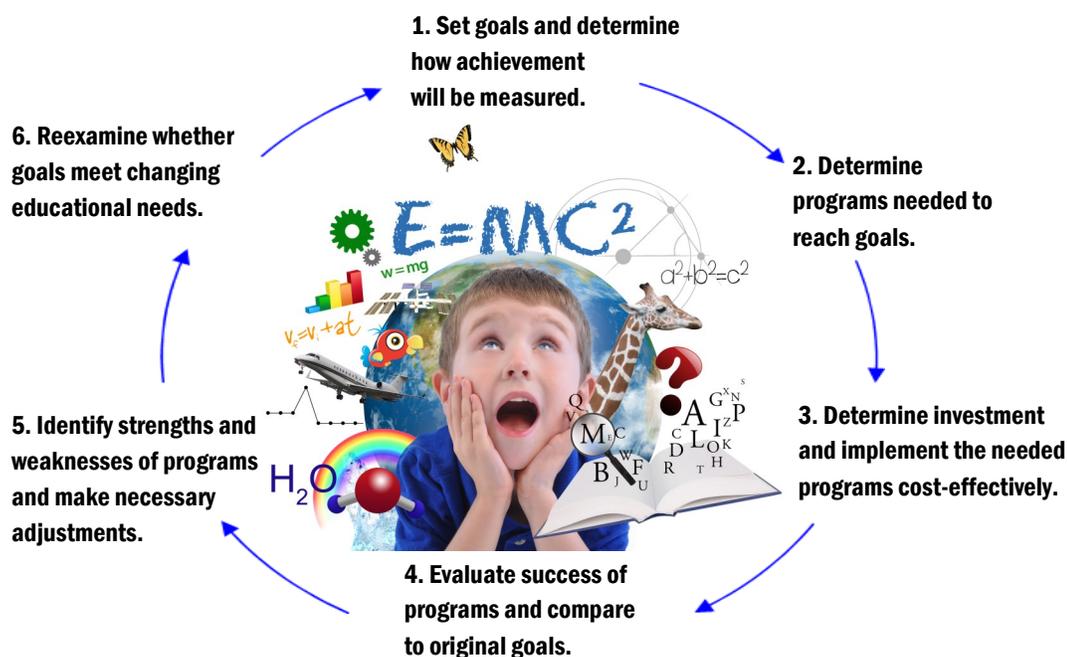
Special Education is an example of where the funding approach needs to be updated. Although the approach and spending may once have had a relationship to need, we found no evidence of such a relationship in 2009.

We learned that the state's method of determining the excess cost was not tied to research on the actual cost of educating special education students, but rather was calculated based on the previous year's spending patterns of each district. No safety net was in place for districts with exceptionally high-cost Special Education students.

We also found that the state may have unintentionally created a financial incentive for districts to classify special education students as seriously emotionally disturbed.

Idaho should adopt a cyclical process for updating its investment in public education.

Our evaluation suggested that Idaho can benefit by following a cyclical process of goal setting, investment, implementation, and evaluation as part of its overall approach to revisiting public education funding. The following diagram summarizes a process that is described in detail, along with examples, in the 2009 report.



The method of distributing funds to any state program or service, including public education, should be easy to understand, transparent, flexible, predictable, and should provide a safety net for emergency needs.



For details:

In chapter 4 of the 2009 evaluation, we identify specific areas of public education funding that should be addressed.

Our 2009 evaluation looked at the various ways other states and stakeholder organizations have attempted to quantify definitions of adequate funding in terms of student achievement. Our examination revealed no ideal method for how such studies should be selected and conducted. Adequacy studies, as they existed at the time of our study, were unable to demonstrate a clear link between the sometimes high levels of investment they recommended and the student achievement they promised. They also posed liabilities for the states by overpromising results.

Funding from state sources was virtually unrelated to school district wealth.

We found that variations in state and local funding per pupil did not necessarily mean state funding was inequitable. A key equity measure suggested that Idaho's state funding met a fiscal neutrality standard considered by some experts to represent a high level of equity. Property-wealthy districts tended to receive the same levels of state funding as did property-poor districts. However, local funding did not meet the same neutrality standard.

Despite traditional schools adopting more charter school features, funding structures had not changed.

Funding structures differ between charter and traditional schools, as well as among charter schools. In addition to noting the challenges presented by the funding structure, we found in our 2013 evaluation that many of the seven elements in Idaho Code intended to distinguish a charter from a traditional school were present in traditional schools throughout the state and may no longer be relevant.



For details:

In a separate technical appendix to the 2009 evaluation, we describe the results of our equity analysis. The appendix provides extensive detail and methodological notes.

