



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

July 19, 2023

The Honorable Colt Gill
Director
Oregon Department of Education
255 Capitol Street, N.E.
Salem, OR 97310-0203

Dear Director Gill:

The U.S. Department of Education (Department) received your written plan for a reasonable level of tolerance when calculating whether the Oregon Department of Education (ODE) has met State maintenance of equity requirements under the American Rescue Plan Act of 2021 (ARP Act). This written plan applies only to a subset of Oregon's local educational agencies (LEAs).

The ARP Act State maintenance of equity requirements help ensure that State funding supports LEAs with high concentrations of poverty and the students who have been subject to longstanding opportunity gaps in our education system and experienced the greatest impact from the COVID-19 pandemic. These requirements are vital for ensuring that States maintain funding to address the impact of the pandemic on students' education, and for protecting students in high-need and highest-poverty LEAs from disproportionate cuts if reductions in State effort do occur.

The Department determined that it is consistent with the State maintenance of equity requirements to allow a State educational agency (SEA) to calculate whether it has maintained funding equity with respect to its very small high-need and highest-poverty LEAs within a reasonable "tolerance level." The Department's determination is based on the possibility of significant volatility in the calculated per-pupil funding amounts for very small LEAs caused by small changes in student enrollment, which may be unrelated to whether an SEA has achieved the intent of the requirements. (See *Frequently Asked Questions, American Rescue Plan Elementary and Secondary School Emergency Relief Program, Maintenance of Equity Requirements*, July 26, 2022, Question 21(a).)

According to materials provided by ODE, Oregon's State funding allocation formula, the State School Fund, includes a base allocation for all students as well as weighted funding for students who require additional services. Oregon also provides supplemental funding called a Small School Correction (SSC) to LEAs that did not receive sufficient funding through the State School Fund to operate their small schools. In the context of the funding weights and the SSC, ODE asserts that calculated per-pupil funding amounts for its very small LEAs are significantly affected by small changes in attendance rates. Furthermore, ODE's proposal notes that the State is seeing an unprecedented migration of students among LEAs in response to the pandemic, which has also contributed to the variations in per-pupil funding. Together, these factors make

the per-pupil funding amounts in Oregon’s small LEAs an imperfect indicator of whether the SEA has achieved the intent of maintaining equity in funding across LEAs.

Accordingly, ODE proposes five tolerance levels:

- 1) For “micro districts” with a weighted average daily membership (ADMw) of 10 or fewer students, ODE proposes to tolerate an 82 percent reduction in per-pupil funding from year to year. This would impact two micro LEAs identified by the State as meeting the definition of high-need or highest-poverty in fiscal year (FY) 2022 that served 0.001 percent of Oregon’s students.
- 2) For “extremely small districts” with an ADMw between 10 and 251 students, ODE proposes to tolerate a 32 percent reduction in per-pupil funding from year to year. This would impact 12 extremely small LEAs identified by the State as meeting the definition of high-need or highest-poverty in FY 2022 that served 0.27 percent of Oregon’s students.
- 3) For “small districts” with an ADMw between 251 and 1,000 students, ODE proposes to tolerate a 24 percent reduction in per-pupil funding from year to year. This would impact nine small LEAs identified by the State as meeting the definition of high-need or highest-poverty in FY 2022 that served 1.41 percent of Oregon’s students.
- 4) For LEAs that previously met ODE’s definition of “small districts” but saw extreme shifts in student enrollment due to increased attendance in a virtual school within the same LEA, ODE proposes to tolerate a 50 percent reduction in per-pupil funding from year to year. This would impact two LEAs identified by the State as meeting the definition of high-need or highest-poverty in FY 2022 that served 0.39 percent of Oregon’s students.
- 5) For other districts with an ADMw between 1,000 and 4,200 students, ODE proposes to tolerate a five percent reduction in per-pupil funding from year to year. This would impact two districts identified by the State as meeting the definition of high-need or highest-poverty in FY 2022 that served 1.60 percent of Oregon’s students.

After reviewing ODE’s tolerance proposal and accompanying data, the unique circumstances in the State, and our further State-specific analysis, we have determined that tolerance levels 1, 2, 3, and 4 include reasonable levels of tolerance when calculating whether Oregon has maintained equity for small LEAs in FY 2022. However, we do not find extending tolerance to Level 5 LEAs to be reasonable. For example, it is unclear how changes in enrollment in LEAs with several thousand students would affect per-pupil funding in ways that are unrelated to maintaining equity as compared to an LEA with many fewer students.

ODE’s proposal indicates that Oregon will need to make additional payments to two LEAs that experienced a disproportionate reduction in per-pupil funding in FY 2022 and are not captured by this small LEA tolerance proposal. Please advise the Department when these additional payments have been made.

We appreciate your diligence in developing this proposal. If you have any questions, please contact your program officer at: Oregon.OESE@ed.gov.

Sincerely,

Laura Jiménez

Laura Jimenez
Director, Office of State and Grantee Relations
Office of Elementary and Secondary Education