

Does Oregon really have \$12,000 in revenue per student?

Education budgets are complicated. Sources of revenue – and spending categories – number in the dozens. Rules governing spending can fill volumes. And unless you’re an accountant, terms such as revenue, spending and costs mean different things to different people.

No wonder pundits and critics can create almost any figure to back up claims that we “spend” more than \$12,000 per student. We created the following explanation to clear up where this figure came from – and how you can correct it.

First, this figure came from a revenue budget, not a chart showing what Oregon actually spends per student. Therefore, we will compare “apples to apples” in explaining where the bad math comes from.

The average revenue available per student last year was actually \$8,560, according to the Oregon Department of Education.

Why is calculating revenue so difficult? Part of the confusion comes from calculating a per-student figure from an “all funds revenue” budget instead of an “operating revenue” budget. An all-funds budget (the bigger of the two) is misleading because it includes money that is counted twice, or is transferred between accounts – which isn’t “new” money. All-funds revenue also includes bond money used to pay off construction debt. An operating revenue budget shows a truer picture of resources per student, especially in comparisons to other states. In fact, the National Center for Education Statistics uses only operating revenue budgets.

To learn how the \$12,000 per student figure surfaced, refer to the budget for 2003-04 on the next page. ODE Assistant Superintendent Brian Reeder pulled figures into one chart to correct this myth and show where mistakes were made – and how \$3,700 doesn’t belong in resources per student. Added correctly, there’s \$8,560 per student (which includes ESD money per student), for operating revenue, with an additional \$1,700 to pay towards capital construction.

It’s a common mistake to add *all* the funding categories to create a total. But in an all-funds budget, you need to remove two categories – for the sake of simplicity, listed as A and B below: A to avoid double-counting; and B to avoid adding funds that are *not* additional resources. Each numbered explanation below corresponds to a foot-noted figure *in italics* subtracted from the total to reach the correct number.

A. Subtract the double-counted funds:

- 1. Transfers and internal transactions:** Do not count these funds twice – first as revenue to the fund in which they were originally deposited and again in the fund to which they are transferred. Inter-fund transfers are movements of resources. A local example: The district print shop charges a school to print its newsletter. “Same” money – just different account.

(continued)

2. **Capital/debt service:** Do not *add* capital funds to debt service funds. That is the same money – expressed at a point in time (capital) and over multiple periods as the debt from borrowing is repaid (debt service). To avoid double-counting these resources, exclude current period capital fund revenues.

B. Other funds that do not create more revenue:

3. **Beginning fund balance.** This is revenue received in prior years, but not used. It does not represent revenue in the current period. Don't count it twice – because taxpayers only pay it once.
4. **Sale of assets.** These are resources accumulated from revenue received in prior years – you're "cashing out an asset" so it's not new revenue. Example: Selling an old school building.
5. **Funds held in trust.** This is private money raised by parent clubs, boosters, etc. It doesn't belong to the district and spending decisions are made by the groups that raise this money.
6. **Debt service funds.** Revenue raised to pay off long-term debt should be subtracted from the current revenue to arrive at operating revenue.

**All Funds Revenue Compared to Operating Revenue
for Oregon Public Schools – 2003-04**

REVENUE BY SOURCE	PER STUDENT AVERAGE
Local (mainly property tax)	\$3,421
Intermediate (county sources)	\$236
State (mainly income tax/lottery)	\$4,517
Federal (special ed/Title 1)	\$754
Long-term Debt Financing	\$1,240
Transfers from other funds	\$180
Sale of Assets	\$19
Beginning Fund Balance	\$2,646
ALL FUNDS REVENUE	\$13,013
<i>Less: Transfers and internal transactions (1)</i>	<i>- \$440</i>
<i>Less: Duplicated Capital Fund Revenue (2)</i>	<i>-\$226</i>
UNDUPLICATED REVENUE	\$12,347
<i>Less: Beginning Fund Balance (3)</i>	<i>\$2,646</i>
<i>Less: Sale of Assets (4)</i>	<i>- \$19</i>
<i>Less: Funds held in trust for others (5)</i>	<i>\$54</i>
CURRENT PERIOD REVENUE	\$9,628
<i>Less: Debt Service Funds (6)</i>	<i>-\$1,726</i>
DISTRICT OPERATING REVENUE	\$7,902
Plus: ESD Operating Revenue/student	\$658
TOTAL OPERATING REVENUE	\$8,560*
*Note: It's also important to note that while this money is available, it comes with restrictions, such as for Title 1 and IDEA purposes. Funding questions? Contact Brian Reeder at ODE, 503-378-3600 ext. 2631.	

Source: Oregon Department of Education, 2003-04 Audited Data