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# Report on Standby City Transit Authorization (Municipal Measure No. 55); Report on School District No. 1 Special Tax Levy Measure

City Club of Portland (Portland, Or.)

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REPORT  
ON

# STANDBY CITY TRANSIT AUTHORIZATION

*(Municipal Measure No. 55)*

To the Board of Governors,  
The City Club of Portland:

## I. INTRODUCTION

Your Committee was appointed to study and report on the merits of the Act to be submitted to the voters of Portland at the primary election May 18, 1962, which will provide the municipality with the authority to institute municipally-owned transit service. Specifically as it will appear on the ballot, the Act is entitled:

### "Standby City Transit Authorization"

"Charter amendment establishing Transit Department, authorizing municipal transit operation, if necessary; including within Civil Service private company employees qualifying; authorizing \$6,500,000 general obligation bonds; revenue bonds subject to limitations and special tax levy outside limitations not exceeding \$300,000 ~~per~~ year if necessary; fixing powers, procedures of administering Commission."

Briefly stated, this Act would authorize creation of a City Transit Department and a Transit Commission of five members with broad powers to acquire and operate a mass transit system, including establishing fares and fixing rates. Necessary equipment could be leased or purchased. The Act provides for appointment of a general manager and establishes administrative procedures. General obligation bonds in the aggregate amount of \$6,500,000 may be sold by the City Council and repaid from general tax revenues. In addition, revenue bonds in the aggregate amount of \$5,000,000 may be sold and repaid from operating revenues of the transit system. The revenue bonds referred to in the ballot statement are subject to the limitation of \$5,000,000. A tax levy not exceeding \$300,000 per year outside limitation is authorized if necessary.

## II. SCOPE OF RESEARCH

During its investigation and research, the Committee as a group interviewed the following: City Commissioner William A. Bowes and Carl Wendt, Mass Transportation Director, of the Department of Public Works; Eugene Watson, Business Representative, Amalgamated Association of Street, Electric Railway, and Motor Coach Employees of America, Division 757; Raymond Perkins, General Manager, and Harold Rice, Administrative Assistant to the General Manager, Rose City Transit Company; Lloyd Keefe, Director, Portland City Planning Commission; Robert Hall, Manager, Blyth & Company and former chairman, Chamber of Commerce Taxation Committee. Members of the Committee interviewed other individuals for specific information.

Members of the Committee also studied several City Club reports on transit problems and measures, and a great number of publications and articles relating to mass transit. A complete listing is given in the accompanying bibliography under Appendix B.

## III. DEVELOPMENT TO DATE

Portland has never had a publicly-owned mass transit system. From about 1872 to the present, the business of transporting large numbers of people by mule

car, streetcar, electric trackless trolley and bus has been conducted with varying success by private companies.

In the last fifteen years, Portland has shared in the nationwide shift from mass transit to the private automobile, which shift has had an adverse impact on the mass transit business, and has resulted in more and more congested streets and crowded parking facilities. Therefore, the transit business has been getting less and less inviting from a business standpoint. To accommodate the private vehicle, the American public is requiring and supporting increasingly more elaborate highway and parking facilities, again increasing the attractiveness of private transportation and further reducing the use of mass transit. At the same time, it has been generally accepted that mass transit *does* have a place and that it is essential to the functioning of a major metropolitan area.

Since World War II, the City of Portland has been serviced in the mass transit field by the Rose City Transit Company and its predecessor, Portland Traction Company. Operations have been under permits issued by the City, allowing the Company to use the streets in return for furnishing services to the people of Portland. Permits in the past have covered periods as short as two months and as long as twenty years. Such a permit or franchise is subject to the control of the City Council. Although the Rose City Transit Company is a public utility of a nature subject to regulation by the Public Utilities Commissioner of Oregon, Oregon statutes empower the City of Portland to exercise the regulatory controls ordinarily vested in the Commissioner, and the City Council has assumed such control.

City Ordinance No. 114414 grants Rose City Transit a permit to use the city streets until October 31, 1963, and requires it to operate until that date in accordance with the terms of the permit. It provides for the filing of certain accounts and reports and for the payment of compensations to the City for use of the streets, and establishes routes and sets fares. Unlike previous franchises, it does not prescribe frequency of service on various routes, the type of equipment to be used, and other items that are now felt by many to be management's prerogative.

The transit company has always come to negotiation meetings operating under pressure from its employees and from its stockholders to get as favorable an agreement as possible, characterized by high fares and low operating commitments. At the same time, the City has come to these meetings with the hope of getting as much service as possible for a minimum cost, in order to furnish necessary facilities to the public for which it is responsible.

The City has found itself at a considerable disadvantage negotiating for franchise renewals, because if the Company threatened to quit service altogether, the City had nothing in the way of an operating fleet of busses to serve the transportation needs of the people in Portland for even a few days.

As a result of these pressures and differences of interest, the present permit, dated November 29, 1961, was given, pursuant to a rather strange arrangement in which the Mayor agreed to ask the voters for power to take over the bus lines as a public operation. This was agreed to after pressure by the union, because the union felt it would be able to get a better wage structure from city ownership than from private operation. As a part of the agreement, Rose City Transit got a fare increase to satisfy its claimed needs.

This compromise arrangement was developed in the early hours of November 10, 1961, while the City was actually without bus service. Drivers returning to the yards at 11 p.m. on November 9th, were paid off and told they were free to go on to other jobs, because the bus company was quitting business. During the night the City approved an increase in fare from 22½ cents to 25 cents in return for an agreement by the Company to operate for two more years. The City also complied with the union's request to place this measure on the ballot. As a result of this last minute negotiation, the early morning busses were put back on the streets, although some of them were delayed in getting into operation and early users found themselves waiting for late busses.

It can thus be seen that the current development is a result of four major pressures:

1. The metropolitan area must have a bus system.
2. Private transit operators want a satisfactory return on invested capital and compensation for management of such an operation.
3. The bus-traveling taxpayer wants to get the best service he can for the least amount of fare.
4. Employees of the bus system want to improve their economic status. (Presently, bus drivers are not paid as much as comparably classified drivers for the City under Civil Service and in other cities on the West Coast).

These pressures have produced a proposed ballot measure which would permit the City to take over the operation of the bus lines and compensate the company for any equipment purchased or leased therefor, when and if (as provided by the proposed Act) *"The City Council will have determined that municipal operation is necessary to provide reasonable mass transit service in the city."*

#### IV. THE ISSUE

The Committee feels that the issue is not "private enterprise versus municipal ownership". Rather, it is whether the citizens should allow the City of Portland to continue to remain vulnerable to the demands of private operators without other recourse if franchise negotiations break down, or whether the City should have the bargaining strength which would be provided by this measure.

However, most of the arguments presented to your Committee for or against this measure were based on the question of private or public ownership.

#### V. ARGUMENTS AGAINST THE MEASURE

The main argument presented to your Committee for voting against the measure is:

1. This measure would be interpreted by the City officials as a mandate to get into the transit business. The term "*reasonable*" is subject to interpretation and might easily produce a situation the City Council feels would demand action.

The following arguments in opposition to the measure were given to your Committee but are based on a preference for private over public ownership under existing circumstances:

2. Public ownership is more subject to pressure from special groups. These special groups in future years could increase their pressure by going to the State Legislature for further beneficial legislation to enhance their bargaining position.

3. A public body would not be able to safeguard the public pocketbook and resist fare increases as easily as a private operation.

4. A privately operated company pays taxes to federal, state, county, and city governments. Most of these taxes would not be paid under municipal operation; thus, the taxpayer would be called upon to make up these lost revenues from other sources.

5. Private industry could successfully operate a transit business if given completely free reign and allowed to arrive at its own fares, frequency of service, and equipment needs. Under an ideal arrangement of free enterprise, it is possible other transit companies would be interested in operating in Portland.

6. Municipal operation will be more expensive to the general taxpayer whether or not he is a bus rider, because of the high cost of acquisition, and the probable use of annual subsidies allowed under this measure.

7. The most recent interpretation of existing laws holds that if the City takes

over the transit system, it cannot assume present pension payment obligations of Rose City Transit Company, depriving presently retired transit company employees of their pensions.

## VI. ARGUMENTS IN FAVOR OF THE MEASURE

The major argument your Committee heard in favor of this measure is:

1. This proposed measure would give the City bargaining strength. It is enabling legislation to provide the City Council with authority to go into the bus business if necessary to protect the public interest. It is not a mandate, and would be exercised only if necessary and after hearings and public discussion.

The Committee also heard the following arguments in favor of the measure based on a preference for public over private ownership under existing circumstances:

2. The proposed transit authority is removed from direct political pressure by being appointive and not elective.

3. Since a bus system is essential to the existence of a large metropolitan area, every taxpayer has a stake in such a system and, therefore should pay his share in supporting it when necessary. Such a subsidy is no more unrealistic than those provided by the general taxpayer in the form of freeways, and public parking facilities as benefits furnished for the use of the automobile driver.

4. Any unregulated private corporation operating a bus line would have to charge rates out of range of the average bus rider and would thus produce hardship on any citizen who depends fully on bus transportation. Regulations are necessary for the control of such public service operations, and, in this case, unbridled private enterprise is not desirable, and competitive operation is not feasible.

5. Trends for the last several years indicate that private operation of the transit system is unprofitable due to continuing loss of riders and the constant increase of expenses.

6. A publicly operated transit system can improve services by working from the base of the entire taxpaying economy and does not have to be profit-motivated.

7. Private enterprise has failed to furnish adequate equipment and facilities for its present operation in Portland.

## VII. DISCUSSION

The Committee feels that in any analysis of whether or not the City should take over the bus operation, the following items should be carefully studied and their significance evaluated:

1. The effect on employees and pensioners
2. The effect on other bus lines
3. The effect on service and equipment
4. The effect on taxes
5. The effect on public acceptance

A summary of our findings in these fields is set forth as follows.

1. **EMPLOYEES AND PENSIONERS:** All present Rose City Transit employees except top executive personnel would be offered jobs under civil service with the City. The current City wage levels are higher than wage rates paid by Rose City Transit, and the employees' wages would be raised to the City level. The City would not assume any pension obligations owed by the Rose City Transit to retired RCT employees. The existing pension arrangement is a non-funded agreement paid for out of current operating receipts. Consequently, the pensioners would be abandoned unless it could be shown there was a legal obligation on the part of RCT to continue pension payments.\*

\*If another private operator should take over the operation, the present pension obligation would apparently not devolve upon him unless he voluntarily assumed it as part of the purchase agreement.

A movement is presently underway to introduce in the next Legislature an act that would allow the City to assume the pension obligations now borne by RCT.

2. **OTHER BUS LINES:** The transit companies operating in the metropolitan area other than Rose City Transit all are separate corporate entities with common ownership. The Rose City Transit Company is authorized to operate to three miles beyond the city limits only, and no further. It does not go this far now. A municipal operation would be limited to the same confines. The City as operator could and very likely would extend activities to the three-mile limit, especially in certain southwest areas. The City could and probably would offer compensation to the displaced operator for this business, but the policy in this matter would have to be determined by the Commission and might or might not agree with present general ideas voiced to this Committee on this matter. The expansion of city operations to the three-mile limit would have an adverse effect on peripheral transit operators. It might also prove to be a consideration in future annexation proposals.

3. **SERVICE AND EQUIPMENT:** City representatives currently have some definite ideas about the type of service to be furnished. Immediately, over half of the proposed bond issue would be spent for the acquisition of 125 new busses. Annually thereafter obsolete or wornout equipment would be replaced.

The basic service now furnished in the way of routes and frequency of busses on these routes is deemed to be generally acceptable, except that there are certain rush-hour times when more busses are needed to alleviate crowding. It is expected that a slightly better service would be offered in the way of rush-hour accommodation and on the nighttime, Sunday and holiday runs which under private operation are kept to a bare minimum. A city operation could experiment in ways to furnish better service, such as schedule changes and the introduction of express busses to more distant points including utilization of freeways, in an effort to attract riders from their automobiles to the busses. Such experimentation could include other means of mass transportation than busses.

4. **TAXES:** The private operator now pays a variety of Federal, State and local taxes.\* Many of these sources of public income would have to be assumed by other taxpaying elements, furnishing—in effect—another type of public subsidy.

In determining the additional costs to the local property owner of carrying on a municipal operation, he would have to pay the carrying charges on the \$6,500,000 general obligation bond issue. According to city officials, this would amount to \$1.00 of additional tax for every \$100.00 of taxes now paid. In addition, if the authorization subsidy of \$300,000 were requested, this would cost the taxpayer another 5¢ for each \$100.00 of taxes he now pays.

Revenue bonds, of course, would be self-liquidating, and would be paid for out of operating revenues and would not be charged on the tax bill.

\* Estimated 1961 government income from the transit company's operations, based on figures in the yearly report on file at the City Hall, were as follows:

Federal income tax .....	\$140,000
State income tax .....	20,000
Federal gasoline & diesel tax .....	47,300
State gasoline & diesel tax .....	141,400
Property tax .....	15,400
City permit fees .....	4,855
Personal property tax .....	7,200
Bus licenses .....	15,400
Federal unemployment contribution .....	7,000
State unemployment contribution .....	56,400
Federal tire tax .....	3,000
Social Security (F.I.C.A.) .....	76,850
Federal communication tax .....	1,700

5. **PUBLIC OWNERSHIP:** Members of your Committee were interested in the attitude of the general public toward possible bus operation by the City. Generally speaking, we find that Rose City Transit has had extremely unfavorable public relations in the past. Efforts in the last few years have improved this relationship, so that now it is felt that the travelling public is not as critical of the operation as it was five years ago. City officials feel that the public relations would improve further if people realized they had a stake in the bus line. They would then take pride in its operations.

### **VIII. TRANSITION FROM PRIVATE TO PUBLIC OWNERSHIP**

One important factor in the accomplishment of any take-over would be the matter of timing required to do so. The Council can wait until the Transit Company gives notice of its intentions to seek a new permit or cease operation. This might be as late as sixty days prior to the franchise expiration date. In this case, the Council would certainly not have adequate time to prepare itself to go into the bus business. Therefore, the Committee suggests that the Council require the Transit Company to make known its intentions at least six months prior to the expiration date of the franchise and if the Company does not then request a permit renewal, the Council make its decision and start action either for another operator or for municipal take-over. The authority to establish a Transit Commission given under this Act makes this timing more feasible.

If the City decides it must go into the transit business, the following steps would occur:

1. A five-member unsalaried Transit Commission would be appointed by the Mayor. Administrative personnel would be recruited and the management of the new authority would be set up.
2. A bond issue would be put on the market. City officials believe it could be processed in about sixty days.
3. The Transit Commission would offer to lease temporarily the present busses used by Rose City Transit for six months on the basis of approximately six cents per mile. In the event it is not possible to lease them, city officials state many other busses are easily obtainable for this purpose from other sources on the West Coast.
4. The Transit Commission would lease the real property presently occupied by the Rose City Transit on a short-term basis until the City could obtain or build its own facilities.
5. The Transit Commission would order 125 new busses, which could be delivered within six months, it is estimated.
6. The Transit Commission would offer to buy from Landport, the wholly-owned subsidiary of RCT which has title to busses used by RCT, approximately 110 busses and other equipment and supplies.
7. Rose City Transit personnel would be enrolled on the City's civil service payroll, and the Commission would be ready to operate the day the private company closes operations.

### **IX. CONCLUSIONS**

1. Your Committee believes that the public interest of the City of Portland would be best served by voting for this proposed Act. The City should have this standby authority for use in case of need, irrespective of any specific present or future agreements that may be reached between the Rose City Transit Company and the City, or between any transit operation and the City.

2. The Committee strongly advocates the continued operation of the transit system by private enterprise, so long as an operator can be found who offers reasonable fees and services.

**X. RECOMMENDATION**

Your Committee, therefore, recommends to the City Club an affirmative vote on Measure No. 55.

Respectfully submitted,

John P. Bledsoe

A. M. Burdge

John A. Carlson

Del Leeson

H. Dale Meredith

Carl O. Strand

R. Evan Kennedy, *Chairman*

Approved April 12, 1962 by the Research Board for transmittal to the Board of Governors.

Received by the Board of Governors April 16, 1962 and ordered printed and submitted to the membership for discussion and action.



**APPENDIX A**

Hereunder is background information the Committee found in the course of its study:

1. Revenue passengers carried per month:  
Rose City Transit: 1,817,000  
Bus lines serving Portland's fringe area: 340,000
2. Present number of busses (RCT): 197
3. Proposed number of busses under City operation: 235
4. Currently mentioned as proposed number of new busses (RCT): 5 per year
5. Past bus purchases (RCT):  
1947 — 100  
1948 — 30  
1950 — 32  
1951 — 25  
1961 — 5
6. Busses are owned by Landport, Inc., a wholly-owned subsidiary from which Rose City Transit leases them. A consolidated statement of both companies is filed at City Hall.
7. No other qualified private operators appear to be currently interested in coming to Portland for the purpose of operating a bus system. Rose City Transit Company has apparently given fairly good service to the City for the past several years with fairly good equipment. Landport, Inc., has an equipment replacement program now, but at the present proposed rate the replacement will not keep up with the depreciation.

The Committee did not go into an exhaustive analysis of the past financial condition and operation of Rose City Transit Company, for it believes that this does not directly bear on the question at hand, although it does have an indirect bearing. Enough information was gathered to lead the Committee to believe that the Rose City Transit Company now has a fairly satisfactory business operation. This seems due primarily to the fact that there has been little, if any, of their profit set aside for replacement of equipment.

As a result of this policy, the last two years have seen Rose City Transit pay to profit something like \$150,000 after taxes. There is some disagreement as to the amount of money which is a reasonable return for the investment involved or for the difficulty of the operation involved. Some argue that the return on the capital investment is not an appropriate way to evaluate the expected amount of profit, because they feel the operation of a bus line is a highly complex and highly variable business which warrants very considerable return on the investment when it can be obtained to overcome the losses that can occur from relatively minor causes which crop up during the operating life of a transit company. The Committee did not judge whether \$150,000 is a reasonable return for the risk taken, for the amount of money invested here, and for the management's services offered in furnishing this service to the City of Portland. It appears to this Committee, however, that the profit in this case was taken at the expense of furnishing new equipment to the Portland bus rider.

8. Items that might be considered by the City as reasons for determining that municipal operation is necessary include:

- Complete breakdown of labor relations;
- Failure to agree on routing;
- Considerable reduction in frequency of service;
- Failure to supply reasonably adequate and modern equipment;
- Failure to agree on fares and routings.

## APPENDIX B

The Committee also studied varied source materials related to the transit operations, and previous studies on Portland's situation reported on by City Club Committees, as follows:

"How to Unchoke Our Cities," *Fortune*, May, 1961

"America Moves Ahead With Rapid Transit," *Holiday*, April 1961

"The Story of your Seattle Transit System," *Seattle Transit System*.

"Metro," *American Automobile Association*, 1961

"Metropolitan Transportation," August 1961; September 1961; November 1961; December 1961; January 1962.

"A Former Transit Executive Looks at Transit-Downtown Cooperation from the Opposite Side." Speech before 78th Annual Meeting of the American Transit Association by W. W. Harris, September 22, 1959.

"The Relationship of Transportation and Terminal Facilities to Downtown Rehabilitation Problems," by Frank Emery Cox, July 15, 1957.

"Washington Metropolitan Area Transit Regulation Compact," District of Columbia, September 15, 1960.

"Regulation of Metropolitan Transit Services Through Multistate Compacts," Delmer Ison, Executive Director, Washington Metropolitan Area Transit Commission, speaking to May, 1961 conference of Southeastern Association of Railroad and Utilities Commissioners.

Summary of West Coast city transit operations, furnished by Tax Supervising and Conservation Commission of Multnomah County, January 1962.

"Public versus Private Ownership of Utilities and Resource Development," by Roy J. Sampson, Assistant Professor of Transportation, University of Oregon, in *Oregon Business Review*, October, 1961.

"A Transit Paradox." *National Civic Review*, April, 1962.

"Adequate Financing for Private and Public Improvements in the American City," ACTION Meeting, Boston, April 14, 1960.

"Growth and Change in Metropolitan Areas and Their Relation to Metropolitan Transportation," a Research Summary by Mark Reinsberg, Transportation Center, Northwestern University.

"New Horizons for Rapid Transit," Transit Division, Ohio Brass Company.

"Can the Commuter Survive?" Joe Alex Morris, *Saturday Evening Post*, May 6, 1961.

"Creative and New Transit Solutions." *Going Places*, March-April, 1960.

"Rapid Transit and Metropolitan Transportation," General Steel Industries, Inc., 1961.

Copies of addresses given before Statewide Conferences on Metropolitan Transportation Problems held by California State Chamber of Commerce in San Francisco and Los Angeles on February 24 and 25, 1960, including:

"An International Look at the Urban Transportation Crisis," W. E. P. Duncan, President, American Transit Association.

"Transportation Planning—a Joint Effort," Robert B. Bradford, State Director of Public Works (California).

"Sound Metropolitan Planning, a Blue-Chip Investment," Irvan F. Mendenhall of Daniel, Mann, Johnson & Mendenhall, Planning, Architecture, Engineering, Los Angeles.

"Developing a Modern Integrated Metropolitan Transportation Program," Wm. R. MacDougall, General Counsel and Manager, County Supervisors Association of California.

"Complexities of Integrated Transportation Planning," Joseph E. Havenner, Director, Engineering and Technical Services, Auto Club of Southern California.

Address by Governor Edmund G. Brown.

Remarks of C. M. Gilliss, Executive Director, Los Angeles Metropolitan Transit Authority.

Minutes of Mass Transportation Study Committee, City of Portland.

"Memorandum of general background information for those interested in urban mass transit," S. Eugene Allen, Downtown Portland, Inc.

Working and Wage Agreement, Rose City Transit Co., Nov. 15, 1961.

"Collective Bargaining and Arbitration in Transit Labor Relations in Publicly Operated Transit Systems," Division 757, Amalgamated Association of Street, Electric Railway and Motor Coach Employees of America.

The following City Club reports:

Oct. 24, 1952: Transit and Parking Commission Charter Amendment

Nov. 2, 1956: Parking Commission and Parking Facilities

Mar. 1, 1957: Interim Report on Mass Transportation

May 2, 1958: Municipal Transit Charter Amendment and Related Mass Transit Problems.

Articles and features, news stories and editorials in local daily newspapers were also read.

**REPORT  
ON  
SCHOOL DISTRICT NO. 1  
SPECIAL TAX LEVY MEASURE**

"Shall School District No. 1, Multnomah County, Oregon, in order to provide funds for the purpose of financing the cost of property and equipment which said District has lawful power to construct or to acquire, and of repairs and improvements thereto, and of maintenance and replacement thereof, so as to accommodate the increased and increasing school population of said District, make special levies, which levies shall be outside the limitation imposed by Article XI, Section 11 of the Oregon Constitution in each of the following fiscal years:

Fiscal year beginning July 1, 1962, \$2,100,000;  
Fiscal year beginning July 1, 1963, \$2,100,000;  
Fiscal year beginning July 1, 1964, \$2,100,000;  
Fiscal year beginning July 1, 1965, \$2,100,000;  
Fiscal year beginning July 1, 1966, \$2,100,000;  
Fiscal year beginning July 1, 1967, \$2,100,000;  
Fiscal year beginning July 1, 1968, \$2,100,000;  
Fiscal year beginning July 1, 1969, \$2,100,000;  
Fiscal year beginning July 1, 1970, \$2,100,000;  
Fiscal year beginning July 1, 1971, \$2,100,000?  
    (    )    Yes, I vote in favor of the proposed levy.  
    (    )    No, I vote against the proposed levy.

To The Board of Governors,  
The City Club of Portland:

This committee has been requested to submit a report on this measure which proposes a levy of \$2,100,000 outside the six per cent limitation, for each of the ten fiscal years, 1962-1963 through 1971-1972, for a total levy of \$21,000,000.00.

**SCOPE OF RESEARCH**

Your Committee reviewed the City Club studies of the special tax levy proposals of 1958 and 1961, and the proposals made in 1956 and 1960 to increase the schools tax base. It reviewed a memorandum dated February 26, 1962, prepared by Melvin W. Barnes, Superintendent of Portland Public Schools, on the subject *Proposed Building Levy, May 18, 1962*; a special memorandum relating to estimated school population through 1970-1971; and additional information on the budget prepared at the Committee's request and presented by George M. Baldwin, Comptroller and School Clerk, in a letter dated March 13, 1962. It also reviewed the *Annual Reports of School District No. 1* for the years 1955-1956 through 1960-1961; the *Budget of School District No. 1* for 1961-62; and the *Report of Subcommittee of the Taxation Committee of the Portland Chamber of Commerce in reference to study of Special Tax Levy Measure of School District No. 1 on the May 18, 1962 Ballot* issued in March, 1962.

The Committee interviewed Mr. William W. Wyse, School Board member; George M. Baldwin, Comptroller and School Clerk; Dr. Amo deBernardis, Assistant Superintendent; Mr. Clifford E. Zollinger, former School Board member; Mr. Walter Smith, Executive Secretary, Multnomah County Tax Supervising and Conservation Commission; and Mr. Lloyd Keefe, Director, City Planning Commission. The Committee knows of no organized opposition to this proposal.

### PURPOSE OF THE MEASURE

The proposed serial levy is requested to meet the anticipated requirements for new buildings, remodeling of existing facilities, catch-up on accumulated maintenance, new service buildings, and continued acquisition of new sites. The major breakdown of anticipated costs is as follows:

Elementary Schools: additions, remodeling and new	\$6,890,000
High Schools: additions, remodeling and new	5,805,000
Maintenance	3,808,000
Community College	900,000
Service Buildings	1,991,000
Sites	620,000
Emergency classrooms	600,000
Total	\$20,514,000

The major new building construction will include one high school and probably ten elementary schools, in addition to other facilities. Because of the detail involved, a complete statement of the new construction cannot feasibly be included in this report. It is appropriate to compare this request levy for the next ten years with the total of \$50,250,000 required during the ten years ending in 1960-61.

It is also important to point out that the amount of \$900,000 for construction of Community College facilities is not the result of additional programs being offered by the School District. The functions now assigned to the Community College have long been carried on by the School District and include adult education, vocational-technical training, adult family life, practical nursing, Americanization, and engineering aide programs.

### BACKGROUND

Since 1945, School District No. 1 has spent over \$62,000,000, obtained by serial levies, on construction of new buildings and remodeling of existing facilities; and \$5,000,000 from regular operating funds for modernization of cafeterias and for lighting and accoustical treatment of classrooms. Improvement and remodeling of existing facilities and the construction of new facilities have been done on a pay-as-you-go basis, and the District has no bonded indebtedness.\*

Special levies for capital expenditures were in effect from 1945 to June 30, 1961. There were four such levies extending for various periods which occasionally overlapped, resulting in a maximum levy of \$5,280,000. During 1960-61 (the last year such special levies were in effect) they totaled \$4,430,000. These expenditures were required after World War II because of the rapidly expanding school population which, during this seventeen-year period, increased by 26,000 pupils—an increase of over 50 per cent.

From 1945 to 1956 the School District followed a policy of systematic preventative maintenance. Because of other demands on available funds, this program was changed to day-to-day maintenance in 1957. This change of policy has resulted in a backlog of needed maintenance and modernization to bring the physical plant up to modern standards of efficient operation.

In the short time provided, the Committee was unable to determine the allocation of the monies heretofore devoted to maintenance. To do so would require an analysis of the operating budgets of School District No. 1 for previous years, which was not within the scope of the Committee's assignment. Accordingly the Committee believes it is appropriate that such a study be undertaken, as suggested in the conclusions of this report.

\*As of June 30, 1962, there will be a bonded indebtedness of \$30,000 remaining from \$96,000 outstanding at the time School District No. 11 (Maplewood) was annexed by School District No. 1 on July 1, 1956. The taxes to retire these bonds are levied only on the property in the area which was formerly Maplewood School District.

At the outset your Committee became aware of the marked increase in the cost of education in this area over the past number of years. The total disbursements, school enrollment, number of teachers, and average cost per pupil for the past six years is shown in Appendix B.

### TAX CONSIDERATIONS

The Committee also became acutely aware that the impact of all kinds of taxes upon the citizens of School District No. 1 is substantial and gives indication of increasing rather than decreasing. While the taxation question is not the paramount issue here, and the Committee does not intend to detail specifically, the Committee felt it could not discharge its responsibility by just enumerating the pros and cons of the School Board's proposal in terms of its necessity or desirability, but that it must consider to some extent the question of its economic feasibility for both the individual and the community. This latter consideration—that of the feasibility for community—is of importance with reference to any expenditure, but particularly for education since it has such a prominent part in total state and county expenditures.

At the present time, approximately sixty per cent of Oregon's local property tax levies are used for the support of public elementary and secondary schools, and fifty-one per cent of the State's general budget fund is used for all public education. While these percentages have not materially varied over the years, the amounts of the budgets, both state and local, have increased. Taxes levied for local government in Oregon have risen from \$41,000,000 in 1940 to \$215,000,000 in the current years; and the state general fund budget has risen from \$23,000,000 in the 1939-41 biennium to \$366,000,000 in the current biennium. If the economy had expanded as rapidly as, or faster than, expenditures, so that the individual taxpayer would be paying approximately the same proportionate amount of tax as he had in previous years, these statistics would be of no significance. However, this has not been the case.

Since approximately sixty per cent of the budget of School District No. 1 comes from local taxes, and about forty per cent from state funds which come largely from personal income taxes, real property owners bear the brunt of the educational burden. It is appropriate to observe that the impact of the personal income and corporate excise taxes is such that in the opinion of your Committee, the residents and businesses in School District No. 1 bear a substantial portion of the educational burden of the entire State of Oregon, in addition to carrying the bulk of the burden of their own educational services.

Although there are those who point with pride to Oregon's "remarkably stable" income tax structure which has required only one major adjustment (in 1955) over the last thirty years, it should be borne in mind that the personal income tax has a built-in escalator, by virtue of a markedly progressive rate structure, varying from 3 per cent to 9.5 per cent. It follows that because of inflation a great many of Oregon's citizens today are paying more income taxes with not much enlargement in real income. This is evidenced by the following table.

#### INCOME RANGE OF OREGON TAXPAYERS

	Less than \$5,000.00	\$5,000 to \$7,000	\$7,000 to \$10,000	\$10,000 to \$20,000
1949 .....	82%	11%	3%	2%
1959 .....	44%	26%	19%	8%

Dr. John F. Sly\* pointed this out in another way. He said in his *Final Report* that, although the per capita expense was less in Oregon than in Washington and California, a greater percentage of the income received in the State of Oregon was paid for state and local taxes than in any other state in the far west; and that in 1956, the relationship of Oregon taxes to Oregon income was 17% above the national average, 26% above the far west, and 34% above California; and that in

\*Dr. John F. Sly, Director of Princeton Surveys, was retained to study the tax structure of Oregon. His report, *A Tax Program In Oregon*, was published late in 1958.

1957 it was 34% above the national average, 53% above California, and 30% above Washington. In 1960-61, Oregon was 19th among the 50 states in per capita personal income, but only 8 states spent more per capita for state and local governments than Oregon.

It appears to your Committee that the continuing increase in the cost of government, including education, cannot long be supported by the existing tax structure. It is therefore appropriate that a serious examination be given to governmental expenditures, state and local, and to a re-evaluation of the entire state and local tax structure, a task which is, of course, beyond the scope of the Committee.

### **SCHOOL POPULATION CONSIDERATIONS**

Although it appears from projections of the School Board, confirmed by the City Planning Commission, that the student population in the School District will remain reasonably stable over the next ten years, it cannot be assumed that new school facilities will not be required. There are two principal reasons:

First: the entire student population is not evenly divided among the twelve grades — eight elementary and four high school. It proceeds through the school system in waves, creating peak demands in these wave areas for facilities, teachers, and materials, for which provision must be made.

Second: the factor of population mobility, i.e., the movement of student population within the School District. As an example, the population of the emerging bedroom areas in Southwest Portland, and also in portions of Southeast Portland, has been drawn from other areas within the School District. Facilities must be provided in these new areas, even though they do not represent an increase in the total school population. As an aside, the Committee was gratified with the accuracy with which the School Board has, in the past, forecast this mobility factor. This has resulted in a small incidence of little-used classroom space.

### **SCHOOL BUILDING COSTS**

Very few school buildings were constructed in the decade following World War I, fewer yet were built during the depressed years of the 1930's, and none was built during the years of World War II. Since 1945 there has been a significant change in the school program and community services demanded by the public. Older buildings are unable to accommodate the present educational programs and the cost of modernizing these structures is often more than the cost of new buildings.

The cost of school buildings has increased steadily since World War II. In School District No. 1, during the period of 1948 through 1957, school building costs increased 28 per cent. In this same period, cost indexes for school construction in the eleven Western states showed an increase of 30 per cent, according to F. W. Dodge Reports, and 37 per cent, according to the Marshall-Stevens Index; and in the period 1948-58, building costs generally increased 46.1 per cent.

The fact that the cost of building schools in the Portland school district has remained lower can be attributed to careful planning. Those concerned with the construction of school facilities have approached their planning by determining the educational needs, both of teacher and pupil, and the types of space and equipment that could be used to best advantage in meeting those needs. The buildings have then been designed to best meet those needs. Ornamentation and frills which have no functional utility have been eliminated. The architectural character of the buildings has been developed in an effort to meet the uses to which they will be put.

The board has made an effort to acquire school sites near city parks. This has the dual merit of reducing the cost of the school, since the park can be used as a playground, and of increasing the use of both the park and the school, since the school can provide facilities for use in park summer recreational programs. An effort has also been made to provide for multiple use within the school facilities themselves. The combination cafeteria and auditorium is an example, and the use of movable and temporary partitions is another.

### CONCLUSIONS

The Committee has expressed its concern with the rapidly increasing costs of education in the Portland school district, and also its concern over the availability of money for educational purposes. It is particularly concerned about the impact of educational costs on real property taxes in this school district. The Committee also recognizes that the school board has made, and is making, an earnest and successful effort to provide the best facilities and education for the money available to it; and the Committee is of the opinion that the money to be derived from this tax levy will be put to sound use.

The Committee is of the further opinion that if the present educational standards in the Portland school district are to be maintained, the construction, maintenance and renovation encompassed within the school board's proposal must be accomplished, and that the proposed school district levy must be approved.

Because it is expected that the School board will make a request for additional operating moneys within the next twelve months, and because the public notice of the particulars of such a request allows extremely limited time for Committee research, the City Club should, with the cooperation of the School Board and the School Administration, immediately undertake a study of the present budget and the budget as it is reasonable to be forecast.

### RECOMMENDATION

Your Committee unanimously recommends that the City Club of Portland approve the passage of School District No. 1's special tax levy measure.

Respectfully submitted,

Robert W. Fritsch

Walter H. Pendergrass

Samuel B. Stewart

John M. Winkler

Willis C. Warren, *Chairman*

Approved April 18, 1962 by the Research Board for transmittal to the Board of Governors.

Received by the Board of Governors April 23, 1962 and ordered printed and submitted to the membership for discussion and action.

### APPENDIX A

#### Summary of Enrollment in Portland Public Schools Showing Projection until 1970-71

1955-56	66,049
1956-57	67,770
1957-58	69,694
1958-59	71,890
1959-60	73,402
1960-61	75,325
1961-62	75,902
1962-63	76,736
1963-64	77,272
1964-65	76,896
1965-66	75,756
1966-67	75,306
1967-68	75,022
1968-69	75,056
1969-70	74,747
1970-71	74,025



# APPENDIX B COMPARATIVE TABLES

	1955/56	1956/57	1957/58	1958/59	1959/60	1960/61
Total Disbursements . . . . .	\$25,320,465.63	26,322,385.04	28,476,102.60*	31,219,782.69*	32,724,221.10*	32,881,882.57*
Enrollment . . . . .	66,049	67,770	69,694	71,890	73,402	75,325
Number of teachers . . . . .	2,400	2,537	2,606	2,717	2,842	2,866
Cost per pupil . . . . .	\$322.48	372.68	380.96	392.11	417.02	445.55
(Grand average, all schools)						

\*Adjusted to make figures more comparable by eliminating the amount of Cafeteria Fund which was not included in the budget before 1957/58.

The budget figures of 1961/62 (excluding the Cafeteria Fund and the Maplewood Debt Fund) is \$35,486,690. It is recognized that actual disbursements for the current year will be less than that figure for two reasons: levies may yield less than the amounts budgeted and there will be carry-over balances for work not completed and services not rendered.