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City Club of Portland (Portland, Or.)

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REPORT

ON

SCHOOL DISTRICT NO. 1
MULTNOMAH COUNTY
Portland, Oregon

**SPECIAL MAY 3, 1971 ELECTION
BALLOT MEASURES**

★ ★ ★

BUILDING BOND PROPOSAL

(Measure No. 301)

and

SPECIAL TAX LEVY PROPOSAL

(Measure No. 302)

★ ★ ★

The Committee: John L. Frewing, Ross M. Hall, E. Shelton Hill, Michael C. Kaye,
Joe D. Kershner, James A. Larpenteur, Jr., James S. Leigh, N. Dale O'Bannon,
and Ronald B. Lansing, *Chairman.*

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REPORT
ON
SCHOOL DISTRICT NO. 1
MULTNOMAH COUNTY
Portland, Oregon

SPECIAL MAY 3, 1971 ELECTION
BALLOT MEASURES

BUILDING BOND PROPOSAL
(Measure No. 301)
and
SPECIAL TAX LEVY PROPOSAL
(Measure No. 302)

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

I. INTRODUCTION

A. THE BALLOT MEASURES

In anticipation of the Portland School Board's announced intention to place before the voters a building bond measure, the City Club Board of Governors in mid-February, 1971, appointed this study committee. The School Board did not finally decide until mid-March, 1971, the precise fiscal package to be presented to the voters. At that time, the following ballot measures were formally announced:

Ballot Measure No. 301

"The Building Bond Proposal"

"Shall School District No. 1, Multnomah County, Oregon (which includes portions of Washington County, Oregon, and Clackamas County, Oregon), contract a bonded indebtedness in the sum of \$35,900,000 on bonds repayable over a period not to exceed 25 years for the purpose of providing funds with which to acquire, construct, reconstruct, improve, repair, equip and furnish necessary school buildings and additions thereto and to acquire property, real and personal, appurtenant thereto or connected therewith in and for said School District?"

Ballot Measure No. 302

"The Special Tax Levy Proposal"

"The money required for the upkeep of school property and the payment of adequate wages and other necessary costs of education has increased at a faster rate than regular sources of school revenue. In order to provide satisfactory level of education within the district, an additional \$6,960,000 (estimated to be not more than \$1.89 per \$1,000 of true cash value of taxable property) will be required for the fiscal year beginning July 1, 1971, which cannot be raised otherwise than by special tax levy. Accordingly, shall School District No. 1, Multnomah County, Oregon, be authorized to levy a tax outside the limitation imposed by Article XI, Section 11, Oregon Constitution, in the fiscal year beginning July 1, 1971, in the amount of \$6,900,000?"

The election on these measures is scheduled for Monday, May 3, 1971.

Ballot Measure No. 301 seeks to borrow money to make capital improvements, *i.e.*, to build new school structures and to renovate old school structures.

Ballot Measure No. 302 seeks a special one year property tax levy for increased operational funds for the 1971-72 fiscal year.

The charge to this study committee is to recommend a "yes" or "no" vote on each of these measures.

This Committee spent approximately one month gaining general background information in anticipation of the ballot measures, and another month zeroing in on the specifically announced measures as they will appear on the May 3 ballot. The Committee as a whole interviewed seven persons and individually questioned many more. The School Board and staff were exceptionally cooperative in furnishing position papers and statistical summaries. Local newspaper coverage and journalistic accounts were also very helpful. Numerous nationally published treatises and other writings on the middle schools concept were examined. The pamphlets on School District No. 1, published by the Portland League of Women Voters' Standing Committee, were extremely valuable, as were past reports of the City Club on school ballot measures. Your Committee found no organized opposition to the ballot measures. A bibliography of the Committee's study is attached as Appendix A. The list of persons interviewed is contained in Appendix B. A brief biographical sketch of each of the members of this Committee is attached as Appendix C.

II. EXPLANATION OF THE BALLOT MEASURES

Ballot Measure No. 301 seeks \$36 million, plus interest of approximately \$26 million, from the taxpayers over a period of 25 years. This means a yearly property tax of about \$6.60 for every \$10,000 of property valuation. **Ballot Measure No. 302** seeks \$7 million from the taxpayers for one year only. This means a property tax increase for the 1971-72 fiscal year of about \$18.90 for every \$10,000 property valuation.

Under **Ballot Measure No. 301**, the Portland School Board is asking for voter approval to borrow \$36 million to finance new construction and renovation of school buildings, the amount to be paid back to the lenders (bondholders) over the next 25 years. This is the first time since the mid-1920's that the School District has sought to go into debt to finance school building construction. The School District has usually operated on a "pay as you go" basis. In other words, in the past the School Board has collected the money necessary to build schools in advance of construction, but now the Board seeks to build capital structures by borrowing the money. School bonds are the means of financing educational construction projects in the vast majority of school districts.

The \$36 million principal amount sought in Ballot Measure No. 301 breaks down into the following needs as set forth by the School Board:

TABLE I.

Primary Schools		
Irvington Early Childhood Center	\$1,383,264	
Boise Early Childhood Center	2,500,000	
Repair and Reconstruction on all other primary schools	6,000,000	
Sub total		\$ 9,883,264
Middle Schools		
Beaumont Middle School	\$2,950,475	
Fernwood Middle School	3,432,127	
Hosford Middle School	2,889,027	
Portsmouth Middle School	2,528,114	
Whitaker Middle School	2,921,421	
Sub total		\$14,676,164
High Schools		
Cleveland High School	\$2,540,427	
Washington High School	4,795,474	
Repair and Reconstruction on 11 high schools.....	4,000,000	
Sub total		\$11,335,901
GRAND TOTAL		\$35,895,329

According to the above breakdown, the money will be used in part for the renovation of seven existing schools in order to begin the development of so-called "middle schools" and "early childhood education centers." Public opinion on these educational concepts will have a bearing on the vote on Ballot Measure No. 301.

It should also be noted that Ballot Measure No. 301 is a *building* proposal. All of the money authorized under this measure must be spent for capital improvement. The School Board envisions both new construction and renovation of old structures. None of the \$36 million can be spent on educational programming, teachers' salaries, administrative expense, and other non-capital costs.

On the other hand, **Ballot Measure No. 302**, is an *operational* proposal. It seeks approximately \$7 million to pay for increased costs in operating and maintaining the 1971-72 school program. The estimated revenue and expenses for School District No. 1, showing the \$7 million need, is set forth in Table II on page 352 of this report.

In summary of these tables:	
Estimated expenditures	\$73,741,000
Estimated revenues	67,441,000
<hr/>	
Plus a contingency to handle delinquent tax collections and early payment discounts	660,000
<hr/>	
Total Needed for Special Levy	\$6,960,000

Another issue which affects both ballot measures is the continued reliance on property taxation as the major source for funding elementary and secondary education in Oregon. Although the Committee had neither the time, nor the duty, to explore all of the ramifications of mounting real property taxes, it would be remiss to totally ignore what is going to be an obvious consideration in the May 3 voting.

From the foregoing examination of both ballot measures, your Committee sees the following separate matters for inquiry:

Bonded indebtedness: Is bonded indebtedness a good funding method to finance capital construction for the school district?

Middle Schools (including Early Childhood Education Centers): Are middle schools a sound educational program?

Cost analysis: Assuming the validity of the goals sought to be achieved by the new building program (*i.e.* middle schools, renovation of aging school buildings, etc.) does the proposed \$36 million building expenditure produce the greatest effective result for the costs involved?

Operational Levy: Is the \$7 million special levy for added operational expenditures justified by need?

Property taxes: Are property taxes too high and too regressive to justify another increment, albeit for education?

The foregoing issues form the principal outline for this Committee's investigations and each will be discussed separately in this report.

III. THE BUILDING BOND MEASURE

A. HISTORY AND BACKGROUND TO THE BOND MEASURE

In 1967 a thorough study of the needs of the District owned facilities (including its 107 school buildings) was made by the Land, Buildings and Facilities Committee, named the "DeWeese Report" for the Committee's chairman. Fifty of those school buildings were built more than 35 years ago.

The Buildings Committee found that the schools were overcrowded, sites were too small, special facilities were lacking and maintenance was overdue. It recommended an 8-year building program to meet these needs. Assuming an annual cost inflation rate of 7 percent over the eight years, the conservative estimate for the program came to \$123 million (about \$15 million per year). This amount can be analyzed by location or function as follows:

Location	
Elementary Schools	\$ 51
High Schools	24
Site acquisition	42
Administration buildings	6
	<hr/>
	\$123
Function	
Physical education	\$ 10
Vocational-technical	11
Building expansion	7
Site acquisition	42
Maintenance catch-up	12
Administration buildings	6
Other	35
	<hr/>
	\$123

The above figures do not include the Community College which, in 1967 was under the District's jurisdiction prior to the establishment of the Area Education District for a metropolitan community college.

Inadequate site size was one of the major findings of the 1967 Study. The state standard for school building site area requires one acre for every 100 pupils, plus five acres more for an elementary school and 10 acres more for a high school. The Buildings Committee used lower standards to reach its recommendations. The District would have to add 28 percent more acreage (almost 400 acres) to school grounds in the aggregate if it were to bring sites up to the state standard today.

Before undertaking such a mammoth job of overhauling and improving the schools, the Board felt that future educational programming ought to be projected so that the investment in the revitalized facilities would complement that programming. Accordingly, in 1969 the Board assigned to newly-appointed Superintendent Robert W. Blanchard and his staff the job of making a long-range plan for public education in Portland.

The Ford Foundation took an interest in Portland's school situation. There is a national crisis in metropolitan elementary and secondary schools where per-student costs are increasing, school facilities are deteriorating, and tax sources are decreasing — leading to declining quality of public education. Evidently the Ford Foundation felt that Portland was still young enough (it still has a large middle-class living inside the city limits) to avoid the disasters of the large eastern cities if it acted promptly. Accordingly, the Ford Foundation, through its affiliated organization, the Education Facilities Laboratories, Inc., assembled and sponsored a group of 12 educational experts who met with Portland School District leaders in February, 1970, to assist them in designing an educational and building renovation program for the future.

Thus, in March, 1970, a "Portland Schools for the '70s" program was framed and adopted by the Board. This program includes as its goals: intermediate or middle schools (grades 6 through 8), the refurbishing and renovating of deteriorating primary and high schools, the establishment of early childhood education centers (grades pre-kindergarten through 5th), and decentralization of school administration into three "areas."

The School Board's Building Committee, assisted by consultants from the Educational Facilities Laboratories and by many local architects, then proceeded to fashion a building program in keeping with the guidelines drawn by the "Schools for the '70s" project.

On January 21, 1971, the Building Committee presented Resolution No. 3553 to the Board for approval. That resolution asked for approximately \$89 million to finance an immediate renovation project which included the remodeling of 20 of the District's current elementary school structures over a five year period to convert them into "middle" schools.

Before passing such a resolution, the Board sought citizen reaction. During February, 1971, the Board, through its three Area Citizens Advisory groups, held 20 public hearings. More than 2,000 people attended these hearings.

Confronted with mixed public reaction to the \$89 million proposal, plus the recommendations from the Area Citizens Advisory groups and the Staff Advisory Committee, the Board decided to seek \$36 million as the first phase of the building project as itemized in Table I on page 338.⁽¹⁾

The current measure calls for five, not 20, middle schools, and therein lies the principal reduction. The Board has made it clear that this cutback in the amount sought does not in any way amend the Board's intention to ultimately seek all of the money needed to fulfill the "Schools for the '70's" educational program.

B. DISCUSSION

1. Bonded Indebtedness

The authorization for Oregon School Districts to issue non-operational bonds is contained in Oregon Revised Statutes, Chapter 328. The following limitations apply:

- (1) A school district may issue general obligation bonds when approved by a majority of qualified voters in the district.
- (2) The amount of bonded indebtedness of the school district may not exceed 7.4 percent of the assessed value of taxable property within the district.
- (3) The bonds must be serial bonds (bonds with staggered maturity dates so that only a portion of the entire bond issue comes due at any one time) which begin to mature within at least five years and have a maximum maturity of no more than 25 years.
- (4) The combined amount of principal and interest to be repaid shall be as equal as is practical from year to year.
- (5) The interest rate paid may not exceed a net effective rate of 7% .

School District No. 1 used bonds in the mid-20s to finance the post World War I building and remodeling program. During the deflationary depression period, the District apparently moved away from bonding to special serial levies (which are essentially a pay-as-you-go arrangement) to avoid interest charges on bonds. In more recent times, however, the School Board has found that inflation in the construction industry has seriously eroded the actual purchasing power of anticipated funds from serial levies.⁽²⁾ Thus the District is attempting to move back to bonding with the \$36 million proposal presently under consideration.

Nationwide, about 80 percent of school construction in recent years was financed by issuing bonds.⁽³⁾ Most of Oregon's major school districts have some bonded indebtedness. The amount of bonds outstanding in the large Oregon school districts and the percent of true cash value of taxable property that they represent as of June, 1970, is shown as follows:

⁽¹⁾This is the first building measure sought by the Board since 1965.

⁽²⁾According to *Engineering News Record* (January, 1961 and January, 1971), construction costs for the U. S. as a whole rose by approximately 8% per year between January 1961 and 1971. Last year they rose by almost 12% .

⁽³⁾U. S. Dept. of Health, Education and Welfare, *Bond Sales for Public School Purposes*, 1968-69.

OUTSTANDING BONDED DEBT
(as of June 30, 1970)
MAJOR OREGON SCHOOL DISTRICTS

District	Outstanding Bonds	
	Millions of Dollars	% of True Cash Value
Corvallis	\$12,750,000	4.40%
Lake Oswego	11,336,000	5.14
Roseburg	983,000	0.43
Medford	4,977,000	1.30
Eugene	11,827,000	1.44
Springfield	9,257,000	3.04
Salem	9,447,000	1.16
David Douglas	3,806,000	1.52
Klamath Falls #1	1,277,000	0.88
Klamath Falls #2	197,000	0.08
Beaverton	20,828,000	3.19
Coos Bay	None	—
Klamath County Unit	None	—
Portland	35,900,000*	0.97*

*proposed

a. Arguments for bonding as opposed to serial levies are:

- (1) Bonding enables a school board to spend more *now* and thus get the benefits from an improved school system earlier than would be true if the same amount were raised through annual serial levies.
- (2) Bonding allows the school district to take advantage of lower cost construction methods because of larger scale projects.
- (3) Because of inflation the district can pay off the debt with dollars of lesser value.
- (4) If there is inflation in building costs the same amount of buildings can be purchased now for less than in the future.
- (5) Bonding stretches the payments over a longer time period so they are less on a per year basis.
- (6) Bonding causes future generations, who benefit from building programs, to assume part of the burden.
- (7) Bonding provides a guaranteed revenue source for a long enough period to permit the Board to make long range plans.

b. Arguments against bonds as a source of funds are:

- (1) A large part of the total cost of school buildings is interest payments on the bonds.
- (2) If there is a change in type of building facilities desired before the end of the bonding period the District may be left with obsolete buildings.

The \$36 million principal amount will require payment of approximately \$26 million in interest at 4.75 percent per annum over the next 25 years. Thus, the measure seeks a total of \$62 million from the district taxpayers over a period of 25 years, which means about \$2.5 million per year.⁽⁴⁾ This assumes a 4.75 percent interest rate and a retirement in 25 years. A lower or higher interest rate or a satisfaction of the loan in fewer than 25 years will vary the interest charge accordingly.

The alternative to bonding would be the District's traditional "pay as you go" serial levy. What would be the cost of construction and renovation under Ballot Measure No. 301 if a serial levy were used instead of bonded indebtedness?

⁽⁴⁾This annual amount is on par with previous publicly accepted special levies in School District No. 1. The highest special operational levy was for an annual amount of \$2,636,000 in 1954; the highest serial levy was for an annual amount of \$2,780,000 in 1952. However, in 1969 the voters did approve a tax base increase amounting to roughly \$10,000,000 per year.

Assuming that building costs increase 6 percent a year⁽⁵⁾, that serial levies could be spread out over a 25 year period, and that the building and renovation project could be accomplished in 25 equal parts — each part being paid for out of each year's levy under the "pay as you go" policy—it would then cost the taxpayers \$78,789,000 to buy the same building project, or over \$16 million more than the proposed bonding method.

c. Conclusion re Bonded Indebtedness

Increases in building costs have exceeded interest rates on school bonds since the mid-40s. Moreover, bonding permits lower per unit cost and provides the facilities much faster. While it is possible that the buildings may become outmoded, the objective of the School Board is to make them as flexible as possible, so they can accommodate future change. In light of these facts, bonding is a better method of financing this building program than a serial levy.

2. Middle Schools and Early Childhood Centers

a. Introduction

Middle schools in Portland would require separate school structures for grades 6-8 with a flexible program in general education. The Board is committed to the middle school concept as part of its "Schools for the '70s" program and thus, in at least one sense, the issue of middle schools is not part of the present ballot measure. At issue are the finances for construction and the speed at which the program is adopted.⁽⁶⁾

Already, several elements of the middle school concept are in practice locally.⁽⁷⁾ Several suburban school districts operate junior high schools (typically grades 7-9). These are similar in many ways to the proposal for Portland. The grade structure of the existing 96 elementary schools in Portland is as follows:

⁽⁵⁾This is a conservatively low percentage. See Footnote (1).

	Grades (Inclusive)	Number of Schools
("K" signifies kindergarten, thus a "K-8" school is kindergarten through eighth grade.)	K-12	1
	K-8	56
	K-6	11
	K-5	5
	K-4	6
	K-3	4
	K-2	1
	1-8	3
	2-8	3
	3-8	1
	4-8	1
	6-8	1
	1-6	1
	K, 4-8	1
	K-3, 5-8	1

Across the country, some 2000 middle schools presently exist.⁽⁸⁾ They are an improvement and outgrowth of the junior high school concept, based on considerations of pupil maturation, senior high school influences and the capabilities of new teaching methods.

⁽⁶⁾At the time the "Schools for the '70s" program was proposed and prior to its adoption, most public discussion centered on the number of and boundaries for the three areas of the district. No details for middle schools were then available.

⁽⁷⁾Portsmouth and Whitaker have both used parts of the middle school concept with reasonable success. At Portsmouth the "academic unit" has been the basis for curriculum organization and at Whitaker experiments with the use of "open space" or "flexible" interior school construction have been successful.

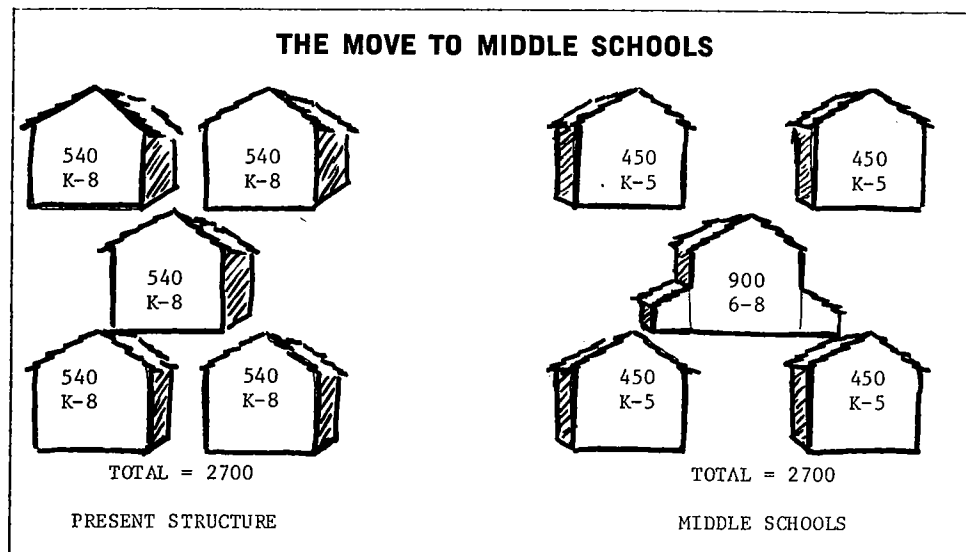
⁽⁸⁾"Education U. S. A., The Weekly Newsletter on Education Affairs," February 22, 1971.

The reason for the middle school is quite clear. Physical, emotional and educational needs of students in grades 6-8 differ from the younger years. The rapid development of children in middle school years calls for a more flexible program with meaningful counseling. The instructional program emphasizes sub-

ject matter which, in many cases, requires specialist teachers to be effective. Grouping grades 6-8 into middle schools can provide sufficient numbers of students in each school to offer a flexible program and efficient use of specialists.⁽⁹⁾ The availability and use of more complex facilities⁽¹⁰⁾ provide transition from the elementary classroom environment to the departmentalized high school program.

Attendance areas can be established to minimize transportation needs and to assure that each school draws from a broad range of backgrounds. The estimated increase from 6,000 to 12,000 students needing daily transportation is not judged by the District to necessarily double transportation costs. Improved scheduling of presently owned buses can absorb part of the increased load. The proposed boundaries of the first five middle schools are found to be consistent with the Board's long-standing position on integration in Portland schools.

The School Board anticipates that there will eventually be 20 middle schools with an average enrollment of 900 students each. The following diagram is a rough illustration of the redistribution of students when a middle school is created:



Several aspects of the new educational program drew the special interest of this Committee. These included: (1) New concepts used by the educators; (2) Alternatives available to Portland; (3) Citizen participation in planning; (4) Program costs beyond building construction and remodeling; and (5) Early childhood centers. The following paragraphs discuss briefly each of these areas.

b. New Concepts

Educators' reference to groups as large as 300 students in a middle school "academic unit" prompted concern that actual classes might be that large. Not so, except for assembly-type programs. The Board identifies an "academic unit" and the associated "team teaching" as follows:⁽¹¹⁾

"Academic Unit—A term used to identify the smaller groups into which a total school population is divided for the purpose of having a 'home base' and a regular group of teachers and students with whom each individual can identify. The academic unit may contain 300 students and a team of teachers who provide a basic program of instruction, including skills in English, social studies, math and science."

⁽⁹⁾Mr. Leroy Wallis, Career Education Specialist, School District No. 1, characterized this problem to the Committee in discussing industrial arts instruction under present and middle school conditions. Today, some 35 teachers work in shops scattered among 65 buildings. With the middle school organization, these same 35 teachers working in 20 schools can provide a more diverse program and the present inefficiencies of travel, idle equipment and space can be eliminated.

⁽¹⁰⁾Comprehensive libraries, laboratories, fine and practical art centers, adequate gymnasiums (showers) and introductory career education rooms.

⁽¹¹⁾Public Information Department, School District No. 1.

"Team Teaching—A method of instruction in which two or more teachers and their assistants together teach a group of students. Students benefit by learning from the most capable teacher in a particular field, and they receive more individualized instruction because some teachers are free to work with individuals or small groups while other teachers work with the larger classes. Team teaching requires a larger or more open space that permits both large and small groupings of students."

The terms "open space schools" and "flexibility" were initially confusing. Again, the Board's explanation of these terms allays doubt:

"Open space schools—Open space refers to an interior school design that has large, open areas for instruction, as distinct from the conventional, compartmentalized classroom floor plan."

"Flexibility—A school building is flexible if the interior building space can be rearranged by the use of movable partitions and other devices. Flexibility is needed to accommodate many students. Lighting, ventilation and heating systems, as well as the building structure, must be planned to accommodate large and small groups of students and teachers and a variety of learning activities."

c. Alternatives

In early discussions, the Board considered including Grade 5 in middle schools. The present 6-8 proposal was adopted when it became apparent that in a typical present elementary structure, the students in remaining grades K-4 would not need all the available space. Similarly, the number of proposed middle schools (20) was based on the maximum use of existing school space. Attendance areas can be established to minimize transportation needs and to assure that each school draws from a broad range of backgrounds.⁽¹²⁾

A natural question that arises in review of costs for each middle school is "Why not completely tear down the old structure and rebuild?" The simple answer is that it's more expensive. The Board's objective of the best possible education for the fewest dollars dictates that good quality structures, even though old, be reused. An analysis of costs and benefits within the remodeling program are presented later in the report.

Another obvious option would be to provide the same diverse program of middle schools in the present school buildings. This is even more expensive, although it has apparently been done in some affluent neighborhoods in the East. Conversion of the system to use junior high schools would again result in the inefficient use of many Portland school buildings. The need is not to draw students from senior high schools, but in large part to relieve overcrowding in the elementary grades. Any plans involving the transport of the lower grades to centralized schools appear inefficient and in the past have drawn fierce opposition from many neighborhoods.

Year-round instruction does not appear a reasonable alternative to the proposed construction program. Such programs seem to be most effectively used where there is a continuing overall growth of the entire district school-age population (e.g., as in suburbs). In Portland, this is definitely not the case; however the use of year-round instruction continues under study by the Board.

Retaining the status quo is a real but poor alternative. Across the country, very few districts retain the K-8, 9-12 structure. No evidence of any school district changing from an intermediate school concept to a K-8 concept was found.

Continuance of the present situation can accentuate disciplinary problems which already are of major concern to staff and parents. Typically, in the 6th Grade student capabilities range from 4th Grade level to 9th Grade level. Without the additional flexibility and specialist teaching of middle schools, those students ahead or behind the level of daily instruction are likely to become bored or frustrated, resulting in misconduct or withdrawal.

d. Citizen Participation

A major purpose of the "Schools for the '70s" program was to insure increased involvement of Portland citizens. The development of plans for middle schools has been a good exercise in this direction. The public hearings conducted in February, 1971, evidenced strong public concern regarding the physical location of middle

schools. This Committee has limited its investigation to the advisability of middle schools as an educational program and has made no judgment concerning middle school placement. The February hearings, however, demonstrated that the Board has every intention of seeking public support before fixing middle school sites.

e. Program Cost

The capital outlay for conversion to this new educational program does not include operational monies. An annual operational cost increase of 5 to 15 percent of the total operational budget has been estimated as necessary to implement the entire projected educational program of "Schools for the '70s". This estimate includes the additional staff associated with some reduction of class size in the lower grades. Detailed estimates are not yet available.

f. Early Childhood Centers

In the construction bond issue money is budgeted for the conversion of two elementary schools in the Albina area to Early Childhood Centers. These Centers will include preschool, kindergarten and grades 1-5. The most successful aspects of Head Start, Follow Through and the Model School programs will be incorporated in a continuous program through the primary grades.

Nongraded instruction (i.e., no delineation of students as "first-graders," "third-graders," etc.) will allow progress at varying rates. The basic program will be designed to emphasize the needs of the schools' regular attendance area. However, parents anywhere in the district will be allowed to enroll children in such centers and the School District plans to provide the necessary transportation.

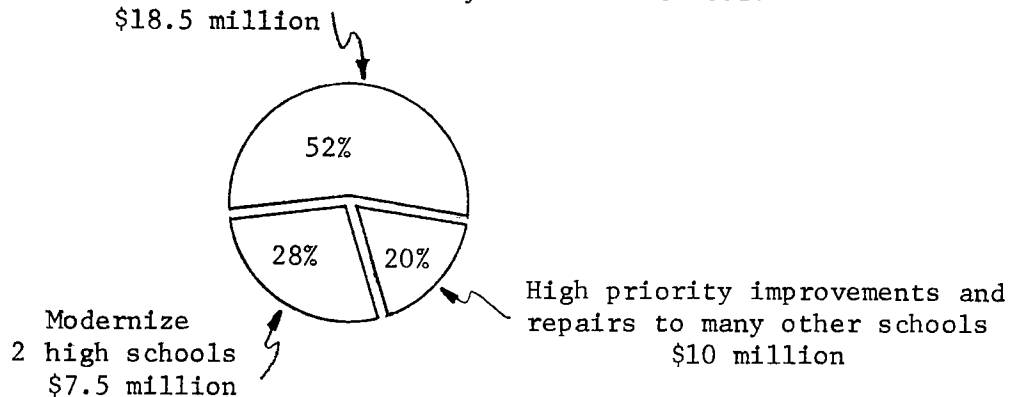
g. Conclusion re Middle Schools

Your Committee finds both middle schools and early childhood centers to be sound educational programs and practical for the Portland schools. Past experience in Portland and elsewhere with the middle school concept appear satisfactory. Planning to date appears responsive to citizen's interest.

3. Cost Analysis

The \$36 million capital expenditure funds would be allocated as illustrated:

Remodel 7 elementary schools into
5 middle schools and 2 early childhood centers
\$18.5 million



At the time of compiling the statistics in this section of the report, Boise elementary school had not yet been designated as a site for an Early Childhood Center. Consequently, the figures herein are based on the then designated six schools: Irvington, Beaumont, Fernwood, Hosford, Portsmouth and Whitaker.

For these six designated elementary schools to be remodeled, aggregate pupil capacity would be increased 78 percent (2,235 pupils). Site acreage at these six elementary schools and at the two high schools would be increased by 41 per cent (23 acres). The sites at the two high schools would be more than doubled. Ten million dollars would be spent on pressing needs for repairs and alterations at the rest of the District's schools.

a. Remodeling the Seven Elementary Schools

The major portion of the \$36 million building fund would be spent on remodeling seven elementary schools, with \$2.5 million planned to cover the undesignated school (since designated as Boise) in this group. The aggregate for the six designated would be \$16 million and spent as follows:

Gut and remodel	\$ 5,421,000	34%
New construction	4,686,000	29%
Demolish and remove	22,000	13%
Site Preparation	226,000	1%
Land acquisition	1,091,000	7%
Planning and fees	1,173,000	7%
Equipment and furnishings	1,232,000	8%
Contingency and inflation	2,209,000	14%
	\$16,060,000	100%

	Building Cost	Other Cost	Present* Capacity	Planned Capacity	Original Construction	Existing Site	Planned Acquisition
Irvington.....	\$ 1,153,000	\$ 230,000	458	600	1932	2.30 acres	0. acres
Beaumont ...	2,289,000	616,000	503	900	1926	5.72	0.01
Fernwood	2,373,000	1,059,000	648	900	1911	4.27	3.88
Hosford	2,284,000	605,000	572	900	1925	6.56	1.79
Portsmouth .	2,016,000	512,000	434	900	1928	5.89	1.72
Whitaker.....	2,448,000	473,000	550	900	1964	21.54	0.
	\$12,563,000	\$3,495,000	2,865	5,100	ave/1931	46.28	7.40 acres

*Without Portables

The six designated elementary schools to be remodeled were originally constructed an average of 40 years ago. While the basic structures of these buildings are generally sound, the interior spaces are inflexibly divided into "egg-crate" rooms typical of school buildings built in the 1920s and 1930s. After remodeling and expansion not only would the present problems of overdue maintenance and lack of modern facilities be cured, but the buildings would be larger and far more versatile. This would enable implementation of the middle school concept adopted by the Board. Likewise, adaptation to unforeseeable changes in the program would be easier.

Taking these six schools as a group, almost twice as much area would be "remodeled structure" as compared with new construction. Very little would be demolished and removed. Costs to remodel would be approximately \$15 per square foot. Costs for new construction would be about \$22 per square foot.

	Area - ft.	
Total gut and remodel	346,050	60%
Total new construction	213,600	36%
Total demolish and remove	21,600	4%
	581,250	100%

To arrive at a comparable cost analysis with other cities, it is customary to separate direct building costs from other project costs in order to eliminate the variables of site acquisition costs, movable equipment, furnishings, etc. No simple parameter can be perfect but many experts use a building cost per pupil capacity ratio for comparative purposes.

Accordingly, the six-school remodeling project would come to:

Total building cost.....	\$12,563,000
Planned capacity.....	5,100 pupils
Cost per pupil.....	\$ 2,440

According to *School Management*, July, 1970, there were 2,914 bids let in a recent period for new construction and additions to elementary and secondary schools across the nation. The average building cost per pupil was \$2,387. In the five westernmost states, the same figure was \$2,545 per pupil.

The Office of School Buildings, New York City Board of Education, reported the following samples of recently constructed junior and intermediate schools in various cities:

School	City	Bid Date	Pupils	Cost/Pupil
I.S. 53	Queens N.Y.	3-4-70	1,777	\$5,535
I.S. 192	Bronx N.Y.	1-26-71	1,800	4,825
I.S. 166	Bronx N.Y.	1-20-70	1,800	4,648
I.S. 183	Bronx N.Y.	2-25-70	1,822	4,536
Betsy Ross	Philadelphia	5- 6-69	1,600	3,310
D. Webster	Milwaukee	8- 4-70	1,825	2,912
Curtis	Los Angeles	4-11-68	1,890	1,717

b. Modernizing the Two High Schools

Seven and one-half million of the \$36 million proposed building program would be concentrated on the two out of the 11 high schools in the District which are most overcrowded, lacking in facilities and cramped for site area. Half of the planned expenditures are for building costs and most of the rest is for site acquisition.

	Cleveland High School	Washington High School	Total	
Building cost	\$1,106,000	\$2,416,000	\$3,522,000	48%
Land acquisition	927,000	1,286,000	2,231,000	30%
Site preparation	5,000	8,000	13,000	—
Planning and fees	122,000	270,000	392,000	5%
Equipment and furnishings	60,000	133,000	193,000	3%
Contingency and inflation	321,000	682,000	1,003,000	14%
	<u>\$2,541,000</u>	<u>\$4,795,000</u>	<u>\$7,336,000</u>	<u>100%</u>
Originally constructed	1924	1929		

The improvements at the two high schools are based on the needs uncovered by the "1967 School Buildings Study" (the DeWeese Report). To gain an insight into the type of projects being planned, five projects at the two high schools together would absorb 60 percent of the expenditures. They are:

High School	Facility	Need	Cost
Cleveland	Industrial Education	Expansion of vocational offering to include graphic arts and automotive. In wood and metal shops, limited storage restricts student projects.	\$372,300
Cleveland	Heating System	Steam system not controllable. North rooms are often too cold and west rooms are overheated. Produces drowsiness and poor environment.	\$375,000
Washington	Instructional Materials Center	Library is long, narrow room. Stack Room and Book Room small and overcrowded. Deters use of library for research and individual study.	\$460,000
Washington	Industrial Education	Wood and metal shops are overcrowded causing unsafe conditions and are insufficient to satisfy demand for enrollment.	\$412,000
Washington	Home Economics	Spaces for sewing overcrowded. No space for courses in child care, upholstering, home nursing or decoration.	\$447,900

c. The "Laundry List"

The \$36 million proposed building program allocates \$4 million to cover the high priority needs in the group of the remaining high schools, and \$6 million to cover the remaining elementary schools. This amounts to 15 percent to 20 percent of the needs determined by the 1967 School Buildings Study.

The "laundry lists" (ie. miscellaneous items of improvement and repair) for two of the remaining high schools are shown for illustration:

High School	Originally Constructed	Priority Building Needs
Franklin	1915	<ol style="list-style-type: none"> 1. Complete industrial arts complex for metals, wood, electrical and graphic arts career clusters. 2. Remodel present industrial arts area into classrooms.
Marshall	1960	<ol style="list-style-type: none"> 1. Install operable wall in cafeteria. 2. Expand auto shop and make improvements in the mechanical and construction career cluster area. 3. New buildings for food service, health occupations and commercial clothing career clusters. 4. Remodel student store.

The "laundry list" for three of the remaining elementary schools are shown for illustration:

Elementary School	Originally Constructed	Priority Building Needs
Couch	1917	<ol style="list-style-type: none"> 1. Lights for playground. 2. New fire-alarm system. 3. Remove partition between rooms 9 and 10 and renovate for flexible grouping. 4. Paint classrooms.
Jason Lee	1953	<ol style="list-style-type: none"> 1. Replace roof. 2. Corrosion control. 3. Inside painting. 4. Carpet library. 5. Remodel shop and home economics rooms.
Abernathy	1925	<ol style="list-style-type: none"> 1. Install sinks in primary rooms. 2. Remove wall between rooms 7 and 8; remodel as a resource center. Include carpeting and acoustical treatment. 3. Add shelving and acoustical facilities in 10 classrooms. 4. Remove walls between two classrooms and hallway, include carpeting and door across hall, to be used as large area reading station. 5. Open walls between four sets of classrooms. 6. Carpet classrooms.

d. Systems Building Approach

The "systems building" approach grew out of a project in California where a dozen new schools were built in 1966. The advantages of mass production and central coordination were realized and resulted in faster construction, better schools and lower cost. Systems building is neither a "stick-at-a-time" construction nor all "pre-fab" construction. It is a combination of each. About half the cost of a school building goes into structural steel, ceiling and lighting components, air-conditioning units, interior partitions, cabinets and lockers. There is no reason why a group of new schools being built can't use the same manufacturer for lockers for all the schools at one time instead of dealing with separate manufacturers. This still leaves room for the architect to assemble the "building blocks" in a variety of ways to suit the needs of each individual school. It also encourages the manufacturer to build a better product and offers him the economies of scale which he can pass along to the schools.

The Educational Facilities Laboratory has been instrumental in fostering the systems idea in new school construction across the nation. One of the things that intrigued EFL about Portland is that this would be the *first* time the concept could be applied to a large-scale *remodeling* program. Accordingly, EFL is helping fund the office of the Systems Building Program which the District set up to manage the construction aspects of the "Schools for the '70s." Each school building has its own architect. A Systems Research Team has been created to handle the common components. Contracts have been designed to control time and cost performance on the part of contractors, sub-contractors, and architects. Nearly 50 percent of the costs of remodeling the seven elementary schools will go toward system components as will about 30 percent of the costs for the two high schools to be renovated.

e. Conclusions re Cost Analysis

(1) The proposed expenditures of the \$36 million capital program has been expertly planned, would efficiently carry out the policies adopted by the Board, and represent the latest and best school building construction techniques. Costs would be in line with comparable construction elsewhere.

(2) The proposed \$36 million expenditure would neither result in "educational palaces" with unnecessary frills nor would it result in cheap "egg-crates" that would soon have to be rebuilt. In the main, the expenditure would result in buildings on larger sites with greater pupil capacity, more versatile internal arrangement, and specialized educational equipment and facilities.

(3) While Portland's school facilities are generally sound structurally, the District could not move forward with the middle school approach without the Board's proposed capital investment; likewise, demands for obvious improvements that are particularly crucial at two high schools would go unsatisfied without the proposed capital funds.

IV. THE OPERATIONAL TAX LEVY MEASURE

A. HISTORY AND BACKGROUND TO THE OPERATIONAL LEVY BALLOT MEASURE

The proposed \$7 million sought under Ballot Measure No. 302 is a need born out of an on-going problem facing metropolitan school boards throughout the nation. Fixed costs, teachers' salaries and the cost of needed innovative programming keep rising because of inflation and increased population demands. But while these cost factors continue to rise, school revenues grow more slowly and, indeed, tend only to stay abreast of inflationary spirals. Throughout most big cities of the nation this static revenue is caused by gradual deterioration in the core city, thus lessening property values and by an apathetic or disenchanting national citizenry who continually vote against special school measures.⁽¹²⁾ This is the national school crisis.

So far, Portland citizens have demonstrated a warmer regard for their schools. Nevertheless, the proposed \$7 million operational levy is designed primarily to meet an increase in fixed costs and teachers' salaries; it is a proposal typical of action taken throughout the United States by school boards squeezed between inadequate revenue sources and creditor-employee demands; it is a proposal that is symptomatic of the national crisis.

Revenues from the proposed special property tax operating levy will go into the School District's General Fund to be used for operation and maintenance of the schools. School construction is carried out under a separate building fund with which the concurrent bonding proposal is concerned.

The principal source of operating revenue for School District No. 1 is the property tax, accounting for approximately 72 percent of the District's General Fund budget for fiscal 1970-71.⁽¹³⁾ The amount of operating revenue that can be derived from the property tax without a vote of the people is limited by the Oregon Constitution to a six percent increase over the total property tax levied by the District in any one of the last three preceding years.⁽¹⁴⁾ Most of the remainder of the School District's operating funds come from State sources, primarily the State Basic School Support Fund.⁽¹⁵⁾

In 14 of the last 19 years the School District has sought additional funds from District property taxpayers through special operating levies beyond the six percent limitation or through tax base increases. It has been successful in 12 of these 14 attempts.⁽¹⁶⁾

⁽¹²⁾ Voters across the nation approved 89% of the school bond issues put before them a decade ago. But today they approve only 48%. *Wall Street Journal*, Monday, March 8, 1971.

⁽¹³⁾ See Bade, *Oregon Tax Primer*, p. 59, and Table XI on p. 60 showing Portland School District's budgeted revenues and expenses for 1970-71.

⁽¹⁴⁾ Oregon Constitution, Art. XI, SS 11; See discussion of 6% limitation's effect on Portland School District in Bade, *supra*, pp. 43-48.

⁽¹⁵⁾ Bade, *supra*, Table XI; also see general discussion of Basic School Support Fund and Portland's small share of same compared to other districts in Bade, *supra*, pp. 49-51.

⁽¹⁶⁾ See p. 294, City Club Report on "School District No. 1 Special Tax Levy," May 12, 1967, and p. 177, Chart A, City Club Report on "School District No. 1 Tax Base Proposal," May 24, 1968.

The last time the School District asked its voters for a special operational levy outside the six percent limitation was in 1967 in the amount of \$9.82 million.⁽¹⁷⁾ This measure was defeated and was immediately followed by a lesser request for \$6.52 million.⁽¹⁸⁾ This request was also rejected. This led to noticeable curtailment in School District programs, most notably kindergartens, athletics, personnel and instructional materials.⁽¹⁹⁾

After the 1967 experience the School District in 1968 sought and received approval from the voters for a \$9,875,000 tax base increase to a level of \$43,302,442.⁽²⁰⁾ The School District has lived with this tax base, with annual six percent increases, for the past three years without requesting additional funds.⁽²¹⁾

B. DISCUSSION OF THE OPERATIONAL LEVY

The School District will be asking the voters for permission to levy property taxes of \$7 million beyond the amount which can be levied by law without a vote of District taxpayers, the money to be used for operating the schools in the 1971-72 fiscal year.

1. Source of Revenue

Because the property tax provides only a portion of the School District's operating funds, the permitted six percent increase in the property tax base will provide only \$2.9 million or 4.4 percent additional for the General Fund in 1971-72; as compared with the 1970-71 revenues.⁽²²⁾ However, because of unexpected decreases from other revenue sources (see Table II), 1971-72 General Fund revenues are expected to increase by only \$2.6 million, or approximately 4 percent, over 1970-71 General Fund revenues.⁽²³⁾

The maximum property tax levy permitted by law for 1971-72 without voter approval, including the statutory six percent, is \$51,576,120, an increase of \$2,919,403 over the 1970-71 tax levy. However, a levy in this amount is expected to yield only \$50,220,000 within the year because of permitted discounts for early payment and delinquent tax payments.⁽²⁴⁾

Nationally, in recent years, the cost of public school education has been rising at annual rates ranging from 5.1 percent in 1963-64 to 8.2 percent in 1966-1967.⁽²⁵⁾

Recently the District's General Fund budgets have been rising at annual rates ranging from three percent in 1967-68 to 22 percent in 1968-69.⁽²⁶⁾ A 13.7 percent increase in operating expenses is estimated for 1971-72. In the past eight years annual budget increases have averaged 7.4 percent. This appears to be comparable with the experience nationally.

(17) See City Club Report on "School District No. 1 Special Tax Levy", May 12, 1967.

(18) See City Club Report on "School District No. 1 Revised Special Tax Levy for Maintenance and Operation Funds", June 23, 1967.

(19) See City Club Report of May 24, 1968, *supra*, p. 180.

(20) See City Club Report of May 24, 1968, *supra*.

(21) Bade, *supra*, p. 57.

(22) See Table II, "Portland School District No. 1 General Fund Revenue Estimates," report of March 18, 1971 by School District No. 1. Schedule A compares estimated General Fund revenues for fiscal 1970-71 and fiscal 1971-72 without the proposed special levy.

(23) *Ibid*.

(24) According to Bade, *supra*, pp. 45, 57, the levy in 1970-71 was \$48,656,717. The 1971-72 levy permitted is 6% more than this figure. However, the tax collected in the year levied usually averages only 92% to 93% of the tax levied, according to Bade, *supra*, p. 46.

(25) See Bade, *supra*, p. 51, showing that Portland receives less state aid on a per-child basis than any of the next 14 largest school districts, e.g., \$133.76 as compared to \$282.73 for the David Douglas School District.

(26) See "An Analysis of Current Education Conditions in the Portland School System," November, 1967, by the National Education Association and Oregon Education Association, Table 4, p. 13, showing that Portland has only 12.92 mills of a true 28.7 mill property tax rate per \$1000 of true cash value available for its schools. For comparison, the David Douglas District schools receive 20.05 mills out of a total 26.9 mill tax rate. Beaverton schools receive 19.47 mills from a total 24.5 mill tax rate. In the 1967-68 fiscal year, Portland spent \$626.21 on education per child, considerably lower than seven other metropolitan area districts sampled. See City Club Report of May 24, 1968, *supra*, p. 181.

TABLE II.
PORTLAND SCHOOL DISTRICT NO. 1
GENERAL FUND
Revenue Estimates

(Amounts in Thousands)	Fiscal Years	
	1970-71	1971-72
Beginning Working Capital	\$ 710	—
Taxes — Regular Levy	47,230	\$50,220*
Local Sources:		
Earnings on temporary investments	650	350
Miscellaneous local sources	92	285
Intermediate Sources:		
County School fund	1,100	1,050
Miscellaneous	516	565
State Sources:		
Basic School Support	10,268	11,368**
Special Education Programs	1,783	1,838
Model School	1,385	1,000
Common School	185	200
Federal Sources:		
Public Law 874	280	325
Athletic Suit***	350	—
Tuition, Athletics and Miscellaneous	280	240
Total Revenue Estimates	\$64,829	\$67,441

*Taxes from regular levy reflect 6% statutory increase.

**Includes net increase of \$1.1 million from HB 1631 (1971).

***Recovery in Anti-Trust Litigation.

Expenditure Estimates

(Amounts in Thousands)	Fiscal Years		
	1970-71	Increase (Decrease)	1971-72
Instruction	\$44,549	\$ 1,338	\$45,887
Administration	2,941	350	3,291
Attendance and Health	142	—	142
Pupil Transportation	566	—	566
Operation of Plant	5,266	614	5,880
Maintenance of Plant	2,851	763	3,614
Fixed Charges	4,803	743	5,546
Food Service Management	98	—	98
Cafeterial Fund Subsidy	255	150	405
Athletics	637	35	672
Community Service (CUB)	151	—	151
Capital Outlay	663	—	663
Payments to Other Districts	92	—	92
Operating Contingency	472	468	940
Model School	1,343	160	1,503
Sub-totals	\$64,829	\$ 4,621	\$69,450
PERS/TRFA* Merger		\$ 275	\$ 275
Fund Payroll Taxes on Summer salaries		656	656
Negotiated Salary Increases (est.)		3,360	3,360
TOTAL ESTIMATED EXPENDITURES		\$ 8,912	\$73,741

*Public Employees Retirement System and Teachers Retirement Fund Association. Legislature mandated merger of the District's retirement plan for teachers with the state retirement system.

On a per-pupil basis, the Portland School District spends less than most other Oregon school districts for educating its children. This is due to two factors, namely: (1) Portland receives less State aid per-pupil from the Basic School Support Fund than other districts;⁽²⁷⁾ and (2) Portland has less of its property tax dollar available for education since more is required for other city services than in other school districts.⁽²⁸⁾ Thus the Portland School District operates at a double financial disadvantage compared with other districts.

It is evident that if the costs of operating the Portland schools are to continue rising as they have in recent years, the six percent annual increase in property tax levies permitted without voter approval will not keep pace with increased costs. In the absence of other sources of increased revenues, the School District has only two alternatives: (1) Request additional funds from the property taxpayer from time to time; or, (2) Cut back school programs.

2. Operating Expenditures

General Fund expenditures for fiscal 1970-71 are estimated at \$64,829,000. General Fund expenditures proposed for fiscal 1971-72 are \$73,741,000, an \$8,912,000 or 13.7 percent increase.⁽²⁹⁾

The largest portion of the proposed increase, \$3.36 million or 38 percent, is for negotiated salary increases for teachers, administrators, and other District personnel. This estimate is based on the School Board's mid-April proposal to the teachers. The only other apparent means of providing such revenues would be to reduce the number of teachers at the expense of increased loads.

By far the greatest portion of General Fund revenues, estimated at 81 percent for fiscal 1970-71, goes to pay the wages and salaries of School District teaching, administrative, custodial and other personnel.⁽³⁰⁾ In recent years Portland's salary schedules for teachers have, in general, been favorably comparable with those of other districts in the Portland Metropolitan area.⁽³¹⁾ This is necessary, according to School District leaders, so that Portland can compete with neighboring, often wealthier, suburban districts for good teachers. Such districts often have advantages not found generally in Portland, such as new buildings, lower class loads, and more adequate supplies of teaching materials and equipment.

The School District justifies salary increases at this time as necessary in order to keep and attract qualified personnel and to meet increases in the cost of living.⁽³²⁾ The teachers believe there is a need for salary increases now beyond what the Board, has offered, not only for the same reasons urged by the Board, but also to bring teachers' salaries into line with incomes in business, industry and the trades.⁽³³⁾

Another large increase, \$1,338,000, is needed for improvements in the instructional program. Of this amount, \$500,000 is for textbooks and other educational media; \$500,000 more would be divided between the three areas to meet their most pressing educational program and supply needs. Another \$150,000 would be used to improve and expand the vocational educational program.⁽³⁴⁾

Another sizable increase, \$1,377,000, is slated for plant maintenance and operation. Much of this increase is due to unavoidable increases in fixed charges.

(27) See "An Analysis of Current Conditions in the Portland School System," supra, p. 11, Table I.

(28) See City Club Report of May 24, 1968, supra, p. 179, Chart C.

(29) See Table II, p. 352, supra, itemizing the estimated 1970-71 and 1971-72 expenses and the increases expected for 1971-72 in specific budget categories.

(30) See Bade, supra, p. 59.

(31) See discussion of Portland teacher salary schedules compared with salary schedules elsewhere in the City Club reports of May 24, 1968, supra, pp. 185-187, and May 12, 1967, supra, pp. 300-302. The School Board's most recent offer would make Portland's starting salaries above average compared with those of surrounding districts.

(32) The School Board's last reported offer to the teachers amounts to an average 5.8% increase in salaries according to the District officials, but only a 3.6% increase according to the Portland Association of Teachers.

(33) The most recent PAT proposals have been for increases in the 6% to 8% range. However, the PAT contends that noneconomic issues such as class size, learning conditions and disciplinary problems are the most critical issues for negotiation. So far the Board has refused to negotiate these noneconomic issues.

(34) From School District report of March 18, 1971 supplied by William E. Bade.

For example, an additional \$300,000 is needed because of increased water and sewage rates. Another \$67,000 is requested for increased garbage rates. An additional \$500,000 is urgently needed to maintain buildings, with special attention to roof repairs and exterior painting.

Additional fixed charges, including increases in social security, insurance, retirement and workmen's compensation costs account for another \$743,000 of the increase.⁽³⁵⁾

A 100 percent operating contingency increase of \$468,000 is budgeted for two purposes. First, it provides a reserve to cover unforeseen items which arise after specific items are budgeted. Secondly, it restores the nominal working capital base which has been exhausted during the past two years in operating schools without a special levy.⁽³⁶⁾

None of the foregoing increases is for the District's proposed middle school program. Although some of the funds will contribute to minor improvements in the existing educational program, by and large most of the increases are needed merely to maintain the status quo.⁽³⁷⁾ Even without any salary increases, the projected increase of \$2.6 million in operating revenues without a special levy would not meet even one-half of the District's expected additional needs. In fact, such projected revenue increase would hardly meet the increases expected in the District's fixed costs and plant operating and maintenance expenses.

3. Conclusions re Operational Levy

The need for a special operational levy at this time seems obvious. Without it, School District expenses in fiscal 1971-72 are expected to exceed revenues in the same period by \$6.6 million, largely because of increased fixed costs, negotiated salary increases and the cost of long-postponed property maintenance. This Committee detects no extravagance in the proposed 1971-72 expenditures. Should the District find itself unable to meet these increased costs, its only course again as in 1968, would be to cut back programs, delay maintenance and reduce the number of teachers (thereby increasing class loads). In other cities it has been demonstrated that such deterioration breeds a downward spiral of further deterioration in the school system, as the central city's residents in increasing numbers forsake the city for its suburbs. Portland, fortunately, still has time to avoid the problems of cities such as Detroit, Cleveland and New York. These cities have found that mass teacher layoffs are the only means left to keep their schools open.⁽³⁸⁾ Such reductions in Portland's present educational program would be indeed unfortunate when improvements rather than reductions are so urgently needed. Portland simply cannot afford deterioration in its school system at this critical time.

V. PROPERTY TAXES

This Committee was mindful of the growing burden of property taxation. Throughout the State of Oregon more money is raised by property taxes than any other tax except federal income tax. The annual property tax yield in Oregon is approximately twice as much as that produced by the state personal income tax.⁽³⁹⁾

In the current fiscal year property taxes paid in Oregon total \$486 million. This is a 12.9 percent increase over the previous year. In Multnomah County the increase over last year is 9 percent.⁽⁴⁰⁾

While this Committee had neither the time nor the duty to explore all of the implications of property taxation, the conclusion was inescapable that the property tax is a regressive tax which exacts too much from lower income groups in comparison with higher income groups: it reaches only one aspect of ability to pay—land ownership—while leaving untouched other aspects of ability to pay such as yearly income and personal property ownership.

⁽³⁵⁾Ibid.

⁽³⁶⁾Ibid.

⁽³⁷⁾See Statement of Portland School Board member, Robert Ridgley, in *The Oregonian*, March 20, 1971, p. 1.

⁽³⁸⁾*Wall Street Journal*, March 8, 1971.

⁽³⁹⁾Bade, *Oregon Tax Primer*, 1970, p. 37.

⁽⁴⁰⁾Source: State Department of Revenue, March 3, 1971.

Unfortunately, the property tax in this state is inextricably connected to schooling, and schooling is a sound societal goal. Elementary and secondary school education throughout Oregon derives 72 percent of its revenue from the property tax, 23 percent from state funds, and 5 percent from federal funds.⁽⁴¹⁾ Oregon is fourth in the nation in percent of school revenue derived from property taxation.⁽⁴²⁾

Now, this poses a dilemma. Assuming that increased property taxes should be discouraged but that education must be encouraged, then both policies cannot be accomplished in this forthcoming election. To strike a token blow against increased property tax (and thus to vote "no" on either or both of the ballot measures), will tangentially wound education in Portland. Likewise to vote for either or both of the school measures may be interpreted as lending comfort to the principle of property taxation.

The Committee resolves this dilemma in favor of bettering education even at the risk of creeping property taxation. Although it has been said many times before, and although there is a danger in repetition (lest we make cliches out of universal truths), education and schooling are the backbone of a healthy society. A strong education system in a community stimulates economic growth, breeds good citizenship and increases mankind's ability to solve the social, economic, political and moral problems of the day.

No one should ever discount the value of civic attention to the schooling of its youth. The decline and deterioration of schools can be the first step on the road to a community's ruin.

It is very important for the voters in this school district to realize that talk of decline or ruin is not just empty sloganeering. The metropolitan school districts of this nation are now facing a national crisis. They cannot get the money to operate effective programs. Discipline problems are increasing, dropout students and truancy are on the rise, classrooms are overcrowded, and large cities in the East are falling educationally ill. Our Portland schools need refurbishing and are substandard and that need is critical and must be met soon. With building costs rising at a rate of 9 percent to 12 percent a year, it costs us \$3 million to \$4 million for each year of delay in renovation on a \$36 million project. In other words, if we don't contract this year for a \$36 million building project, next year it may cost \$40 million.

We must not fall error to the false notion that financial support of schools must be curtailed in order to punish rebellious students or to enforce discipline or to show the state legislators that property taxation is onerous or to in any way use the schools as a tool of our frustration, no matter how legitimate that frustration might be. While the reasons for these frustrations deserve encounter, the battlefield should never be drawn on the field of education.⁽⁴³⁾ To do so would be to put up our most priceless trophy as the spoils.

⁽⁴¹⁾Osborn, Vernon H., "System Seventies: A Statement on Improving the Financing and Management of Oregon Schools and Community Colleges" (October 15, 1970), as quoted in *Tax-School Finance*. (See footnote 42.)

⁽⁴²⁾League of Women Voters Pamphlet, *Tax-School Finance*, February, 1971.

⁽⁴³⁾An appropriate place for battling property taxes is at the State Legislature, where, indeed, some modest inroads have been made. At the time of writing this report, the State Legislature has several bills before it, at least one of which (HB 1317) would give the average homeowner relief of approximately \$39 per year, depending on the tax rate where the taxpayer lives.

VI. SUMMARY

Your Committee concludes that the major features of both ballot measures are well-conceived and have been carefully considered by the School Board.

Bonded indebtedness, while relatively new to Portland, is a superior form of financing long range building plans as opposed to the "pay as you go" serial levy. "Middle schools" are a sound educational concept that have been well tested in other school districts throughout Oregon and the nation.

The \$36 million building program is expertly planned, is effective to produce maximum benefits for the costs involved and is born out of the need to pave the way for the middle school educational concept and a need to prepare against gradual deterioration of aging buildings.

The need for additional operating funds for 1971-72 is clearly demonstrated, principally because of the rise in fixed costs and the increase in negotiated teachers' salaries.

Although the revenue for both ballot measures is to be funded out of mounting and regressive property taxes, the plight of the schools in this situation outweighs the plight of the taxpayer.

If the city means to compete with the suburbs by modernization of its educational facilities and by maintaining appropriate operational levels, then the School Board's proposed ballot measures are "on target" with that result.

VII. RECOMMENDATIONS

Therefore, your Committee unanimously recommends that the City Club of Portland go on record as approving the School District's request to contract a bonded indebtedness for capital construction and improvement and urges a "Yes" vote on School District Ballot Measure No. 301.

Your Committee also unanimously recommends that the City Club of Portland go on record as approving the School District's request for a special operational levy and urges a "Yes" vote on School District Ballot Measure No. 302.

Respectfully submitted,

John L. Frewing

Ross M. Hall

E. Shelton Hill

Michael C. Kaye

Joe D. Kershner

James A. Larpenteur, Jr.

James S. Leigh

N. Dale O'Bannon, *and*

Ronald B. Lansing, *Chairman*

Approved by the Research Board April 13, 1971, for transmittal to the Board of Governors.

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APPENDIX A

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APPENDIX B**PERSONS INTERVIEWED BY THE COMMITTEE**

William E. Bade, Fiscal Officer and Assistant to the Superintendent for Intergovernmental Affairs, School District No. 1.

Dr Robert W. Blanchard, Superintendent, School District No. 1.

John Guernsey, Education Editor, *The Oregonian*.

Ralph Hale, Multnomah County Tax Assessor's Office.

Donald McElroy, Executive Assistant to the Superintendent, School District No. 1.

John H. Nellor, Director, Public Information Department, School District No. 1.

Jonathon Newman, Chairman of the Board, School District No. 1.

Howard Rankin, Attorney at Law, Shuler, Rankin, Myers & Walsh, Portland, Or., Municipal Bond Counsel.

Mrs. Sheldon Spielman, Chairman, Portland League of Women Voters Committee on School District No. 1.

Lloyd Thomas, Coordinator, School Finance and Statistical Services, Oregon State Board of Education.

LeRoy Wallis, Area II Administrator for Career Education, School District No. 1.

Edward Wandrum, Director of Systems Building, School District No. 1.

APPENDIX C**COMMITTEE PERSONNEL**

John L. Frewing, Nuclear Engineer: Portland General Electric.

Ross M. Hall, Certified Public Accountant. Tax Specialist: Peat, Marwick, Mitchell & Co.

E. Shelton Hill, Executive Director: Urban League of Portland.

Michael C. Kaye, Engineer. Director, Research and Development: Freightliner Corporation.

Joe D. Kershner, Certified Public Accountant. Partner: Strowger, Hollopeter & Kershner.

Ronald B. Lansing, Attorney. Associate Professor: Northwestern School of Law, Lewis and Clark College.

James A. Larpenteur, Jr., Attorney. Associate: Souther, Spaulding, Kinsey, Williamson & Schwabe.

James S. Leigh, Patent Attorney. Associate: Buckhorn, Blore, Klarquist & Sparkman.

N. Dale O'Bannon, Ph.D., Economist. Associate Professor: Lewis and Clark College.