

10-31-1979

## City Club of Portland Bulletin vol. 60, no. 23 (Special Edition) (1979-10-31)

City Club of Portland (Portland, Or.)

Follow this and additional works at: [https://pdxscholar.library.pdx.edu/oscdl\\_cityclub](https://pdxscholar.library.pdx.edu/oscdl_cityclub)



Part of the [Urban Studies Commons](#), and the [Urban Studies and Planning Commons](#)

Let us know how access to this document benefits you.

---

### Recommended Citation

City Club of Portland (Portland, Or.), "City Club of Portland Bulletin vol. 60, no. 23 (Special Edition) (1979-10-31)" (1979). *City Club of Portland*. 334.

[https://pdxscholar.library.pdx.edu/oscdl\\_cityclub/334](https://pdxscholar.library.pdx.edu/oscdl_cityclub/334)

This Bulletin is brought to you for free and open access. It has been accepted for inclusion in City Club of Portland by an authorized administrator of PDXScholar. Please contact us if we can make this document more accessible: [pdxscholar@pdx.edu](mailto:pdxscholar@pdx.edu).

NEWSPAPER SECOND CLASS POSTAGE PAID AT PORTLAND, OREGON

# **City Club** of Portland

**BULLETIN**

Portland, Oregon

Vol. 60, No. 23

*Printed herein for presentation, discussion and action on Friday, November 16, 1979:*

## **REPORT ON FISCAL AFFAIRS OF PORTLAND SCHOOL DISTRICT NO. 1**

*The Committee:* R. Scott Clements, Douglas R. Courson, Eric Fuller, Anne Seiler Jarvis, Charles L. Kampmann, Joyce Lekas, Gregory C. Mottau, Craig Petrie, Hans Schouten, Thomas Healy Tongue IV, J. Kenneth Brody, *Co-chairman*; Harry L. Demorest, *Chairman*.

PUBLISHED OCTOBER 31, 1979

VOL. 60, No. 23

(SPECIAL EDITION)

(This is the first of two City Club reports on Portland School District No. 1. The second report, "Standards and Accountability of Portland School District No. 1" is scheduled for publication shortly and is intended to be used with this report as a combined reference.)

(Additional copies \$1.00)

---

*"To inform its members and the community in public matters and to  
arouse in them a realization of the obligation of citizenship."*

---

### PREFACE

In 1977 the Board of Governors of the City Club concluded that the public's ability to vote intelligently on funding measures for Portland School District No. 1 was seriously hampered by a lack of information about the District's financial affairs and educational accountability. Further, the Club's own ability to properly analyze District bond and budget election measures was constrained by the size and complexity of the District's programs.

Accordingly, the Board authorized two long range studies, one to examine the District's fiscal affairs and the other to determine the relationship between the District's educational performance and the financial resources it commits to that goal. These two studies, *Fiscal Affairs of Portland School District No. 1*, and *Standards and Accountability of Portland School District No. 1*, are intended to be used together as a combined reference.

It is the hope of the Board of Governors that these two reports will help both City Club members and the community to understand better the financial and educational policy decisions facing the School District, the options available, and the implications of those decision choices. It is the belief of the City Club that an informed public is able to make wise decisions, and that such decisions will contribute to the future health, stability and livability of the metropolitan community.

Board of Governors, 1979-80

#### CITY CLUB OF PORTLAND BULLETIN

(USPS 439-180)

Published each Friday by the

#### CITY CLUB OF PORTLAND

730 Southwest First Portland, Oregon 97204

Phone 228-7231

CHRISTINE A. TOBKIN, *Editor  
and Executive Secretary*

Second Class Postage paid at Portland, Ore.  
Subscription rates \$6.00 per year included in  
annual dues.

#### OFFICERS OF THE BOARD

Myron B. Katz . . . . . President  
Jon R. Schleuning . . . . . President-Elect  
Randall B. Kester . . . . . 1st Vice President  
Leigh D. Stephenson . . . . . 2nd Vice President  
Brian Gard . . . . . Secretary  
Ilo Bonyhadi . . . . . Treasurer

#### GOVERNORS OF THE BOARD

Guthrie Baker . . . . . Orcilia Forbes  
Harry L. Demorest . . . . . Julia Keller Gottlieb  
Barnes H. Ellis . . . . . Sally McCracken

#### RESEARCH BOARD

Randall B. Kester, Chairman  
Leigh D. Stephenson, Vice Chairman  
Stanley A. Goodell . . . . . James A. Nelson  
Thomas Hamann . . . . . Steven R. Schell  
Ann Hoffstetter . . . . . Robert C. Shoemaker, Jr.  
Emerson Hoogstraat . . . . . Kandis Brewer Wohler  
Clifford A. Hudsick . . . . . A. M. Whitaker, Jr.  
Carleton Whitehead

**REPORT ON**  
**FISCAL AFFAIRS OF**  
**PORTLAND SCHOOL DISTRICT NO. 1**

### TABLE OF CONTENTS

I.	INTRODUCTION AND SCOPE .....	95
II.	HISTORY AND BACKGROUND	
	A. The City Club and School Issues .....	96
	B. Sources of Revenue — Portland School District No. 1 .....	97
III.	PRACTICAL LIMITATIONS	
	A. Mandated Programs .....	99
	B. Basic School Support .....	99
	C. Taxpayer Support .....	100
	D. School Closures .....	100
	E. Desegregation Costs .....	101
IV.	DISCUSSION OF SPECIFIC ISSUES	
	A. Employee Compensation .....	101
	B. Administrative Costs .....	104
	C. Class Size .....	105
	D. Unfunded Pension Costs .....	110
	E. Facility Utilization .....	112
	F. Contracted Services .....	117
	G. Financial Reporting and Budgeting .....	120
V.	SUMMARY & RECOMMENDATIONS .....	123
VI.	CONCLUSION .....	123
VII.	APPENDICES	
	A. Handicapped Percent of Enrollment and Operating Expenditures .....	125
	B. Reducing School Costs Survey .....	126
	C. Poll on Class Size — Oregon Attitudes, Inc. ....	126
	D. City of Portland — Comparable Custodial Costs .....	127
	E. Multnomah County — Custodial Costs .....	128
	F. Bibliography .....	128
	G. List of Persons Interviewed .....	130

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

### I. INTRODUCTION AND SCOPE

The charge to our Committee was developed by the Public Finance and Taxation Standing Committee at the request of the Board of Governors. The charge was formally adopted on December 19, 1977. The Committee was directed not only to review the financial affairs of Portland School District No. 1 (the District) but to provide the necessary background and touchstone for future bond and budget election study committees.

Although many City Club study committees have reviewed the budgets of the District, these studies have all been within the framework of budgetary elections which have limited time and scope of such studies. The charge of the study committee was to undertake a long-range study of the fiscal affairs of the District. As directed by the charge, the Committee undertook to review and make recommendations with respect to the following areas:

1. The compilation, dissemination and utilization of the budget document.
2. The ability to ascertain and project the full cost of programs and policies.
3. The program for the maintenance of District property.
4. The program for closing and consolidating schools.
5. The effective utilization of District property.
6. Policy of the District toward centralization and decentralization of fiscal matters.
7. The presence of unfunded deferred liabilities.
8. The cost of programs imposed by state or Federal laws and regulations.
9. The added cost of special education programs.
10. The effect of the Multnomah Education Service District tax levy and programs.
11. The interrelationship between the District tax rate and that of other taxing entities.

Certain of the issues (Nos. 6, 8, 9, 10, & 11) considered by the Committee lent themselves to reporting of facts without specific recommendations (see the Practical Limitations and Discussion sections) while on others the Committee felt it could state recommendations (the Discussion and Summary sections).

The Committee limited itself to the fiscal and economic issues listed above. It did not consider academic issues or the issue of educational accountability which are the subject of another pending City Club report.

A year ago, the District forecast that by 1984 its expenditure requirements would exceed its available resources by over \$20 million.. This forecast was based on continuing inflation of 7.5% - 8.5% per year and the restoration of essential items cut in prior years, most notably the funding of unfunded pension liabilities.

This same forecast estimated a \$9.3 million shortfall in 1979-80 (Resources = \$126.5 million; and expenditures = \$135.8 million). The District had planned to submit a tax base increase at the November, 1978 general election. This plan was dropped because of the controversy over tax ballot measures 6 and 11 and the perceived backlash against a tax base increase in a climate of tax limitation. In fact, the 1979-80 budget was essentially balanced as estimated resources were increased to \$130.4 million primarily due to a carry-over of net working capital from 1978-79, and expenditures were decreased, primarily by not funding pension liabilities.

The problem is obvious; the solutions are not. The Committee's recommendations do not solve the problem, but seek to provide elements of a game plan that must be implemented rapidly.

**II. HISTORY AND BACKGROUND**

**A. The City Club and School Issues**

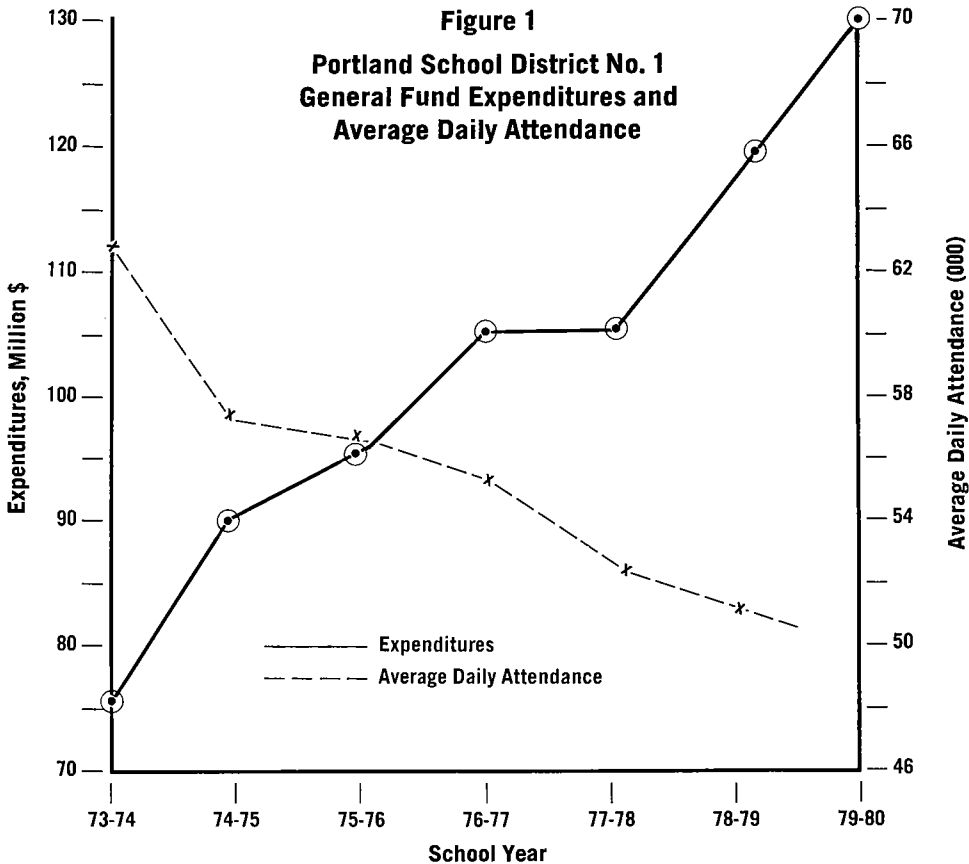
The Portland City Club has historically appointed a study committee for each bond and budget election submitted by the District. In recent years the task of study committees has become increasingly difficult.

The study committee for the January, 1977 budget election found itself without time to prepare a written report and unable to make more than conclusive statements in its oral report. The study committee was frustrated with the mass of material with which it had to become familiar and was unsatisfied with its work product as a result.

The members of the 1977 study committee unanimously concluded that there was not sufficient time for a committee studying a District budget election to educate itself adequately on the highly complex budgetary system and financial status of the District. The study committee recommended to the Research Board that a long range study committee be appointed to review the financial affairs of the District.

No study committee was appointed by the Research Board when the budget was resubmitted to the voters in the spring due to the same time constraints identified by the earlier study committee.

The reason that the District has had to return to the voters for approval of additional levies and the related concern of the Club has been the rapid increase in expenditures even though student enrollment has steadily declined. This can be graphically illustrated as shown in Figure 1.



Two major causes of this dilemma have been the impact of inflation and the inability of the District to reduce fixed costs (e.g., building maintenance) in proportion to decreases in student enrollment. Adjusted for inflation the cost per student has still increased 22% in the six-year period.

#### **B. Sources of Revenue**

The District, as well as other school districts in the state, has two principal revenue sources: 1) local property taxes and 2) revenue from the state, primarily the Basic School Support Fund. These two sources total 88% (\$107 million) of 1978-79 budgeted resources. The District is one of the few districts within the state with a reasonably adequate property tax base, the amount of property taxes it is allowed to levy in any year. By Oregon law this resource can increase 6% annually without voter approval. In 1979-80 this increase will be approximately \$4.65 million or 3.8% of total budget resources.

The Basic School Support formula was increased by the Oregon legislature in 1977. However, this increase provided very little proportionate benefit to the District. The 1978-79 distribution of Basic School Support to the District was \$29 million, or 23.8% of total budget resources and represented a \$3.3 million or 12.8% increase over 1977-78.

Other major sources of revenue are revenue from the Education Service District (ESD) of \$4.4 million (3.6%) and beginning working capital of \$6.5 million (5.3%). The ESD's resources are also provided from a property tax base, which is levied by the county. It is distributed to school districts within the county on a per-pupil basis and also functions to provide a range of services and facilities, including curriculum improvement, libraries, central purchasing, etc. ESD's benefit to a district the size of Portland's is questionable.

Beginning working capital is unused revenue carried forward from the prior year. Every year the District lists beginning working capital as a revenue source, but in fact only once in the last six years has the District's spending required the utilization of this resource. Working capital has in fact grown from \$4 million in 1973-74 to an estimated \$8.5 million for the 1979-80 budget.

Personnel services amount to 80% of the budgeted 1978-79 expenditures for the District. Classroom teachers account for 50% of the total budget. In summary, general fund budgeted expenditures for 1978-79 were as follows:



**Table 1**  
**Portland School District No. 1**  
**General Fund Budget, 1978-79**

	<i>Amount</i> <i>(000 omitted)</i>	<i>%</i>
School Room Costs		
Class room instruction .....	\$ 60,252	49.5
Educational media .....	3,694	3.0
Administration .....	14,201	11.7
Maintenance .....	10,480	8.6
Custodial .....	10,753	8.8
Other .....	2,431	2.0
	<u>\$101,811</u>	<u>83.6</u>
Transporation .....	4,683	3.8
Administration <sup>1</sup>		
District .....	8,182	6.7
Area .....	3,898	3.2
Racial Balance program .....	928	.8
Discretionary - Instructional improvement .....	1,436	1.2
Contingency reserves .....	86	.7
	<u>15,311</u>	<u>12.6</u>
	<u>\$121,805</u>	<u>100.0</u>

Two other major revenue sources and resulting expenditures are not part of the General Fund. These are the 1976 Special Levy Renovation and Maintenance Fund and other special funding sources (primarily Federal). The 1976 special levy is discussed in detail in the "Facility Utilization" section of this report. The other special funds totaled \$13.6 million in 1978-79. The District actively pursues special funding as a source of revenues in a variety of program areas. Many projects are operated to enable the District to achieve goals in situations that require supplementary or compensatory effort. Most projects fund activities that complement the primary mission of the District. However, when the special funding source evaporates, the District is left with a difficult decision either to abandon the program or fund it from the General Fund.

<sup>1</sup>The District accumulates its administrative costs in a manner different from that of the Committee. The District's budget shows total administrative costs of \$5.012 million. Major items not classified as administrative costs by the District include: legal services, District testing, telephone, self-insurance reserves, and minor maintenance of instructional equipment.

### III. PRACTICAL LIMITATIONS

Besides inflation, there are certain fiscal limitations under which the District must operate but which are essentially not subject to its control. The Committee identified the following limitations as the most significant:

- A. An increase in Federal and state mandated programs without provision for adequate funding.
- B. The impact of the state's Basic School Support formula.
- C. Taxpayers' unwillingness to support operating levies or capital improvement programs.
- D. Failure of District residents to support economically sound decisions on school closures.
- E. The impact of desegregation costs.

#### A. Mandated Programs

The District is required to provide certain programs that have been mandated by either the Federal or state government. In many instances, neither the Federal or state government provides adequate funds to operate the programs. Some programs are initially funded, but when the grant monies are expended, local taxpayers are required to continue to fund the mandated programs.

Two examples of mandated programs will show the significant impact on local taxpayers.

Federal Public Law 94-142 requires public school districts to provide facilities for handicapped students and to "mainstream" the students into normal school life. No grant monies have been made available for the 1979-80 school year and, therefore, 100% of the \$6 million per year program will be supported by local funds. This problem is not unique to Portland.

It has sometimes been suggested that the District bears disproportionately large burdens in meeting the needs of its population of handicapped children, but reference to a table in Appendix A showing handicapped students as a percent of total enrollment, and special education as a percent of current operating expenditures in the years 1976-77 and 1977-78, does not bear this out. Instead it indicates that the District does not have a disproportionately high percentage of handicapped students. It further shows that its special education expenses for handicapped students as a percent of current operating expenditures were only marginally over the median for the school districts shown in 1976-77 and equal to the median of the school districts in 1977-78. Many school districts have more handicapped students as a percent of enrollment, and many school districts spend a greater portion of their operating budgets for special education.

Federal law also requires public school districts to provide a program for students for whom English is not their native language. This program is also not provided with any grant funds for the 1979-80 school year, and the annual \$1,500,000 program must be supported by local funds.

#### B. Basic School Support

Basic School Support is a program whereby state-wide income tax revenues are distributed to all school districts within the state.

The basic school support program has an equalization formula whereby districts with less true cash value of taxable property receive a larger share of the income tax revenues than districts with a higher assessed value per pupil. The District is not a so-called equalization district, and therefore, receives a smaller share of the income tax dollar. The net effect is that the District taxpayers pay state income tax for Basic School Support, less of which is received by the District than was paid by its taxpayers, and the difference is made

up by local ad valorem taxes. The District received approximately 15% less in fiscal 1979 than did an equalization district.

Since this report is directed to the fiscal policies and practices of the District, the Committee has not studied in depth or taken a position upon the Basic School Support formula. Clearly, the more money available through state support, the greater the resources that would be available to the District.

### C. Taxpayer Support

The District taxpayers have been unwilling to support any form of tax increases since the District successfully passed a building maintenance and renovation levy on March 8, 1976. The District proposed an adjustment of the tax base in 1972 and asked for operating levies in 1971, 1974, 1975, 1976 and 1977, all of which were refused by the voters. The District has no outstanding bonded debt. The District used a lease-purchase arrangement to build the new Educational Service Center rather than issue general obligation bonds. In fact, the District recently unsuccessfully requested legislation that would allow the District to issue general obligation bonds without a vote of the people.

District taxes are not highly disproportionate to other comparable districts (exclusive of Basic School Support). The following table illustrates the tax per \$1,000 of assessed value for various Multnomah County districts:

**Table 2**  
**Taxes Levied**  
**Selected Multnomah County School Districts**

<u>School District</u>	<b>1978 - 1979</b>	<i>Taxes Levied per \$1,000 Assessed Valuation</i>
School District No. 1 .....		\$10.43
Gresham (High School and Grade School) .....		17.09
Reynolds .....		13.42
David Douglas .....		13.16
Parkrose .....		13.34

The overlapping debt ratio is the total general obligation debt assignable to a particular governmental unit and is derived from combining direct debt of the unit with a proportionate allocation of debt from other units located wholly or in part within the limits of the subject unit. The overlapping debt ratio for the District as of June 30, 1978 was 1.28% of assessed value. This was one of the lowest in the Portland metropolitan area and compares with the Beaverton School District which was 1.90%. Notwithstanding these facts, taxpayers have been unwilling to support any form of tax increases for the District.

Recent reluctance by the District taxpayers to support any tax increases may come from the so-called "taxpayer revolt" that began in California with the passage of Proposition 13. Measure 6 was defeated by the Oregon voters in the November, 1978 General Election but, in the Committee's judgment, continued executive and legislative support for a tax limitation program has, to some extent, accentuated voter reluctance to support tax increases.

### D. School Closures

The neighborhood school has been a hallmark of Oregon education. The neighborhood school is not, however, always economically sound.

District personnel estimate that because of a 30% enrollment decline over the past nine years there are approximately 200 extra elementary classrooms despite the closure of 10 schools.

The District has had some limited success in school closures, but usually any attempt to close a school is met with protest from neighborhood parents. The recent Multnomah School closure is a vivid example.

#### **E. Desegregation Costs**

Because of the position of the District within Oregon's largest metropolitan area with the largest number and percentage of minorities, the District faces certain expenditures unique to it.

Transportation for racial balance and other integration programs is extremely expensive; not only in direct costs, but also in indirect costs such as administrative time. The District estimates these costs to be approximately \$2.7 million in 1979-80.

### **IV. DISCUSSION OF SPECIFIC ISSUES**

Given these limitations and given the resources available to it, what fiscal choices does the District have? In what areas, subject to its own control, should the District spend less money? In what areas should it spend more money?

We will consider three general topics.

The *first* of these includes *teaching and administrative costs* and covers these questions:

1. Does the District pay its teachers and administrators too much? Or too little?
2. Are administrative costs excessive?
3. Could teaching costs be reduced by increasing class size? And should they?
4. Is the District adequately meeting its pension funding responsibilities?

The *second* topic relates to the District's *physical plant* and includes these questions:

1. Is the District operating a larger physical plant than its needs require?
2. Is the District accumulating substantial deferred maintenance on its physical plant?
3. Could the District operate its physical plant more economically — especially by contracting out certain services to the private sector?

The *third* topic is the District's *fiscal system* and covers such questions as these:

1. Does the District have an adequate financial reporting system?
2. Does the District have an adequate budgeting process?
3. Do the District's budgeting and financial procedures provide for adequate public participation and understanding?

The discussion of these topics, and the Committee's conclusions and recommendations, are intended to lay the issues plainly before the School Board, the Administration, teachers, parents, and the public in general.

#### **A. Employee Compensation**

##### **Teachers**

For the 1978-1979 school year, the average annual cash salary per teacher in the District was \$16,840. Table 3 shows a comparison of teacher salaries in selected school districts in Oregon. A careful review of this table shows that the District is by no means first in teacher compensation and that its salary scales are reasonable by comparison to other districts.

**Table 3**  
**OREGON CERTIFICATED PERSONNEL**  
**AVERAGE SALARY BY POSITION\***  
**SCHOOL YEAR 1978-79**

	Portland	North Clackamas	Parkrose	Gresham 4	Reynolds	Centennial	David Douglas	Gresham Union High	Beaverton	Lake Oswego	Eugene	Salem
Principal .....	29,354	26,934	28,390	28,282	27,947	26,368	27,813	31,007	29,382	28,744	27,104	26,152
Asst. Principal .....	25,784	23,928	27,835	26,337	24,213	24,480	27,235	26,185	26,203	23,822	25,874	25,567
Head Teacher .....	17,519		14,196						15,048			15,409
Direct/Support .....	30,333	25,468	26,093	28,279	24,263	25,424	27,342	22,825	30,039	29,295	26,475	30,928
Coord/Counselling .....	20,158	23,998	19,359				17,603	17,487	22,792	22,271	22,696	22,846
Teacher:												
Elementary .....	15,888	15,347	16,285	15,885	15,225	15,423	15,768		15,147	15,590	16,591	15,288
Jr. High School .....		15,781	16,284		14,712				15,827	15,399	16,794	16,027
High School .....	16,745	16,671	16,501		15,119	15,797	17,004	15,297	16,816	16,502	17,900	16,230
Other .....	15,729	16,076	15,430	20,931	14,707		14,732		15,812	17,576	16,186	15,316
Librarian .....	16,592	16,621	16,330	18,751	16,296	17,026	17,419	15,339	17,096	17,744	18,111	16,464
Counselor .....	19,019	18,145	17,564	18,710	16,730	17,960	17,665	17,838	17,967	16,515	18,863	17,450
Adm. Assistant .....	21,834	23,256	29,235		18,298		24,022	18,766		26,550	28,614	20,397
Other .....	19,820	15,016			20,498		16,232	23,835	20,015	20,175	17,729	17,885

Source: Oregon Department of Education

\*Does not include fringe benefits

In addition to base salaries, Portland teacher fringe benefit costs amount to 24% of salary. This has been the fastest growing component of teacher compensation in recent years and is likely to continue so in the foreseeable future. The principal fringe benefits were as follows in 1978-79:

<i>Description</i>	<i>% of Cash Salary</i>
Retirement benefits .....	9.2%
FICA (Federal Insurance Compensation Act) .....	6.0
SAIF (State Accident Insurance Fund) .....	2.2
Health & Welfare Trust Fund .....	5.8
Unemployment .....	.8
Total .....	<u>24.0%</u>

The Committee's research indicates that other Oregon school districts maintain comparable fringe benefit programs. The most significant aspect of the fringe benefit area is that the District lacks significant power to control the level of these expenditures. For example, the cost of employee participation in the Public Employee Retirement System is set by the Oregon legislature. Social Security, SAIF, other retirement contributions and Unemployment Compensation are also set by law or by factors beyond the control of the District. Moreover, the costs are likely to rise over time even if no new benefits are added for teachers. With respect to SAIF, however, the Board voted in June 1978 to self insure for employee accidents rather than continue to pay premiums for such coverage to SAIF. While this plan has not been in effect for a long enough time to evaluate its probable long-term savings, officials have indicated that the District has already been successful in returning employees to their jobs in a shorter amount of time through implementation of a safety program.

Traditionally the District has sought to be and has been one of the leaders, but not necessarily the highest, in teacher compensation in Oregon. There is widespread concurrence that if the District is to continue to attract the number and quality of teachers it needs, this relative position must be maintained. Particularly in an inflationary economy, the effect of this policy is to give the District little practical control over the level of teacher compensation.

The Committee considered both current and deferred teacher compensation, training and skills required and other demands upon teachers. It compared these elements with those of a range of other occupations. The Committee then concluded that teacher compensation is adequate but not excessive.

#### **Administrators**

Because of the broad range of skills included in this category, your Committee believes that administrative compensation cannot be as readily analyzed and compared as teacher compensation. The Committee reviewed compensation of a range of administrative categories including: assistant superintendents, financial and business administrators, accounting, clerical, and stenographic positions. A comparison of selected categories with similar categories in Salt Lake City, Utah; Seattle, Washington; Tucson, Arizona; and Sacramento, California, however, would indicate that the District's administrative salaries are within the ranges established by these other cities.

As in the case of teachers, the Committee has concluded that the level of administrative compensation is reasonable.

**B. Administrative Costs**

The public has been critical of the amount of money spent for area and district administration. For purposes of this section school building administration (e.g., principals, vice principals, secretaries) is not included in administrative costs. For the most part, we concluded these costs vary directly with the number of school units and consequently their corresponding costs are considered under Facilities Utilization.

The Committee concluded that the facts did not support the criticism. The following table illustrates the number of personnel by department in 1975-76 versus 1979-80.

**Table 4**  
**Portland School District No. 1**  
**Administrative Personnel**  
**1975-76 to 1979-80**

	75-76	79-80
Board of Education . . . . .	1	1
Superintendent of Schools . . . . .	2	2
Legal Services . . . . .	2	2
Office Support Services . . . . .	2	2
Public Information . . . . .	6	6
Administration and Planning . . . . .	2	2
Intergovernmental Relations . . . . .	6	8
Community Relations . . . . .	6	33
Transportation . . . . .	30.6	40.5
Evaluation . . . . .	14.6	14.3
Personnel . . . . .	52	36
Professional Growth . . . . .	4.3	3
Instructional Support . . . . .	18.4	6.4
Educational Media . . . . .	45.8	46.8
Special Student Services . . . . .	48	178.3
Career Education . . . . .	32.2	29.5
Management and Finance . . . . .	10	8
Facility Planning . . . . .	—	2
Interscholastic Activities . . . . .	5	5
Data Processing . . . . .	37	38
Special Investigators . . . . .	20	20
Directors—Physical Plant . . . . .	8	6
Architecture . . . . .	6	5
Business Administrator . . . . .	2	2
Accounting . . . . .	25	31
Purchasing . . . . .	12	12
Warehousing . . . . .	16	23
Community Services . . . . .	3	3
Other . . . . .	19	6

Only three areas have shown major increases in personnel: community relations; transportation; and special student services. The sizeable increases in community relations and transportation relate directly to the District's desegregation efforts. The special student services relate to programs for handicapped and disadvantaged children. These points were touched upon in the "Practical Limitations" section of this report. Nevertheless, even these factors have not caused a disproportionate increase in administrative expenditures. This will be seen from the following Table 5.

**Table 5**  
**Portland School District No. 1**  
**Administrative Costs Per Pupil**  
**1975-76 to 1978-79**

	1975-76	1978-79
	(000 omitted)	
<i>Administrative Costs</i>		
District .....	\$ 7,506	\$ 8,182
Area .....	3,302	3,898
Racial balance program .....	273	928
Discretionary-Instructional Improvement .....	1,796	1,436
Contingency reserves .....	1,091	867
	\$13,968	\$15,311
<i>Average Daily Attendance</i> .....	56,693	51,175
<i>Admin. Cost Per Student</i> .....	\$246.38	\$299.19
<i>Percent Increase</i> .....		21.43%
<i>Consumer Price Index</i>		
(1967 = 100) .....	163.5	215.0
<i>Percent Increase</i> .....		31.50%

It can be seen from Table 5 that the administrative cost per pupil rose from \$246.38 in 1975-76 to \$299.19 in 1978-79, an increase of 21.43 percent.

But this was an inflationary period. The increase in the Consumer Price Index over the same period was 31.50%.

We may therefore conclude that the school district has done a commendable job in managing its administrative costs and has consistently held them below the level of inflation, even taking into account the decline in student population. Administrative costs will be further reduced by the recent decision to consolidate two of the three area offices, leaving two rather than three such offices.

Of course, this analysis again emphasizes the need to closely examine the school district's policy concerning the use of facilities, especially school closures.

The performance of the District in managing its administrative costs is contrary to the public's general impression and is certainly one of the findings of which the public should take special notice.

### C. Class Size

In the 1978-79 school year, the District has, by latest report, 51,175 pupils and a total of 3,330 certificated personnel of whom 2,853 are classified as teachers. It is clear that the number of students per teacher is a critical budgetary consideration. The fewer pupils per teacher, the higher instructional costs will be and vice versa.



**Class Size — Where Portland Stands**

Table 6 shows current Portland staffing:

**Table 6**  
**Portland School District No. 1**  
**Certificated Personnel 1978-79**

Superintendent .....	1
Assistant Superintendents .....	7
Principals .....	95
Assistant Principals .....	56
Head Teachers .....	24
Direction/Support .....	20
Coordination/Consulting .....	21
Teachers	
Elementary .....	1,757
High School .....	954
Other .....	142
Total .....	2,853
Librarians .....	26
Counselors .....	83
Administrative Assistant .....	1
Others .....	143
Total .....	3,330

Source: Oregon Department of Education

The student count of 51,175 represents average daily attendance. Certificated personnel means people possessing Oregon teaching credentials. It includes superintendents, principals, librarians, counselors, and classroom teachers. It does not include aides, craftsmen, custodians, and cafeteria workers.

Of the 3,330 certificated personnel, 2,853 are in the teacher category.

Classroom teaching costs currently command 49.5% of the school district's budget. From Table 6 we can determine that there is one certificated person for each 15.37 Portland students in 1978-79. And one classroom teacher for every 17.94 students.

Table 7 indicates recent trends in certificated personnel and class size:

**Table 7**  
**Portland School District No. 1**  
**Certificated Personnel 1975-79**

	1975-76	1976-77	1977-78	1978-79
Average Daily Attendance .....	56,693	55,389	52,420	51,175
Total Certificated Personnel .....	3,592	3,502	3,297	3,330
Teachers .....	3,095	3,070	2,864	2,853
Students/Certified Personnel .....	15.78	15.82	15.90	15.37
Students/Teacher .....	18.32	18.04	18.30	17.94

Source: Oregon Department of Education

**Class Size — How Portland Established It**

Present staffing levels in Portland schools may be traced to a memorandum of July 9, 1971, from Dr. Blanchard to the Board of Education. It refers to a statement on class size concluded on July 8, 1971, between the Portland Association of Teachers and Board representatives in the Non-Economic Council.

The memorandum shows that on May 25, 1970, the Board of Education published a commitment to reduce average class size at all levels from kindergarten through grade 12 to one classroom teacher for every 25 pupils, to be accomplished by 1975. The memorandum recognizes that there must be flexibility in class size within the overall program. It states:

“The suggested ratio of 1:25 concerns certificated teaching staff, regularly meeting with scheduled classes.”

School district personnel have indicated that the commitment to reduce classroom size resulted in part from pressure from the Portland Association of Teachers and from Parent Teacher Associations. Classroom sizes in suburban schools have also been an important consideration since the school district has feared loss of pupils, to nearby systems with smaller classes.

School district personnel indicate that class size policy has generally resulted from the policy considerations above described rather than from any scientific or technical analysis of optimum class size.

Class size has not been determined by the collective bargaining process. As an example the school district has carefully preserved class size as a management prerogative and has specifically provided in Article 21 of its current labor agreement with the Portland Association of Teachers for orderly procedures for the reduction of teaching staff because of declining enrollment, tax base or levy failure, or changes in funding.

**Does Class Size Matter? The Economic Impact**

This year, average daily attendance of 51,175 students produces an average of 17.94 students for each of 2,853 teachers shown in Table 7. Not all teachers so classified are regularly in the classroom. If not, they are providing services supporting classroom teachers. It is important to know the number of teachers at the District’s disposal and available for deployment as a basis for comparison with other school districts and as a measure of teaching resources against student population.

Table 8 indicates the reduction in teaching staff that would occur if the average number of pupils per teacher is increased from 17.94 to 18, 18.5, 19, 19.5 and 20, and the resulting budgetary savings based on current average teacher salary and related fringe benefits.

**Table 8**

**Portland School District No. 1  
Teaching Staff at Varying Student/Teacher Ratios**

Student/Teacher Ratio . . . . .	17.94	18.0	18.5	19.0	19.5	20.0
Average Daily Attendance . . . . .	51,175	51,175	51,175	51,175	51,175	51,175
Number of Teachers . . . . .	2,853	2,853	2,766	2,693	2,625	2,559
Reduction in Teaching Staff . . . . .	—	10	87	160	228	294
Teacher Cost Reduction (\$000) . . . . .	—	\$ 209	\$1,817	\$3,341	\$4,761	\$6,139

The financial impact of increasing the student-teacher ratio is clear. The above tables do not take into account many other considerations. Where class size is increased by a consolidation of schools, there will be a reduction in the number of principals, assistant principals, secretarial staff and other building staff not directly classroom related.

A reduction in teaching staff could well result in a reduction of a number of administrative costs including recruiting, personnel records, professional growth, data processing, and others.

### **Does Class Size Matter? The Educational Impact**

It is easy to oversimplify class size. Who should be counted in determining class size? Principals, counselors, aides, librarians and special personnel may greatly influence class size and manageability. So may teachers employed outside the classroom.

There will be extensive variations in any school system. With widespread electives, high school staffing differs from grade school staffing. Whatever the average class size desired, that number simply may not enroll in a given language, mathematics, science or shop course.

Disciplinary standards greatly affect class size, manageability and educational impact. Inclusion of disruptive or handicapped students affects the performance of teachers and other students.

However, the question is not purely one of quantity. Quality is a vital issue. Better teachers rather than more teachers may be a better answer. These are issues that have been studied for many years. No more comprehensive statement can be found than in the 1978 report of Educational Research Service, Inc., entitled "Class Size: A Summary of Research."

After a thorough review of the bulk of the published research in the field, including a detailed appraisal of each of the individual studies, a consideration of the issue of "optimum class size," and of teacher and public opinion on class size, as well as the economic impacts of class size, the report presents the following "tentative" conclusions:

"Research findings on class size to this point document repeatedly that the relationship between pupil achievement and class size is highly complex."

"There is general consensus that the research findings on the effects of class size on pupil achievement across all grade levels are contradictory and inconclusive."

"Research to date provides no support for the concept of an 'optimum' class size in isolation of other factors. Rather the indicators are that efficient class sizes are a product of many variables including: subject area, nature and number of pupils in the classroom, nature of learning objectives, availability of materials and facilities, instructional methods and procedures used, skills and temperament of the teacher and support staff, and budgetary constraints."

"Existing research findings do not support the contention that smaller classes will of themselves result in greater academic achievement gains for pupils. The evidence is that within the midrange of about 25 to 34 pupils, class size seems to have little, if any, decisive impact on the academic achievement of most pupils in most subjects above the primary grades." Op. cit. pp. 68-69

This report goes on to state that there is *some* evidence:

"Of increased pupil achievement in reading and mathematics in the earlier primary grades in smaller classes."

"That pupils with lower academic ability benefit more from smaller classes than pupils of average ability."

"That smaller classes can positively affect scholastic achievement of economically or socially disadvantaged pupils."

How do you decide optimum class size? What are the criteria? One can proceed from the standpoint of academic achievement as demonstrated by test results.

Or, one can consider classroom practices which many educators believe will produce greater individuality, creativity and interpersonal regard.

And one can consider the question of class size from the standpoint of the teacher.

It is in the area of academic achievement that the findings are so inconclusive. There is, the report concludes, considerable research evidence that smaller classrooms permit

better educational practices. "But not enough research has been done to validate the presumed superiority of these activities in terms of pupil achievement."

Teachers consistently perceive large classes as a major factor negatively influencing teacher morale and job satisfaction. National opinion polls among elementary school teachers have indicated that about half the teachers polled believe they could do their most effective teaching with the class containing 20 to 24 pupils, and about a third believe they could do their best teaching with a class containing 25 to 29 pupils.

*Class Size and Teacher Load*, published by New England School Development Council, April, 1975, agrees with Educational Research Service that extensive research has failed to support any figure as the best class size. This report concludes that:

"... the school system that consistently arranges a class size or pupil/teacher ratio at or below 25:1 is providing learning conditions for students and teachers as favorable as those enjoyed in the vast majority of communities in the United States."

**Does Class Size Matter? What the Public Thinks**

There isn't much question here. The public thinks smaller classes are better. Here is the result of the fifth Gallup Poll on the subject:

**Table 9**  
**Results of the Fifth Gallup Poll on the Importance of the Effects of Class Size on Pupil Achievement**

	<i>National Totals</i> N = 1627	<i>Adults with No Children in Schools</i> 928	<i>Public School Parents</i> 620	<i>Private School Parents</i> 124	<i>Professional Educators</i> 306
A great deal of difference . . . .	79%	75%	83%	87%	85%
Little difference . .	11%	11%	11%	7%	11%
No difference . . .	6%	8%	4%	4%	1%
No opinion . . . .	4%	6%	2%	2%	2%
	100%	100%	100%	100%	99% *

(\*Due to rounding)

Source: Elam, Stanley (ed.). *The Gallup Polls of Attitudes Toward Education, 1969-73*. Bloomington, Indiana: Phi Delta Kappa, 1973. p. 150.

Another Gallup Poll indicated that 70% of the people interviewed would not increase class size as a means of reducing costs. (See Appendix B). A similar poll conducted in Portland in 1978 by Oregon Attitudes, Inc. further supports this conclusion (see Appendix C).

**Does Class Size Matter? How Portland Compares With Its Neighbors**

Table 10 shows total certificated personnel and total teachers in the 1978-79 school year for Portland, for 9 other Portland metropolitan area school systems and for 2 other large Oregon systems: Salem and Eugene. The table also shows the average daily attendance in each district, the average number of pupils for each certificated personnel and the average number of pupils per teacher.

**Table 10**  
**Selected Oregon School Districts**  
**Student/Teacher Ratios 1978-1979**

<i>School District</i>	<i>Average Daily Attendance</i>	<i>Total Certificated Personnel</i>	<i>Total Teachers</i>	<i>Student Ratio to: Total Personnel</i>	<i>Student Ratio: Per Teacher</i>
Portland .....	51,175	3,330	2,853	15.37	17.94
Beaverton .....	20,562	1,295	1,111	15.88	18.51
Lake Oswego .....	6,230	394	332	15.81	18.77
Gresham .....	4,860	233	208	20.86	23.37
Gresham Union HS ...	2,876	189	153	15.22	18.80
Centennial .....	5,088	340	290	14.96	17.54
David Douglas .....	6,424	448	379	14.34	16.95
Parkrose .....	4,038	280	231	14.42	17.48
Reynolds .....	6,041	384	327	15.73	18.47
North Clackamas .....	12,698	812	688	15.64	18.46
Eugene .....	18,784	1,289	1,084	14.57	17.33
Salem .....	22,463	1,374	1,141	16.35	19.69

Source: Oregon Department of Education

It can be seen that Portland presently compares favorably with other Oregon school districts. Only four of the districts listed above have a lower student/teacher ratio. Portland has ratios more favorable than the other seven, including the Beaverton, Lake Oswego, and Gresham school districts which might especially be able to attract students from the Portland system.

We have seen from Table 8 that were Portland to increase its student/teacher ratio to 18:1, a projected savings of \$208,820 would result. At a staffing level of 18.5:1, the projected savings would rise to \$1,816,734. Inspection of Table 10 above shows that the 18.5:1 level would still be generally competitive in terms of pure numbers with most of the districts listed.

Beyond those numbers, Portland has the attraction of its magnet programs and many other special features not to be found in suburban school districts.

At a student/teacher ratio of 19:1 we have noted projected savings of \$3,341,120 and a projected savings of \$4,761,096 with a 19.5:1 ratio.

At a ratio of 20:1, the projected savings is \$6,139,308. This staffing ratio may still be well below the level of one teacher per 25 classroom students contained in the policy commitment under which the Portland School District is now operating. In so stating, it must be remembered that all teachers will not be in regular classrooms and that many classrooms will have more than 20 students. Nevertheless, the potential for savings indicated here is evidence of how far Portland has come in recent years in reducing its class sizes.

#### **D. Unfunded Pension Costs<sup>2</sup>**

In its report on the examination of Financial Statements of the District for the fiscal year ended June 30, 1978, Coopers & Lybrand said,

“Annual provision for pension costs have been materially less than minimum amounts computed in accordance with generally accepted accounting principles.”

Later in the footnotes to those financial statements it is stated that,

“The actuarial evaluation did determine that the present value of the total future contributions (for both prior and future costs) to be made by the District if the plan was changed to an actuarially funded system was approximately \$97,000,000.”

<sup>2</sup>A report by another City Club Committee is in process which concerns itself solely with local government pension plans.

How was this situation allowed to develop? Most District employees are participants in either TRFA (Teachers Retirement Fund Association) or PERS (Oregon Public Employees' Retirement System). TRFA, a retirement fund for Portland teachers, was started in 1911 and continued basically in its original form until 1971 at which time the Oregon legislature passed a statute requiring all new employees of the school district after July 1, 1973 to become members of PERS and closing TRFA membership.

Under TRFA, an employee is required to pay a portion of his or her salary to what is described as an annuity account. Upon retirement, the employee receives an annuity commensurate with the value of the employee's contributions into the annuity account and a defined benefit which, since 1959, is equal to the benefits paid to retirees covered by PERS. Under the PERS system, employers make annual contributions to fund future pensions which are a defined benefit.

The District is not required by the TRFA statutes to make annual contributions to fund the defined benefit portion, but instead is obligated upon the employee's retirement to make up the difference between what the employees' annuity account yields and what the combined benefits would be if that employee had been covered by PERS. Because the District under TRFA does not fund the future obligations which are being incurred, an "unfunded liability" has been created. Unlike private employers, under the Employee Retirement Income Security Act of 1974 (ERISA), the District is not required to meet minimum funding standards.

The actuaries for TRFA estimated that as of December 31, 1976, the date of the last actuarial valuation, the present value of the unfunded liability was \$97 million. Even if it were assumed that the District would fund the TRFA plan in the future at the same rates that PERS is being funded, anticipated liabilities would still exceed available funds by \$55 million, on a present value basis. The extent of the liability and the failure of the District to make adequate contributions to TRFA are highlighted by the District's auditors who qualified their opinion on the financial statements for the year ended June 30, 1978. The effect of the provision for pension costs was considered to be so significant that the financial statements did not fairly present the District's financial position. On April 16, 1973, the Board of Education did create a fund for making payments toward the District's unfunded liability. However, as of June 30, 1979 only \$4 million resides in this fund.

It should be emphasized that in addition to the amounts which must be paid to fund the TRFA unfunded liability, the District faces substantial increased employer contributions to PERS (and consequently TRFA) in the years ahead. Due to actuarial re-evaluation and the adoption of an actuarially sound plan to fund previously unfunded PERS liabilities, the employer contribution has risen as indicated in the table below:

**Table 11**

**Portland School District No. 1  
Employer Contribution to PERS**

<i>School Year</i>	<i>District Contribution as a Percentage of Participant's Compensation</i>
1977-78	7.6%
1978-79	8.9%
1979-80	10.2%
1980-81 (Est.)	11.5%
1981-2007 (Est.)	12.8%

Further increases will be required if the legislature authorizes increases in the benefits to be paid PERS retirees, if the actuaries have underestimated the extent of future liabilities of the PERS system, or if the earnings on the fund's assets are less than those assumed in the computations. Likewise, incorrect actuarial assumptions could result in decreases to contributions.

A similar situation has existed in Massachusetts where the Massachusetts Retirement Commission has recently completed a study of the Massachusetts state pension system. Like TRFA, Massachusetts was not funding its retirement system on a current basis and was facing retirement payments only as they came due. The study indicated that one day the state would be paying out as much money for its pension system as for workers on the active payroll. If no action is taken to fund TRFA, retirement costs for the District will temporarily remain at lower levels than those of an actuarially sound plan; however, the costs will continue to climb to what may become an intolerable level in the future.

What can the District do about this problem? Coopers & Lybrand in a report to the Audit Committee of the Board of Education of the District have proposed level annual funding of \$7.8 million over 30 years. This compares with current funding of \$2.6 million now needed on a pay-as-you-go basis.

What happens if nothing is done? The District in adopting its budget for the current fiscal year has made no provision for further contributions to fund this liability. If the District continues this policy, it can be anticipated that the funding problem will escalate rapidly. For example, from 1972-1976 the present value of all required contributions increased from \$54 million to \$97 million. Surprisingly, there are no current figures available to compare payments to the "pay-as-you-go" system, but the escalation of the amounts would no doubt be staggering.

It is on this basis that your Committee endorses the Coopers and Lybrand recommendation for level annual funding of \$7.8 million per year over 30 years of unfunded pension liabilities.

## **E. Facility Utilization**

### **Surplus Capacity**

There is little doubt that the District is underutilizing its facilities. Dr. Robert Blanchard's staff memorandum of October 30, 1978 summarizes the need for both better planning and fuller utilization of existing school facilities. He notes,

"School District #1 has suffered an enrollment decline of almost 30% in the last nine years. Presumably, in spite of the expansion of special education programs, the decline has created excess or surplus space in our schools. We have responded by closing ten schools, representing 4% of our total school building area. Yet, we find that we still have surplus classrooms in elementary schools and high schools. Unfortunately we have been slow to resolve the cause and inefficiencies represented by those surplus facilities."

Two years ago the District's Facilities Planning Department conducted an historical survey of national, state, and local space standards for schools and school programs of varying size and grade configuration. From this survey a composite standard was applied to every school facility in the District to determine optimum capacity, and to identify current space deficiencies and surpluses. Of the 89 elementary, primary, and middle schools in the District, nearly half operate at least 20% below capacity. Based on an average of 25 students per classroom, there are approximately 200 excess elementary classrooms because of declines in enrollment. Indications are that the overcapacity problem is at least as great at the secondary level. Based on maximum building capacity and the 25 students per classroom norm, the District has 29% excess capacity. The Committee recognizes that many classes (e.g., special education classes) cannot and will not operate at the 25 student level.

"Portland Public Schools 1950-1977," a recent report prepared by the Portland Bureau of Planning, provides a comprehensive study of present and projected enrollment

trends and needs for educational facilities. Part of this study involved forecasting future enrollment trends and the need for educational facilities on the basis of four different assumptions regarding fertility rate and migration patterns. In summary, under three assumptions, the school age population in the District is forecast to decline through the year 2000. Under a fourth assumption, school age population will decline steadily until the mid-1980s and then begin a slow, steady increase. The study also notes that the pattern of growth decline will vary markedly between high school areas. While this study is the best available estimate as to future school population trends, it strongly suggests that probabilities are greater that the school population will decline in the foreseeable future than it will increase. The probability of future declines on top of an already realized decline in school age population between 1970 and 1975 make it increasingly imperative to develop a comprehensive facilities management and planning program at the present time.

The Portland Bureau of Planning study referred to above outlines school closures since 1950. Of the 14 schools listed, six schools still exist and are owned by the Portland School District as follows:

- 1) Linnton School, used for storage.
- 2) Mt. Tabor Annex, occupied by the Portland Parks under a revocable permit issued by the District, the Park Bureau to pay all operating costs.
- 3) Kennedy School, currently used as a holding school during major renovation and scheduled for this continued use through approximately 1981-82.
- 4) Collinsview School, used as a curriculum center.
- 5) Markham Annex used as a classroom for Emergency Home Repair. According to the District, the Annex will be vacant this fall when the Home Repair class is relocated.
- 6) Fulton Park School, occupied by the Park Bureau under an Exchange of Use Agreement in which the District has access to Frazer Park.

Kerns School was demolished but the property retained, and Holbrook School property is owned by a private estate, but the school district is "holding the facility for five years." The completion of the Educational Service Center will offer the School District an opportunity to consolidate many functions and activities which by necessity have historically been highly decentralized and housed in various parts of the community. The availability of the Educational Service Center provides the School District an opportunity to review its holdings of "surplus" real estate and re-evaluate their current need to the School District.

### **Potential Savings**

What does it cost to keep a school building open? The identifiable costs are maintenance of plant, custodial and operating, and school administrative costs. These costs are reasonably easy to identify. On the other hand, proceeds from disposition or economic utilization of surplus facilities, and potential reduction of School administrative costs due to the reduction of District facilities, are the rewards of appropriate closures. Increased transportation costs are also a factor in school closure analyses.



The potential savings from school closures are significant. The 1979-80 budget discloses the following:

**Table 12**

**Portland School District No. 1  
District Operating Costs Affected by School Closures**

Plant operation and maintenance . . . . .	\$10,340,412
Custodial and operating costs . . . . .	11,536,563
	\$21,876,975
Estimated school management cost/school (Primarily principal and secretarial payroll and related benefits) . . \$	45,000

Applying these costs to potential percentage reduction in facilities yields the following savings:

**Table 13**

**Portland School District No. 1  
Potential District Savings at Selected Capacity Reductions**

<u>Capacity Reduction</u>	<u>Annual Variable Cost Savings</u>
25%	\$6.670 million
20%	5.300 million
15%	3.975 million
10%	2.650 million

The District's estimate of annual savings of \$100,000 from the recent closure of Multnomah School partially supports these savings.

There are also noncost reasons for consolidating and closing schools. One of the considerations behind the District's middle school program has been the increased educational opportunities resulting from the consolidation of students at both primary and middle school levels, allowing specialized teaching and better utilization of equipment. This was a primary consideration behind the Multnomah-Maplewood consolidation and resultant closure of Multnomah.

**Other Views**

On the other side of the question, the City of Portland in its review draft dated June, 1979, "City School Policy," lists as one of its goals "Support programs to help keep public schools open." In that report it is stated that,

"The City's concern with school closures derives from the City's concern for neighborhoods. A healthy, stable neighborhood depends on people's access to a number of facilities and services: housing, transportation, parks, churches, groceries, and community centers—and schools. In many neighborhoods the school is the focus of neighborhood attention, even for families without children. When parents and other neighbors take an interest in their schools, the school programs can be strengthened, and the neighborhood will be stronger as well."

The question that Portland citizens must answer is what are they willing to pay to keep underutilized facilities open.

While the District recognizes the surplus nature of these facilities, it has chosen to generally follow the path of broader utilization. Dr. Blanchard further noted in his October 30, 1978 staff memorandum that the City of Portland and Multnomah County:

"... currently lease or plan to lease more than 150,000 square feet of space for community oriented programs. In addition, numerous other public and non-profit agencies lease or are seeking space for neighborhood activities. Many of these are compatible with or complementary to programs in our schools. With the very broad responsibilities to neighborhoods which I have mentioned, we are obligated to house in the surplus school space uses most beneficial to the community regardless of whether or not they are ours. As a consequence, our schools would serve a more diverse population, adults and small children would become more attached to our schools, and our present students, whom we are accused of segregating from their community, would benefit from the expanded exposure."

The subject of full utilization of facilities is also mentioned in "Portland Public Schools 1950-1977" in which it is noted under Appendix D, Cooperative Programs: City and School District that,

"... there is no formal agreement between the City Park Bureau and the School District outlining policies and procedures for the use of each other's facilities. In the absence of a formal policy, each joint use arrangement is now handled on an individual basis. Development of a uniform procedure for joint uses and the establishment of a mutual body on acquisition of property and take over of buildings could: 1) facilitate efficient and economic use of existing buildings, 2) assist the Park Bureau and the School District in the coordinating of investment plans, and 3) save time and money for both the Park Bureau and the School District by minimizing the duplication of effort."

While the foregoing outlines the potential of a more completely integrated program, a School District memorandum by G. Baldwin dated November 1, 1978, addressed to Dr. Blanchard, realistically outlines the barriers attendant to any coordinated facility sharing program. Mr. Baldwin states:

"... any plan to promote the shared occupancy or re-use of schools by the activities of several agencies (or simple closure and resale) reveals some fundamental problems. Those traditionally identified are: 1) the traditional desire of each agency to maintain independence and, thus, full control of its programs; 2) laws, policies and practices which restrict or discourage integration or sharing of programs administered by separate jurisdictions; 3) potential loss of program integrity when co-mingled with others; 4) loss of permanent community focus if the school program is removed from a school building; 5) the loss of public property which may be needed in the future."

Mr. Baldwin concludes "these barriers must be removed before we can pretend to realize any opportunities associated with an expanded joint use of schools."

Expanded facilities sharing deals with only part of the problem of facilities planning and utilization. Nevertheless it does often offer a multi-dimensional course of action designed to gain optimal use from existing facilities.

### **Who Pays for Non-School Use?**

To make this an effective, albeit partial answer, attention must be given by the School District and other participating parties to establishing a realistic pricing schedule for the use of these facilities. Historically, testimony before this Committee would lead us to conclude that in many cases fees being charged, particularly to other public and non-profit organizations, are not sufficient to cover attendant District costs. To the extent that current facilities charges are insufficient, the District is incurring a cost for which it is not being reimbursed by other entities. It would be this Committee's recommendation that this practice be abolished and full-cost pricing among user agencies be implemented throughout the community.

### **Renovation and Deferred Maintenance**

In addition to the availability of the Educational Services Center, increasing demands placed on the District's budget for major renovation provide additional incentive for a realistic assessment of the District's needs. Table 14 shows the growth in major renovation expenditures from 1950 through 1977:

**Table 14**  
**Portland School District No. 1**  
**Major Renovation Costs 1950-1977**

<u>Year</u>	<u>Major Renovation Costs</u>
1950	\$ 200,000
1955	630,086
1960	673,881
1965	549,997
1970	255,000
1975	3,025,234
1977	6,236,264

Recent expenditures have not been entirely from the General Fund, but largely from the 1976 special maintenance and renovation levy.

The District currently estimates its deferred maintenance needs at \$100 million. This includes maintenance and repairs, removal of architectural barriers for the handicapped, energy conservation requirements, and fire prevention.

The 1976 special levy provides the District with \$3.5 million for each of eight years for maintenance and renovation of physical plant (i.e., school buildings). It can easily be seen that this special levy falls considerably short of solving the deferred maintenance problem and the District can be expected to seek a new levy when the current one runs out. Growth in major renovation costs is clearly a reflection of a maturing school system. To the extent that those mature facilities are not needed, and can be closed and disposed of, major reductions in renovation costs can be made. Applying the same potential percentage reduction in capacity described in Table 13 would reduce future renovation costs as follows:

**Table 15**  
**Portland School District No. 1**  
**Potential District Deferred Maintenance Savings**  
**Through Facilities Closure**

<u>Capacity Reduction</u>	<u>Savings</u>
25%	\$25 million
20%	\$20 million
15%	\$15 million
10%	\$10 million

The potential operating cost reductions shown in Table 13 are recurring savings from school closures. The elimination of deferred maintenance expenditures through the same school closure (Table 15) will occur only once.

#### **A Comprehensive Facilities Program**

It is this Committee's belief that the time is now appropriate for the District to develop a comprehensive program dealing with existing and projected facility needs. In order to accomplish this, the School District will have to improve its financial reporting system so that it can identify both direct and indirect costs of operating each and every facility which it has under its jurisdiction. Financial reporting and budgeting practices are discussed later in this report. The ability to ascertain cost of operation is pivotal in terms of developing realistic user charges for other than educational activities.

It is this Committee's observation that the School District's mechanical process of determining degree of utilization of its educational facilities, its demographic analysis of school enrollment trends within specific schools, and its eco-political evaluation processes all appear more than adequate. The shortfall in the process has been the School District's failure to develop a comprehensive policy and program to deal with the "surplus facilities problem." Despite the School District's reluctance to involve the community at large, it would be our recommendation that in developing a macro-perspective on this problem the School District undertake to establish a proposal for closing and divesting under-utilized and surplus facilities, placing heavy stress on the income generated from sales and the savings resulting from reduced maintenance and renovation expenses. It should then present a proposed relocation program, which would be designed to optimize the utilization of facilities which are to be retained. Emphasis here should be on showing educational program improvements, and any other attendant educational benefits. Further, the District must provide absolute assurance that all surplus property will be sold or otherwise dealt with on a sound economic basis.

In making the foregoing proposals, the School District would attempt to seek community support by 1) showing itself to be a "lean" operation, 2) producing important savings, and 3) perhaps most importantly, offering program improvement in the individual schools.

While community support is by no means assured, a program offering dollar savings combined with improved education would seem to have the best probability of capturing community support and enabling the District to deal realistically with the increasingly serious problem of facilities utilization and planning.

**F. Contracted Services**

Quite apart from its principal educational function, School District No. 1 manages a big business. Its 1978-79 budgets for maintenance and repair of its 122 buildings, for the operation (basically custodial services) of those buildings, for transportation and for food service are shown below:

**Table 16**  
**Portland School District No. 1**  
**Selected Service Functions (1978-79)**

	<u>Personnel</u> <u>Services</u>	<u>Contracted</u> <u>Services</u>	<u>Other</u>	<u>Total</u>
Maintenance of Plant. . .	\$ 6,854,858	\$ 900,675	\$1,577,355	\$ 9,332,888
Operation of Plant. . . .	8,044,429	1,951,931	1,486,209	11,482,569
Pupil Transportation . .	1,466,509	2,753,309	203,081	4,422,899
Food Service . . . . .	2,667,063	58,462	3,185,425	5,910,950
<b>Total . . . . .</b>	<b>\$19,032,859</b>	<b>\$5,664,377</b>	<b>\$6,452,070</b>	<b>\$31,149,306</b>

Note: The food service budget shown above combines the food service management budget with the budget requirements of the Cafeteria Fund.

The School District contracts with private operators for a substantial portion of its pupil transportation requirements while still maintaining a significant in-house capability. In maintenance and repair, plant operation and food service, the District basically operates with its own work force rather than with private contractors. The bulk of the contracted services shown above are utilities and travel.

Other school districts and other governmental units have moved from performing various service functions with in-house staffs to the use of private-sector contractors. The experience of some of them will be examined here. The question is raised whether the District could effect significant economies through the performance of some or all of the

services shown above by contracting out those functions. The basic advantage of contracting out is that the scope of the work to be performed is defined and the total price is determined by competitive bids and is fixed. The contractor is then bound to perform at that price. Performance by the contractor is usually backed by a bonding requirement. Risks of increased costs, damages during performance or other liabilities are borne by the contractor. Pension funding is the obligation of the contractor. Nevertheless, government bodies using private contractors have found increased labor productivity to be the key to the significant cost reductions achieved through contracting out.

The advantage of an in-house work force is its specific identification with the work to be done and its long-term familiarity with the needs of the work. In changing from in-house performance to contract performance of work, government bodies are often faced with the problem of a substantial group of long-term employees.

The experience of other governmental units may help to illuminate this issue.

#### **Evergreen School District No. 114—Custodial Costs**

This Clark County, Washington, school district has approximately 11,000 students. It operates 12 elementary schools, 3 junior high schools, 1 high school, and 6 support facilities, totaling 1,130,000 square feet. In 1979-80, Evergreen will contract its custodial services to a single private contractor. The private contractor will employ custodians formerly on the school district's payroll at their same rates of pay. Evergreen's in-house custodial program cost \$889,501 in 1978-79. The comparable estimate for 1979-80 to service the same plant is \$1,066,297 including a 15% wage increase. The accepted bid for custodial services of \$712,872 therefore indicates a net savings of \$343,195, or 32.19% of what would otherwise have been the 1979-80 budget after providing \$10,230 for estimated district supervision and liaison costs.

Custodial costs estimated to have been 94.4¢ per sq. ft. using an in-house force will be reduced to an indicated 64¢ per sq. ft. under the pending contract arrangements.

The custodians' union has brought an action seeking to terminate the private contract. The School District is currently operating under the private contract and believes it will prevail in the lawsuit.

In its investigation of school districts contracting out custodial services, Evergreen was informed of the experience of the La Conner, Washington, school district where the following results were reported:

- (1) Costs were reduced to about two-thirds of the previous costs;
- (2) Work performance improved;
- (3) It was easier to correct poor work and to replace substandard workers.

#### **City of Portland—Custodial Costs**

Portland began to contract out a portion of its custodial services in 1975-76. It has increased contract custodial work each year thereafter by attrition of the city's own custodial force. Appendix D shows custodial costs for selected City of Portland buildings from 1973-74 when all work was performed on an in-house basis to 1979-80. In a period of persistent inflation, it should be noted that custodial costs of these city buildings have been sharply reduced from the costs of 1973-74. The City estimates that in most instances, contractual bids are 50% lower than in-house operating costs. The City advises that the key to developing good contract custodial services is to develop good technical specifications and then monitor them carefully. It further states that in addition to budgetary savings, it has been able to eliminate personnel problems, reduce supervisory management, and in many instances improve the level of service.

#### **Multnomah County—Custodial Costs**

Multnomah County started to contract out its custodial services in the 1974-75 fiscal year. Its experience is shown in excerpts from its Financial Planning Report No. 12, June, 1978 shown in Appendix E. The report indicates that to have continued 1973-74 staffing

in the current fiscal year would have cost an additional \$392,719 which, added to 1973-74 costs of \$1,014,196 indicates a comparable 1973-74 cost of \$1,406,915. The 1977-78 costs of \$920,132 indicate a savings of \$486,783 or 34.6%.

Multnomah County operated 1,600,000 square feet of buildings in 1973-74 and 1,800,000 square feet of buildings in 1977-78. Using the maintenance and cleaning costs indicated above, the County achieved a reduction of maintenance and cleaning costs from 63.4¢ per square foot in 1973-74 to 51.1¢ per square foot in 1977-78. Multnomah County finds that all of its service requirements are properly incorporated into the specifications for the contract custodian's work. A single contract administrator monitors contractor performance.

Further, it is interesting to note that in 1977 average cleaning costs for 4,187,838 square feet of Portland area private office buildings reported upon were 78.3¢ per square foot.

### Potential Savings

Of the School District's 1978-79 plant operations budget of \$11,482,569, \$8,044,429 is absorbed by personnel services. \$226,247 is spent for consumable supplies, a substantial portion of which are usually furnished by a contractor. The District operates 9.495 million square feet of buildings at a cost per square foot, including personnel services and supplies only, of 87.1¢ per square foot.

In response to this Committee's inquiry concerning the potential benefits of contracting out custodial work, the District has indicated its belief that: "... contracting could be advantageous at the secondary level but is not practical at the elementary level." The District further stated:

"Most elementary schools have only two or three custodians on the staff with one being on duty from 6:00 in the morning until 2:30 and the other one or two working from 2:30 until 11:00 p.m. doing the building cleaning. Because all of the school buildings are used for numerous activities during evening hours, it is necessary to have the custodian available to set up chairs, move furniture, turn on lights, activate sound systems, get equipment out of locked storage areas, etc., as needed by building users. Contracted cleaners will not perform the variety of services required of evening custodians along with the regular cleaning work. The evening custodian also has overall responsibility for care and protection of the building which is likely to be more protectively performed by the District employee."

"Because high schools are considerably larger and have more employees on the custodial staff, it is possible to contract out the regular night cleaning duties and still have a couple of custodians employed by the District on the day shift and a couple at night to be responsible for all of the services related to community and school evening use. The greater number of school evening activities in high schools—setting up bleachers for spectators at sports events, school programs in the auditorium, dances, etc., require flexibility by some of the evening custodial staff. Routine cleaning could be arranged through outside contract and would replace six or seven District custodians if cost analysis demonstrates that contracting will result in saving."

It is fair to say that other governmental bodies interviewed have stated that with proper specifications, it is possible to have the work required by the employer performed to the employer's standards and satisfaction. Evergreen School District approaches the question of evening use of buildings by paying for the special custodial services they require out of income from such activities.

It is clearly not possible to put different kinds of buildings, of different ages, with different physical plants and operated for different uses on a fully comparable basis, whether for custodial costs or otherwise. Nevertheless, with respect to custodial services, the experience of the Evergreen School District shows an anticipated material reduction in its custodial costs on the order of one-third. Similar or greater cost reductions have already been experienced by the City of Portland and by Multnomah County through contracting out custodial work. It would therefore seem prudent for the District to give serious consideration to contracting out its custodial services.

On the basis of only two elements from the 1978-79 operation of plant budget:

Personnel Services .....	\$8,044,429
Consumable Supplies .....	226,247
	\$8,270,696

a reduction of 10% through contracting out would indicate a savings of \$827,070. A savings of one-third comparable to savings cited in this study would mean a cost reduction of \$2,756,565; and a savings of 50% cited by the City of Portland would mean a savings of \$4,135,398. These are worthwhile numbers for the District to ponder.

We do not have adequate comparisons in the maintenance and repair budget where special circumstances might argue more forcefully for an in-house staff. Nevertheless, common sense would seem to indicate the benefits of a thorough review here.

The receipts of the cafeteria fund, including income from meals and snack bar, Basic School Support, and state reimbursement plus beginning working capital equal the year's cafeteria budget requirements. Hence, the School District's outlay is limited to a management budget of \$186,218. Taking into account the new modern food preparation systems in the Education Service Center, the capital investment represented thereby and the efficiencies to be expected, it does not presently appear sensible to consider contracting out food services.

A substantial portion of transportation services is already contracted out to a private operator and there are practical reasons for retaining at the same time an in-house transportation capacity.

## **G. Financial Reporting and Budgeting**

### **Financial Reporting**

The Committee initially set out to review costs per student at various schools and in various educational programs. Its objective was to discover if any significant variances existed between schools or programs; investigate those variances; report the effect of those variances; and make recommendations, if appropriate. We had hoped to present in our report an analysis of District expenditures by program and service in order that readers could make informed judgments as to the wisdom of the expenditures. The Committee pursued this objective with a great deal of effort, but in the end was frustrated. We found that the financial reporting system makes no attempt, except on a macro basis, to report cost on per-student basis. Portland is not alone in this deficiency. A report released in June, 1978 for the Oregon Educational Commission by The Pringle Company (The Pringle Report) noted,

"It is difficult to address these questions without knowing what it actually costs to educate children with different educational needs. At the present time, such cost information is generally not available for public schools in Oregon."

Why is this level of information necessary? The answer to this question lies with how the District has dealt with budget cuts in the past. The first budget reduction always seems to be the elimination of pension funding (see Unfunded Pension Costs). This only pushes the problem forward without solving it. In 1971-72, when faced with severe budget limitations, 20 days were eliminated from the school year. Here again it does not appear that the real issue was addressed. It cannot be addressed until adequate cost information is available.

We found the same problem at the area administration level. In response to questions about variances in costs per student by school, we concluded that they too suffered from the lack of cost information.

In response to a Portland Chamber of Commerce Ad Hoc Joint Study Group of the Education Committee and the Economic Principles and Policy Committee in December 1976, Superintendent Blanchard said,

"One of the frustrations expressed by the study group lies with the complexity of our budget document. We sympathize with this problem and certainly offer our help in interpreting this material. However, I hope you understand that this new form of budgeting does allow us to do fairly sophisticated cost analyses that were impossible previously, even though prior budgets were far less complex."

Our Committee has a complaint similar to the Chamber Committee with the complexity of the budget document. However, in addition, our observations are that the system also falls short of "sophisticated cost analysis." The District has informed the Committee that it "is aware that its present financial reporting system is antiquated." The District is proposing a replacement of the current system to be completed prior to July 1, 1981. The estimated cost of design and installation of the proposed system is \$20,000 of contracted services and \$220,000 of personnel services. Our review of the proposed new system revealed substantial improvements. However, its data base does not include student enrollment information. This information must be interfaced with the new system to provide the reporting the Committee feels is absolutely necessary. The District has assured the Committee that this is indeed its intention.

### **Budgeting**

The budgeting process for the following school year begins each year in October under the supervision of the budget director. This process ends the following June with final approval by the Multnomah County Tax Supervising and Conservation Commission. Along the way input is made to the budget by various areas of responsibility (e.g., school principals, area and assistant superintendents); reviews by citizen advisory committees; and school based budget hearings. The budget process clearly meets the letter of Oregon law. However, we feel three areas need critical review: the process itself; complexity of the budget document; and the adequacy of citizen input.

### **The Process**

The key element in the establishment of the District's budget is the FTE (Full Time Equivalent) ratio established by the Board of Education. This ratio determines the level of staffing required to correspond to anticipated student enrollment. Since approximately 80% of the District's expenditures are for personnel salaries and related costs, the establishment of the FTE ratio fixes a major portion of the budget.

Based on this FTE ratio, each school unit is allocated its staffing levels in relation to its enrollment. Each principal has the discretion, subject to review, to allocate staff to programs which the principal feels most appropriate to that school. Therefore, schools of similar size within the District may not offer the same programs.

Area administrators have considerable flexibility in the actual implementation of the budget. They have relatively little constraint in their ability to reallocate funds within the general FTE guidelines. We do not quarrel with the flexibility, but are concerned with the potential for duplication of administrative efforts at the area level (e.g., evaluation, curriculum development and budget management) and variance in programs between areas. In fact, in response to these concerns, and as an effort to reduce costs, the District recently reduced from three to two the number of area superintendents.

We wonder if the process hasn't been reversed. Once enrollment is fixed, personnel costs can be determined by applying the FTE ratios and the process becomes one of allocation and balancing. We think the process should begin at the program level and proceed to a total. When revenue constraints limit the quantity or quality of programs, as they no doubt will, then a critical review could be made of each program. This hopefully would forestall the trap of cost plus budgeting. In other words, taking the previous year's budget and adjusting for inflation. This process should be tied directly to the financial reporting system discussed above.



### **Complexity**

The budget document for the 1979-80 school year is 332 pages long. The previous budget was also exactly 332 pages. The alphabetical index is a hint as to its complexity. Personnel recapitulations are listed on 16 different pages scattered throughout from pages 54 to 196. The rear portion of the document lists administration and district support services within the areas. However, in many instances we found it impossible to relate these breakdowns to earlier presentations in the document.

This is not to say that the budget can be made to read like fiction. We are dealing with a business with over 100 locations and total expenditures of \$130 million. However, our Committee included four certified public accountants and two attorneys plus others familiar with business. We dealt with the budget in detail for over a year and still never became comfortable with it.

What can be done? First of all, an improved financial reporting system will go a long way toward improving the information flow. Second, the layout has to become more readable. Later in this report we recommend a citizen-review committee for the budget. Perhaps an initial project for this committee would be to establish the information it needs and the format in which it should be presented. Some suggestions are:

- (1) All personnel costs should be summarized in one section. This would include a breakdown by job description, location, and total cost. In the same report student enrollment should be displayed plus comparative information with prior years. Significant variances should be explained.
- (2) Custodial and maintenance costs should be listed by school with applicable square footage, cost per square foot and student information. Again, significant variances should be explained.
- (3) Special costs that relate only to programs such as desegregation and educating the handicapped should be displayed and should include the total costs of these programs.
- (4) Supplemental information should be displayed in a table by responsibility center with program descriptions following.

While the Committee felt it was beyond the scope of its responsibility to redesign the budget format, it firmly believes substantial revision is needed.

### **Citizen Input**

The District does attempt to receive citizen input and review. However the impression we received after attending numerous Board of Education meetings and budget review meetings is that the input is too little and too late.

For example, the March 12, 1979, Board of Education meeting included a budget overview presentation and the first budget committee meeting for the 1979-80 budget. The total process lasted approximately one-half hour and elicited less than 10 questions from the citizen audience. Throughout subsequent hearings, citizen advisory committees complained of inadequate time to make enlightened recommendations. Their main function appeared to be review ways to spend or allocate available revenue, rather than to make a critical appraisal of the level of expenditures.

There are no lay citizens on the budget committee and budget sessions are poorly attended by the citizens. We do not feel that citizens of the District are apathetic about the budget, but rather feel they cannot comprehend or influence it. Comprehension can be improved by a revised budget document. Input can be improved by a District-wide standing citizen advisory committee balanced as to membership, whose only responsibility is budgetary. It needs to be involved from start to finish on the budget process and it must have continuity from year to year. It must have a direct line of communication with both the District Administration and the School Board.

The District has suffered from the taxpayers' unwillingness to support operating levies or capital improvement programs. To help overcome this problem, a foundation of public

participation must be laid. A standing citizen budget advisory committee would be a step in that direction. However, until this standing committee can be formed and operative, the local citizen advisory committees that are now in place should be used by the principals and area administrators.

## V. SUMMARY AND RECOMMENDATIONS

The Committee's conclusion is that the District's administration is characterized by a high degree of dedication, integrity, and openness. Administrators made themselves freely available to us and have promptly furnished all available information requested by the Committee. In our judgment, the quality of administrators is outstanding. We would hope that our report would not be interpreted as criticism of the District, but rather as a critical appraisal of areas for improvement and further review. In summary, we found:

1. General fund cost per student in the District has risen 22% in the last six years after adjusting for inflation.
2. Employee compensation both at the instructional and administrative level is adequate but not excessive when compared to other occupations and other school districts.
3. Administrative costs have not increased disproportionately and appear to have been soundly managed. We concur with the decision to consolidate area administration from three to two area offices.
4. Substantial savings on the order of \$1-6 million could result from an increase in student-teacher ratios. We found no evidence that clearly supported the proposition that smaller classes mean better learning. However, there is considerable evidence that public opinion supports lower class size, and certainly teachers generally believe smaller class size (20-29 pupils) enhances their ability to teach.
5. The District is creating a substantial burden on future taxpayers by not currently funding pension liabilities. We recommend that level annual funding of \$7.8 million begin immediately.
6. The District has not adequately dealt with the issue of school closures caused by declining enrollment. We recommend that a comprehensive long-range plan be developed and that full-cost pricing among user agencies be implemented. Savings from aggressively pursuing school closures could be from \$2-7 million annually. Disposition or alternate use of school buildings on an economically sound basis would help to solve the substantial deferred maintenance problem facing the District. The public, however, has been reluctant to support neighborhood school closures.
7. The Committee's research indicated a potential annual cost savings of \$1-4 million by contracting out custodial services. We recommend that this be pursued. Other potential areas for contracting out such as food service, plant maintenance, and transportation did not appear as lucrative but we recommend they be studied further.
8. We recommend the new financial reporting system continue to be developed. Emphasis should be on the development of meaningful cost accounting data on a program and on a per-student basis.
9. We recommend the budget process concentrate on program budgeting rather than explosion of costs based on FTE ratios. The budget document needs to be revised to lessen its complexity. Finally, a standing citizen budget advisory committee should be established.

## VI. CONCLUSION

The ultimate choices lie with the public—voters, taxpayers and parents. The program here recommended to meet unfunded pension liabilities will add a substantial element to the District's budget.

Contracting out services now performed by District employees could provide substantial savings. So could a program of consolidation and disposition of excess facilities. As to the latter, the public must choose between the benefits of small neighborhood schools and the rather substantial costs of supporting them.

Similarly, the public must decide how much it values smaller classes against the savings available from increasing student-teacher ratios.

A better financial reporting and budgeting process will help the public to understand the District's problems and participate in their solution.

The value choices of the public will decide if the District can reduce its levels of expenditures, or whether it needs to increase them.

This report is dedicated to informing the public in the conviction that an informed public will make wise choices.

Respectfully submitted,

R. Scott Clements

Douglas R. Courson

Eric Fuller

Anne Seiler Jarvis

Charles L. Kampmann

Joyce Lekas

Gregory C. Mottau

Craig Petrie

Hans Schouten

Thomas Healy Tongue IV

J. Kenneth Brody, *Co-chairman*

Harry L. Demorest, *Chairman*

Approved by the Research Board August 30, 1979 and submitted to the Board of Governors. Received by the Board of Governors September 24, 1979. Ordered printed and submitted to the membership for discussion and action on November 16, 1979.

## APPENDIX A

## Handicapped Percent of Total Enrollment and Special Education Percent of Current Operating Expenditures

District	Handicapped Percent of Total Enrollment		Special Education Percent of Current Operating Expenditures	
	Feb. 1977	Feb. 1978	1976-77	1977-78
Colton	17.1%	9.2%	3.9%	3.9%
Estacada	12.5	7.1	4.1	3.8
Lake Oswego	15.1	13.5	4.0	4.5
North Clackamas	6.2	5.6	3.8	5.0
Canby Union High School	N/A	2.2	1.5	1.4
Astoria	11.8	15.4	1.9	2.9
Lewis and Clark	14.1	5.6	0.0	0.0
Central Point	3.5	4.2	1.4	1.4
Phoenix	10.1	5.3	0.7	0.6
Bethel	8.0	8.5	3.5	3.7
Eugene	13.4	6.5	3.0	4.1
Siuslaw	16.2	21.3	3.5	2.9
Springfield	6.6	6.4	3.6	3.7
Salem	7.8	6.9	3.9	3.7
Woodburn	14.2	11.7	6.0	7.0
Parkrose	12.9	14.6	6.0	7.0
Portland	6.8	5.2	3.7	3.7
Reynolds	16.2	15.4	4.5	5.4
Orient	8.1	9.4	0.0	1.4
Hermiston	4.8	9.9	4.0	2.5
Pendleton	5.5	5.0	2.1	2.5
Weighted average	8.6	7.2	3.5	3.8
Third highest	16.2	15.4	4.1	5.0
Median	11.0	7.1	3.5	3.7
Third lowest	5.5	5.0	0.2	0.6

Source: Oregon Elementary and Secondary School Costs in Selected Pupil Categories, The Pringle Company, June, 1978.

**APPENDIX B**

**Reducing School Costs Survey**

"With city budgets being squeezed everywhere in the nation, school budgets are being examined critically to see where costs can be cut.

"To see which, if any, reductions meet with public acceptance, a list of eight different ways by which budgets could be cut was presented in this survey. Respondents were asked to give their opinion about each one.

"The question:

Suppose your local school board were "forced" to cut some things from school costs because there is not enough money. I am going to read you a list of many ways that have been suggested for reducing school costs. Will you tell me, in the case of each one, whether your opinion is favorable or unfavorable.

(national totals)

	1976	1971		1976	1971
1. Reduce the number of administrative personnel			3. Reduce the number of subjects offered		
Favorable	72%	50%	Favorable	39%	30%
Unfavorable	19%	32%	Unfavorable	53%	57%
No opinion	9%	18%	No opinion	8%	13%
2. Reduce the number of counselors on the staff			4. Cut out the twelfth grade by covering in three years what is now covered in four		
Favorable	52%	32%	Favorable	36%	29%
Unfavorable	38%	49%	Unfavorable	58%	58%
No opinion	10%	19%	No opinion	6%	13%
5. Cut out after-school activities like bands, clubs, athletics, etc.	1976	1971	7. Cut all teachers' salaries by a set percentage	1976	1971
Favorable	31%	23%	Favorable	18%	12%
Unfavorable	63%	68%	Unfavorable	74%	77%
No opinion	6%	9%	No opinion	8%	11%
6. Reduce the number of teachers by increasing class sizes			8. Reduce special services such as speech, reading, and hearing therapy		
Favorable	23%	11%	Favorable	10%	10%
Unfavorable	70%	79%	Unfavorable	85%	80%
No opinion	7%	10%	No opinion	5%	10%

Sources: Elam, Stanley (ed.). *The Gallup Polls of Attitudes Toward Education, 1969-1973*. Bloomington, Indiana: Phi Delta Kappa, 1973. pp. 85-88.

Gallup, George. "Eighth Annual Gallup Poll of the Public's Attitudes Toward the Public Schools," *Phi Delta Kappan*, 58 (October 1976). pp. 196-197.

**APPENDIX C**

**Poll on Class Size**

(Oregon Attitudes, Inc., October, 1978)

	<i>Strongly Agree</i>	<i>Somewhat Agree</i>	<i>Somewhat Disagree</i>	<i>Strongly Disagree</i>	<i>Don't Know</i>
Money should be saved by increasing class size.	11%	13%	25%	48%	2
The fewer students in a class, the better the quality of learning.	53	26	11	10	—
Money should be saved in other areas rather than increasing class size.	58	27	10	4	1
Teachers can teach just as well with a larger class size.	10	13	26	51	—

Source: Portland School District No. 1.

**APPENDIX D**  
**City of Portland**  
**Comparable Custodial Costs**

BUILDING	SQ. FT.	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
*CITY HALL	86,000	235,000	114,400	41,646.84 0.48	42,550.80 0.49	47,018.64 0.54	51,877.08 0.60	57,012.72/yr. 0.66/sq.ft./yr.
CITY HALL ANNEX I	26,500	27,684	29,451	13,200 0.49	15,721 0.59	17,864 0.67	18,956.80 0.71	20,567.24/yr. 0.77/sq.ft./yr.
CITY HALL ANNEX II	3,800	4,986	5,304	2,376 0.62	2,609.84 0.68	2,710 0.71	3,419.63 0.90	3,704.00/yr. 0.97/sq.ft./yr.
POLICE HDQTRS.	96,000	310,000	330,000	249,000	79,984.00 0.83	86,296.80 0.89	94,260.00 0.98	103,591.80/yr. 1.07/sq.ft./yr.
NO. PRECINCT	8,400	10,528	11,200	4,057.80 0.48	5,682.72 0.67	6,279.30 0.74	6,826.32 0.81	7,500.48/yr. 0.89/sq.ft./yr.
SUNSHINE DIVISION	3,000	3,187	3,390	2,449.80 0.81	2,669.64 0.89	2,949.96 0.98	3,200.40 1.06	3,519.12/yr. 1.17/sq.ft./yr.

\*Includes Security costs of approximately \$26,000 per year until 1975-76  
 Source: Bureau of Facilities Management, City of Portland.

## APPENDIX E

## Multnomah County Custodial Costs

Figure 2: Number of Cleaning and Maintenance Personnel

	1977-78	1976-77	1975-76	1974-75	1973-74
Janitors .....	40	49	58	58	58
Carpenters .....	3	3	5	7	7
Painters .....	0	0	6	8	8
<b>TOTAL</b> .....	<b>43</b>	<b>52</b>	<b>69</b>	<b>73</b>	<b>73</b>

Comparing the wages of these employees, the associated costs of supplies, and the cost of outside contracts for the two years, 1973-74 and 1977-78, reveals a clear net savings.

Figure 3: Maintenance and Cleaning Costs Compared

	1977-78	1973-74
Positions .....	43	73
Budgeted Wages .....	\$454,665	\$647,240
Budgeted Fringe .....	108,259	102,408
Professional Services .....	279,746	119,635
Supplies .....	77,462	144,913
<b>TOTAL COSTS</b> .....	<b>\$920,132</b>	<b>\$1,014,196</b>
<b>NET SAVINGS</b> .....		<b>\$94,064</b>

Note also that the average cost per employee in 1977-78 is \$13,091 — \$2,821 higher than the cost per employee in 1973-74. To have employed a staff of the 1973-74 size in the current fiscal year would have cost Multnomah County in the neighborhood of \$392,719 in additional personnel expenses.

Source: "Financial Planning Report No. 12," Multnomah County, June 1978.

## APPENDIX F

## BIBLIOGRAPHY

## Portland School District #1 — Reports and Publications

- Coates, Harforth & England, Actuaries & Consultants, "Actuarial Report of Retirement System of Teachers of Multnomah County District No. 1, as of December 31, 1976," Dec. 29, 1977.
- Coopers & Lybrand, "Report to Portland Public Schools Audit Committee Concerning Pension Accounting and Funding," May, 1978.
- Susan Keil, "Memorandum—School Administrators and their Salaries, Portland Public Schools," May 17, 1977.
- Portland Public Schools, "1971/72-1976/77 Statistical Report, December, 1977.
- Portland Public Schools, "1975/76-1978/80 Budgets."
- Portland Public Schools, "1977 Enrollment Report," October, 1977.
- Portland Public Schools, "1978 Enrollment Report," October, 1978.
- Portland Public Schools, "Financing Oregon Schools," Undated.
- School District No. 1, "Financial Forecast, 1977/78 Through 1981/82."
- Portland Public Schools, "Report on Examination of Financial Statements and Supplementary Schedules — Fiscal Year Ended June 30, 1978," September 29, 1978.
- Portland Public Schools, "Response to City Club Study Committee, Preliminary Findings and Recommendations." (January, 1979).
- Portland Public Schools, "Salary Policy Book Fiscal Year 1977/78."
- Teachers' Retirement Fund Association of School District No. 1, "Financial Statements (with supplementary data) December 31, 1977 and 1976," March 28, 1978.
- Portland School District No. 1 — Labor Agreements**
- 1977/1978 Supplemental Agreement Between Chapter #41 Oregon School Employees Association and School District #1, Multnomah County, Oregon.
- 1977/1978 Agreement — Between the District Council of Trade and Service Unions of School Employees and School District #1, Multnomah County, Oregon.
- Periodicals**
- Dunn's Review*, "Stretching School Dollars," June, 1978.
- Wall Street Journal*, "Soaring Pension Costs for Public Employees Plague States, Cities," May 4, 1978.

**Oregon Statutes**

ORS 342.120 et seq

ORS 342.650 et seq

**Other**

American Assn. of School Administrators. "New Forms for Community Education," 1974.

Arthur Andersen &amp; Co., "Cost of Government Regulation Study for the Business Roundtable," March, 1979.

Building Owners and Managers Association International. "Downtown and Suburban Office Building Experience Exchange Report," 1978.

City of Portland, Oregon, "City School Policy," June, 1979.

Civic Improvement Committee Group — Portland Jaycees, "Report on the Building Maintenance and Custodial Operations in the City of Portland Municipal Government," March, 1972.

Education Facilities Laboratories. "Community/School: Sharing the Space and the Action," 1973.

Educational Research Service, "Class Size, A Summary of Research," 1978.

Educational Research Service Report, "Fringe Benefits for School Administrators," 1975/76, Part 2.

Educational Research Service Report, "Salaries Paid Professional Personnel in Public Schools," 1977/78, Part 2.

Evergreen School District No. 114, "Information Regarding Custodial Contracting," May, 1979.

Foundation for Oregon Research and Education, "Collective Bargaining and Tenure in Oregon Education," September, 1977.

Richard A. Franzke, Attorney, "A Study of the Construct by Contract Issue," Portland, December, 1978.

League of Women Voters "School Finance: How It Works in Oregon," February, 1978.

Multnomah County, "Financial Planning Report No. 12," June, 1978.

National Center for Education Statistics, "Statistics of Public Elementary and Secondary Day Schools," Fall, 1976.

Oregon Attitudes, Inc., "Public Opinion on Class Size in Portland," October, 1978.

Oregon Department of Education, School Management Services Division, "Number of Teachers and Average Salary, by District—1978/79."

Oregon Education Association, "Oregon Certificated Personnel in Public School Districts, 1977-78."

Oregon Education Coordinating Commission, "Teacher and Administrative Salaries in Oregon Education, 1977/78."

Oregon School Boards Association, "Survey of Salaries, Benefits and Selected Policies for Teachers in Oregon School Districts, 1977/81."

Portland Bureau of Planning, "Portland Public Schools 1950-1977," April, 1978.

Portland Chamber of Commerce, "Portland School District Special Levy Proposal," December 1, 1976 accompanied by "Comments by the Superintendent."

Portland City Club Report, "School Operating Levy Measure," May 13, 1977.

The Pringle Company, "Oregon Elementary and Secondary School Costs in Selected Pupil Categories," June, 1978.

Washington County School District 48-J, "Official Statement," November 1, 1978.



**APPENDIX G**  
**PERSONS INTERVIEWED**

Andrew Alexander, Director of Employee Relations, School District No. 48-J.  
Robert W. Blanchard, Superintendent, School District No. 1, Multnomah County, Oregon.  
Charles A. Clemens, Director of Intergovernmental Relations, School District No. 1.  
George A. Collins, Director of Management Information, School District No. 1  
Harry Culp, Business Administrator, School District No. 1  
Victor W. Doherty, Assistant Superintendent for Evaluation, School District No. 1  
William Fletcher, Area I Superintendent, School District No. 1  
William Gorum, Central Arkansas Educational Center  
Gilbert Gutjhar, Multnomah County Tax Supervision and Conservation Commission  
Paul Howe, Past Member of the Portland Board of Education  
Don James, Superintendent of Area II, School District No. 1  
Susan Keil, Manager of Office Support Services, School District No. 1  
Dr. Harold A. Kleiner, Deputy Superintendent, Portland Public Schools  
Walter Koscher, Oregon Department of Education  
Clem Lausberg, Research Coordinator, Oregon Education Coordinating Commission  
Pat Lawrence, Oregon Education Association  
Kenneth A. Maul, Deputy Director, Oregon Public Employees Retirement System  
Mark McClanahan, Attorney, Miller, Anderson, Nash, Yerke & Weiner  
Gerald Morford, Director of Employee Relations, School District No. 1  
Jonathan Newman, Past Member of the Portland Board of Education  
Terry Olsen, Oregon Education Coordinating Commission  
Frank L. Roberts, Senator, Oregon Senator  
Don Rocks, Director, Division of Administrative Services, Multnomah County  
Don Ross, Broom, Oringdulph, O'Toole, Rudolf & Associates, Architects  
Ray Steed, Superintendent of Area III, School District No. 1  
Rodney D. Stevens, Past Member of the Portland Board of Education  
Edwin Schneider, Assistant Superintendent for Instructional Support, School District No. 1  
Donald B. Smith, Assistant to the Superintendent, Support Services, Evergreen School District  
No. 114  
Allyn Staley, Facilities Manager, City of Portland  
Roy H. Webster, Partner, Coopers & Lybrand  
Bob Williams, Director of Data Processing, School District No. 1  
Grant Wilson, Director, Division of Support Services, Multnomah County