4-26-1963

Report on School District No. 1 Special Election Measures April 26, 1963 (Measure No.4), (Measure No.5)

City Club of Portland (Portland, Or.)

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REPORT ON SCHOOL DISTRICT NO. 1 SPECIAL ELECTION MEASURES APRIL 26, 1963

(Measure No. 4)

SCHOOL DISTRICT NO. 1, MULTNOMAH COUNTY BUILDING FUND SERIAL TAX LEVIES

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

- Fiscal year beginning July 1, 1963, $2,500,000;
- Fiscal year beginning July 1, 1964, $2,500,000;
- Fiscal year beginning July 1, 1965, $2,500,000;
- Fiscal year beginning July 1, 1966, $2,500,000;
- Fiscal year beginning July 1, 1967, $2,500,000?

( ) Yes. I vote in favor of the proposed levy.
( ) No. I vote against the proposed levy.

(Measure No. 5)

SCHOOL DISTRICT NO. 1 SPECIAL TAX LEVIES FOR MAINTENANCE AND OPERATION FUNDS—PROPOSAL:

For the reasons that local revenue has failed to keep pace with the increased cost of maintenance and operation of the schools of the District occasioned by substantial increases in the number of pupils in the schools and in the cost of necessary material, equipment, supplies and personnel, all sources of revenue other than a special tax levy fail to meet the minimum financial requirements of the District for a normal school program for the 1963-64 school year by an amount of $2,500,000, and for the 1964-65 school year by an amount of $2,500,000, shall School District No. 1, Multnomah County, Oregon, in order to provide funds for the maintenance and operation of its schools, school plants and school facilities make special levies, which levies shall be outside the limitation imposed by Article XI, Section 11, of the Oregon Constitution, in each of the following fiscal years, in the amount set opposite each of said fiscal years:

- Fiscal year beginning July 1, 1963, $2,500,000;
- Fiscal year beginning July 1, 1964, $2,500,000?

( ) Yes. I vote in favor of the proposed levies.
( ) No. I vote against the proposed levies.
TO THE BOARD OF GOVERNORS,
THE CITY CLUB OF PORTLAND:

Assignment

This Committee had its genesis in a report of the City Club committee created to study School District No. 1’s $21,000,000 ten-year serial levy for construction of new and remodeling of old buildings, which measure was submitted to the voters in the 1962 primary election. Although that committee unanimously approved the School District’s 1962 proposal for a ten-year serial levy, as did the City Club membership voting on the question, the electorate rejected it at the May 18, 1962 primary by a vote of 54,557 to 48,856.

The 1962 committee, confronted with what it believed to be inadequate time within which to perform its function, and because it was aware that the School District within a year would propose a two-year special levy, suggested that a School District Budget committee be formed immediately to study the School District’s budget, current and prospective. The City Club Board of Governors authorized the creation of your present Committee on July 2, 1962, instructing it “to review and report on school district budget procedures with particular reference to and recommendations on the next submitted school ballot measures”.

Pursuant to the foregoing instructions of the Board of Governors, your Committee reports herein on the following levies to be voted on in special election April 26, 1963:

1. Measure No. 4: Special building levy of $2,500,000 outside the 6% limitation for each of five fiscal years 1963-64 through 1967-68 for a total of $12,500,000.
2. Measure No. 5: Special operational levy of $2,500,000 outside the 6% limitation for fiscal years 1963-64 and 1964-65 for a total levy of $5,000,000.

PRELIMINARY STATEMENT

In the proposed operating and building budgets of School District No. 1, expenditures exceed revenues. Oregon law requires a balanced budget. The Board of Directors is faced, then, with a choice between two alternatives: to reduce expenditures or to increase revenues.

The Board of Directors of the district has decided to increase revenues by asking the voters to approve two special levies. The basic purpose of this report, then, is to indicate whether the Board has made the proper choice.

RESEARCH AND BIBLIOGRAPHY

This Committee reviewed previous City Club studies on special tax levies for operation purposes; special tax levies for capital expenditures and proposals to increase the school district’s tax base. The Committee as a whole interviewed Dr. Melvin Barnes, superintendent, and Dr. Amo deBernardis, Assistant Superintendent, Portland Public Schools; Mr. George Baldwin, Assistant Manager, Port of Portland and formerly School Clerk and Comptroller; Judge Herbert M. Schwab, former member of the Board of Directors of School District No. 1; Dr. David Tyack, Professor of Education, Reed College, and Mr. Jack Boon, Principal, Riverdale School.

Individual members of your Committee interviewed Mr. George Annala, Manager, Oregon Tax Research, and Mr. Walter Smith, Executive Secretary, Multnomah County Tax Supervising and Conservation Commission. There were also made available to the Committee a large number of reports and studies prepared by the staff of School District 1, including an analysis of expenditures for the years 1939-1962, which analysis was the source of much of the statistical information in this report.

The Committee is also appreciative of the consulting assistance given the members throughout the study by Dr. Lewis Thayer, Dean of Instruction, Lewis and Clark College.

BACKGROUND

Nationally, spending by state and local governments has increased nearly 400% since World War II. Although costs per pupil have risen rapidly — up 70% since
the 1952-53 school year — the dramatic national increase in spending stems in large measure from population trends. There has been a sharp increase in persons of school age and a massive migration of families to cities and towns from the country. In the last census decade, enrollment in Oregon’s public elementary and secondary schools has soared 52% compared to a 10% increase nationally.* Total U. S. population has increased only 20% in the same span, and Oregon’s even less. The U. S. Census Bureau in its latest projected figures for states’ populations estimates that in 1970 Oregon will have between 2,294,000 and 2,433,000 residents, an increase of between 29.7% and 37.6% as compared with 16.3% during the 1950-60 decade.

(a) FINANCIAL BACKGROUND

The School District has expended $67,000,000 on construction of new buildings and remodeling of existing schools since 1945, without resort to bonded indebtedness. All but $5,000,000 of this amount was raised by serial tax levies of: $1,000,000 a year for five years, 1944-48; $2,500,000 a year for ten years, 1948-57; $2,780,000 a year for ten years, 1951-60; and $1,650,000 a year for three years, 1958-60.

Because several of these levies overlapped, the annual building levy was $5,280,000 for seven years, and $4,430,000 for three years.

Until 1951-52, rapid increase in assessed valuation took care of the needs for the operating budget. Beginning in that year, there were several serial levies to augment the operating budget: $1,970,000 for 1951-52; $2,247,000 for 1952-53; $2,636,000 for 1953-54, and $2,500,000 for 1961-62 and 1962-63. In addition the tax base was increased by the 1954 election from $7,419,476 to $12,704,644 for 1955-56, and again by the 1956 election from $13,466,922 to $16,920,937 for 1957-58. A third attempt to increase the tax base in 1960 from $20,253,857 to $23,253,857 did not pass.

From the foregoing it is obvious that since the end of World War II, School District No. 1 has consistently found it necessary, in order to balance its budget, to request the property taxpayer to assume additional burdens. This situation is due in large part to the District’s revenue structure. The principal source of revenue—66% —for the School District is the property tax, but the amount which can be derived therefrom is restricted by Article XI, Section 11 of Oregon’s Constitution, popularly known as the “6% limitation”. Although the District’s base can be doubled every twelve years under that limitation, the tax base is and has been inadequate. For example, in 1954-55, the tax base was $11,190,000. With the addition of other sources of revenue, such as the county school fund, basic school support, tuition, etc., total revenues equalled $18,450,589, a sum still considerably short of the budget for that year of $24,457,911. A similar situation obtained in 1962-63, wherein, although the tax base had risen to $22,757,235 and by the addition of other sources total revenues equalled $33,678,625, this amount was still considerably short of the $37,161,390 budget.

(b) POLITICAL BACKGROUND

In Oregon, if the property tax base is inadequate, three alternatives are open:

(1) increase the tax base;
(2) bond, or
(3) special levies.

All of these alternatives have one factor in common—they all require an affirmative vote by a majority of the electorate. Heretofore the electorate of School District No. 1 and the electorates generally of school districts throughout the state, have strongly supported their schools. The strength of that support now appears to be dwindling. In 200 school elections held in May, 1962, 27 financial measures were rejected. Among them was School District No. 1’s request for a special levy for buildings. An analysis of School District No. 1’s election indicates that in only the west subdistrict was a majority of affirmative votes cast, out of a total of six subdistricts. The West subdistrict, which includes the entire west side, cast 18.74% of the total votes.

*Statistical Abstract of the United States, 1962, Table 160; Bureau of the Census, Department of Commerce.
Yet, in fact, based upon true cash value assessments, the property taxpayers of Portland are paying significantly less for schools than residents of areas peripheral to Portland. Riverdale residents, for example, presently pay 20.8 mills, Lake Oswego 17.8 mills — as compared with Portland’s 11.1 mills. An owner of a $10,000 house in Riverdale pays $203 to support his school, whereas the owner of a house of the same value in Portland pays only $111.

**SCHOOL BUILDINGS**

Much of the background information relative to this topic was developed by the committee which reported on April 27, 1962. This Committee has further studied the matter and concurs in that report’s conclusion that the construction of new buildings and the remodeling of existing facilities as contemplated by School District No. 1 are necessary to provide a satisfactory primary and secondary education, and that in light of recent experience it can be assumed that the facilities will be planned for optimum use in relation to cost. In so concluding, the Committee is impressed, as was the previous committee, that:

1. **The architecture and engineering** of local school buildings constructed in recent years has been generally resourceful and imaginative in making provision for maximum effective use of space at minimum economic cost. The Committee is of the opinion that the School Board and administration have been successful in obtaining an effective school facility at minimum expense.

2. One of the principal problems in estimating the need for new school facilities is the projection of the movement of the school population from one area to another. These projections have thus far been remarkably accurate, resulting in a very small incidence of little-used classroom space.

3. The present population and the projected growth of School District No. 1 require the construction of the proposed additional classroom facilities if the quality of education provided in the district is to be maintained.

**THE OPERATING BUDGET**

(a) Procedure and Control

In reviewing the School District’s budget and comparing the current with the preceding years, it is the opinion of this Committee that the budget procedures are satisfactory. This conclusion is buttressed by the report of Lyman Ross Bros. and Montgomery who were engaged by the District to review its business and financial affairs. That study, completed in October, 1962, states: “... We are of the opinion that the District’s business and financial services are very well administered ...” The comments contained in that report indicate that if the District errs, it is in overcontrolling expenditures rather than in handling resources loosely.

(b) Explanation of Expenditure Increases

In analyzing the operating budget, it is a simple matter to pick out striking increases not explainable solely on the basis of population increases. For instance, the budget analysis prepared by the school district shows that in 1939 the District’s budget for textbooks, reference books and audio-visual materials for 41,826 pupils was $28,194, or 67c per pupil. In 1962 the budget indicates an expenditure of $678,516 for these materials, or approximately $8.81 for each of the 76,700 pupils enrolled. It follows that $8.14 more was being expended in 1962 for each child enrolled than was the case in 1939.

In 1939 approximately $30,000 was budgeted for the education of the handicapped. In 1962, $1,500,000 was budgeted for this purpose. Expressed in terms of per capita, 72c per child enrolled was expended in 1939; 81c per each child enrolled in 1962. While per capita figures can be misleading, nevertheless they disclose an incontrovertible fact as to education: its cost has risen sharply in the last 25 years.

The many factors which have contributed to this result tend to fall into two general categories:

1. **Factors arising from the change in the concept and content of primary and secondary education.**

2. **Economic factors.**
The changes in concept and content are of major importance. They include the proliferation of knowledge, particularly in scientific and technical areas; the change in education techniques, and the acceptance by school districts — at the insistence of the public — of responsibilities in new areas. The fact is that the students of today are being exposed to much more knowledge than were those of 25 years ago. This is true not only in fields of science, but also in those of the liberal arts.

Special programs have been adopted for the unusual child. These include areas of physical handicap such as blind, deaf and crippled, and those of mental retardation and social maladjustment, as well as programs for children of exceptionally high intellectual capacity. Education has recognized that the society of today is a more complex one than it was twenty-five years ago, and its effort to equip students to be effective and productive participants in that society has become more complex and more expensive.

The changing concept and content of education has of itself sharply increased the cost of education. However, there are other factors, both interrelated with and independent of it, which have also added to the increased cost. Relatively independent factors are inflation, and the sharply increased competition of industry and universities for the same competent personnel sought by the primary and secondary educational systems. Related factors include the demand for teachers of high competence, and the increased cost to the teacher of obtaining and maintaining that competence. Also, the specialized support required to enable that teacher to do an effective job of teaching includes good laboratories with up-to-date equipment and teaching aids and text, research and resource materials. Specialized personnel, particularly in areas of counseling and guidance, are also factors in the cost of present-day education.

Opportunities, including facilities, for the teachers to keep up-to-date with changes in their particular areas of responsibility are essential if professional competence is to be maintained, to say nothing of being increased. Traditionally it has been true that the competent male teacher in primary and secondary education taught at a financial sacrifice, and taught because he was dedicated to teaching. Industry would have paid him better. Education, as a part of the changing concept, has recognized the necessity of having more competent men included in its teaching staff, and this has had the inevitable economic effect of requiring compensation more comparable to that offered by industry.

In summary, the explosion of knowledge, coupled with the increased complexity of our society, makes it impossible to continue to use yesterday's concepts and equipment and techniques in education, if today's students are to be able to cope with tomorrow.

CONCLUSION

Your Committee earlier in this report stated that the basic purpose of this report was to indicate whether the board of School District No. 1 had correctly concluded to balance its budget by increasing revenues rather than reducing expenditures. Your Committee is of the opinion that the board has made the proper choice, in that the present educational standards in School District No. 1 must be maintained, and those standards cannot be maintained on the basis of currently available sources of revenue. While the District is allowed an annual 6 per cent increase in revenue from local property taxes, on the present tax base of $22,757,000 this amounts to only $1,365,420 or approximately $2,500,000 short of meeting the operating budget.

This situation could, of course, be considerably alleviated if state aid were substantially increased. It is pertinent to observe here that while School District No. 1's proportionate share of state aid is among the lowest of any school district in the state, the residents and businesses in School District No. 1 bear a substantial portion of the educational burden of the entire state of Oregon, in addition to carrying the bulk of the burden of their own educational services. Your Committee, while recognizing that the present system of distributing state aid aggravates rather than alleviates the existing inequalities in fiscal capacity among school districts, strongly urges that voting "no" on these two levies will not solve this situation. On the contrary, it will constitute a classic example of the voter cutting off his nose to spite his face.
RECOMMENDATION

This Committee unanimously recommends that the City Club of Portland approve the passage of School District No. 1's special tax levy measures No. 4 and No. 5, urging "yes" votes thereon.

Respectfully submitted.

Tommy B. Graham
Dr. John R. Howard
Leland H. Johnson
Richard Kosterlitz, M.D.
Walter H. Pendergrass
Willis C. Warren
Samuel B. Stewart, Chairman

Approved April 4, 1963 by the Research Board for transmittal to the Board of Governors.

Received by the Board of Governors April 8, 1963 and ordered printed and submitted to the membership for discussion and action.
# APPENDIX A

## SCHOOL DISTRICT NO. 1

### BUILDING FUND

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<th>ELECTION DATE VOTE:</th>
<th>LEVIED PER YEAR</th>
<th>NUMBER OF YEARS</th>
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<th>EXPIRATION DATE</th>
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<td>1944-45</td>
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### CERTIFIED LEVIES

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