

BACKGROUND

The Neah-Kah-Nie School District is located on Oregon's northwest coast and consists of four schools that served 813 students in the 2000-2001 school year. The District's enrollment grew in the first half of the 1990s, and has steadily declined since 1996.

The District's share of special education students, 14.3 percent, is above the statewide average, and above the state's 11 percent threshold for enhanced funding. The District's rate of minority students is less than half as large as the statewide average, and the rate of non-native English speakers is quite low, at 1.1 percent. The rate of students in poverty is substantially higher than the statewide average, with over one-fifth of the students living in poverty.

Table 1: District Profile, 2000-2001 School Year

	Neah-Kah-Nie Level	Neah-Kah-Nie Percent	State Percent or Level
Students			
Enrollment	813		
Average Daily Membership	784	96.5%	95.8%
Special Ed Students	116	14.3%	12.4%
ESL Students	9	1.1%	9.4%
Students in Poverty	183	22.5%	14.4%
Teen Parents	3	0.4%	0.5%
Minority Students	68	8.4%	20.9%
Staffing			
Licensed Staff	58.3	52.1%	55.0%
Instructional Assistants	21.1	18.9%	14.5%
School Administrators	4	3.6%	2.9%
Central Administrators	1	0.9%	1.5%
Classified Support Staff	27.5	24.6%	26.0%
Instructional Days			
K-6	172	na	169
7-12	173	na	168
Computer Infrastructure			
Students per Computer	5	na	5.7
Students per Internet Connection	4.9	na	6.0
Student Performance (8th Grade)			
Reading	na	44%	62%
Writing	na	58%	68%
Math	na	48%	56%
Math Problem Solving	na	45%	58%

Source: Oregon Department of Education.

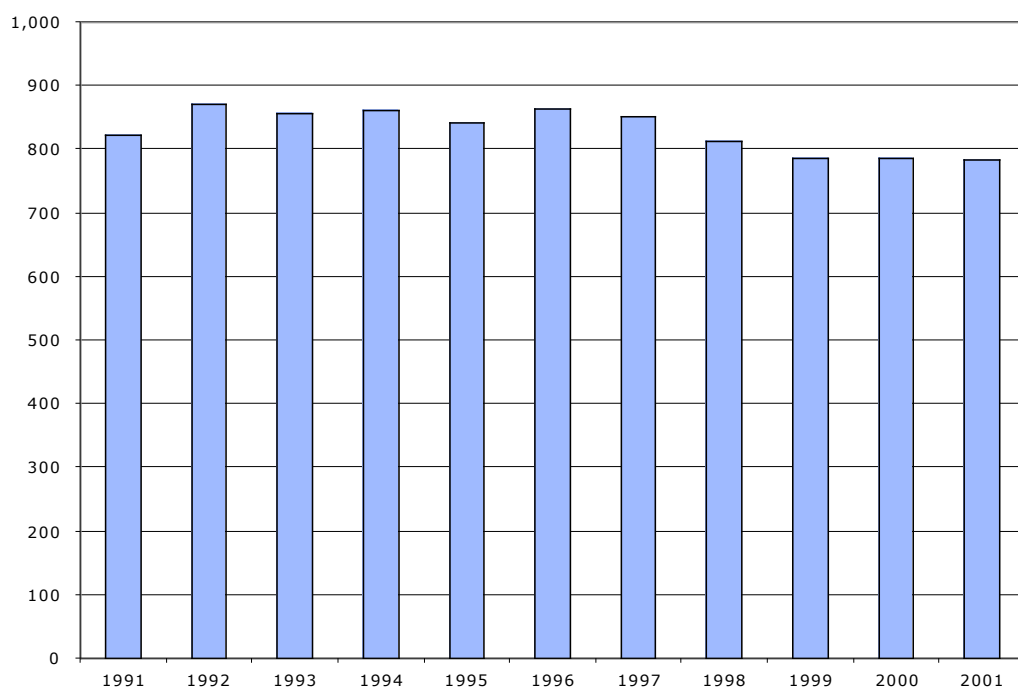
The District's distribution of staffing varies from the state average for instructional staff. The District employs relatively fewer licensed teachers, and relatively more

instructional assistants than the state average. The proportion of school administrators is slightly above the state average, and the proportion of central administrators is slightly below the state average.

The number of instructional days is higher than the state average for elementary and secondary schools. The District's computer-related infrastructure is just above the state average with 5.0 and 4.9 students per computer and internet connection, respectively.

The District's eighth graders perform poorly relative to their state counterparts on statewide tests. District students failed to meet the state average in all four test areas. The students' reading skills compared the worst, and their scores on math tests were closest to the state average.

Figure 1: Average Daily Membership, Neah-Kah-Nie School District, 1991-2001



Source: Oregon Department of Education.

REVENUE TRENDS

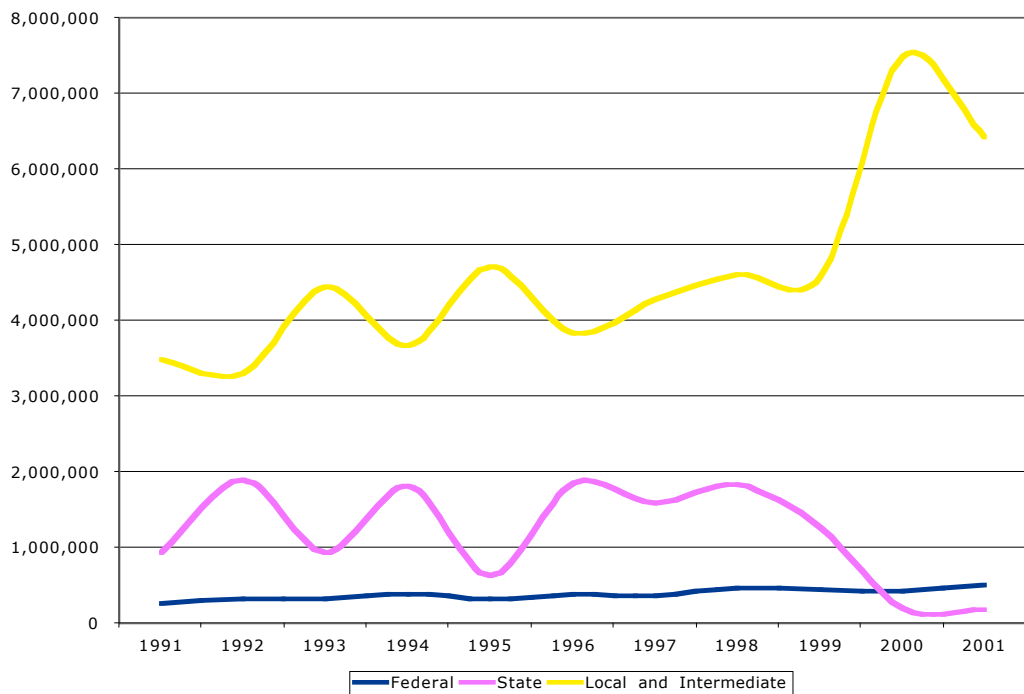
Figure 2 shows the District's revenue trends for federal, state, and local sources. The equalization process has not affected the composition of the District's revenues. In 1991, local sources provided most of the funding, and the state contributed about a much smaller portion. The District received \$4.7 million in total revenues with local and intermediate sources (education district) contributing \$3.5 million or 74 percent. The state government contributed \$0.9 million, or 20 percent, and the federal government contributed \$0.3 million, about 6 percent.

In contrast to other districts across Oregon, the local and intermediate funds have continued to be the primary source of revenue for the District over the course of the

decade. In 2001, total revenues equaled \$7.1 million, with local and intermediate sources contributing 90 percent, the state contributed seven percent, and the federal government contributed three percent.

The District receives much of its funding from local timber revenues. Local funding brings the District up to statewide equalization levels, thus the state contributes very little to Neah-Kah-Nie. In the last few years, timber revenue has exceeded the state school support level. District officials report that timber payments are made to the District on a quarterly basis, and the funding comes after the budget has been established and spent. The District receives estimates of expected timber revenues, but harvest levels and timber prices can change before the District receives the money.

Figure 2: Revenue Sources, Neah-Kah-Nie School District, 1991-2001 (Dollars not adjusted for inflation)



Source: Oregon Department of Education.

The District receives a small portion of its revenues from the federal government. The biggest revenue source are in the form of forest fees, and most of the remainder comes from programs to support impoverished students. The District receives other types of federal funding, such as funding targeted to special education for children with disabilities and English as a second language.

EXPENDITURE TRENDS

TOTAL AND CURRENT EXPENDITURES

For this expenditure analysis, we adopt the National Education Association (NEA) definitions of school expenditures. Under the NEA definition, total expenditures include

current expenditures for the on-going operation and maintenance of District programs and facilities, as well as, capital outlays for the construction of new buildings or remodeling of old ones¹.

Between 1991 and 2001, total expenditures grew 52.9 percent (see Table 2), compared to a 30 percent increase in inflation. Total spending grew very little during the first half of the 1990s, and grew substantially since 1997. Over the decade, the District has spent less than \$200,000 on capital expenditures on an annual basis. District officials report that although the District's facilities are relatively old, they are in fair condition. The buildings require a new coat of paint every four years, because the coastal weather is hard on the buildings' exteriors.

Table 2: Total Expenditures, Neah-Kah-Nie School District, 1991-2001

School Year	Total Expenditures	Percentage Change	
		From 1990-1991	From previous year
1990-1991	5,218,923		
1991-1992	5,576,582	6.9	6.9
1992-1993	5,695,104	9.1	2.1
1993-1994	5,214,408	-0.1	-8.4
1994-1995	5,584,143	7.0	7.1
1995-1996	5,562,990	6.6	-0.4
1996-1997	5,881,205	12.7	5.7
1997-1998	6,357,864	21.8	8.1
1998-1999	6,739,590	29.1	6.0
1999-2000	7,100,143	36.0	5.3
2000-2001	7,977,187	52.9	12.4

Source: ECONorthwest calculated from Oregon Department of Education data.

Table 3 shows spending per student—defined as average daily membership—rose from \$6,334 to \$10,175 from 1991 to 2001, a 60.6 percent increase. Over the same period of time, price inflation, measured by the US Consumer Price Index, increased 30 percent. Total spending per student grew very little during the first half of the 1990s, most of the increase occurred during the last four years,

¹ In addition to current and capital outlays, the NEA includes interest payments related to debt service, which typically represent 5 percent or less of district outlays. The Oregon Department of Education's reporting system did not provide a detailed breakout of payments to principal for fiscal years 2000 and 2001, so we did not include the amounts in our analysis.

Table 3: Total Expenditures per ADMr, Neah-Kah-Nie School District, 1991-2001

School Year	Total Expenditures per ADMr	Percentage Change from 1990-1991	Percentage Change in US CPI-U since 1990-1991
1990-1991	6,334		
1991-1992	6,399	1.0	3.0
1992-1993	6,639	4.8	6.1
1993-1994	6,046	-4.6	8.8
1994-1995	6,631	4.7	11.9
1995-1996	6,445	1.7	15.2
1996-1997	6,896	8.9	17.8
1997-1998	7,817	23.4	19.7
1998-1999	8,566	35.2	22.3
1999-2000	9,022	42.4	26.4
2000-2001	10,175	60.6	30.0

Source: ECONorthwest calculated from Oregon Department of Education data.

Current expenditures for elementary and secondary schools consist of amounts paid for the general control, instructional service, operation, maintenance, and other reoccurring school services. They include all District contributions to the Public Employees Retirement System (PERS) and health benefits, as well as, a host of school supporting services, including transportation, health services, psychological services, and speech programs. Unlike the legislature’s comparable “net operating expenditure” category, the NEA definition of current expenditures incorporates spending on extracurricular instructional activities, such as band, debate, school assemblies, and athletics.

Because the District spent little on capital during 1991-2001, trends for current expenditures are similar to those just discussed for total expenditures. Current expenditures grew 53.6 percent over the decade, with most of the growth in the last four years (see Table 4). Table 5 shows that current spending per student did not keep pace with inflation during the first half of the 1990s, but after 1997 current spending per student grew substantially, greatly exceeding the general rate of inflation.

Table 4: Current Expenditures, Neah-Kah-Nie School District, 1991-2001

School Year	Current Expenditure	Percentage Change	
		From 1990-1991	From previous year
1990-1991	5,092,827		
1991-1992	5,381,254	5.7	5.7
1992-1993	5,586,124	9.7	3.8
1993-1994	5,194,892	2.0	-7.0
1994-1995	5,549,832	9.0	6.8
1995-1996	5,538,774	8.8	-0.2
1996-1997	5,831,549	14.5	5.3
1997-1998	6,289,520	23.5	7.9
1998-1999	6,630,897	30.2	5.4
1999-2000	6,923,054	35.9	4.4
2000-2001	7,823,882	53.6	13.0

Source: ECONorthwest calculated from Oregon Department of Education data.

Table 5: Current Expenditures per ADMr, Neah-Kah-Nie School District, 1991-2001

School Year	Current Expenditures per ADMr	Percentage Change from 1990-1991	Percentage Change
			in US CPI-U since 1990-1991
1990-1991	6,181		
1991-1992	6,175	-0.1	3.0
1992-1993	6,512	5.4	6.1
1993-1994	6,023	-2.6	8.8
1994-1995	6,590	6.6	11.9
1995-1996	6,417	3.8	15.2
1996-1997	6,838	10.6	17.8
1997-1998	7,733	25.1	19.7
1998-1999	8,428	36.3	22.3
1999-2000	8,797	42.3	26.4
2000-2001	9,979	61.4	30.0

Source: ECONorthwest calculated from Oregon Department of Education data.

INSTRUCTIONAL SPENDING

Oregon Department of Education data on instructional spending can be separated into spending on regular programs and special programs (hereafter, referred to as special education). So-called regular instructional programs include traditional reading, writing, math, history, and in high school, elective courses offered to the majority of District students. Special and alternative education is a second major instructional category and consists of courses designed for students with physical or mental disabilities, alternative programs for students at risk of dropping out of school, gifted and talented programs, and English as a Second Language classes. In addition to regular and special education, districts report spending on adult and continuing education, but we do not discuss them here.

Table 6 shows that instructional spending per student on regular programs increased from \$3,252 to \$4,267 from 1991 to 2001. Spending per student on regular instructional programs changed very little until the 1996-97 school year. From 1998 until 2001,

spending grew, so that by 2001, growth in spending per student caught up with growth in inflation.

Table 6: Expenditures on Regular Instruction per ADMr, Neah-Kah-Nie School District, 1991-2001

School Year	Regular Instruction per ADMr	Percentage Change from 1990-1991	Percentage Change in US CPI-U since 1990-1991
1990-1991	3,252		
1991-1992	3,312	1.9	3.0
1992-1993	3,475	6.9	6.1
1993-1994	3,129	-3.8	8.8
1994-1995	3,323	2.2	11.9
1995-1996	3,280	0.9	15.2
1996-1997	3,488	7.3	17.8
1997-1998	3,776	16.1	19.7
1998-1999	3,858	18.6	22.3
1999-2000	3,872	19.1	26.4
2000-2001	4,267	31.2	30.0

Source: ECONorthwest calculated from Oregon Department of Education data.

Table 7 shows expenditures for special education rose dramatically since 1991. Measured across all district students—regardless of whether they actually received special education services—expenditures increased from \$6 per district student in 1991 to \$927 per student in 2001, an increase greater than 14,000 percent. Expressed differently, special education represented 0.1 percent of current expenditures in 1991, and in 2001, it represented 9.3 percent of current expenditures.

District officials at Neah-Kah-Nie School District reported that the Regional ESD used to provide special education programs for the District’s special needs students. In the mid-1990s, the District decided that it was more cost effective to provide the services to the students itself. In 1991 and 1992, the District spent no money on special education programs other than programs for gifted and talented students.

District officials report that the number of special education students has risen. In 2001, 14.3 percent of the student body qualified for special education programs, compared to 12.4 percent across the state.

Table 7: Expenditures on Special Education Instruction per ADMr, Neah-Kah-Nie School District, 1991-2001

School Year	Special Education Instruction per ADMr	Percentage Change from 1990-1991	Percentage Change in US CPI-U since 1990-1991
1990-1991	6		
1991-1992	38	485.8	3.0
1992-1993	187	2,774.7	6.1
1993-1994	307	4,636.3	8.8
1994-1995	277	4,167.4	11.9
1995-1996	348	5,264.7	15.2
1996-1997	407	6,170.5	17.8
1997-1998	648	9,874.8	19.7
1998-1999	985	15,071.5	22.3
1999-2000	1,031	15,779.9	26.4
2000-2001	927	14,173.8	30.0

Source: ECONorthwest calculated from Oregon Department of Education data.

SALARIES AND BENEFITS

Spending per student on staff salaries and benefits failed to keep pace with inflation during the first half of the 1990s. Beginning in the 1997-98 school year, spending per student grew each year, exceeding inflation. By 2001, spending per student had grown 60.9 percent, compared to 30.0 growth in inflation.

In an attempt to control the cost of benefits, the District has imposed a cap on employee health benefits. All staff now pay a portion of their own health insurance costs. For PERS, the District pays the employee's share for older employees, but not for more recent hires.

Table 8: Salaries and Benefits per ADMr, Neah-Kah-Nie, 1991-2001

School Year	Salaries and Benefits per ADMr	Percentage Change from 1990-1991	Percentage Change in US CPI-U since 1990-1991
1990-1991	4,507		
1991-1992	4,637	2.9	3.0
1992-1993	4,961	10.1	6.1
1993-1994	4,579	1.6	8.8
1994-1995	4,688	4.0	11.9
1995-1996	4,690	4.1	15.2
1996-1997	4,971	10.3	17.8
1997-1998	5,638	25.1	19.7
1998-1999	6,203	37.6	22.3
1999-2000	6,626	47.0	26.4
2000-2001	7,251	60.9	30.0

Source: ECONorthwest calculated from Oregon Department of Education data.

PROGRAM IMPACTS

LONG-TERM TRENDS

Table 9 reports the number of staff by position for the 1994-1995 and 2000-2001 school years². Overall, the District's workforce has increased by 21.9 full-time equivalent staff members, or 23 percent. During the same time period, the number of students declined by 58, or seven percent.

The total number of teaching staff increased by 15.4, or 25 percent. The number of elementary teachers and teachers of ungraded classes grew, as did the number of educational assistants. The District reduced the number of secondary teachers by 3.5 full-time equivalents, and eliminated any pre-kindergarten teachers. The overall student-instructor ratio dropped from 13.6 to 10.1.

Student service staff grew, but to a lesser degree than did the teaching staff. Total service staff grew by 6.5 full-time equivalents, or 19 percent. There were small staffing increases across categories, with the largest increase in the number of District support staff, which grew by 3.2 full-time equivalents. In contrast, the number of District administrators declined by 2.0.

² The 1994-1995 school year is oldest available from ODE with position definitions that are consistent with current reporting.

Table 9: Staff Levels, 1994-1995 and 2000-2001, Neah-Kah-Nie School District

Staff Category	1994- 1995 School Year	2000- 2001 School Year	Change
Teachers and Instructional Assistants			
Pre-Kindergarten Teachers	0.4	0.0	-0.4
Kindergarten Teachers	2.0	2.0	0.0
Elementary Teachers	17.0	21.5	4.5
Secondary Teachers	24.5	21.0	-3.5
Teachers of Ungraded Classes	3.5	9.2	5.7
Educational Assistants	13.5	22.6	9.1
Instructional Coordinators and Supervisors	1.0	1.0	0.0
Subtotal	61.9	77.3	15.4
Student -Instructor Ratio	13.6	10.1	-3.5
Student Service Staff			
Elementary Guidance	1.0	2.0	1.0
Secondary Guidance	1.4	2.0	0.6
Librarians/Media Specialists	2.0	2.0	0.0
Library and Media Support Staff	2.0	3.0	1.0
District Administrators	3.0	1.0	-2.0
District Support Staff	1.3	4.5	3.2
School Administrators	4.0	4.0	0.0
School Administrative Support Staff	6.0	8.0	2.0
Student Support Staff	1.2	1.4	0.2
All Other Support Staff	12.9	13.4	0.5
Subtotal Student Service Staff	34.8	41.3	6.5
Student-Service Staff Ratio	24.2	19.0	-5.2
Total District Staff	96.7	118.6	21.9
Student-Total Staff Ratio	8.7	6.6	-2.1
ADMr	842.1	784.0	-58.1

Source: ECONorthwest calculated using Oregon Department of Education Data.

District officials report that about five years ago, many programs were cut, including music, shop, and vocational programs. Recently, some programs have been reinstated, such as music.

FINDINGS

The key findings for the District are:

- The District enrollment has declined since the mid-1990s.
- The District receives most of its funding from local revenues, primarily timber fees.

- The timber revenue fluctuates from year to year. In the last few years, timber revenue exceeded basic school support from the state.
- Total and current spending per student did not keep pace with inflation in the first half of the 1990s, but then grew faster than inflation since 1998.
- The District's increase in instructional spending per student did not keep pace with inflation in the first half of the 1990s, but grew quickly in the last few years.
- The District's increase in special education instruction spending per student grew over 14,000 percent over the decade. At the beginning of the 1990s, the Regional ESD provided services to special education students.
- The District's increase in salaries and benefits per student did not keep pace with inflation in the first half of the 1990s, but grew quickly in the last few years.
- Both teaching and administrative staff have grown since 1995.