

## BACKGROUND

The Oregon City School district is located in the northern Willamette Valley and consists of 10 elementary schools, two middle schools, and two high school campuses that served 7,376 students in School Year 2000-2001. Enrollment has grown steadily over the past decade.

The District's share of special education students (14.8 percent) is above the state average and above state's 11 percent threshold for enhanced funding. The District's rates of minority, English-learning, and poor students are all below the state average.

The distribution of staffing between licensed staff (teachers), instructional assistants, administrators, and support staff is roughly in line with state averages.

**Table 1: District Profile, 2000-2001 School Year**

	Oregon City Level	Oregon City Percent	State Percent or Level
<b>Students</b>			
Enrollment	7,376		
Average Daily Membership	7,206	97.7%	95.8%
Special Ed Students	1,092	14.8%	12.4%
ESL Students	497	6.7%	9.4%
Students in Poverty	782	10.6%	14.4%
Teen Parents	11	0.2%	0.5%
Minority Students	868	11.8%	20.9%
<b>Staffing</b>			
Licensed Staff	381.4	52.4%	55.0%
Instructional Assistants	115.7	15.9%	14.5%
School Administrators	18	2.5%	2.9%
Central Administrators	6	0.8%	1.5%
Classified Support Staff	206.8	28.4%	26.0%
<b>Instructional Days</b>			
K-12	177	na	171
<b>Computer Infrastructure</b>			
Students per Computer	6.3	na	5.7
Students per Internet Connection	6.4	na	6.0
<b>Student Performance (8th Grade)</b>			
Reading	na	58%	62%
Writing	na	69%	68%
Math	na	55%	56%
Math Problem Solving	na	66%	58%

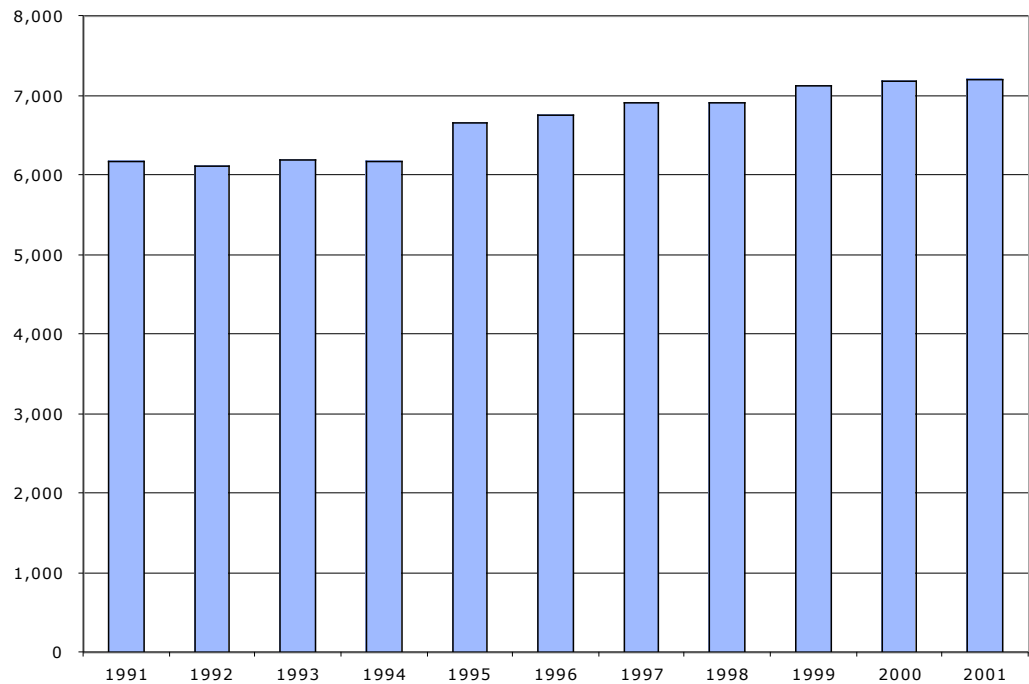
Source: Oregon Department of Education.

The number of instructional days is higher than the state average for all grades. The District's computer-related infrastructure is below the state average with 6.3 and 6.4 students per computer and internet connection, respectively. Finally, the performance of the District's eighth graders relative to their state counterparts is mixed on statewide tests. District students performed better than the state average in math problem solving, worse

than the state average in reading, and essentially equal to the state average in writing and math.

The District's student population was static in the early 1990s, but began to rise in 1995 (Figure 1). The student population grew through 1999, but has slowed since then. Comparatively, the general population of Oregon City grew by 7.5 percent between 1990 and 2000.

**Figure 1: Average Daily Membership, Oregon City School District, 1991-2001**

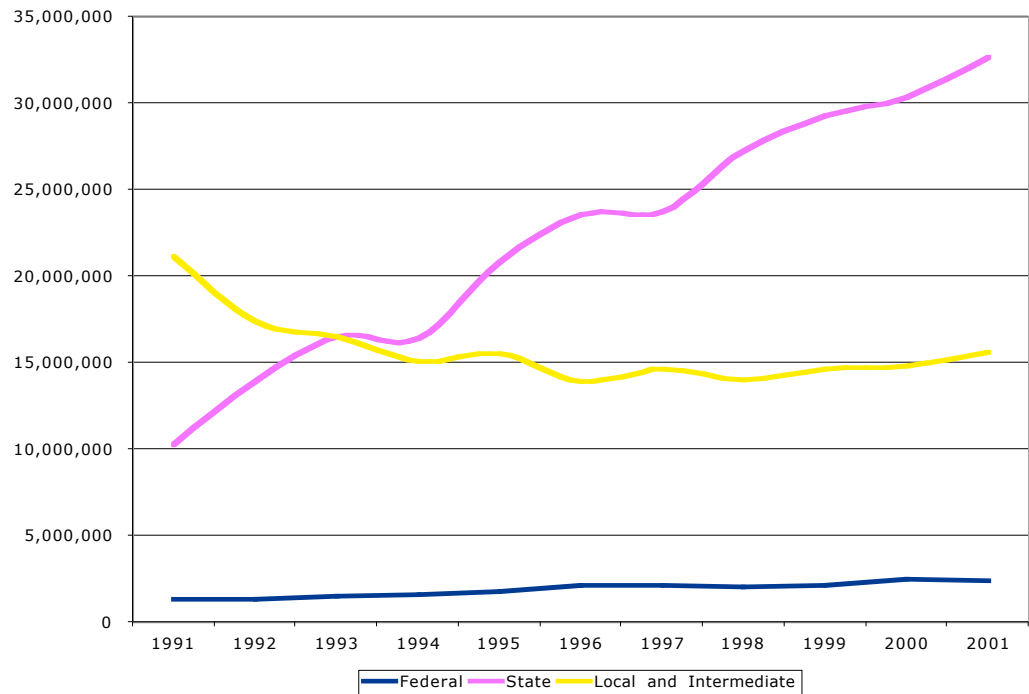


Source: Oregon Department of Education.

## REVENUE TRENDS

Even prior to Measure 5, state funding was a critically important component of the District's finances, accounting for nearly one third of revenue in 1990-1991. With equalization, the state share of revenue grew rapidly and stood at 64 percent of revenue in 2000-2001. In 1990-1991, local and intermediate sources provided two thirds of revenue. In 2000-2001 it was down to 31 percent. Total revenue increased from \$32.7 million in 1990-1991 to \$50.7 million in 2000-2001, a 55 percent increase.

**Figure 2: Revenue Sources, Oregon City School District, 1991-2001  
(Dollars not adjusted for inflation)**



Source: Oregon Department of Education.

## 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 ones<sup>1</sup>. Total expenditures for 2000-20001 increased 13.9 percent over comparable expenditures for 1999-2000 as the District is in the process of building a new high school and renovating other schools (see Table 2). Total expenditures were up 66.5 percent for the decade.

<sup>1</sup> 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 breakdown of payments to principal for fiscal years 2000 and 2001, so we did not include the amounts in our analysis.

**Table 2: Total Expenditures, Oregon City School District, 1991-2001**

School Year	Total Expenditures	Percentage Change	
		From 1991-1992	From previous year
1990-1991	33,237,667		
1991-1992	33,720,763	1.5	1.5
1992-1993	34,841,206	4.8	3.3
1993-1994	32,560,632	-2.0	-6.5
1994-1995	35,525,719	6.9	9.1
1995-1996	37,085,798	11.6	4.4
1996-1997	40,525,405	21.9	9.3
1997-1998	42,344,976	27.4	4.5
1998-1999	44,831,761	34.9	5.9
1999-2000	48,591,329	46.2	8.4
2000-2001	55,336,606	66.5	13.9

Source: ECONorthwest calculated from Oregon Department of Education data.

Table 3 shows total spending per student – defined as average daily membership – rose from \$5,378 to \$7,679 during 1991-2001. The increase in spending did not keep up with inflation during most of the decade but did grow rapidly in the 1999-2000 school year, when the District began several construction projects.

**Table 3: Total Expenditures per ADMr, Oregon City 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	5,378		
1991-1992	5,508	2.4	3.0
1992-1993	5,620	4.5	6.1
1993-1994	5,274	-1.9	8.8
1994-1995	5,330	-0.9	11.9
1995-1996	5,481	1.9	15.2
1996-1997	5,866	9.1	17.8
1997-1998	6,123	13.9	19.7
1998-1999	6,291	17.0	22.3
1999-2000	6,766	25.8	26.4
2000-2001	7,679	42.8	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, including school assemblies, band, choir, speech, debate, and athletics.

The trend in current spending (Table 4) closely mirrors that for total spending. Current spending per student (Table 5) grew at an average annual rate of 4.3 percent, compared to a 3.0 percent average annual growth rate for inflation.

**Table 4: Current Expenditures, Oregon City School District, 1991-2001**

School Year	Current Expenditure	Percentage Change	
		From 1991-1992	From previous year
1990-1991	31,903,090		
1991-1992	32,695,708	2.5	2.5
1992-1993	34,128,608	7.0	4.4
1993-1994	31,695,772	-0.6	-7.1
1994-1995	35,132,276	10.1	10.8
1995-1996	36,461,469	14.3	3.8
1996-1997	39,011,366	22.3	7.0
1997-1998	41,534,666	30.2	6.5
1998-1999	44,174,255	38.5	6.4
1999-2000	47,745,817	49.7	8.1
2000-2001	53,168,519	66.7	11.4

Source: ECONorthwest calculated from Oregon Department of Education data.

**Table 5: Current Expenditures per ADMr, Oregon City 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	5,162		
1991-1992	5,341	3.5	3.0
1992-1993	5,505	6.6	6.1
1993-1994	5,134	-0.6	8.8
1994-1995	5,271	2.1	11.9
1995-1996	5,389	4.4	15.2
1996-1997	5,647	9.4	17.8
1997-1998	6,006	16.3	19.7
1998-1999	6,199	20.1	22.3
1999-2000	6,648	28.8	26.4
2000-2001	7,378	42.9	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, 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 in detail here.

Table 6 shows that instructional spending per student on regular programs increased from \$2,439 to \$3,281 during 1991-2001. Spending on regular instructional programs per ADMr grew slower than inflation for much of the decade, but accelerated in 1999-2001, resulting in an average annual growth rate of approximately 3.2 percent. Although spending on regular education rose slightly faster than inflation over the decade, as a percent of current expenditures it decreased from 48 percent to 44 percent.

**Table 6: Expenditure of Regular Instruction per ADMr, Oregon City 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	2,493		
1991-1992	2,615	4.9	3.0
1992-1993	2,683	7.6	6.1
1993-1994	2,462	-1.2	8.8
1994-1995	2,556	2.5	11.9
1995-1996	2,566	3.0	15.2
1996-1997	2,668	7.0	17.8
1997-1998	2,839	13.9	19.7
1998-1999	2,864	14.9	22.3
1999-2000	3,101	24.4	26.4
2000-2001	3,281	31.6	30.0

Source: ECONorthwest calculated from Oregon Department of Education data.

Table 7 shows expenditures for special education grew rapidly during the entire 1990-2001 period. In fact, special education spending increased by more than 100 percent, better than three times the rate of inflation. Special education represented 11 percent of current expenditures in 1991. In 2001, it represented 15 percent of current expenditures.

A 1977 federal mandate to serve children with severe mental and physical disabilities is a factor underlying the sharp increase in special education spending in recent years. Since the passage of the law, parents of disabled children have become increasingly aware of the services school districts are required to provide under the law.

Education officials around the state recognize the need and strongly support the provision of special education but note that the rate of growth in special education spending has put pressure on the entire budget. When passing the 1977 federal mandate, Congress signaled that the federal government would fund 40 percent of the resulting costs but have yet to come close to providing that level of support. Without enhanced federal or state funds, officials see continued growth in the area will force tradeoffs with spending on regular instruction and support services.

**Table 7: Expenditure on Special Education Instruction per ADMr, Oregon City 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	546		
1991-1992	578	6.0	3.0
1992-1993	629	15.3	6.1
1993-1994	675	23.7	8.8
1994-1995	693	27.0	11.9
1995-1996	751	37.6	15.2
1996-1997	772	41.5	17.8
1997-1998	928	70.1	19.7
1998-1999	991	81.6	22.3
1999-2000	998	83.0	26.4
2000-2001	1,137	108.3	30.0

Source: ECONorthwest calculated from Oregon Department of Education data.

## SALARIES AND BENEFITS

Spending per student on staff salaries and benefits kept pace with inflation through the early 1990s, dropped off considerably in the mid 1990s, but ended the decade 6.0 percentage points above inflation. Over the 10 year period, spending on salaries and benefits per student grew at an average annual rate of 3.6 percent, compared to 3.0 percent average annual growth in inflation. District officials report that they try to match salary increases to increases in the cost of living, based on the Portland CPI. Of particular concern to the District is the rising cost of health care. Currently the District pays more than \$600 per month for employee health insurance. Salaries and benefits are expected to consume 81 percent of next year's budget.

**Table 8: Salaries and Benefits per ADMr, Oregon City, 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	4,200		
1991-1992	4,423	5.3	3.0
1992-1993	4,549	8.3	6.1
1993-1994	4,302	2.4	8.8
1994-1995	4,367	4.0	11.9
1995-1996	4,422	5.3	15.2
1996-1997	4,607	9.7	17.8
1997-1998	4,911	16.9	19.7
1998-1999	5,007	19.2	22.3
1999-2000	5,308	26.4	26.4
2000-2001	5,706	35.9	30.0

Source: ECONorthwest calculated from Oregon Department of Education data.

# PROGRAM IMPACTS

## LONG-TERM TRENDS

Based on data from the Oregon Department of Education, Oregon City has dramatically increased its number of teachers, educational assistants, and instructional coordinators (see Table 9). In 1994-1995 the District had 336.6 instructional staff, providing a student-instructor ratio of 19.8. In 2000-2001 the District had 486.5 instructional staff, an increase of 45 percent, providing a student-instructor ratio of 14.8. Student service staff also increased dramatically over the period. Although growing at a slower rate than instructional staff, student services added 62 positions – a 28 percent increase.

**Table 9: Staff Levels, 1994 and 2000-2001, Oregon City School District**

<b>Staff Category</b>	<b>1994-1995 School Year</b>	<b>2000-2001 School Year</b>	<b>Change</b>
<b>Teachers and Instructional Assistants</b>			
Pre-Kindergarten Teachers	0.0	0.0	0.0
Kindergarten Teachers	11.5	13	1.5
Elementary Teachers	122.5	149.5	27.0
Secondary Teachers	106.7	127.5	20.8
Teachers of Ungraded Classes	38.8	67.2	28.4
Educational Assistants	56.3	124.8	68.5
Instructional Coordinators and Supervisors	0.8	4.5	3.7
Subtotal	336.6	486.5	149.9
Student -Instructor Ratio	19.8	14.8	-5.0
<b>Student Service Staff</b>			
Elementary Guidance	10.0	9.5	-0.5
Secondary Guidance	7.0	8.0	1.0
Librarians/Media Specialists	1.8	2.0	0.2
Library and Media Support Staff	13.0	17.1	4.1
District Administrators	5.0	6.0	1.0
District Support Staff	8.6	12.7	4.1
School Administrators	16.0	18.0	2.0
School Administrative Support Staff	38.6	47.9	9.3
Student Support Staff	10.8	16.3	5.5
All Other Support Staff	110.5	145.8	35.3
Subtotal Student Service Staff	221.3	283.3	62.0
Student-Service Staff Ratio	30.1	25.4	-4.7
<b>Total District Staff</b>	<b>557.9</b>	<b>769.8</b>	<b>211.9</b>
<b>Student-Total Staff Ratio</b>	<b>11.9</b>	<b>9.4</b>	<b>-2.6</b>
<b>ADMr</b>	<b>6,665.0</b>	<b>7,206.0</b>	<b>541.0</b>

Source: ECONorthwest calculated using Oregon Department of Education Data.



## CURRENT FISCAL POSITION

State budget shortfalls are impacting school districts across the state. Oregon City is no exception. Although District officials support the equalization component of Measure 5, financially, the District is not a beneficiary of it. Over the course of the decade, Oregon City has been forced to cut some minor sports and extracurricular activities, as well as cut back on fine arts offerings. The District has also been forced to cut back on advanced placement classes, in order to maintain general class sizes at or below 26 students.

Due to budget constraints, the District instituted a pay-to-participate fee of \$40 in the early 1990s to help cover travel and miscellaneous costs. The fee has since doubled. Despite charging the fee, the District has been unable to fund such activities as golf, ski team, equestrian, and outdoor education. These activities are entirely funded through fundraising efforts of participating students and parents.

## FINDINGS

The key findings for the District are:

- The District has not benefited from Measure 5, though officials support the equalization aspects of the Measure.
- The passage of the District's first bond issue since 1972 impacts the total expenditures per student estimates during 1990-2001.
- The District has dramatically increased staff over the 1994-2001 period.
- Spending on special education instruction increases at an average annual rate of 11 percent, more than three times the rate of inflation. Meanwhile, spending on regular instruction grew at an average annual rate approximately equal to inflation.
- Salaries and benefits continue to eat up a greater share of the District's budget. District officials expect 81 percent of next year's budget to go to salary and benefits.
- District cash reserves have been reduced from \$7.1 million to \$4.9 million and are expected to be depleted completely by the end of FY 2003.
- The District is in the process of completing a new high school scheduled for completion in Summer 2003.