

BACKGROUND

The Lakeview School District is located in southeastern Oregon and served 999 students in 2000-01 school year. In the first half of the 1990s, average daily membership steadily increased, but has declined since 1998 (see Figure 1). School District officials report that next year will see a substantial drop in student enrollment.

The recent decline in student population is largely explained by economic changes in the area. There are limited economic opportunities in the area, and three timber mills closed in the last few years. With few job opportunities available, families are leaving the area, in search of better economic opportunities elsewhere.

Table 1: District Profile, 2000-2001 School Year

	Lakeview Level	Lakeview Percent	State Percent or Level
Students			
Enrollment	999		
Average Daily Membership	969	97%	95.8%
Special Ed Students	125	12.5%	12.4%
ESL Students	na	na	9.4%
Students in Poverty	182	18.2%	14.4%
Teen Parents	na	na	0.5%
Minority Students	112	11.2%	20.9%
Staffing			
Licensed Staff	68	56.3%	55.0%
Instructional Assistants	16.8	13.9%	14.5%
School Administrators	4.5	3.7%	2.9%
Central Administrators	1	0.8%	1.5%
Classified Support Staff	30.5	25.3%	26.0%
Instructional Days			
K-2	177	na	177
3-4	177	na	177
5-8	177	na	173
9-11	177	na	177
12-12	172	na	171
Computer Infrastructure			
Students per Computer	4.2	na	5.7
Students per Internet Connection	3.9	na	6.0
Student Performance (8th Grade)			
Reading	na	77%	62%
Writing	na	82%	68%
Math	na	53%	56%
Math Problem Solving	na	53%	58%

Source: Oregon Department of Education.

The District's share of special education students (12.5 percent) is almost equal to the state average and above state's 11 percent threshold for enhanced funding. The District's rate of minority students is well below the state average, and the school lacks any English

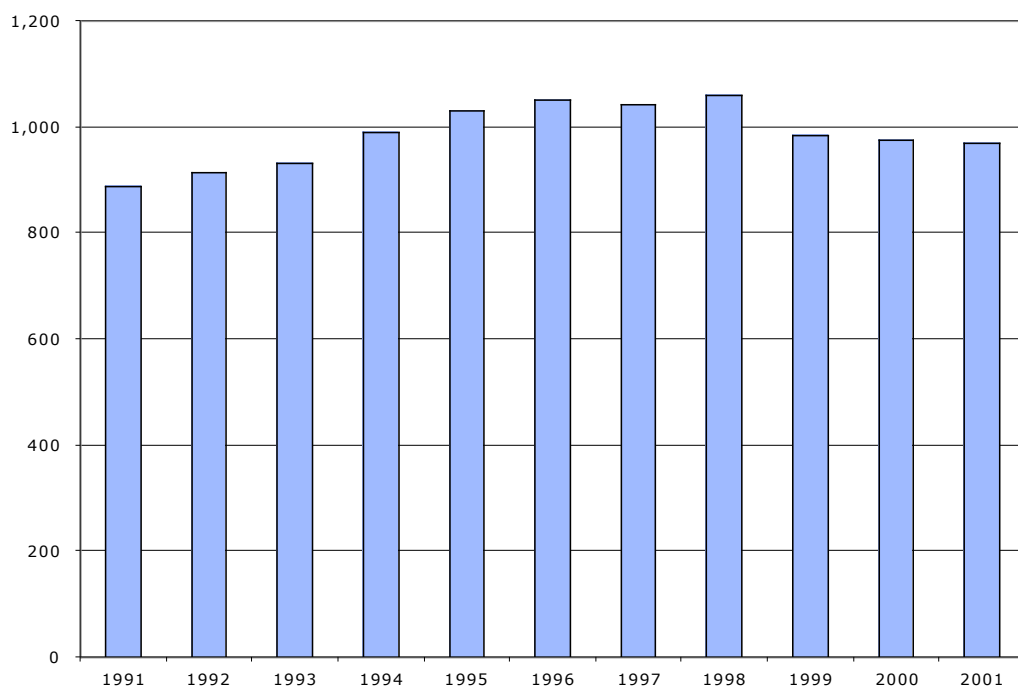
as a Second Language program. The District has a higher rate of students living in poverty than the state average.

The distribution of staffing between licensed staff (teachers), instructional assistants, administrators, and support staff is very close to state averages. The share of staff in school administrative positions is slightly above the state average, which is typical of districts with low population densities that do not have the economies of scale of larger urban districts. The District has a below average share of central administrators, with only a single central administrator.

The number of instructional days is higher or at the same level as the state average at the elementary, middle, and high school levels. The District's computer-related infrastructure is higher than the state average with 4.2 and 3.9 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 outperformed the state average on the reading and writing tests but slightly underperformed on the math and math-problem solving tests.

Figure 1: Average Daily Membership, Lakeview School District, 1991-2001



Source: Oregon Department of Education.

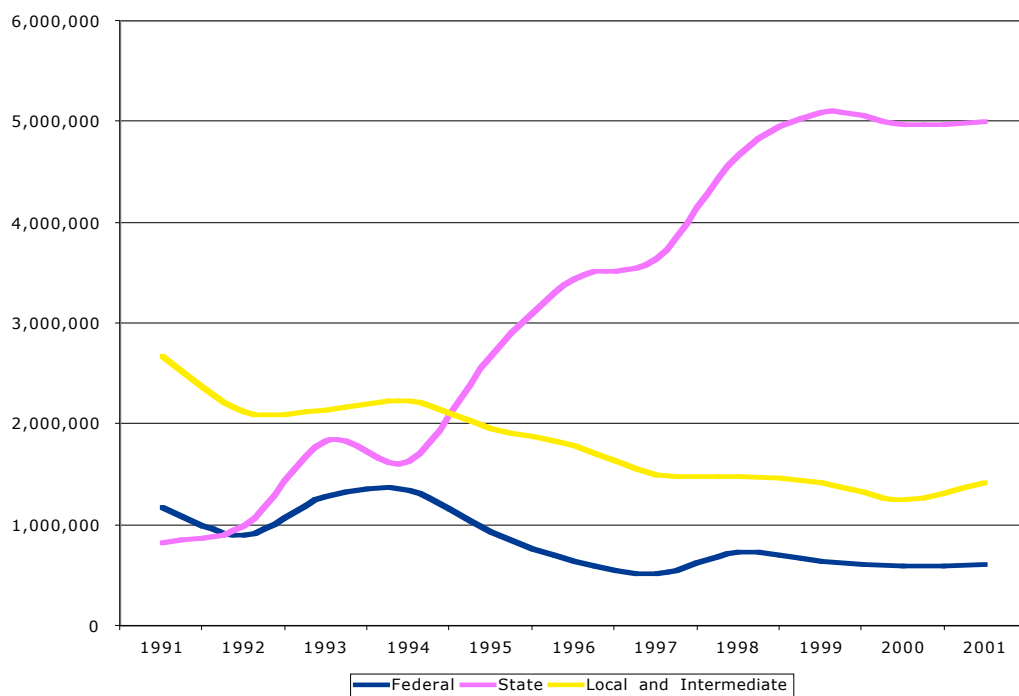
REVENUE TRENDS

Before Measure 5, the Lakeview District was below the statewide mean in terms of per-student spending. In the years following equalization, the District benefited as funding increased to match the rest of the state.

Through the equalization process, the composition of the District's revenues changed considerably. In 1991, the District received \$5.0 million in total revenues with local and intermediate sources (education district) contributing the largest share, \$2.7 million or 54 percent (see Figure 2). The state government contributed \$0.8 million, or 17 percent, and the federal government contributed about \$1.2 million, 24 percent. The majority of the federal funds, 87 percent, came from forest receipts.

In the late 1980s and early 1990s, the District benefited from sizable forest fees paid by the federal government. Annual revenues ranged between \$0.7 and \$1.1 million and represented between 17 and 21 percent of the District's total revenues during 1991-1994. Forest fees declined substantially since 1994, dropping from \$1.1 million in 1994 to about \$150,000 in 2001.

Figure 2: Revenue Sources, Lakeview School District, 1991-2001



(Dollars not adjusted for inflation)

Source: Oregon Department of Education.

As with other district's across Oregon, the local and intermediate funds became a smaller source of revenue over the course of the decade. Because of Measure 5's restrictions on property tax rates, the local and intermediate share of financing fell from \$2.7 million in 1991 to \$1.4 million in 2001. Meanwhile, the state's share of District revenues rose sharply and reached \$5.0 million in 2001.

While the influx of state funds and a gradual decline in local revenue is common to almost every district in Oregon, the importance of federal funds in the early 1990s, and subsequent drop off, is unique to Lakeview and other districts located in area's with timber-related economies. As noted previously, during the late 1980s and early 1990s, the federal forest fees ranged from \$0.7 million to \$1.1 million annually. By 2001, the

annual payment from forest fees fell to \$154,277. The District continues to receive other types of federal funding targeted to special education for children with disabilities, Title 1, and school nutrition programs.

Total revenues grew over the course of the last decade, increasing by 41 percent, compared to a 30 percent growth in inflation. Total revenue per student grew as well. However, the total revenue per student grew 30 percent from 1991 to 2001, just matching inflationary increases.

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. Total expenditures for 2000-2001 increased 65.1 percent over comparable expenditures for 1990-91, but have not increased at all since the 1998-99 school year (see Table 2).

Table 2: Total Expenditures, Lakeview School District, 1991-2001

School Year	Total Expenditures	Percentage Change	
		From 1990-1991	From previous year
1990-1991	4,684,833		
1991-1992	4,817,625	2.8	2.8
1992-1993	5,047,871	7.7	4.8
1993-1994	5,172,294	10.4	2.5
1994-1995	5,619,159	19.9	8.6
1995-1996	6,101,153	30.2	8.6
1996-1997	5,938,911	26.8	-2.7
1997-1998	6,802,425	45.2	14.5
1998-1999	7,766,669	65.8	14.2
1999-2000	7,007,968	49.6	-9.8
2000-2001	7,732,516	65.1	10.3

Source: ECONorthwest calculated from Oregon Department of Education data.

Table 3 shows spending per student—defined as average daily membership—rose from \$5,273 to \$7,980 from 1991 to 2001, which represents a 51 percent increase. Over the same period of time, price inflation, measured by the US Consumer Price Index, increased 30 percent.

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, Lakeview 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	5,273		
1991-1992	5,269	-0.1	3.0
1992-1993	5,419	2.8	6.1
1993-1994	5,228	-0.9	8.8
1994-1995	5,448	3.3	11.9
1995-1996	5,810	10.2	15.2
1996-1997	5,700	8.1	17.8
1997-1998	6,412	21.6	19.7
1998-1999	7,887	49.6	22.3
1999-2000	7,188	36.3	26.4
2000-2001	7,980	51.3	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 recurring 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.

The District’s capital outlays varied over the decade, ranging from about \$28,000 in 1994 to almost \$1 million in 1999. Because capital expenditures varied, the trends for current expenditures do not move in step with total expenditures. Current expenditures rose 63.9 percent over the decade, an average annual increase of 5.2 percent (see Table 4). Current spending per student lagged behind the general rate of inflation through 1997 (Table 5). Expenditures per student increased at a higher rate—exceeding inflation—from 1998 to 2001 because spending continues to climb despite a declining student base.

District officials noted that the Lakeview District has high transportation expenditures. The District is geographically large, with few students. Any involvement with other school districts requires many miles of school bus travel. Consequently, transportation-related fuel and maintenance costs are high in Lakeview.

Table 4: Current Expenditures, Lakeview School District, 1991-2001

School Year	Current Expenditure	Percentage Change	
		From 1990-1991	From previous year
1990-1991	4,586,306		
1991-1992	4,637,662	1.1	1.1
1992-1993	4,873,502	6.3	5.1
1993-1994	5,144,399	12.2	5.6
1994-1995	5,482,961	19.6	6.6
1995-1996	5,711,783	24.5	4.2
1996-1997	5,790,981	26.3	1.4
1997-1998	6,552,655	42.9	13.2
1998-1999	6,769,736	47.6	3.3
1999-2000	6,665,158	45.3	-1.5
2000-2001	7,515,432	63.9	12.8

Source: ECONorthwest calculated from Oregon Department of Education data.

Table 5: Current Expenditures per ADMr, Lakeview 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	5,072	-1.7	3.0
1992-1993	5,232	1.3	6.1
1993-1994	5,200	0.7	8.8
1994-1995	5,316	3.0	11.9
1995-1996	5,439	5.4	15.2
1996-1997	5,558	7.7	17.8
1997-1998	6,177	19.6	19.7
1998-1999	6,875	33.2	22.3
1999-2000	6,836	32.4	26.4
2000-2001	7,756	50.2	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: 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 \$2,895 to \$4,167 from 1991 to 2001. Changes in instructional spending per student

go up and down on an annual basis. Spending on regular instructional program failed to keep pace with inflation throughout the first half of the 1990s, but since the 1996-97 school year, the average increase in spending exceeded inflation.

Table 6: Expenditures on Regular Instruction per ADMr, Lakeview 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	2,895		
1991-1992	2,619	-9.5	3.0
1992-1993	2,864	-1.1	6.1
1993-1994	2,782	-3.9	8.8
1994-1995	2,921	0.9	11.9
1995-1996	3,101	7.1	15.2
1996-1997	3,175	9.7	17.8
1997-1998	3,595	24.2	19.7
1998-1999	3,870	33.7	22.3
1999-2000	3,765	30.1	26.4
2000-2001	4,167	44.0	30.0

Source: ECONorthwest calculated from Oregon Department of Education data.

Table 7 shows expenditures for special education rose steadily over the decade. Measured across all district students—regardless of whether they actually received special education services—expenditures increased more than two-fold, from \$317 per district student in 1991 to more than \$651 per student in 2001. Expressed differently, special education represented 6.1 percent of current expenditures in 1991. In 2001, it represented 8.4 percent of current expenditures.

A 1977 federal mandate to serve children with severe mental and physical disabilities is the key factor underlying the trend in increased spending for special education. Both the federal and state governments target funding to special education. The State funds special education students at twice the funding for regular students. While this covers some costs, some special education students require much more in services. Moreover, the State will provide special education funding for up to 11 percent of the student body, regardless of the actual special education population. In Lakeview, 12.5 percent of the student population qualifies for special education.

Table 7: Expenditures on Special Education Instruction per ADMr, Lakeview 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	317		
1991-1992	388	22.5	3.0
1992-1993	400	26.4	6.1
1993-1994	374	18.2	8.8
1994-1995	333	5.3	11.9
1995-1996	372	17.5	15.2
1996-1997	415	30.9	17.8
1997-1998	528	66.8	19.7
1998-1999	556	75.6	22.3
1999-2000	562	77.3	26.4
2000-2001	651	105.4	30.0

Source: ECONorthwest calculated from Oregon Department of Education data.

SALARIES AND BENEFITS

Spending per student on staff salaries and benefits did not keep pace with inflation until the second half of the 1990s. Salaries and benefits per student dropped for the 1991 level in 1992, 1994, 1995, and 1996. Annual increases did not keep pace with inflation through 1996, but thereafter annual increases exceeded inflation.

Table 8: Salaries and Benefits per ADMr, Lakeview, 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	4,263		
1991-1992	4,171	-2.2	3.0
1992-1993	4,284	0.5	6.1
1993-1994	4,061	-4.7	8.8
1994-1995	4,011	-5.9	11.9
1995-1996	4,260	-0.1	15.2
1996-1997	4,500	5.6	17.8
1997-1998	4,968	16.6	19.7
1998-1999	5,531	29.7	22.3
1999-2000	5,799	36.0	26.4
2000-2001	6,080	42.6	30.0

Source: ECONorthwest calculated from Oregon Department of Education data.

In an attempt to control costs, the District imposed a cap on employee health benefits, and employees must now pay for a portion of their health insurance. The amount varies based on the individual's health plan choice.

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 11.8 full-time equivalent staff members, or by about 11 percent. Teaching staff the elementary level grew by 28 percent, but the number of secondary teachers declined by 15 percent. The number of educational assistants grew by 37 percent.

Student service staff changed very little since 1995, with the notable exception regarding District administrators. In 1995, there were 3 full-time equivalent district administrators; in 2001, there was one, a drop of 67 percent.

Table 9 shows that instructional and service staff increased, but the number of students declined by 63, or about six percent. This change causes the student-teacher ratio to decrease, and has reduced revenue from the State.

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, Lakeview School District

Staff Category	1994-1995 School Year	2000-2001 School Year	Change
Teachers and Instructional Assistants			
Pre-Kindergarten Teachers	0	0	0.0
Kindergarten Teachers	2	2	0.0
Elementary Teachers	27.7	35.4	7.7
Secondary Teachers	22.7	19.3	-3.4
Teachers of Ungraded Classes	1	0	-1.0
Educational Assistants	12.1	16.6	4.5
Instructional Coordinators and Supervisors	0	0.8	0.8
Subtotal	65.5	74.1	8.6
Student -Instructor Ratio	15.7	13.1	-2.7
Student Service Staff			
Elementary Guidance	1	1	0.0
Secondary Guidance	1	0.5	-0.5
Librarians/Media Specialists	2	2	0.0
Library and Media Support Staff	4	4	0.0
District Administrators	3	1	-2.0
District Support Staff	3.2	3	-0.2
School Administrators	4	4.5	0.5
School Administrative Support Staff	5.5	5.7	0.2
Student Support Staff	0	0	0.0
All Other Support Staff	18	23.2	5.2
Subtotal Student Service Staff	41.7	44.9	3.2
Student-Service Staff Ratio	24.7	21.6	-3.2
Total District Staff	107.2	119.0	11.8
Student-Total Staff Ratio	9.6	8.1	-1.5
ADMr	1,031.5	969.0	-62.5

Source: ECONorthwest calculated using Oregon Department of Education data.

District officials reported that they have not had to cut special programs. Because they were below the statewide mean before equalization, the District had not had many programs to begin with. Special programs currently in place include band, art, home economics, business, agriculture, and industrial arts.

FINDINGS

The key findings for the District are:

- District experienced a significant decline in federal forest fees during the 1990s.

- Although the District was below the statewide average before equalization, growth in expenditures per ADMr did not even match inflation until the last half of the decade. In the last half of the decade, expenditures per ADMr exceeded inflation.
- Total revenue per ADMr just matched inflation from 1991 to 2001.
- Spending on special education instruction increased during the 1990s.