

BACKGROUND

The Pendleton School District is located in northeastern Oregon and consists of eight schools that served 3,629 students in 2000-2001 school year. Table 1 shows basic data for the district, with comparison data for the state. Over the first half of the decade, the District's enrollment rose slightly. Enrollment leveled off in the last half of the decade, and declined slightly in the 2000-2001 school year. Figures 1 shows average daily membership.

The District's share of special education students (11.9 percent) is slightly below the state average of 12.4 percent, but above state's 11 percent threshold for enhanced funding. The District's rate for English-learning students is well below the state average. Its rate for poor students is above the state average.

Table 1: District Profile, 2000-2001 School Year

	Pendleton Level	Pendleton Percent	State Percent or Level
Students			
Enrollment	3,629		
Average Daily Membership	3,447	95%	95.8%
Special Ed Students	433	11.9%	12.4%
ESL Students	29	0.8%	9.4%
Students in Poverty	660	18.2%	14.4%
Teen Parents	6	0.2%	0.5%
Minority Students	682	18.8%	20.9%
Staffing			
Licensed Staff	207.6	58.8%	55.0%
Instructional Assistants	72	20.4%	14.5%
School Administrators	11	3.1%	2.9%
Central Administrators	4.5	1.3%	1.5%
Classified Support Staff	58	16.4%	26.0%
Instructional Days			
K-12	177	na	171
Computer Infrastructure			
Students per Computer	5.6	na	5.7
Students per Internet Connection	5.2	na	6.0
Student Performance (8th Grade)			
Reading	na	49%	62%
Writing	na	65%	68%
Math	na	63%	56%
Math Problem Solving	na	74%	58%

Source: Oregon Department of Education.

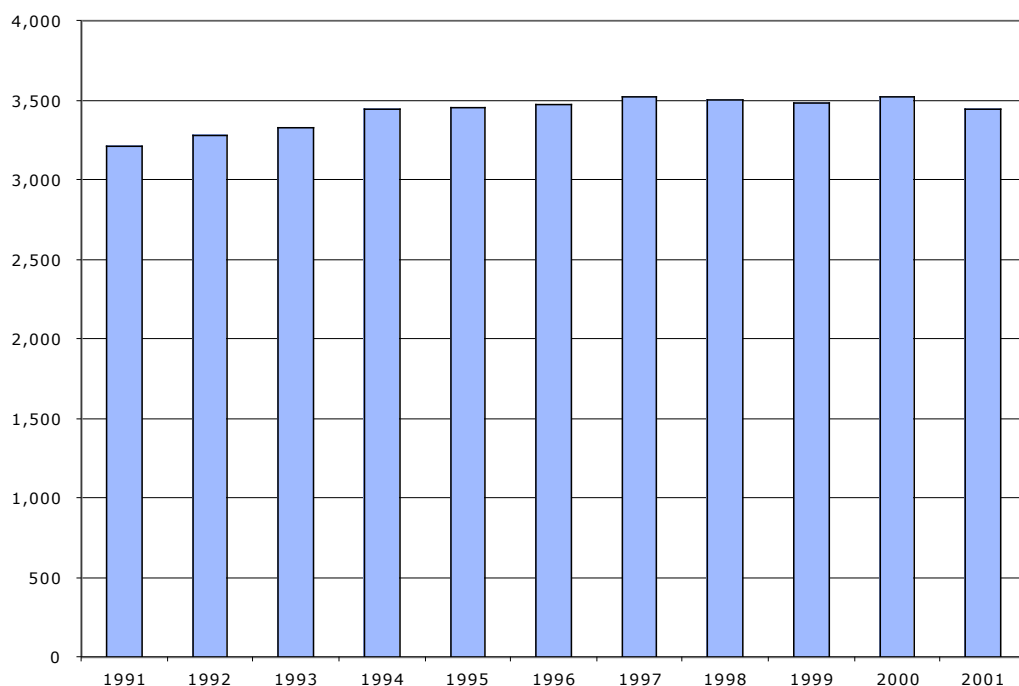
The distribution of staffing between licensed staff (teachers) and administrators is similar to state averages. The district has a higher share of instructional assistants than the state average, and a much lower share of classified support staff (staff positions that don't require a special license).

The number of instructional days is higher than the state average. The District's number of computers per student is about equal to the state average, at 5.6, and the District's number of internet connections is higher than the state's at 5.2.

The performance of the District's eighth graders relative to their state counterparts is mixed on statewide tests. District students scored much lower than the state average in reading, but writing scores almost met the state average. The students performed much better on math tests. The district's eighth graders performed better than the state average in math, and substantially better than the state average in math problem solving.

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

Source: Oregon Department of Education.



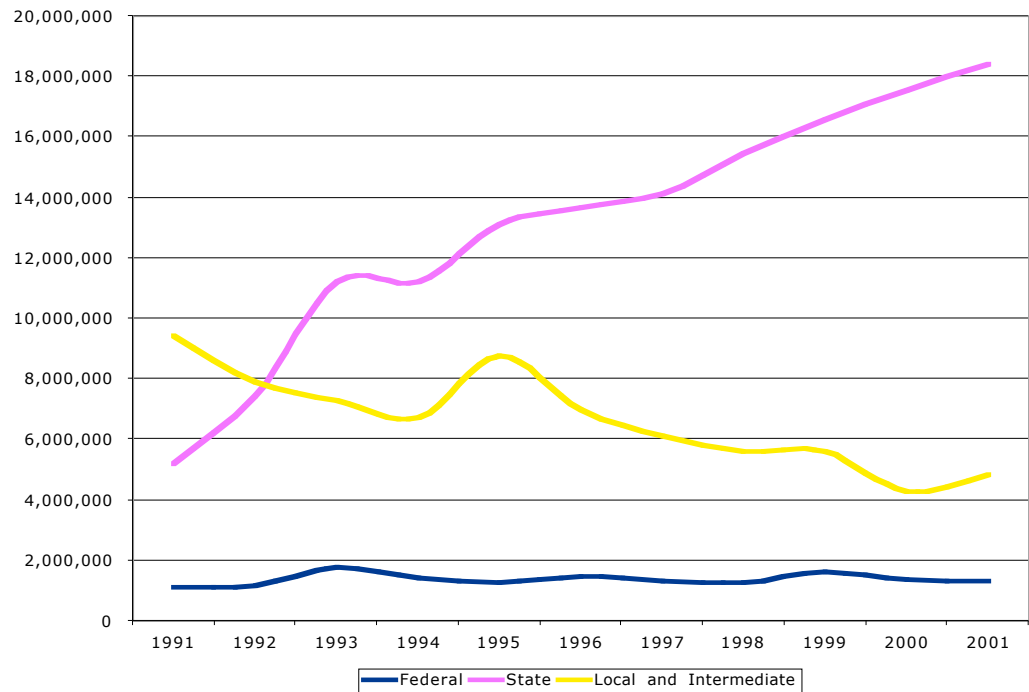
REVENUE TRENDS

Before Measure 5, the Pendleton district's spending had been below the state average. The district's total revenue grew until the 1995-96 school year. Although revenues grew, the district did not increase its programs or significantly increase spending. They placed the extra revenue into reserves, building them throughout the first half of the decade. From 1996 through 2000, the district relied on the reserves to supplement state revenue, and only started to rebuild the reserves in the 2000-01 school year.

Figure 2 shows the district's revenue trends for federal, state, and local sources. Through the equalization process, the composition of the District's revenues changed considerably. In 1991, the District received \$15.7 million in total revenues with local and intermediate sources (education district) contributing the largest share, \$9.4 million, or 60 percent (see Figure 2). The state government contributed about \$5.2 million, or 33

percent, and the federal government contributed \$1.1 million respectively, about seven percent.

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



(Dollars not adjusted for inflation)

Source: Oregon Department of Education .

As with other districts 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 \$9.4 million in 1991 to less than \$4.9 million in 2001, dropping from 60 percent of the total budget to 20 percent. Meanwhile, the state's share of District revenues rose sharply and reached \$18.4 million in 2001, 75 percent of total revenues.

[DISCUSS REVENUE TREND]

Much of the federal dollars are from Title 1 grants, which support areas with high concentrations of low-income families. The District receives other types of federal funding, such as funding targeted to special education for children with disabilities, English as a second language, and school nutrition programs.

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 2.0 percent over comparable expenditures for 1999-2000 and 66.3 percent over the amount spent in 1990-1991 (see Table 2). Total expenditures peaked in the 1995-96 school year, at almost \$34.5 million, an increase of almost 70 percent from the previous year. In that school year, the district spent \$14.5 million in capital outlays to remodel the district's high school.

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

School Year	Total Expenditures	Percentage Change	
		From 1990-1991	From previous year
1990-1991	14,301,127		
1991-1992	15,892,344	11.1	11.1
1992-1993	18,048,308	26.2	13.6
1993-1994	17,852,532	24.8	-1.1
1994-1995	20,420,071	42.8	14.4
1995-1996	34,447,729	140.9	68.7
1996-1997	26,502,298	85.3	-23.1
1997-1998	22,725,871	58.9	-14.2
1998-1999	23,363,049	63.4	2.8
1999-2000	23,322,549	63.1	-0.2
2000-2001	23,788,377	66.3	2.0

Source: ECONorthwest calculated from Oregon Department of Education data.

Table 3 shows total expenditures per student—defined as average daily membership—rose from \$4,453 to \$6,901 from 1991 to 2001, which represents a 55 percent increase. Over the same period of time, price inflation, measured by the US Consumer Price Index, increased 30 percent. Expenditures per student peaked in the 1995-96 school year, at \$9,899, as a result of the capital expense to remodel the high school.

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, Pendleton 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	4,453		
1991-1992	4,839	8.7	3.0
1992-1993	5,412	21.5	6.1
1993-1994	5,179	16.3	8.8
1994-1995	5,908	32.7	11.9
1995-1996	9,899	122.3	15.2
1996-1997	7,528	69.1	17.8
1997-1998	6,481	45.6	19.7
1998-1999	6,712	50.7	22.3
1999-2000	6,624	48.8	26.4
2000-2001	6,901	55.0	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.

Current expenditures are similar to total expenditures, except for the 1995-96 school year. Current expenditures rose 2.4 percent from 2000 to 2001 and 66.6 percent over the decade (see Table 4). Current expenditures per student increased at a rate higher than inflation throughout the decade (Table 5). On average, per student spending increased by 4.6 percent each year, while inflation grew 2.7 percent. Some years saw a decline in per student spending over the previous year, but the decline simply brought down a substantial increase from the previous year.

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

School Year	Current Expenditure	Percentage Change	
		From 1990-1991	From previous year
1990-1991	14,173,503		
1991-1992	15,748,587	11.1	11.1
1992-1993	17,685,053	24.8	12.3
1993-1994	17,706,674	24.9	0.1
1994-1995	20,261,548	43.0	14.4
1995-1996	19,955,785	40.8	-1.5
1996-1997	21,159,845	49.3	6.0
1997-1998	22,066,535	55.7	4.3
1998-1999	22,930,720	61.8	3.9
1999-2000	23,058,390	62.7	0.6
2000-2001	23,615,085	66.6	2.4

Source: ECONorthwest calculated from Oregon Department of Education data

Table 5: Current Expenditures per ADMr, Pendleton 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	4,413		
1991-1992	4,795	8.7	3.0
1992-1993	5,303	20.2	6.1
1993-1994	5,137	16.4	8.8
1994-1995	5,862	32.8	11.9
1995-1996	5,735	29.9	15.2
1996-1997	6,011	36.2	17.8
1997-1998	6,293	42.6	19.7
1998-1999	6,588	49.3	22.3
1999-2000	6,549	48.4	26.4
2000-2001	6,851	55.2	30.0

Source: ECONorthwest calculated from Oregon Department of Education data

District officials report that in the early 1990s, when state revenues increased to bring the district up the state's spending average, the district held much of the increased revenue in a reserve fund. Although state revenue increased, programs did not expand. In the mid-1990s, state revenues flattened out, and the district dipped into the reserve fund to maintain expenditures. By the 1998-99, the reserve fund had been reduced to about four percent of the total budget, which the district retained for emergencies. In the last school year, the Pendleton district has worked to increase the reserve, to maintain their bond rating.

The difference between total and current expenditures, in Tables 2 and 4 respectively, represents capital outlays. The District's annual capital outlays grew from less than \$200,000 in 1995 to \$14.5 million in 1996 and \$5.3 million in 1997. The money paid for an extensive remodel and expansion of the high school, which now accommodates 9th graders. The district began the remodel after years of steady increases in enrollment. Once the remodel began, enrollment stopped growing, and even declined in 2001.

The declining enrollment is mostly seen at the elementary school level—incoming kindergarten classes are smaller than they were a few years ago. In response, the district is closing one elementary school. The students will be redistributed to the remaining five elementary schools in the district.

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 \$2,284 to \$3,205 from 1991 to 2001. Spending on regular instructional program exceeded inflation throughout the 1990s. In the first half of the decade, spending increased as the district's revenue climbed to the state average, and then the district maintain increases until 1999-00 school year.

Table 6: Expenditures on Regular Instruction per ADMr, Pendleton 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	2,284		
1991-1992	2,368	3.6	3.0
1992-1993	2,495	9.2	6.1
1993-1994	2,479	8.5	8.8
1994-1995	2,617	14.6	11.9
1995-1996	2,756	20.6	15.2
1996-1997	2,907	27.3	17.8
1997-1998	3,045	33.3	19.7
1998-1999	3,174	39.0	22.3
1999-2000	3,093	35.4	26.4
2000-2001	3,205	40.3	30.0

Source: ECONorthwest calculated from Oregon Department of Education data.

Table 7 shows expenditures for special education rose steadily over the decade, at a rate much faster than inflation. Measured across all district students—regardless of whether they actually received special education services—expenditures increased more than three-fold from \$350 per district student in 1991 to more than \$1,036 per student in 2001. Expressed differently, special education represented 7.9 percent of current expenditures in 1991. In 2001, it represented 15.1 percent of current expenditures.

District officials, like others across the states, point to a 1977 federal mandate to serve children with severe mental and physical disabilities as the key factor underlying the trend. District officials believe that children with disabilities are receiving better diagnoses, so that more children are identified as disabled. In addition, the Pendleton District has a large population of autistic children. District officials reported that the District has complete programs for autistic children, attracting families from throughout the northeastern Oregon, where smaller school districts are unable to support complete programs.

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 Pendleton, 11.9 percent of the population qualifies for special education.

When passing 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: Expenditures on Special Education Instruction per ADMr, Pendleton 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	350		
1991-1992	484	38.3	3.0
1992-1993	708	102.4	6.1
1993-1994	595	70.2	8.8
1994-1995	632	80.8	11.9
1995-1996	705	101.5	15.2
1996-1997	810	131.5	17.8
1997-1998	837	139.2	19.7
1998-1999	913	160.9	22.3
1999-2000	938	168.0	26.4
2000-2001	1,036	196.2	30.0

Source: ECONorthwest calculated from Oregon Department of Education data.

There is an English as a Second Language program in Pendleton, but it is quite small.

SALARIES AND BENEFITS

On average, spending per student on staff salaries and benefits exceeded inflation throughout the 1990s. The average annual increase for salaries and benefits was 4.8 percent, compared to 2.7 percent for inflation. The district's increases exceeded inflation in the first half of the decades as salaries rose to be somewhat competitive with the state average.

In an attempt to control costs, the District recently 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.

Many districts pay for the employees' contribution to PERS. To control costs, Pendleton has required that staff cover their own contribution since the mid-1990s.

Table 8: Salaries and Benefits per ADMr, Pendleton, 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	3,383		
1991-1992	3,645	7.7	3.0
1992-1993	4,089	20.9	6.1
1993-1994	3,958	17.0	8.8
1994-1995	4,134	22.2	11.9
1995-1996	4,359	28.9	15.2
1996-1997	4,538	34.1	17.8
1997-1998	4,831	42.8	19.7
1998-1999	5,129	51.6	22.3
1999-2000	5,218	54.2	26.4
2000-2001	5,368	58.7	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 remained steady, decreasing by only 0.2 full-time equivalent staff members since 1995. The number of teachers increased by 5.5 full-time equivalent workers, or by 2.0 percent. The student-instructor ratio declined from 12.9 to 12.6 teachers per student.

The student service staff declined since 1995 by 5.7 full-time equivalent workers, and 5.7 percent decrease. Most of the decrease was in the number of school administrative support staff.

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, Pendleton School District

Staff Category	1994- 1995 School Year	2000- 2001 School Year	Change
Teachers and Instructional Assistants			
Pre-Kindergarten Teachers	0.0	0.0	0.0
Kindergarten Teachers	6.5	6.0	-0.5
Elementary Teachers	71.1	70.4	-0.7
Secondary Teachers	83.5	58.8	-24.7
Teachers of Ungraded Classes	29.9	51.5	21.6
Educational Assistants	75.0	85.7	10.7
Instructional Coordinators and Supervisors	2.5	1.6	-0.9
Subtotal	268.5	274.0	5.5
Student -Instructor Ratio	12.9	12.6	-0.3
Student Service Staff			
Elementary Guidance	4.0	4.0	0.0
Secondary Guidance	6.0	7.0	1.0
Librarians/Media Specialists	5.5	4.7	-0.8
Library and Media Support Staff	7.0	7.7	0.7
District Administrators	4.5	4.5	0.0
District Support Staff	8.0	7.5	-0.5
School Administrators	11.0	11.0	0.0
School Administrative Support Staff	18.8	15.7	-3.1
Student Support Staff	10.7	8.1	-2.6
All Other Support Staff	23.8	23.4	-0.4
Subtotal Student Service Staff	99.3	93.6	-5.7
Student-Service Staff Ratio	34.8	36.8	2.0
Total District Staff	367.8	367.6	-0.2
Student-Total Staff Ratio	9.4	9.4	0.0
ADMr	3,456.2	3,447.0	-9.2

Source: ECONorthwest calculated using data from the Oregon Department of Education and the Pendleton School District.

In order to control costs, the District has had to limit certain programs. District officials report that they are working to retain programs, but have scaled them down. The District implemented the following policies and service cuts.

- The High School has long offered four years of French and Spanish. Next year, French will be cut to a two-year program. Spanish will be the only foreign language offered for all four years.
- Foreign language class sizes have grown, so that there are more students in a class than there are listening stations.

- Science class size exceeds the number of laboratory stations. The school must assume that a few students will be absent every day.
- The District is closing one elementary school, and redistributing the students to the remaining five elementary schools.
- Class sizes have grown at all grade levels.

CURRENT FISCAL POSITION

The District anticipates a \$1.74 million reduction for the 2002-2003 school year, making total reductions since the 1999-2000 school year \$3.25 million. To accommodate the cuts, the District plans to reduce staff by 31.8 full-time equivalents, including 19 teachers. This will bring staff reductions since 2000 up to 56 staff members, including 31.5 teachers.

FINDINGS

The key findings for the District are:

- The District was below the statewide spending average prior to Measure 5, so total revenues increased throughout the first half of the 1990s.
- The District's annual current spending has exceeded inflation over the decade. District officials point to the saving of increased state revenue until the mid-1990s, and then spending most of that reserve during the second half of the decade. The management of reserve funds gave the District relative financial stability.
- Spending on special education instruction increased sharply during the 1990s. In 1990-1991, special education represented 7.9 percent of current expenditures. By 2000-2001, its share of current expenditures nearly doubled.