FOCUS ON CRITICAL ISSUES

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WINTER 2003

AT THE CROSSROADS

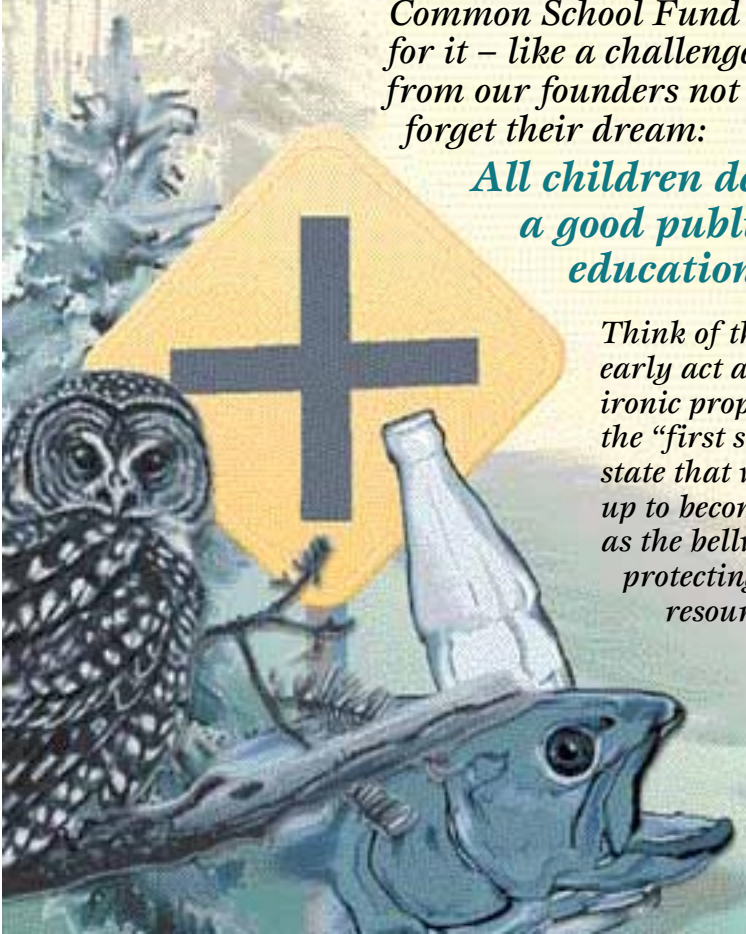
Will the well-educated child become an endangered species in Oregon?

Oregon . . . lauded for protecting wild salmon, spotted owls, clean rivers, old growth forests, free beaches and the bottle bill.

Oregon, where in 1859 our Constitution established a free public education system and a Common School Fund to pay for it – like a challenge sent from our founders not to forget their dream:

All children deserve a good public education.

Think of this early act as an ironic prophecy – the "first steps" of a state that would grow up to become famous as the bellwether in protecting natural resources.



Why ironic? Look at us now. By dozens of measures, Oregon has among the best public education systems in the nation. We're successful and accountable. We're wise stewards of money in the face of funding shortfalls. We welcome every child and do our best regardless of handicaps, language barriers or simple bad luck.

But now we're on the verge of losing precious ground – and jeopardizing the future of our children – if Oregon doesn't hold on to its investment in public education during this budget crisis.

It's time to protect Oregon's legacy and the reputation that put our unique state on the map – because time is running out.

At a very different junction

Pollsters tell us Oregonians are flat-out tired (and confused) when we play that broken record – *Stable, long-term and adequate school funding*. "Their willingness to increase taxes to pay for what we agree are essential public services hovers at about 40 percent and remains unmovable even with the most dire threats of service cuts," says Mark Wiener of M & R Strategic Services, noting that "promised cuts" don't materialize in the minds of voters who still see the school buses running, Friday night football and joyous graduation ceremonies.

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"Dire predictions that don't materialize have led to a decline in confidence in our government institutions," he says.

What is clear, he adds, is that positive messages are better than negative ones if Oregon is to renew and strengthen its commitment to public education. He challenges school leaders to show their communities how well schools have been managing, which in turn will sell the public on investing in success. "Nobody invests in failure," he says.

How we got here

The school funding debate has been percolating since statehood. Few, if any, Oregon issues are as intractable as this. Look at Oregon newspapers from 60, 100, even 150 years ago and you'll see headlines resembling today's debates: How much should schools cost? How should the bill be paid, state income taxes or local property taxes? Taxes are too high, standards are too low. Should we increase them? What will it cost? How do we measure the results?

Over the years the urgency has ebbed and flowed, but something is very different now.

"For the first time, all the pieces are falling into place," says OSBA Executive Director Chris Dudley. "These include improvements we've made under Oregon's Educational Act, the Quality Education Model as a map on how we should spend resources, the coalitions we've formed, data showing the critical tie between schools and Oregon's economy, facts showing where we stand nationally, and the progress through rising test scores to show we're on the right track.

"Oregon only lacks one major piece – and that's the political will as a state to stop the quality of our schools from sliding."

The road traveled so far

To map a solution it is important to understand how we arrived at this junction.

The biggest political shift in recent years came when voters approved the property tax rate and assessment limits in 1990 and 1996. This transferred funding responsibility from local school boards to state legislators.

At first, the shift seemed to work – the booming economy of the 1990s swelled state income tax revenues. This made the impact of the tax limitations on school funding more like bumping down a flight of stairs than falling off a cliff.

Revenue growth helped the Legislature deal with the unprecedented, constitutionally required, demand for increased education services caused by not only the Oregon Educational Act for the 21st Century and other mandates but also by Oregon's changing student demographics.

> *School leaders need to show their communities how well schools are doing – to sell the public on investing in success.*
>
> *"Nobody invests in failure."*
>
> *– Mark Wiener, M & R Strategic Services*

Spending needs increase

Demands on the state's General Fund increased as public safety spending grew 151 percent between 1989 and 1999 in response to a voter initiative for longer prison sentences. Higher education funding slightly increased over the period.

Now, Oregon is in a vise-grip: As the last six economic forecasts indicate, the state's ability to keep pace with increased government service needs is at an end. The combination of recession and over-reliance on income taxes has pushed state coffers into a $1.8 billion hole and leaves another $313 million in cuts for the last five months of the 2001-2003 biennium, if voters fail to approve a temporary income tax increase at the Jan. 28, 2003, special election.

The battle to balance the 2003-2005 budget will begin next. With K-12 funding now comprising the largest single part of the state budget, nearly every school board faces the equivalent of blunt force trauma, if this crisis continues and further cuts are required.

Rising to our challenge as spending declines

The urgency to "stay on track" is even more acute because the latest crisis comes at a time when Oregon schools have made great strides to improve student achievement. These achievements include:

- Since 1996 Oregon's fourth and eighth graders exceeded the national average on National Assessment of Educational Progress tests in math, reading, science and writing.
- Since 1990 Oregon's eighth graders have outscored the nation and the western states in math. In 2000, eighth grade scores in science exceeded the national average by five points and in math by seven points.
- Last year, 85 percent of third graders, 79 percent of fifth graders and 64 percent of eighth graders met or exceeded Oregon's challenging reading standards. For math, 77 percent of third graders, 75 percent of fifth graders and 55 percent of eighth graders met or exceeded the Oregon standards. For tenth graders, 79 percent met the writing standards and 62 percent met the science standards.
- In 2002, Oregon's high school students tied with Maine for the top scores nationally on the American College Testing Program (ACT) college entrance exam.
- Oregon's students lead the nation on the Scholastic Aptitude Test (SAT). Last year they exceeded the national average on the verbal test by 20 points and scored 12 points higher on the math test. Also, 56 percent of eligible Oregon students took the SAT while 46 percent did nationally.
- At a time when graduation rates nationally are flat, Oregon has

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increased its rate by three percent since 1995-96. At the same time, the dropout rate in Oregon went from a high of 7.4 percent in 1994-95 to 5.3 percent in 2000-01.

In 1990 Oregon ranked 15th nationally in expenditures per student. By 2000 that ranking dropped to 20th. It's a slide, given the current crisis, that will accelerate. (See story, page 8.)

Paying attention to what we pay for schools is also essential to the health of Oregon's ailing economy. A report by ECONorthwest shows what the economic effect of cutting school funding will be on every Oregon community. (See story, beginning on page 5.)

A good map to follow

Economic realities aside, the greatest impact of funding cuts is on the 552,000 students in Oregon's classrooms. The Quality Education Model developed by Oregon's Quality Education Commission provides a nationally noted blueprint for determining the resources needed for schools to meet the quality education goals established in law – and according to public opinion. The QEM provides the best tool so far to develop education budgets. (See story, pages 5-6.)

School appropriations in the now-battered 2001-2003 state budget fell $870 million short of the target set by the QEM. Under this model, Oregon should spend $6,589 per ADMw in 2003-04. That amount is $1,500 more per ADMw than is available after the recent round of state budget cuts.

And, as state revenues fell and more cuts are threatened, the Oregon Department of Education cut testing; school boards are cutting school days, staff and school programs; insurance, retirement and other school operating costs are rising and employee contracts in a number of districts are unsettled.

And here we are at the junction . . .

Before 1990, school boards could go to their local communities to make up lost revenues. That safety valve is gone. In the mid 1940s when school funding was in crisis, the newly formed Oregon School Boards Association along with school administrators, teachers and parents, circulated an initiative petition that created the Basic School Support Fund. It was approved by Oregon voters and provided a much-needed financial base for public schools.

Will they – meaning we – step forward again? The answer is YES. For the past two years OSBA has been working on several fronts to help set the groundwork for discussions on Oregon's tax system. From funding economic reports (included in this publication) that establish a baseline for discussions, to working with other organizations – from the usual players to unique partners – OSBA plays a key role in the effort to fix Oregon's taxing structures.

But it's different this time. We are armed with the tools to show what a quality education is and what it costs as well as how important schools are to Oregon's economy. We can make the case for a funding solution that can accomplish what Oregon's founding pioneers intended the original Common School Fund to do: "fully support a free school system."

What are we waiting for?

> *Education should be free, control should be local . . . and a permanent school fund should be established.*
>
> *– Rev. George Atkinson, author of the Oregon Territory's first body of school law, 1849*

Oregon's commitment: Free public education for all children

Oregon's commitment to providing a free public education for all its children started in the 1830s when Oregon pioneer John Ball opened the first school for "half-blood" children of fur trappers who frequented Fort Vancouver.

That commitment to a free public education, with local control and permanent funding, was written into territorial law by the Rev. George Atkinson in 1849 and became a part of the Oregon Constitution in 1859. Oregonians at that time not only provided for "a uniform, and general system of Common schools" (Article VIII, Section 3), they also established a mechanism to pay for those schools – the Common School Fund.

The Common (Irreducible) School Fund (Article VIII, Section 2) provided for the distribution of income to school districts from the sale of land given to the state by the federal government. According to the 1868 Report of the Board of Commissioners for the sale of school lands and the management of the fund:

"If the state school lands are all sold, and the funds carefully managed, in a few years it (the Common School Fund) will fully support a free public school system."

1890s – Land fraud guts school fund

Unfortunately for Oregon's children, a land-fraud scam in the 1890s squandered away the school grant lands, reducing the "Irreducible" School Fund to the degree that it has never covered more than a minimum amount of school costs.

This left local school boards with the responsibility of raising the money needed for school operations through local property taxes with minimal help from the state. In 1920, Oregon's 2,543 school districts got a boost in state support when voters approved an annual tax of two mills (two tenths of a cent) on all taxable property in the state for the support

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Oregon's commitment – from page 3

and maintenance of public elementary schools. Property taxes became the primary source for both local and state school support.

By 1940, the state income tax, approved by voters in 1929, had replaced property taxes as the primary source of state revenue. It also provided potentially more revenue to increase state funding for schools.

1945 – School Support Fund approved

In 1945, when post World War II development and population growth strained local property tax support to its limits, the newly formed Oregon School Boards Association was instrumental in securing additional state support for education. OSBA, the Oregon Education Association and Oregon Congress of Parents & Teachers helped develop a program for state school support that was placed on the November 1946 general election ballot by initiative petition and approved by voters. This Basic School Support Fund measure was designed to provide:

- A stable source of revenue for public education.
- New and additional money for an adequate financial floor for education throughout the state.
- Adequate equalization of educational opportunities throughout the state.

Continued population growth and other increasing demands for state services kept legislators from providing the 50 percent support for schools the initiative intended. In the 1950s and 60s, schools once again faced the difficult task of asking local taxpayers to increase property taxes to keep pace with school construction costs and escalating school operating costs resulting from rapidly growing baby boom school populations and inflation.

1973 – Governor McCall's plan fails

In 1973, one of Oregon's most popular governors, Tom McCall, proposed a way to solve both the school funding problem and property tax escalation. He wanted to increase state school support to 90 percent, freeze property taxes, make property tax relief delivered through state funding of schools permanent and pay for it by increasing the state income tax by 30 percent. He thought his popularity would carry the proposal to victory and made passage of "The McCall Plan" his personal campaign. The plan's narrow defeat in November that year was devastating to the man who believed its passage would have made "our corner of the world a better place in which to live."

Defeat of "The McCall Plan" was followed in the next decade by virtually no percentage increases in state school support and legislative repeal of its commitment to property tax relief, leaving property taxpayers angry and unwilling to increase local property taxes for schools. In the 1980s, tax limitation initiatives began to appear on November general election ballots and 13 school districts closed for lack of funds. Double-digit inflation and increased wages and benefits negotiated under Oregon's new collective bargaining law increased school costs exponentially and property taxpayers were refusing to pay the bill.

1987 – "Safety net" approved, funding responsibility shifts to state

In 1987, Oregon voters approved a "safety net" constitutional amendment to keep schools from closing. The "safety net" allowed school districts to levy property taxes without voter approval for operating purposes up to the amount levied for operations in the prior year. Ninety-eight school districts fell into the safety net one or more years during the three years the "safety net" was in effect.

In 1990 and 1996 Oregon voters approved property tax limitations to stop property taxes from increasing, effectively shifting responsibility for school funding to the state.

- The 1990 property tax rate limitation limited the combined total schools, education service districts and community colleges can collect from an individual property to $5 per $1,000 of a property's market value, and the combined total cities, counties and all other special districts can collect to $10 per $1,000 of a property's market value.
- The 1996-97 property tax assessment limitation measures rolled back property tax assessments to 1995-96 levels and limited future assessed value growth to 3 percent per year.

With tax issues at center stage, the issue of school quality and accountability was in the wings, demanding its own spotlight. In 1983 Oregon responded to the federal "A Nation at Risk" report on the poor condition of public education with a state Board of Education-adopted Action Plan for Excellence and moved to take its place nationally as a leader in school improvement.

1991 – Oregon's Educational Act for the 21st Century

In 1991, the Legislature enacted Oregon's Educational Act for the 21st Century, calling for major changes in school programs aimed at making Oregon students the best educated in the nation by 2000 and a workforce equal to any in the world by 2010. Although target dates were changed by subsequent legislatures, the goals remain and Oregon schools have made great strides in reaching the law's benchmarks.

Our current predicament

In 2001, 2002 and 2003, funding moved back into the spotlight. Personal and corporate income taxes that grew rapidly in response to a very strong economy dropped precipitously as the economy declined and unemployment in Oregon reached the highest level in the nation. The combination of recession and over-reliance on income taxes pushed Oregon into a budget crisis that leaves state coffers in a $1.8 billion hole that the 2003 Legislature must address.

Under-funded federal mandates for special education and the federal "No Child Left Behind" Act, along with the threat of further reductions in state funding find schools cutting regular classroom programs and shortening school years to balance their budgets.

(A complete "History of School Funding in Oregon" is on OSBA's "At the Crossroads" Web page.)

Oregon at the crossroads: Educational quality hangs in the *balance*

As the economic downturn continues, Oregon's state coffers are running dangerously low. Significant spending reductions have been made already, and if revenue projections continue their downward spiral, things will only get worse.

Opinions differ on how to deal with the situation. Cutting spending has long been the cry of those who advocate smaller government and reduced taxes. Raising taxes, never a popular solution, seems to be gaining some support among Oregonians who fear that deeper cuts may be fatal to the state's high quality of life.

Nowhere is this difference more evident than in the debate over school funding. We stand at a crossroads, and the decisions we make now will affect educational quality in this state for years to come.

Partisan rhetoric is not the answer; instead, we must use facts to guide our decisions. The Quality Education Model, developed in 1999 and recently updated, provides a reliable framework for understanding the components and costs of a quality education. (*What is quality education?* story below.) The report "K-12 Spending and the Oregon Economy" paints a picture of the ripples that spread throughout our state when we cut school spending. (*Spending cuts hurt,* story below.) Both are valuable tools available to everyone who cares about education in Oregon.

Spending cuts hurt state's economy

There's a hidden impact to school spending cuts that has chilling consequences for the entire state.

Every public education dollar – whether it's spent on teacher salaries or classroom supplies – eventually flows into the state's economy. And when those

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What is quality education and how much does it cost?

Oregonians have struggled with the issue of school funding for generations. From the beginning, decisions have been based on a combination of high ideals, politicking and guesswork. Now, for the first time in the state's history, parents, teachers, school board members and legislators have the tools they need to make informed, fact-based choices.

One of the most powerful of these tools is the Quality Education Model (QEM). Developed in the late 1990s and recently updated and refined, the QEM provides a detailed framework for understanding what it takes – and how much it costs – to provide students with a quality education.

Oregon's Educational Act for the 21st Century sets statewide standards for student performance and establishes high levels of accountability for schools and districts. The Oregon Constitution requires the Legislature to appropriate enough money to make sure the state's school system meets these goals. And the QEM provides the "road map" for getting there.

How does it work?

The Quality Education Commission was formed in 1997 to answer three questions:

What is quality education? How much does it cost? What results can we expect if we spend the money?

To find answers, the Commission looked at educational research, classroom practice, public values and professional opinion. Using this data, a model was developed that sets a cost per student at a prototype elementary, middle and high school, then multiplies that cost by the number of students at each level across the state.

Each prototype provides a vision of a high-performing school with goals for class size, number of teachers and specialists, help for students having trouble, materials and supplies, technology and more. By factoring in different elements such as reducing class size or adding more computers for students, school officials can weigh the impact and calculate the cost of each funding decision.

"In the past, we weren't able to look at school funding line

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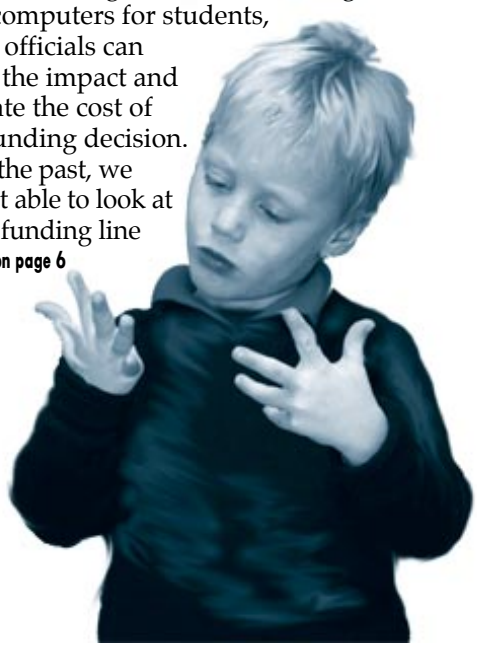


QEM – Continued from page 5

by line," says Commission Chair Ken Thrasher. "The QEM gives us a way to do that and shows which cuts will have the least impact on students."

The prototypes are not richly staffed, but they are designed to provide the instruction, tools and support that will enable all Oregon students to meet the educational goals set by law.

"We don't expect every school in Oregon to look exactly like one of our prototypes," says Charles W. Bugge, commission administrator. "Instead, we are hoping school officials will compare our proposals to what they are currently doing and see what fits best in their districts."

Closing the gap

The gap between current school funding and the QEM prototypes is substantial. Full funding would allow 90 percent of students to meet reading and math standards by 2007-08, according to Thrasher.

"The QEM uses research-based evidence to show what students need to meet standards," he says. "It can be used to help the Legislature, Governor, Department of Education, and other groups decide where to allocate dollars."

Given the state's current economic downturn, it is unlikely the money for full implementation will be available soon. But interim steps can and should be taken now to ensure that Oregon's students don't fall behind.

As an alternative to full implementation, the Quality Education Commission recommends:

- ***A continued focus on reading in the early grades.*** The 2001-03 biennium budget included $220 million to support this effort, but funds were cut in the second year because of the revenue shortfall.
- ***Staff professional development.*** Ongoing training for teachers and principals supports schools in meeting academic goals and helps to attract and retain qualified staff.
- ***High school restructuring.*** High school programs need to be restructured to be consistent with new requirements and to equip students for life after graduation.

"If we do not begin the process now, if we wait until there are adequate funds to take the first step, we will not achieve the goals that have been set for Oregon's educational system," Bugge says.

There are two sides to the accountability equation. On one hand, schools are expected to deliver on the promise of a quality education for every Oregon student. On the other hand, the Legislature is accountable for providing schools with the resources they need to do the job. The QEM provides detailed, reliable standards for measuring the success of both local and state decision-makers.

"The model is an available, recognized tool that we can use to evaluate the performance of elected officials and state agencies," says Chris Dudley, OSBA executive director. "It clearly outlines what must be done to meet Oregon's goals for education."

Success for every student

Oregon is known for its leading-edge approach to learning. Oregonians value education and believe it should be a top public priority. But we can no longer rely on property taxes or a booming economy to pay the bills. The time has come to decide whether we are going to fulfill the promise of a quality education for all Oregon students.

Fortunately, we have the tools we need to make an informed decision. The QEM provides detailed information about the meaning and cost of quality. It also paints a picture of exactly what's at stake in the struggle to provide long-term, stable and adequate funding for schools. Now the question is, will we use it?

"It isn't just about adding more money," Thrasher says. "We need to resolve issues such as the cost of health coverage, energy and insurance to get more dollars into the classroom. The Legislature needs to look at our state's changing demographics, at how we manage the system, at transportation, capital spending, class size and length of school year. All these things impact student outcomes."

For more information on the Quality Education Model and a copy of the Commission's latest report, visit OSBA's Web site.

Resources and links from www.osba.org

At the Crossroads

- Complete History of School Funding in Oregon
- Quality Education Model Revised Report 2002
  - QEM Brochure
- Comprehensive Analysis of K-12 Education Finance in Oregon
- K-12 Spending and the Oregon Economy
- OSBA's online School Funding Toolkit
- OSBA's Legislative News and Action Network
  - Email signup for OSBA's Legislative "Calls to Action"
- OSBA to challenge PERS Rate Increase
- OSBA's Community Relations Online Resources
  - School and District Report Card Toolkit
  - How to start a Key Communicator Network
  - Back to School Week – April 28-May 2, 2003
- OSBA's Human Resource Development Online Resources
  - School Personal Online Tools (OSBA members only – password needed)

Special instruction spending outpaces regular classroom instruction 4 to 1

Why are Oregon schools pinched for funds while national statistics show the state's school funding levels per student are above the national average?

In an attempt to answer the question posed above, the Oregon School Boards Association commissioned ECONorthwest to investigate the state's K-12 funding situation since the 1990 passage of Oregon's first property tax limitation measure and the start of the K-12 school funding equalization process.

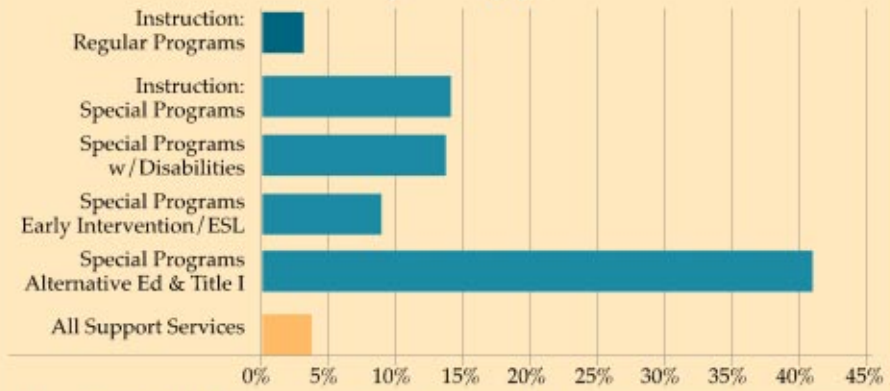
What did they find? Not surprisingly, the answers are complex. No 30-second sound bite answers emerged.

Two key factors impact the funding-level debate:

- **Implementation of equalization**, which provides comparable levels of funding for all students. Under the equalization formula, now completely implemented, districts well-funded prior to equalization dealt with budgets that grew at a much slower pace than districts poorly funded prior to equalization.
- **Significant increases in special instruction funding**. Since 1992 spending per student on special instruction in Oregon's public schools increased 14.3 percent annually while spending on regular classroom instruction increased 3 percent annually.

Note: Special instruction in this report includes alternative education, English-language learners and programs for developmentally and physically disabled students.

As part of the study, ECONorthwest conducted in-depth interviews with 16 school districts from both sides of the equalization formula.



During 1992-2000, spending per student on regular programs grew at an average rate of 3.0 percent – slightly above the national rate of inflation and identical to regional rate of inflation for that period. However, spending per student on special programs grew at an average *annual* rate of 14.3 percent. (*ECONorthwest calculations used Oregon Department of Education data.*)

They found that districts on both sides of the equation took money away from regular programs to meet special instruction demands.

"While total spending per student did keep pace with inflation, a significant amount of the increased dollars were funneled into special instruction," says John Tapogna, ECONorthwest economist. "Funding special instruction did come at a price to a district's regular programs."

"In 1992 Oregon schools spent an average of $448 per student on special instruction," says Chris Dudley, OSBA executive director. "By 2000, the system spent $1,301 per student."

A significant slice of special instruction funding requirements is mandated by the federal Individuals with Disabilities Education Act. "The federal special education mandate is embarrassingly underfunded by Congress," Dudley says. "This lack of federal money to support federal laws takes more and more money away from our schools' regular instruction."

The conclusion: N ational reports, although providing accurate

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Special instruction – From page 7

per student spending numbers, fail to capture the complex changes Oregon schools faced during the 1990s. The national reports address overall spending but do not address the tradeoffs between spending for regular instruction and for special needs instruction.

"Schools cannot continue to maintain the quality education they now provide Oregon's young people and deal with fewer dollars for regular academic programs," Dudley says. "Oregonians never aspired to be average and certainly not in educating our children."

Oregon employee benefits second in nation

The ECONorthwest report shows Oregon school employees' salary and benefits over the past 10 years, as a share of total spending, typically held constant. Oregon spends less per student on school employee salaries than the national average, but more on employee benefits. Oregon's school employee salaries per student are roughly comparable to California's and Washington's but higher than Idaho's.

Key differences in Oregon's spending on K-12 education include an employee benefit package (retirement, medical insurance and other insurance coverages) that ranks second in the nation.

"The increasing costs to government employers of the Public Employees Retirement System is one area that must be contained," says Dudley. The OSBA Board authorized the association to encourage all school district, education service district and community college boards to challenge the upcoming PERS employer contribution rate orders. Cost of the appeal for all OSBA members who join this suit will be paid by the OSBA Legal Assistance Trust.

Funding support starts to slip

A troubling downward trend in Oregon's funding support for K-12 public education surfaced in the ECONorthwest report.

From 1991 to 2001:

- Oregon's national ranking based on per student expenditures dropped from 15th to 20th.
- K-12 spending as a share of Oregonians' personal income fell from 4.6 percent to 4.2 percent while total personal income in the state increased at an average annual rate of 5.7 percent, 12th highest in the nation (from $52.2 billion to $97.8 billion).

"We're sliding toward mediocrity," says OSBA's Chris Dudley. "These statistics illustrate funding for Oregon schools is becoming more average year by year compared to other states.

"Given the state's current fiscal position, Oregon's ranking based on per student spending will continue the drop over the next couple of years."

> *"Oregonians never aspired to be average and certainly not in educating our children."*
>
> *– Chris Dudley, OSBA Executive Director*

Oregon slips from 15th to 20th

There's no good way to explain this drop. Oregon is just not supporting its public schools as it did in the early 1990s when the Oregon Educational Act for the 21st Century was adopted. That grand plan was a road map for "producing the best educated citizens in the nation and a work force equal to any in the world."

Oregon schools have made great strides toward meeting that lofty goal. Oregon's assessment system is nationally recognized. Each year more Oregon students meet the state's benchmarks. The state produces an annual report card for all schools that plot student progress in meeting academic standards.

Where will Oregon rank in another five years? The signs are not good.

Personal income up, K-12 support down

Tracking total personal income in the state provides a measure of the state's capacity to spend on K-12 education. Oregon's total personal income increased at an average annual rate of 5.7 percent during 1990-2001 (from $52.2 billion to $97.8 billion). At the same time the share of Oregon's total personal income spent on K-12 public education fell from 4.6 percent to 4.2 percent – which indicates that K-12 spending did not keep pace with Oregon's rapidly expanding economy.

From 1990-2001 Oregon's national ranking based on current expenditures for K-12 public education as a percent of total personal income dropped from 12th in 1990-1991 to 23rd in 2000-2001.

Cuts hurt – Continued from page 5

dollars are cut, every community from Baker City to Gold Beach feels the pain.

To get a better idea of how K-12 spending actually affects Oregon's economy, the Oregon School Boards Association, the Oregon Education Association, and the Confederation of Oregon School Administrators turned to ECONorthwest, a regional firm specializing in economic analysis.

ECONorthwest's report, based on data from the 2000-01 school year, shows that spending on public education has a significant impact on the state's economic health. The report provides valuable data to policymakers struggling with how to provide stable, adequate school funding. Consider these facts:

- Oregon's schools have a combined workforce of more than 56,000 employees, making K-12 education a very large employer indeed: larger than any local government or private employer, larger than the State of Oregon or Oregon's combined federal agencies.
- Schools generate a payroll of $3.3 billion per year. K-12 schools spend $922 million a year on supplies and materials and $281 million on capital outlays.
- About 107,000 jobs and $3.93 billion in personal income are directly or indirectly related to school spending. Put another way, every 10 jobs in K-12 education support nine other jobs, many in the service, finance, real estate and construction sectors.
- Approximately $174 million in personal income taxes, $101 million in corporate property taxes, and $52 million in other business taxes are a direct or indirect result of public school spending in Oregon.

"Spending cuts don't stop at the classroom door," says John Tapogna, research economist/project manager at ECONorthwest and one of the report's authors. "When school staff get laid off, they no longer have the income to spend in their local Fred Meyer store or Chevron gas station. Cutting school spending in a community has a depressing effect on the overall economy of the area."

> *Every 10 jobs in K-12 education support nine other jobs.*
>
> *– 2002 "K-12 Spending and the Oregon Economy" Report*

Every community affected

Every city, town and rural area in the state is in the business of educating students. But the impact of education spending on local economies varies from region to region. For example, urban areas offer a larger assortment of goods and services than rural communities. So school employees in Portland and Eugene are more likely to spend their salaries close to home than their colleagues in rural Oregon.

Economic activity in rural areas is also less diversified than in the larger, more heavily populated areas. A small community may see a larger percentage of its overall economic activity associated with K-12 schools. For example, in Eastern Oregon, the percentage of incomes directly or indirectly linked to school spending is more than double the percentage in Portland.

How the money is spent

Oregon schools spent a total of $5.1 billion* in 2000-01. Of this total, 47 percent was spent on direct instructional activities including classroom teaching; extracurricular activities; and special programs for talented and gifted, disabled and at-risk students.

Another 33 percent went to provide support services such as student safety and counseling, health and psychological services and instructional staff development. Together, instruction and support services account for approximately 80 percent of school spending. This pattern holds true in each of the five regions.

School spending affects the Oregon economy in three ways:

- Direct economic impacts occur when a school directly purchases goods or services in its local community.
- Indirect impacts occur when firms that provide goods or services to schools purchase materials and supplies themselves.
- Induced economic impacts are the benefits school employment and income bring to the overall economy. For example, teachers who spend their salaries on groceries or a movie support the

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Economic Impact of School Spending (Direct and Indirect)

Region	Jobs	Personal Income (billions)	Share of regional jobs (%)	Share of regional personal income (%)
Portland & Northwest Coast	44,000	1.7	5.3	5.3
Willamette Valley & Central Coast	28,860	1.0	7.7	8.9
Southern Oregon	14,400	0.5	7.8	10.3
Columbia Gorge & Central Oregon	6,800	0.3	7.8	10.6
Eastern Oregon	6,480	0.2	9.2	12.1

*This $5.1 billion in spending is an accounting total that includes spending from ALL sources, including internal service funds (transfers), capital projects and debt service funds. This amount is not appropriate for estimating costs per student.

Cuts hurt – Continued from page 7

employment of those who work in the grocery store or movie theater. Those people spend their income locally, and the cycle continues.

ECONorthwest's report provides a wealth of detail on the impact of school spending on Oregon's economy both on a statewide basis and region by region. For a copy, as well as tables showing the impact of budget reductions already made by the Legislature, visit *www.osba.org* and click on *At the Crossroads*.

Taxes or cuts?

It's clear that K-12 spending has a significant impact on Oregon's economy. School spending cuts hurt every community – smaller and rural areas in particular. They also have long-term impacts on the quality of education we provide to students.

But are tax increases any better? Anti-tax activists point out that by raising taxes, we reduce the amount of money Oregonians have to spend in their local communities. Which does the least damage: taxes or spending cuts?

According to Tapogna, the answer depends on how cuts or taxes are implemented. Some economists believe the best solution is to raise taxes for the wealthiest citizens. Others are concerned that spending cuts will result in a less-educated workforce in years to come.

"Cutting spending could hurt the economy as much or more than raising taxes," Tapogna says. "We don't really want to do either one, but the question is, which is going to do the least harm over the long term?"

The last word: A CALL TO ACTION

If you lived in Oregon during the 1970s, you remember him well.

He was a giant of a man in stature, in popularity, in sheer political will. But most of all, in his unbridled love for Oregon.

Tom McCall.

We remember this historic governor because – and it's sad to say – we're glad he isn't here to see what's happening to his beloved state. If McCall were alive today, chances are we'd hear that unmistakable booming voice tell us, "See? I told you so."

In 1973 the McCall Plan emerged as a way to solve Oregon's school funding problem and stop property tax escalation. The plan created the most progressive income tax in the nation – truly based on ability to pay. But like other proposed tax restructuring plans in Oregon, it was defeated – despite McCall's icon-like popularity and the hundreds of miles and hours he logged to sell it.

The defeat shook him to the core. On the verge of resigning, he pounded the table at his cabinet meeting the morning after the election.

The following excerpt from the book, *Fire at Eden's Gate*, is worth remembering as we muster the passion and momentum needed for today's school funding movement:

"- - - damn it," he roared, the table still rumbling under his furious hand, "it was for the people!"

McCall dropped back into his chair, his jutting chin falling flat against his chest, and he began to weep. One by one the staff members stood. Uneasy and awkward, a few clapped their hands. Others joined in. Soon a thundering, solemn ovation filled the room . . ."

Regardless of how you feel about McCall – or the need to change our tax structure – a deep commitment to Oregon is the foundation of any call to action worth answering. Combine that with a positive outlook, hard work . . . and the movement might just be contagious!

Our forefathers never gave up. Neither should we, even if it breaks our hearts as it did for McCall.

"It's critical that we approach our communities during this funding crisis with compassion and transparent honesty," says Sherry Duerst-Higgins, OSBA President, noting recent polls show a growing number of people are unemployed, disengaged from their communities and skeptical about "government always needing more money."

"Our message needs to change because nobody's listening when we simply ask for more money," Duerst-Higgins says. "We must stress that Oregon schools are *worth* investing in, that our students *are* successful, that we finally have the **tools** that target resources to student achievement.

"But most important, we need to wake up our communities. Sure, we've made progress, but we're on the verge of losing ground. We need to help our communities understand that when schools and government services start to erode, so does Oregon's future."

Where we go from here – OSBA's finance project

OSBA and its partners in the School Finance Project are concentrating efforts where they are needed most – enlarging the grassroots efforts and educating players on where we are.

"Before we create a solution to school funding we need to build a stronger vessel for it – which means local networks of support that will carry the momentum and shift the public's priorities for change," says OSBA Executive Director Chris Dudley. "This isn't just a school issue. It's an Oregon issue."

In pursuit of this agenda OSBA has:

- Created an Annual Convention School Funding workshop track to help educate members.
- Worked with key partners to create a coalition of education and business partners committed to school funding reform.
- Focused discussion at 17 Fall Regional Meetings on the state of school funding in Oregon.
- Funded a legislative candidate outreach project through the Coalition of School Funding Now! and continued efforts to create new grassroots chapters in more communities.
- Held meetings with 18 newspaper editorial writers throughout Oregon to discuss school funding in Oregon and the impacts of education funding on local economies.
- Helped fund the "K-12 Spending and the Oregon Economy" and the "Oregon Values and Beliefs" reports.
- Funded the "Comprehensive Analysis of K-12 Education Finance in Oregon" report.
- Coordinated and funded member-board challenge to the PERS rate increase now under way.
- Created OSBA's community/agency liason staff position to work with grassroots efforts.

> *"Before we create a solution to the funding program we need local networks of support that will carry the momentum and shift the public's priorities for change."*
>
> *– Chris Dudley, OSBA Executive Director*

Resources to use

OSBA's online School Funding Toolkit includes resources for boards and educators to use in communicating the type of data that will help Oregonians understand that elusive WIIFM (What's In It For Me) factor of the current school funding debate as well as help voters understand the link between good schools and healthy communities.

This online kit includes:

- Information to explain how Oregon schools are accountable for student performance and how districts are using resources wisely.
- A "budget game" to engage your community in helping you decide spending priorities.
- Guidelines for organizing your community to support public education.
- Presentation materials and talking points to show how schools impact the local economy, how they use resources wisely and how student achievement has improved.
- Presentation materials to explain Oregon's tax structure, including school funding and the impact of funding trends.

What else can you do?

- Join other district, ESD and community college boards in challenging the January PERS employer rate increase.
- Remember, while the Legislature controls education funding levels, YOU still have a say at the bargaining table. Because 80 percent of your money goes to salaries and benefits, use OSBA's collective bargaining resources to research ways to hold the line on employee costs. We've added several new online tools to

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FOCUS ON Critical ISSUES

Vol. 7 Issue 1

Critical Issues is OSBA's publication created to address topics impacting Oregon school boards.

Christopher L. Dudley, Executive Director

Editors: Margaret Peterson, Shannon Priem

Contributing writers: Jeanne Magmer, Chris Moore

Production: Judy Bennett

Questions regarding this publication or OSBA may be answered by calling the OSBA office at (503) 588-2800 or 1-800-578-OSBA(6722).

http://www.osba.org

OSBA Finance Project –

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help lower your costs, from instant salary comparison software (SPOT) to new budget crisis workshops scheduled this February.

- Use OSBA's new Legislative Advocacy Handbook, mailed to all board members, to hone your lobbying skills. Then join OSBA and others in making public education's voice heard during the 2003 Legislative Session.
- Join OSBA's Legislative News and Action Network and watch for updates on the LEGNAN Web page. Share the information you receive with key communicators in your community and enlist their support in responding to OSBA's legislative "Calls to Action."

Above all – communicate!

Communicate "early and often" with staff and community, including those you might not normally reach. Put a strategy in place to focus on involving and enlightening your community NOW! Use community engagement strategies listed on OSBA's Web site to help you communicate effectively.

- Keep your staff informed first!
- Don't depend on local news media to explain the challenges you face. Are folks sharing "the real truth" about your schools or do they simply repeat gossip about waste or failure? Help the public understand through your Key Communicator Network, or start one if you haven't already. OSBA can show you how; check online resources under Community Relations.
- Use Back to School Week – April 28 to May 2 – to share what's happening in schools. Focus on showing student achievement and how budget cuts are affecting schools.
- Include information about how your schools will be affected by funding cuts in the School and District Report Cards to be released Jan. 23. Check OSBA's online Report Card Toolkit for assistance.
- Promote volunteer and business partnership opportunities.

> *"This isn't just a school issue. It's an Oregon issue."*
>
> *– Chris Dudley, OSBA Executive Director*

Number of school districts and ESDs reduced over the years

The number of Oregon school districts dropped from 2,543 in 1920 to 2,237 in 1930 and to 1,180 in 1940. The Rural School Law enacted in 1946 further reduced the number of districts to 594 by 1950. School consolidations between 1960 and 1991 reduced the number of districts to 297.

Under legislation passed in 1991, which required all but 20 districts to offer K-12 programs, there are now 198 school districts. The merger of The Dalles and Chenowith School Districts in 2004 will make that number 197.

In the late 1990s education service districts were reduced from 29 to 21. In July 2003, after the merger of Yamhill ESD with Willamette ESD, the total will drop to 20.

For a more detailed look at education funding in Oregon check out OSBA's *At the Crossroads* Web page: www.osba.org

OREGON SCHOOL BOARDS ASSOCIATION

P.O. Box 1068, Salem, OR 97308-1068
1201 Court St. NE, Ste. 400, Salem, OR 97301-4188
E-mail: *info@osba.org*
www.osba.org

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