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To: Portland/Multnomah County Ad Hoc School Funding Committee

From: Mark W. Murray  
Financial Planning Director  
City of Portland

Date: February 16, 2003

Subject: School District Summary of Finances

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**PRELIMINARY**

The elected officials of the City of Portland and Multnomah County have recognized the financial challenges being faced by not only their own respective governments, but the local school districts as well. Rising costs and limited revenue growth have affected all local school districts.

The Portland City Council has previously established priorities that include “Support quality education to produce well-educated citizens”. The City Council has consistently allocated limited resources to the schools in support of this priority. Multnomah County also recognizes and supports quality education in our communities. The County has and continues to provide significant support to the schools through numerous programs.

Responding to the current funding crisis in the schools the City and County established the Ad Hoc Funding Committee to examine options for assisting the schools through their current fiscal challenge. The Committee directed the technical team to assemble and analyze basic financial information in support of this effort.

The technical team focused the short-term effort on identifying the funding gap for the current fiscal year and the anticipated gap for fiscal year 2003-04.

- Figures presented will be General Fund only. This is the fund that receives property tax and State School Fund revenues.
- The funding gap for FY2002-03 is defined as the difference between what is needed to sustain the schools at the level of service assumed within their respective Adopted Budgets and the funds that are currently projected to be available through the end of the current year.
- The funding gap for FY2003-04 is the difference between the original allocation by the state legislature and the funds necessary to maintain the current level of services through FY2003-04.
- The methodology used to identify the expenditures by category is based upon the standard Chart of Accounts used by all school districts within the state of Oregon. This standard Chart of Accounts enables a reasonable apples-to-apples comparison of financial data across districts. For this reason the data provided by the districts appears consistent enough to assume strong comparability and reliability.

Given the time constraints of the data compilation effort and the respective workloads of the districts the data does have minor gaps. But, the data included will allow this report to present figures with a reasonable degree of accuracy and reliability.

## Summary of Findings

**Table 1 – Estimated Funding gap for FY2002-03 and FY2003-04**

District	Current Year Gap	FY203-04 Estimated Gap
<b>All School Districts</b>		
Instruction	\$ (31,653,598)	\$ (64,958,135)
Special Programs	\$ (1,552,911)	\$ (2,234,992)
Subtotal Instruction:	\$ (33,206,508)	\$ (67,193,126)
Support Services		
Students	\$ (1,010,529)	\$ (1,411,904)
Instruction	\$ (806,378)	\$ (1,549,902)
All other Support	\$ (999,594)	\$ (1,939,133)
Business Activity	\$ (2,683,972)	\$ (3,443,793)
Central Activities	\$ (632,896)	\$ (733,689)
Subtotal Support Services:	\$ (6,133,369)	\$ (9,078,420)
Subtotal Operating:	\$ (39,339,877)	\$ (76,271,547)

### **Chart Notes:**

1. PPS figures temporarily assigns costs to Instruction. The figures will be adjusted to include the amount allocated for Support Services as more information becomes available.
2. These figures have not been verified by the respective school districts. The actual gap could be higher or lower

### **FY2002-03**

- School districts countywide face a current year funding gap in the range of \$39.3 - \$52.3 million.
- School districts operating costs gap is approximately \$39.3 million for FY 2002-03.
- School districts countywide are addressing part of the gap through the use of contingency and fund balances.
- School districts vary in their individual ability to respond to the funding gap.
- Non-instructional costs using the standardized Chart of Accounts total more than \$156 million.
- Non-instructional cost categories identified by the AD Hoc committee total greater than \$77 million.

### **FY2003-04**

- School districts countywide face a funding gap in the range of \$76.2 million. This is the amount necessary to maintain the level of services anticipated in the original state legislative allocation for FY 2002-004
- Non-instructional cost categories using the standardized Chart of Accounts total greater than \$104 million.
- Non-instructional cost categories identified by the Ad Hoc committee total greater than \$77 million. **This assumes no decrease or increase for these costs in FY2003-04.**

### **Funding Gap Summary – FY2002-03**

The initial data indicates a gross funding gap, countywide, of greater than \$52.5 million for FY2002-03.

**Table 2 – Current Year Total Gap by County School District**

<b>Current year Gap</b>	<b>Total</b>	<b>Instruction</b>	<b>Support Svcs</b>	<b>All Other</b>
Portland School District No. 1J	(\$29,955,357)	(\$25,000,000)	\$0	(\$4,955,357)
Parkrose School District 3	(\$2,610,557)	(\$1,450,688)	(\$930,242)	(\$229,627)
Reynolds School District 7	(\$3,296,423)	(\$1,595,522)	(\$1,017,157)	(\$683,744)
Gresham-Barlow School District No. 10J	(\$6,708,728)	(\$2,125,298)	(\$1,572,043)	(\$3,011,387)
Centennial District 28J	(\$2,297,594)	(\$779,012)	(\$768,582)	(\$750,000)
Corbett School District 39	(\$118,905)	(\$118,956)	(\$4,949)	\$5,000
David Douglas School District 40	(\$7,199,738)	(\$2,037,032)	(\$1,754,396)	(\$3,408,310)
Riverdale School District 51J	(\$328,000)	(\$100,000)	(\$86,000)	(\$142,000)
	(\$52,515,302)	(\$33,206,508)	(\$6,133,369)	(\$13,175,425)

#### **Chart Notes:**

1. PPS figures temporarily assigns costs to Instruction. The figures will be adjusted to include the amount allocated for Support Services as more information becomes available.
2. These figures have not been verified by the respective school districts. The actual gap could be higher or lower

These are gross figures and distort the actual fiscal situation. A more meaningful presentation focuses on the 'Operating' expenditures, leaving out the fund level expenses. Using operating expenditures only, the funding gap for FY2002-03 is approximately \$39.3 million. The weakness with using operating expenditures only is that it may distort how any particular district is addressing their fiscal challenge. For instance, David Douglas built up a substantial contingency account that may allow them to protect services without drastic reductions. Table 3 presents the 'Operating' expenditure perspective.

**Table 3 – Current Year Operating Gap for County School Districts**

<b>District</b>	<b>Adopted Budget</b>	<b>Yr end Estimate</b>	<b>Current Year Gap (D-C)</b>
<b>All School Districts</b>			
Instruction	\$ 284,907,149	\$ 256,248,900	\$ (31,653,598)
Special Programs	\$ 91,951,415	\$ 87,564,031	\$ (1,552,911)
Subtotal Instruction:	\$ 376,858,564	\$ 343,812,932	\$ (33,206,508)
Support Services			
Students	\$ 46,291,292	\$ 45,250,734	\$ (1,010,529)
Instruction	\$ 22,658,023	\$ 22,071,454	\$ (806,378)
All other Support	\$ 26,040,479	\$ 24,981,328	\$ (999,594)
Business Activity	\$ 53,506,480	\$ 50,123,542	\$ (2,683,972)
Central Activities	\$ 8,088,174	\$ 7,963,145	\$ (632,896)
Subtotal Support Services:	\$ 156,584,448	\$ 150,390,203	\$ (6,133,369)
Subtotal Operating:	\$ 533,443,012	\$ 494,203,135	\$ (39,339,877)

**Chart Notes:**

1. PPS figures temporarily assigns costs to Instruction. The figures will be adjusted to include the amount allocated for Support Services as more information becomes available.
2. These figures have not been verified by the respective school districts. The actual gap could be higher or lower.

Table 4 presents this operating expenditure perspective by school district. It is important to recognize that the estimated gap for many districts will apparently be mitigated by the use of contingency and/or spending down estimated year-end fund balance.

**Table 4 – Current Year Operating Funds Gap by School Districts**

<b>Current year Gap</b>	<b>Total</b>	<b>Instruction</b>	<b>Support Svcs</b>
Portland School District No. 1J	(\$25,000,000)	(\$25,000,000)	\$0
Parkrose School District 3	(\$2,380,930)	(\$1,450,688)	(\$930,242)
Reynolds School District 7	(\$2,612,679)	(\$1,595,522)	(\$1,017,157)
Gresham-Barlow School District No. 10J	(\$3,697,341)	(\$2,125,298)	(\$1,572,043)
Centennial District 28J	(\$1,547,594)	(\$779,012)	(\$768,582)
Corbett School District 39	(\$123,905)	(\$118,956)	(\$4,949)
David Douglas School District 40	(\$3,791,428)	(\$2,037,032)	(\$1,754,396)
Riverdale School District 51J	(\$186,000)	(\$100,000)	(\$86,000)
	(\$39,339,877)	(\$33,206,508)	(\$6,133,369)

***Note: PPS figures temporarily assigns costs to Instruction. The figures will be adjusted to include the amount allocated for Support Services as more information becomes available.***

In an effort to ensure understanding of the costs included within any particular category we have listed the major types of expenditures under each major cost category.

Typical expenditures under **Instruction** include:

- Regular programs – K-12, K-12 extracurricular activities (band, chorus, choir, speech and debate, and **athletics**)
- Special Programs – TAG, students with disabilities, early intervention, educationally disadvantaged, alternative education (includes charter schools), designated programs (includes ESL)
- Adult/Continuing Education Programs
- Summer School Programs

**Support Services** costs are classified under six major categories – Students, Instructional Staff, General Administration, School administration, Business Activities, and Central Services. A brief listing of typical expenditures under each of these six categories is presented in Appendix 1.

Assuming the use of contingencies and fund balance, the effective FY2002-03 gap for the districts is approximately \$25.6 million as presented in Table 5.

**Table 5 – Operating Gap with Fund Level Adjustments**

<b>Current year Gap</b>	<b>Total</b>
Portland School District No. 1J	(\$20,044,643)
Parkrose School District 3	(\$1,306,403)
Reynolds School District 7	(\$2,112,679)
Gresham-Barlow School District No. 10J	(\$697,341)
Centennial District 28J	(\$797,594)
Corbett School District 39	(\$123,905)
David Douglas School District 40	(\$422,229)
Riverdale School District 51J	(\$64,000)
<b>Total All Districts:</b>	<b>(\$25,568,794)</b>

**NOTE:** Assumptions used in the construction of this table have not been verified by the respective school districts. The gap presented could higher or lower.

The technical team was also asked to compile data on a category of costs titled ‘Other’. The Ad Hoc Committee supplied a list of these categories that is different from the ‘Instructional’ costs used in the standard Chart of Accounts.

The following table summarizes those costs as identified by the various districts. Although it is challenging to ensure consistency in this data without further review and discussion, the figures indicate ‘non-instructional’ costs of greater than \$77.1 million for FY2002-03. The third column in the chart attempts to crosswalk the committee categories with the standardized chart of accounts.

**Table 6 – Committee Identified Non-instructional Costs**

<b>Other' Cost Categories</b>	<b>Amount</b>	<b>Chart of Accounts</b>
Library	\$ 8,500,204	SS: Instruction
Counselors	\$ 11,727,971	SS: Students
Health services from the ESD	\$ 756,884	SS: Students
Mental Health Services	\$ 6,877,685	SS: Students
Addiction Services	\$ 217,293	SS: Students
Sports and recreation	\$ 6,239,876	Instruction
Arts	\$ 13,288,884	Instruction
Transportation	\$ 26,408,843	SS: Business Activity
Data collection and analysis	\$ 2,432,786	SS: Central Activities
Auditor	\$ 86,444	SS: Business Activity
After School Programs	\$ 175,566	Instruction
Field Maintenance	\$ 483,458	SS: Business Activity
	<b>\$ 77,195,894</b>	

**Chart Notes:**

1. Does not include figure for Reynolds. This will be updated as upon receipt of the data.
2. The determination of the Chart of Accounts category is based upon the best judgment of the analyst preparing this report. SS = Support Services.

## **Funding Gap Summary – FY2003-04**

The gross funding gap for the following fiscal year, FY2003-04, appears greater than \$80.4 million. Adjusting the figures to concentrate on the operating costs, the gap for FY 2003-04 appears greater than \$76.2 million.

**Table 7 – FY 2003-04 Operating Funds Gap for County School Districts**

District	Estimated Current Service Level Budget	Estimated Budget Available	Estimated Gap (G F)
<b>All School Districts</b>			
Instruction	\$ 327,762,261	\$ 262,804,126	\$ (64,958,135)
Special Programs	\$ 34,959,634	\$ 32,724,642	\$ (2,234,992)
Subtotal Instruction:	\$ 362,721,894	\$ 295,528,768	\$ (67,193,126)
Support Services			
Students	\$ 17,362,789	\$ 15,950,885	\$ (1,411,904)
Instruction	\$ 10,772,362	\$ 9,222,459	\$ (1,549,902)
All other Support	\$ 23,637,405	\$ 21,698,272	\$ (1,939,133)
Business Activity	\$ 45,425,737	\$ 41,981,945	\$ (3,443,793)
Central Activities	\$ 7,390,897	\$ 6,657,208	\$ (733,689)
Subtotal Support Services:	\$ 104,589,189	\$ 95,510,769	\$ (9,078,420)
Subtotal Operating:	\$ 467,311,084	\$ 391,039,537	\$ (76,271,547)

### **Chart Notes:**

1. PPS figures temporarily assigns costs to Instruction. The figures will be adjusted to include the amount allocated for Support Services as more information becomes available.
2. These figures have not been verified by the respective school districts. The actual gap could be higher or lower.

Presented by school district the gap appears as in Table 8.

**Table 8 – FY 2003-04 Funding Gap by School District**

FY 2003-04 Gap	Total	Instruction	Support Svcs
Portland School District No. 1J	(\$54,000,000)	(\$54,000,000)	\$0
Parkrose School District 3	(\$2,563,761)	(\$1,608,388)	(\$955,373)
Reynolds School District 7	(\$7,356,000)	(\$4,900,000)	(\$2,456,000)
Gresham-Barlow School District N	(\$5,856,440)	(\$2,709,541)	(\$3,146,899)
Centennial District 28J	(\$2,464,338)	(\$1,495,629)	(\$968,709)
Corbett School District 39	(\$839,500)	(\$510,000)	(\$329,500)
David Douglas School District 40	(\$2,741,507)	(\$1,769,568)	(\$971,939)
Riverdale School District 51J	(\$450,000)	(\$200,000)	(\$250,000)
	\$ (76,271,547)	\$ (67,193,126)	\$ (9,078,420)

### **Chart Notes:**

1. These figures have not been verified by the respective school districts. The actual gap could be higher or lower.

## Additional District Information

These tables includes additional summary information requested of the districts to assist the Ad Hoc Committee in ensuring adequate context for decision-making.

Table 9 – Current Year Student Data

District	Adopted Budget	Yr end Estimate
<b>All School Districts</b>		
<b>Total Instruction Days (Average)</b>	178.60	171.00
<b>Class Size (Average)</b>		
Elementary	27.14	26.33
Middle School	27.31	27.25
High School	21.36	28.46
Other Structure	13.60	13.40
<b>ADMw (total)</b>	107,913.40	

Table 10 – Fiscal Year 2003-04 Student Data

District	Estimated Current Service Level Budget	Estimated Budget Available
<b>All School Districts</b>		
<b>Total Instruction Days (Average)</b>	175.25	175.00
<b>Class Size (Average)</b>		
Elementary	26.13	27.13
Middle School	28.13	29.63
High School	29.00	31.50
Other Structure	13.50	15.00

## APPENDIX 1

### Chart of Accounts

#### Support Services – Students

- Attendance and Social Work Services
- Guidance Services – counseling students and parents
- Health Services – physical\cal and mental health
- Psychological Services – includes counseling services
- Speech Pathology and Audiology Services
- Other Student Treatment Services – occupational therapy, physical therapy, adaptive physical education
- Service Direction, Student Support Services – direction and management of student support services

#### Support Services – Instructional Staff

- Improvement of Instruction Services
- Educational Media Services – includes library and media centers
- Assessment and Testing
- Instructional Staff Development

#### Support Services – General Administration

- Board of Education Services – includes legal services
- Executive Administration Services – office of the superintendent, state and federal relations

#### School Administration

- Office of the Principal Services
- Other Support Services

#### Support Services – Business

- Direction of Business Support
- Fiscal Services
- Operation and Maintenance of Plant Services
- Student Transportation Services
- Internal Services – purchasing, warehousing, printing, publishing and duplicating services

#### Support Services – Central Activities

- Direction of Central Support Services
- Planning, Research, Development, Evaluation Services, Grant Writing and Statistical Services
- Information Services – writing, editing necessary to disseminate educational and administrative information
- Staff Services – recruiting and placement, transfers, health services and staff accounting
- Technology Services – computing and data processing services including telecommunications



## **Appendix 2**

### **Allocation Memo from David Douglas**

February 14, 2003

Kathy Turner, Co-Chair  
Sam Adams, Co-Chair  
School Funding Technical Team  
Portland/Multnomah County Ad Hoc School Funding Committee

Dear Kathy / Sam,

Thank you very much for your efforts on behalf of Multnomah County schools, and for allowing David Douglas School District staff the opportunity to be involved in the recent city/county school funding process.

I want to make sure the committee is aware of our position on the appropriate way to allocate potential tax resources. We strongly support distributing these taxes on a per student basis. This method is the standard used to fund education across the state, is easy to understand and is the most equitable method in that it treats every student and district the same. Other options currently being discussed such as forecasted budget gap are complicated, subjective and create winners and losers among the various school districts. I truly believe that area voters will only support a plan that treats all public school students in the defined geographic area equitably.

Attempting to factor in a district's socioeconomic status and/or their local revenues other than base state support should also be avoided. Our district currently serves the lowest average income population in the county. Over fifty percent of our students qualify for a free or reduced lunch. We also receive no local option or supplemental operating grants from the state. Our foundation support is minimal. We would benefit from a weighting based on S.E.S., or a factoring in of other resources. However, all districts have been harmed by the state funding shortfall. Excluding students from Riverdale or the more affluent areas of Portland, or penalizing districts that have aggressively sought additional patron support is unfair and shortsighted.

I am very excited by the groundswell of support being mobilized in aid of our public schools. It gives me and many parents hope that the horrendous shortfalls forecasted for all districts next year may not occur. Let us keep in mind that it is in everyone's interest to continue to focus on this goal, and not be waylaid by distribution methods that favor one school district over another.

Sincerely,

Barbara Rommel  
Superintendent