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\$1 billion can't cut schools' class sizes

Education - Higher salaries and health care costs will eat up half the new tax money coming to public schools

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Tax money to operate Oregon public schools will rise by roughly \$1 billion the next two years, but a review of district budgets for the fall shows most parents will see only small improvements in their children's schools.

Combining state and local taxes, Oregon schools will have 14 percent more money to spend in the next two years. They'll get more than \$9,200 per student -- most of it from a record \$6.245 billion in state school aid approved by the Legislature and expected to be signed into law this week by Gov. Ted Kulongoski.

Many fast-growing districts are bumping up music and arts classes, cutting athletic fees and hiring teachers.

But increased costs -- particularly for health care and salaries -- will gobble just over half of the new money in a state where both school employee benefits and class sizes remain among the highest in the nation.

Most of the new money comes with little accountability on how it will be spent.

"Oregonians need more assurance that schools are doing all they can to spend their money efficiently and for the benefit of students," says Sue Hildick, president of the Chalkboard Project, an independent watchdog and education advocacy group. "More than half of our citizens currently think there is waste and inefficiency in school spending, and 40 percent don't think schools need any more money and should just do more with what they have."

Despite the big increase in state aid, finances for small rural districts, most of which are losing students, remain precarious. And some districts, including Beaverton and those in east Multnomah County, have seen a drop in local taxes that will give them less new money to spend.

Beaverton expects health care costs to rise 9 percent and salaries to increase 6 percent, including a 2 percent cost-of-living increase and experience "steps" gained by its younger work force. The district's board agreed to pull \$4.4 million from reserves, beefed up by a now-expired property tax, to make improvements next school year. Otherwise, increased costs would have kept the budget close to status quo.

"We don't want people to think, 'Woo-hoo! We're rolling in dough,' " says Janice Essenberg, Beaverton's chief financial officer.

School activists aren't complaining. The budget picture contrasts sharply with the early years of the decade, when the state's struggling economy forced many schools to slash their budgets.

But some of the changes parents want most -- such as a noticeable reduction in class sizes -- are too

costly even in fast-growing districts.

The Tigard-Tualatin School District will add 26 teachers this fall, including five to handle growing enrollment. The other hires will be spread out to cut class sizes by an average of just one student.

Hillsboro also is growing. The new money enables a district that had to chop 17 school days from the end of the year in 2003 to add 52 teachers, replace beat-up band equipment and cover the costs of sports programs. But its class sizes also will drop by just one student on average.

Some districts are making changes in high-visibility areas. The North Clackamas School District is doubling the number of elementary school music and physical education classes in the next two years, a popular move with parents. Bend-LaPine plans kindergarten and first grade classes of 18 students. Parkrose is adding all-day kindergarten.

But others are spending new money on changes that won't register with many parents. Portland, for example, will add 42 counselors and vice principals and spend more on custodians, while keeping class sizes the same. The state's largest district expects an enrollment decline of about 900 students, cutting the enrollment-based money it gets from the state.

Beaverton is dedicating a big chunk of new spending to improve special education programs and boost information and technology. Reducing class sizes isn't possible until the district builds more classrooms, leaders say.

Elementary class sizes in the metro area hover in the mid-20s -- Gresham-Barlow had about 24 this year, North Clackamas about 25, and Hillsboro 27.

Statewide, class sizes will remain among the nation's biggest for two big reasons: School employee benefits -- health care and pensions -- are the fourth highest in the nation as a percent of payroll, and Oregon's per student funding of education lags the national average.

School spending the next two years should improve Oregon's rank. But the labor-friendly, Democratic-controlled Legislature -- its hands partly tied by Public Employee Retirement System contract commitments -- did little to rein in cost increases.

A health insurance initiative sponsored by the Oregon Education Association, the statewide teachers union, passed. But there's great debate about whether it will actually reduce costs or increase them.

The steady march of yearly cost increases for schools makes it tougher for them to catch up even with all the new money. A state commission estimates it would take \$7 billion -- \$750 million more than the two-year K-12 budget approved by the Legislature -- to fund the same programs Oregon schools offered in 1999.

Limited accountability

The state's \$6.245 billion aid package includes a \$260 million school improvement fund that is restricted to programs that aim to improve student achievement, such as cutting class sizes and boosting teacher training. School officials lobbied against adding more restrictions to their spending.

The Chalkboard Project says the improvement programs and accountability for them are not specific enough.

For example, the improvement bill allows the use of money to reduce class size for any grade, with early grades preferred but not required. Chalkboard spokeswoman Shirley Skidmore says there's no evidence that cutting class sizes increases student performance unless you sharply cut the number of students in early grades.

Chalkboard also faults the Legislature for failing to enact a law requiring mandatory audits of school districts' business practices, which Skidmore says would address public suspicion that some school money is wasted. Instead, the Legislature is set to pass a bill calling for voluntary school district audits that would highlight best practices for other districts.

Lisa Freiley, human resources director for the Oregon School Boards Association, says districts face rising PERS contributions next month. The rate will be about 18 percent of an employee's salary, an increase of

about 5 percentage points, though some districts have issued bonds to help pay for the increases.

Districts also expect increases of 8 percent to 12 percent in health insurance premiums they pay for employees. That's 2 to 6 percentage points higher than increases expected in the private sector.

On pay, signs are that employee unions will ask for more money, Freiley says, particularly because some had meager raises during lean economic times. She has heard reports of union requests for raises as high as 10 percent.

The Lake Oswego School District just settled a three-year contract with its teachers calling for annual cost-of-living raises of 3.75 percent. Added to that are the annual step increases for teachers not at the top of the experience ladder. The pay of the average Lake Oswego teacher, with 11 years experience, will go from \$51,492 annually to \$55,071 annually.

Like other east Multnomah County districts, the 12,000-student Gresham-Barlow School District will also get millions of dollars in added state aid. But with cost increases and the loss of Multnomah County income tax revenue, it won't result in new programs or new people. The budget will rise less than 3 percent, to \$103 million.

"Essentially, we are holding on and trying to manage the loss of the income tax, without cutting programs," says Superintendent Ken Noah.

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