



PORTLAND PUBLIC SCHOOLS

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Sarah Landis
District Performance Auditor

AUDIT REPORT

Portland Public Schools Administrative Spending

May 12, 2006

Audit Committee Members

Douglas Morgan, Chair
Dilafroz Williams
David Wynde



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Sarah Landis
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MEMORANDUM

TO: PPS Board of Education Directors:
Sonja Henning
Douglas Morgan
Bobbie Regan
Dan Ryan
Trudy Sargent
Dilafroz Williams
David Wynde
Student Representative Melissa Miller

FROM Sarah Landis, District Performance Auditor

DATE: May 12, 2006

RE: Audit of Administrative Spending

The attached report covers my audit of the District's administrative spending. This audit was included in the 2006 audit schedule.

The objective of this audit was to determine whether Portland Public Schools' expenditures on administrative functions were similar to other comparable districts in Oregon and nationwide. A number of different widely recognized expenditure models were employed. Overall, the audit found that PPS' administrative expenditures were lower than the Oregon comparison groups. Compared to national peer groups, PPS' spending was lower on some administrative functions and higher on others.

I recommend that the District develop standard benchmarking protocols and report its administrative expenditures compared to others on an annual basis.

Cc: Superintendent Vicki Phillips

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Summary

Taxpayers and parents want to see as much of their community's educational resources directed to the classroom as possible, placing pressures on school districts to reduce expenditures on administrative and other non-teaching functions. As Portland Public Schools (PPS) worked to fill a \$57 million shortfall in its budget for the upcoming 2006-07 school year, the level of interest in these expenditures increased.

This audit aims to address the question of how PPS stacks up next to other similarly sized districts around the country, how it compares to other districts in Oregon, and how its expenditures have changed over time. It uses multiple data sources and calculation methodologies in an attempt to distill common findings.

It is important to recognize that there are no perfectly comparable school districts: each operates within local fiscal constraints with different policy priorities. Additional factors add to variation of cost among districts, including different accounting structures, student needs, labor agreements, growth or decline in enrollment, legal requirements, condition and number of buildings, etc. Nevertheless, comparisons such as these help put a district's spending into context. They also highlight areas that may need additional analysis to find efficiencies. The reader is strongly encouraged to consider both the many drawbacks and advantages of district-to-district comparisons.

Using the most current data available, the audit found that:

- PPS spent less per student on administrative functions (Central Support) than the average in each of two comparison groups of Oregon districts (2004-05).
- PPS spent over \$1,700 more per student on Direct Classroom and Classroom Support than did the Oregon comparable groups (2004-05).
- Since 2000-01, PPS expenditures on Central Support have been under 3.3% of operating expenditures.
- Compared to districts across the country that are comparable in size and other characteristics, one expenditure model showed that PPS spent about 1 percentage point more of operating expenditures (\$98 per student) on administration (2002-03).
- Another model showed that PPS spent \$209 per student more than the Urban Average (2004-05 budgeted) on central administration functions. This model also included facilities and utilities.
- Comparison to national peers shows that PPS spent a smaller portion of its operating expenditures on salaries, but more on benefits (2002-03). This finding was also borne out in the comparison to the Urban Average (2004-05 budgeted).

The audit recommends that the District report annually on administrative spending benchmarks such as those contained in this report.

Background

The effort to address PPS's funding shortfall for the coming school year has raised many questions about its spending practices from members of the community and the media. Of particular and perennial interest is the question of spending on administration. Public opinion often holds that the District is top heavy and that cutting spending on central administration would allow it to bridge the funding gap and direct more resources to the classroom.

The debate over this issue is often muddled by the fact that there are many different ways to calculate expenditures and define spending categories. Models and data are available for reporting from a number of different sources, including the Oregon Department of Education, the US Department of Education's National Center for Education Statistics, and Standard & Poor's SchoolMatters program, among others. Each source has a slightly different way of classifying and calculating expenditures. Depending on which funds, departments, and programs are included in a calculation, reports of spending can vary by hundreds of dollars per student.

The lack of general agreement on which measure of spending is best has prompted more attempts to develop a more accurate or useful way of measuring and reporting spending. This audit utilizes a number of these different methodologies to determine whether, regardless of the model used, PPS spending on administration is more or less than in comparable jurisdictions. Because it uses a number of different models from publicly available databases, the figures in one may not match those in another.

Definition of Administration

For the models used in this report, central administrative functions generally include the Superintendent's Office and Board of Education. They also include human resources, finance, payroll, research and evaluation, legal counsel, communications, and myriad other business services critical to the effective operation of any large organization. School-level administration (principals) is not included in this category.

The Oregon Department of Education (ODE) model calls this entire function "Central Support." The national-level models break administration out into subcategories, grouping the superintendent and board of education offices into "general administration" and other administrative functions into other categories. Varying levels of additional detail are provided. Please see the Appendix for a complete list of categories and associated programs used in each model.

Objectives, Scope, and Methodology

The Board of Education's Audit Committee and the Superintendent suggested this topic during discussions about potential audit areas for the year. They were interested in having an independent assessment of PPS' spending on administration. The objective of the audit was to determine whether PPS's administrative spending is in line with spending in comparable districts using various, common methodologies.

Audit work occurred between January and April 2006. Research was conducted to identify the most prevalent and relevant models for calculating administrative expenditures, both nationally and in Oregon. To avoid duplication of effort, the list of potential models to use was narrowed after discussions with District staff and consultants about their own efforts to identify and analyze costs.

Data for this report were taken solely from the databases cited below; none came directly from PPS. These are well-established, published sources; however, data were not reconciled back to audited financial statements nor were they checked against the figures PPS supplied to the agencies.

For Oregon districts, the model and all data used came from the Oregon Department of Education's Database Initiative (DBI). The DBI is an online tool that allows users to download a wide variety of financial, demographic, achievement, and other data on Oregon's schools and districts. The most current year of available data was 2004-05. The following adjustments and exclusions were made for the Oregon comparisons:

1. Expenditures for tuition paid by districts to other entities were excluded according to the model ODE uses to categorize spending.
2. Some districts receive funds from Educational Service Districts (ESD) to pay for services that would otherwise have been provided by their ESD. These "transit" funds have been excluded from each district that had them. For example, in 2004-05, PPS spent 82% of transit dollars on Direct Classroom and 18% on Classroom Support. Transit dollars for the other districts receiving these funds were backed out using these same percentages. The adjustments had negligible impact on overall spending since the ESD transit funds represent no more than 1.7% of the General Fund in all but one of the Oregon districts used for comparison.
3. General, Special Revenue (Student Body Activities, Cafeteria, BESC Cafeteria, Grants, Special Revenue), and Enterprise were the only funds included in the analysis, per ODE's model.

An analysis of changes in PPS spending over the past five years was also conducted. Data for 2000-01 through 2004-05 were taken from ODE's DBI.

Data for national comparisons were drawn from a number of sources: the National Center for Education Statistics' (NCES) Common Core of Data, Standard and Poor's SchoolMatters, and the Council of the Great City Schools 2004-05 budget survey of urban school districts. The NCES data are taken from the 2002-03 Local Education Agency (School District) Finance Survey and form the basis for the SchoolMatters data and many other reports. 2002-03 is the most current year available from NCES, one year before the influx of local income tax revenues to PPS. Expenditures in subsequent years would be likely be higher due to this increase in funds.

This audit was conducted in accordance with government auditing standards. It was included on the regular audit schedule for 2006.

Results

A Caution on Comparables

Comparing districts to one another is an imperfect means of understanding spending patterns. However, it does serve to put a district's expenditures in context and highlight any large differences. These differences may be a product of deliberate district policy, such as an investment in a particular grade area or program, or they may result from operational differences.

Districts exist in unique funding contexts, with different students, labor agreements, taxation capacity, and community concerns and expectations. Each of these may contribute to a more expensive operating requirement. Districts may make policy choices that lead to spending being classified differently from their peers. For example, a district may contract out for nutrition, transportation, custodial, or other services. While it still pays to provide these services, now through a contractor, the expenditures are not recorded as salaries. Given the countless ways operations can differ from one district to the next, it is fair to say there is no such thing as an apple-to-apple comparison.

Finally, it is important to note that showing districts side-by-side does not address the issue of funding adequacy. One may find a district that spends less than another on administration, but that has compromised its effectiveness by sizing its central functions too small. A district without adequate leadership, payroll, human resources, evaluation, or finance capacity is one that puts its fiscal and human assets at risk. What may look like savings in one district may actually represent a significant underfunding of its K-12 business enterprise.

Oregon Comparisons

Oregon's nearly 200 school districts are vastly different in size, geography, demographics, and economics. With PPS arguably the only truly urban district in the state, there are no readily comparable districts available. Nevertheless, comparisons within the same state allow for more detailed analysis because of data availability and the similarity of operating context, i.e. the same assessments, funding formula, regulations, etc.

For this audit, two groups of Oregon districts were used as comparators for PPS. The first group includes all the Oregon districts in the Portland

metropolitan region (Clackamas, Multnomah, and Washington Counties). This group includes a number of small, rural districts as well as larger suburban ones. The second group includes all districts in Oregon with enrollment over 10,000 students. The expenditures from districts in each group were sorted according to ODE's categories (see below) and averaged. Please see Appendix column A for details on programs included in this model.

The Oregon Department of Education groups operating expenditures into four categories. Operating expenditures exclude major capital improvements, debt service, and transfers to other funds. Tuition to other entities is also excluded.

Direct Classroom -- regular instruction, programs for students with special needs, and other programs

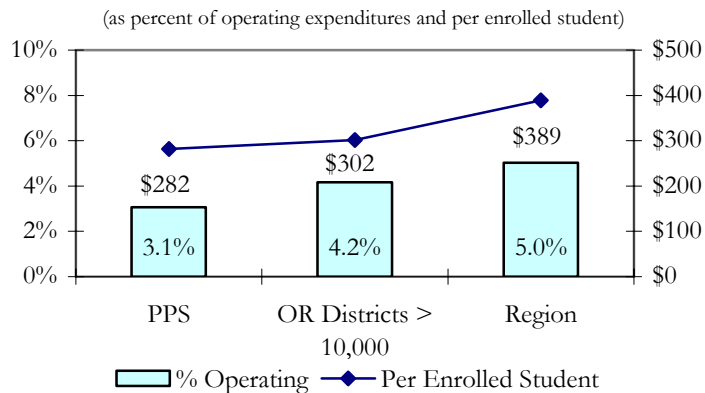
Classroom Support -- extracurricular activities, counselors, nurses, libraries and media, curriculum and staff development, principal's office, assessment and testing, speech pathology and audiology, community schools and child care

Building Support -- operation and maintenance of buildings, student transportation, food services, technology, purchasing, and other services

Central Support -- executive administration, board of education, business and fiscal services, human resources, payroll, retirement incentives, public information, grant management, research, and evaluation

Exhibit 1

**PPS and Other Oregon Districts
Central Support Spending, 2004-05
ODE Model**



Source: Oregon Department of Education's DB Auditor calculation of peer averages

In 2004-05, PPS spent \$282 per student on Central Support services, slightly less than other large Oregon districts, but \$107 less than other districts in the region. As a percent of operating expenditures, PPS dedicated less to Central Support than the average in each of the two comparison groups. This lower level of spending on administration is consistent with findings from the Oregon Secretary of State's 2002 audit of K-12 spending, which found that larger districts in Oregon tend to spend less on administration than smaller ones.

PPS spending per student was higher than the regional and large district averages in the Direct Classroom and Classroom Support categories (see Exhibit 2 below). The percent of operating expenditures in each category is shown in Exhibit 3 below.

Exhibit 2

**PPS and Other Oregon Districts
Spending per Student, 2004-05**

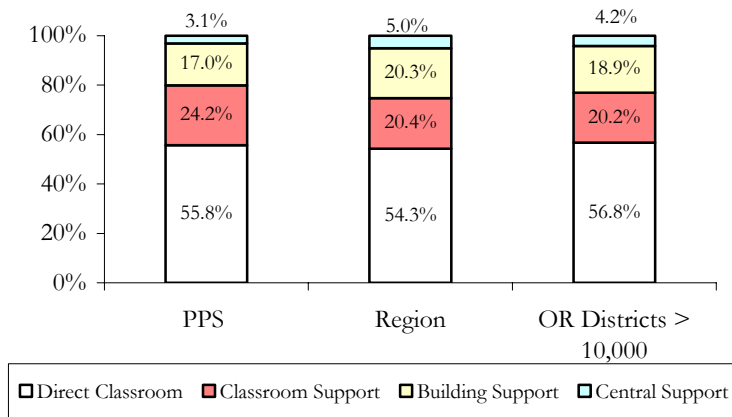
ODE Model			
	PPS	Regional Average	PPS +\-
Direct Classroom	\$5,143	\$4,089	+\$1054
Classroom Support	\$2,230	\$1,544	+\$685
Building Support	\$1,569	\$1,514	+\$55
Central Support	\$282	\$389	-\$ (107)
Total Operating	\$9,223	\$7,536	+\$1,688

Districts Over 10,00 Average			
	PPS	10,00 Average	PPS +\-
Direct Classroom	\$5,143	\$4,150	+\$993
Classroom Support	\$2,230	\$1,475	+\$754
Building Support	\$1,569	\$1,371	+\$198
Central Support	\$282	\$302	-\$ (20)
Total Operating	\$9,223	\$7,298	+\$1,925

Source: Oregon Department of Education's DBI Auditor calculation of peer averages

Exhibit 3

**PPS and Other Oregon Districts
Percent Operating Expenditures, 2004-05**
ODE Model



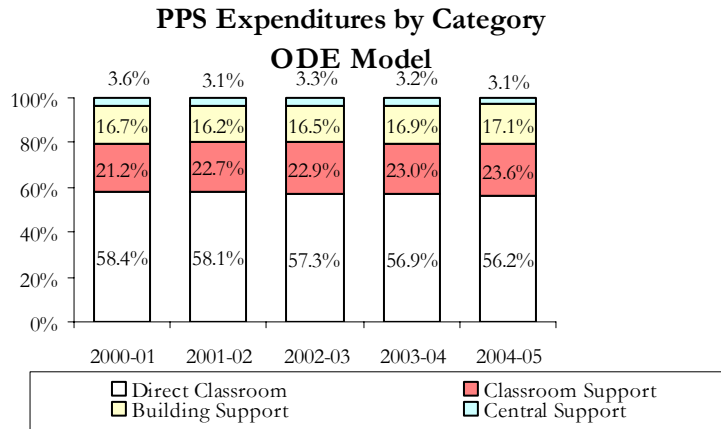
Source: Oregon Department of Education's DBI Auditor calculation of peer averages

Further analysis was conducted to determine which function areas were responsible for the greatest differences in expenditures. Primary (K-3) and middle school instruction; programs for students with additional needs such as special education, English Language Learners, and students at risk of dropping out; attendance and social work; staff development; and principal's office spending showed the largest per student differences. PPS spent over \$100 per student more in each of these areas than the regional and large district averages.

PPS – 2000-01 through 2004-05

In addition to local and national comparisons, spending was analyzed for PPS over the past five years. Spending on Central Support was held at 3.3% or less of operating expenditures in each year after 2000-01. The percent of expenditures on Classroom Support rose slightly in each of the past five years while the percent on Direct Classroom fell slightly. See Exhibit 4 below.

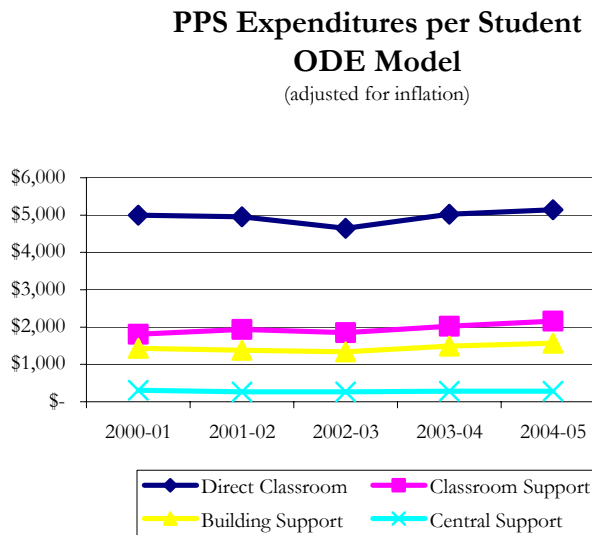
Exhibit 4



Source: Oregon Department of Education's DBI

On a per student basis, slightly more fluctuation is evident. Over the course of five years there have been overall per student increases in each of the categories except for Central Support.

Exhibit 5



Source: Oregon Department of Education's DBI

National Peer Districts – NCES

The US Department of Education's National Center for Education Statistics (NCES) maintains a core set of data on all school districts in the United States. The data come from a variety of sources, with finance data submitted annually for school districts. These fiscal data are typically a few years behind. Please see Appendix column B for details on programs included in this model. NCES has established the following broad reporting categories:

Instruction – all activities dealing directly with the interaction between teachers and students

Support Services – includes services to students, services to instructional staff, general administration, principals, business services, operations and maintenance, transportation, and central support

Other Non-Instructional Services – food services, enterprise funds

NCES data provide a source for consistent, comparable data over time and their peer district search tools allow researchers to compare data across districts. For this audit, I queried the NCES database for other school districts that were similar on a number of characteristics, including number of students, central city location, number of schools, and percent of students eligible for free/reduced price meals. Ten districts were selected as comparables: Seattle, WA; Wichita, KS; St. Paul, MN; Anchorage, AK; Sacramento, CA; Omaha, NB; San Francisco, CA; Charleston, SC; San Antonio, TX; and Shreveport, LA (Caddo Parish School District).

Exhibit 6

Spending at PPS and Peer Average, 2002-03

	NCES Model		
	PPS	Peer Average	\$ Difference per Student (PPS +/-)
Instruction Total	\$4,891 60.6%	\$4,798 59.4%	+\$92
Student Support	\$655 8.1%	\$458 5.7%	+\$197
Instructional Support	\$377 4.7%	\$491 6.1%	-\$ (114)
General Admin	\$52 0.6%	\$110 1.4%	-\$ (58)
School Admin	\$521 6.5%	\$488 6.1%	+\$33
Operations/ Maintenance	\$555 6.9%	\$747 9.3%	-\$ (192)
Transportation	\$303 3.8%	\$320 4.0%	-\$ (17)
Other (Business/Central)	\$463 5.7%	\$307 3.8%	+\$156
Support Services Subtotal	\$2,926 36.2%	\$2,920 36.4%	+\$6
Food Services	\$259 3.2%	\$321 4.0%	-\$ (61)
Enterprise	\$0 0.0%	\$17 0.2%	-\$ (17)
Other Non-Instructional Services Subtotal	\$259 3.2%	\$338 4.2%	-\$ (79)
Total Spending per Student	\$8,076	\$8,056	+\$20

Source: National Center for Education Statistics 2002-03 School District Finance Data
Auditor calculation of peer average

NOTE: These data are from the 2002-03 school year, one year before funds from the three-year local income tax became available to PPS. In 2003-04, this tax added \$36.5 million to PPS's revenues.

For 2002-03, total spending was virtually the same for PPS and the Peer Average, with PPS spending \$20 more per student. Looking at administrative spending specifically, PPS spent \$156 per student more on Business and Central Support, such as fiscal, purchasing, warehousing, printing, planning, research, human resources, etc. However, it spent \$58 per student less on General Administration, such as board of education, and executive (superintendent) administration. As a percent of operating expenditures, it spent 6.3% versus 5.2% for the Peer Average on the combined central administration functions.

Looking at the three broad categories of spending per student, PPS spent \$92 more on Instruction, \$6 more on Support Services, and \$79 less on Other Non-Instructional Services such as food services. More detail of differences between PPS and the Peer Average can be seen in Exhibit 6 above.

National Peer Districts – SchoolMatters Core Spending

Another well-established resource for education expenditures is Standard & Poor’s SchoolMatters, whose purpose is to provide information to various decision makers, including district administrators and parents. For its financial information, SchoolMatters uses NCES data (see above), but presents them somewhat differently. According to SchoolMatters, their figures represent “Core Spending, which excludes expenditures that are less likely to directly support instruction (and that may lack comparability between school systems) such as expenditures for transportation, food services, and capital projects.” Please see Appendix column C for details on programs included in this model.

The same peer group as in the NCES analysis above was used for comparison. In 2002-03, total core spending was virtually the same between PPS and the Peer Average. On administration, PPS spent more per student in the “other expenditures” category, which appears to be the same as the Other (Business/Central) NCES uses. PPS spent less on General Administration.

Exhibit 7

Spending at PPS and Peer Average, Core Spending 2002-03 SchoolMatters (Standard and Poor’s) Model

	PPS	Peer Average (PPS Excluded)	PPS + \-
Instruction	\$4,736	\$4,752	-\$ (16)
Instructional Staff Support	\$377	\$489	-\$ (112)
Pupil Support	\$655	\$454	+\$201
General Administration	\$52	\$110	-\$ (58)
School Administration	\$521	\$485	+\$36
Operations and Maintenance	\$555	\$747	-\$ (192)
Other Expenditures	\$463	\$306	+\$157
Total Core Spending	\$7,359	\$7,342	+\$17

Source: Standard and Poor’s SchoolMatters, based on NCES data Auditor calculation of Peer Average

SchoolMatters also provides information on the percent of core spending that goes toward compensation (salaries plus benefits). Here, there is a marked difference in the split between salaries and benefits, although the totals are roughly comparable. PPS spent a larger portion of total compensation on benefits and less on salaries than the Peer Average. See Exhibit 8 below.

**Spending at PPS and Peer Average, 2002-03
Percent of Expenditures on Compensation
SchoolMatters (Standard and Poor's) Model**

	PPS	Peer Average (PPS Excluded)
Salaries as % of Core Spending	59.8%	68.2%
Benefits as % of Core Spending	25.9%	18.2%
Total Compensation as % of Core Spending	85.7%	86.4%

Source: Standard and Poor's SchoolMatters, based on NCES data
Auditor calculation of Peer Average

***National Peer
Districts –
SchoolMatters
Student Needs Cost
Adjustment***

Most expenditure models do not address differences in how expensive it is to operate a school system in a given area. Nor do they take into account the percent of students who require special (and more expensive) services to meet their needs. In an effort to provide more meaningful comparisons, SchoolMatters developed a means to adjust figures for these two important cost drivers. The geographic adjuster is normed at a state level, making comparisons between districts in different states problematic. However, the student needs adjuster is a way to show the base amount of spending on all students *before* supplemental dollars for students with special needs are added. Following is SchoolMatters' data on core spending per student, adjusted for student needs.

**PPS and Peer Districts, 2002-03
Core Spending per Student, Adjusted for Student Needs
SchoolMatters Model**

Omaha, NB	\$4,683
Caddo Parish, LA	\$4,840
Charleston, SC	\$4,904
Wichita, KS	\$5,066
Sacramento, CA	\$5,275
San Antonio, TX	\$5,350
PORTLAND, OR	\$5,637
San Francisco, CA	\$5,721
Anchorage, AK	\$5,833
Seattle, WA	\$6,031
St Paul, MN	\$6,301
<hr/>	
National Peer Average (excludes PPS)	\$5,400
PPS Over\Under Average	+\$237

Source: Standard and Poor's SchoolMatters, based on NCES data
Auditor calculation of average

Student needs adjusted figures show that PPS spent \$237 (about 4%) more per student than the average of its national peer group. These figures represent total core spending per student, as defined above, exclusive of supplemental funds for services to students with special needs. SchoolMatters does not break these figures down further, so no disaggregation into Administration, Instruction, Support Services, etc. was possible.

***Urban Average –
Council of Great
City Schools***

The Council of the Great City Schools (CGCS), a national advocacy and research coalition of urban school districts, conducted a budget survey of its member districts in 2005. The survey asked respondents to provide budgeted expenditures information in a number of categories. These differ from the NCES categories in that they group more services under Instruction, such as counselors, librarians, professional development, textbooks and instructional technology; include food service and transportation under Student Services; and group fiscal services, other business services, and maintenance and facilities under Operations. Please see Appendix column D for details on programs included in this model.

The advantage of the CGCS model over the NCES model is that the data are more current by two years (budgeted 2004-05 versus actual 2002-03 available through NCES). Additionally, CGCS is able to provide an “Urban Average” using data from its member districts.

The drawbacks of this model center around its use of budgeted expenditures, which do not reflect actual spending over the course of the year. This is the only model used in the audit that does not rely on actuals. Also, different districts are likely to report spending differently. For example, PPS reports very little (.4%) of its budgeted spending in the “Other” category, while the urban average is 3.7% of budget. This may indicate accounting or organizational differences. PPS figures were reported to CGCS rounded up to the nearest \$100,000, so there was potentially a large amount of detail lost in this rounding. Finally, unlike ODE and NCES data, the CGCS budgeted expenditures information is not standardized by a common accounting code, nor has it been routinized over the course of many years.

Given these caveats, the results should be interpreted cautiously. The comparison is presented here despite these concerns because it is the only model available that readily allows for comparison of PPS with most other urban districts and is more current than NCES data.

**PPS Over/ (Under) US Urban Average
Budgeted Expenditures, 2004-05
Council of the Great City Schools Model**

	PPS	Urban Average	PPS +/-
Classroom Instruction	\$4,088	\$3,775	+\$313
Special Education	\$2,059	\$1,114	+\$945
Books & Materials	\$120	\$211	-\$91
Instructional Technology	\$17	\$44	-\$27
Auxiliary Instructional Services	\$219	\$359	-\$141
Curriculum & Staff Development	\$378	\$284	+\$94
Other Instructional Expenditures	\$917	\$164	+\$753
Instructional Subtotal	\$7,798	\$5,951	+\$1,844
Health & Attendance	\$17	\$186	-\$169
Transportation	\$350	\$341	+\$9
Food Services (net costs)	-	\$64	-\$64
Student Activities (net costs)	\$50	\$23	+\$27
Other Student Services	-	\$29	-\$29
Student Services Subtotal	\$418	\$643	-\$225
Board of Education	\$36	\$29	+\$7
Executive Administration	\$254	\$161	+\$93
Central & Regional Services Subtotal	\$290	\$190	+\$100
Fiscal Services	\$227	\$73	+\$154
Business Services	\$143	\$205	-\$62
Maintenance & Facilities	\$581	\$603	-\$22
Energy & Utilities	\$187	\$191	-\$4
Insurance	\$115	\$72	+\$43
Operations Subtotal	\$1,253	\$1,144	+\$109
Leadership (principals)	\$342	\$375	-\$33
Support	\$311	\$207	+\$104
School-Site Subtotal	\$653	\$582	+\$71
Other Expenditures Subtotal	\$44	\$325	-\$281
TOTAL Expenditures	\$10,452	\$8,835	+\$1,617

Source: Council of the Great City Schools 2004-05 Budgeted Expenditures Survey

Compared to the Urban Average, PPS budgeted a slightly smaller percentage of its resources on central administration (called Central and Regional Services) and Operations combined: 14.8% for PPS, 15.1% for the Urban Average. However, in dollars per enrolled student, it budgeted \$209 more than the Urban Average in these areas combined.

PPS budgeted a greater portion of its total on Instruction than did the other districts in the Urban Average (74.6% vs 67.4%). The district budgeted a smaller portion on Student Services (4.0% vs. 7.3%). Over \$900 per student more was slated for special education in PPS than the Urban Average, making up more than half of the difference between them.

Like the NCES Peer Average comparison above, the CGCS Budgeted Expenditure Survey data indicate that PPS spends a smaller percent of its budget on salaries than the comparison group, but a larger portion on benefits. The difference adds to \$395 per student difference in spending on compensation.

**PPS and Urban Average
Per Student and Percent of Budgeted Expenditures on Compensation
2004-05**

Council of the Great City Schools Model

	PPS	Urban Average	PPS +\- (\$)
Salaries	\$4,923 47.1%	\$5,078 57.5%	-\$ (155)
Benefits	\$1,240 11.9%	\$826 9.3%	+\$414
Retirement	\$789 7.5%	\$654 7.4%	+\$135
Total Compensation	\$6,952 66.5%	\$6,557 74.2%	+\$395

Source: Council of the Great City Schools 2004-05 Budgeted Expenditures Survey

Recommendation

As part of its efforts to increase accountability and benchmark its performance, Portland Public Schools should establish, either as a stand alone product or as part of a larger performance report:

1. An annual analysis of administrative spending. This report should include:
 - a. Comparisons to prior years
 - b. Comparisons to other Oregon districts
 - c. Comparisons to national averages or peer districts

The District may decide to use the models provided in this report or to adopt different ones. Whichever is chosen, regular and consistent reporting of administrative expenditures will help the District be accountable and provide insight into areas of possible savings or deficiencies.



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Vicki L. Phillips
Superintendent

MEMORANDUM

Date: May 11, 2006

To: Sarah Landis

From: Vicki Phillips

Re: Response to Administrative Spending Audit

Among the questions most often asked by internal and external stakeholders is: “How much does the district spend on central administration?” This is a logical and important question and goes to the heart of our core work (i.e., investing our resources in our core mission – teaching and learning) and to our desire to be increasingly accountable to taxpayers.

As the report demonstrates, this is not a question that is easily answered. Not only are there no perfectly comparable school districts, but there also is no industry standard definition for “central” or for “administration” or for “central support” when it comes to school districts. Oregon Department of Education’s (ODE) definition in the database initiative (DBI) categorizes these costs differently than SchoolMatters, and neither is consistent with the National Center for Education Statistics (NCES). This makes benchmarking difficult at best.

To make matters more complex, the ability to provide accurate, up-to-date, and consistent information is further compounded by the lag in the underlying data. The DBI has the most recent data for 2004-05, but NCES is 2002-03. Given the often significant budget changes the district makes in response to volatility in revenue and declining enrollment, such lagged data is not necessarily representative of current operations.

Even with the challenges of the data and definitions, this report adds useful information to the discussion. Compared to other Oregon districts, PPS spending on central support is lower than the regional average and lower than the average for districts with over 10,000 students. This means that the amount we spend in the classroom is greater than the average, which affirms our mission of teaching and learning. Compared to school districts nationally, PPS spends less on general administration and more on business and central services, yet also spends more than the national peer average on instruction and student support.

The audit report recommends an annual analysis of administrative spending with similar comparisons to other Oregon districts, to prior years, and to peer national districts and we concur. This recommendation is all the more pertinent, as in a few weeks the Chalkboard Project will release its Open Books data. Based on ODE's DBI, Open Books provides a breakdown of operating expenses into five categories: teaching and learning, principal's office, buses, buildings and food, business services and technology, and central administration. We expect Open Books quickly will become the standard for school districts in the State of Oregon. Based on the most recent fiscal year, it also should be timely.

The mandate for PPS is to be clear in our own definitions. We need to explain our spending in the way that is most meaningful for understanding our operations – meaningful to our board, our staff, our families, our citizens and taxpayers. We also need to demystify how our approach compares to state and national benchmarks.

Appendix

This appendix provides a comparison of the program (function) descriptions included in the expenditure categories for each of the models used in this audit: Oregon Department of Education's Database Initiative (DBI), National Center for Education Statistics (NCES), Standard and Poor's SchoolMatters, and Council of the Great City Schools (CGCS). The final column indicates whether all models report in the same general category. The descriptions and function numbers are from the Oregon Department of Education Chart of Accounts and are thus aligned with PPS' accounting system. Question marks indicate that documentation for the models was inadequate to determine whether or where the expenditures for that program were included in a particular model.

Description	State Function Code	Oregon DBI	A NCES	B SchoolMatters	C CGCS	D Categories Aligned?
Primary, K-3 Programs	1111	Direct Classroom	Instruction	Instruction	Instruction	Yes
Intermediate, 4-5 Programs	1112	Direct Classroom	Instruction	Instruction	Instruction	Yes
Elementary Extracurricular	1113	Classroom Support	Instruction	Instruction	Student Services	No
Middle School Programs	1121	Direct Classroom	Instruction	Instruction	Instruction	Yes
Middle School Extracurricular	1122	Classroom Support	Instruction	Instruction	Student Services	No
High School Programs	1131	Direct Classroom	Instruction	Instruction	Instruction	Yes
High School Extracurricular	1132	Classroom Support	Instruction	Instruction	Student Services	No
Pre-Kindergarten Programs	1140	Direct Classroom	Instruction	Instruction	Instruction	Yes
Talented and Gifted Programs	1210	Direct Classroom	Instruction	Instruction	Instruction	Yes
Students with Disabilities – restrictive programs	1220	Direct Classroom	Instruction	Instruction	Instruction	Yes
Students with Disabilities – less restrictive programs	1250	Direct Classroom	Instruction	Instruction	Instruction	Yes
Early Intervention	1260	Direct Classroom	Instruction	Instruction	Instruction	Yes
Remediation	1270	Direct Classroom	Instruction	Instruction	Instruction	Yes
Alternative Education	1280	Direct Classroom	Instruction	Instruction	Instruction	Yes
English as a Second Language	1291	Direct Classroom	Instruction	Instruction	Instruction	Yes
Teen Parent Programs	1292	Direct Classroom	Instruction	Instruction	Instruction	Yes
Adult/Continuing Education	1300	Direct Classroom	Instruction	Instruction	?	?
Summer School Programs	1400	Direct Classroom	Instruction	Instruction	Instruction	Yes
Attendance and Social Work	2110	Classroom Support	Support Services: Students	Pupil Support	Student Services	Yes
Guidance Services	2120	Classroom Support	Support Services: Students	Pupil Support	Student Services	Yes
Health Services	2130	Classroom Support	Support Services: Students	Pupil Support	Student Services	Yes
Psychological Services	2140	Classroom Support	Support Services: Students	Pupil Support	Student Services	Yes

Description	State Function Code	Oregon DBI	NCES	SchoolMatters	CGCS	Categories Aligned?
Speech Pathology and Audiology	2150	Classroom Support	Support Services: Students	Pupil Support	Student Services	Yes
Other Student Treatment Services	2160	Classroom Support	Support Services: Students	Pupil Support	Student Services	Yes
Service Direction Student Support	2190	Classroom Support	Support Services: Students	Pupil Support	Student Services	Yes
Improvement of Instruction Support	2210	Classroom Support	Support Services: Instructional Staff	Instructional Staff Support	Instruction	No
Educational Media Services	2220	Classroom Support	Support Services: Instructional Staff	Instructional Staff Support	Instruction	No
Instructional Staff Development	2240	Classroom Support	Support Services: Instructional Staff	Instructional Staff Support	Instruction	No
Board of Education	2310	Central Support	Support Services: General Admin.	General Administration	Central & Regional Services	Yes
Executive Administration	2320	Central Support	Support Services: General Admin.	General Administration	Central & Regional Services	Yes
Office of the Principal	2410	Classroom Support	Support Services: School Admin.	School Administration	School Site	No
Other Support Services	2490	Classroom Support	Support Services: School Admin.	School Administration	School Site	No
Direction of Business Support Services	2510	Central Support	Support Services: Other (Business/Central)	Other	Operations	No
Fiscal Services	2520	Central Support	Support Services: Other (Business/Central)	Other	Operations	No
Operation and Maintenance of Plant	2540	Building Support	Support Services: Operation and Maintenance	Operations and Maintenance	Operations	Yes
Student Transportation	2550	Building Support	Support Services: Student Transportation	Excluded	Student Services	No
Internal Services (Purchasing, Warehousing, Printing)	2570	Building Support	Support Services: Other (Business/Central)	Other	Operations	No
Planning, Research, Development, Evaluation, Grant	2620	Central Support	Support Services: Other (Business/Central)	Other	Central & Regional Services	No
Information Services	2630	Central Support	Support Services: Other (Business/Central)	Other	Central & Regional Services	No
Staff Services (Human Resources)	2640	Central Support	Support Services: Other (Business/Central)	Other	Operations	No
Technology	2660	Building Support	Support Services: Other (Business/Central)	Other	Instruction Operations	No
Records Management	2670	Central Support	Support Services: Other (Business/Central)	Other	Operations	No
Food Services	3100	Building Support	Non-Instructional	Excluded	Student Services	No
Other Enterprise Services	3200	Building Support	Non-Instructional	?	?	No
Community Services	3300	Classroom Support	?	?	?	?
Custody and Care of Children Services	3500	Classroom Support	?	?	?	?