



POLICY BRIEF

Citizens' Guide to the Spokane Children's Investment Fund Initiative

by Chris Cargill
September 2010



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Key Findings

1. The Children's Investment Fund would raise the median home owner's property tax in Spokane by \$72 per year.
2. Money from the tax increase would be managed by city government, not schools, and would be distributed to private organizations in an effort to lower the dropout rate.
3. The cumulative annual dropout rate in Spokane public high schools is 8% - lower today than it was in 2005, 2006 or 2007.
4. Students who drop out of school say improving the classroom experience and hiring better teachers, not more money, would keep them in class.
5. Based on past data, it would be impossible to determine whether the new spending from the Children's Investment Fund made any difference.
6. Voters would spend \$30 million and have no recourse until 2017 if the fund did not achieve a promised decline in the dropout rate.

Introduction

This November, voters in the City of Spokane will decide whether to raise property taxes in an attempt to lower Spokane's public high school dropout rate. The measure is being promoted by a political 527 group called "People for the Children's Investment Fund Initiative." Supporters say the new spending is needed because, "Spokane is facing a persistently troubling school dropout rate that educators and civic leaders alike agree is undermining the social fabric of our families and community life."¹

Background

The Children's Investment Fund (CIF) initiative would increase property taxes in Spokane by 35 cents per \$1,000 of assessed value. The current property tax rate in Spokane can reach as high as \$11.77 per \$1,000 of assessed value.²

The owner of a median-priced home would pay an additional \$72 per year.³ Money raised from the new tax would not go to public school budgets; it would be placed in a fund managed by Spokane city officials. The city government would then distribute the funds to private organizations that "achieve positive results for children" with the goal of reducing public school dropout rates. Non-profit organizations like the YMCA or the Boys and Girls Club are the kinds of groups that would receive funds.⁴

Despite the assertion of supporters that lowering the dropout rate is the main goal, the official ballot title makes no mention of it. It reads;

"... proposes to increase the regular property tax levy in excess of limitations of state law for six years, beginning 2011, by \$.35 per \$1,000 of assessed value the first year, to fund family and youth services including early childhood education and intervention, child abuse prevention, mentoring and afterschool programs...."⁵

¹ "Our Children First!," Spokane Children's Investment Fund website, available at www.ourchildrenfirstspokane.com/index.php.

² Spokane County Assessor, Parcel Search, at www.spokanecounty.org/assessor/content.aspx?c=1379.

³ "Market Fact Book," 2008 median home price City of Spokane = \$206,303, *Spokane Journal of Business*, 2010.

⁴ "New levy would fund dropout prevention, educators, others say more 'niche' programs needed," by Jody Lawrence-Turner, *The Spokesman-Review*, April 4, 2010, at www.spokesman.com/stories/2010/apr/04/new-levy-would-fund-dropout-prevention/.

⁵ Spokane Children's Investment Fund, official ballot title, City of Spokane, Office of the Clerk, Children's Investment Fund, RES-2010-0048.

How the Children’s Investment Fund would Work

If the initiative is approved, public money would be used to fund private organizations that provide a variety of after school and early learning programs. City of Spokane officials would appoint 11 people to serve on a Citizens Oversight Committee for the investment fund. The initiative would require that the following groups have at least one representative on the committee:

- Spokane Public Schools
- Spokane City Council
- The juvenile justice system
- The business community
- A provider of child and youth services

In addition, two members from the minority community and at least one young person will be asked to serve for at least two years. The initiative “does not allow members to vote for funds where the member is an employee or serves on the board,” but it does not bar other board members from voting to direct funds to an abstaining member’s organization.⁶

Overall, the Children’s Investment Fund initiative is estimated to increase taxes by \$5 million annually. The property tax increase would expire after six years, at which time voters could extend the tax. Roughly \$250,000 of the revenue raised through the initiative would be used to pay administrative costs.

Supporters of the Children’s Investment Fund say they are not creating “yet another city bureaucracy.”⁷ But the financial management of the fund “will be under the direction of the city treasurer’s office and the administration of the fund will be under the city’s Human Services department.”⁸

Spokane’s Public School Dropout Rate

Supporters of the Children’s Investment Fund say their main goal is to reduce the “soaring dropout rate” in Spokane-area public schools. The problem is difficult to assess accurately. Dropout rates fluctuate wildly because, in many cases, students counted as dropouts may have simply transferred to another school. The state keeps track of high school dropout rates through the Office of the Superintendent of Public Instruction (OSPI). OSPI issues an annual Report Card, detailing enrollment, funding, and dropout rates. This may be the most accurate picture available, because the report covers:

“...the total number of students that drop out...divided by the total number of students, less the number of students that transferred out of the district/school.”⁹

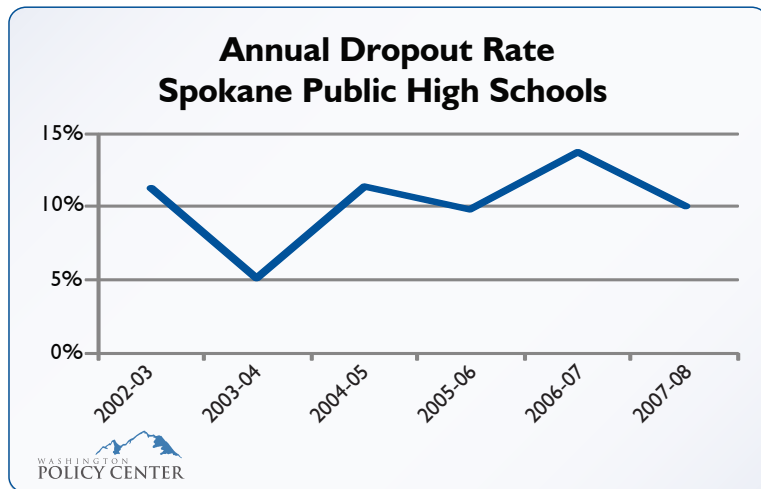
⁶ “How it works,” Spokane’s Children’s Investment Fund, at www.ourchildrenfirstspokane.com/howitworks.php.

⁷ “Frequently Asked Questions,” Spokane Children’s Investment Fund website, at www.ourchildrenfirstspokane.com/faqs.php.

⁸ Spokane Children’s Investment Fund official paperwork, City of Spokane, Office of the Clerk, Children’s Investment Fund, RES-2010-0048.

⁹ “Report Card for Washington state,” Office of the Superintendent of Public Instruction (OSPI), Spokane Public Schools average dropout rate per year divided by four classes, 2003-2009, at <http://reportcard.ospi.k12.wa.us/summary.aspx?schoolId=230&OrgType=3&reportLevel=District&year=2008-09>.

The report shows Spokane’s dropout rate is lower today than it was in 2003.¹⁰



In the 2007-08 school year, 752 students in Spokane public high schools dropped out. One year later, that number had fallen to 699, a 7% decline.

Advocates for new programs to lower the dropout rate do not mention annual dropout numbers when arguing for a new property tax. Instead, they point to a much more unreliable statistic – the graduation rate. From 2002 to 2008, the state Report Card shows on-time graduation rates in Spokane Public Schools did indeed fall, from 65.6% in 2003 to 60.3% in the 2008 school year. But failing to graduate on time does not mean a student dropped out of school.

The on-time graduation rates do not include students counted under the “extended graduation rate” measure, which shows students who successfully finished high school, but not within the usual four-year period.

Why Students Dropout

Understanding why students leave school is important in determining how to reduce the dropout rate further. Research consistently shows that students who drop out do so because of what they experience in the classroom.

A report titled *The Silent Epidemic*, published by Civic Enterprises for The Bill and Melinda Gates Foundation, shows some of the main factors cited by dropouts:¹¹

- 69% said they were not motivated in class to work hard
- 47% said the course work was not interesting
- 45% said their public K-8 schools had not prepared them to do high school level work

Many students who initially drop out return to school and complete their education. They are counted in the state’s “extended graduation rate” figure, although the exact number who return to school is not known.

¹⁰ Ibid.

¹¹ The Silent Epidemic, Perspectives of High School Dropouts, a report by Civic Enterprises, available online at www.civicerprises.net/pdfs/thesilentepidemic3-06.pdf

Increased Spending Has Not Improved Learning Outcomes for Students

Supporters of the Children's Investment Fund say more public spending and greater coordination with community groups will improve learning and lower the public school dropout rates. Yet current funding for public education in Washington is at all-time highs.

State taxpayers spend about \$8 billion per year to educate just under one million public school students. An additional \$2 billion in yearly school funding is provided by local levies and federal grants. Overall, state education spending has increased sharply in recent years, rising by more than 60% since 1999.¹² On average, Washington now spends just over \$10,100 per student annually on public education.

Spokane schools are well funded. The Spokane School District spends more than \$11,000 per student per year. Average teacher pay with benefits in Spokane is \$81,300 a year. Average administrator pay with benefits is \$107,700. In 2010, 104 administrators in Spokane Public Schools received raises, including the Superintendent.¹³

While spending on education in Spokane has been steadily increasing, academic achievement by Spokane public school students has been flat or declining. Statewide, more than half (52%) of public school students who enter college are unprepared in math, English and reading.¹⁴

An analysis shows less than 60 cents of every public education dollar reaches the classroom, making it difficult to improve outcomes in the area where it is needed most.¹⁵ The rest of the money is spent on administration, maintenance personnel, special education, transportation, food services and interest on public debt.

In addition to high levels of current spending, Spokane Public School officials are planning to increase spending for the 2010-11 school year by \$6 million, to a total of \$311 million.¹⁶ Spokane education officials have increased school spending by 9.5% since 2008. Nearly \$11 million of the increase has come from higher taxes levied on Spokane property owners. The rising tax burden is shown in the graph below.

The Children's Investment Fund initiative would add \$5 million per year to the tax burden of Spokane residents. In addition to current funding for public schools, the initiative would increase the amount local taxpayers pay to education programs by 10.6%.

¹² "Key Facts About Washington Public Schools: 2009-2010," by Liv Finne, Washington Policy Center (findings based on data from the Office of the Superintendent of Public Instruction, OSPI), July 2010, available online at www.washingtonpolicy.org/publications/facts/key-facts-about-washington-public-schools-2009-2010

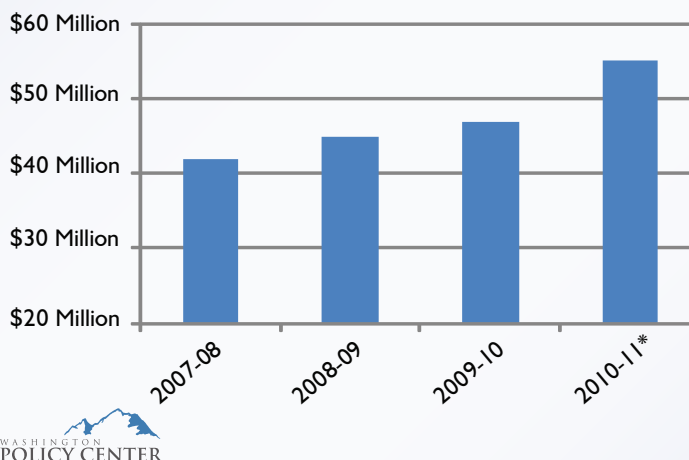
¹³ "Top Tier out of Spokane schools budget woes, The Spokesman-Review, September 2010, available online at <http://www.spokesman.com/stories/2010/sep/18/school-administrators-pay-increases/>

¹⁴ Ibid

¹⁵ Eight Practical Ways to Reform Public Education in Washington state, published by Washington Policy Center, 2008, available online at www.washingtonpolicy.org

¹⁶ "Spokane Public Schools Recommended Budget, 2010-11 school year," (Spokane Public Schools Recommended Budget, 2010-2011 school year, available online at www.spokaneschools.org/17331047111017637/lib/17331047111017637/Detailed_Recommended_Budget_2010-11.pdf

Local Property Taxes Devoted to Spokane Public Schools, 2007 – 2011



Adding more money to the current system would not improve the quality of public schools in Spokane. National research consistently shows that placing an effective teacher in the classroom, not increased spending, is the most important factor in raising student achievement. Students taught by a high-quality teacher three years in a row score 50 percentile points higher on standardized tests than students of ineffective teachers. The research also shows that students taught by a weak teacher two years in a row may never catch up.¹⁷

These findings indicate that better management of current funding and changes in teacher hiring, retention and training, not adding more money to the current system, will improve academic outcomes for public school children.

Children’s Investment Fund Spending per Dropout

This report assumes the cumulative dropout rate in Spokane public high schools to be 8% - the most recent number available from the Office of the Superintendent of Public Instruction. OSPI statistics show roughly 700 students drop out of Spokane high schools in any given year. Assuming the Children’s Investment Fund would bring in \$5 million annually, as projected, Spokane taxpayers will spend another \$7,142 – per dropout – in addition to the \$11,000 they already spend per student in public schools in Spokane.

Accountability

Children’s Investment Fund supporters say that in six years the initiative would lower the student dropout rate by *as much as 20%*.¹⁸ Improvement in the dropout rate could be well short of 20% and initiative supporters could still claim success. Also, the initiative provides no accountability mechanism; there are no consequences if initiative supporters fail to deliver on their promises. Voters would

¹⁷ “Cumulative and Residual Effects of Teachers on Future Student Academic Achievement,” by William L. Sanders and June C. Rivers, Value-Added Research and Assessment Center, University of Tennessee, November 1996

¹⁸ Spokane Children’s Investment Fund, Focus Areas for Funding, available online at http://www.ourchildrenfirstspokane.com/CIF_Focus_Areas_For_Funding.pdf

have no opportunity for review until 2017, after they had already paid \$30 million in new taxes.

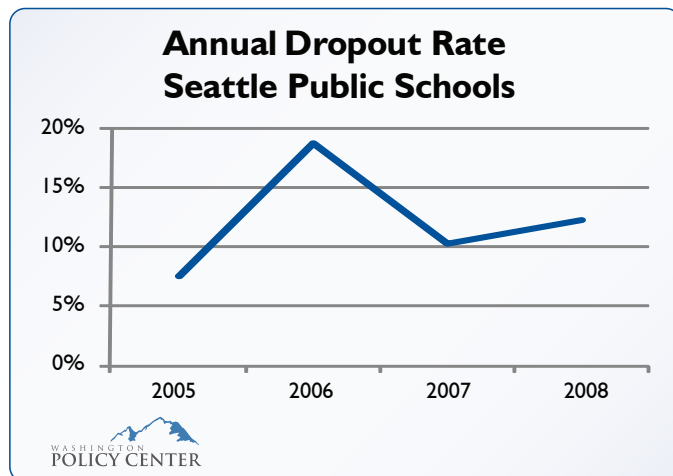
Even if all of the promised dropout reduction is achieved, it would represent a reduction in the current 8% cumulative dropout rate of only 1.6 percentage points. State data show that the cumulative dropout rate in Spokane Public Schools has recently fluctuated by an average of 3.4 percent every year. If the Children's Investment Fund initiative passes, the dropout rate in Spokane schools may decline, but it might have declined anyway. Based on past data, it would be impossible to determine whether the new spending from the Children's Investment Fund made any difference.

Taking Money from Low Income to Fund Programs for Low Income

More than 53% of students enrolled in Spokane Public Schools are on the free or reduced lunch program. Yet, if the Children's Investment Fund passes, the very people already struggling to pay the bills will have to pay more for their property taxes, reducing their take-home pay and making it harder for them to meet daily expenses. Increasing the financial burden on families would make it even more difficult to care for students most at risk of dropping out of school.

Case Study: Seattle

Children's Investment Fund supporters point to what they say is the success of similar programs across the country, including one in Seattle. In 2004, Seattle voters renewed the Families and Education Levy, increasing the city's property tax burden by \$117 million over seven years. The program is similar to what is being proposed in Spokane. Families and Education supporters told Seattle voters the increased spending would improve learning for children, but the results have not fulfilled these promises. OSPI reports the cumulative yearly dropout rate in Seattle Public Schools was actually higher in 2006, 2007, and 2008 than it was when the latest Families and Education levy passed in 2004, and currently one-third of Seattle students fail to graduate.¹⁹

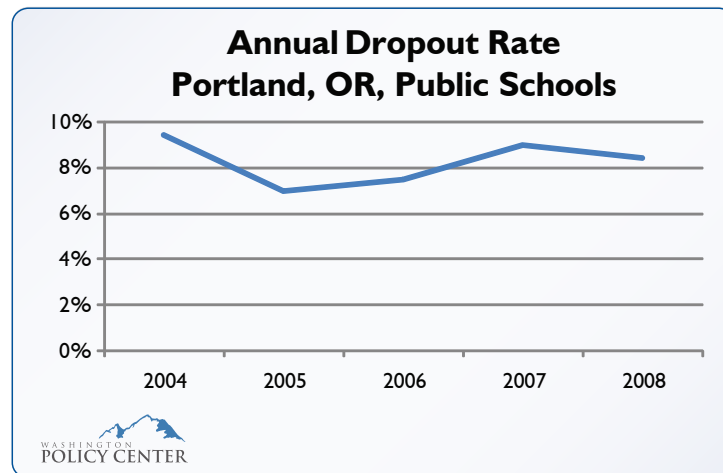


¹⁹ Washington State Report Card, Office of the Superintendent of Public Instruction, Seattle Public Schools, average dropout rate per year divided by four classes, 2004-2009, available online at <http://reportcard.ospi.k12.wa.us/summary.aspx?schoolId=100&OrgType=3&reportLevel=District&year=2009-10>

Case Study: Portland

In 2002, Portland voters passed the Portland Children’s Levy. It raised taxes by \$12.5 million total to fund a new program supporters said would help children and lower the dropout rate in local schools. In the years following, the new program failed to live up to supporters’ promises.

In 2008, when the levy was up for renewal, the arguments made by supporters had shifted. They described the goal as “helping children arrive at school ready to learn, provide safe and constructive after-school alternatives for kids, prevent child abuse, neglect and family violence and help foster kids succeed.”²⁰



While these may be noble goals, they are not what Portland voters were promised. Even with the lowering of program standards, the Portland Children’s Fund reports its success is only “anecdotal.”²¹ In fact, cumulative dropout rates in Portland increased in several of the years since the Children’s Levy started, although today they are slightly lower than in 2004.²²

In 2008, the Portland fund spent more than \$524,000 on “administrative costs” and employed five people.²³ *The Oregonian* newspaper recently pronounced the years-long effort to lower the dropout rate a failure:

“Reforms haven’t worked. Despite 15 years of effort, the city’s graduation rate hasn’t budged. Portland took good ideas, and managed to botch their implementation.”²⁴

Case Study: Miami

Supporters of the Spokane Children’s Investment Fund initiative also point to Miami, where voters approved a similar Children’s Trust in 2002. The Trust

²⁰ Portland Children’s Levy Website, available at <http://www.childrensinvestmentfund.org/>

²¹ “But will it work?”, *The Inlander*, Spokane, May 2010, available online at www.inlander.com/spokane/print-article-15062-print.html

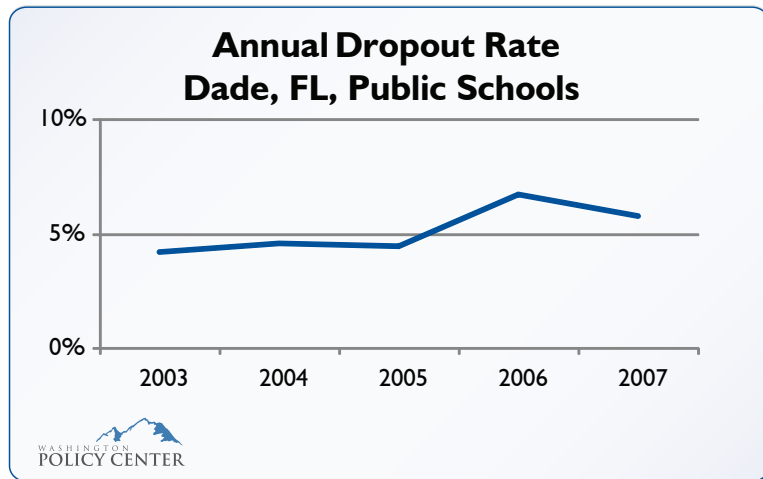
²² Oregon Department of Education, Dropout Rates, AYP Report, 2004-2008, average dropout rate per year divided by four classes, available online at www.ode.state.or.us/data/reportcard/reports.aspx

²³ Portland Children’s Levy Staff Governance, available online at <http://www.childrensinvestmentfund.org/governance>

²⁴ “Dropouts in Portland public schools an entrenched problem”, *The Oregonian*, July 2010, www.oregonlive.com/opinion/index.ssf/2010/07/dropouts_in_portland_public_sc.html

was promoted to help children in Miami’s struggling public schools. The measure increased local property taxes by a total of \$99 million over eight years.

As in Portland and Seattle, the new spending achieved little of the promised results. In 2003, the cumulative dropout rate at Miami-Dade Schools was 4.2%. Five years later, the dropout rate had risen to 5.8%.²⁵ The Children’s



Trust has, however, created a taxpayer-funded agency that now employs 86 people, paying them an average of \$80,100 a year in salary and benefits.²⁶

Case Study: Delaware

In Delaware educators, business leaders and parents are taking a different approach to lowering the dropout rate. A group called Vision 2015 is seeking to improve Delaware’s graduation rate by adopting “changes including innovative instruction that recognizes a one-size-fits-all approach doesn’t work for all students.”

As one Delaware educator put it, “When students are telling us they are dropping out, sometimes before they are even out the door, because they are bored, why can’t we make learning more interesting?”²⁷ School officials in Delaware are taking an innovative approach compared to the one being proposed by the Spokane Children’s Investment Fund. Instead of directing more tax revenue to an unreformed schools system, this group is developing alternatives that will encourage Delaware’s hardest-to-educate students to stay in schools and complete their education.

²⁵ Dade Schools Dropout Rate, Florida Department of Education, average dropout rate per year divided by four classes, available online at www.fldoe.org/eias/eiaspubs/fsir_archives.asp

²⁶ The Children’s Trust, Miami, FL, Staff Directory, available online at www.thechildrenstrust.org/staff-directory, paying them an average of \$80,100 in salary and benefits. Also see: The Children’s Trust, Miami, FL, Financial Report, <http://www.thechildrenstrust.org/financials>

²⁷ “Delaware dropout rate frustratingly high, students offer many reasons for leaving school,” by Alison Kepner, *The Delaware News Journal*, October 29, 2006, at http://www.vision2015delaware.org/resources/10-29_News_Journal_Delaware_dropout.pdf.

Proven Ways to Increase Outcomes and Reduce Lower Dropout Rates

Students who participated in the national survey for *The Silent Epidemic* report were clear about what they believe would have helped them stay in school, and nearly every suggestion is related to what goes on in the classroom.²⁸

- 81% of dropouts said teaching needs to improve and the curriculum needs to make school more relevant and engaging
- 81% said they want better teachers
- 62% said more classroom discipline is needed

Research shows the number one determining factor in whether a child gets a quality education is whether that child has a high-quality teacher.²⁹ Right now in Washington state, teacher tenure laws make it nearly impossible for administrators to remove an ineffective teacher from the classroom.

To make the classroom more interesting, as students suggest, Washington state could remove its mandatory teacher certification system. The academic skills a teacher brings to a classroom confer ten times the educational advantage compared to that conferred by a teaching credential.³⁰

Experienced professionals, like an engineer who wants to teach high school math, could bring work experience and excitement about numbers to his class in a way a certified teacher might not. Microsoft founder Bill Gates could introduce a new and exciting way to interact with kids in a computer science course at a local high school, but Washington state certification laws prevent him from teaching in public school.

Parents are also key to lowering the dropout rate. More than 70% of students said they would like improved communication between their parents and school. Less than half of dropouts say school officials made an effort to contact them or their parents after they had left school.³¹ The research indicates that better coordination between local schools and families, not more spending, would encourage more students to continue their education.

Conclusion

Perhaps realizing their programs were not lowering dropout rates as some backers anticipated, managers of the children's funds in Portland and Seattle have shifted their focus away from keeping kids in school. Instead, in each city, the children's fund now aims at preventing child abuse, helping early childhood learning and assisting foster children. These are worthy goals, but not what initiative supporters promised when they asked residents in each city to vote for an increase in taxes.

²⁸ "The Silent Epidemic, Perspectives of High School Dropouts," by John M. Bridgeland, John J. DiJulio, Jr., and Karen Burke Morison, Civic Enterprises, March 2006, pages 4 and 5, at www.civicerprises.net/pdfs/thesilentepidemic3-06.pdf.

²⁹ "Teacher Pay, the political implications of recent research," by Dan Goldhaber, the University of Washington and Urban Institute, The Center for American Progress, December 2006, at www.americanprogres.org/issues/2006/12/teacher_pay.html.

³⁰ "Photo Finish: teacher certification doesn't guarantee a winner," by Thomas Kane, Jonah Rockoff and Douglas Staiger, Education Next, The Hoover Institution, 2008, at www.hoover.org/publications/endext/4612527.html.

³¹ "The Silent Epidemic, Perspectives of High School Dropouts," by John M. Bridgeland, John J. DiJulio, Jr., and Karen Burke Morison, Civic Enterprises, March 2006, page 5, at www.civicerprises.net/pdfs/thesilentepidemic3-06.pdf.

This may explain why the ballot language in the Spokane Children's Investment fund is so vague, and does not promise to lower the public school dropout rate. The research indicates that, if approved, the Spokane Children's Investment initiative would likely do little or nothing to reduce dropout rates.

Even if the dropout rate did fall, it would be impossible to determine whether the Children's Investment Fund had anything to do with it. Not only do initiative sponsors seek to take more money from families struggling in a down economy, they seek to fund new programs that will likely not improve learning for Spokane school children.

As currently structured, the Children's Investment Fund cannot lead to higher-quality teaching and a better school curriculum, the two primary reasons dropouts identify when explaining why they left school. Spokane taxpayers are generous in funding the city's public schools. They provide a high level of per-student funding now, and passage of the proposed Children's Investment Fund would only add to the current tax burden, while doing little or nothing to improve the quality of education provided to Spokane school children.

About the Author

Chris Cargill is the Eastern Washington Office Director for Washington Policy Center. A life-long Eastern Washington resident, Chris grew up in Spokane and graduated from Gonzaga University with a Bachelor's degree in Broadcast Communication Studies and a minor in Political Science. Before joining WPC in 2009, he worked in TV news for 10 years at two Spokane television stations. During this time, he organized and produced dozens of political debates and forums. Chris and his family live in Liberty Lake, just outside Spokane.



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