



OREGON LEGISLATIVE POLICY & RESEARCH OFFICE

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EDUCATION ENDOWMENTS

Definition

Education Endowments are private, non-profit organizations, who raise private dollars for education purposes. Set up under IRS Code as 501(c)(3)¹ or 501 (c)(4)² entities, donations to them are tax deductible.

One of the most successful foundations in the nation is the Boston Plan for Excellence, which has a \$24 million endowment. Much of the original money came from big business donations. The Boston Plan for Excellence's aim is not to fund regular school operations but to make regular grants between \$40,000 - \$50,000 for projects that would otherwise go unfunded.

The Public Education Fund Network in Washington, DC acts as a national clearinghouse for private education funds, and provides technical assistance, funding, and training.

Oregon History

Due to the passage of the property tax limitation initiative, Measure 5, in 1990, and resulting legislative policy decisions, the state is now funding about two-thirds of public K-12 costs, as well as working to equalize per pupil spending throughout the state. Local school districts are limited by the Oregon Constitution from raising money above the state allotment as they have done in the past. This situation has revitalized private education foundations. Private education foundations have existed within Oregon for many years.

The first private education foundations in Oregon sprang up in the late 1970's in response to budget cuts in some school districts. At that time, most focused on a single program, such as athletics or music.

How many?

The list of cities that now have education foundations include Portland, Beaverton, Lake Oswego, Bend-LaPine, Ashland, Eugene, Medford, Pendleton and The Dalles.

The Department of Justice allows corporations up to a year to file their corporate documents with them. The department is in the process of categorizing the different types of charitable organizations they have on file, so were unable to produce an up-

¹ nonprofit corporations

² nonprofit entities

to-date list of all the education foundations. Susan McLaughlin, Oregon Community Foundation estimates there are about 30 in Oregon.

Donations

Anyone can contribute to a private education fund, including public entities.

Public donations to the Portland Public Schools Foundation have included \$9.2 million from the City of Portland and \$10 million from Multnomah County.

Bill Sizemore, of Oregon Taxpayers United, in an *Oregonian* article dated May 3, 1996, stated that he believed the recent Multnomah County donation of \$10 million to Multnomah County school districts violates Measure 5, stating, "We believe they are illegal, because they go beyond the amount of property taxes the measure says can go toward schools."

Jim Scherzinger, Legislative Fiscal Office, stated that he did not believe city and county donations were a problem, as government entities were donating general fund dollars, not property tax dollars, and therefore were not subject to the Measure's limitations.

Notable private contributors to Oregon foundations include US Bank, who announced they will donate two dollars for every one dollar donated to 501(c)(3) nonprofit organizations (of the donor's choice) that benefit K-12 classes. In 1995, US Bank gave more than \$2.4 million to nonprofit organizations in support of youth and education.

GTE announced it is offering ten grants of \$10,000 for technology for schools in Oregon, Washington and Idaho. Applications must be submitted by an educational foundation or other 501(c)(3) organization.

Phil Knight, NIKE, donated \$500,000 to the Portland Schools Education Foundation.

Expenditures

Money contributed to private education foundations may be designated to be spent a certain way by the donor, such as Phil Knight earmarking his \$500,000 donation for sports programs, but generally donors have left that decision up to the foundation board or the local school board.

For the most part, donations have been used for course enrichment, but some schools are using the funds to back-fill shrinking budgets. Lake Oswego has used their money to buy additional teachers. Beaverton has earmarked much of its recent donations to athletics, theater arts and band programs. Eugene has repaired band instruments, funded teacher training, clubs, health clinics, field trips, and musical programs. Ashland has used donated computer equipment to help students build word processors. The Bend-LaPine School District used private foundation money for extracurricular activities. Pendleton spends its money to foster art programs.

Portland had been focusing on innovative educational projects, but is now aggressively trying to raise funds to make up the estimated \$15 million budget shortfall to buy teachers and programs.

In recognition of the still-existing inequities between schools, the Eugene Education Fund sets a portion of donations aside (a minimum of 5%) for their EEF Equity Fund, which supports all 48 Eugene schools.

*Oregon
Endowment Fund*

Referral and subsequent passage of HJR 15 in 1995 created a state Education Endowment Fund and takes effect July 1, 1997. The Fund is supported by 15 percent of net lottery dollars and is managed by a community foundation in agreement with the Oregon State Scholarship Commission(OSSC), to be used for education purposes. "Education" is defined as including prekindergartens, elementary and secondary schools, community colleges, higher education, continuing education, workforce training, and financial assistance to Oregon students (ORS 461.540(3)(b)).

Seventy-five percent of the funds will be distributed to Pre-K-12 schools, twenty-five percent will be distributed to higher education. It is the OSSC's responsibility to oversee the funds distribution. Teachers and schools have to apply for the funds. OSSC is currently developing policy and guidelines for the distribution of the Pre K-12 funds. The 25 percent that is distributed for higher education will follow similar policy that exists now - the money will follow the student who may spend it at the institution of higher education of their choice (public or private).

The first funds will not be disbursed until July 1, 1998. The Scholarship Commission is required to submit an annual report on endowment expenditures to the legislature.

*Could the state
match funds
raised privately?*

There are no legal or policy prohibitions preventing the state from matching privately raised funds through education endowments.

However, if the state matches private dollars raised, inequities may arise. Schools in more affluent areas will be able to raise more money than schools in poorer neighborhoods. The public might decry the use of limited state resources going to schools that are already doing well to the detriment of poorer schools. It is not known if enough money would be raised by private foundations for this to be considered a significant issue.

When Portland parents first approached the district about setting up local foundations to raise money, the school board cited equity concerns and was worried that wealthy neighborhoods would be the only ones to benefit from private money. In May 1994, it authorized a district-wide foundation to help all district schools. It specified that one dollar of every three dollars raised by local school foundations go to the district foundation to be spread among poorer schools.

Could the state Education Endowment Fund be used to match private foundation dollars? The Oregon State Scholarship Commission is spending many hours determining how money from the Oregon Endowment Fund (*see above*) should be spent, given the direction OSSC believes it received from Senator Gordon Smith, the bill's sponsor, to spend the money in active ways to improve education, rather than capital expenditures. Although the policy is still being developed, OSSC prefers to not see the money used to subsidize normal operating expenses. This direction, however, is not in statute.

Tom Turner, OSSC, points out that only four percent (approximately) of the Endowment may be spent in any given year to prevent expenditures from eating into the corpus of the endowment. If this four percent, or a portion of it, is given to another endowment fund, the amount that may be actually spent that year is further reduced. Even if the private fund is not an endowment type of fund, and it spends all the money it receives, it may be too little to make a significant difference.

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