

DOCUMENT RESUME

ED 390 152

EA 027 259

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 TITLE The Education Foundation. Raising Private Funds for Public Schools.
 INSTITUTION Oregon School Study Council, Eugene.
 REPORT NO ISSN-0733-2548
 PUB DATE 95
 NOTE 11p.
 AVAILABLE FROM Oregon School Study Council, College of Education, University of Oregon, 1787 Agate Street, Eugene, OR 97403-5207.
 PUB TYPE Collected Works - Serials (022)
 JOURNAL CIT OSSC Report; v36 n1 Fall 1995

EDRS PRICE MF01/PC01 Plus Postage.
 DESCRIPTORS Educational Equity (Finance); Educational Finance; Elementary Secondary Education; Financial Needs; *Foundation Programs; *Fund Raising; *Private Financial Support; School Districts; School Funds; *School Support; State Aid

IDENTIFIERS *Oregon

ABSTRACT

In Oregon, many schools and school districts are turning to private funding to help sustain and enrich the quality of education in their districts. Their vehicle of choice: the local education foundation (LEF). This report describes the nature of private fund raising for public schools and examines its uses as a partial remedy for budget shortfalls. At least 25 new LEFs have been organized throughout Oregon since 1990. Many LEF spokespersons identify the property-tax cap as a major reason for appealing to private sources for help. The report describes how school foundations are started, fund-raising methods, fund-raising targets, target-giving options, relationships of LEFs to school boards, and the issue of equity. However, the practice may send the message that state support is no longer necessary and should not be relied upon as a long-term or stable source of revenue. LEFs can, however, alleviate some financial needs, unite the school district, and provide opportunities to students and personnel. Interviews were conducted with 21 educators, foundation directors, and foundation personnel. Privately raised funds account for less than 1 percent of all dollars spent on public education. (Contains 19 references.) (LMI)

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Report

VOLUME 36, NUMBER 1

FALL 1995

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The Education Foundation Raising Private Funds for Public Schools

By Phyllis de Luna

What do parents, educators, and other concerned citizens do when public-school tax revenues shrivel, budgets are pared, programs are cut back, and teaching positions are threatened?

In Oregon, many of them are turning to private funding to help sustain and enrich the quality of education in their districts. Their vehicle of choice: the local education foundation (LEF).

Just what is the nature of this education-finance phenomenon, and will it prove to be at

least a partial remedy for the budget woes that some school systems face?

Local public education foundations are nonprofit and income-tax-exempt entities that usually operate independently of the school district to promote educational excellence and innovation. Through the generosity of local individuals and businesses, they offer the schools dollars, equipment, and services that help ameliorate the effects of lean budgets.

Little known and few in number before 1990, when voters approved Measure 5 (the property-tax-limitation

INSIDE

Around the State
page 11

Miscellany
page 24

Bulletins in Review
page 26

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OSSC Report (ISSN 0733-2548) is published fall and spring, by the Oregon School Study Council, College of Education, University of Oregon, 1787 Agate Street, Eugene, Oregon 97403-5207. Telephone (503) 346-5044. Fax (503) 346-2334. Material published herein is neither endorsed by nor official policy of the OSSC except where so stated. Subscriptions are provided to superintendents and board members of OSSC-member school districts as part of the cost of OSSC membership. Send inquiries about membership to the above address. Special library subscription is \$55, \$58 if billed (which also includes the *OSSC Bulletin*). Second-class postage is paid at Eugene, Oregon. Copyright: 1995, by the Oregon School Study Council.

law), these foundations are springing up in various forms all over the state. At the same time, the half dozen or so that existed prior to the property-tax cap are expanding their activities.

Local public education foundations are non-profit and income-tax-exempt entities that usually operate independently of the school district to promote educational excellence and innovation.

Growth of Foundations

Foundations represent a relatively new development in public-education finance. Although large philanthropic foundations like the Carnegie Corporation and the Ford Foundation have been contributing significantly to public education since the late 1950s (Sundell 1989), locally funded and operated education foundations have become prominent only since the late 1980s. Carol Merz and Sheldon S. Frankel (1995), authors of a soon-to-be-published study of school foundations in ten states, found that the "vast majority" of the LEFs they surveyed were formed after 1989.

Local education foundations are increasing rapidly not just in

Oregon and California, but also in many other states; by some estimates, they now total about 2,000 in the entire country (Henry 1995). However, Amanda Broun of the Washington D.C.-based Public Education Fund Network says it is impossible to determine just how many there are because no central clearinghouse for them exists. The fact that some foundations serve just one school and some LEFs operate independently from school districts adds to the difficulty of estimating their number with any precision.

Local education foundations are increasing rapidly not just in Oregon and California, but also in many other states.

The experience in California, which is being repeated to a large extent in Oregon and in other states, shows that property-tax-restraint laws and the growth of education foundations bear a close relationship. Local public-education foundations boomed in California in the early 1980s, when school boards began facing budget squeezes after Proposition 13 was passed. From fewer than 20 before 1980, the number of LEFs has grown to over 250 today.

Margaret Peterson of the Oregon School Boards Association (OSBA) says there has been

"incredible interest" in school foundations in Oregon since voters gave the go-ahead to the tax-limitation measure. At least twenty-five new LEFs have been organized as compared with only a handful that existed before 1990. However, it is impossible to ascertain exactly how many there are since Oregon LEFs have no statewide organization or common voice.* In addition, new foundations are currently being planned or formed in many areas.

There has been "incredible interest" in school foundations in Oregon since voters gave the go-ahead to the tax-limitation measure.

Response to Tax Limitations

Spokespersons for a few of these fundraising organizations insist that Measure 5 had little to do with the formation of their LEFs. Medford School District Superintendent Steve Wisely says

* When the OSBA began getting an increase in telephone calls from districts wanting information on how to form a foundation, it sought to incorporate an umbrella organization called the Oregon Public Schools Foundation that local foundations could join as chapters. That plan has been shelved, however, Peterson says. "We discovered that the fees we would have to charge for startup [for such services as filing articles of incorporation and applying for tax-exempt status] were not feasible."

the purpose of organizing the Medford Schools Educational Foundation in 1994-95 was not to take on the district's responsibilities. "The idea of an educational foundation was kicked around for several years by the school board as a way to support educational programs that are beyond the scope of the district," he says.

However, many more say that the property-tax cap provided one if not the major reason for appealing to private sources for help. Merz and Frankel (1995) found that over half the LEFs in Oregon, as well as in California, Washington, Illinois, and Massachusetts, were formed with the goal of making up for lost school-system revenues.

Passage of Measure 5 provided an impetus for the establishment of the West Linn-Wilsonville Education Foundation in mid-1993. "No doubt about it," says President Patrick Green. At the time it was formed, the Portland suburban school district that the foundation wanted to help was anticipating major cuts to its budget because of the new law. But whether those reductions came or not, the foundation would have continued its efforts to "supplement programs that showed promise and innovation," Green says.

A year later, the Portland School District Foundation was formed, also as a response to Measure 5. Now, Chairman Ron Saxton says the foundation no longer sees making up for lost tax revenue as a goal. "The district has lost \$40 million a year over the past two years," he says, "but in our wildest imagination we will never raise more than \$1 million



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annually. Our goal is to assist in areas where we can make a difference in programs that schools can't budget for because of cutbacks."

The property-tax limitation law also increased the activity of LEFs already in existence prior to 1990. In the nearby Lake Oswego School District, the school board decided early in 1994 to encourage the revival of a foundation originally organized in its district some eight years earlier. The board hoped the foundation would "raise funds that would make up for some of the losses in revenue resulting from the implementation of Measure 5," Superintendent Bill Korach says.

Although active since its founding in 1988, the Beaverton Education Foundation "has grown logarithmically each year since 1990 in terms of money raised and projects financed," says Steve

Andrews, district liaison to the foundation board. Referring to school system cuts of \$61 million in programs and 17 percent in staff over the past three years, he says Measure 5 had an "incredible impact" on this growth.

The property-tax limitation law also increased the activity of LEFs already in existence prior to 1990.

When Ashland School District's cocurricular activities, such as debate and a children's choir, were threatened in 1993-94 because of decreased tax revenues attributed to Measure 5, the four-year-old Ashland Schools Foundation stepped in to save the programs by raising \$100,000, more than double its collections the previous year.

Widespread in Location

As in other areas of the country, education foundations in Oregon have been organized in rural, suburban, and urban school systems. They operate in districts of all sizes, from the Perrydale School District, which has about 300 students (the Perrydale School Foundation), to the Portland School District, with approximately 56,000 students (the Portland Public Schools Foundation).

Out of thirty or more LEFs in the state, at least a third are in the Portland metropolitan area. The

second largest LEF in the suburban area in terms of students served is the Beaverton Education Foundation, with 28,000. Others include the North Clackamas Schools Foundation, which serves about 13,500 students, and the Tigard-Tualatin Schools Foundation, which assists about 10,000. The David Douglas Educational Foundation, the Lake Oswego School District Foundation, and the West Linn-Wilsonville Education Foundation all serve around 6,500 to 7,000 students, and the Parkrose Public Schools Foundation assists about 3,000.

Foundations are operating in most other areas of the state, in both urban and rural districts. They include the Community Partners in Education foundation (in the Rogue River School District), the Ashland Schools Foundation, the Eugene Education Fund, the Salem Schools Foundation, the Bend-LaPine School Foundation and the Phoenix-Talent Schools Foundation (Jacob 1994).

Getting Started

School foundations in Oregon are usually spearheaded by a combination of parents or other citizens in the district and school-district officials. An attorney commonly figures among the organizers. Often, the attorney helps the foundation file articles of incorporation and apply for 501(c)(3) (federal income tax exempt) status and serves as the group's first president. For example, two attorneys, one a parent and the other a school board member, were instrumental in helping organize and incorporate the Tigard-Tualatin Schools Foundation. The former, Randy

Livingston, served as president during the foundation's first three years.

School foundations in Oregon are usually spearheaded by a combination of parents or other citizens in the district and school-district officials.

In some instances, one group plays a more prominent role than the other. According to its president, David Meredith, the Eugene Education Fund was begun largely by parents or recent parents, whereas the leading figure in the formation of the Beaverton Education Foundation was the then district superintendent, Boyd Applegarth.

A planning committee usually develops the prospective foundation's purposes, goals, and mission statement and then recruits its first board. The organizational committee and subsequent boards often seek people who represent a cross-section of the community.

The Beaverton Education Foundation this year looked at skills, age, ability, and sex of prospective members in an effort to build a balanced board, while the Portland foundation sought diversity in occupations, life stations, geography, and ethnicity. Business contacts are usually

considered a bonus, but they are not essential. Board members themselves also need not be able to contribute monetarily to the foundation. A much more important consideration for the Beaverton LEF, says Steve Andrews, is a prospective member's enthusiasm for the work of the foundation.

A planning committee usually develops the prospective foundation's purposes, goals, and mission statement and then recruits its first board.

The foundation board adopts bylaws, which often stipulate that an executive be elected to run the affairs of the organization, and holds annual meetings at which new officers and board members are elected. The size of the board commonly runs around fifteen to twenty members, though some LEFs, like Medford's, keep the board small (under ten) and elect no separate executive.

Fundraising Methods

Fundraising methods vary from foundation to foundation and range from the mundane to the creative. In the first year of an LEF's existence, a common practice is to send solicitation letters to parents. "Writing a check is the easiest method, and

parents are a natural constituency," says David Meredith, president of the Eugene Education Fund.

In its early stages, the West Linn-Wilsonville Education Foundation followed this same procedure. "We sent a single letter to parents saying we would accept donations, and around \$17,000 came in," says Superintendent Roger Woehl, who acts as liaison to the foundation board. Later, the targets of such campaigns are often expanded to include groups like alumni and businesses.

Foundations also hold social events, such as formal dinners, golf tournaments, fashion shows, and raffles, to raise money. Some look for more unusual ways to solicit funds. The Tigard-Tualatin LEF has held an antique appraisal at which a professional appraiser donated his time. Both it and the Eugene Education Fund also use a scrip program under which they buy discounted certificates from stores and then sell them at face value.

The Lake Oswego foundation's "phon-a-thon" brought in about \$100,000. John Tongue, who cochaired the committee, said that when asked by phone if they would like to contribute to public education, heads of over two-thirds of the 5,000 households contacted said yes.

The Perrydale School Foundation can perhaps boast the most creative method of all. Donations of seed, fertilizer, and labor resulted in the planting, harvesting, and selling of a fescue crop on district land that netted the foundation about \$1,000 last year (Potter 1995).

The large Portland School District Foundation has taken a different approach. In its initial effort at soliciting funds, the organization raised \$50,000 to hire a fundraiser for one year by soliciting corporations for that special purpose.

Fundraising Targets

How foundations spend their collected monies varies considerably and often depends on the amount of funds a particular foundation is able to raise. Carol Merz says foundations that raise \$10,000 or less usually spend the funds on minigrants and scholarships; those that raise from \$20,000 to \$50,000 tend to spend the donations on curriculum enrichment programs, teacher training, and teaching resources; and those that collect over \$100,000 annually often fund teaching positions.

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Foundations with a strong enough financial base to allow them to pay for teaching positions are unusual. Merz and Frankel's extensive investigation (1995) of about 200 foundations in nine

states revealed that only 7 percent raise \$100,000 or more per year. In Oregon, at least two education foundations are funding teaching positions, and another will do so in 1995-96.

Foundations with a strong enough financial base to allow them to pay for teaching positions are unusual.

Pursuing as one of its top priorities the reduction of class sizes, the Lake Oswego foundation joined this exclusive group of LEFs this fall. In 1994, the organization set the ambitious goal of raising \$700,000, or about \$100 per student in the district, by the beginning of the 1995-96 school year. Although Supervisor Mary Puskas says that aim has proved unrealistic, fundraising efforts such as a fashion show, solicitation letters to businesses, the "phon-a-thon," and a dinner cruise brought in about \$235,000 by September 1. The foundation made about \$110,000 available to the school board for funding the equivalent of three full-time teaching positions for the 1995-96 school year.

The Eugene Education Fund also pays for teaching positions. Its donations to the district have made possible a music and a physical-education specialist at the elementary level and additional sections of established

courses at middle schools and high schools.

The Portland Public School District Foundation has the option of paying for full-time instructional staff. Chairman Ron Saxton expects the group to make its first payout next spring when it plans to help fund teaching positions, mostly in the area of foreign-language immersion, for the 1996-97 school year. The foundation has not set a specific goal as to the amount of money it hopes to raise each year, but Saxton says, "We are thinking in terms of several hundred thousand dollars."

The West Linn-Wilsonville foundation, formed in 1993, at present falls into the group that raises \$10,000 or less annually. With no intention of funding teacher salaries, the group, according to its promotional literature, plans to concentrate its efforts on paying for "innovative student-oriented education programs and activities, scholarships, and successful instructional practices."

In its first two years, the West Linn-Wilsonville foundation raised about \$20,000 by sending out solicitation letters to businesses and private citizens. Approximately half this amount was earmarked as a scholarship fund for students planning to become teachers. In what President Patrick Green called an effort to make an "immediate response" to its donors, the foundation made its first General Fund payout early this year. It offered \$6,000 to \$8,000 grants for innovative teaching projects in all district schools and stipulated that the projects had to be completed by

the end of the current school year.

The North Clackamas Education Foundation, organized in 1994, set similar goals but employed different fundraising techniques in its early stages, with somewhat greater success. Events such as dinners and raffles brought in \$18,000 in the first nine months. The donations went for scholarships and enrichment activities such as sports programs (Trujillo 1995).

The newly formed Medford Schools Educational Foundation has no plans to fund teaching positions, says Steve Wisely, school district superintendent and ex-officio member of the foundation board. "The foundation's goal is to support educational programs beyond those that would ordinarily be funded by the district." Likely to fit into Merz's second category, with a "conservative" fundraising goal of \$30,000 by 1996, the fledgling organization has set as its top priority the enhancement of educational programs by providing funds for the purchase of computers and networking facilities.

A Wrong Message?

Some education supporters see problems with using private donations to fund teaching positions. Patrick Green thinks it sends the wrong message to voters and politicians: that the state does not need to fund education. Ron Saxton of the Portland School District Foundation disagrees: "It doesn't send the wrong message. It sends the message that there is substantial community support for schools, and hopefully tells legislators that

we need to make that [support for schools] a priority.”

Wisely thinks that a foundation’s deciding to fund teaching positions is neither right nor wrong. “It’s all in how you see the responsibility of the school board and administration for funding the system’s educational needs,” he says. “We see paying for teaching positions as a responsibility of the [district’s] General Fund.”

Some education supporters see problems with using private donations to fund teaching positions.

Margaret Peterson of the Oregon School Boards Association warns districts not to regard foundations as “a panacea for making up the loss of funds from the state,” because, if they do, they will be disappointed. Peterson says that because the money “usually comes in and goes out without an endowment or earning interest, a foundation can’t fund employees for a long period of time.”

Korach admits it is unlikely his district can count on sustained funds from the foundation. “With year-to-year staffing, we would have to realize we might not be able to continue a position the next year.” But he points out that the situation is not much different from the way it is now. “We are not sure how much we will get from the state,” he says.

Targeted Giving

Many LEFs allow contributors to specify one or more schools where they want their contribution to be directed, rather than giving to the district as a whole. In many instances, they also may designate a certain program, resource, or department they wish their gift to benefit. The Eugene Education Fund offers contributors a chance to direct their gifts in various ways. They may give to the Equity Fund, which assists all schools in the district; to the Development Fund, which supports fundraising efforts of volunteers; or to the Restricted Fund, which supports schools and programs specified by donors.

Choosing the last fund opens up even more opportunities for Eugene’s donors. In that case, contributors may name a specific purpose they wish to support districtwide, a certain purpose in a particular school, or just a specific school. “Our philosophy,” says President David Meredith, “is to look for friends of schools and remove any impediments to their generosity.”

The Medford Schools Educational Foundation allows contributors to give to a certain school program. Superintendent Steve Wisely says the district has already received a contribution to benefit a particular elementary school’s reading program. “If a donor specifies such a recipient, the board doesn’t want to say ‘I’m sorry, you can’t.’”

The Lake Oswego foundation’s solicitations, on the other hand, emphasize the larger picture. Superintendent Bill Korach says the foundation can be used to “take in and spend out for equip-

ment and the like for a particular school, but the major purpose of the foundation is to raise money for the whole school district.” For example, one of the foundation’s priorities is adding elementary teachers. “If a donor wants a particular kind of teacher, it isn’t going to happen,” Korach says.

Relationship to School Boards

In most cases, the foundation operates as an independent entity with no formal, legal relationship to the school district. In practice, however, the LEF’s degree of independence varies. The superintendent, or his or her designee, commonly serves as an ex-officio member of the foundation board, but the bylaws of many Oregon foundations are silent concerning whether other school board or administration members may serve as voting foundation board members. Among these are the Lake Oswego, Tigard-Tualatin, Beaverton, and Eugene foundations. President David Meredith says the Eugene Education Fund’s bylaws do not preclude such service, but he adds, “By custom, it won’t happen; we don’t want potential conflict.”

The West Linn-Wilsonville Education Foundation, on the other hand, spells out in its bylaws that school-district employees may not constitute a majority of the foundation board.

At the other end of the scale, the Ashland Medford foundation specifies that its twenty-one-member board must include one school board member, as well as one teacher and one student; the Medford LEP stipulates that three of its nine board members must be members of the school board;

and the Portland foundation allows the school board to name six of its twenty board members.

In most cases, the foundation operates as an independent entity with no formal, legal relationship to the school district. In practice, however, the LEF's degree of independence varies.

Most local education foundations rely mainly on volunteer help to carry out their administrative and clerical tasks. However, in some cases, as with the West Linn-Wilsonville and Tigard-Tualatin foundations, the district releases a small amount of an employee's time for such assistance.

In other instances, the school board supplies a substantial amount of employee time. The Beaverton School District, for example, allows Steve Andrews, who acts as the Beaverton school district's liaison to the Beaverton Education Foundation, to devote about one-fourth of his time to foundation business. A Lake Oswego School District employee, Mary Puskas, spends about one-fourth of her time as supervisor of the LEF in that system.

Most local education foundations rely mainly on volunteer help to carry out their administrative and clerical tasks.

Spokespersons for these school boards and foundations agree that such arrangements regarding employee time do not affect the foundation's independence. Puskas, for example, says her salary as supervisor is a gift from the school board to the foundation. "I answer to the foundation board, not the school district." Regardless of the exact relationship between the school and foundation boards, spokespersons on both sides seem little concerned about possible conflicts because of the close cooperation they insist exists between the two bodies.

Can Schools Have Their Own Foundations?

Local education foundations usually do not allow individual schools to form their own foundations. An exception is the Portland Public Schools Foundation, which offers to serve as an umbrella organization for local school foundations. Those that opt to come under the umbrella have the advantage of not being required to file legal documents such as Internal Revenue Service papers and articles of incorporation, says Claudia Peabody of the Portland School District office.

The Eugene Education Fund's decentralized practice of encouraging various types of nonprofit organizations at the school level also is exceptional. Some of these are independent groups with 501(c)(3) status, and some have endowments. The foundation acts as a clearinghouse and adviser to

help schools carry out fundraising activities. "We help schools do things that are already working at the school level and also act as a target for donors wanting to give districtwide," says President David Meredith.

The Question of Equity

Whether schools should be turning to private sources for any kind of major financing is a question being debated in many parts of the country where tax monies have diminished. One concern is that children in rich districts will get a better education than those in poor ones and, within districts, that some schools, departments, or levels will get more help than others.

Aware of possible conflicts, some foundations adopt policies to help ensure that their donations are distributed equitably. The Portland Public Schools Foundation, for example, has decided to retain 33 percent of funds raised by local school foundations to be spent as the board sees fit. Claudia Peabody says one of the foundation's purposes is to equalize the benefits of its fundraising in all the schools in the district. Furthermore, a district rule requires that any gift of more than \$5,000 must go through the superintendent's office. "So although the local foundation can receive a donation intended for a certain school, it can't give the money to the school without abiding by the district rules," she says.

The Eugene foundation puts all undesignated contributions into an equity account. In addition, 5 percent of each gift goes into the account when a donor specifies a

school or schools. "This money is then given out on a grant basis," David Meredith says.

Other foundations, like Beaverton's and Lake Oswego's, work with the school district to ensure funds will be distributed equitably. Their spokespersons insist equity is not an issue. Ron Saxton says that is also the case with the Portland foundation. "If we ever get to \$10 to \$20 million in gifts, then it could be tricky to achieve equity," he says. "But if there were no foundation, we would have the guarantee of inequality because some schools could raise more than others."

Conclusion

Despite some criticisms, public education foundations seem to be serving real needs in the districts where they operate. Many of those involved would agree with Patrick Green of the West Linn-Wilsonville foundation, who sees them as "a vehicle that can deliver a lot of things to a lot of people."

Green expects his foundation not only to meet a "real financial need" in the same way foundations in California and elsewhere have, but also to act as a unifying entity for the school district. "Education foundations raise friends as well as funds for the district," he says. Superintendent Woehl, who serves as liaison to the foundation board, likes the lack of red tape and waiting that go along with state and federal funding. The foundation "provides a chance to expand, to be entrepreneurial," he says.

School personnel and students experience directly the generosity of the foundations. Tony Fernandez, principal of Beaverton's

School Districts and Foundations Mentioned in This Article

School Districts

Ashland School District
Beaverton School District
Lake Oswego School District
Medford School District
Perrydale School District
Portland School District
Rogue River School District

Foundations

Ashland Schools Foundation
Beaverton Education Foundation
Bend-LaPine School Foundation
Community Partners in Education Foundation
David Douglas Educational Foundation
Eugene Education Fund
Lake Oswego School District Foundation
Medford Schools Education Foundation
North Clackamas Education Foundation
Parkrose Public Schools Foundation
Perrydale School Foundation
Phoenix-Talent Schools Foundation
Portland Public School District Foundation
Salem Schools Foundation
Tigard-Tualatin Schools Foundation
West Linn-Wilsonville Education Foundation

Barnes Elementary School, which has received minigrants for teachers' projects in the fields of technology, bilingual education, and literacy, says foundation money has given his students opportunities they would not have had because funds are limited under Measure 5.

Clearly a majority of post-1990 LEFs were formed at least partly as a response to real or anticipated loss of revenue caused by Measure 5. But it is also obvious that no foundation realistically expects its donations to take the place of public funding, since the amount they raise is such a small percentage of the district's budget.

Foundations have defined a range of objectives. Some seek to fund teaching positions, lower student-teacher ratio and broaden elective program offerings. Others were created to retain extracurricular programs and activities that otherwise would be cut because of budgetary restraints. And others aim to enrich and improve educational opportunities for students regardless of cut-backs. With worthwhile goals like these, foundations and their supporters are convinced the groups have a vital role to play in education in Oregon.

Leaders of some foundations organized before 1990, like Lake Oswego's, even credit Measure 5 with their group's recent fundraising successes. Past President Allen Garten says, "We are energized by the failure of the legislature to come to grips with the effects of Measure 5 on the quality of education."

One thing to keep in mind is that privately raised funds, including those from large

philanthropic foundations, account for less than 1 percent of all money spent on public education (Cole 1990). Most LEF advocates agree with Beaverton's Steve Andrews, who says, "In terms of operating expenses, the education foundation is not what makes the difference. We need our legislature to wake up and take care of education."

Many Oregonians who support raising private funds for public education through foundations see this assistance as an important short-term solution for their school systems, which have been stung by reduced budgets. Their view is well summed up by Lake Oswego Superintendent Bill Korach: "Schools in Oregon are in trouble, so we have to do what we are capable of. This is a way to make a difference, a way to make a meaningful contribution through individual and other private funding."

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