

Portland Public Schools Student Transfer System: District objectives not met

June 2006



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MEMORANDUM

To: Vicki Philips, Superintendent, Portland Public Schools
Portland Public Schools Board of Education

From: Suzanne Flynn, Multnomah County Auditor
Gary Blackmer, Portland City Auditor

Date: June 9, 2006

Subject: Portland Public Schools Student Transfer Policy Audit

The attached report covers our audit of Portland Public Schools (PPS) Student Transfer Policy. This audit addressed two audit areas identified in our memo of July 1, 2004 (Impact of NCLB legislation and Analysis of Student Performance). This is the third audit we have completed on PPS operations and is the result of funds received from the voter-approved temporary County personal income tax.

In FY02-03, the Portland Public Schools Board of Education adopted a new policy designed to create a more open and transparent student transfer system and promote equity, diversity and student achievement. The purpose of this audit was to evaluate whether the student transfer system met the Board objectives.

Our audit determined that the transfer system was not able to mitigate the moderate ethnic and socio-economic segregation in Portland's neighborhoods or meet the Board's diversity and equity goals. Further, due to the increasing complexity each year, we do not believe that the system is as open and transparent as it could be. Because the transfer policy competes with other Board policies such as strong neighborhood schools and investing in poor performing schools, we urge the Board to clarify the purpose of the school choice system.

We have discussed our findings and recommendations with the Superintendent and management involved in administering the student transfer system. We would like to thank the management and staff at PPS for the cooperation and assistance they extended to us.

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Table of Contents

Summary	1
Background	3
Management system for transfer process	4
Scope and Methodology	4
Audit Results	7
Goals for openness and transparency not met	7
Transfer system has not met diversity and equity goals	10
Transfers under NCLB may negatively impact student achievement.....	12
Accountability and responsibility needs to be assigned	15
Board needs to clarify the purpose of its school choice system	17
District should take advantage of opportunity to redesign better system	19
Recommendations	20
Response	21
Vicki Phillips, Superintendent, Portland Public Schools	22
Appendix	31

Summary

In FY02-03, the Portland Public Schools Board of Education (Board) adopted a new policy designed to create a more open and transparent student transfer system and promote equity, diversity and student achievement. The new transfer policy was adopted in response to dissatisfaction with the previous informal system. The purpose of this audit was to evaluate whether the student transfer system met Board objectives.

The new policy was implemented during a period of declining enrollments and budget shortfalls. In response the Board made difficult decisions to close, consolidate, or reconfigure some schools. Throughout this changing environment Portland Public Schools Board and management (the District) tried to maintain a school choice system with strong neighborhood schools, provide an array of educational options, and invest significantly in its lowest performing high schools.

While efforts have been made in each year to improve practices, we found that the District's computerized lottery used to process transfer requests was overly complicated and complex. The student transfer system had management weaknesses and problems with coordination, and it lacked Board oversight. As a result, the lottery and transfer system did not meet the Board's objectives for openness and transparency. The Board did not sufficiently consider or weigh the effects of the transfer system against competing goals. The transfer system may weaken neighborhood schools and undermine investments in the lowest performing schools.

Since its implementation in the FY03-04 school year, the lottery has become increasingly complex. This made it difficult for the District to communicate clearly and accurately to the 11% of families (approximately 5,000) who apply each year to transfer from their neighborhood school. Up-to-date information on transfer openings at schools was not available to parents. Space availability for incoming students was not decided until after parents applied to transfer. The process became increasingly competitive because the District reduced the number of openings causing fewer students to receive their first choice for transfer.

The student transfer system did not meet the Board's diversity and equity goals. The system was not able to mitigate the moderate ethnic and socio-economic segregation in Portland's neighborhoods. In addition, we found that the District's schools were less diverse in terms of low-income and minority representation than would be the case if all students attended their neighborhood schools. We concluded that the transfer system has not increased diversity in schools, but actually reduced it.

The District made calculation errors in the weighting intended to promote diversity in both the FY04-05 and FY05-06 lotteries. As a result, lower income students who should have received a higher priority were at a disadvantage.

The District did not review the impacts of transfers on student and school performance. Doing so may have altered or improved policies and decision-making. We found that higher achieving students were more likely to apply to transfer under the Federal No Child Left Behind Act (NCLB) out of the lowest performing schools compared to their peers who were also eligible to transfer but chose to stay in their neighborhood schools. These students were also more likely to have been White, come from a family with a higher income, and have lower rates of absence compared to those who did not choose to transfer. This evidence of a “skimming” effect is consistent with research elsewhere.

Students who transferred out of low performing schools under NCLB were more likely to see declines in achievement in the following year compared to peers who stayed in their neighborhood schools – in both reading and math. The students who stayed at their neighborhood schools were less likely to regress. Our analysis was constrained by the limitations of available District data, but the findings warrant ongoing monitoring and more thorough analysis.

The student transfer process was administered by the Enrollment and Transfer Center and involved staff from many branches of the District’s administration. The process lacked strong management, coordination, and oversight. There was limited reporting on student transfers to the public, District managers or to the Board. Further, the District has yet to take advantage of an opportunity to strengthen and support its school choice and transfer system with a \$6.48 million, five-year grant that it received in 2002.

In light of our overall audit finding that PPS’ transfer system did not effectively meet Board objectives and because of the current uncertainty about funding and the future configuration of schools, we recommend that the transfer process be limited for the short-term or put on hold until the recommended changes are implemented. We recommend the Board adopt a policy that clarifies the purpose of its school choice system. We also recommend that the Board recognize the significance of having an effective student transfer system by increasing its oversight. Once the District defines an administrative structure that is accountable and performs the needed functions in the student transfer process, we outline the steps that must be taken by management.

Background

Portland Public Schools Board and management (the District) has maintained a long-standing commitment to both strong neighborhood schools and to providing school choice. Portland's open enrollment system allows students to transfer to any school within the district on a space-available basis. Since the early twentieth century, the District has offered an array of educational options available to students district-wide. In the ensuing years, the District undertook several initiatives in response to social and cultural changes, grant funding opportunities, and emerging educational trends. During the Civil Rights era of the 60s and 70s, magnet programs were developed to promote desegregation and integration, with special programs designed to attract a variety of students. The District has also opened many alternative schools with non-traditional learning programs.

The District's portfolio of 84 neighborhood schools in FY05-06 included 54 elementary, 17 middle, 10 high, and 3 multi-level schools (excluding charter schools and special programs). Of the 84 neighborhood schools, 48 received special federal funds (Title I) to increase student achievement. At these Title I schools, 40% or more of the students qualified for free and reduced lunch based on family income.

In the face of declining enrollments and reduced budgets in more recent years, the District sought to preserve educational options, partly in response to community demands. Some schools offer more than one option, and a number provide specialized programming in areas such as the arts, science, and language immersion. For a complete listing, see Exhibit 7 in the Appendix.

During the FY02-03 school year, the Board established a new policy to centralize and formalize the student enrollment and transfer process following a year-long review of the District's focus options and transfer regulations. The purpose of the new transfer policy was "to provide equal access to educational options for all students through an open, fair and accessible process and to promote equity and diversity in student transfers..." Further, the policy aligned with previously established policies to provide educational options and increase student achievement.

During the same period, passage of the Federal No Child Left Behind Act of 2001 (NCLB) created a new set of transfer requirements. Effective in FY02-03, NCLB required all school districts to provide transfer options to students attending low-performing Title I schools designated as being in "improvement status" for not meeting achievement benchmarks. Designated NCLB schools are listed at Exhibit 8 in the Appendix.

Management system for transfer process

The Enrollment and Transfer Center (ETC) was established in FY02-03 and given primary responsibility for administering the new student transfer policy, including implementation of transfers under NCLB. The ETC is also responsible for interdistrict transfers, alternative education placement, and providing general enrollment information. The chart below summarizes ETC expenditures, school choice grant expenditures, and additional costs for transporting students transferring under NCLB. Costs for FY05-06 are budgeted and include planned grant expenditures carried over from prior years. Additional transfer-related costs were unidentifiable because the transfer process is managed in several areas in the District.

Transfer and School Choice Expenditures: FY02-03 to FY05-06

Exhibit 1

	FY02-03	FY03-04	FY04-05	Budgeted FY05-06
ETC	\$366,494	\$ 406,716	\$ 470,509	\$ 662,183
VPSC Grant	\$121,950	\$ 720,197	\$ 947,718	\$ 3,226,680*
Transportation	\$ 63,793	\$ 191,060	\$ 383,231	\$ 546,831
TOTAL	\$ 552,237	\$1,317,973	\$ 1,801,457	\$ 4,435,694
Staffing (FTE)	9.0	9.0	11.5	11.0

*Includes unexpended carryover of five-year grant which ends in FY06-07

Source: PPS Budget Documents

In the spring of 2003, the ETC implemented a new centralized, computerized lottery for transfer applications for the FY03-04 school year. In the transfer application process, students may request a first, second, and third choice of transfer schools for the following year. Not all transfer requests are approved because there are a limited number of pre-determined transfer slots available at each school, grade, and program. The lottery generates a wait list for any school or program that has more applicants than capacity. The ETC maintains the waitlists and notifies families if a slot becomes available.

About 5,000 students participated annually in the transfer application process for FY04-05 and FY05-06. Approximately 11% of students apply to transfer out of their neighborhood school each year. As a result of on-going transfers, about one-third of all students in the District attended a school outside their neighborhood. See Exhibit 9 for detailed statistics on transfer applicants for FY04-05 and FY05-06 in the Appendix.

Scope and Methodology

The purpose of this audit was to evaluate whether implementation of the Student Transfer Policy achieved objectives for an open and transparent system, fair access to educational options, equity and diversity, and promotion of student achievement.

We reviewed Federal and State laws, State administrative rules, and District policies and procedures governing student transfers generally,

as well as the requirements created by the Federal No Child Left Behind (NCLB) Act. We reviewed District statistical and evaluation reports. We reviewed District documentation and publicly available materials regarding school choice options and the operation of the lottery over the FY03-04, FY04-05, and FY05-06 transfer cycles. Transfers to alternative education options and charter schools were outside the scope of our review, because they are not processed by the Enrollment and Transfer Center (ETC) or through the lottery.

In order to estimate the District's transfer and school choice-related costs, we reviewed expenditure data for FY02-03 through FY05-06 for the ETC and Title I expenditures for supplemental educational services and transportation under NCLB. We reviewed the District's Voluntary Public School Choice grant application, performance and expenditure reports, and the recent "Corrective Action Plan."

We interviewed District staff responsible for all aspects of the transfer process including those in ETC, Title I program, Transportation office, IT, Research and Evaluation, and the contractor who runs the District's lottery. We also interviewed State staff from the Oregon Department of Education about NCLB oversight and monitoring.

We reviewed best practices and school choice models in other large urban districts including: the Eugene School District, Charlotte-Mecklenburg Schools, San Francisco United School District, and Seattle Public Schools. We reviewed research on the impact of student transfers on student achievement and school achievement, with particular focus on studies by the National Bureau of Economic Research. We reviewed two national studies on the implementation of NCLB.

Most of our statistical analyses of student transfers were conducted on automated transfer application files provided by the District's Research and Evaluation Office for the FY04-05 and FY05-06 transfer cycles. For each of these years we also obtained records on students eligible for transfers under NCLB notified by mail of their transfer rights. These files were augmented with additional student data extracted from the District's Student database, eSIS, by the Research and Evaluation Office. Additional data included school enrollment, demographics, and student performance data during the years before and after transfer. We had originally planned to include the FY03-04 transfer cycle in our review but District staff advised us that the data were not sufficiently reliable. This was a transition year in terms of NCLB implementation and the lottery was used to process only elementary and middle school transfer applications. For these reasons, we limited most of our audit analysis to the FY04-05 and FY05-06 transfer cycles.

Our audit analyses were constrained by missing student data in a number of areas. In each transfer year there were several hundred students for whom an ID number could not be identified and thus additional eSIS data could not be extracted. Our data on program participation in focus and magnet programs were limited by inconsistencies in eSIS coding. NCLB mailing lists provided by the District for FY05-06 did not include

eligible 8th grade students who would have been entering high schools designated as low performing under NCLB. Finally, there were a significant number of students for whom valid achievement data were not available. While all transfer students were included in our summary analyses, some specific tests were based on smaller sub-samples of students with valid data. We generally tried to follow coding and analysis conventions used by the ETC so that our summary reports would be consistent with District-produced reports on student transfers. However, because of the complexity of the transfer process and the lack of documentation in District reports, some of our totals may not always be entirely consistent with them.

In order to estimate the overall impact of the District's open enrollment system we calculated the difference between the aggregate residential diversity in school neighborhoods and the aggregate diversity in schools, which results after transfers. Our analysis was based on student residence and enrollment data for October, 2005 provided by the District. We used the index of dissimilarity, a measure commonly used by demographers and social scientists to measure racial and economic segregation. The index measures the percentage of a social group that would have to relocate in order to achieve equal proportions of that group in all neighborhoods or schools. Index scores range from 0 to 100 percent, with 0 reflecting complete diversity and 100 complete segregation. Higher scores thus reflect less diversity. This analysis only considered District enrolled students and not the entire school aged population. Each of the racial comparisons used whites as the reference group.

We conducted tests of the lottery weights based on demographic enrollment statistics for each school. Our audit analysis also included a number of school-level measures from the ETC Slot Summary reports for FY04-05 and FY05-06, School Profiles for FY05-06, District Enrollment Summaries, Title I Adequate Yearly Progress (AYP) reports, and aggregate achievement data from the ODE website. We also reviewed the District's report, "*Analysis of PPS Transfer Policy Implementation*," made available to us in draft form in April, 2006.

This audit was included in our FY05-06 audit schedule for school districts receiving funds under the 2003 Multnomah County temporary income tax and was conducted in accordance with generally accepted government auditing standards.

Audit Results

Portland Public Schools Board and management (the District) implemented new student transfer policies during a period of declining enrollments and budget shortfalls that led to school closures, consolidations, and reconfigurations. Prior to the adoption of the Transfer Policy, the District had an informal and year-round transfer application review process. The criteria for granting transfers were not formalized and the process was perceived to be unfair.

We found that the new student transfer and school choice system may not be sustainable in the current environment. The transfer lottery has become overly complicated and complex. Problems were compounded by the lack of management oversight and evaluation of the transfer system. As a result, the transfer system did not meet Portland Public Schools Board of Education's (the Board) objectives for an open and transparent system, fair access to educational options, equity and diversity, and promotion of student achievement. Further, as the portfolio of schools narrows, the transfer process may create obstacles to maintaining strong neighborhood schools and investing in low performing schools.

Under the new Transfer Policy, the goal of the District's student transfer system is "to provide equal access to educational options for all students through an open, fair and accessible process." Further the transfer system should be transparent: "The student transfer process seeks to provide equal access to all families in District schools and programs through a fair process that is consistent and easy to understand." Finally, the Board's Educational Options Policy states that, "the district shall assist students and families to make appropriate choices with centralized coordination of accessible, comprehensive, and accurate outreach and information about educational options and for assistance with admissions and transfers."

Goals for openness and transparency not met

Based on our detailed review of the transfer cycle in each year after the system was initiated we found that information that could assist parents in making an effective choice was not always clear. We concluded that even the most informed and diligent parent would find it difficult to become well-versed in the options available or the procedures used to process transfers.

The Board frequently required modifications to the lottery to accommodate concerned parents, create special exemptions for certain students, and respond to new school configurations. Federal mandates under No Child Left Behind (NCLB) and various District management decisions also contributed to the evolving transfer priorities and further complicated the transfer process.

Collectively, these changes added to the overall lack of consistency and transparency in the process. While ETC staff may be knowledgeable about lottery details, other District employees may not be. As a result, parents may not always have accurate information about the process or about their educational options.

Transfer capacity decisions
are too late for parents

Decisions about space availability for transfers have a critical impact on lottery outcomes – especially at more sought after schools. Principals identify the number of transfer slots for each grade and program offering at their school. The District has not established procedures or criteria to guide the principals’ decisions. Further, they make these determinations after the transfer applications have been received by ETC. As a result parents have made choices without accurate information.

The ETC posts the number of available slots for the previous lottery on the School Choice website, and this is what parents consider as they make important decisions about which schools to apply to. Some parents likely applied to transfer to schools in the belief that there were openings, when in many cases, there were not. If more up-to-date and accurate slot information was available, it is possible that parents would prioritize their choices differently or make different choices altogether.

We were also told that school staff have access to transfer application information prior to determining slot capacity. This raises questions about the consistency and objectivity of those decisions across the District. Further, principals and administrators make decisions about “neighborhood set-asides” which reserve a certain number of transfer slots at some focus option schools for neighborhood students. However, information on set-asides does not appear to be routinely available to parents in the transfer materials provided by the ETC.

Complexity of transfer
process results from differing
objectives

The transfer system gave priority to several different groups of students and significantly complicated the lottery. These priorities were established by Board direction, Federal mandates under No Child Left Behind (NCLB) and District management decisions. These changes have not always been well documented. During the audit, District managers attempted to capture all of the lottery changes in a matrix, but ultimately abandoned the effort before the document was finalized. Exhibit 2 on the next page summarizes lottery modifications resulting from Board exceptions, NCLB requirements, and District management decisions.

The PPS transfer lottery ran on an elaborate set of mathematical algorithms which sorted students into an intricate series of rounds, weights, and preferences. Students were allocated into a pre-determined number of “transfer slots” for each school, focus option or program, and grade.

Lottery modifications: transfer years
FY03-04 to FY06-07

Exhibit 2

FY03-04	<ul style="list-style-type: none"> • First year of the computerized lottery • Did not include high school applications which were processed manually • Diversity weights used for one school only
FY04-05	<ul style="list-style-type: none"> • All applications processed through the lottery, including applicants with NCLB transfer rights • First, second, and third choices of NCLB students processed in the lottery prior to other students • Weights for gender and free-and-reduced lunch status implemented to further District's diversity goals • Principals began entering the number of available transfer slots online • Many admissions criteria for focus options eliminated • Applications to focus options with neighborhood set-asides not properly processed, creating problems for waitlists at those schools • Families were given the choice of "linking" their children's applications in the lottery to transfer to the same school • Co-enrolled sibling preference at elementary and middle schools added
FY05-06	<ul style="list-style-type: none"> • Although Jefferson, Roosevelt, and Marshall became "Small Schools" and were no longer treated as low-performing under NCLB, the Board approved special lottery preference to students transferring from those schools • Initial application deadlines were delayed by school closures • Co-enrolled sibling preference at high school added
FY06-07	<ul style="list-style-type: none"> • Significant re-design of the lottery, although many changes are not explicit in materials made available to families • Because of staff concerns that NCLB applicants were receiving undue preference, all first choice applications were processed in the lottery together, followed by all second choice and third choice applications, with potential negative impacts on outcomes for NCLB applicants • Transfer students no longer guaranteed placement at higher level school outside neighborhood • Applications to Metropolitan Learning Center and ACCESS at Sabin will be processed outside the lottery • ETC tightened documentation for residency and free/reduced lunch status • Parents can only link sibling applicants for students in the same grade • ETC delayed lottery until June after Board reviews plans for next year's school closures and reconfigurations • Language immersion students continuing in immersion program at middle and high schools do not need to file applications

Initially, certain groups of students were “pre-approved” for guaranteed transfers and did not utilize transfer slot capacity because of special Board mandated-exceptions and preferences. These included:

- students who had already transferred from their neighborhood school, and want to move to a higher school outside of their neighborhood (transfer feeder),
- students in language immersion programs wishing to continue in an immersion program in a higher level school,
- certain applicants with siblings enrolled at the requested school, and
- students returning to their neighborhood school

In the first round, applicants transferring from under-performing schools under NCLB requirements were processed. As mandated under the Act, NCLB applicants eligible for Free and Reduced Lunch (FRL) were processed before those who are not eligible. Within each of the FRL status rounds, applicants were sorted from low to high based on standardized test scores. These procedures were designed to give low-income students and lower achieving students the greatest probability of being approved for an NCLB transfer to a preferred higher achieving school. Although their applications were processed first in the lottery, NCLB transfer applicants were not guaranteed enrollment at a first choice school.

The remaining transfer applications not mandated by NCLB were processed next through a series of rounds with applications from students with siblings enrolled at requested schools (“Co-enrolled siblings”) processed first and out-of-district students processed last. The lottery assigns a random number to each applicant’s school choice. Within these rounds, random numbers were weighted according to the requested school as well as the student’s gender and free and reduced lunch status. These weights were designed to give students with FRL status an edge in the lottery when applying to schools with lower rates of poverty than the District averages. Weights for gender and FRL do not apply in the NCLB rounds.

Transfer system has not met diversity and equity goals

The ETC used a number of strategies each spring to inform families about school choice options and transfer procedures for the subsequent school year. It hosted an information fair and a series of school information nights, distributed a School Choice Handbook and School Catalog, and also maintained a School Choice website. Transfer materials were translated into multiple languages for non-English speaking families. These strategies were designed to provide increased access to the transfer system to a wider range of families. However, we found that cultural and economic differences continue to underlie transfer patterns.

We found that overall, the District’s transfer system did not mitigate the moderate levels of ethnic and socio-economic segregation of Portland’s neighborhoods. We calculated Diversity Indices to measure what

percentage of a population would have to change in neighborhoods or schools to achieve complete diversity. Complete diversity exists when, for example, a minority group that makes up 10% of the District's total student population is represented at the 10% level in every school or neighborhood. If the District's open enrollment and transfer system met underlying diversity goals, we would expect to find higher diversity in the schools (lower index score) than in the neighborhoods (higher index score).

Instead we found that there was significantly less socio-economic diversity in schools than would be the case if all students attended their neighborhood school. For the Hispanic and Asian/Pacific Islander students we found lower levels of diversity in schools than in neighborhoods. For Black students, we found that schools were less diverse than neighborhoods at the elementary level, but diversity levels for neighborhoods and schools were very close at the middle and high school levels.

We concluded that the transfer system has not increased diversity in schools, and it actually reduced it in many cases. These results are summarized in the table below. For a more complete discussion of methodology, refer to the Scope and Methodology section at the beginning of the report.

Diversity Indices School
 Neighborhoods vs. Schools:
 FY05-06

Exhibit 3

	School Neighborhoods	Schools	Difference
FRL vs. Non-FRL	41.6	49.1	7.5
Hispanic vs. White	40.4	45.5	5.1
Asian/Pacific Islander vs. White	27.3	34.8	7.5
Black vs. White	48.2	50.3	2.1
Elementary Only	51.6	56.8	5.2

Source: Auditor analysis of District's enrollment data

Note: Differences of 5 or more Index points are generally considered to be substantial.

Errors in lottery weights also undermined diversity goals

During the automated lottery process the District assigned weights to certain student categories that were used for the purpose of increasing diversity. These procedures have not worked to meet the Board's goals to bring the gender and poverty ratios of all schools more into line with District averages.

Although Free and Reduced Lunch status plays a special role in the processing of transfers under NCLB, weights are applied to the random numbers of all other regular transfer applicants based on the student's school of choice, coupled with their gender and free and reduced lunch (FRL) status. These weighted random numbers determine the order in which applicants are processed within each round and preference set.

Our analysis confirmed that both the gender and FRL weights were reversed in the FY04-05 lottery. The effect of this error is that low-

income students applying to higher-income schools were at a disadvantage in the lottery. Compared to students not on FRL status applying to the same schools, they were less likely to be granted a transfer and less likely to be approved for transfer to a first choice school. Similarly, the gender weights were also reversed. Because gender ratios in District schools were substantially similar, these weights had less impact than those for FRL.

The magnitude of these errors is difficult to gauge, however, the reversal clearly had an effect counter to the Board's policy and likely increased the District's socio-economic segregation of schools. Out of about 1,000 regular transfer applicants on free and reduced lunch status in FY04-05, there were 216 whose transfer requests were not granted, and most were applying to competitive schools with relatively low percentages of low-income students. An additional 144 low-income students were approved for a second or third choice school, but did not get into their preferred school.

The complexity of the lottery logic as well as the lack of coordination of all the District staff involved in the transfer system both contributed to the weighting errors. We were unable to determine who was responsible for the weighting error in FY04-05 since staff from the ETC, Research and Evaluation, and IT, as well as the lottery contractor all play a role in preparing the final lottery file. Nor were we able to determine precisely when the error was discovered. The ETC implemented more rigorous testing of the lottery during the FY05-06 transfer cycle. Despite this effort, we found that similar errors were made in the gender and free and reduced lunch weights in the FY05-06 high school lottery. These errors would have affected lottery outcomes for regular high school transfer requests, including those requesting transfers from "Small Schools."

Transfers under NCLB may negatively impact student achievement

The primary mission of the District is to "support all students in achieving their very highest educational and personal potential." The Student Enrollment and Transfer policies were also intended to further the District's student achievement policy. The underlying goal of NCLB is to improve academic outcomes by providing the opportunity to transfer out of low performing schools for lower income students, English Language Learners, Special Education students, and minority students.

The District has not yet reviewed the extent to which the transfer system is furthering these achievement goals. Our ability to determine the impact of transferring on student achievement was constrained by both the limits of available data and the relatively short time the new transfer policy had been in effect. However, we were able to address a few key achievement questions based on transfers under NCLB.

As Exhibit 4 indicates, about 17-18% of the students eligible to transfer under NCLB applied for a transfer from one of the designated low performing schools during the years we examined. The number of students eligible for transfers under NCLB increased in FY05-06 as the

number of designated low-performing middle schools increased. However, the percentage of middle school students opting to apply for transfers actually declined. The percentages of NCLB applicants approved for transfer declined over the last two years.

Comparison of NCLB Applicants vs.
 Non-Applicants
 FY04-05 and FY05-06

Exhibit 4

	FY04-05				FY05-06			
	Students NCLB Eligible	Percent applied	Percent Granted Transfers	Received First Choice	Students NCLB Eligible	Percent applied	Percent Granted Transfers	Received First Choice
Middle Schools	2,262	13%	100%	86%	4,112	8%	80%	69%
High Schools	3,828	20%	100%	80%	1,209	20%	89%	81%
“Small Schools”	N/A	N/A	N/A	N/A	2,417	34%	71%	61%
Total	6,090	17%	100%	81%	7,738	18%	76%	66%

Source: Auditor’s Office analysis based upon PPS Enrollment Summaries, October 2003 and October 2004

Our analysis of achievement levels before and after NCLB transfer provided some preliminary evidence that transferring may actually have a negative effect on achievement at the student level. We found that students who transfer out of low performing schools were more likely to see declines in academic achievement in the following year compared to their peers who stayed at their neighborhood schools. An example of this regression is the student that met benchmark the year before the transfer (FY03-04) but did not meet the standard the following year (FY04-05).

About 18% of students transferring under NCLB in FY04-05 moved down a state benchmark threshold when tested the following year in reading—compared to 10% of the students who did not transfer. About 30% of NCLB transfers regressed in their math achievement—compared to 14% of those who did not transfer. Although differences were statistically significant, our conclusions are tentative because this analysis was limited to a small sample of NCLB eligible students for whom we had complete and valid assessment data for two years.

The finding discussed above could be a function of the supplemental services and tutoring that are made available to those that stay in their low-performing schools. Through its “Small Schools” grants, the District has initiated a number of additional efforts to boost achievement for students who remain at Jefferson, Marshall, and Roosevelt. It is also possible that shortcomings at the transfer schools, such as lack of support for lower performing transfers, might explain the achievement declines for those who transferred.

Our findings on achievement were generally consistent with the research literature which was unable to document the underlying economic premise that offering school choice will increase achievement. Very few controlled studies have found clear academic impacts associated

with transferring. We encourage the District to continue to monitor and more thoroughly evaluate the impact of the transfer system on student and school achievement.

Higher achievers more likely to transfer under NCLB

During both FY04-05 and FY05-06 we found significant differences in the demographic and academic profiles of students who applied to transfer from low-performing schools, compared to students who did not exercise their transfer rights. Transfer applicants were less likely to be low-income, non-English speaking, and receiving Special Education services, compared to their classmates who were eligible for transfers under NCLB but chose not to apply. Similarly, students opting to transfer were more likely to have met or exceeded State benchmarks for achievement in reading and in math. These achievement differences are most pronounced among the “Small Schools” students. Further, transfer applicants have lower rates of absenteeism than their peers who opt not to transfer out of low-performing schools.

Demographic and Academic Characteristics (Pre-Transfer) of NCLB transfer applicants

Exhibit 5

	FY04-05		FY05-06			
	NCLB Transfer Applicants	Students Remaining in NCLB Schools	NCLB Transfer Applicants	Students Remaining in NCLB Schools	Small Schools Transfer Applicants	Students Remaining in Small Schools
Eligible for Free and Reduced Lunch	53%	69%	59%	77%	63%	79%
English Language Learner	8%	19%	9%	15%	7%	19%
Receiving Special Education	10%	16%	13%	21%	12%	22%
Met or Exceeded Reading Benchmark	63%	39%	73%	58%	61%	21%
Met or Exceeded Math Benchmark	61%	41%	77%	58%	60%	18%
Average Days Absent	11	17	9	12	12	21

Source: Auditor’s analysis of transfer data

These findings are consistent with national research which has documented the sorting or “skimming” of higher achieving students in the transfer patterns of other large urban districts. An analysis of school choice and student outcomes in the Chicago Schools attributed “skimming” to factors such as motivation level and parental involvement. Studies of NCLB have also found evidence that the relatively higher achieving students are the ones most likely to take advantage of the opportunity to transfer out of low-performing schools.

In light of our finding that students transferring under NCLB have higher achievement levels than those who do not, we expected to find aggregate declines in achievement among the three Portland schools most impacted by transfers out (Jefferson, Roosevelt, and Marshall high schools). We also expected to see declines at the schools absorbing the greatest number of NCLB transfers (Benson, Grant and Franklin High Schools). We reviewed statewide assessment results from FY00-01 to FY04-05 for

Accountability and
responsibility needs to
be assigned

all of the District's high schools but were unable to identify any consistent trends in school performance that might be correlated with NCLB transfer patterns.

The lottery and transfer system are critical District functions, but we found insufficient attention to its management and oversight. The District management has not defined an administrative structure that is accountable and ensures that the necessary functions in the student transfer process are effectively accomplished. Problems associated with maintaining such a complex lottery were compounded by the lack of oversight and evaluation of the transfer system.

A number of different District functions are integral to the student transfer process. These dispersed functions involve multiple managers and staff throughout the District. The ETC administers the transfer process, but no entity has direct responsibility for overseeing the coordination of effort among these functions. Further, some management functions are not assigned or performed.

ETC staff:

- coordinate the student transfer process
- provide student transfer applications and information to families
- conduct the student transfer lottery and notify families about results
- respond to questions regarding student transfers and the process

Information Technology staff:

- create the final lottery files
- generate the mailing lists used to notify families about their transfer options and lottery results
- obtain requisite student and school data for the lottery files
- review lottery test data to ensure the lottery is running properly

Research and Evaluation staff:

- develop the diversity weights
- analyze the achievement test data used to sort students transferring under NCLB

The District's Communications Office:

- mails letters to students in schools designated as "in improvement" status under NCLB
- produce school choice information related materials
- produce the School Catalog

Because of NCLB requirements, staff from the District's Title I and Transportation offices also play a role in the student transfer process. The Oregon Department of Education designates low-performing schools under NCLB and conducts basic monitoring of NCLB transfers, transportation, and supplemental services. In addition, building principals identify the number of transfer slots available at their schools. An outside contractor operates the transfer lottery.

Inadequate review and reporting of policy changes

The District has conducted very little review or analysis of proposed lottery changes prior to their implementation to determine the potential impacts on lottery outcomes. Many of the changes in the lottery rounds and preferences for certain students were made through Board resolution or District management directive, without any simulations of their impact. Some changes were significant, such as the proposal for the FY06-07 lottery to eliminate the transfer guarantee for transfer students wishing to continue to a higher level school outside their neighborhood. Similarly, changes to the overall logic of the lottery rounds (the processing of all students' first choices, followed by all second, and third choices) will likely affect the transfer options for NCLB transfers. These changes were made without adequate review.

We found that the District provided very few reports on the implementation of the transfer policy to either its own managers, the Board, or to the public. The ETC produced a limited number of statistical reports on an ad hoc basis, but formats were not consistent and the derivation of the statistics was not always clear. The District included some transfer statistics in the school profiles produced for FY04-05, but staff we spoke with expressed concerns about the reliability and validity of the reported transfer data. The Research and Evaluation Unit played a limited role in reporting on the implementation of the transfer policy and the statistical summaries they have produced are not always consistent with ETC-produced reports.

There was limited reporting on the transfer system to the Board. In January of 2005, the Board's Educational Options and Professional Development committee directed management to evaluate transfer policy implementation and more specifically to contract with a statistician to conduct a "thorough review and analysis." The District management contracted with a consultant in the fall of 2005 and received a draft report in December, 2005. We were provided with the draft report in April, 2006 and found the analysis to be very cursory. We believe the conclusions drawn by the District were weakly supported given the lack of detailed analysis conducted.

The District's transfer lottery was designed by and has since been run as a stand-alone application by an outside consultant. The consultant had previously created a lottery prototype as a volunteer for use at one of the District's elementary focus option schools. Reporting weaknesses, lack of documentation and review of lottery changes, and problems with coordination and management of transfer processes all seem to be consequences of the fact that the lottery was run by an outside contractor as a stand-alone system. Contracting for administration of the lottery reduces the District's control over a very critical process. Although the contractor provided the ETC Director with a working plan last fall to build the District capacity to run the lottery independently, review of the plan has been delayed by efforts to prepare for the current lottery cycle.

Board needs to clarify the purpose of its school choice system

During recent years, the District has worked to redefine its future portfolio of schools. This has proven to be difficult. In a climate of tightening resources the Board’s goals – maintaining strong neighborhood schools, providing an array of educational options, and investing significantly in the lowest performing high schools – all depend upon and compete for resources. Attaining one goal may impede accomplishment of the others.

The Board adopted its new transfer policy with ambitious goals for increasing educational options, but implemented the new transfer system while facing declining enrollments and budget shortfalls. It has responded with a series of plans for school closures, consolidations, and reconfigurations without a set of strategic priorities to balance the Board’s competing goals. The Board has not clarified what it is trying to accomplish with its transfer system.

The District has not monitored transfer capacity and the implications for school choice as an increasing number of families are not approved for transfers to preferred schools. An effective school choice system requires an adequate supply of school capacity to meet the demand for student transfers. The District’s efforts to centralize and formalize the transfer process and make it more accessible to families District-wide, as well as the new requirements for transfer under NCLB, all worked to increase the demand for transfer options while supply was diminishing.

Transfer slots are declining

The number of transfer slots available for the FY05-06 transfer cycle was reduced by about 50%, compared to the previous year. Reductions were most significant at the high schools and elementary schools. With these slot reductions, the percentage of applicants who were approved for a transfer declined—from 84% in FY04-05 to 72% in FY05-06. Similarly, the percentage of applicants approved to transfer to their first choice school also declined—from 71% in FY04-05 to 61% in FY05-06. Because the lottery became more competitive and fewer families received their first choice, it is critical that the Board establish an explicit purpose for the transfer system. More detailed information can be found in Exhibit 10 in the Appendix.

Transfer slots and lottery outcomes
 FY04-05 and FY05-06

Exhibit 6

	Transfers FY04-05		Transfers FY05-06	
	Ratio of Slots to Applicants	Students Approved to First Choice	Ratio of Slots to Applicants	Students Approved to First Choice
TOTAL	2.0	71%	1.1	61%
Elementary	2.0	72%	0.9	55%
Middle	0.8	69%	0.7	68%
High	3.0	71%	1.5	61%

Source: Auditor’s office analysis of transfer data

The lottery has become especially competitive at the elementary level. During the FY05-06 transfer cycle, only 66% of all elementary transfer requests were granted and slightly over half (55%) were approved to transfer to their preferred school. Although students not approved for transfers can be placed on a waiting list, only 26% were ultimately approved to transfer to their preferred school in the last two years.

Slot data for the current transfer cycle (FY06-07) was not made available to us during the audit, but it is likely that transfer capacity will be further constrained by the District's plans to close and reconfigure many schools. Thus, it is likely that this lottery will be even more competitive than the FY05-06 lottery.

Declines in transfer slots were not consistent across the District. One of the greatest declines in transfer capacity occurred in the Jefferson cluster which includes all the schools feeding into Jefferson High School. The gap between transfer supply (slots) and demand (applications) also varied significantly by cluster. The ratio between applications and slots was highest for schools in the Grant cluster, followed by the Lincoln and Franklin clusters. At the other end of the spectrum are the Jefferson and Roosevelt clusters which had much more transfer capacity than demand.

Demand high for special programming except in lowest performing schools

Transfer data confirmed that the District's language immersion programs are very sought after. In both years there were slightly more than two transfer requests (including first, second, and third choices) for each elementary language immersion slot. The total number of transfer slots available in language immersion programs was reduced slightly in FY05-06 over the prior year. During both years the District offered transfer to language immersion programs in only five of the District's 54 elementary schools. These programs are located in three of the District's clusters: Lincoln, Franklin, and Jefferson. In FY05-06 about 24% of the available immersion slots in middle schools were not filled through the lottery.

The District's most sought after schools with specialized programming (focus options) are those offered at the elementary and middle school level. The numbers of transfer slots at these programs were reduced in FY05-06, and the competition for them thus increased. In that year there were close to three applications for each focus option slot at the elementary and middle school level. The District's only K-12 focus option, the Metropolitan Learning Center, was also highly competitive, and received 4-5 applications for every available slot.

The District invested significantly in efforts to reconfigure its lowest performing high schools: Jefferson, Marshall, and Roosevelt. Transfer capacity in these small schools programs has also increased significantly. However, the number of transfer applications for these programs remains very low and only 6% of the transfer capacity at these "Small Schools" were filled through the lottery in FY05-06.

Our analysis of transfers involving language immersion programs and other focus options was limited by the lack of student data on enrollment at schools with these options and programs. The Research and Evaluation

office advised us that this data could not be easily extracted from the eSIS system because of problems with coding consistency. We encourage the District to develop a new coding structure which captures participation in the District's focus options and other programs in its student database, and follows up to insure that school staff who enter and maintain this data are trained to use the codes properly.

District should take advantage of opportunity to redesign better system

At the time the Board adopted its new transfer policy, the District had been awarded a 5-year (FY02-03 through FY06-07) Voluntary Public School Choice (VPSC) grant from the U.S. Department of Education. The VPSC grant provided the District with \$6.48 million to "Expand Educational Options for All Students and Families." The District proposed to use the grant to "establish a coherent system of choice that expand educational options for all students." The District planned to form a series of cross-departmental, district-community committees to inventory educational option by cluster and to "offer more programs in communities that have historically been underserved."

The Voluntary Public School Choice grant provided a significant resource for the District to strengthen and support its school choice and transfer system. However, the grant was not well-managed and available resources were not utilized. During our audit the U.S. Department of Education "froze" grant funds because the District did not provide evidence of action on project goals to expand choice. By the end of the FY04-05 year, the District had expended only half of the \$3.5 million awarded for the initial 3 years of the grant. The grant was reinstated in the fall of 2005 under the terms of a detailed corrective action plan.

In our review of other districts that have systems of school choice and use a lottery to assign students, we found that some districts offer students more limited choices within choice zones. For example, Charlotte-Mecklenburg County Schools in North Carolina uses an elaborate system that allows choice within the four regional choice zones. Students in Charlotte-Mecklenburg are allowed three choices within choice zones and are assigned to schools through a lottery process that is based on guaranteed and priority placements. In addition, Charlotte-Mecklenburg provides transportation to choice options within a student's choice zone, but generally speaking, not outside a student's school choice zone.

We would encourage the District to consider the feasibility of choice zones if it continues to offer school choice. PPS began a cluster planning process in 2004, but those efforts were recently put on hold. Cluster planning grew out of the District's early attempts to balance choice across the District while working to strengthen neighborhood schools. Charlotte-Mecklenburg and other districts across the country have wrestled with many of the same issues facing PPS and may serve as models for maintaining school choice and providing parents with transportation options, while protecting a system of neighborhood schools.

Recommendations

- I. Given the current uncertainty about funding and the future configuration of schools, we recommend that use of the lottery be limited for the short-term or put on hold until the Board adopts a policy that clarifies the purpose of the school choice system.
- II. In order to insure that operation of the lottery will better meet underlying objectives for an open, fair and transparent transfer system which can better promote equity and achievement in the future, we recommend that the Board increase oversight of the student transfer system.
- III. Once the Board adopts school choice system objectives we recommend that District management:
 - Increase coordination, management and oversight of the various internal functions affecting the student transfer process, which include: ETC; Lottery Contractor; IT; Title I; Research & Evaluation; Communication; Transportation.
 - Develop regular reporting mechanisms on student transfers to District families, management, and the Board.
 - Develop a process for reviewing substantial changes to the lottery process, and simulate the impact of changes on lottery outcomes before implementation of changes.
 - Develop a plan to build the District's capacity for administering the lottery in-house for the FY07-08 transfer cycle.
 - Conduct regular evaluation of transfer supply and demand. Review the geographic availability of program/focus options. Consider expanding access in underserved clusters and assess the feasibility of using choice zones within a system of school choice.
 - Develop procedures with criteria for principals to use in determining available transfer slots.
 - Implement strategies to strengthen eSIS coding of student enrollment in schools with focus and program options, so that actual transfers to these programs can be better evaluated.
 - Conduct ongoing monitoring and further evaluation of the impact of student transfers on school and student achievement.
 - Follow-through with proposed efforts to support transfers system as outlined in the "Corrective Action Plan" for the final year of the VPSC grant.
 - Develop better internal controls and consistent testing of the lottery weights.

Response



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OFFICE OF THE SUPERINTENDENT

Vicki L. Phillips
Superintendent

June 7, 2006

Memorandum

To: Gary Blackmer, Portland City Auditor
Suzanne Flynn, Multnomah County Auditor

From: Vicki Phillips 
Superintendent
Portland Public Schools

Subject: Student Transfer Policy Audit

Thank you for the opportunity to review and comment on your final audit funded by the Multnomah County Income Tax. We appreciate the partnership we have had for the last three years and your willingness to review areas that have been of special concern for us.

The transfer process has grown in importance over the past few years as the district has expanded its school choice options (e.g. focus option schools, immersion schools, innovative programs) and implemented the mandates of the No Child Left Behind legislation. Portland Public School's (PPS) revised Transfer Policy, passed in August 2002, was designed to make the transfer process fairer, and it has; but throughout its continuing evolution, PPS has not stepped back to fully analyze and prioritize the underlying educational purposes and impact of the transfer process. This is the right time to do so.

In the last year, particularly, the need to grapple with fundamental issues around School Choice has become obvious to school district staff, the School Board and our school communities. The transfer process raises difficult value and policy judgments that go to the heart of how we raise student achievement in our schools and how we retain a public school system that keeps the support of its constituents. School choice policies touch many of the critical efforts underway at PPS: Our work to strengthen high schools, to ensure that we have strong neighborhood schools in every part of the school district, plans for creating new language immersion programs and focus options, our drive to reduce the achievement gap, and our efforts to strengthen education by creating K-8 schools.

We have examined transfer issues piecemeal, as they demanded attention or became pressing, but we have not conducted a thorough review, top to bottom, of all the issues our School Choice process involves. Your audit is thus very timely and helpful.

Portland Public Schools has an important opportunity to clarify the objectives of transfers, how those objectives will be implemented fairly, and how those objectives can be expected to improve the overall educational performance of our students. Many districts throughout the country are struggling with these issues and there are several that have launched efforts to use transfer processes to change the make-up of their districts, in the hopes of dramatic gains in student achievement. Any such change must be well researched and its implications thoroughly considered.

Our response in is two parts. First, we will address the specific recommendations in your audit. Second, we will place the implementation of those recommendations into the broader context of our overall system review.

PART 1 RESPONSES TO SPECIFIC AUDIT RECOMMENDATIONS

RECOMMENDATION	Agree/ Disagree	RESPONSE BASED ON CURRENT SYSTEM
I. Lottery to be limited for the short-term or put on hold until Board adopts a policy that clarifies the purpose of the school choice system.	See response	Current transfer cycle will proceed. The scope and impact of the transfer process will be reconsidered as described in greater detail in part 2 of the response.
II. Increased Oversight	Agree	Oversight will be provided through Superintendent and new Director of Student Support Services. Director will provide regular updates to the Board via appropriate Board Committee.
III. A. District management increase coordination, management and oversight of various internal functions	Agree	Oversight will be provided through Superintendent, Chief Operating Officer, and new Director of Student Support Services. This oversight is consistent with general district realignment of administrative functions.
III. B. Develop regular reporting mechanisms on student transfers to District families, management, and the Board.	Agree	Expanded reporting mechanisms will be developed, as appropriate, following the more general review described above.
III C. Develop a process for reviewing substantial changes to the lottery process, and simulate the impact of changes before implementation	Agree	Review process will be developed following the more general review described above.
III. D. Develop a plan to build the district's capacity to administer the lottery in-house for 2007-08.	Agree	Planning already underway to implement the lottery in-house for 07-08.
III. E. Conduct regular evaluation of transfer supply and demand. Review the geographic availability of program/focus options. Consider expanding in underserved clusters. Assess the feasibility of using choice zones.	Agree	Evaluation and review of availability of program/focus options will be considered as part of the general transfer review and as part of the enrollment data review in the fall of each school year. Choice zones will be considered as part of the general review.

III. F. Develop procedures with criteria for principals to use in determining available transfer slots	Agree	Already started this year with high school slots. Will expand use through Office of Chief of Schools and Office of Secondary Education, consistent with the outcomes of the overall review.
III. G. Implement strategies to strengthen eSIS coding of student enrollment in schools with focus and program options, so that actual transfers to these programs can be better evaluated.	Agree	Improvement will be made as necessary.
III. H. Conduct ongoing monitoring and further evaluation of the impact of student transfers and student achievement	Agree	A major focus for the District review.
III. I. Follow through with proposed efforts to support transfer system as outlined in the "Corrective Action Plan" for the final years of the Voluntary PSC grant	Agree	Previously developed corrective action plan will be followed.
III. J. Develop better internal controls and consistent testing of the lottery weights.	Agree	Weights are correct for current lottery. They were correct for elementary and middle last year. Most high school transfers last year were for NCLB.

PART 2

PLAN TO REVIEW OUR CURRENT SYSTEM

I. We will review and prioritize our objectives.

The current Policy of the Student Enrollment and Transfers 4.10.051-P reads in part:

I. Policy Purpose

The purpose of this policy is to provide equal access to educational options for all students through an open, fair, and accessible process and to promote equity and diversity in student transfers and admissions through alignment with the Educational Options Policy. This policy furthers the Student Achievement Policy, the district's policy to eliminate barriers to educational attainment, other district policies and state and federal requirements.

II. General Policy Statement

All Portland Public School students have the right to attend their neighborhood school. All students also have the right to request a transfer to attend any grade-appropriate school or program in the district.

In analyzing our transfer policy there are a number of key questions that we need to address:

- What are our highest priorities?
- Is student achievement of paramount importance?
- Do our objectives compete with each other or other district priorities?
- Is meaningful choice among schools compatible with support for a strong school in every neighborhood?
- Is the norm that all students attend their neighborhood school PreK-12 or should we consider a pure open enrollment system?
- Which system is most consistent with the emphasis we have placed on fewer transitions for students and the development of additional K-8 programs?
- What does the research literature and our own data tell us about whether transfers improve student achievement overall?

II. We will review how transfers are currently used.

The following are major areas of transfers that are exceptions to our general rule that students attend their neighborhood school.

A. Innovative School/Program Options. In the past few years, driven by the innovative efforts of parents and teachers and the desire of parents to have additional choices available district-wide, the district has developed a variety of focus option schools and immersion programs. These have largely arisen in a “grass roots” fashion, with minimal central direction and guidance. These schools and programs have joined a few longstanding focus schools with deep roots in the community. These schools depend entirely or heavily upon the transfer process for their existence. One exception to this is the language immersion programs approved in the last two years, described in B below.

What part of the transfer process do these schools make up? After our overall analysis, should we reaffirm their continuing existence? Should we endorse their expansion (as the Board did in the fall of 2005 with the charge to replicate Sunnyside Environmental School)?

Schools in this category include Benson High School, DaVinci Middle School, Ockley Green K-8, Buckman Elementary School, Winterhaven K-8, Sunnyside Environmental K-8, Creative Science at Bridger (becoming K-8), and Odyssey K-8 at Hayhurst. Buckman and Sunnyside have a neighborhood boundary; others do not. Ockley Green has a priority for students in the Jefferson cluster.

B. Immersion Program Options. Language immersion programs fall into two categories. Some, including Richmond Japanese, Woodstock Chinese and Ainsworth Spanish, are dependent upon transfers throughout the district and should be considered as part of that analysis. Others, including Spanish Immersion at Clarendon and Rigler, and the recently approved programs at Lent

and Bridger, are designed to serve the needs of the neighborhood population and do not raise major transfer issues.

- C. **Schools Not Making Adequate Yearly Progress (AYP).** The No Child Left Behind (NCLB) legislation mandates that students enrolled in schools that have not made adequate yearly progress for two years, receive priority transfer rights. Accordingly, a substantial group of our transfers represent students from AYP schools.

Given the research that indicates that students transferring under this provision generally do not profit from the transfer (a finding confirmed by the audit, although with limited data available), PPS should research what factors positively impact the educational progress of students enrolled in schools in “improvement” status. Steps must then be taken to inform families of the research findings to allow those families to make informed decisions regarding school options.

- D. **Neighborhood-To-Neighborhood School Options.** The majority of our transfer requests are for transfers from one neighborhood school to another. A major consequence of this practice is the increasingly intense competition among neighborhood schools to attract students. There are many questions here. Why do students and parents make these requests? How are numbers of transfer slots set now? Should standards be developed for setting the number of slots? If so, who would oversee that development? Finally, what is the impact on neighborhoods within our city of allowing the current level of transfers?

In addressing these issues, we should consider:

- The impact of number of slots on optimal school size
- Whether transfer students should be limited to a certain share of the school population
- Whether free and reduced meal status should help determine who is admitted (assuming that it can be shown that socio-economic balance helps overall students performance)
- The possibility of setting the slots available in the winter before applications begin (i.e. balancing parents’ desire to judge the odds of approval, against principals’ difficulty in predicting kindergarten enrollment).
- The impact of slot control at this year’s high schools.
- Whether high school slots should be set by school or by program within school (e.g. whether admittance to an international baccalaureate program or another specialty program should be part of the School Choice lottery or an internal school assignment process)
- Whether neighborhood set-asides are valid.

III. We will determine whether the process can be made simpler.

A. Communication Process. We have made enormous progress over the past two years in increasing the number of applications that are done on line. 72% of applicants used the on line application in the first year and 83% in our second year. This has been a tremendous workload relief to the school buildings. We communicate through a series of public meetings (with translators available), through letters home to parents, school newsletters, emails to the community, on the website, in the *Principals Handbook*, and at the School Celebration. School choice application forms provide grade specific information. These application forms and many of these documents are translated into Chinese, Vietnamese, Spanish and Russian. Schools have administrative tools that allow them to see how many students have applied into and out of their schools, declare their transfer slots, see the lottery results, and changes to the original approval list.

While communication can always be improved, the key is clearly defining our objectives and our progress in meeting them, not the intricacies of the actual lottery. Parents have a legitimate interest in knowing the number of slots available. If those slots are made public earlier, they are likely to be fewer in number because principals will have less information and will need to be on the conservative side. How do we balance these competing needs?

B. Possible Simplifications (noted in the audit). The audit implies the following issues are “complexities”. There are important policy choices that we should review and reaffirm or change. Notable among them are:

- 1) Federal mandates with NCLB; (See IV above; some “complexity” inherent in complying with the law).
- 2) Board granted priorities given to schools no longer under NCLB sanctions.
- 3) Preapprovals
 - Students returning to neighborhood school after completion of any single academic year on transfer. (These students go through the school choice process for tracking purposes).
 - Students returning to their neighborhood school at the completion of the highest grade level in the school they transferred to. (e.g. end of feeder pattern) (These reassignments are now done automatically, outside of the school choice process.)
 - Immersion programs. (See III) (This is the only preapproval that continues through the feeder pattern.)
- 4) Co-enrolled siblings. Eliminating this preference would simplify the system, but must be weighed against parental desire to maintain families in one school. Co-enrolled applicants had a major impact on Kindergarten transfer requests for 2005-06. Fully 91% of the co-enrolled requests for transfer were granted, while only 52% of the non co-enrolled requests were granted.

- 5) Other Board directed exceptions. Review current Board created preapprovals and preferences. Eliminating them could simplify process, but Board needs to review because there is an underlying rationale to consider.

IV. We will determine whether the process could be made fairer.

A. Transparency and Fairness. Prior to the establishment of the lottery process, transfers were made based on building level decisions that often involved “first come, first served” or “who do you know” processes that were both unfair and not transparent. The district set a day on which transfers would be accepted and students and families would sometimes have to submit lengthy packets of information, with multiple signatures from schools and sometimes references. For popular schools, lines would form outside the building in the middle of the night. If part of the packet were missing, the entire application would be thrown out. Decisions were subjective and not reviewed.

The lottery is an obvious improvement over the previous process. The computerized lottery is only a tool, one that has greatly improved the fairness of School Choice, and a tool that we continue to refine and which changes to meet new expectations and requirements. The challenge now is not only to continue to improve the lottery itself, but to make sure we use this valuable tool in service to clearly defined goals and priorities that benefit students, schools and the entire district. The audit findings point less to flaws in the computerized lottery than to our failures to fully reach our policy goals. Fortunately, our staff, Board and now the auditors have been exploring the data and issues surrounding School Choice, and we will use the window before the next applications begin (in January 2007) to conduct a thorough review of those policy goals and how to achieve them.

The lottery was fully implemented in 2003-04. While improvements can be made, the current system is more fair, open and accountable, and represents a major improvement over the former non-system.

B. System Access

We will examine who uses the process and whether it is reflective of the district population. The current system appears to offer equal access.

The pattern of usage cited in the audit is very close to our current ethnic breakdown:

LOTTERY ACCESS	White	African American	Hispanic	Asian
District Percent of enrollment	58%	16%	13%	10%
Percent Lottery Participation (04-05)	58%	15%	9%	8%
Percent Lottery Participation (05-06)	54%	16%	10%	9%

The usage pattern for free and reduced meals shows a slight variation.

FREE AND REDUCED MEALS	
District average	44%
% Participation in lottery 04-05	32%
% Participation in lottery 05-06	38%

On Line Applications. Access to the lottery has been improved significantly by the inclusion of on-line applications. There is a greater potential to improve on line applications with the advent of the new Welcome Centers.

Weighting Error. The weighting error was corrected for the elementary and middle school lottery for 2005-06, and is correct for all levels of the 2006-07 lottery.

In-House Lottery. The process for including the lottery as an in-house function for 2007-08 is already underway.

Available Slots. The audit contends there are fewer slots available. However, the comparison of numbers is misleading. For several reasons, slots should have been lower in 2005-06 because there were several policy changes that impacted the number of slots that principals declared:

- **Expansion of full day Kindergarten to more schools meant there were more schools that were filling their K slots through neighborhood students.**
- **The end of the transfer feeder pattern meant that more middle schools were filling their 6th grade slots and more high schools were filling their 9th grade slots with neighborhood students.**
- **The change in staffing patterns meant that schools would no longer receive full time equivalent positions based on October enrollment, but rather on average daily membership. There was less incentive to accept students on transfers to get higher enrollment in September.**
- **Immersion students no longer have to apply to continue to the next grade level.**

The numbers also are deceptive because there were several schools that set slot numbers higher than could realistically be filled, simply to indicate they were open for as many transfers as needed.

More relevant than the number of slots is the number of approved transfers. The share of applicants approved for transfer fell from 84% to 72%. At first glance, it is difficult to evaluate the impact of this development. Many of the audit findings imply that neighborhood schools would be strengthened, and students would receive a better education, if fewer transfers were approved. However, the audit finding faults the lottery for offering fewer slots and less access to first choices. This points out the fundamental confusion over the real goal of the lottery.

The more basic question is: How many slots should be available? We can only answer that question after we complete the other analysis. Many of the audit findings and some of the research indicate that fewer transfers may raise the academic performance of all students. We must examine what are the intended and unintended consequences of limiting transfers?

V. We will determine whether the system needs a more basic redesign

Based on research, some districts have attempted to use transfer processes to drive more basic systemic change. PPS will examine the results of those efforts and determine whether those systems deserve serious consideration.

A couple of the interesting research questions and preliminary findings indicate that:

- **Better socio-economic balance in schools promotes overall performance gains.** Wake County in North Carolina and Cambridge (Mass.) school systems have taken this research finding and implemented systems to integrate entire school systems based on socio-economics. Other systems have used “magnet” schools to attract middle class students to low income areas of their district. This audit confirmed our belief that the current lottery exacerbates ethnic and SES segregation in our district. Should a more limited number of slots be allocated in a way that promotes greater socio-economic balance?
- **Transferring from an AYP school to a non-AYP school does not tend to positively impact the performance of the transferee.** Data from our Research and Evaluation Department indicates that while students who transfer under NCLB were higher achieving at the time of transfer than students who did not transfer, the students who transferred often did not achieve as much growth as those who stayed. We need to explore and communicate the implications of these findings further.
- **The experience so far in Wake County and Cambridge, Massachusetts indicates that middle class students continue to do well in economically integrated schools as long as poverty does not exceed 50%.** What is the significance of these findings when we see higher achieving students transferring in greater numbers? Does their departure weaken the school they are leaving? Should “skimming” be discouraged? Or is “skimming” actually the inevitable result of who avails themselves of the process?
- **Some districts limit transfers to certain areas (e.g. clusters or quadrants) of the district.** If there were a more standard set of choices within quadrants (e.g. arts; Spanish; environmental) would that produce a more fair result, and one that would not undermine achievement?

These policy issues will be one of the most challenging we face, and because they strike at the very relationship between our families and community and their schools, they are also incredibly important. I look forward to undertaking this exploration with the Board, staff, and community. I again thank the auditors for providing material for our consideration.

Appendix: Detailed Transfer Statistics

Exhibit 7
School Sites by Cluster Area With Focus Options
FY05-06

	Elementary	Middle	Multi Level	High
Cleveland	Buckman	Hosford	Winterhaven**	Cleveland
Franklin	Atkinson Richmond Woodstock	Mt. Tabor	Sunnyside	Franklin
Grant		daVinci **	Sabin Access	Grant Benson*
Jefferson	Beach	Ockley Green		Jefferson
Lincoln	Ainsworth	East/West Sylvan	Metropolitan Learning Center**	Lincoln
Madison	Rigler			Madison
Marshall	Bridger			Marshall
Roosevelt	Clarendon			Roosevelt
Wilson			Hayhurst	

* Benson High School is not considered by the District as part of the Grant Cluster, but for purposes of demonstrating geographic location, we have included it here.

** Although the District lists daVinci Middle School, Winterhaven, and Metropolitan Learning Center as part of specific geographic clusters, those schools are not assigned neighborhood attendance boundaries.

Source: PPS Communications and Government Relations Office

Exhibit 8
Title I Schools in Improvement Status and Mandated Transfer under NCLB

	FY02-03	FY03-04	FY04-05	FY05-06
High Schools	Jefferson Marshall Roosevelt	Jefferson Marshall Roosevelt	Jefferson Madison Marshall Meek Roosevelt	Madison Meek
Middle Schools		Whitaker	George Lane Ockley Green Tubman Whitaker	Binnsmead George Gregory Heights Kellogg Lane Portsmouth Ockley Green Tubman

Source: District and Oregon Department of Education Reports

Exhibit 9
Transfer Applicants
FY04-05 and FY05-06

	FY04-05	FY05-06
Total Applicants	4,946	5,030
Open enrollment	3,897 (79%)	3,655(73%)
NCLB	1,049 (21%)	561(11%)
Small Schools	N/A	814(16%)
Grade Level		
Kindergarten	1,077 (22%)	1,136 (23%)
Elementary	1,881 (38%)	2,065 (41%)
Middle	1,373 (28%)	1,239 (25%)
High	1,692 (34%)	1,726 (34%)
Gender		
Female	52%	51%
Free and Reduced Lunch status*		
Elementary	1,562 (32%)	1,922 (38%)
Middle	(20%)	(31%)
High	(37%)	(37%)
	(40%)	(48%)
Ethnicity		
American Indian/Alaskan Asian/Pacific Islander	(2%)	(1%)
Black (non-Hispanic)	(8%)	(9%)
Hispanic	(15%)	(16%)
White	(9%)	(10%)
Unknown	(58%)	(54%)
	(8%)	(9%)
Special Education	11%	12%
English Language Learner (ELL)	5%	5%

*based on parent reporting to ETS
Source: Auditor's analysis of District's transfer data

Exhibit 10
Transfer Slots Available, and Transfer Outcomes: FY04-05 and FY05-06

	FY04-05				FY05-06			
	Elementary	Middle	High	Total	Elementary	Middle	High	Total
Slots Available	3,763	1,059	5,127	9,949	1,942	814	2,628	5,384
Applicants	1,881	1,373	1,692	4,946	2,065	1,239	1,726	5,030
Slots to Applicants	2.0	0.8	3.0	2.0	0.9	0.7	1.5	1.1
Students Approved	83%	80%	88%	84%	66%	79%	74%	72%
Students Approved 1 st Choice	72%	69%	71%	71%	55%	68%	61%	61%
Change FY04-05 vs. FY05-06					-1,821	-245	-2,499	-4,565

Source: Auditor's analysis of District's transfer data and ETC slot reports

Exhibit 11
Transfer Applications and Slots by Cluster

	FY04-05			FY05-06			Change in Slots
	Slots	Number Applications (up to 3)	Number to Slots	Slots	Number Applications (up to 3)	Number to Slots	
Cleveland	887	1,625	1.8	564	1,771	3.1	-323
Franklin	1,063	1,895	1.8	487	1,617	3.3	-576
Grant	679	2,357	3.5	417	2,320	5.6	-262
Jefferson	2,382	657	0.3	1,033	761	0.7	-1,349
Lincoln	366	1,218	3.3	311	1,402	4.5	-55
Madison	748	532	0.7	455	4,72	1.0	-293
Marshall	1,607	1,122	0.7	850	1,199	1.4	-757
Roosevelt	1,239	328	0.3	905	336	0.4	-334
Wilson	978	620	0.6	362	654	1.8	-616
Total	9,949	10,354	1.0	5,384	10,532	2.0	-4,565

Source: Slot and application data compiled from ETC Summaries

Exhibit 12

Language Immersion and Other Focus Options: Changes in Transfer Slots and Applicants FY04-05 and FY05-06

	FY04-05					FY05-06					Change in Slots	
	Slots	Applications (up to 3)	Number of per Slot	Number Accepted	Slots Filled	Slots	Applications (up to 3)	Number per Slot	Number Accepted	Slots Filled		
Language Immersion												
Elementary	247	533	2.2	236	96%	239	592	2.5	238	100%	-8	
Middle	145	181	1.2	132	91%	162	153	0.9	123	76%	17	
High	56	87	1.5	62	107%	13	133	10.2	71	NA	-45	
Total	450	801	1.8	430	96%	414	878	2.1	432	104%	-36	
Focus/Program Options												
Elementary/Middle	496	1,135	2.3	473	95%	328	889	2.7	312	95%	-168	
NCLB/Small	400	36	0.1	27	7%	1,498	225	0.2	83	6%	1,098	
High Schools:*	530	840	1.6	421	79%	415	878	2.1	404	97%	-115	
Benson	648	686	1.6	315	79%	425	804	1.9	318	97%	-223	
Other High Schools	78	351	4.5	77	99%	64	316	4.9	64	100%	-14	
MLC												
Totals	2,152	3,048	1.4	1,313	61%	2,730	3,112	1.1	1,181	43%	578	

*Jefferson, Marshall, Roosevelt

Source: Slots and Application data compiled from ETC summaries. Data on applicants accepted based on Auditor analysis of transfer files obtained from Research and Evaluation