

EUGENE PUBLIC SCHOOLS  
School District No. 4J Lane County  
April 28, 2008

MEMORANDUM

To: Budget Committee Members

From: George Russell  
Superintendent

Re: April 28, 2008 Budget Committee Meeting

**I. Roll Call**

**II. Items for Information and Discussion**

**A. Receive the Superintendent's Budget Message**

I will deliver the 2008-09 budget message to you on Monday night. The proposed budget has been prepared in accordance with the direction provided by you at the December 2007 Budget Committee meeting. That direction was to propose a budget that is guided by the district's mission, values, board goals and budget committee priorities and is built around three budget goals: 1) Use excess reserves for strategies to increase achievement for all students; 2) Set aside funding for *Shaping 4J's Future* recommendations; and 3) Retain sufficient reserves to meet cash flow needs and retain the district's bond rating and achieve board targets for contingency and reserves.

The 2007-09 Oregon school biennial budget approved by the legislature was significantly higher than the prior biennium budget due to strong income tax and property tax revenues. The 2007-08 budget included several service level increases as a result, including the on-load of \$7 million of services funded by the expired City Levy. A recent economic downturn and softening real estate market have increased uncertainty surrounding state and local revenue projections as analysts warily watch the national economy and attempt to predict Oregon's economic future.

Through reallocation of certain on-going funding and use of district reserve levels above board target, I am able to propose a budget with modest additions. The 2008-09 proposed budget reprioritizes certain requirements to add specialists and provide a higher level of service to at-risk students and schools, and uses one-time funds for strategies to close the achievement gap.

Overall, the Proposed Budget totals \$319.7 million, an increase of \$3.4 million or 1.1% from the 2007-08 adopted budget. The small increase is the net result of higher general fund and insurance reserve fund budgets and a lower capital budget.

The general fund budget (excluding unappropriated ending fund balance) has increased by \$5.7 million or a modest 3.8%.

Ongoing service additions proposed include:

- More P.E. specialist time at the elementary and middle levels
- Secondary level special education services
- Additional English Language Learner staffing
- Support for increased science graduation requirements
- Reorganization of the human resources and executive administration functions

The majority of these on-going service changes have been funded through reductions in other areas.

A portion of district reserves is being proposed to provide one-year of funding for:

- Additional “academy school” funding to address higher student needs at certain schools

Extension of funding for after-school programs at the elementary and middle levels

- The second year of pilot programs to assist students’ transition from middle school to high school, expand summer school, and support instructional technology.
- Additional services and materials for secondary students not meeting math benchmarks
- Continued targeted training for teachers
- Other program support including student information special education module systems implementation, reading assessments, and instructional technology
- *Shaping 4J’s Future* recommendations

Amendment: At prior Budget Committee meetings, we have discussed the rising number of students requiring special education services. The 2007-08 budget included a separate \$500,000 contingency account specifically to address potential increased costs of those services. Since the proposed 2008-09 budget was prepared, staff has analyzed special education costs. The number of students continues to climb and accordingly, so do the costs. I believe that it is prudent to again place funds in a special education contingency. We are still refining our analysis, but at this time I am proposing that a special education contingency be created for \$500,000 and the unappropriated ending fund balance be decreased by the same amount.

Even with the current downturn in the economy, I remain cautiously optimistic that Oregon will not fare as poorly as the rest of the nation or as in the prior recession for several reasons.

- The state now has a “rainy day” fund. While it is still in its infancy and not sufficient to cover a moderately severe recession, it can be used to soften the impact of reduced tax revenues.
- The next biennium will not incur the outflow of over \$1 billion for “kicker” refunds.
- Recent reductions in statewide average daily membership have lessened the effect of our own declining enrollment.
- A projected decrease in the PERS rate would relieve pressure on expenditures in the next biennium.

Finally, our reserve levels provide us with the opportunity to make one-time investments in the classroom, review our current services, analyze *Shaping 4J’s*

*Future* recommendations and determine how to best reallocate resources to ensure the educational success of every student.

B. Review General Fund 2007-08 Financial Projection

The April 2007-08 Financial Projection will be provided at the meeting. Staff will review the projections.

C. Review Update of Five-Year Financial Forecast for the General Fund

Since December we have updated our forecast and balanced the proposed 2008-09 budget to reflect changing conditions as outlined in the attached memo.

At the meeting, staff will review these changes and discuss the updated forecast as presented in the budget message and further updated since the message was written.

D. Review Proposed 2008-09 Budget

Staff will briefly review the budget document, including the status of each fund.

**III. Items Raised by the Audience**

Public testimony is welcome at budget committee meetings and time is set aside at each meeting to hear comments from the audience.

**IV. Items for Action at This Meeting**

- A. Approve the Minutes of February 25, 2008
- B. Set the Date for the Next Budget Committee Meeting

We have tentatively reserved May 5, 12 and 19, 2008 for meetings to review the budget.

I recommend that you set the next meeting for May 12, 2008 to provide an additional opportunity for public testimony, continue your discussion, and take action, if you have completed your review. The board is scheduled to consider your recommendation and conduct a public hearing on June 4, 2008 and to take action on June 18, 2008.

**V. Items Raised by Budget Committee Members**

**VI. Adjournment**