

MINUTES

School District 4J Budget Committee
Education Center—200 North Monroe Street—Eugene, Oregon

May 18, 2009
7 p.m.

PRESENT: Mary Walston, Chair; Wendy Laing, Vice Chair; Betsy Boyd, Shirley Clark, Eric Forrest, Beth Gerot, Pete Gribskov, Alicia Hays, Tom Lininger, Dr. Charles Martinez, Craig Smith, Debra Smith, Jim Torrey, members; George Russell, Superintendent of Schools; Tom Henry, Laurie Moses, Carl Hermanns, Barb Bellamy, Susan Fahey, Caroline Passerotti, Jon Lauch, Yvonne Curtis, Kay Mehas, John Ewing, Les Moore, Phil Scrima, Tim Carmichael, School District 4J staff.

ABSENT: Yvette Weber-Davis, member.

I. Roll Call

Ms. Walston called the meeting of the Eugene School District 4J Budget Committee to order. She called the roll, noting that Ms. Weber-Davis was unable to be present.

Ms. Walston adjusted the agenda, switching the order of item II, *Items for Information and Discussion*, and item III, *Items Raised by the Audience*. There was no objection.

II. Items Raised by the Audience

Paul Duchin and Merri Steele, co-presidents representing the Eugene Education Association (EEA), co-presented testimony to the committee. Mr. Duchin first noted the concessions made by district employee groups to date. He then noted the EEA proposal, to which the district agreed, for the elimination of one student day. Mr. Duchin said that the district was receiving additional State funding and he did not think that adding that funding to the district's reserves was an acceptable approach. Ms. Steele noted the community support voiced for maintaining class size and the board's support for maintaining the instructional core, which was directly affected by class size. She asked the committee to recommend at a minimum that the district reinstate one-half of the staffing cut. She reported that adding back \$1 million would add 14 FTE. Mr. Duchin suggested that if funding was to surpass \$5.6 billion, funding should be added back to where it had the most impact. He thanked the committee for its work and diligence.

Sally Stender and Jenny Forrest, freshmen at Sheldon High School, reviewed their proposal to substitute one term of an OSAA sport for a physical education credit. They noted their participation in school sports and the considerable time after school they spent on homework and physical activity, and suggested the time saved could be used to work on homework and projects to help students be prepared for higher level classes.

Joy Marshall, Stand for Children, thanked the committee members for their volunteer work. She spoke to the recent State economic forecast, which was better than feared, and the amount needed in new revenue to meet the budget shortfall. She thought it important that education continue to make its case to State legislators, who were not fully aware of the impact of reductions on students at the local level. She said that the anticipated reduction was still a huge cut, and she recognized that everyone was going to have to

tighten their belts. However, Ms. Marshall was encouraged that State legislators appeared to recognize that new revenues were needed. She asked that those listening and those in attendance at the meeting to contact their State legislators to thank them for moving in the right direction and to ask them to do more in regard to new revenues. She said the legislature could be contacted through the Web site www.stand.org.

Ms. Walston acknowledged staff for its hard work over the weekend since the State revenue forecast came out.

III. Items for Information and Discussion

A. Review General Fund 2008-09 Financial Projection

Ms. Fahey provided a PowerPoint presentation on the forecast for the two biennia in question, noting the Joint House Ways and Means Committee recommended that reserves be used to meet the shortfall for the 2008-09 biennium.

Ms. Fahey reviewed potential risks to the forecast.

Ms. Fahey reviewed the Joint Ways and Means Committee budget proposal, noting that the \$6.0 billion for K-12 recommended for 2009-11 included a \$5.6 billion appropriation with an additional \$400 million to be allocated if certain economic trigger mechanisms, yet to be determined, were met. There was some concern about another economic freefall and the potential of a supplemental session to rebalance the budget. She noted that the revenue package proposed by the committee would raise taxes on corporations and individuals.

Responding to a question from Ms. Gerot, Ms. Fahey said the triggers for additional allocations this year were increased revenues rather than decreased revenues. If additional revenues came in, those would trigger additional allocations. The State was holding money in reserve in case the forecast fell further.

Mr. Torrey commended the quality of the budget document. He asked if the committee could spend the \$400 million to be allocated depending on conditions. Superintendent Russell said if the allocation was withdrawn, districts would have to make cuts for 2010-11 to account for the loss. An alternative was the use of reserves. Ms. Fahey agreed. Mr. Torrey said that it appeared the committee could approve the budget at a level of \$5.6 billion.

Mr. Smith pointed out the budget was merely a recommendation at this point. Ms. Fahey concurred. She said that frequently, the district has had to have the board approve a budget without firm numbers because the legislature had not completed its work on the budget by the time action was needed.

Superintendent Russell believed the committee could budget on a figure of \$5.6 billion, knowing that action at the State level would have to happen soon.

Ms. Fahey said the \$400 million for the second year of the biennium was from State reserves.

Ms. Gerot noted the recent town hall meeting, during which at least two legislators indicated they did not support using reserves.

Mr. Smith asked if revenue enhancements were part of the trigger. Ms. Fahey said the nature of the trigger was unknown at this time. Mr. Smith said there was also a lack of certainty about revenue enhancements

and the amount that might be realized at the recent town hall meeting. One representative noted that if any enhancements were referred, they could not go into affect until after the election, creating even more uncertainty for funding.

B. Review Update of the 2008-09 – 2012-13 Financial Forecast for the General Fund

Ms. Passerotti provided a PowerPoint presentation entitled *2009-09 – 2012-13 Financial Forecast*. She solicited questions. There were none.

C. Receive the Superintendent's Budget Message

Superintendent Russell presented the budget message. He indicated the budget was down 9.2 percent from the last budget and it represented significant decreases for the General Fund, Capital Projects Fund, Fleet and Equipment Fund, and the District Retirement Fund. He expressed concern about the district's continuing to spend more money than it collected in revenues each year and recommended that the district's revenues match its expenditures. Superintendent Russell noted the additional revenues anticipated from the federal and Oregon State governments and the limited nature of the federal allocation.

Superintendent Russell called attention to the prioritized list of additional budget changes included as Attachment A to the budget message and provided in the meeting packet.

Superintendent Russell recalled the committee's direction to staff in regard to the priorities the budget should reflect and indicated that direction had been carried out. He termed the budget a "bridge budget" that addressed the deficit and was balanced to meet the requirements of Oregon budget law. More than half the budget strategies were short term and he anticipated further deficits in future years. He reiterated his concerns about the district's continued overspending, particularly in light of the latest State budget projections for education.

Speaking to the subject of the district's reserves, Superintendent Russell suggested that the district was in the position it was in because it had fairly strong reserves to fall back on to "cushion the blow." He acknowledged the suggestions that had been put forward for the use of the reserves and recommended the committee should discuss the risk associated with those expenditures. Superintendent Russell believed the district should not have a reserve of less than five percent because he believed it could expect further budget reductions in 2010-11 and 2011-12. He asked the committee to keep that in mind but acknowledged that there were many questions to be answered depending on what the legislature and the governor did. He suggested that any reinstatements of staff or programming be targeted rather than across-the-board.

Superintendent Russell invited questions. There were none.

D. Review Proposed 2009-10 Budget

Ms. Fahey provided information about the proposed budget with the assistance of a PowerPoint presentation entitled *Proposed Budget 2009-10*.

Ms. Fahey called the committee's attention to and reviewed Attachment B in the budget document on page 16, entitled *Proposed Service Level Changes/Budget Reductions—General Fund*.

Ms. Boyd said that School District 4J high schools lagged other local districts' high schools in regard to participation in meal programs, and asked what barriers existed to student participation in the district's free and reduced lunch program. Ms. Fahey said the district's free and reduced rate was lower than the other

two districts, although it was rising. That was a big part of the issue. The district had increased participation through some pilot programs at the high schools, but when one was starting from a small base the increase in percentage did not account for many students. The district continued to talk to other districts about their experiences. Ms. Hays noted that Thurston High School in Springfield was a closed campus, which added to the success of that school's nutrition program.

Mr. Torrey asked if Ms. Fahey believed that the program had experienced the full impact of the economic downturn yet. Ms. Fahey did not think so. She said the district was working to get word out to people that the program was available because there were many people who had not had to access that type of support before. The district was also considering working through the employment office to reach people who could take advantage of the program. Mr. Torrey asked if the district had sufficient funds to support the program. Ms. Fahey said yes, and if the district did not, staff would seek additional funding. She noted that staff had projected an increase in the percentage of students who used the program even in the face of declining enrollment.

Mr. Forrest referred to Nutrition Services and noted the history of operating losses over the past seven years in relation to the goal of becoming financially self-sufficient. He suggested that something was wrong with either the goal or the construct. He suggested that staff revisit the goal and find a way to achieve it, or ratchet it back. Ms. Fahey recalled the Chalkboard recommendations, which expressed the same concerns. She recalled that the board had a policy that directed the program be self-sustaining, which was a struggle. She promised the district would look at the issue again.

Mr. Lininger asked what cost savings could be realized by the proposal put forth earlier in the evening by the two students from Churchill. Ms. Moses was unable to respond without some investigation. Mr. Lininger thought the proposal made sense and hoped the district looked at it more closely.

Noting that the OSAA would not implement its adjustment to the sports leagues until 2010-2011, Mr. Torrey questioned whether the district would keep the junior varsity at home for local competition to reduce costs and travel time. He asked if those reductions were included in the budget as a savings. Ms. Moses said staff was working to determine how to save \$100,000 and she said a reduction in transportation costs was part of that package. Mr. Smith pointed out that in some sports, like track, there was no distinction between junior varsity and varsity, and suggested that the district needed to be careful how it approached those reductions. Mr. Torrey agreed. He said that his remarks were more applicable to the big sports teams.

IV. Items for Action at this Meeting

A. Motions to Approve Budget and Declare Tax Rates and Debt Service Levy

Ms. Walston called the committee's attentions to the draft motions prepared by the staff.

Mr. Torrey, seconded by Ms. Gerot, moved to approve the budget for all funds, including the General Fund, as described by the superintendent and as reflected in the budget document received by the committee on May 15.

Mr. Torrey acknowledged there might be additional dollars available but also expressed appreciation for Superintendent Russell's remarks about the importance of reserves, particularly when he considered that the district did not have to cut school days because past boards recognized the need for substantial reserves. He noted a recent editorial in *The Oregonian*, which spoke to the fact that thousands of

Oregonians had given up looking for jobs, making the jobless figure even worse. He did not object to identifying some prioritized put backs, subject to the actions taken by the legislature between now and the time the board took final action on the budget.

Dr. Martinez supported the motion put forth by Mr. Torrey. He agreed that the committee needed to give guidance to staff on any add backs. He spoke to the issue of reserves, suggesting that it was important to build the reserves back up, particularly in the existing environment. He thought there were opportunities for targeted add backs, however, and suggested that the committee consider staffing in a very targeted way, and instead of making a shift in the staffing ratio, consider individual sites and their investments. He thought the board should direct resources toward increasing staffing in areas in the core instructional component prioritized by the district, rather than taking an overall view of staffing ratios. He favored targeted reallocations into staffing investments once the district built its reserves past five percent.

Ms. Smith concurred with the remarks of Dr. Martinez. She referred the board to page 15 of the budget and expressed support for the first three line items, which brought the district back to the five percent reserve balance. She did not support taking the ending fund balance up to 5.8 percent because she thought the district had an obligation to create jobs and must balance the need to be conservative with that goal.

Mr. Lininger supported Mr. Torrey's motion under the present circumstances and agreed with Dr. Martinez's rationale to the point where he discussed spending any unforeseen money. He respectfully disagreed that the district should target the add-backs. He was inclined to replace some of the reduction of FTE and trust the staff to add back FTE on a building-by-building basis. He thought Mr. Torrey made a good point about the need to be cautious but thought that Mr. Duchin and Ms. Steele also had offered some good points.

Ms. Boyd thought the district would be better served by a weighted funding formula. She thought it was important to understand that under the State formula, the district was funded as though it had 3,000 extra students. Those funds come to the district and the district distributed them under what she believed was a flat funding formula. That concerned her when she considered add-backs. Ms. Boyd said the State gave the district the benefit of the doubt around funding reductions, but the district did not extend that benefit of the doubt to its own work force. Given the totality of the information, Ms. Boyd was worried the committee was not taking the risk it should take on people. She thought the district would face difficult decisions no matter when it made them.

Mr. Smith suggested the committee keep in mind the uncertainty that will still likely exist in June when the board took final action. He did not think the \$6 billion State figure for education would be a firm number. He supported the \$5.6 billion budget as a target and cautioned the committee to be careful about assumptions beyond that. He pointed out that once spent, the reserves would be gone and could not be replaced if the revenue enhancements under discussion by the State were not realized. He said he would be cautious once the budget reached the board.

The motion passed unanimously, 13:0.

Mr. Gribskov, seconded by Mr. Forrest, moved to declare the tax rates and debt service levy for the General Fund tax rate at \$4.7485 per \$1,000 of assessed value, the local option levy rate of \$1.50 per \$1,000 of assessed value, and a Debt Service Fund tax levy of \$16,380,846. The motion passed unanimously, 13:0.

Responding to a request for direction from Superintendent Russell in regard to the preferred approach between building the reserves and enhanced staffing if additional funding was forthcoming, Mr. Torrey recommended that the public be given an opportunity to suggest adjustments on June 3.

Ms. Smith noted that she had not previously favored spending the reserves as she thought they should be held for unexpected rather than anticipated expenditures, but if there was a possibility of building them back in the budgetary period in question, she supported that. She suggested that if the district was fortunate enough to get back to its policy related to the reserve levels, that could be the balance to consider when contemplating staff add backs.

Ms. Hays supported the balanced approach, noting she preferred a percentage for the reserves that was somewhat higher than five percent.

Mr. Forrest urged the committee to keep the importance of the reserves to the next biennium in mind. He agreed with the remarks of Ms. Smith about the importance of the importance of reserves and the need for balance.

Dr. Martinez reiterated his previous remarks. He agreed with those concerned about what the forecast holds, which was why he supported building reserves. He also thought that the district's negotiations with its employee groups needed to be respected. He did not support adding reserves past five percent. He pointed out that the forecast for the biennium projected the district dropping back to five percent anyway, and he anticipated the committee would have another challenging discussion.

Ms. Gerot agreed about bringing the reserves back up to five percent, and suggested that the committee also consider that not all schools are created equally in regarding to the staffing ratio changing. Some schools had declining enrollment, fewer ELL, and fewer students in poverty. She did not support an across-the-board increase in the student-teacher ratio.

B. Set Date of Next Meeting or Budget Hearing

As the committee had completed its work, it did not schedule another meeting.

Ms. Gerot, seconded by Mr. Smith, moved to set a public hearing for June 3, 2009. The motion passed unanimously, 13:0.

V. Items Raised by Committee Members

Ms. Walston solicited items from committee members. There being none, Ms. Walston thanked the committee and staff and acknowledged the concessions that everyone had made. She recognized Mr. Forrest and Dr. Martinez for their service to the district as this was their last Budget Committee meeting. She also acknowledged that this was Mr. Henry's last committee meeting as he was retiring.

VI. Adjourn

Ms. Walston adjourned the meeting at 9:05 p.m.

(Recorded by Kimberly Young)