

MINUTES

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

May 10, 2010
7 p.m.

PRESENT: Jennifer Geller, Chair; Betsy Boyd, Shirley Clark, Tim Gleason, Pete Gribskov, Alicia Hays, Wendy Laing, Craig Smith, Debra Smith, Jim Torrey, Mary Walston, Beth Gerot, Anne Marie Levis, members; George Russell, Superintendent of Schools; Carl Hermanns, Barb Bellamy, Susan Fahey, Caroline Passerotti, Celia Feres-Johnson, Larry Sullivan, Les Moore, Laurie Moses, Jon Lauch, Sara Cramer, John Ewing, Jeralyn Beghetto, School District 4J staff.

ABSENT: Carla Gary, member.

I. Roll Call

Ms. Geller called the roll.

II. Items Raised by the Audience

Ilene Mittler thanked the Budget Committee for their time and work on the school district budget. She said she had children who were students in North Region schools and also Network Charter School. She wished to speak to the \$1.2 million staffing reduction to the budget. She thought it was counterintuitive to do this at this time. She saw the losses to the physical education program and in staff. She said this was causing stress for students and their families and the staff. She understood that there would be bigger fiscal issues in the coming two years, but she asked that the \$1.2 million be spent to stave off some of the painful cuts they were considering in the present. She had worked on the budget measures and she believed that the public needed to be shown that they were getting what they asked for from the measures.

Paul Duchin, co-president of the Eugene Education Association (EEA), shared comments on behalf of the EEA. He stated that they were glad to see some additional funds. He recommended that the board consider using some of the reserves to mitigate further some of the cuts that were being anticipated. He noted that the Bethel School District was honoring the third year of their contract with far fewer reserves. He said the third year included a salary increase and an insurance increase for all employees and no cuts to the school days. He thought if Bethel could avoid cuts, then 4J could as well. He understood that the cuts could be more drastic for the next year but he felt that a person who was facing the loss of a job would still appreciate one more year. He also felt that not having physical education or a reasonable class size impacted students. He underscored the need to take care of what they had now. He read a letter regarding physical education cuts from an individual who lived in the School District 4J but taught in a different school district. The letter strongly supported the continuation of physical education for grade school students, stating that a well-rounded education included teaching lifelong fitness and wellbeing.

Peter Tromba, co-president of 4JA, which represented administrators, professionals, and supervisory employees of the district, noted that co-president Stephanie Cannon was also present. He stated that there was an original proposal from the school district that there be furlough days for part of their group. He

said as a result of discussions and voting among the members, they wished to petition the school district to give two furlough days to all of them rather than five to some of them. He explained that this was due to solidarity in the group and that in order to be a more efficient school system they had to be more systemic. He related their feeling that limiting the time for office support staff would make all of them less efficient. He also indicated that the group would not make a recommendation on the \$1.2 million in one-time funds but it would submit comments. He said one of their members had talked about having fully loaded schools with good programs and the group felt that whatever efforts tended to make a school more fully-loaded with better programs on site were sound educationally. He explained that concrete applications of that would be fewer, larger schools and that it would be better to have the school year shortened by one day with more people in the schools than to have the school open longer with less people.

III. Items for Information and Discussion

A. Review Update of the 2009-10 – 2014-15 General Fund Financial Forecast

Susan Fahey, Chief Financial Officer, thanked her forecasting and budget team, Financial Analysis and Budget Manager Caroline Passerotti and Financial Analyst John Ewing, for their hard work. She initiated the power point presentation for the meeting by touching on the *Backdrop of the National Economy: The Great Recession*. She underscored that this recovery was anticipated to be weaker than normal. She stated that Oregon relied on income tax and because of this Oregon was one of the hardest hit states. She said the Special Session of the Oregon Legislature had to rebalance the budget and emphasized that the State General Fund Reserves were projected to have an ending fund balance of \$6.7 million at the end of June, 2010, which was less than one percent of the state budget.

Ms. Passerotti reviewed the *2009-10 – 2014-15 Financial Forecast*. She stated that it represented the net impact of a \$1.2 million one-time adjustment to the 2008-2009 State School Fund payment, offset by a lower level of property tax receipts in the current year. She continued the power point presentation, highlighting the *General Fund Financial Forecast Key Messages*, which included that the Legislative Revenue Office was projecting a \$2.4 billion shortfall from the current service level.

Ms. Geller asked if the ending fund balances included the money that the district kept for the beginning of the next year. Ms. Passerotti replied that the reserves included two components: the unappropriated ending fund balance which was budgeted and an estimate of under-spending, which was based on an assumption extrapolated from past spending practices.

Ms. Passerotti continued the power point presentation. She reiterated that the most important change in resources was the forecasted 5 percent drop in state funding in the 2011-13 biennium. She stressed the importance of keeping the *Additional Forecast Variables* in mind. She stated that the federal forest fees were slated to expire in 2011-12. She said they were not certain what the changes the Obama administration was making to the No Child Left Behind Act would mean. She also noted that the American Recovery and Reinvestment Act (ARRA) money was predicted to be spent at the beginning of the next year.

Ms. Smith ascertained from Ms. Passerotti that at a fundamental level they were predicting a base funding scenario with a deficit in 2011-12 that assumed that the reductions of \$21 million they made in the previous year and were going to make in the present year would stay in place and that this also corresponded with having taken the ending fund balance to a policy level of 5 percent. She understood that the \$21 million would have to be funded with whatever federal stimulus was approved or with service level reductions.

In response to a question from Ms. Walston, Assistant Superintendent Carl Hermanns stated that the \$75,000 increase for the school resource officers was due to an increase in the cost of the contract. He related that the city had helped the school district significantly more than other districts had been helped in the state. He stressed that the increase was not untoward.

Ms. Gerot said it was important to note that the Obama administration was looking more at providing competitive grants rather than formula grants and there would be “winners and losers.”

In response to a question from Ms. Geller, Ms. Passerotti explained that the 5.8 percent increase in the Public Employees Retirement System (PERS) was approximately equal to \$4.5 million.

B. Receive Information on Planning for a Sustainable Budget

Superintendent Russell provided a power point presentation entitled *Mission Possible: A Sustainable Budget*. He underscored the overarching question, which was whether a sustainable budget was possible in today’s environment. He thought it was possible but not without a great deal of “pain and agony.” He recalled Governor Ted Kulongoski’s comments regarding House Bill (HB) 5565, which took \$200 million and gave it back to Kindergarten through 12th grade education. He said Ms. Fahey had given the committee three scenarios, ranging from a 1.4 percent increase to a 15 percent decrease in state funding. He explained that the latter had come from the Governor. He reiterated that the Governor had indicated that there would not be dollars to put forward to address a shortfall in the next biennium and had strongly recommended that school districts hold the money from HB 5565 in reserve. He underscored that School District 4J was budgeting for that money to be spent in 2010-11.

Superintendent Russell recapped *The Strategic Journey: 2000-2008*. He recalled that the Schools of the Future had talked about sufficient sized schools and the resources necessary to offer comprehensive programs and the direct relationship between the number of students in a school and the availability of resources to provide for optimal programming. Regarding the Access and Options process the district had undertaken in 2004, he pointed out that the district had already seen the erosion of student/teacher ratios, staffing stability, and differentiated staffing for neighborhood schools in the last budget process and the present one. He discussed the Shaping 4J work they had undertaken in 2008.

Continuing, Superintendent Russell reviewed his concepts for *Targeted Reinvestment/Strategic Disinvestment*. These included school closures and consolidation, non-classroom staff reductions, staffing ratio changes, compensation-related adjustments, district consolidation, use of reserves, less professional development opportunities but with more focus, support for high impact and high value programs and services, and elimination or reduction of low impact/limited value programs and services.

Mr. Gleason asked how capital costs would fit in. Superintendent Russell responded that some would require consideration of new construction and some schools could need remodeling. He thought one potential effort could be around redefining how space was used in the district’s buildings.

Ms. Smith observed that in talking about a sustainable budget, they would have to look for solutions that did not involve short-term measures.

Mr. Torrey remarked that it was like they were thinking about these things in a vacuum without fully understanding the financial implications or value of doing them. He asked if they would be able to identify the values of doing some of them. Superintendent Russell responded that they would have to. He thought in some cases they would only be able to provide estimates and in others they did know the financial implications.

Ms. Clark recalled that there had been “rumbling” in the legislature some years back about doing away with the Educational Service Districts (ESDs) in the state because of the costs. She asked if he had heard anything about the ESDs being put on the table again. Superintendent Russell replied that he thought there would be a bill in the state legislature that would eliminate and/or consolidate some of the ESDs. He thought there would also be conversation regarding what kinds of services the ESDs should provide and whether the dollars from the consolidation would be allocated to school districts. He predicted that there would also be conversation about consolidating services and having regional service centers that would provide certain kinds of instructional support services for regions.

Ms. Gerot noted that some money had been taken from the ESDs and given to the school districts in the recent special session.

Superintendent Russell discussed the *Tentative Planning Calendar*. He stressed the importance of talking about school closures earlier rather than later, if that was something they intended to discuss. He suggested to the Budget Committee that they might be asked to start earlier in the year than they had in the past.

Mr. Torrey said he appreciated the Superintendent’s courage. He was confident that unless they pushed forward toward a sustainable budget it would create more difficulty for the school district in the next two years.

Mr. Smith suggested that they consider adding legislative initiatives. He thought there could be a variety of mandates from the state that could be loosened up, at least on a temporary basis to get the district through the next two years.

Mr. Torrey was interested in finding out what the legislature would limit the school district from doing.

C. Receive the Superintendent’s Budget Message

Superintendent Russell stated that the budget document had been put together by students and staff including Kylie Banks, Allena Derry, Andrew Guilbert, Evan Sharboneau, and staff members Manny Guendulay and Tom Cervenak.

Superintendent Russell highlighted the following items from the proposed budget:

- Reserves would be reduced to the board policy level, 5 percent of operating revenues with 2 percent of operating expenditures for contingency.
- Further reductions would be made to central services.
- 28 Full Time Equivalent (FTE) teaching positions would be eliminated.

He listed the reductions that had been made in the previous year’s budget which had totaled \$21 million:

- The employee groups had agreed to reduce compensation by \$3 million.
- Additional reductions were made in school-based licensed staffing of 33 FTE, or \$2.46 million by increasing the student/teacher ratio by 1.0 FTE.
- Physical education requirements were reduced for elementary and middle schools.
- Staffing that was used to assist schools with interventions and the effects of declining enrollment had been reduced.
- The funding for the athletics program had been reduced by \$140,000.

Superintendent Russell stated that they had tried to engage community and staff through surveys and budget forms and had used the input to try to understand what reductions they could do. He underscored that they had developed a budget that took into consideration that feedback while aligning the district’s

resources with the board goal for student achievement.

Superintendent Russell stated that the proposed budget included no reductions in school days, support to implement the new graduation requirements, or initiatives to address the achievement gap. He said funding had been directed to schools with higher needs. He underscored the importance of being able to continue the local option levy, which comprised approximately 9 percent of General Fund revenue.

Superintendent Russell summarized the proposed budget:

- The total budget proposed came to \$296.2 million, an increase of \$5.8 million from the fiscal year 2009/10 adopted budget.
- The increase was primarily represented in the General Fund as contingencies and the unallocated ending fund balance were brought up to board policy levels, and the Insurance Reserve Fund for anticipated increases in health care costs.
- Offsetting the increases were declines to the federal, state, and local grants that had been funded by ARRA, which was scheduled to sunset September 11, 2011.
- The General Fund operating budget had increased by \$1.1 million or .8 percent, not enough to maintain current service levels.

Superintendent Russell highlighted the impacts of operating budget changes on program services:

- 9.6 licensed FTE specifically available to mitigate effects of declining enrollment and to assist with student intervention strategies, i.e. stability staffing, had been proposed to be eliminated.
- 11 licensed FTE and almost 21 classified FTE had been allocated to schools based on Socio-Economic Status (SES) and an additional 27 licensed FTE was allocated for school-based student supports.
- Physical education requirements were proposed to be reduced to the 2006-07 level for elementary and middle school students, which resulted in the reduction of an additional 4 FTE.
- Central department and administration budgets would be cut by \$1.2 million, including 5 FTE and \$600,000 in services and supply budgets.
- The proposed capital budget of \$11.4 million represented a reduction from the prior year because General Obligation (GO) bonds were projected to be fully expended in 2009/10. It included funds for building improvements that could be required as a result of potential school consolidation decisions.
- The proposed capital budget used the sale of surplus property to fund the preventive maintenance program with \$500,000 proposed to be transferred to the General Fund to support operations for a second year.

Regarding future budget issues, Superintendent Russell stressed that impacts lay ahead due to the impact of employee benefit costs and the potential reduction or loss of Secure Rural School Act funding. He discussed the declining enrollment projection which made for a “complicated and difficult” budget situation. He said the budget appeared to be “one that was in the eye of the storm.” He remarked that the budget they faced for the coming year was a precursor to the budget they would face in 2011/12, which would be far more difficult to build because how dire the projections were.

Superintendent Russell thanked the financial services staff for their work on the budget.

D. Review Proposed 2010-11 Budget

Ms. Fahey reviewed the proposed budget in greater detail, with power points, including the proposed budget for other funds such as the Fleet and Equipment Fund; the Federal, State, and Local Programs

Fund; and the Student Body Fund.

Mr. Smith asked, regarding the Nutrition Services Fund, about the changes that had been made to school meals that had affected sales. Ms. Fahey replied that the changes in the à la carte menu due to the stringent requirements instituted by the wellness policy and state legislation had caused revenues to drop by \$700,000 to \$800,000 in the past five years.

Ms. Gerot noted that Oregon was one of only two states that did not support school lunch programs. Ms. Fahey added that there was a small state match every year of approximately \$57,000.

Ms. Boyd understood that students that qualified for the free or reduced school lunch program could also get their exam fees waived for the International Baccalaureate and Advanced Placement exams. She asked if they knew what the participation level was for this. Laurie Moses, Director of High School Services, replied that they had the data and could provide it.

Ms. Fahey continued reviewing the power points regarding the Nutrition Services Fund and the Insurance Reserve Fund.

IV. Items for Action at this Meeting

A. Approve Use of \$1.2 Million One-time Funds

Superintendent Russell stated that there had been a \$1.2 million adjustment based on the 2008/09 state funding. Staff had developed three possible options for allocating the funding, though the Budget Committee could consider another option. His initial thought had been to use the one-time funding to restore the physical education positions, but it was not that simple. Even though the district had cut that funding, the site councils of the different schools could make other decisions about staffing. He asked Mr. Hermanns to explain further.

Mr. Hermanns reiterated that the district had cut the monetary equivalent of 4 FTE but the sites had the discretion to decide to keep physical education and make cuts to another program. He said if they put the 4 FTE back, it would have implications on the system because the sites had made their staffing decisions and those decisions had resulted in readjustments across the system.

Jeralynn Beghetto, Human Resources Administrator, provided the Budget Committee with a handout regarding the *Potential Areas of Licensed Reduction in Force (R.I.F./lay-off)*. She stated that it outlined the people and FTE affected by lay-offs. She said the physical education lay-off had been 1.3 FTE.

Ms. Smith commented that it bothered her that they had spent a great deal of time discussing and debating cuts in physical education and that the result did not reflect this. She averred that site-based decision-making decentralized the district and when there was not enough money, decentralization would begin to fail the district. She was concerned that the site-based system meant that the district would not get to decide what basic level of education they would maintain as the threshold.

Mr. Hermanns said staff was in conversations about this and about operations across the board in order to determine a balance that worked for the district. He pointed out that site-based decision-making brought with it a lot of creativity and innovation but it also had to be balanced against the concerns that Ms. Smith had brought up.

Ms. Boyd remarked that this was an argument for stability staffing. She had received information on how it had been spent over the last four years and it showed that every school except Sheldon High School and Buena Vista Elementary School had received stability staffing and the largest schools had used them the most often. She thought that if there had been stability staffing available, the physical education cuts and how they had been addressed would have been an internal conversation and not brought before the Budget Committee. She said School District 4J did not require any other program staffing aside from physical education, unlike other districts that still provided art, music, and librarians as a matter of course, and this was because they had made the decision to do site-based management. She was not comfortable picking off programs and saying this was where they should reinvest; it should be in the context of stability staffing.

Mr. Hermanns had just seen the information that Ms. Passerotti had provided to Ms. Boyd and wanted more time to review it.

Ms. Boyd was troubled that they had not looked at the data earlier. Ms. Fahey pointed out that they did not have the staff available to work on it and had only compiled the information that day.

Ms. Clark agreed with the direction of Ms. Boyd's comments. She thought the choices made by the site councils had stories behind them, noting that social studies and Spanish had taken a "heavy hit." She anticipated that the district would get into "tighter and tighter jams" with staffing related to the district's top goal of protecting the instructional core. She felt that this alone would be reason enough to indicate that they should review the policies that were in place regarding site-based decisions. She said they all needed to ensure that the choices they made fit in with respect to offering a strong core instructional base.

Ms. Beghetto explained that at a building level the principals were making decisions based on the staffing and allocations available to them and input from their stakeholder groups and student forecasting. She said they were looking at things from a programmatic point of view. She stated that teachers often had multiple licensures and endorsements and the italicized positions on the attachment indicated that there were multiple teachers and multiple movements that could happen depending on a teacher's licensure. She stressed the importance of considering that the list reflected program decisions made and declining enrollment.

In response to a question from Ms. Geller, Ms. Fahey clarified that the board had not officially reduced the physical education requirement.

Ms. Geller understood that they were going to approve the use of the \$1.2 million in one-time funds. She said when looking at the cuts they were facing it was clear that the situation was dire. She favored looking at a configuration for the funding that would restore some of the staffing that had been cut.

Ms. Gerot stated that when they were talking about restoring funding to staffing they were talking about additional allocations to individual schools which would then make the decision to allocate it in that way or another way.

Ms. Fahey recalled that the board had provided \$500,000 for stability staffing to the human resources department in the previous budget and this had worked well. She thought another option would be to put some of the one-time funding into the PERS reserve and to put another pool of funds for the human resources to stabilize staffing centrally.

Ms. Boyd ascertained that the only program staffing that they could require schools to spend money on was in physical education. Mr. Hermanns clarified that if they thought about Ms. Fahey's proposal, which

he likened to creating a “fix-it” fund, they could split the money so that \$1 million went into the PERS reserve fund and \$200,000 for the “fix-it” fund. He suggested that this fund could be specific for certain schools and if a school needed .67 FTE, as an example, so that it could keep its orchestra then the position could be restored.

Ms. Beghetto observed that this approach would save jobs.

Mr. Torrey observed that as a practical matter they were trying to get lay committee members and board members to address a complicated issue. He suggested that they could place \$1.2 million in the budget and allocate \$600,000 to the PERS reserve and then ask staff to return to the board and report on how the other \$600,000 was spent. He added that he was concerned about the message they were sending to the public, which had heard that the district was cutting 4 FTE from physical education when in fact they were cutting 1.3 FTE and no one knew where the percentage was going.

Superintendent Russell clarified that the 1.3 FTE represented actual physical education teachers that had been laid off. He said some schools might have kept physical education as it was and some might have made small cuts to the program, depending on their priorities. He commented that his heart said they should restore the FTE in that equivalent amount and help music, art, and physical education to try to maintain what they could. But he wondered if it would not be better to place the money in reserve funds because of the unanswered questions they still had, which included that they had not finished contract negotiations.

Ms. Smith ascertained from Ms. Beghetto that if the committee allocated \$600,000 to staffing it would mean that people who were on the list to lose their jobs would be restored.

Mr. Smith stressed that it was clear that there was a “huge cliff” that was one year off. He thought they should bolster reserves and he could not support doing anything other than that with it.

Mr. Gleason agreed with Mr. Smith. While he wanted to restore programs such as music and art it was clear from the attachment the committee had been provided that even if they did the site councils could decide to use the FTE in other ways.

Ms. Gerot referred to the first page of Superintendent Russell’s budget message. She pointed out that half of the instruction to the superintendent regarded maintaining reserves. She thought that spending the money would not meet any of the directions.

Ms. Levis concurred.

Mr. Gribskov had originally been supportive of reinstating music and physical education but it did not appear that they had a mechanism that would ensure this would happen.

Mr. Hermanns reiterated his feeling that it would be a smart move to put \$1million in reserves and to allocate \$200,000 to a “fix-it” fund for the human resources department to allocate to staffing. He thought they would be able to shore up jobs in art and music as they saw the need. He thought that in the next period of time they could think strategically about how to develop a more regional art and music program to shore it up.

Ms. Geller supported Mr. Hermanns’ proposal.

Mr. Torrey, seconded by Ms. Clark, moved to allocate \$1 million into the PERS reserve

and \$200,000 to the human resources division to restore staffing to avoid reductions in certain areas.

Mr. Torrey thought that what they were seeing was exactly what they would be dealing with in the fall. He observed that there were champions of all sorts of curricula in the district. He said they would have to look at all of those things as they focused on the “big cliff.” He intended to support the motion and hoped that his colleagues would do so as well.

Ms. Boyd asked how they would prioritize the allocation of the funds. Mr. Hermanns replied that they would prioritize the allocation in the same way they had done during the previous year, which had been to use it for stability staffing.

In response to a follow-up question from Ms. Boyd, Ms. Beghetto stated that the money would provide for two FTE.

Superintendent Russell clarified that in the previous year the committee had appropriated \$500,000 to be used to mitigate lay-offs. He said this was different from using the money to fill in pieces of programs.

Ms. Walston indicated her support for Mr. Torrey’s motion. She noted her reluctance as she would prefer to allocate the funding to restore positions.

Ms. Geller supported the motion.

The motion passed, 10:2; Ms. Boyd and Mr. Smith voted in opposition.

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

Mr. Torrey, seconded by Mr. Smith, moved to approve the Budget Total for All Funds, including the General Fund Total of \$152,791,000 as amended by the budget committee and the Other Funds Total of \$143,457,859. The motion passed unanimously, 12:0.

Ms. Levis, seconded by Mr. Gribskov, moved to Declare the Tax Rates and Debt Service Levy which included the General Fund tax rate of \$4.7485 per \$1,000 of assessed valuation of the district, the Local Option Levy tax rate of \$1.50 per \$1,000 of assessed valuation of the district, and the Debt Service Fund tax levy of \$15,488,327. The motion passed unanimously, 12:0.

C. Approve Minutes from the February 8 and 22, 2010 Budget Committee Meetings

Ms. Walston, seconded by Ms. Smith, moved to approve the minutes from the Budget Committee meetings held on February 8 and 22, 2010, as written. The motion passed unanimously, 12:0.

E. Set Date of Next Meeting or Set the Budget Hearing

Ms. Walston, seconded Mr. Smith, moved to set the budget hearing for June 2, 2010. The motion passed unanimously, 12:0.

V. Items Raised by Members of the Budget Committee

Ms. Geller thanked the members of the Budget Committee for their thoughtful work and expressed appreciation for all of the staff work that had gone into the proposed budget and information provided to the committee.

VI. Adjournment

Ms. Geller adjourned the meeting at 9:54 p.m.

(Recorded by Ruth Atcherson)