

EUGENE PUBLIC SCHOOLS
School District No. 4J Lane County
May 29, 2010

MEMORANDUM

To: Budget Committee Members

From: George Russell
Superintendent

Re: June 2, 2010 Budget Committee Meeting

I. Roll Call

II. 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.

III. Items for Action at This Meeting

A. Provide Feedback on 2010-11 Budget Rebalancing Strategies

This week Governor Kulongoski announced that he would be invoking his authority to require across the board cuts to state agencies' 2010-11 budgets in order to address a \$577 million revenue shortfall. Oregon Department of Education staff have analyzed the effects of that reduction on schools and provided updated 2010-11 revenue estimates. The effect on district revenues is a drop of \$351 per average daily membership, weighted, which results in a revenue reduction of \$6.8 million. The late timing of this information presents a significant challenge and limits feasible options. Building staffing plans are completed, and employees are being notified of potential reductions in force.

I am recommending that we eliminate the \$1 million PERS reserve transfer that was planned for this year and 2010-11 and reduce transfers to the fleet fund by \$1 million. Additionally, the reduced revenue level results in a \$400,000 lower ending fund balance requirement. Eliminating the PERS reserve transfers leaves a \$2.5 million PERS reserve to help offset projected PERS rate increases in the 2011-13 biennium.

I am hopeful that as in prior years, our employee groups will join me in finding a solution for the remaining \$3.4 million by agreeing to compensation strategies that will reduce the deficit. The \$3.4 million represents the equivalent of eight district-wide days or approximately 40 licensed FTE. If the general fund ending fund balance were drawn down by that amount, the budgeted ending fund balance would be approximately \$750,000 or .5% of revenues. Including projected underspending, the fund balance would be 2.7%.

There is a potential that Oregon will receive additional federal funding to support K-12 education. At the \$23 billion level currently being discussed, the district's share would be approximately \$6.5 million. While this would cover most of the

deficit, as of this writing the federal funding is not assured. Given the projected deficit the district faces for 2011-12, if the funds are received, spending them in 2010-11 does not support the board's sustainable budget goal. I recommend that any new K-12 federal funding received be used to reinstate the transfers and any remaining balance be placed in contingency. In 2010-11 staff would bring a recommendation to the board for the use of those funds.

At the meeting, staff will provide updated forecast projections and various costing information, and I will suggest other options to reduce the 2010-11 budget if compensation related strategies are not obtained. I am recommending that the budget committee provide feedback on the options presented. I will use your discussion at the meeting to guide me in recommending changes to the budget you approved on May 10, 2010 prior to the board's adoption of the 2010-11 budget on June 16, 2010.

IV. Items Raised by Budget Committee Members

V. Adjournment