

EUGENE PUBLIC SCHOOLS
Lane County School District No. 4J
October 14, 2010

MEMORANDUM

To: Budget Committee Members

From: George Russell
Superintendent

Re: October 18, 2010 Budget Committee Meeting

This memo is intended to give you an overview of the meeting and describe the materials in your packet.

I. Roll Call

II. Election of Officers

It is my recommendation that the Budget Committee elect a chair and vice-chair for the year.

III. Items Raised by the Audience

Public testimony is welcomed at budget committee meetings, and time is set aside to hear comments from the audience.

IV. Items for Information and Discussion

A. 2009-10 General Fund Financial Results (unaudited)

Financial Services staff will review preliminary 2009-10 financial results.

B. 2010-11 Revenue Update

The district's current year revenue picture has changed since the June 2nd budget committee meeting with the passage of the Federal Education Jobs bill and the State's September forecast. Financial Services staff will provide information on the district's current year revenue outlook.

C. 2011-13 Public Employees' Retirement System (PERS) Rates

In September, the PERS Board approved rates for the 2011-13 biennium. The district's rates rose substantially, as was expected. Financial Services staff will review the rates and the subsequent effect on the district's financial forecast.

D. Initial Strategies for Sustainable Budget Development

One of the board's key results is that by 2012-13 the district will implement a sustainable budget strategy that maintains reserves at or above board targets, minimizes the use of one-time funds for ongoing expenditures, optimizes the use of short-term resources to improve student achievement, and increases operational efficiency while reducing long-term capital needs. On October 6th, I shared initial strategies with the board, and during October, regional meetings with representatives from every 4J school are being held to solicit staff and public input. At the meeting, I will review the initial strategies, and Barb Bellamy, Chief of Staff, will provide feedback from the first two regional meetings.

V. Items for Action at This Meeting

A. Approve Minutes from the March 15, May 10 and June 2, 2010 Budget Committee Meetings

I recommend that the Budget Committee approve the minutes.

B. Set Date for Next Budget Committee Meetings

I recommend that the next meeting date be set for Monday, November 22, 2010 to discuss preliminary sustainable budget recommendations and receive an update on the State December Economic Forecast which will be released November 19th. I also request that Budget Committee members reserve January 24, 2011 to review enrollment projections and the draft financial forecast and provide direction for balancing the 2011-12 budget.

VI. Items Raised by Members of the Budget Committee

Budget Committee members will have an opportunity to raise issues that are not included on the agenda.

VII. Adjournment

MINUTES

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

March 15, 2010
7 p.m.

PRESENT: Jennifer Geller, Chair; Carla Gary, Vice Chair; Betsy Boyd, Shirley Clark, Beth Gerot, Tim Gleason, Pete Gribskov, Alicia Hays, Wendy Laing, Ann Marie Levis, Craig Smith, Debra Smith, Jim Torrey, Mary Walston, members; George Russell, Superintendent of Schools; Carl Hermanns, Barb Bellamy, Susan Fahey, Caroline Passerotti, Sara Cramer, John Lauch, John Ewing, School District 4J staff; Jane Waite, Raquel Wells, 4J Equity Committee.

1. Roll Call

Ms. Geller called the meeting to order at 7:06 p.m. and called the roll.

2. Items Raised by the Audience

Paul Duchin (Eugene Education Association Co-President) commented on items from the Budget Committee's previous meeting. He noted that the EEA strongly opposed the proposed cuts to School District 4J physical education programs and alternatively encouraged the District to utilize reserves or other sources in order to compensate for the budget shortfall. Mr. Duchin addressed the District's proposed math adoption and noted that while the EEA neither supported nor opposed the proposed math curriculum adoption, it was recommending that the District implement an expanded pilot curriculum for the next academic year. He further noted that the EEA was willing to provide the District and the Budget Committee with more detailed information regarding their concerns about the math adoption. He further characterized the proposed math curriculum as unproven and maintained that it did not seem prudent to adopt it given the current financial state of the District. It was his recommendation that the District choose teachers over the math adoption. He also recommended that the District use reserves to hire teachers and reduce class size at all levels, as he believed it unlikely that the district would experience the deficit in 2011-2012 that was currently being forecasted.

Stephanie Cannon (4JA) noted the concerns of 4JA regarding proposed District budget cuts to the central office. She noted that in order to maintain the viability of the District's administrative sections it was essential to maintain a minimum of central office staff and support services. She noted that 4JA had recommended equitable reductions across the board and maintained that such a strategy would be less damaging to the District in the long run.

Paul Brown spoke in his capacity as the PE instructor for the Adams and Fox Hollow elementary schools and advocated for the continued support of District PE programs. Mr. Brown cited several health, social, and educational benefits of the District PE programs.

Ms. Hays arrived to the meeting at 7:13 p.m.

Theresa Schlessinger spoke in her capacity as a School District 4J parent and advocated against the

proposed cuts to District PE programs. She noted that she had been very impressed with the quality of instruction provided by PE teachers in the District's middle and elementary schools.

Rachel Farkas stated that she had taught elementary physical education courses for School District 4J for the last ten years and currently served as the grant coordinator for the District's Physical Education for Progress (PEP) program which had been funded by a \$1.2 million federal grant. She noted that the PEP program would be difficult to effectively implement should the proposed PE cuts be adopted. She read portions of a letter from Alejandro Queral, the Director of Government Relations for the American Heart Association that had been sent to District staff reminding them of the importance of PE programs.

Daniel Bellisimo stated that he was a junior at South Eugene High School and advocated against cuts to the District's PE programs. He noted that many of the values he practiced as a student were the direct result of his experiences with District PE programs.

Rob Horden spoke regarding the proposed math curriculum adoption and hoped to see School District 4J implement a single unified math curriculum for its elementary and middle schools. He encouraged the Budget Committee to recommend that the District's instruction department be funded at a level where such a curriculum could be adopted correctly and to its fullest extent.

3. Items for Information and Discussion

A. Receive a Report from the Equity Committee

George introduced 4J Equity Committee members Jane Waite and Raquel Wells and noted that the Equity Committee had been requested by the Budget Committee to prioritize certain areas of the District with respect to budgetary matters.

Ms. Waite described the two-meeting process that the Equity Committee had used to prioritize the District areas listed in their report. Ms. Waite and Ms. Wells distributed copies of the report for the benefit of those present and read the recommendations contained therein.

B. Review 2009-2010 Financial Projection

Financial Analysis and Budget Manager Caroline Passerotti provided the 2009-2010 financial projection data for the benefit and education of the Budget Committee members.

Ms. Passerotti believed that the expenditures listed in the financial projections indicated that budgets would be tighter for the foreseeable future.

Ms. Passerotti noted that further updates regarding the financial projections would be provided as they became available.

C. Debrief Budget Forums

Ms. Bellamy listed the budget forum questions for the Committee and presented the response data to the survey questions that had been posed during the forums.

Ms. Bellamy noted that the proposed PE cuts had been heavily discussed during the budget forum sessions and that Superintendent Russell had attempted to solicit alternative strategies to those cuts from

those in attendance.

Ms. Bellamy noted from the response data that the members of the Superintendent's Student Advisory Committee (SSAC) had been more sensitive to the proposal to reduce extra staffing at District high schools with larger enrollment declines.

Ms. Bellamy noted from the response data that the members of the SSAC had considered providing extra support for students not meeting benchmarks as the most necessary element to increase student achievement. She believed this was due to the students' general awareness that graduation requirements were increasing in many areas.

Ms. Bellamy recognized that the budget forum question regarding equity and diversity had not reflected all of the District's equity policies but had focused on those equity elements that had dedicated budget resources attached to them.

Ms. Bellamy noted the four budget forum questions that had only been presented to the SSAC and recalled from that session that the improved elementary and middle school math instruction and additional high school level math support strategies had been the two issues that had been particularly emphasized in that forum discussion.

Ms. Bellamy briefly discussed the themes that had been discussed during the budget forum sessions and noted that the District's elementary school level PE programs, reduced school calendar, and proposed central office cuts had been areas of significant concern.

Ms. Levis observed from the budget forum sessions that a significant number of 4J staff had participated in the surveys conducted therein.

Ms. Gerot noted she had attended the SSAC meeting and was impressed that that group had been strongly focused on equity issues and had also shown a high level of support for students who were struggling.

Ms. Walston noted the SSAC response to a question that had been presented during the budget forum session which had indicated a high level of opposition to a one-to-one laptop initiative for students. Ms. Bellamy believed that the students who had responded in opposition to such an initiative were conscious of the impacts of such expenditures on other areas of District schools. Ms. Gerot added that students were often concerned about their teachers not having the necessary professional development tools necessary to make full and effective use of some technologies. Superintendent Russell referenced the minutes of the SSAC meeting and recognized a clear belief on the part of the students that their relationship with their teachers was not necessarily improved by the addition of new technologies.

Ms. Bellamy noted that the math curriculum adoption had been a topic of significant concern during the budget forum discussions.

Ms. Bellamy, responding to a question from Ms. Boyd noted that the survey question regarding the new math graduation requirements had been asked in response to previous public comments and had indicated a belief that students did not have accurate feedback mechanisms for meeting those requirements. Superintendent Russell agreed with Ms. Bellamy's assessment.

D. Review Status of Reserve Accounts

Ms. Fahey presented data regarding the status of the District's reserve accounts and briefly described the

manner in which such funds were allowed to be used.

Ms. Fahey reported that the District's general risk insurance reserve fund is used to meet the District's annual insurance and risk management obligations.

Mr. Lauch presented data regarding the District's capital reserve funds and noted that no data would be presented regarding the District's bond funds as they were scheduled to be spent out by the end of June 2010.

Mr. Lauch briefly described the District's Capital Repairs Fund and noted those funds primarily came from an annual \$500,000 general fund transfer and were directed toward non-bond eligible capital repair projects.

Mr. Lauch discussed the Capital Repairs Fund (CRF) for FY2009-2010 and noted that the unusually high revenue reflected therein came primarily from the City of Eugene's reimbursement to the District. He proceeded to outline several projects that had been funded by the CRF during the current academic year.

Mr. Lauch outlined the projected uses for the CRF for FY2010-2011 and FY2011-2012 and further noted that the technology upgrades referenced therein had previously been paid for by bond funds. He reported that by the end of FY2011-2012 the CRF was expected under current projections to show a deficit of approximately \$925,000.

Mr. Lauch provided information regarding the Sale of Surplus Property Fund (SPF) for FY2009-2010 through FY2011-2012. Mr. Lauch noted that the SPF would earn revenues in FY2009-2010 from the value added tax set aside from the District's sale of its Santa Clara property (\$1.38 million) and a projected net revenue after demolition expenses from the District's fire insurance claim on The Willard School (\$500,000). He reported that the SPF by the end of FY2011-2012 was expected under current projections to show a deficit of approximately \$1,919,000.

Mr. Lauch averred that, should the District intend to carry forward with the capital needs of its schools, it would need to seriously consider a bond measure in the very near future.

Mr. Lauch noted there were currently no plans to sell the demolished portion of the Willard building as a District surplus property.

Ms. Fahey, responding to a question from Ms. Geller, noted that the fleet and equipment reserve fund accounts were higher than they had been in recent years due to the recent postponement of the District's textbook adoption.

Ms. Fahey, responding to a question from Mr. Gleason, noted that staff was particularly concerned about the negative balance projected for the capital funds.

Ms. Geller asked if the fleet and equipment funds were statutorily limited. Ms. Fahey responded that those funds were no longer statutorily limited as of January 2010.

Mr. Lauch noted that staff had performed a three year projection of the District's critical needs with respect to its capital reserves and determined that it would cost approximately \$20 million to address those needs over the next three years.

E. Review General Financial Information regarding School Consolidations

Ms. Fahey presented updated information regarding the District's projected savings resulting from school consolidations. She also noted the one-time general fund and capital fund costs associated with the school consolidations.

Ms. Fahey, responding to a question from Ms. Walston, noted that the cost of one bus route is approximately \$13,000, net of the state reimbursement for transportation costs.

Mr. Torrey believed that the District would make a serious mistake if it did not begin the process of reducing the number of schools within the District immediately. He suggested that that Mr. Lauch and the District staff consider using the fleet funds to pay for the one-time school consolidation costs with the understanding that the District would eventually replenish the fleet funds from the projected savings from the school consolidations. Mr. Torrey expressed his understanding that people in the community were having fewer children and that significant drops in the student population statistics could be expected.

Ms. Smith agreed with Mr. Torrey's comments and recognized the significant impacts on the District's quality of education represented by the school consolidations. She noted that her compassion for those members of the community who were worried about the consolidation of their neighborhood school was diminished when considered in relation to the greater needs of the District and the quality of education provided by the District.

Ms. Clark agreed with Mr. Torrey and Ms. Smith's comments and agreed that careful consolidation strategies were needed in order maximize the benefits of larger, more efficient schools. She believed that larger District schools had the potential to be more effective and house richer curriculums.

Ms. Walston agreed with the previous three speakers and noted that elementary schools might regrettably need to be targeted for consolidation. She strongly advocated that the budget committee be involved in the Board's school consolidation processes sooner rather than later. She further noted from her recent conversations with various District middle school principals that the idea of a consolidated kindergarten through eighth grade school was intriguing.

Superintendent Russell asked the Budget Committee members to clarify their desired direction from the present discussions.

Mr. Torrey hoped that the Budget Committee's direction would bring to the Board a process by which to identify schools that were primary considerations for consolidation. He restated his suggestion that fleet funds be used to pay the one-time consolidation costs and believed that the cost savings provided by the consolidation would replenish those fund amounts.

Mr. Torrey hoped that School District 4J would not find itself in a situation similar to school districts in Kansas City, Missouri which had ultimately been forced to close half of their schools.

Superintendent Russell pointed out that a portion of the Surplus Property Fund reserves had been committed to the school consolidation efforts. Mr. Torrey responded that the fleet reserve funds would only be used for short-term transition costs associated with the school consolidations.

Ms. Laing assumed that the one-time costs associated with District school consolidations and closures presented in the powerpoint had only applied to elementary schools. Ms. Fahey confirmed Ms. Laing's assumption that those were historical elementary consolidation costs.

The Budget Committee members and staff briefly discussed the manner in which fleet reserves and the Surplus Property Fund reserves might be applied to school consolidation costs.

Superintendent Russell noted the Board and the Budget Committee's request to him to begin consideration of the FY2011-2012 budget and the projected shortfalls projected therein. He noted the Board's goal to identify steps to a sustainable budget strategy by the fall of 2010. Superintendent Russell stated he did not see any way for the District to adopt a sustainable budget process without school closures and consolidations.

Ms. Gerot did not see how the District could close a school in the next year.

Ms. Gary believed that school closures and consolidations were an inevitable process for the District and asked if there had been any statistical population formulas used to determine which schools might be closed.

Ms. Gary noted her concern that certain growing communities in the District might be disproportionately impacted by the school consolidation strategies.

Ms. Gary responded to Mr. Torrey's earlier comments regarding Kansas City school districts and believed that a similar situation could not occur in School District 4J. She hoped that any efforts to consolidate schools and resources would be done with an eye toward the specific needs of communities that might be disproportionately impacted.

Mr. Torrey briefly commented on the static nature of the urban growth boundary in Eugene and how such a situation might ultimately affect the number of smaller, younger families who lived in the area and sent their children to 4J schools.

Mr. Torrey and Ms. Gary briefly discussed their respective positions and beliefs regarding the future of District enrollment.

Superintendent Russell, responding to Ms. Gary's previous comment, noted that there were certain District formulas and criteria for determining school closure and consolidation strategies. He noted that some of the criteria and data considered in that regard might be in conflict with itself.

Superintendent Russell commented that the District's projected budget shortfalls could not be accommodated simply by closing schools and that further instructional criteria would most likely need to be considered as the consolidation process moved forward.

Ms. Smith responded to Superintendent Russell's comment and noted that the District would also not be able to deal with projected budget shortfalls by cutting its PE programs or sections of the District's central office.

Ms. Geller maintained it was important for the Budget Committee members to consider what they wanted the District to look like in the future as their discussions progressed. She stressed the importance of allowing adequate discussion and planning time in that regard.

Ms. Boyd agreed with Ms. Geller's comment and believed that the District had not paid enough attention to the elementary schools that had exacerbated the achievement gap.

4. Items for Action

A. Provide Feedback on Proposed 2010-11 Budget Strategies

Ms. Fahey reviewed the budget balancing strategies for FY2009-2010 for the benefit of the Committee.

Superintendent Russell commented on the budget process for the current year and noted that employee compensation adjustments had indeed been made. He noted that the EEA and 4JA employee groups had stepped forward to help the District make collaborative adjustments in order to balance the budget for the current year.

Ms. Fahey stated that the projected budget deficit of \$5.9 million for FY2010-2011 was primarily due to a decrease in state revenues, declining enrollment figures, and the expenditure of reserves for FY2009-2010. Ms. Fahey proceeded to outline more detailed information regarding the manner in which the reserve funds had been applied.

Ms. Fahey presented information on the District's budget strategies with respect to the \$5.9 million deficit for FY2010-2011.

Ms. Bellamy conducted a clicker exercise survey similar to those that had been conducted at the previous budget forum sessions and the recent SSAC meeting.

Ms. Geller asked the Budget Committee members to provide additional feedback regarding the budget strategies to Superintendent Russell.

Ms. Levis asked if data was available regarding the costs of the initiatives and programs recommended in the Equity Committee's report. Superintendent Russell responded that funds for those recommendations might come from central service cuts and certain instructional areas. He further noted that any funds redirected toward the Equity Committee's recommendation might take funding away from other priority items such as the math curriculum adoption or the District's PE programs.

Superintendent Russell recognized from the Committee's responses to the budget forum questions that the District's PE programs were not a high priority for them to retain.

Superintendent Russell referenced the Budget Committee's responses to the budget forum questions and noted that further Committee discussion regarding those budget strategies the members did not support would be helpful.

Ms. Geller reminded the Budget Committee that the School District 4J Board would be voting on the math curriculum adoption on March 17, 2010.

Mr. Hermanns noted he was available to answer any Committee questions regarding the proposed math curriculum adoption.

Ms. Boyd asked why the District had not considered eliminating one school day during the current year and maintained that it was a strategy that would allow the District to preserve staff and benefits. She further suggested that more effective District strategies for identifying free or reduced lunch (FRL) students at the middle and high school levels would be helpful in securing additional State funding assistance. Ms. Fahey responded that the District's new nutrition services management team had been working to identify additional FRL students at the secondary level. She further clarified elements of the State funding process for FRL students.

Superintendent Russell responded to suggestions that the District eliminate an additional school day rather than cut elements of its PE programs. He noted that such a strategy would involve certain labor negotiations and that further Budget Committee discussion regarding the matter would be helpful.

Mr. Smith reminded the Committee that the Board was scheduled to vote on the math curriculum adoption on March 17, 2010 and that the current meeting was the Budget Committee's last opportunity to offer feedback regarding the matter.

Ms. Smith supported the math curriculum adoption. She further noted that she would rather see the District cut additional school days rather than make cuts to its PE programs.

Ms. Clark noted she had heard a significant amount of community support regarding the math curriculum adoption. She believed that the overall performance of the District curricula could be improved. Ms. Laing agreed with Ms. Clark's comments.

Mr. Gribskov asked if the Committee needed to raise and vote on a motion regarding the math curriculum adoption. Mr. Smith noted that such an action was not necessary.

Ms. Gary supported the math curriculum adoption and noted that it had several long range implications for District students as they transitioned to the university level.

Ms. Boyd supported the math curriculum adoption and appreciated that the Budget Committee had been involved with the discussions surrounding it. She hoped that the adoption of the math curriculum could be executed in conjunction with District strategies to preserve staff.

Ms. Geller recognized there were no further Committee comments regarding the math curriculum adoption and opened the meeting to a more general discussion of the District's budget strategies that had been put forth.

Mr. Torrey supported the maintenance of current District PE program staffing levels and believed that there were various equity concerns that might be adversely affected should the District choose to implement cuts to its PE programs.

Mr. Smith reminded the Committee that the District had augmented its PE programs two to three years ago and that the current question regarding proposed cuts to those programs essentially concerned whether or not the District would maintain the current augmented levels. He noted that the proposed cuts to the District's PE programs did not entirely eliminate physical education from District schools.

Ms. Hays recognized that all of the Budget Committee members and staff recognized the enormous value of physical education within the District but also recognized that there were serious funding and budget problems within the District that needed to be addressed.

Mr. Gleason responded to Ms. Hays' comment and further noted that with respect to suggestions that the District cut additional school days that the District's students were not in school enough already. He hoped that the Budget Committee would consider the larger framework of the proposed budget strategies rather than simply eliminating line items in order to deal with the current and projected budget shortfalls.

Ms. Walston asked for information regarding the effects of the budget strategy to eliminate the 9.6 licensed FTE stability staffing pool. Superintendent Russell noted that those FTE positions represented the remainder of the District's stability staffing pool. Mr. Hermanns briefly discussed how the stability staffing pool had historically been funded and operated within the District.

Mr. Hermanns elaborated on the proposed cuts to the stability staffing pool and the District's PE programs and recognized that any form of cuts to District programs were difficult to make and would significantly affect the quality and scope of education provided by the District.

Mr. Hermanns reminded the Committee members that the proposed PE program cuts did not entirely eliminate physical education from District school but rather scaled down those programs to 2007 levels. He noted that the current augmented PE program staffing levels were not sustainable given current budget conditions.

Mr. Hermanns briefly discussed the District's anticipated budget gaps for the next two years and noted that the central office would soon initiate a series of conversations with school principals that were designed to develop efficient and innovative budget strategies.

Ms. Boyd was unsettled by the discussion regarding the elimination of the stability staffing pool and recalled how the pool had been used by the District's central administration to even out vagaries in staffing throughout the District. She asked Mr. Hermanns to more carefully consider the historical narrative regarding the impact and usefulness of the stability staffing pool. Mr. Hermanns was appreciative of Ms. Boyd's comments and offered to meet with her to discuss her comments regarding the stability staffing pool.

Mr. Torrey recalled a School District 4J serial levy that had once been passed by the people of the City of Eugene and felt it was important for the Budget Committee, the Board and the 4J staff to hold more detailed and in-depth discussions regarding the District's approaches to the basic education needs of its students.

Ms. Levis responded to Mr. Torrey's comments and noted that there did not seem to be any other alternative strategies on the table other than the elimination of another school day from the District calendar.

Ms. Geller stated that the Budget Committee needed to provide guidance to the 4J Board and understood from the Committee discussion that there did not seem to be a consensus regarding any of the line item cuts represented in the proposed budget strategies.

Ms. Levis was concerned that she did not know what the alternatives to cuts to the District's PE programs were with respect to the budget strategies. Ms. Geller responded that the basic alternative strategies were for the District to cut additional school days from its calendar, an increased utilization of reserve funds, or cuts to other District program areas.

Ms. Clark asked for information regarding the District's PE programs should the proposals to cut the PE staffing down from its current augmented levels be adopted. Ms. Cramer responded that there was no District-wide way to interpret Ms. Clark's question and that the precise form of PE classes without the current augmentations would be determined by each individual school. Ms. Cramer further expressed that, when considered in relation to the amount of FTE positions in elementary and middle schools that might be eliminated by the PE program cuts, it would not be overly burdensome for those twenty-four schools to compensate for their PE classes using available resources.

Ms. Cramer briefly discussed the difficult staffing choices represented by the proposed budget strategies and wished to dispel a prevailing notion that District elementary schools had dedicated librarians.

Superintendent Russell responded to Ms. Cramer's comments and clarified that the proposed PE program cuts would eliminate program staffing for physical education at District elementary and middle schools.

He further noted that those schools would subsequently need to make individual staffing determinations regarding the nature of the physical education classes and activities.

Ms. Fahey clarified that the four FTE augmented PE staff positions was made up of 2.58 FTE for the District's elementary schools and 1.41 for the middle schools. She further noted that all of the District middle and elementary schools had been served by the augmented PE staffing FTE positions.

Mr. Smith noted that alternative strategies for maintaining the current augmented PE program staffing levels might be discussed with Superintendent Russell at a future Budget Committee meeting.

Ms. Walston noted it would be important to consider the timelines and any associated union negotiations that might be involved with the elimination of additional school days or any other strategies that might affect District staffing.

Ms. Gerot noted her concern that the District might not be able to enact further cuts to its program areas and accommodate increased graduation requirements without the support systems of the District's central administration office.

Ms. Levis asked if after listening to the Budget Committee's testimony Superintendent Russell could consider any more feasible program areas to cut other than those that had already been discussed. Superintendent Russell responded that the proposed cuts represented the best thinking of the staff and the best available budget strategy for the District. He stated that other elements that had been suggested for possible cuts had been determined to be even less viable than the current items under discussion. Superintendent Russell noted his concern that there were still unknown variables with regard to the proposed cuts and those cuts might still not allow the District to develop and maintain a sustainable budget.

Ms. Levis recognized that the current discussions represented the tough decisions that needed to be made in order to ensure the continued viability of the District.

Mr. Gleason believed it had become increasingly difficult to determine how to best utilize the District's reserve funds and felt it would be useful for the Budget Committee to consider other choices.

Ms. Smith stated that it would be short-sighted for the District to utilize reserve funds without a concurrent strategy for rebuilding those funds. She felt that the District was at a "game-changing moment" where the current funding model was unsustainable. She further stated that the District needed to scale back many elements in order to provide basic education strategies that would benefit the students.

Ms. Geller recognized from the discussions that the Budget Committee was generally supportive of the staff-recommended strategies but had also expressed a desire for alternative strategies to be investigated in greater detail.

Superintendent Russell sensed that there was not enough support from the Budget Committee to warrant further investigation of alternative budget strategies.

Ms. Levis wanted to see more data regarding the use of the District's reserve funding options to address budget shortfalls. Superintendent Russell responded that without the use of the reserve funds the only remaining strategies would be to increase student to teacher staffing ratios and cuts to the central administration office.

Superintendent Russell responded that if the District was not going to utilize reserve funds the only remaining options would be areas that had already been identified as off-limits by the Budget Committee members such as increased student/teacher ratios, cuts to the central administration office, and eliminations of various District initiatives.

Mr. Torrey did not know for certain that the Budget Committee had ever definitively and collectively identified the District's PE programs as an area that would be acceptable to cut or reduce. Mr. Torrey suggested he would be willing to make a motion in order to definitely determine the Committee's position in that regard.

Ms. Gerot understood that the citizen members of the Budget Committee had collectively supported the proposed cuts to the District's PE programs.

Superintendent Russell asked Mr. Torrey if he wished to conduct a straw poll in order to gauge the Committee's collective position regarding the proposed cuts to District's PE programs

The Budget Committee members briefly discussed how they wished Superintendent Russell to return to the School District 4J board with the Committee's recommendations and input with particular emphasis on the Committee's consideration of cuts to the District's PE programs.

Ms. Geller called for an informal vote regarding the Committee's collective position regarding the proposed cuts to District PE programs and as reflected in Mr. Torrey's earlier comments. Six members of the Budget Committee responded affirmatively that they would like to look at other options.

Ms. Smith hoped that the Budget Committee would pursue the notion of the elimination of an additional day from the District calendar. Superintendent Russell responded that the timing of the negotiations that would be involved in that course of action might be difficult in relation to the District's budget processes.

Ms. Walston noted that District students had almost unanimously voted to reduce funding for high school athletics programs in order to accommodate the District's budget shortfalls and asked if such a strategy had been investigated in any further detail by staff. Superintendent Russell reminded Ms. Walston that the District had already made cuts to certain areas of its athletics programs during FY2009-2010 and that much of the money for those programs came from parent and booster club fundraising.

Ms. Geller understood from the meeting discussion that the Committee wanted Superintendent Russell and District staff to explore the elimination of an additional school day. Ms. Hays asked Superintendent Russell if an informal straw poll vote would be helpful to in order to provide Superintendent Russell with clearer direction in that regard. Superintendent Russell responded that the timing of the District's budget process in relation to any of the required negotiations for an additional eliminated school day would make any such straw poll vote superfluous.

Ms. Boyd asked for further clarification from Superintendent Russell regarding the timing of the required negotiation process that would be necessary with any budget strategies that involved District staffing. She further noted that during the previous year certain staffing negotiations had been conducted that had allowed reallocations of staff days and revisions to student ratios. Superintendent Russell replied that during the previous year the District had asked the employee groups to voluntarily open their contracts for discussions. He noted that formal negotiations with the teachers unions were expected to begin soon.

Ms. Geller recognized that the choices faced by the Budget Committee members had been difficult and appreciated the thoughtful and articulate comments that had been offered.

B. Set Date for Next Budget Committee Meeting

Superintendent Russell asked the Budget Committee members if they wanted to meet any earlier than their next scheduled meeting in May of 2010. He noted that if the Budget Committee members did indeed want Superintendent Russell to investigate additional alternative budget strategies in the interim it might be worthwhile to meet and discuss those strategies in greater detail before the May meeting.

Ms. Fahey believed that based on the discussions from the meeting that it would not be necessary for the Budget Committee to meet again before May.

Ms. Geller confirmed that the next regular Budget Committee meeting had been scheduled for May 10, 2010 at 7:00 p.m. and asked for a motion regarding the same.

Ms. Hays, seconded by Mr. Smith moved to set the next meeting of the School District 4J Budget Committee for May 10, 2010. The motion passed unanimously, 14:0.

5. Items Raised by Members of the Budget Committee

Ms. Geller noted that before she had joined the 4J Board she had served on a gubernatorial task force on comprehensive revenue restructuring. She noted from her experience on that task force the importance of economic forecasting as well as the importance of developing a sustainable rainy day fund for the District. She agreed that there were structural budget problems within the District and encouraged the Budget Committee members and staff to work together in order to solve them.

6. Adjournment

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

(Recorded by *Wade Hicks*)

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)

MINUTES

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

June 2, 2010
7 p.m.

PRESENT: Jennifer Geller, Chair; Carla Gary, Vice Chair; Betsy Boyd, Shirley Clark, Beth Gerot, Tim Gleason, Pete Gribkov, Alicia Hays, Wendy Laing, Ann Marie Levis, Craig Smith, Debra Smith, Jim Torrey, Mary Walston, members; George Russell, Superintendent of Schools; Carl Hermanns, Barb Bellamy, Susan Fahey, Caroline Passerotti, Celia Feres-Johnson, Christine Nesbitt, Laurie Moses, Rick Gaultney, Carmen Urbina, Jeralynn Beghetto, Sara Cramer, Denisa Taylor, Bob Bolden, Larry Sullivan, Les Moore, John Ewing, School District 4J staff.

I. Roll Call

Ms. Geller called the roll.

II. Items Raised by the Audience

Paul Duchin, co-president of the Eugene Education Association (EEA) determined from 4J Board of Directors Chair Smith that the board would hold a hearing on the recommendation of the Budget Committee, and the committee would discuss possible adjustments to that budget in light of the most recent State revenue forecast. Mr. Duchin acknowledged he did not know the current status of the new math curriculum but recommended it be postponed and instead be piloted with the assistance of the publisher, perhaps at no or low cost to the district. He agreed the new books were needed but suggested that at cost of \$2 million, they would come at the expense of teachers or student days.

EEA co-president **Merri Steele** asked that the district consider closing schools, saying there were many small schools that were aware of the potential of consolidation and having those schools remain open was “agonizing” for some. Such small schools also had a problem providing a robust curriculum for students and many were struggling with low teacher and student numbers. Ms. Steele believed that such closures could realize near-term savings for the district.

Mr. Duchin believed that there were open administrator positions that could be used creatively to ensure that no one lost their job and that it would realize true savings now rather than projected savings. Speaking to the issue of federal funding, Mr. Duchin did not know when the money would arrive but said the National Education Association believed it would and suggested it was a question of “when” rather than “if” the money was allocated to the states. He urged patience. He said that Congress would expect the money to be used to retain teachers and that was what it should be used for. He also urged the committee to spend the district’s reserves to avoid layoffs.

Ms. Hays arrived.

Peter Tromba, representing 4J Administrators, said his members were concerned that some of the

compensation strategies the committee would discuss would not apply equally to all employee groups. The administrators were not organized and had less leverage and members often felt they were an easy target. He advocated for equal cuts, and said that cut days should affect all employees, not just administrators. Central Office administrators were as essential to the functioning of schools as the staff in schools.

III. Items for Action at This Meeting

A. Provide Feedback on 2010-11 Budget Rebalancing Steps

Superintendent George Russell thanked the committee for its willingness to meet on short notice. He noted the recent announcement by Governor Ted Kulongoski regarding the State revenue shortfall and the impact that would have on schools and indicated that Oregon would likely have a lower level of funding in 2011-13 than it would in the current biennium.

Ms. Boyd arrived.

Superintendent Russell recalled that when the committee last met, the district had “closed the book” on the 2010-2011 budget and was discussing a sustainable budget for 2011-2013. Unfortunately, the revenue outlook had changed. He now anticipated an additional \$7 million shortfall for next year.

Speaking to the issue of federal funding, Superintendent Russell indicated that for the time being, he understood that the legislation to send \$28 billion to the states to mitigate teacher layoffs did not appear to be moving forward at this time. Superintendent Russell deferred to Assistant Superintendent Carl Hermanns for comment on the math curriculum.

Mr. Hermanns expressed appreciation for the remarks of Mr. Duchin and Ms. Steele and acknowledged their concerns. He clarified that the amount adopted and allocated for the math curriculum was actually \$1.5 million, not \$2 million as suggested by Mr. Duchin. He said the district had contracted for about \$1.3 million of that amount; there was \$800,000 out in purchase orders and \$500,000 was contractually obligated for middle school curriculum. The other \$200,000 would be used for professional development. Mr. Hermanns said the curriculum in question was being developed for the district to meet the needs of its students.

In regard to the district’s decision to fund the math curriculum, Mr. Hermanns noted that Oregon graduation requirements called for three credits of math in algebra 1 and above. He provided statistical information on student groups not meeting or exceeding benchmarks to demonstrate that 4J students were struggling with math. Teachers were also struggling because the current math curriculum did not address standards. He believed the curriculum needed to be in the hands of the teachers. He said if the district did not go ahead with math adoption, it would lack the needed materials to assist students and teachers and in 2011-12 would be losing staffing anyway without having the curriculum.

In regard to the potential of other funding that might be available in the future, Mr. Smith reported to the committee that the school board met with several legislators earlier that day and one had indicated that the State was in a reset mode that created the need for long-term thinking.

Speaking to the potential of additional federal funding, Mr. Torrey said he understood that the district could not budget on expectations. He did not think the district would know whether that money was forthcoming until later in the year.

Responding to a question from Ms. Levis, Mr. Hermanns believed the district would have to pay a substantial penalty to get out of its commitment to the math curriculum because the curriculum was being created for the district.

Ms. Fahey discussed the revenue shortfall, which she attributed to poor income tax collections. She reported that Governor Ted Kulongoski planned to make across-the-board cuts to the State budget, and the district received information that indicated 4J's share of the revenue reduction was \$6.8 million.

The committee was provided with a document entitled *Comparison between May 2010 and June 2010 Forecasts*, which Ms. Fahey reviewed. She called attention to 2010-11 Budget Costing Information printed on the back of the comparison, which provided cost estimates for various potential budget reductions that had been discussed by the committee in the past. Ms. Fahey reviewed the costs related to each item.

Responding to a question from Ms. Levis, Ms. Fahey said there were scenarios involving small school consolidations that could be accomplished quickly. Ms. Levis suggested there were also public involvement issues involved and a cost to that. Responding to a question from Ms. Geller, Ms. Fahey said the cost to close a small school was about \$40,000, and there were still net savings in the first year.

Ms. Boyd asked about the savings that might be realized from adjusting the student-teacher ratio at different levels, e.g., protect high school but reduce the elementary ratio. Ms. Fahey said the district could do that but she did not know what that would save without further investigation.

Superintendent Russell called attention to his recommendations to reduce the shortfall, which were provided to committee members. He acknowledged he was recommending the use of one-time dollars. He suggested that the committee could also consider use of the Unappropriated Ending Fund Balance (UEFB), and while it would be difficult from a political and operational standpoint to close schools, that could be done. He recalled that the board had wanted to see a more comprehensive plan before it closed schools, but he said the district was in a fiscal crisis that might force it into approaches the board had not previously supported. He believed that either wage reductions were in order or people had to be laid off to make substantial inroads into the shortfall. He acknowledged the board could reduce reserves. Superintendent Russell asked for direction about the recommendation and about what reductions the committee could not support. He was also willing to reconsider the staffing ratio.

Mr. Smith said that Representative Phil Barnhart indicated to the board there was no certainty about the State funding available to the district next year, and there could be further adjustments that would not be fully known until September 2010. He believed the figures the committee was discussing now were also uncertain.

Responding to a question from Ms. Smith, Superintendent Russell indicated that the district had to bargain the number of school days with the EEA. The only real unilateral action he could take was to change the staffing ratio and effect layoffs. Superintendent Russell noted that some districts were cutting days this year to improve their position for next year.

Mr. Gleason saw no other place to find money outside the ratios. Superintendent Russell acknowledged that was true if funding was to be sustainable.

Responding to a question from Ms. Laing, Ms. Fahey indicated that the district reduced the net athletic budget the previous year by \$100,000. Responding to a follow-up question from Ms. Laing, Ms. Moses indicated that there would be little savings from the OSAA realignment and she believed it was premature

to anticipate any revenue gain.

Responding to a question from Ms. Boyd, Ms. Fahey confirmed the reductions that affected teachers the previous year.

Ms. Levis asked Superintendent Russell to think through an elementary school closure. She asked if closing two to three elementary schools now could leave the district with flexibility in the future. Superintendent Russell said that it depended on the timing, and pointed out if the committee recommended the closure of schools now, it limited some of the board's options for later discussion in 2011-2013.

Ms. Levis indicated that because there would be no time for public input or appropriate restructuring, she would take elementary school closures off the table at this time. She believed staffing ratios were the only choice left to the district.

Ms. Geller was also concerned that a decision now to close an elementary school would preclude the board from taking a comprehensive approach to the issue of school closures later. She wondered if there other approaches, such as not filling vacant administrative positions, that could be used to realize savings. Speaking to the reserves, she expressed concern about going below the levels mentioned. She acknowledged the difficult work done by teachers and thought the existing staffing ratio was untenable in some circumstances. She said that class sizes needed to be workable for teachers.

Speaking to the issue of school days versus staffing ratios, Mr. Smith said the district was near to providing the minimum number of school days, which had its own legal implications. He also did not see an option outside of the staffing ratio.

Superintendent Russell surmised from the discussion that the use of reserves was off the table, as was the topic of school closures. He believed that the staffing ratio might be the only remaining option.

Ms. Walston did not see the committee had any option other than the staffing ratio. She agreed with Ms. Levis about school closures. She would also take reducing the reserves off the table.

Ms. Smith agreed with remarks about the reserves given there was no money to replenish them, but wondered if there was an opportunity to bundle a reserve strategy with a school closure strategy. The district could use the reserves to buy it the time needed to look comprehensively at the school closure issue.

Ms. Gerot agreed with Ms. Levis. She wanted to see the district close schools thoughtfully and did not want to make decisions now that precluded future board decisions. She agreed that ratios were the remaining option. She was ambivalent about a one percent UEFB but liked Ms. Smith's remarks about a strategy that combined that with some savings from school closures in the future. She thought the fact there was no money to replenish the reserves was a significant fact the committee needed to consider.

Ms. Hays was not interested in making decisions about school closures without a more strategic approach. She expressed appreciation for Ms. Smith's suggestion about a bundled approach. In regard to the reserves, she said the district had already spent down much of its reserves. Speaking to teacher-student ratios, she spoke to the issue of "seat time" and the children in the large classes most effected by a reduced ratio. She said that large classes increased the achievement gap. She expressed appreciation to the bargaining units for stepping up last year and hoped that the district was able to work out some compromises with the EEA again this year.

Mr. Smith spoke to Ms. Smith's suggestion, saying it was a bridge strategy but there was no place to bridge to given the size of the anticipated deficits.

Ms. Clark agreed there was not sufficient time for the public to weigh in on school closures this year. She suggested it might not be unreasonable to use a modest amount of the reserves as a band aid for next year while the district worked toward a longer term solution. She did not think the district had much of an option but to consider some combination of an increased ratio and some reduction in school days. She advocated for the new math curriculum, anticipating it would improve the performance of district children and help bridge the achievement gap. She acknowledged none of the options were good.

Mr. Gleason believed the magnitude of the problem was such that the superintendent needed all the tools he listed and more. He called on committee members to consider additional solutions to help bridge the gap and called for a more comprehensive and holistic review. He agreed about the subject of retaining the reserves.

Ms. Gary agreed with much of what had been said and believed the discussion had far-reaching implications for minority students in the district as well as their families and quality of life. She suggested that the district was facing the "rainy day" that required it to spend its reserves.

Ms. Gary expressed appreciation for Ms. Smith's remarks and agreed with Mr. Gleason that the district needed to consider all options. She called for a community conversation regarding the school closure issue.

Ms. Gary believed that now was the time for the community to "buck up" and make hard choices because it was in the midst of a mess with profound implications for a changing community. She believed it was the shape of things to come.

Mr. Gribskov believed the committee had more work to do. He suggested that the district could borrow from the reserves with a firm plan to pay the reserves back.

V. Items Raised by Members of the Budget Committee

Ms. Walston hoped the community would join the committee when it had further discussion. She expressed appreciation for Ms. Gary's comments.

Ms. Geller hoped the community understood the nature of the conversation the committee was having. She said the State had experienced a couple of decades of underinvestment in education that was now creating the need for a very difficult conversation that was new territory for the district.

VI. Adjournment

Ms. Geller adjourned the meeting at 7:24 p.m.

(Recorded by Kimberly Young)