

**LANE COUNTY SCHOOL DISTRICT 4J
(EUGENE PUBLIC SCHOOLS)
LONG-TERM FINANCIAL FORECAST**

2008–09 — 2012–13

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FORECAST FRAMEWORK

This financial forecast has been prepared in response to the district's adopted management goal of maintaining long-term financial stability. The forecast establishes key assumptions underlying the projections and identifies variables which may cause the projections to change. Its purpose is to provide the fullest picture of the district's financial future so that decision-making today can support high quality and innovative educational programs tomorrow.

In Board Policy DA, the district's Financial Management Goals and Policies provide the framework for financial planning and decision-making by the school board, budget committee, and district staff.

1. *"The district will establish a financial base sufficient to support high quality and innovative educational programs which meet community needs."*
2. *"The district will follow prudent and professional financial management practices in order to achieve and maintain long-term financial stability."*
3. *"The district will demonstrate to the taxpayers of the district and the financial community that its schools are well managed."*
4. *"The district will provide cost effective services to citizens by cooperating with other educational, government, and non-profit agencies."*

5. *"The district will have an adequate capital improvement program that maintains existing district assets, provides for student and employee safety, maintains a quality instructional environment, and allows for enhancements that are necessary to meet changes in enrollment."*

6. *"The district will continually review and improve its formal budget document and other financial information so that it clearly and openly communicates its resources, expenditures, and financial position."*

7. *"The district will communicate, as permitted by law, with its employees and the community so that they understand the district's program requirements and financial status."*

Board Policy DI provides additional direction for the planning and allocation of resources:

1. *"The district estimates revenues, operating and capital expenditures, and debt service every year for the following five years. Annually, the superintendent will propose a financial forecast that is reviewed and potentially modified by the budget committee or board. This forecast serves as the basis for budget instructions to the superintendent for the following year and for other financial planning activities."*

GENERAL FUND FORECAST

Summary of Long-Term Forecast – General Fund

This document provides in-depth information on the development of Lane County School District 4J's financial forecast. Results are summarized below. The accompanying pages are integral to understanding this summary information. As the chart below indicates, operating losses are projected in every year of the four-year forecast, assuming over \$25 million in budget reduction strategies for 2008-09 and 2009-10. See page 21 for detail of proposed 2009-10 reductions.

Annual Operating Deficit (in thousands)				
2008–09	2009–10	2010–11	2011–12	2012–13
(\$4,196)	(\$9,354)	(\$9,809)	(\$21,932)	(\$25,164)
Annual Reductions Required, Assuming Use of Reserves above 5% and Annual Corrective Action Taken:				
\$0	\$0	(\$12,610)	(\$7,024)	(\$3,312)

Ending Fund Balance (in thousands)				
2008–09	2009–10	2010–11	2011–12	2012–13
\$13,835	\$5,450	\$6,870	\$6,940	\$7,090
Percent of Operating Revenues:				
9.4%	4.1%	5.0%	5.0%	5.0%

Key Messages

- This forecast has been developed in a time of unprecedented uncertainty and a global economic crisis.
- State and local revenues are projected to drop dramatically in 2009-10 from the impact of the recession on personal and corporate income taxes, local property taxes, and earnings on investments.
- The district's revenue shortfall resulted in a \$21 million operating deficit in 2009-10, the largest in district history.
- A combination of on-going and one-time budget reduction strategies is proposed to address this deficit.
- Economic recovery in Oregon is expected to lag the rest of the nation because state revenues rely heavily on income taxes.
- PERS rates charged to employers are projected to increase by approximately 8% in the 2011-13 biennium as a result of poor investment performance in the 2007-09 biennium. This represents approximately \$6 million to the district.
- Continued operating deficits and required corrective actions are predicted for every year of the forecast.

GENERAL FUND FORECAST

OVERVIEW

This forecast has been developed in a time of unprecedented uncertainty and a global economic crisis. Until November 2008, regional economists believed that the recession building in other parts of the nation and the world might not impact Oregon to the same extent. Since that time, however, each successive state economic forecast has predicted increasingly severe declines in state revenue from personal and corporate income taxes and dramatic increases in statewide unemployment. Only in recent weeks have economists noted slow, modest improvements in the U.S. economy. At this point, however, deterioration has only slowed and a turnaround is not predicted until later in the year.

Beginning in November 2008, state economists predicted state general fund deficits for both the current year and the next biennium. Based on the December forecast, Governor Kulongoski announced State School Fund reductions for 2008-09 and recommended a K-12 education budget of \$6.39 billion for the next biennium with a supplement of \$160 million from the state Education Stability Fund. Proposed amounts for 2009-10 represented a 4.9% increase over the legislatively approved K-12 budget, slightly below the Essential Budget Level (EBL) projected by the Legislative Revenue Office.

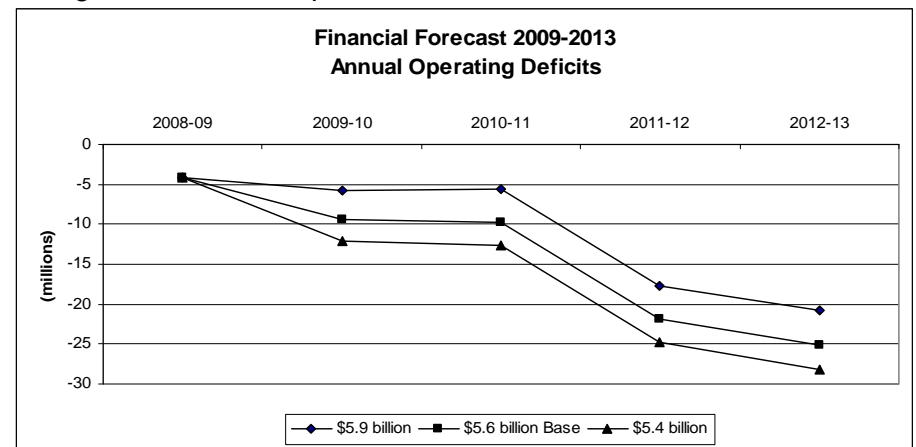
The March 2009 forecast predicted a dramatic drop in state revenues and a \$3.0 billion shortfall for the 2009-11 biennium, \$1.7 billion lower than predicted in the December forecast. In the same time period, President Obama approved a strong initiative to stabilize the national economy and save and create jobs, the American Recovery and Reinvestment Act (ARRA) of 2009. This effort included substantial sums to stabilize state funding to schools and bolster existing programs serving high needs students in 2008-09, 2009-10 and 2010-11.

In April 2009, the Governor and State Education Superintendent Castillo recommended that school districts base their 2009-10 budgets on a state funding level ranging from \$5.4 billion to \$5.9 billion. They indicated that all available federal stimulus dollars and state reserves,

the Oregon Education Stability Fund and Rainy Day Fund, would be utilized to meet these funding levels. Economic declines began to slow but high levels of unemployment persisted.

In consideration of this information, the district's base financial forecast has been built on a lower state funding level of \$5.6 billion. Even with offsetting benefits of local option levy proceeds and new federal assistance under ARRA, the direct result of this is a \$21.0 million deficit for 2009-10. Compounding financial stress, low investment returns in the 2009-11 biennium are expected to result in an increase in PERS rates of at least eight percentage points in the 2011-13 biennium. Additionally, district enrollment continues to decline, resulting in lower per pupil revenue from the state.

This financial forecast assumes \$4.3 million in planned cost reductions in 2008-09 and \$21.0 million in budget reduction strategies to achieve a balanced budget in 2009-10. Annual operating deficits will depend on the level of funding ultimately approved by the 2009 state legislature. The following chart illustrates forecasted deficits under three funding scenarios: \$5.4 billion, \$5.6 million (base forecast) and \$5.9 billion. Even at the highest level of funding, significant deficits persist throughout the forecast period.



GENERAL FUND FORECAST

REVENUE

State Economic and Revenue Forecast

With 87% of the district's general fund revenue determined under the State School Fund formula, the health of state general fund resources has a direct impact on district operations and the delivery of instructional services to students. The state Economic and Revenue Forecast, published quarterly by the Office of Economic Analysis (OEA), is utilized to forecast state funding to schools.

The March 2009 state forecast predicted that in 2009-11 state general fund revenues would fall \$3.1 billion short of the \$17 billion needed to maintain programs at current service levels. This gap was \$1.7 billion greater than anticipated in December 2008 when the Governor presented his recommended budget for the next biennium. Projected revenue declines are based on lower corporate income taxes and lottery earnings. A 10% increase in personal income taxes primarily reflected the absence of the \$1.1 billion kicker rebate distributed in the prior biennium.

In Oregon, the recession took a sharp turn downward in the fourth quarter of 2008. The financial crisis and steep drops in consumer spending spread the recession throughout the state economy. From December 2007 to December 2008, about two thirds of all job losses occurred in the last quarter of 2008.

Fourth quarter 2008 job losses were reported at an annualized rate of 6.8%, much greater than expected and the largest single quarterly decline since 1990. Losses were felt in most sectors, with heavy declines in manufacturing, construction, retail and wholesale trade, transportation, warehousing and utilities, professional and business services, financial activities and local government education.

The Oregon housing market is considered to be relatively better off than in other states. While Oregon's housing appreciation has seen several years of strong increases, the housing correction has less to adjust to

than some other western states. The correction of the "housing bubble" is unlikely to further erode the Oregon housing market. Home price declines and increased foreclosures would be caused by a deepening recession instead.

Economic recovery is expected to begin the summer of 2009 but growth will remain below its potential through early 2010. Specific projections include the following:

- Housing market slide will continue through mid-2009;
- Tight credit markets will constrain spending by households, businesses and governments; and
- Job losses will continue in 2009; growth is positive but very weak in 2010.

Identifying the major risks facing the Oregon economy, the OEA sees the nation's financial system and freezing of credit markets as a main factor in determining the depth and length of the downturn. Other potential risks include prolonged housing market instability, the effectiveness of the nearly-global government stimulus, the extent of the global downturn, appreciation of the U.S. dollar slowing exports, geopolitical disruptions, and ballot measures that have adverse economic impact.

Oregon's recovery from recessions typically lags the nation since consumer confidence and spending, which generates sales tax revenue, is generally restored prior to increases in employment. Oregon's tax structure and strong reliance on income tax revenues position the state differently in its ability to weather recessions. Continuing high levels of unemployment in Oregon are expected to delay statewide economic recovery.

The Oregon Employment Department reported seasonally adjusted unemployment for the state of 12.1% for March 2009. The seasonally adjusted unemployment rate for Lane County reached 13.1%. The national unemployment rate was 8.5%.

GENERAL FUND FORECAST

As of this writing, state legislators are awaiting the announcement of the May 2009 State Economic and Revenue Forecast and budget recommendations from the Joint Ways and Means Committee. The general expectation is that the projected state revenue shortfall will grow another \$1 billion over the March forecast to \$4 billion.

State School Fund Revenue

Oregon school districts receive most of their funding for general operations through the State School Fund formula, where local property taxes, state general fund monies and other “local revenues” are combined statewide and redistributed through a weighted per student formula. A key piece of the formula is the level of state funding allocated by the legislature for K–12 education each biennium. The 2009 legislature is currently involved in deliberations and expects to adopt a budget for 2009-11 by June 30, 2009.

The state legislature is expected to use all available sources of funding, including ARRA State Fiscal Stabilization Fund dollars and reserves from the Oregon Rainy Day Fund and Education Stability Fund, to balance the 2009-11 budget. Given the possibility of an even greater revenue shortfall than projected in March, the legislature may refer a tax measure to voters to generate additional funding. Until legislative action is taken, however, state funding for schools in the 2009-11 biennium remains uncertain. Should a portion of the state education budget depend upon voter approval, the ability to rely upon that revenue will be delayed until after the election.

As noted above, in April the Governor and State Education Superintendent advised school districts to anticipate a level of state funding ranging from \$5.4 billion to \$5.9 billion in developing their budgets. With per pupil funding amount ranging from \$5,781 to \$6,136, the difference in these funding levels represents \$7 million to School District 4J. In the face of a continuing state budget crisis, the district’s base financial forecast has been built on a more conservative funding level of \$5.6 billion, or \$5,923 per pupil.

The chart below shows the volatility of per pupil funding (including School Improvement Fund grants) over the last several years.

Changes in State Per Pupil Funding							
02–03	03–04	04–05	05–06	06–07	07–08	08–09	09-10
\$4,702	\$5,296	\$5,006	\$5,437	\$5,788	\$6,340	\$6,278	\$5,923
(7.3%)	12.6%	(5.5%)	8.6%	6.5%	9.5%	(1.0%)	(5.7%)

The state also directs funds to school districts to offset the cost of educating students for whom costs exceed \$30,000 per year. The forecast includes \$1.2 million from this High Cost Disability Grant in 2009-10, \$370,000 higher than budgeted in 2008-09. Proceeds are projected to increase by the rate of inflation in future years.

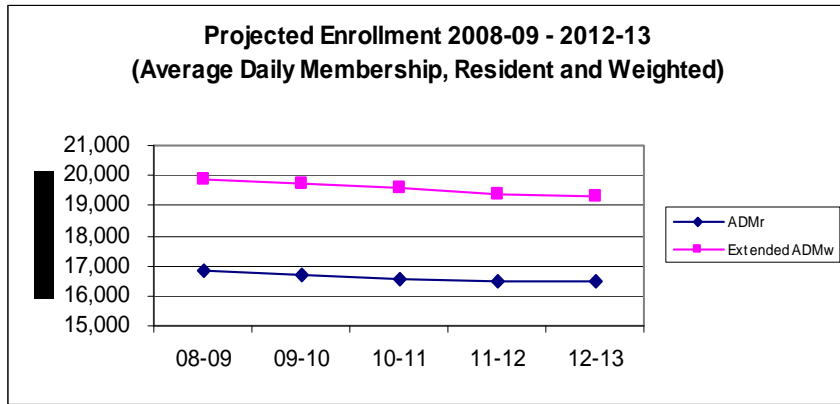
Enrollment

Enrollment, defined in terms of resident Average Daily Membership (ADM_r), is expected to continue declining over the life of the forecast, with student counts stabilizing beginning in 2012-13.

The forecast assumes a decline of 236.5 ADM_r, representing a 234.6 decrease in regular programs and a 1.9 ADM_r decrease in charter school enrollment as charters reach their enrollment caps. Participation in alternative education programs is projected to remain at the current level. A proposed decrease in funding for tuition payments to alternative education schools may alter these projections.

State funding is allocated on the basis of ADM_w or Average Daily Membership, weighted to reflect the number of special needs students receiving English Language Learner (ELL) services, assigned Individualized Education Programs, enrolled in Pregnant and Parenting programs, living in poverty, or in foster care or neglected/delinquent. ADM_w is also projected to decline.

GENERAL FUND FORECAST



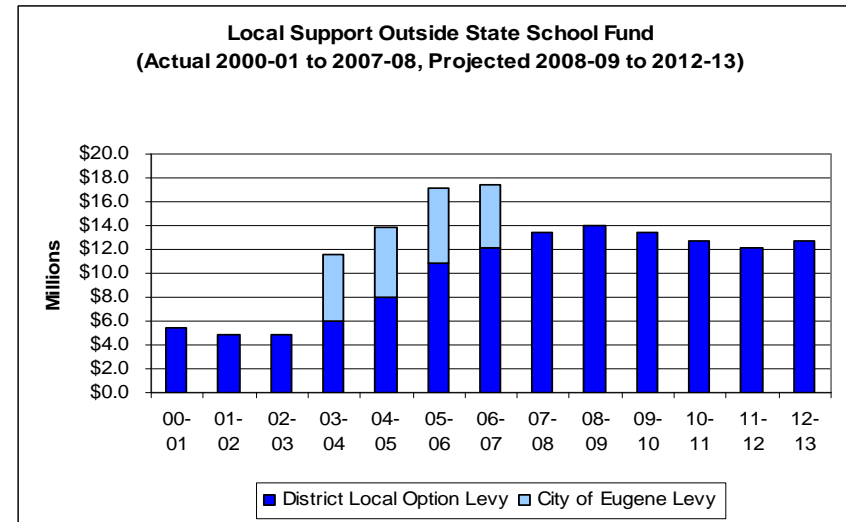
Lower enrollment reduces the district's per pupil funding from the State School Fund. Even though this forecast assumes teacher reductions to track enrollment, these reductions are not sufficient to make up for the loss of per pupil revenue. For example, if the district had lost 100 ADMw in 2008–09, it will received \$610,600 less for operations from the State School Fund (not including the School Improvement Fund grant). If that 100 ADMw translates into 85 students and the student/teacher ratio is 25:1, the district would cut 3.4 FTE teachers in order to keep the student/teacher ratio constant. The savings would be approximately \$300,000. Additional reductions of \$310,600 in services would be needed to make up for the lost state revenue.

Local Support

Since 2000–01 the district has received considerable local taxpayer support outside the State School Fund formula. District voters first approved a five-year local option levy in May 2000. Five-year renewals were passed in November 2004 and November 2008. Proceeds of the district local option levy are projected to average \$12.75 million per year over the forecast period. Annual receipts are projected to be lower than anticipated at the time of the election as lower real market values squeeze the amount assessed for individual properties.

In 2002, City of Eugene voters approved a levy for youth services, most of which was directed to the two school districts within the City's boundaries. The levy was intended to provide "bridge funding" until a state solution to adequate and stable school funding was found.

In 2004, a lawsuit was filed challenging the categorization of the levy under the local government cap. The Oregon Tax Court found in favor of the appellant and the Oregon State Supreme Court upheld that decision. As a result, in 2006–07, the final year of the levy, the tax was categorized under the property tax cap for education, rather than for local government. This levy was not sent to the voters for renewal, and \$7.0 million in services covered by the levy were moved back to the general fund starting in 2007-08. Based on a substantial increase state funding for 2007–09, the district was able to absorb these costs. The City levy did indeed function as a bridge to higher state funding.



The chart above illustrates the extent of local property tax support outside the State School Fund formula. It shows growth in district local option levy revenues since 2003–04, peaking in 2008-09.

GENERAL FUND FORECAST

Beginning in 2006-07, the amount generated by the district local option levy has exceeded the amount generated by both levies in 2003-04.

Local option revenue is dependent on real market value (RMV) in excess of assessed value (AV). When RMV grows at a greater rate than AV, revenue increases. When it decreases at a greater rate, revenue decreases. Future years' receipts are projected to drop with the expectation that real market values (RMV) will decline sharply in the January 2010 valuation and squeeze the gap between Measure 5 and Measure 50 taxes on individual properties. Real market values are expected to resume growth beginning in 2012-13. A longer, deeper slide in values will further erode this revenue base.

American Recovery and Reinvestment Act (ARRA) of 2009

On February 17, 2009, President Obama signed the ARRA, a bill approved by Congress to stimulate the economy and save jobs. Totalling \$288 billion overall and including \$100 billion for education, ARRA is directing \$2.6 billion to Oregon, with at least \$739 million for education, for use over a two and a half year period. Additional amounts may be available through competitive grants.

Four core reforms direct the use of these funds: (1) Adopting rigorous college- and career-ready standards and high-quality assessments; (2) Establishing data systems and using data for improvement; (3) Increasing teacher effectiveness and equitable distribution of effective teachers; and (4) Turning around the lowest-performing schools. Funds are intended to be spent quickly to save and create jobs, and high levels of transparency and accountability are required for their use. Funds must be obligated by September 30, 2011.

Funding for K-12 education will be distributed in three phases: Phase I is the State Fiscal Stabilization Fund (SFSF) through which \$466 million will be allocated for Oregon K-20 education. Restrictions on the use of SFSF monies include maintenance costs, stadiums or other facilities used for athletic contests, the purchase or upgrade of vehicles, improvement of facilities whose purpose is not the education of

children, and school modernization not consistent with state law. The state legislature has already accessed \$115.4 million of these funds to back-fill the loss of revenues in the state K-12 budget for 2008-09. The district's portion of this is \$3.3 million. Remaining funds will be distributed to K-20 schools in the 2009-11 biennium once the state legislature has determined how and when they will be used.

Phase II represents the distribution of funds through categorical grants such as Part B of the Individuals with Disabilities Education Act (IDEA), Title I, Part A of the Elementary and Secondary Education Act, and other programs. One half of these funds will be distributed in the spring of 2009, with balances available in October 2009. IDEA grants provide funding to assist with the costs of special education for students with disabilities. Title I-A funding is directed toward students who are economically disadvantaged and are behind academically or at risk of falling behind. The district expects to receive additional IDEA and Title I-A funding for 2009-11 of \$1.8 million and \$2.175 million, respectively.

Phase III funding will be provided through various competitive grants.

Other Revenues

Interest earnings are forecasted to be \$1.25 million lower than budgeted in 2008-09 as a result of recessionary impact on investment rates and declining reserves. They are projected to continue at this level in 2010-11 and begin increasing again in 2011-12.

EXPENDITURES

In response to significant declines in revenues, the forecast shows over \$18.0 million in reductions to reserve levels, general fund expenditures, contingency funds and transfers to other funds. Ongoing budget reductions, net of the continuation of certain programs receiving time-limited funds in 2008-09, totaled \$6.4 million. One to two year budget reductions net of one-year service additions totaled \$11.7 million.

A summary of proposed reductions follows:

GENERAL FUND FORECAST

- Draw down reserves and reduce contingency \$12.0 million
- Decrease licensed staffing \$3.0 million
- Reduce central office and administration costs \$2.9 million
- Reduce district-wide programs and payments \$0.9 million

Continuation of programs funded with reserves in 2008-09 totaled \$600,000 and represented 8.5 FTE licensed and classified staff. One-time additions cost \$231,000 and represented 3.0 licensed staff. A detailed list of budget reductions, as included in the proposed budget for 2009-1, can be found on page 21.

For 2009-10, the forecast also incorporates compensation reductions of approximately 3% or \$2.9 million in 2009-10 reflecting changes negotiated with employee groups.

In addition, \$900,000 in qualifying costs paid for with one-time funding in 2008-09 are assumed to be shifted to grant funding in 2009-10 and 2010-11. These costs are returned to the general fund in 2011-12.

The forecast assumes that one-time additions are removed and that one-time reductions are added back to the general fund 2010-11.

Staff compensation costs are projected according to the requirements of employee contracts for the life of those contracts. After that, they grow at the rate of inflation. The Eugene Education Association contract with licensed staff expires June 30, 2010; the OSEA contract with classified staff expires September 30, 2011; and the Statement of Understanding with administrators, supervisors and professionals expires June 30, 2010.

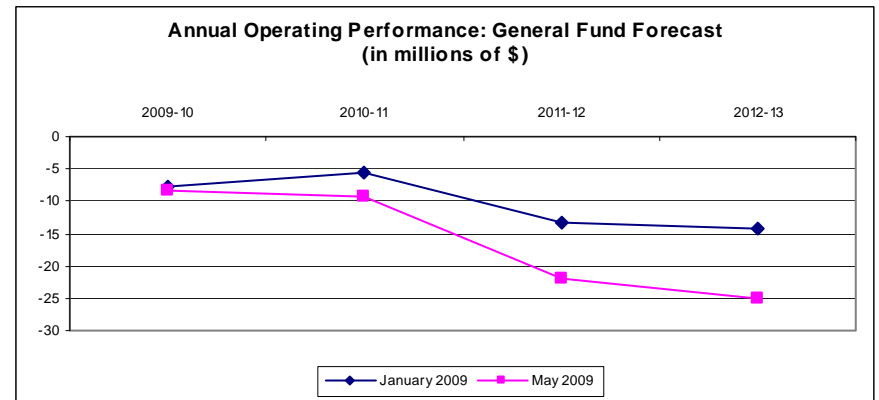
PROJECTED RESERVES

In 2009-10, as a proposed one-time budget reduction strategy, district general fund reserves are drawn down by \$8.4 million to \$5.5 million or 4.1% of general fund operating revenues. This falls below the 5% target set by the board in district policy and relies upon almost \$2.8 million in “under-spending” of budgeted amounts. Without underspending, the ending fund balance would be just under \$2.7 million or 2% of operating revenues.

COMPARISON TO JANUARY FORECAST

Since January, the forecast has been revised to reflect updated financial information and changing conditions. The chart below compares annual operating performance before the use of reserves as projected in January 2009 and May 2009.

The forecast predicts annual operating deficits in all years, which will require further service reductions.



Resources

GENERAL FUND FORECAST

- Beginning working capital increased \$2.6 million in 2009-10 due to additional 2008-09 budget reduction strategies.
- Weighted average daily membership (ADMw) decreased by 49.
- Per pupil funding decreased to reflect the lower \$5.6 billion level of state funding:
 - \$6,536 to \$5,923 in 2009-10
 - \$6,804 to \$6,165 in 2010-11
 - \$6,967 to \$6,301 in 2011-12
 - \$7,141 to \$6,446 in 2012-13
- State high cost disability funds increased \$370,000, based on 2008-09 funding level.
- Lower property tax revenues of \$400,000 for the operating levy (included in the State School Fund formula) and \$350,000 local option levy due to the softening real estate market, reduced collection rate and increased compression losses.
- Other revenues such as interest earnings, tuition, fees and building rental income were down a combined \$900,000.

Requirements

- Salaries and related fixed and fringe costs down \$7.6 million as a result of revised employee compensation agreements and staffing reductions. (Staffing costs in the January Forecast included \$2 million in targeted funding, which is budgeted as purchase services.)
- District retirement benefits were reduced \$800,000 by using district retirement fund reserves to cover a portion of these expenditures.
- Non-compensation expenditures increased \$800,000 due to targeted funding provided to schools. A significant portion of this funding will be used for staffing.
- Transfers were reduced \$2.1 million with the elimination of capital and district-wide critical equipment and textbook transfers.

Contingencies and Unappropriated Ending Fund Balance (UEFB)

- General contingency decreased \$700,000 to 1.5%, below board policy target of 2%, and the \$500,000 Special Education contingency was eliminated as a budget reduction strategy.
- The projected ending fund balance (including projected underspending) for 2009–10 decreased from 5.0% to 4.1%, which is below the board policy of 5%.

FORECAST VARIABLES

There are a number of variables that could affect this forecast. Some of these are discussed below.

Employee Benefits Costs

Public Employees Retirement System (PERS) Rates

The future of PERS rates depends mainly on the investment portfolio performance—of PERS as a whole and of the district’s “lump sum” account with PERS (created when the district sold pension bonds). Currently PERS rates are set once every biennium based on actuarial projections and fund performance 18 months prior to the rate change effective date. For the 2009-11 biennium, rates were set based on a December 2007 valuation. At that time, investment earnings were strong and rates were lowered by approximately three percentage points. The benefit of the district’s “lump sum” account increased to 5.49%.

Under that rate setting process, rates will be set for the 2011-13 based on a December 2009 valuation. When the 2009-11 rates were set, the PERS fund had a healthy 112% funded status. Funded status at the end of 2008 was estimated to be below 80%. Unless 2009 rates of return are sufficiently high to offset major losses in 2008, the increase in pool rates would be six percentage points. The value of the side account rate is likely to be reduced by at least half. A PERS rate increase of eight percentage points would result in increased expenditures of approximately \$6 million.

GENERAL FUND FORECAST

Health Insurance

Health insurance costs are continuing to rise nationwide at rates much greater than the rate of inflation. This trend is clearly not sustainable in the long-term. In the short-term, it is creating enormous pressure on the compensation system. Recent state legislation created a statewide health insurance pool for all school district employees which began operations for the 2008-09 school year. At this time, the pool's insurance packages and costs are not determined for 2009-10; however, the hope is that such a pool will temper the rate increases.

Local Option Levy Revenue

The district's current levy, which expires in June 2010, is projected to provide approximately 10% of the district's general fund revenues and is equivalent to about 150 classroom teachers. The levy was renewed in November 2008 securing this revenue source through 2014-15.

Local option revenue is dependent on real market value (RMV) in excess of assessed value (AV). When RMV increases at a greater rate than AV, revenue increases. When it decreases at a greater rate, revenue decreases. Given the downward trend in property values, local option levy proceeds are expected to decline. A longer, deeper slide in values will further erode this revenue base.

Federal Forest Fees

For a number of years, under the Secure Rural Schools and Community Self-Determination Act, the federal government made payments to counties hurt by cutbacks in federal logging. These "timber payments" provided \$60 million in revenue to the State School Fund and substantial support for county services throughout Oregon. The Act expired in 2006 and a one-year extension was approved for 2007-08. Included in the 2008 federal bail out was a provision to reinstate federal timber payments for four years, phasing out over the four years. While the temporary reinstatement helps cover budgets in the short term, replacing this dwindling revenue source will be necessary to avoid further loss of public services.

Federal No Child Left Behind Act

The federal No Child Left Behind Act requires that students achieve at certain levels in reading and math. By 2014 the law requires that all students reach the "proficient" level of achievement. The district's last assessment data indicates that four middle schools and three high schools did not make "Adequate Yearly Progress." Students with disabilities and those qualifying for English Language Learner services fell behind their peers in these tests.

In order to meet the stringent requirements of the law, increased funding will be needed for staff training and for additional assistance to students who need more help. This budget includes some targeted funding in these areas, but more may be required in future years.

Special Education

At present, the State School Fund formula limits additional payments for students with special needs to 11% of the district population (ADMr). If a district's percentage exceeds 11%, some additional funding is available, but at a much lower rate per student. Our district's percentage is currently about 15% and includes an increasing number of high-cost students.

In a district with a declining population, the additional payment cap is lowered each year, even if the number of students on Individual Education Plans (IEPs) remains the same or is rising.

In addition, the number of students with intense needs has been increasing. The 2005 legislature recognized the issue of high-cost students and earmarked \$18 million annually for grants to districts to help offset per student costs which exceed \$25,000. The 2007 legislature raised the threshold to \$30,000.

GENERAL FUND FORECAST

The chart below shows the number of students in those categories since 2003–04. The marked increase in 2006-07 is the result of Lane Education Service District's Life Skills program costs exceeding \$30,000 for the first time.

	>\$25,000	>\$30,000
2003-04	109	49
2004-05	148	46
2005-06	148	66
2006-07	154	139
2007-08	171	160

Federal funding for special education falls far short of covering 40% of costs as envisioned when the national special education law was passed in 1975. This commitment was based on the acknowledgement that federal special education mandates have increased state and local costs. If 40% of the district's special education costs were funded by the federal government, we would receive about \$5.1 million more in 2008-09.

In the meantime, federal mandates related to the provision of special education require the district to expand services and provide maximum access to the general education curriculum for all students. These mandates have not been fully funded.

American Recovery and Reinvestment Act (ARRA) Funds

Funding for Oregon education in grades K through 20 amounts to \$739 million. These funds must be obligated by September 30, 2011. Even using the funds for one-time investments will require that staffing be a large part of the investment given the labor intensive nature of the district's services. If the economy does not adequately recover to restore lost state revenues by the time ARRA funding is exhausted, layoffs will certainly occur.

Declining Enrollment and Changing Student Needs

Based on December 2008 enrollment projections, the district has lost over 900 students (ADMr¹) in its regular district programs (excluding alternative education placements and charter schools) since 2001–02 and is projected to lose an additional 463 students (ADMr) between 2008–09 and 2013–14. The decline is expected to be particularly steep at the high school level.

¹ ADMr stands for Average Daily Membership (resident) which represents the annual average of daily student enrollment. ADMr is slightly less than the enrollment figure used for projections, which represents enrollment as of a certain date.

GENERAL FUND FORECAST

Summary Forecast

IMPACT ON OPERATIONS <i>(in thousands)</i>		2008-09	2009-10	2010-11	2011-12	2012-13
Total District Revenues	(1)	\$147,414	\$133,826	\$137,371	\$138,804	\$141,786
Expenditures						
Operating Expenditures	(2)	\$152,341	\$142,503	\$145,571	\$156,701	\$163,090
Transfers	(3)	\$3,224	1,318	1,456	3,884	3,974
Contingency	(4)	\$3,537	2,138	3,661	3,901	3,262
Subtotal		\$159,103	145,959	150,688	164,486	170,326
Projected Underspending	(5)	(7,492)	(2,779)	(3,508)	(3,750)	(3,376)
Total Expenditures		\$151,611	\$143,180	\$147,180	\$160,736	\$166,950
ANNUAL OPERATING DEFICIT		(\$4,196)	(\$9,354)	(\$9,809)	(\$21,932)	(\$25,164)
Use of Transfers from Reserves to Balance	(6)					
Transfer (to) / from General Fund Reserves		\$3,220	8,385	(1,420)	(70)	(150)
Transfer (to) / from PERS Reserve			1	(1,999)	2,250	2,250
Transfer (to) / from Insurance Reserve		477	468	118	118	118
Transfer (to) / from Capital Projects Fund Reserve		500	500	500		
Total Transfers (to) / from Reserves		\$4,197	\$9,354	(\$2,801)	\$2,298	\$2,218
Annual Deficit Assuming Use of Reserves over 5%	(7)	\$0	\$0	(\$12,610)	(\$19,634)	(\$22,946)
Corrective Action Required	(8)	\$0	\$0	(\$12,610)	(\$7,024)	(\$3,312)
RESERVES	(9)					
Beginning Fund Balance - General Fund		\$17,054	\$13,835	\$5,450	\$6,870	\$6,940
Transfer to / (from) Reserves		<u>(\$3,220)</u>	<u>(8,385)</u>	<u>1,420</u>	<u>70</u>	<u>150</u>
Ending Fund Balance - General Fund		\$13,835	\$5,450	\$6,870	\$6,940	\$7,090
5% of Total Revenues (8.5% for 2007-09 Biennium)		\$12,530	\$6,691	6,869	\$6,940	\$7,089
% of Total Revenues		9.4%	4.1%	5.0%	5.0%	5.0%
Beginning Fund Balance - PERS Reserve	(10)	\$2,513	\$2,513	\$2,512	\$4,511	\$2,261
Transfer to / (from) Reserves		0	(1)	1,999	(2,250)	(2,250)
Ending Fund Balance - PERS Reserve		\$2,513	\$2,512	\$4,511	\$2,261	\$11
% Change in Revenues		-0.9%	-9.2%	2.6%	1.0%	2.1%
% Change in Expenditures		1.8%	-7.5%	2.2%	9.2%	4.0%

Note: Totals may differ due to rounding.

GENERAL FUND FORECAST

Summary Assumptions

(1) Total revenues

- Reflect impact of economic crisis on state and local revenues
- State funding for 2009-11 biennium based upon \$5.6 billion funding level for K-12 education, 10% below the legislatively adopted budget for the 2007-09 biennium
 - Increases in 2011-13 biennium based on rate of inflation (CPI for US Urban Consumers) projected in State Economic and Revenue Forecast as of March 2009
 - Includes negative adjustments for decreased average teacher experience in 2009-10 and projected declines in district enrollment in all years
 - Assumes use of all available resources, including federal State Fiscal Stabilization Fund, Oregon Rainy Day Fund and state Education Stability Fund to offset state revenue losses
- Property taxes projected to grow an average of 3.1% per year based on slow growth of assessed property values (AV)
- Local option tax levy projected to drop 2009-10 through 2011-12 as tax gap is squeezed by decline in real market property values (RMV) relative to AV growth
- Interest earnings down \$1.25 million from 2008-09 with turnaround beginning 2011-12

(2) Operating expenditures

- Reflect deepest budget reductions in district history.
- Include salary and benefit costs based on contracts with all employee groups, renegotiated to create savings of at least 3% in 2009-10
- Reduced for net decrease in staffing of 34.0 FTE from all employee groups (41.25 FTE on-going, offset by 3.0 FTE on-time increase) beginning in 2009-10, as result of budget reductions and declining enrollment
 - 24.4 licensed FTE drop from 1.0 FTE increase in student to teacher ratio
 - 13.57 licensed, .96 FTE classified FTE drop over forecast period from projected enrollment declines
 - (See copy of Budget Attachment B on page 21 for detail on 2009-10 FTE reductions)

- Assume composite PERS rate of 12.6% for 2009-11 biennium, down 3.7 percentage points from 2007-09, increasing by eight percentage points for 2011-13 biennium
- Include 2009–10 baseline increases totaling \$326,000 for higher utilities costs and technology maintenance costs

(3) Transfers

- \$2.2 million in annual transfers to other funds eliminated in 2009-10 as budget reduction strategies
 - Forecast to be reinstated in the 2011-13 biennium
- 2009-10 transfers:
 - \$500,000 for equipment and textbooks
 - \$568,000 to insurance reserves as negotiated in employee compensation contracts and to support risk management operations
 - \$250,000 to nutrition services program to pay for negotiated increases in staff costs should program revenues be insufficient

(4) Contingency

- Budgeted at 1.5% of operating expenditures (not including transfers) in 2009-10, returning to 2% in future years
- Board Policy DI, Accounting and Financial Practices Policy 3: *"The targeted contingency for general fund is two percent of the operating budget."*

(5) Projected Underspending

- Assumes a portion of budgeted expenditures will not be spent in any given year
- Current year underspending represents projected budget savings, including \$4.3 million in planned expenditure reductions
- 2009-10 underspending represents 80% of contingency plus .75% of other operating expenditures
- Future amounts calculated as 66% of the contingency plus 0.75% of other operating expenditures

GENERAL FUND FORECAST

(continued)

(6) Use of Transfers from Reserves to Balance

- Reserves in other funds moved to general fund to support district operations
- \$2 million transfer to PERS reserve in 2010-11 to anticipated increase in PERS rate in 2011-13 biennium

(7) Annual Operating Surplus/(Deficit)

- Difference between revenues and expenditures
- Projected financial shortfalls in brackets

(8) Annual Surplus/(Deficit) Assuming Use of Reserves to Support Ongoing Services

- On-going services supported by transfers from reserves in the first two years of the forecast
- Board actions required to maintain a 5% ending fund balance in each of the last three years
- Amounts of annual deficits assume board action taken to address any previous year deficit

Summary Assumptions

(9) General Fund Reserves, or Ending Fund Balance

- 2009-10 reserves projected to be 4.1% of operating revenue as a result of budget reduction strategies
- February 2009 Budget Committee direction to the Superintendent, to propose a budget that: *"retains sufficient reserves to meet cash flow needs, retains the district's bond rating, provides cushion for potential further economic downturn, and achieves board targets for contingency and reserves."*
- Board Policy DI, Accounting and Financial Practices Policy 4: *"The targeted floor for the ending fund balance will be at five percent of annual operating revenues. The annual financial forecast will project operating revenues and ending fund balance for the next five years."*

(10) PERS Reserve

- Represents balances of savings between budgeted and actual PERS rates in 2003-04 and 2004-05 to offset anticipated increases in PERS rates
- \$2 million in savings created by a 3.7 percentage point decrease in the PERS rate in the 2009-11 biennium transferred to the PERS reserve in 2010-11 to mitigate the impact of a PERS rate increase in the 2011-13 biennium

GENERAL FUND FORECAST

Revenue Detail

GENERAL FUND REVENUES <i>(in thousands)</i>		2008-09	2009-10	2010-11	2011-12	2012-13
Property Tax Collections - Current Year	(1)	\$49,506	\$50,458	\$52,120	\$53,967	\$56,016
Property Tax Collections - Prior Year	(2)	\$1,315	1,105	1,077	1,050	1,024
State School Fund Grants	(3)	\$72,679	62,348	65,185	65,464	67,390
SSF Local Revenues	(4)	\$4,013	2,854	2,676	2,474	660
Total SSF Formula Revenue		\$127,513	116,765	121,058	122,956	125,090
Local Option Levy - Current Year	(5)	\$13,743	13,168	12,423	11,941	12,392
Local Option Levy - Prior Year		\$300	278	275	272	269
School Day Restoration Fund		\$1,457				
Other Revenues	(6)	\$4,401	3,615	3,615	3,635	4,035
TOTAL DISTRICT REVENUES		\$147,414	\$133,826	\$137,371	\$138,804	\$141,786
STATE SCHOOL FUND (SSF) ALLOCATIONS						
Enrollment	(7)					
Enrollment(ADM) - Regular Ed.		15,994.3	15,822.5	15,685.6	15,590.1	15,587.9
Enrollment (ADM) - Charter Schools		519.2	539.1	535.2	537.2	537.2
Enrollment (ADM) - Alternative Ed. Programs		351.0	351.0	351.0	351.0	351.0
Total Enrollment (ADM)		16,864.5	16,712.6	16,571.8	16,478.3	16,476.1
Weighted ADM (ADMw)		19,915.9	19,688.6	19,560.1	19,395.3	19,285.9
State School Fund Grants	(3)					
SSF Grant per student (ADMw)		\$6,106	\$5,923	\$6,165	\$6,301	\$6,446
% Change in Revenues		-0.2%	-5.7%	4.1%	2.2%	2.3%
SSF Formula Revenue <i>(in thousands)</i>		\$121,606	\$116,616	120,588	\$122,210	\$124,317
School Improvement Fund Grant		\$3,434	\$0	\$0	\$0	\$0
High Cost Disability Grant		\$1,384	\$1,150	1,170	\$1,196	\$1,223
Net SSF Grants <i>(in thousands)</i>		\$127,513	\$116,765	\$121,058	\$122,956	\$125,090
PROPERTY TAX COLLECTION						
Assessed Value (AV) <i>(in thousands)</i>	(1)	\$11,184,444	\$11,519,977	\$11,865,577	\$12,251,208	\$12,680,000
Projected Annual Increase in AV		3.14%	3.00%	3.00%	3.25%	3.50%
Collection Rate		94.00%	93.00%	93.25%	93.50%	93.75%
Operating Levy (inside Measure 5 limit)						
Permanent Tax Rate per \$1,000 of AV	(1)	\$4.75	\$53,109	\$54,703	\$56,344	\$58,175
Compression Loss		(444)	(447)	(451)	(456)	(460)
Taxes Imposed		52,666	54,256	55,892	57,719	59,751
Net Operating Levy		\$49,506	\$50,458	\$52,120	\$53,967	\$56,016
Annual growth		3.1%	1.9%	3.3%	3.5%	3.8%
Local Option Levy (outside Measure 5 limit)						
Local Option Tax Rate per \$1,000 of AV	\$1.50	\$17,014	\$17,525	\$18,050	\$18,637	\$19,289
Compression Loss		(2,350)	(3,366)	(4,728)	(5,866)	(6,071)
Tax Gap		14,664	14,159	13,322	12,771	13,218
<i>Measure 5 Limit - Proceeds Net of Uncollected Taxes</i>		<i>13,743</i>	<i>13,168</i>	<i>12,423</i>	<i>11,941</i>	<i>12,392</i>
<i>Limit of \$1,000 (increased by 3% per year) per Extended ADMw</i>		<i>20,513</i>	<i>20,888</i>	<i>21,374</i>	<i>21,830</i>	<i>22,358</i>
<i>Limit of 20% of State Resources</i>		<i>24,598</i>	<i>23,553</i>	<i>24,352</i>	<i>24,681</i>	<i>25,108</i>
Net Local Option Levy		\$13,743	\$13,168	\$12,423	\$11,941	\$12,392
Annual growth		3.3%	-4.2%	-5.7%	-3.9%	3.8%

GENERAL FUND FORECAST

Revenue Assumptions

(1) Property Tax Collections – Current Year

- Average growth of 3.1% per year assuming a continued slow economy, with improvements beginning in 2010-11
- Assessed property values projected to increase by 3.0% in 2009-10 and 2010-11, with increases of 3.25% in 2011-12 and 3.5% in 2012-13
- Compression losses expected to grow by 1% per year, with real market property values (RMV) projected to drop 10% in 2009-10, remain stable in 2010-11 and 2011-12, and grow by 3.5%, the same rate as assessed values (AV), in 2011-13.
- Tax collection rates expected to drop to 93% in 2009-10 and grow by 25 percentage points in remaining years of the forecast
- Included in the State School Fund formula

(2) Property Tax Collections – Prior Year

- Estimated at 30% of the outstanding balance of uncollected taxes paid in years after they were levied
- Declining over the next five years
- Included in the State School Fund formula

(3) State School Fund (SSF) Grants

- Approximately 87% of district general fund revenue
- Assumes a state funding level of \$5.6 billion for K-12 education in the 2009-11 biennium, 10% lower than amounts approved by the state legislature for the previous biennium
- Funded with state general fund and lottery funds
- Assumes use of all available resources to support state funding in 2009-11, including federal State Fiscal Stabilization Fund, Oregon Rainy Day Fund and Education Stability Fund
- Assumes School Improvement Fund Grant distributed in 2007-09 biennium is discontinued after 2008-09

State School Fund Grant

Formula: Per Pupil Amount (SSF Grant per Pupil, adjusted for teacher experience and state funding ratio) X Enrollment (Extended ADMw) + Transportation Grant – SSF Local Revenues (Local Property Taxes, Federal Forest Fees, Common School Fund, County School Fund)

- 2009-10 per pupil amount assumed to be 49% of the biennium total
- 2009-10 SSF grant reduced by \$500,000 in anticipation of adjustment for lower average teacher experience and potentially lower extended ADMw
- 2010-11 increase 4.1%, 51% of biennial total
- 2011-12 and 2012-13 projected to grow by the rate of the Consumer Price Index (CPI) for U.S. Urban Consumers, projected in the March 2009 State of Oregon Economic and Revenue Forecast
- Future growth in per pupil funding is offset by projected decreases in enrollment over the life of the forecast. (See Note 7 below for additional detail.)

High Cost Disability Grant

- Provided to offset the cost of educating students for whom costs exceed \$30,000 per year
- Revenue projection based on 2008-09 projection plus inflation at CPI

(4) SSF Local Revenues

- Includes Federal Forest Fees, Common School Funds, County School Funds
- Federal Forest Fees extended for four years beginning 2008-09 and expiring 2011-12

(continued)

GENERAL FUND FORECAST

Revenue Assumptions

(5) Local Option Levy

- Five-year property tax levy of \$1.50/\$1,000 AV to support general operations, renewed November 2008 and extending through 2014-15
- Projected to decrease annually over the next three years and resume growth in 2012-13
 - Tax gap expected to contract as a result of a projected 10% decline in real market values in 2009-10 and no growth in real market values in 2010-11 and 2011-12, with assessed values continuing to grow by 3% per year during those years
 - Slow growth in local option revenues projected for 2012-13 based on anticipation that RMV and AV will grow at the same rate of 3.5%
- Expected to remain substantially below statutory limits of \$1,000 per ADMw and 20% of state resources over the forecast period
- Not included in the State School Fund formula

(6) Other Revenues

- Includes interest earnings, tuition and fees
- Projected to decrease almost \$800,000 in 2009-10, reflecting a \$1.4 million anticipated drop in interest earnings offset by minor increases in other accounts such as building rental and fees charged to grants
- Not included in the State School Fund formula
- Board Policy DI, Revenue Policy 1: *"The district will strive to establish a stable revenue base for the operating budget for program needs through cooperation with its associations, legislators, and other districts. The district will make capital funding requests periodically to assure adequate safety and preservation of school buildings, district equipment, and other capital assets."* 2. *"The district may charge the service fees intended to recover the partial or full cost of non-district sponsored use of its facilities, services or equipment, if permitted by law..."*

(7) Enrollment (ADM)

- Average Daily Membership – Year-to-date average of daily student enrollment
 - ADMr – Resident ADM
 - ADMw – ADM weighted to reflect the number of special needs students receiving English Language Learner (ELL) services, assigned Individualized Education Programs (IEPs), enrolled in Pregnant and Parenting programs, living in poverty, or in foster care or neglected/delinquent
 - Extended ADMw – Greater of the current year or prior year ADMw, used to calculate State School Fund grant
- Assumes a decline of 236.5 ADMr over the forecast period
 - 234.6 ADMr decrease in regular programs
 - 1.9 ADMr decrease in charter school enrollment as charters reach their enrollment caps. Any increases in charter school enrollment would come from existing district programs
 - Alternative education enrollment projected to remain at the current level

GENERAL FORECAST

Expenditure Detail

<i>(in thousands)</i>		2008-09	2009-10	2010-11	2011-12	2012-13				
OPERATING EXPENDITURES										
Employee Compensation Expenditures	(1)									
Licensed Employees		\$52,743	-5.5%	\$49,837	1.3%	\$50,490	3.8%	\$52,420	6.3%	\$55,729
Classified Employees		18,807	-5.7%	17,730	3.8%	18,409	2.2%	18,814	2.3%	19,247
Admin/Supervisors		7,269	-2.0%	7,127	1.7%	7,248	2.2%	7,407	2.3%	7,578
Substitute/Temporary		3,264	-12.0%	2,872	1.7%	2,921	2.2%	2,985	2.3%	3,054
Staffing Pool		255	0.0%	255	0.0%	255	0.0%	255	0.0%	255
Total Salaries		82,339	-5.5%	77,822	1.9%	79,323	3.2%	81,882	4.9%	85,862
Payroll Costs as % of Salary										
Licensed	27.05%	\$16,266		\$13,481		\$13,658		\$18,373		\$19,533
Classified	28.60%	6,270		5,071		5,265		6,886		7,044
Administrative	27.05%	2,243		1,928		1,961		2,596		2,656
Substitute/Temporary	24.62%	501		707		719		735		752
Insurance Benefits		18,099	2.7%	18,592	4.5%	19,427	2.0%	19,810	2.3%	20,264
District Retirement Benefits		3,300	-24.2%	2,500	0.0%	2,500	0.0%	2,500	0.0%	2,500
Other Benefits		1,549	5.8%	1,639	2.0%	1,671	4.0%	1,738	4.0%	1,808
Total Benefits		48,229	-8.9%	43,917	2.9%	45,201	2.2%	52,638	3.6%	54,557
Total Employee Compensation		\$130,568	-6.8%	\$121,739	2.3%	\$124,524	8.0%	\$134,520	4.4%	\$140,419
Non-Compensation Expenditures	(2)									
Purchased Services		\$12,923	0.0%	\$12,562	1.5%	\$12,750	2.2%	\$13,709	2.3%	\$13,999
Charter School Payments		3,346	-8.2%	3,072	0.3%	3,081	2.0%	3,142	2.5%	3,219
Supplies		4,735	0.0%	4,367	1.7%	4,441	2.2%	4,539	2.3%	4,643
Equipment		64	0.0%	57	1.7%	58	2.2%	59	2.3%	61
Other		705	0.0%	705	1.7%	717	2.2%	733	2.3%	750
Total Non-Compensation Expenditures		21,773	-4.6%	20,763	1.4%	21,047	5.4%	22,181	102.2%	22,671
TOTAL OPERATING EXPENDITURES		\$152,341.3	-6.5%	\$142,503	2.2%	\$145,571	7.6%	\$156,701	4.1%	\$163,090
Transfers Other	(3)									
Capital (Non-bondable projects)		520	0.0%		1.7%		2.2%	520	2.3%	532
Equipment		1,705	0.0%	500	1.7%	508	2.2%	1,743	2.3%	1,783
Transportation		153	0.0%		1.7%	0	2.2%	153	2.3%	157
Insurance Reserve		600	0.0%	568	1.7%	578	2.2%	591	2.3%	604
Nutrition Services		246	1.6%	250	48.0%	370	2.2%	378	2.3%	387
Risk Management				0		0		500	2.3%	512
Total Transfers		3,224		1,318		1,456		3,884		3,974
Contingency	(4)	3,037		2,138		2,911		3,134		3,262
Contingency - Special Ed.		500				750	2.2%	767	2.3%	784
TOTAL EXPENDITURES		\$159,103	-8.3%	\$145,958	3.2%	\$150,688	9.2%	\$164,486	4.0%	\$171,110
Bolded text identifies expenditures which contain adjustments in addition to forecasted increases.										
Note: Totals may differ due to rounding.										
<i>GPI (U.S. Urban Consumers), March 2009</i>		3.8%		-1.9%		1.7%		2.2%		2.3%

GENERAL FORECAST

Expenditure Assumptions

(1) Salaries and Benefits Expenditures

Salaries

- Based on 2008-09 employee compensation revised to address requirements of current employee contract agreements and recently renegotiated contract terms which resulted in reduced wage and benefit costs by at least 3% for 2009-10
 - Eugene Education Association contract with licensed staff expires June 30, 2010
 - OSEA contract with classified staff expires September 30, 2011.
 - Statement of Understanding with administrators, supervisors and professionals expires June 30, 2010.
 - After contracts expire, salaries grow by the rate of the Consumer Price Index (CPI) for U.S. Urban Consumers, projected in the State March 2009 State Economic and Revenue Forecast
 - Renegotiated contract terms include
 - Seven fewer work days (six planning/professional development days and one instructional day) for licensed staff,
 - One to three fewer work days (depending upon work year) for classified staff
 - Elimination of 3.25% cost of living increase for administrators, supervisors and professionals
 - Beginning in 2010-11, licensed salaries increased to reflect one additional day and classified salaries are increased to reflect one to three additional days
 - In 2010-11, approximately \$400,000 in compensation costs shifted back to the general fund from ARRA IDEA funding in the 2009-11 biennium
- Salaries reflect an on-going decrease of 28.93 FTE from all employee groups, beginning in 2009-10, resulting from budget reduction strategies and enrollment declines
 - 24.4 licensed FTE in 2009-10 to reflect 1.0 increase in student to teacher staffing ratio
 - 3.57 licensed FTE and .96 classified FTE to reflect decreased enrollment levels
 - An additional 10.0 licensed FTE reduction anticipated over the remaining years of the forecast from further enrollment declines
- Any shifts from regular education programs to charter schools are incorporated into district enrollment projections; any future increases would come from existing programs and result in further staff reductions
- See copy of Budget Attachment B on page 21 for detail on FTE reductions

Benefits

- Payroll costs calculated as a percentage of salary, health insurance and other benefits
- Composite PERS rate of 12.6% for 2009-11 biennium, down 3.7 percentage points, based on December 2007 actuarial valuation
 - Projected to increase 8 percentage points beginning July 1, 2011 due to investment losses prior to the December 2009 valuation
- District retirement benefit costs projected at \$2.5 million annually, down \$800,000, based on revised retirement fund forecast
- Board Policy DI, Organizational Policy 3: *“The compensation of employees will be competitive with that of comparable public and private sector employers in the relevant recruiting or market area. The criteria for reviewing employee wages and benefits will also include internal comparability for similar jobs, ability to pay and relevant federal or state requirements.”*

(continued)

GENERAL FORECAST

Expenditure Assumptions

(2) Other Operating Expenditures

- Includes 5% cut to school budgets and reductions in all department budgets, including elimination of inflationary increases in 2009-10
 - In 2010-11, approximately \$500,000 in services shifted back to the general fund from ARRA IDEA funding in the 2009-11 biennium
- Future years purchased services and supplies budgets forecast to increase by the rate of the CPI
- Includes \$326,000 in increased costs for higher utility rates and utilization and technology maintenance costs
- Charter school payments represent the pass-through of state funding (80% or more of state funding received on a per pupil basis.)
- Board Policy DI, Organizational Policy 4: *"The district will, within available resources, maintain the productivity of staff through a supportive working environment which includes appropriate equipment, supplies, materials, and professional staff development."*

(3) Transfers

- Capital projects - \$520,000 annually for capital projects that do not qualify for bond funding and athletic field improvements
 - Eliminated in 2009-10 and 2010-11
 - Reinstated 2011-12, increasing by the rate of the CPI
- Equipment - \$1.7 million annually for equipment and textbooks that do not qualify for bond funding
 - \$500,000 for per pupil allocations to schools for books and equipment
 - \$1.2 million eliminated in 2009-10
 - Transfer reinstated 2011-12, increasing by the rate of the CPI

Transportation fleet replacement - \$153,000 annually for bus fleet purchases

- Eliminated for 2009-10 and 2010-11
- Transfer reinstated 2011-12, increasing by the rate of the CPI
- Insurance Reserve
 - \$193,000 in social security cost savings from pre-tax flexible spending accounts to insurance reserve accounts, as negotiated with employee groups
 - \$375,000 to support Risk and Benefit Management operations
- Nutrition Services Fund
 - Up to \$250,000 in 2009-10 in potential supplements to the Nutrition Services program to pay for negotiated increases in employee compensation, should revenues be inadequate to cover costs
 - Reflects negotiated staff increases through 2010-11
 - Increase annually by the rate of the CPI

(4) Contingency

- General contingency projected at 1.5% of operating expenditures (excluding transfers) in 2009-10
 - Projected at 2.0% of operating expenditures (excluding transfers) in future years
 - Special education contingency eliminated in 2009-10 and 2011-12
 - Reinstated in 2012-13 at \$750,000, increasing annually by the rate of the CPI
- Board Policy DI, Accounting and Financial Practices Policy 3: "The targeted contingency for the general fund is two percent of the operating budget."

SUPERINTENDENT’S BUDGET MESSAGE – PROPOSED BUDGET

ATTACHMENT B

SERVICE ADDITIONS/ENROLLMENT ADJUSTMENTS		
Adjustments Related to Enrollment	\$	FTE
Staff reductions related to decline in enrollment (3.57 FTE licensed, .96 FTE classified)	(346,094)	(4.53)
Ongoing Service Additions		
<i>Continuation of Funding for Programs Receiving Time-limited Funds in 2008–09</i>		
Pilot Programs to address particular student needs		
Transition program from middle school to high school; licensed FTE (reduced from \$290,000)	178,280	2.11
Middle level summer school program; licensed FTE (reduced from \$28,500)	25,348	0.30
Technician II Specialist to assist with instructional technology support; classified FTE	25,600	0.50
Licensed staff to support English Language Learner/Special Education Evaluation team; licensed FTE	33,797	0.40
After School Programs		
Arts and Technology (K–8) and Kelly Middle School; licensed FTE (reduced from \$112,018; 1.98 FTE)	60,835	0.72
César Chávez, Howard and River Road elementary schools; licensed FTE (reduced from \$235,617; 4.91 FTE)	80,268	0.95
Provide Essential Support for Schools		
Implementation of student information system - Special Education Module; classified FTE (reduced from \$150,000; 3.0 FTE)	75,000	1.50
Instructional technology staff development, licensed FTE	42,247	0.50
<i>Provide Essential Support for Schools</i>		
Two special education bus routes - materials and classified FTE	79,161	1.56
Subtotal—Ongoing Service Additions	600,536	8.54
One-time Service Additions		
<i>School-based Staffing</i>		
Licensed staff to support transition to new transfer policy	126,740	1.50
Family School kindergarten teacher in first year of kindergarten offering	42,247	0.50
North Eugene High School Teaching and Learning Facilitator	62,120	1.00
Subtotal—One-time Service Additions	231,106	3.00
BUDGET REDUCTIONS		
Ongoing Strategies		
	\$	FTE
<i>Licensed Staffing:</i>		
Increase student to teacher ratio by 1.0	(2,060,784)	(24.39)
Reduce physical education requirements at elementary and middle levels	(371,769)	(4.40)
Reduce staffing pool to 9.6 FTE (used for intervention assistance and to partially mitigate effect of enrollment decline)	(337,972)	(4.00)

SUPERINTENDENT’S BUDGET MESSAGE – PROPOSED BUDGET

ATTACHMENT B

Ongoing Strategies (continued)	\$	FTE
<i>Central Office and Administration:</i>		
Central Office Reorganization (eliminate administrative positions of Chief Operating officer and related support, Director of Student Achievement; shift duties of Equity and Diversity Coordinator and eliminate position)	(500,000)	(4.00)
Community and Intergovernmental Relations - materials and services, classified FTE	(28,000)	(0.05)
Computing and Information Services - materials and services, professional FTE	(200,000)	(0.50)
Facilities Management - materials and services, classified FTE	(548,000)	(5.00)
Finance and Support Services - materials and services, classified FTE	(25,000)	(0.29)
Human Resources - materials and services	(50,000)	
Executive administration - materials and services, licensed FTE (in addition to Central Office Reorganization)	(100,000)	(0.29)
Transportation - materials and services	(101,762)	
Reduction in materials and services	(386,000)	
<i>Instructional Services:</i>		
Reduce materials and services budgets	(699,000)	
Eliminate Instructional Media Center	(48,702)	(0.33)
Reduce staffing (.35 administrator, .49 licensed in addition to Central Office Reorganization)	(113,076)	(0.84)
Reduce high school building administrators	(150,000)	(1.50)
<i>District-wide:</i>		
Reduction in athletic transportation costs from change in athletic schedules	(100,000)	
Retirement fund support	(800,000)	
Subtotal—On-going Reductions	(6,620,066)	(45.59)
One to Two Year Budget Reductions		
	\$	FTE
Draw down reserves to 4.1% of operating revenue (Board target 5%)	(8,385,000)	
Eliminate transfer to fleet and equipment fund for textbooks and district-wide critical equipment needs	(1,179,440)	
Eliminate transfer to fleet and equipment fund for bus purchases	(172,000)	
Eliminate transfer to capital fund	(520,000)	
Eliminate special education contingency	(500,000)	
Reduce general contingency to 1.5% (Board target 2%)	(700,000)	
Use capital projects fund reserves to support operations	(500,000)	
Subtotal—Short term Reductions	(11,956,440)	0.00
Total On-going Service Level Changes/Budget Reductions	(6,365,624)	(41.58)
Total One-time Service Additions/One to Two Year Budget Reductions	(11,725,334)	3.00
TOTAL PROPOSED SERVICE LEVEL CHANGES/BUDGET REDUCTIONS	(18,090,958)	(38.58)

Note: In addition, all employee groups agreed to contract changes that reduced employee compensation for 2009-10 by a total of \$2.88 million.

CAPITAL FORECAST

CAPITAL FORECAST

OVERVIEW

The capital forecast includes the costs of construction, renovation, and repair of district facilities, as well as fleet, equipment and textbooks. The forecast reflects the spend down of the \$116 million bond measure approved by district voters in May 2002 and potential revenue from a second bond election in 2010, as part of the district's Long-range Facilities Plan. It also includes funding for the last year of a five-year preventive maintenance and interior painting program.

As part of the district's general fund budget reduction strategies, almost \$1.9 million in general fund transfers to support capital projects, bus purchases and books and equipment are being eliminated in 2009-10 and 2010-11. Reserves in the fleet and equipment fund and capital projects fund will be used to pay for budgeted expenditures. In addition, \$500,000 in capital reserves generated by the sale of surplus properties is being transferred to the general fund to support district operations and instructional programs in each of those two years.

LONG-RANGE FACILITIES PLAN

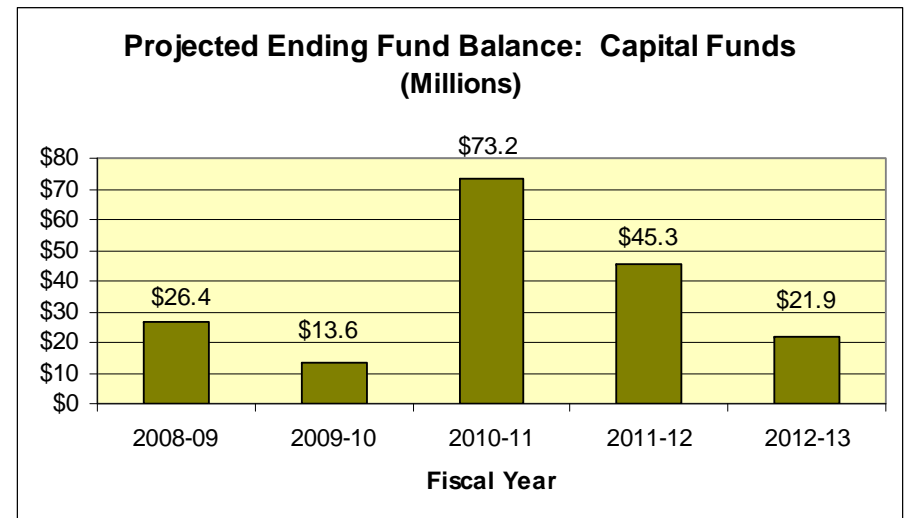
The Long-range Facilities Plan adopted by the board in February 2002 covers 24 years, starting with the 2002 election and followed by three more elections originally planned for 2008, 2014 and 2020. As outlined in the plan, the second bond measure would be for \$115 million and the last two measures would total \$275 million. Tax rates would increase for the second bond measure but not for the last two because bonds issued in the early 1990's will be repaid.

The Long-range Plan outlines an overall, strategic direction for district facilities:

- Replace or fully renovate aging elementary and middle school buildings that no longer adequately serve students.
- Remodel high schools in stages, replacing portable classrooms and improving instructional and student activity spaces.
- More closely match available space with enrollment at the elementary level, through school consolidations.

- Replace and update capital systems, such as roofs, wiring, plumbing, and fire and security systems as needed to prolong the useful life of the building and to upgrade the technology infrastructure to support current instructional needs.
- Dispose of surplus property that will not be needed in the future for educational purposes or to seek long-term leases that would financially benefit the district.
- Improve instructional spaces throughout the district.

The following chart shows the draw down of resources from bonds issued in 2002–03 and 2005–06 and reflects a potential issuance in 2010–11 assuming a successful second bond election.



Impact of *Shaping 4J's Future Planning Process*

Prior to specific planning for what to include in a potential second bond, the district engaged in a strategic planning process to determine the services the district will provide and facilities to support those services over the next five to ten years.

CAPITAL FORECAST

Strategies impacting facilities include the following:

- Move Family School grades 1-5 to the Jefferson building to share a facility with the Arts and Technology Academy, beginning in 2009-10. Decide about moving Family School grades 6-8 from Spencer Butte to the Jefferson Building in 2008-09.
- Retain Meadowlark at its current site and move Buena Vista Spanish Immersion school to another site in the Sheldon region by 2012-13.
- Relocate Eastside Alternative School to the Harris site in 2008-09. Explore school consolidation in 2009-10.
- Close the Fox Hollow building and move Charlemagne French Immersion School to a more centrally located site for 2010-11 or later.
- Decommission the aging Willard building at the end of 2009-10. The two charter schools leasing the building (The Village School and Ridgeline Montessori) will move. The district intends to retain the site for a future school use.

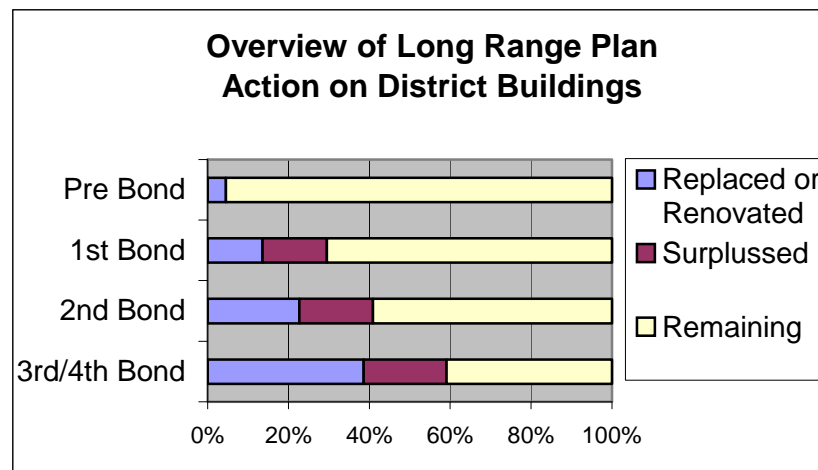
Board action on *Shaping 4J's Future*, along with a facilities condition report, serve as a blueprint for determining the nature of the projects to be included in a second bond.

2002 General Obligation Bond

The \$116 million bond measure approved in 2002 is enabling the district to fully address capital requirements at 30% of its facilities by the end of the first bond cycle. This is being accomplished through the replacement, major renovation, closure and consolidation, sale, trade or long-term lease of buildings.

Based on the current long-range plan, by the end of the second bond period the district will have fully addressed capital needs for approximately 40% of its facilities. At the end of the fourth bond period approximately 60% of the facilities will be fully addressed, several renovations will be made at the four high schools, and remodeling and

capital system upgrades will occur at the remaining 13 facilities (10 elementary and middle schools and three central service buildings).



Projects budgeted for 2009-10 include improving emergency egress and security site lighting, electrical system upgrades, fire alarm systems, heating and ventilation systems, and driveway/traffic improvements. These projects represent the final "spend-down" of the remaining 2002 bond proceeds.

Disposition of Surplus Property

A key strategy in the Long-range Facilities Plan is to reduce capital requirements by disposing of surplus property through sale, trade or long-term lease. By board policy, property is classified on a biennial basis as "In Use," "Reserve," and "Surplus." Surplus property "shall be managed to maximize the financial return to the district while taking potential community benefit into consideration." Working with land use and real estate consultants, staff designed public processes and prepared recommendations for seven of ten properties designated as "surplus." The following chart indicates actions taken.

CAPITAL FORECAST

List of Surplus Properties Identified in 2004 and Current Status	
Bailey Hill School	No recommendation to date
Civic Stadium	No recommendation to date
Coburg Farm	Lease extended
Dunn/Opportunity Center	No recommendation to date
Ironwood Lots	Sold
Laurel Hill School	Sold
Santa Clara School	Sold
Westmoreland School	Sold
Whiteaker School	Sold
Willakenzie School	Sold

CAPITAL MAINTENANCE AND REPAIR

After the passage of Measure 5 in 1990, the district used bond funding to supplement facilities maintenance and repair in order to relieve pressure on the general fund. From 1993 to 1997, substantial amounts of maintenance and repair costs were funded by general obligation bonds. In 1997, Measure 50 narrowed the definition of what could be funded by general obligation bonds to preclude facilities maintenance and certain kinds of repairs.

To assist districts with this change in the law, the state provided various one-time funds for four years, ending in fiscal year 2000-01. In 2001-02 the district moved \$2.4 million in maintenance costs to the general fund and transferred \$500,000 from the general fund to the capital projects fund for projects that do not qualify for bond funding (such as exterior painting and roof repairs). The forecast replaces the annual \$500,000 transfer **from** the general fund with a transfer **to** the general fund of \$500,000 through 2010-11.

Preventive Maintenance Program

In the 1990's, preventive maintenance programs received higher priority and resources in order to reduce the need for repairs. Staff cuts in the early 1990's reduced the district's ability to perform preventive maintenance tasks. To address this problem, a five-year preventive maintenance and interior painting program funded by proceeds from the sale of surplus property was implemented in 2005-06. The program allocates \$366,000 per year including 4.0 FTE to fund activities that maximize the longevity and reduce the long term maintenance costs for buildings. The focus is on regular and scheduled lubrication, replacement of parts, and detection and repair of damaged parts, systems and materials. In past years, another \$150,000 per year was allocated for preventive maintenance related projects and the regular painting of classroom interiors. With the exception of interior painting, this forecast assumes continuation of that program through 2009-10.

EQUIPMENT AND TEXTBOOKS

Equipment and textbooks were also funded from general obligation bonds from 1993 to 1997 and from temporary state funding through 2002-03. Starting in 2003-04, the district began transferring funds from the general fund to cover the costs of the highest priority textbook and equipment needs. This forecast forgoes \$1.2 million of the annual transfer (inflated) through 2010-11.

FLEET

The forecast also assumes continuation of general fund support of the district's bus fleet, providing \$172,000 per year (plus inflation) from the general fund to the Fleet and Equipment Fund beginning in 2011-12. This transfer has been eliminated through 2010-11 as part of district-wide budget reduction strategies.

CAPITAL FORECAST

Financial Summary

<i>(in thousands)</i>		2008-09	2009-10	2010-11	2011-12	2012-13
		-----	-----	-----	-----	-----
REVENUES						
State and Local Revenue Sources	(1)	\$2,763	\$1,778	\$71,754	\$2,490	\$1,857
General Fund Transfers	(2)	\$2,378	\$500	\$508	\$2,416	\$2,472
TOTAL REVENUES		\$5,141	\$2,278	\$72,262	\$4,906	\$4,329
EXPENDITURES						
Capital Expenditures	(3)	\$8,603	\$9,067	\$10,234	\$30,759	\$25,900
Equipment Expenditures	(4)	\$5,834	\$9,030	\$7,809	\$9,177	\$8,109
Preventive Maintenance	(5)	\$963	\$2,916			
TOTAL EXPENDITURES		\$15,400	\$21,013	\$18,043	\$39,936	\$34,009
EXCESS / (DEFICIT) OF REVENUES OVER EXPENDITURES		(\$10,260)	(\$18,735)	\$54,220	(\$35,030)	(\$29,680)
RESERVES						
Beginning Fund Balance	(6)	\$32,375	\$26,421	\$13,611	\$73,204	\$45,258
Results of Operations		(\$10,260)	(\$18,735)	\$54,220	(\$35,030)	(\$29,680)
Projected Underspending	(7)	\$4,305	\$5,926	\$5,374	\$7,084	\$6,307
Ending Fund Balance		\$26,421	\$13,611	\$73,204	\$45,258	\$21,885

CAPITAL FORECAST

Assumptions

(1) State and Local Revenue Sources

- General Obligation Bonds
 - Balance of general obligation bonds issued in 2005–06, initially approved as part of a \$116 million bond levy approved by voters in May 2002
 - Bonds expected to be issued to support the second cycle of capital improvements under the Long-term Facilities Plan adopted in 2002. Forecast assumes voter approval of a \$115 million measure in November 2010, with \$70 million issued in 2010–11 and \$45 million issued in 2013–14
- Unspent general fund balances transferred by schools and departments for future equipment purchases
- Interest earnings, rental income, and revenue earmarked for school bus replacement

(2) General Fund Transfers (eliminated in 2009-10 and 2010-11, reinstated beginning 2011-12)

- Capital Projects Fund
 - \$500,000 for non-bondable projects
 - \$20,000 of Civic Stadium rental revenue dedicated to athletic field improvements
- Fleet and Equipment Fund
 - \$1.2 million for equipment and textbooks
 - \$172,000 for bus fleet replacement
 - \$500,000 for school equipment and textbooks retained throughout forecast period
- Inflated by the Consumer Price Index (CPI for U.S. Urban Consumers, as projected in the March 2009 State Economic and Revenue Forecast) beginning in 2009-10

(3) Capital Expenditures

- Projects including major renovation and remodel projects, systems upgrades, and site and classroom improvements
- Primarily funded with bond proceeds, general fund transfers for projects ineligible for bond funding, and interest earnings

Board policy DI, Capital Improvements Policy 1: *“Facilities are essential to the support of the district’s instructional programs. The annual operating and capital budget will reflect the need to maintain and repair facilities to preserve the public’s investment in district facilities and to minimize future costs of major renovation and/or replacement.”*

(4) Equipment Expenditures

- Equipment and textbooks and fleet replacement and purchases
- Funded from general fund transfers and other sources

(5) Preventive Maintenance

- 4.0 FTE facilities staff and \$80,000 per year through 2009–10 for regularly scheduled maintenance to maximize building longevity and minimize costs over time
- Funded with proceeds from the sale of surplus properties

(6) Beginning Fund Balance

- Unspent bond proceeds and general fund transfers
- Proceeds of the sale of surplus property
- Board policy DI, Capital Improvements Policy 2: *“Construction, acquisition, or improvements of capital assets may be financed with resources outside of the district’s normal operating and maintenance budget (e.g., bond issues or other methods of financing).” Debt and Investment Management Policy 2 specifies that “The district will use general obligation bonds or other financing instruments permitted by law to finance essential fixed assets, equipment, and capital improvements to support its instructional mission.”*

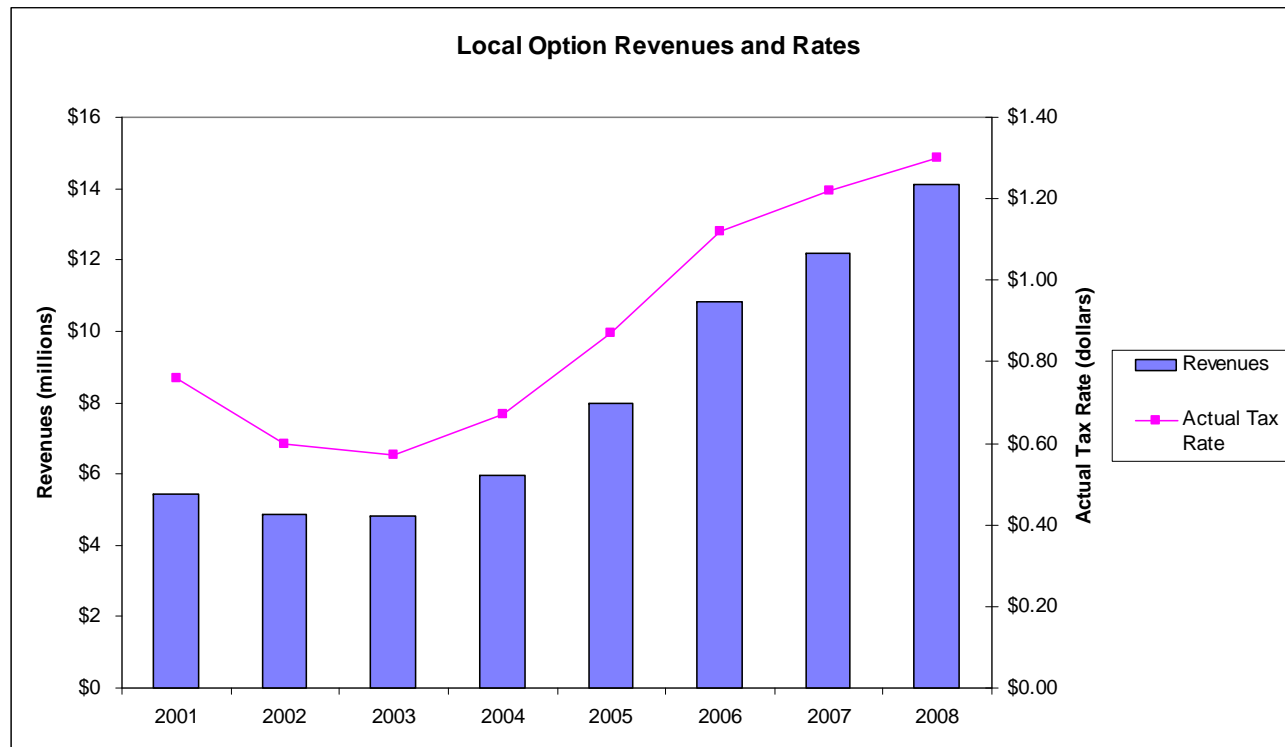
(7) Underspending

- Anticipates delays in spending as a result of project scheduling
- 66% of budgeted contingency and 50% of budgeted equipment expenditures or 5% of capital expenditures

(8) Ending Fund Balance

- Funds available for future capital projects and equipment
- Surplus funds primarily reflect the timing of capital expenditures in relation to bond issuance

STATISTICAL INFORMATION



In May 2000, district voters approved a five-year local option levy of \$1.50 / \$1,000 of Assessed Value. Since the passage of Measure Five in 1990, this was the first opportunity for district voters to increase school operating funds above the state funding formula. Voters renewed the local option for another five years in November 2004 and again in 2008.

The stability of this revenue source is largely dependent on the real market value of each property in the district increasing by at least the same rate as the assessed value (which is limited to a 3% increase per year up to the real market value). In a slower economy, real market value may increase at a slower rate than assessed value or even fall.

When the gap between real market value and assessed value is not sufficient to generate the full \$1.50 tax rate, a property is said to be “in compression” and the taxes paid are only a part of the tax rate imposed. On one end, if assessed value and real market value is the same for a particular property, no taxes are due. On the other end, if the assessed value is well below the real market value, the full \$1.50 rate is due. Most taxpayers are paying less than the full rate. Since 2001 the average “actual rate” received by the district has been as low as \$0.57 in 2003 and as high as \$1.30 in 2008.

STATISTICAL INFORMATION

Student Enrollment

STUDENT AVERAGE DAILY MEMBERSHIP BY LEVEL

(Projections are in **Bold**)

Level	<u>01-02</u>	<u>02-03</u>	<u>03-04</u>	<u>04-05</u>	<u>05-06</u>	<u>06-07</u>	<u>07-08</u>	08-09	09-10	10-11	11-12	12-13
K-5	7,252	7,230	7,051	7,042	7,150	7,049	7,070	7,098	7,119	7,037	7,000	6,987
6-8	4,562	4,526	4,491	4,374	4,228	4,097	4,003	4,041	3,948	4,011	4,046	4,077
9-12	<u>6,094</u>	<u>6,223</u>	<u>6,183</u>	<u>6,154</u>	<u>6,185</u>	<u>6,142</u>	<u>5,928</u>	5,726	5,646	5,524	5,433	5,413
	17,908	17,979	17,725	17,570	17,563	17,288	17,001	16,865	16,713	16,572	16,479	16,477

Student enrollment is expressed as ADMr, or average daily resident membership. It represents the average annual enrollment as of June 30 and counts kindergarten students as .5 or half time. The state uses ADMr as the basis for allocating funding under the State School Fund formula, as money is provided to districts on a per student basis. The district receives additional weight (ADMw) for special education, poverty, English Language Learners (ELL), and pregnant and parenting students. The district also receives funding for students placed in alternative education programs or enrolled in district-sponsored charter schools. ADMr includes students enrolled in all schools including charter schools and alternative education programs.

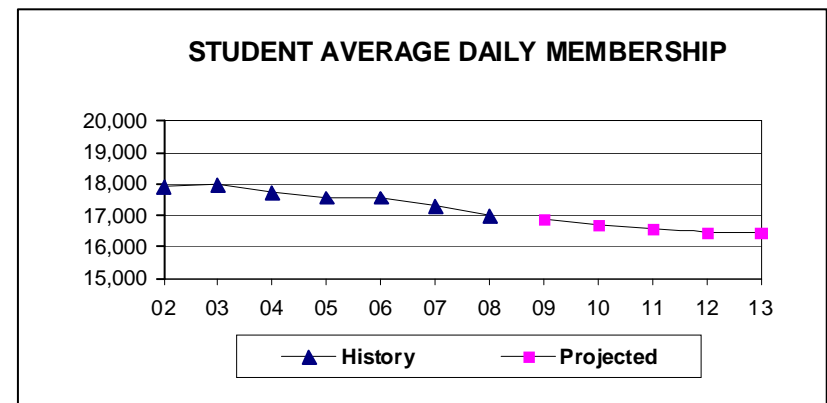
The table shows a history of changes in student ADMr over the past seven years and provides a forecast for the next five years. Student enrollment reached its highest point in the mid-1970's at approximately 22,000 students and declined to a low of 16,636 in 1984-85. During this period the district reduced staff and closed several elementary schools. Between 1985 and 1993, enrollment increased and two elementary schools were reopened. Total enrollment, including charter school and alternative education enrollment, has consistently declined since 2002-03.

The forecast projects continued declines in ADMr as smaller elementary grade level enrollments make their way through the system over the forecast period. ADMr has declined an average of 172 students in the last five years. Declines are projected to slow in the next four years to an average of 97 students per year. Enrollment is projected to decline another 388 during the next four years, with annual reductions decreasing as smaller class sizes reach the upper

grades. If projections hold, district enrollment will drop below the 1984-85 level in 2010-11.

Because of excess building capacity district-wide and financial deficits, the district has closed four elementary schools since 1999-00. Also, in 2004-05, four elementary schools were consolidated into two new, larger elementary schools, funded with the proceeds of general obligation bonds approved by voters in May 2002.

In the recent *Shaping 4J's Future* strategic planning process, the board adopted strategies to address issues resulting from declining student enrollment and a student population with a wider range of learning needs. Decisions to 1) allocate more teachers and staff to schools serving students with the greatest needs, 2) limit transfers at middle and high schools to better balance school size and program offerings, 3) consider school boundary adjustments, and 4) consider expanding transportation options within each region, will direct future staffing, transportation and facilities planning.



STATISTICAL INFORMATION

The following graph shows historical and projected ending fund balances in the general fund, representing cash reserves remaining at the end of the fiscal year. Balances reflect additional revenues collected during the year, unexpended budget appropriations, and planned savings held in the unappropriated ending fund balance (UEFB).

Board Policy DI, Accounting and Financial Policy 4. states: "*The district will maintain an ending fund balance in the general fund, in order to provide stable services and employment to offset cyclical variations in revenues and expenditures. The targeted floor for the ending fund balance will be at five percent of annual operating revenues. The annual financial forecast will project operating revenues and ending fund balance for the next five years. The board will allocate an unappropriated ending fund balance (UEFB) in the annual budget, taking into consideration revenue and expenditure volatility and other district needs.*

The UEFB may not be spent or appropriated during the fiscal year in which it is budgeted. Once the targeted five percent for the ending fund balance has been achieved, the superintendent will advise the Board if at any time the ending fund balance falls below or is projected to fall below that amount. The superintendent will update the board on the financial condition of the district and present financial options for board consideration."

Following years of budget reductions under Measure 5, reserves were built up to offset the impact of budget shortfalls beginning in 1997. Reserves were bolstered with one-time actions again in 2002 to counter the effects of lower state funding in 2003.

The \$5.2 billion K-12 budget approved for the 2003-05 biennium was reduced to \$4.9 billion in 2004 with the failure of Measure 30. Per pupil funding declined substantially and required the carry-over of reserves to maintain stable programs in 2004-05. The district reduced its state funding accrual by \$2.1 million in 2004-05.

The 2005 legislature adopted a \$5.24 billion K-12 budget plus \$23 million if state revenues exceeded projections. Along with higher

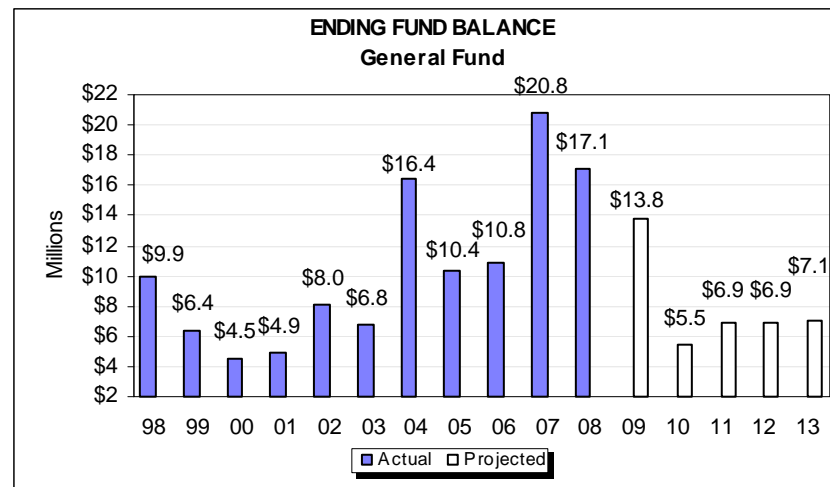
Ending Fund Balance

local property taxes, this resulted in an unexpected boost to district revenues and reserves in 2005-06 and 2006-07.

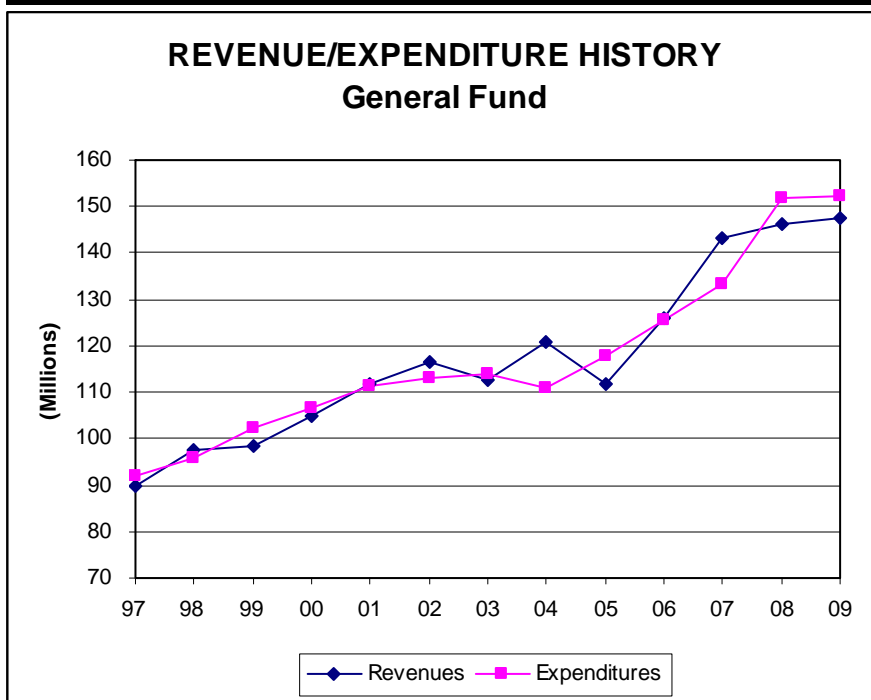
In 2007, the legislature adopted a \$5.985 billion K-12 budget plus another \$260 million for a noncompetitive School Improvement Fund grant available for certain expenditures aimed at increasing student achievement. The combined \$6.245 billion was \$940 million over the previous biennium or 17.7%. During November 2008, in light of falling state revenues, the Governor called for a 1.2% reduction in 2007-09 school funding. This resulted in a \$2.1 million cut to district revenues.

The Oregon legislature is currently meeting to determine the level of K-12 funding for 2009-11. Estimates range from \$5.4 billion to \$5.9 billion.

Reserves have been used to support operations since 2007-08 and are projected to be drawn down below the board target to 4.1% in 2009-10. Reserves are forecast at 5% in future years.



STATISTICAL INFORMATION



Significant Revenue/Expenditure Variables

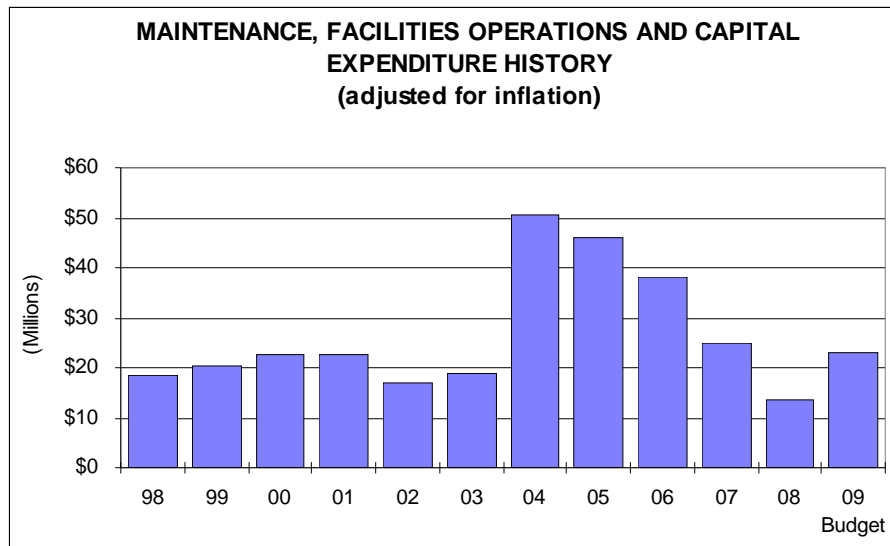
- 1996-97 State revenues per student constant/programs are maintained by using \$2.8 million in reserves.
- 1997-98 State provided sufficient funding to cover operating requirements without the use of reserves.
- 1998-99 \$3.6 million in reserves used to maintain programs.
- 1999-00 \$1.9 million in reserves used to maintain programs.
- 2000-01 Break-even operations with passage of local option levy.
- 2001-02 One-time reductions in expenditures created savings needed to offset future reductions in state funding.
- 2002-03 State revenue shortfalls addressed in five special sessions and the failure of a state income tax measure resulted in major cuts to K-12 funding. Revenue includes \$6.3 million in state funding received in July 2004, as permitted by the legislature.

Revenue / Expenditure History

- 2003-04 State funding was approved a higher level than budgeted by 4J. PERS rates declined but costs were held to budgeted levels because of uncertainty around state funding and PERS rates. Expenditures include a \$4 million PERS reserve.
- 2004-05 Revenues dropped sharply from the failure of Measure 30 and the resulting cut to state funding. Expenditures include a \$4.5 million transfer to PERS reserves and use \$6.0 million in general fund reserves to support operations.
- 2005-06 A strong economy generated higher levels of state funding and local option income. Cost were increased to reflect higher health insurance costs and PERS rates, additional special ed. staff, and 1-time funding to stabilize neighborhood schools and strengthen the school choice system. \$2.3 million in general fund reserves and \$3 million in PERS reserves were used to support operations.
- 2006-07 State funding was bolstered by “trigger revenue” and 1-time lottery funds. Local option revenue exceeded projections. Costs included continued efforts to stabilize neighborhood schools and 1-time initiatives to increase student achievement. PERS reserves of \$3 million were used to support operating costs. Another \$3 million was held in reserve to fund services when the City levy expired at the end of 2006-07.
- 2007-08 A strong economy once again generated higher levels of state and local revenues. Costs were increased due to the on-load of City Levy funded services and the addition of ongoing and one-time investments in the classroom.
- 2008-09 State funding was decreased in response to the global economic crisis, with district revenues cut almost \$2 million. Further reductions were offset by the use of federal State Fiscal Stabilization Fund dollars. The district implemented measures to reduce spending by \$4.3 million, as higher reserve levels are needed to offset a \$21million shortfall forecasted for 2009-10.

STATISTICAL INFORMATION

Maintenance / Capital Trends / Equipment and Textbooks



Expenditure totals include general fund expenditures for repairs, maintenance, capital improvements, and building operations plus capital expenditures paid for from the capital projects fund. Actual dollar expenditures have been adjusted for inflation (U.S. CPI-Urban Consumers) to reflect a real dollar comparison in 2009 dollars.

1992 - 97 Capital Improvement Plan (CIP)

In November 1992, voters approved a \$74.3 million general obligation bond levy to fund the district's first major capital improvement program since the late 1970's. Proceeds were used to finance major capital construction and repairs, equipment and textbooks, and to refinance certificates of participation issued in 1990 for capital projects. Bonds were originally issued in 1993 and 1994, with all bonds to be repaid by 2014. Portions of each series were refinanced in 2002 to achieve savings for taxpayers.

1995 - 98 Capital Repair Bond

In November 1994, voters approved \$6 million in general obligation bonds to provide \$2 million per year for three years for routine facilities repairs and improvements. Bonds have been repaid and these maintenance and repair costs are now being paid out of the General Fund.

1998 - 2001 Capital Needs Levy

In November 1998, voters approved a \$12.2 million bond levy to pay for \$8.7 million in critical capital needs and security upgrades as well as \$3.5 million to construct athletic fields for high school football and other youth sports activities. Bonds were issued in June 1999 and February 2000, and will be repaid over 20 years.

From 1997 to 2003, capital and equipment costs were also funded with lottery bond and classroom needs grant proceeds provided by the state. Additional district sources include unspent general fund balances carried over by schools and departments for future year expenditures. Equipment and textbook costs, which can no longer be funded with bond proceeds and for which one-time sources have been expended, are now being funded with transfers from the general fund to the fleet and equipment fund.

2002 - 2008 Capital Improvement Program

In May 2002, voters approved \$116 million in bonds to fund a six-year capital improvement plan. Spending in 2002-03 represented the first year of design and construction activity under that bond. Higher levels of spending in 2003-04 through 2005-06 primarily reflect the construction of two new elementary schools to replace four former elementary schools (opened in September 2004), the construction of two new middle schools (opened September 2005 and September 2006), and remodels in all four high schools. Amounts expended in 2006-07 include the final costs of constructing one new middle school, major remodeling at an elementary school and another middle school, plus upgrades to building systems such as electrical,

STATISTICAL INFORMATION

Maintenance / Capital Trends / Equipment and Textbooks (continued)

heating and ventilation, and plumbing systems district-wide. Of the total bonds authorized, \$70 million was issued in November 2002 and the remaining \$46 million was issued August 2005. Bonds are scheduled to be repaid by 2025.

Projects Financed by Current \$116 Million Bond

Completed:

- Replaced Patterson and Westmoreland elementary schools with one new consolidated Cesar Chavez Elementary School on the Patterson site.
- Replaced Washington and Willakenzie elementary schools with one new consolidated Bertha Hold Elementary School on the Washington site.
- Replaced portable classrooms with an addition at Kennedy Middle School and Monroe Middle School, and replace some portable classrooms with an addition at McCornack Elementary School.
- Rebuilt Madison and Cal Young middle schools on current properties.
- Remodeled areas in all four high schools, including science labs at Churchill and North and a cafeteria/student center at North and South. Add a new science/technology wing at Sheldon. Provide a new science addition at Churchill.
- Re-roof to prevent water damage at fifteen schools.
- Construct two new synthetic fields at two schools.

In Progress or Planned:

- Upgrade electrical systems to accommodate modern instruction and improve safety at three schools.
- Upgrade lighting to improve efficiency and learning environment at three schools.
- Update emergency exit lighting to modern standards at twenty schools.
- Repair HVAC systems (heating, ventilation/air conditioning) at two schools and the Ed Center.
- Replace fire alarm systems at Transportation, Facilities, and one school.

- Repair and replace broken sinks, toilets, tiles and privacy dividers in restrooms at multiple sites.

Equipment and Textbooks

Equipment and textbooks were also funded from general obligation bonds from 1993 to 1997 and from temporary state funding through 2002-03. Starting in 2003-04, the district began making transfers from the general fund to cover the costs of the highest priority textbook and equipment needs. Transfers to date are as follows:

2003-04	\$0.90 million
2004-05	1.00 million
2005-06	1.60 million
2006-07	2.25 million
2007-08	1.65 million
2008-09	0.53 million

Based on an estimated annual need of \$2 million, for the 2003-04 budget, the superintendent recommended a funding strategy that

- Set an annual budget target of \$2 million per year for equipment and textbooks;
- Budgeted a \$1.65 million general fund transfer to the equipment fund, with the intent of using "excess ending working capital" (actual vs. budgeted) to increase the transfer by up to \$350,000.

During 2003-04, in order to address the district's achievement gap, the board approved a reduction of the transfer to \$1 million for four years in order to partially fund a literacy initiative. In 2006-07, reserves above the board target, raised the transfer to \$2.25 million in order to fund a large language arts adoption, estimated at \$1.5 million. In 2008-09, the transfer for textbooks was reduced by \$1.18 million as part of a district budget reduction strategy.

STATISTICAL INFORMATION

Open Book\$

The Open Books project was created to explain information about Oregon K-12 school spending in a simple, easy-to-understand format. Information is available on individual district spending, comparable districts spending and statewide averages.

Open Books, in an effort to provide information that is easy to understand, uses the five expenditure categories listed to the right.

The chart below compares Eugene's 2006-07 spending in the five categories with the state average and the two districts closest in size to that of Eugene: North Clackamas and Bend-LaPine.

Open Book\$ Icons & Definitions



Teaching and Student Resources

Teachers, instructional assistants, special education, speech pathologists, attendance officers, school nurses, library services, counseling, community services, supplies, textbooks and equipment.



Principal's Office

Principals, vice-principals, secretaries, and the supplies and equipment they use to perform their jobs.



Buses, Buildings and Food

Student transportation, building maintenance, heat, light, custodians, cafeteria.



Business Services and Technology

Information technology, personnel, curriculum research and evaluation, printing educational materials.










Central Administration

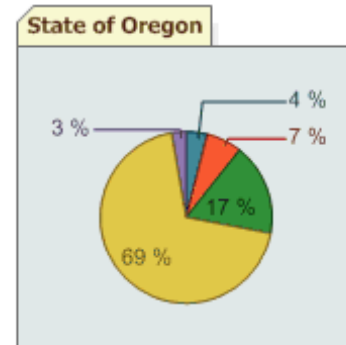
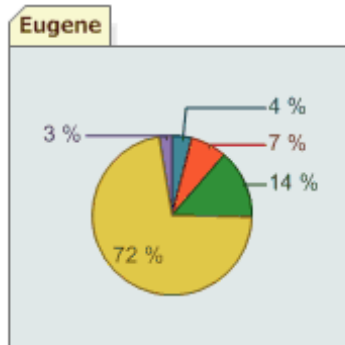
Staff salaries, benefits and supplies in the superintendent's office, or for other education leaders not located at specific schools.

For more information visit the Open Books website: www.openbooksproject.org.

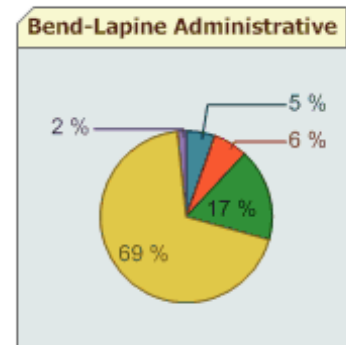
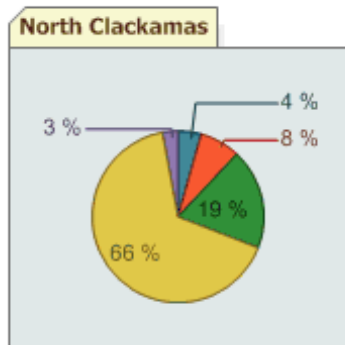
District Comparisons

YOU ARE COMPARING:

-  Principal's Office
-  Business Services & Technology
-  Teaching & Student Resources
-  Central Administration
-  Buses, Buildings & Food
-  Compare other school districts
-  Look at other achievement data



 [Read district message.](#)



STATISTICAL INFORMATION

Eugene's expenditures are proportionally higher than our comparison group in the area of Teaching and Learning. Higher expenditures were possible because local voters authorized two local option levies (district and City of Eugene) totaling nearly \$14 million. In the area of Buses, Buildings and Food, our district spent proportionally less, because of a smaller food service program, a lower percentage of students riding buses due to open enrollment (bus service not provided to transfers), and a high school transit district bus pass program. Data excludes the district's three charter schools.

In 2006-07 the district educated 18,389 students in 47 schools, including charter schools and contracted alternative education programs. Students were served by 1,854 full-time equivalent staff.

The graph below compares select student demographic data with statewide averages. Note Eugene's slightly higher population of special education students and lower population of English language learners and students receiving free or reduced lunches. The difference from the state average in these three categories translates into less funding coming to Eugene through the state school funding formula. Staff information, class size, and TAG data are provided by Oregon Department of Education based on the 2005-2006 school year; all other information is provided by Oregon Department of Education based on the 2006-2007 school year.

Student & Staff Data

Total number of students: **18,389**

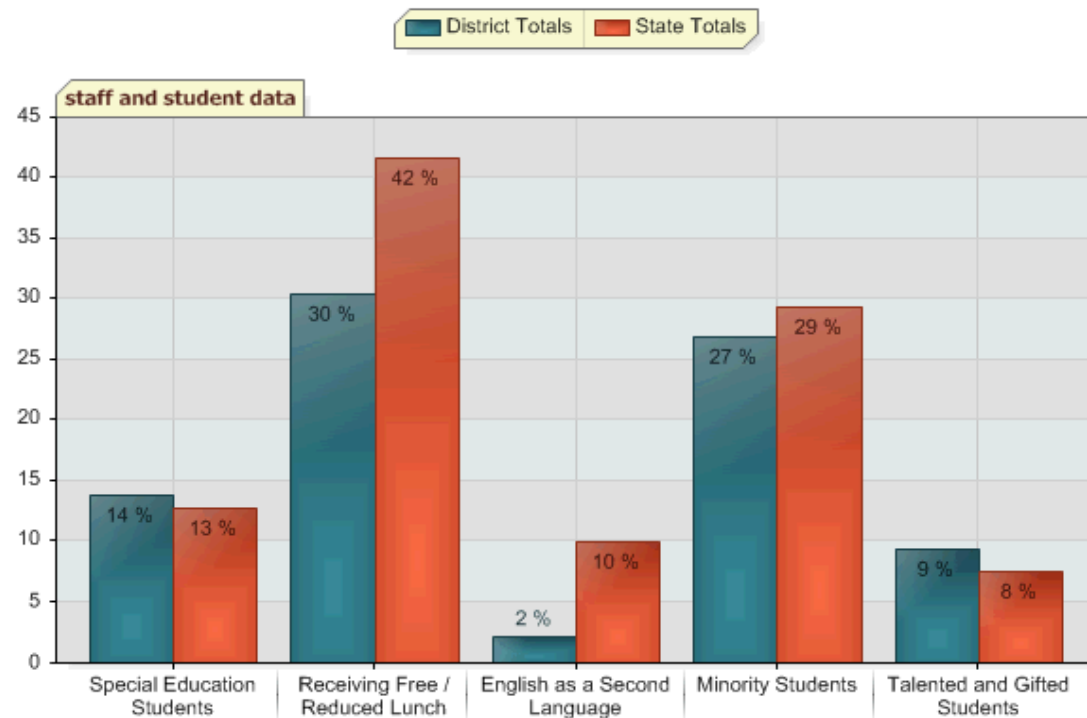
Total number of schools: **47**

Total full-time equivalent staff: **1,854.0**

Average elementary class size: **22.7 (state: 23.6)**

Average secondary math class size: **24.7 (state: 21.6)**

Average secondary English class size: **21.6 (state: 20.8)**



EXCERPTS

**STATE OF OREGON
ECONOMIC AND REVENUE FORECAST SUMMARY**

May 2009

Oregon Economic Forecast

The first quarter of 2009 marks the fifth consecutive quarter of job losses. The annualized drop of 8.2 percent is the largest quarterly employment decline since the second quarter of 1980. The year-over-year (Y/Y) employment decline for the first quarter is 4.5 percent. Two quarters ago, the Y/Y employment decline was only 0.4 percent. The job loss descent has been extremely rapid the past two quarters.

For the U.S. economy, this recession is the deepest downturn post World War II. For Oregon, the projected job loss during this recession is the second largest downturn, only bested by the 1980-1982 recession periods. The unemployment rate for March 2009 reached 12.1 percent, matching the highest seasonally adjusted unemployment rate during the early 1980's recession. With more job losses likely this year, the unemployment rate will continue to rise. The March job drop was less than February but still over 10,000. The Oregon unemployment rate jumped a historical 1.4 percentage points from February to March; up to 12.1 percent to match the highest monthly rate during the early 1980's recession.

In the first quarter of 2009, almost all sectors either continued to lose jobs or had slower employment growth. Only two broad job sectors gained jobs: educational and health services and government. Every manufacturing employment, except for food, sector had double digit job losses. The broader service sector continued to decline across most job categories. Health services continued to add jobs but at a much slower rate. Government job growth was barely positive.

OEA (Office of Economic Analysis – Oregon) forecasts a decline of 6.5 percent in total employment for the second quarter of 2009. The year average for 2009 is an employment decline of 5.3 percent. Job growth is negative at 0.7 percent in 2010 but with job gains

starting in the second quarter through the end of the year. The Oregon economy does not see above 2 percent job growth until the first quarter of 2011.

Revenue Forecast

The forecast for General Fund revenues for the 2007-09 biennium is \$11,757.9 million, a decrease of \$260.6 million from the March 2008 forecast. The decrease is concentrated in personal income taxes, as expectations for income tax receipts related to both capital gains and business income continued to slide rapidly through April. Corporate income tax receipts have exhibited similar weakness. Including the beginning balance of \$1,436.7 million, total available resources amount to \$12,833.2 million, a decline of \$1,305.7 million from the Close of Session forecast.

After adjustments for several new laws related to expenditure cuts and revenue increases, the May projections result in a negative ending balance of \$351.3 million for the 2007-09 biennium. The protracted slowdown will push still further downward relative to the March forecast in the 2009-11 biennium. The forecast for total General Fund revenue during 2009-11 was reduced by \$532.5 million relative to March.

Projected lottery earnings for 2007-09 will total \$1,326.9 million, an increase of \$9.7 million from the prior forecast. Though coming in slightly ahead of the March forecast, the dramatic decline in lottery sales through the winter has continued, with weekly video lottery sales down more than 20 percent on a year-over-year basis. Including the beginning balance and other earnings, total available resources equal \$1,400.2 million. Total projected resources have increased \$8 million from the Close of 2007 Session.

Lottery earnings are expected to fall 14.3 percent to \$1,137.1 million for the 2009-11 biennium. In addition to the expected impact of the

smoking restrictions and slow economic growth, the weak growth is the result of an absence of administrative savings for the biennium, compared with \$102.7 million in the current biennium. In spite of the increased transfer rate, video lottery earnings will decrease 7.1 percent, while traditional products will decline 7 percent. Not including any administrative savings that may accrue during the biennium, total available resources will amount to \$1,141.8 million.

Demographic Forecast

Oregon's estimated population on July 1, 2008 reached 3,791,075. That was an increase of 1.2 percent over the 2007 population. The growth has slowed down since the highs of 2005 through 2007 when it exceeded 1.5 percent on average. Overall, population change since 2000 is much lower than the rate of growth of well over 2.0 percent during the early 1990s. As a result of recent economic downturn, Oregon's population is expected to grow at a slower pace in the near future. Based on the current forecast, Oregon's population will reach 4.106 million in the year 2015 with an annual rate of growth of 1.14 percent between 2008 and 2015.

Oregon's economic condition heavily influences the state's population growth. Its economy determines the ability to retain local work force as well as attract job seekers from other states and beyond. As Oregon's total fertility rate remains below the replacement level and deaths continue to rise due to ageing population, long-term growth comes from net in-migration. Working-age adults come to Oregon as long as we have good economic and employment situations. During the 1980s that included a major recession and a net loss of population, net migration contributed to 22 percent of the population change. On the other extreme, net migration accounted for 73 percent of the population change during the booming 1990s. This share of migration declined to 57 percent in 2002. As a sign of slow to modest economic gain, the net migration will account for 49 to 64 percent of the population change

in the near future. Although economy and employment situation in Oregon look bleak, migration situation is not expected to replicate the early 1980s pattern. Potential Oregon out-migrants have no better place to go since other states are also in the same boat in terms of economy and employment.

Growth in all age groups will show the effects of the baby-boom and their echo generations during the period of 2008-2015. It will also reflect demographics impacted by the depression era birth cohort combined with diminished migration of the working age population and elderly retirees. After a period of slow growth in the past, the elderly population (65+) growth has picked up in pace and will surge as the baby-boom generation starts to enter this age group. The average annual growth of the elderly population will be nearly 3.8 percent during the forecast horizon as the boomers continue to enter retirement age. The youngest elderly (aged 65-74) will grow at an extremely fast pace due to the direct impact of the baby-boom generation entering retirement age. The elderly aged 75-84 will continue to shrink in numbers until 2009, as the depression era birth-cohort will dominate this group. The oldest elderly (aged 85+) will continue to grow at a moderately high rate due to the combination of cohort change, continued positive net migration, and improving longevity. However, the annual growth rate will continue to taper off as the depression era small birth cohort transitions from the younger age group.

As the baby-boom generation matures, the once fast-paced growth of population aged 45-64 will gradually taper to near 0 percent rate by 2012. The young adult population (aged 18-24) will grow at an average of 0.1 percent annually, considerably slower than the rate averaging 1.1 percent experienced between 2000 and 2008. Although the slow growth of college-age population tend to ease the pressure on public spending on college education, college enrollment typically goes up during the time of high unemployment and scarcity of well paying jobs when even the older population flock

back to college to better position themselves in a tough job market. Compared to other non-elderly age groups, children under the age of five show a higher rate of growth after a slow growth period in the recent past. However, the growth rate for the children will remain below the overall population growth rate resulting in lesser demand for child care services and pre-Kindergarten program. The K-12 population (aged 5-17) will show very slow growth which will translate into slow growth in school enrollments. This population will actually decline in the near future. The 25-44 age group population has reversed the several year trend of decline. The decline was mainly due to the exiting baby-boom cohort. This age group has seen positive growth starting in the year 2003 and will approach 1.2 percent annual growth by the year 2011.

Forecast Risks

The US economy is now in the deepest post WWII recession. Oregon is almost there with this recession starting to rival the 1980-1982 recessionary period. Our economies have experienced financial crises in the past, but the breadth of this one is the worst since the Great Depression.

When you hear the phrase “we are in uncharted waters”, we are reminded that our policy makers are not quite sure what to do. “Uncharted waters” means we have no map to either lead us out of this mess or even know where we are. We do know not to repeat the policy prescriptions during the Great Depression. But the policies for the Great Recession are largely untried with little or no track record.

As with our last quarterly forecast, there are both negative and positive risks going forward. The economic situation could get worse or start to turn just as government stimuli kick in and create a robust recovery. The return of the financial sector to some form of normalcy will be key to ending this recession.

We will continue to monitor and recognize the potential impacts of risk factors on the Oregon economy. We have identified the major risks now facing the Oregon economy in the list below:

- *Contagion of the credit crunch and financial market instability.* With the freezing up of credit markets, broad based borrowing and lending is very expensive or non-existent. Consumer spending has been greatly curtailed and the stock market has lost 40 percent of its value in 2008, though the stock market has almost regained its losses during 2009. Some signs of credit easing are appearing. If the credit markets do not return soon to some sort of state of normalcy, the current recession could be much deeper and longer than presently projected. Oregon will suffer the consequences along with the rest of the nation.
- *Prolonged housing market instability.* Generally, analysts believe that the housing market has yet to hit bottom, at least in terms of price declines. Though Oregon has been hit hard through this downturn, Oregon’s housing market is relatively better off compared to California, Nevada, Florida, and Arizona. Coupled with the recessionary state of the economy, the rise in mortgage rates and heightened credit standards will keep demand for housing relatively low. Rather than the correction of the housing bubble further hurting the Oregon housing market, it will be the deepening recession that causes further home price declines and rising foreclosures. Unlike many parts of the economy, there is an upside risk here as well. If the recession is over sooner than forecasted, Oregon’s housing market should revive better than the states who experienced the greater housing market bubbles.
- *The relative effectiveness of nearly-global government stimulus.* The level of government response to the current recession has never been greater. Furthermore, the coordination of central

bank actions throughout the world was similarly unprecedented. While the intent was for significant stabilization and growth, it is unknown if these will come to pass. Federal Reserve, US Treasury, and the federal stimulus package may lift this economy out of recession sooner than projected.

- *The return of federal timber payments to Oregon counties.* Included in the federal bailout was a provision to reinstate federal timber payments for four years. Oregon counties will receive \$254 million, down from the previous \$282 million level and will be phased out over the four year window. While this temporary reinstatement helps cover short term budgets for Oregon counties, finding or replacing this dwindling revenue source will be imperative as any loss of public services could have adverse impacts on economic activity.
- *The extent of the global downturn triggered by the U.S. slowdown.* The U.S. economy has been an important engine of growth for the global economy. As the U.S. economic woes continue, the whole world is being to feel the impact. First, European economic growth slowed considerably, even contracting in places. Then Asian economies began slowing due to their large exposure, via trade, to the U.S. economy. China is a top importer of Oregon products and any slowing of the Chinese economy will adversely impact Oregon exports. To the extent that Oregon major trading partners take longer to recovery compared to the US economy, this could extend the downturn in Oregon.
- *Appreciation of the U.S. dollar.* Along with slowing foreign economies, the recent appreciation of the U.S. dollar has slowed exports from U.S. producers. This is also true for Oregon exports. The extent of the impact from the U.S. dollar may not be as great
- for Oregon given the expected appreciation of the Chinese Yuan, one of Oregon's major trading partners. Still, the risk is present for a slowing of exports.
- *National and regional energy prices.* The over 60 percent drop in oil prices is bringing relieve to both businesses and households. The near term outlook is also for lower regional prices for natural gas and electricity. This comes at a welcomed time when businesses are looking for cost savings. The benefit from lower energy prices is most likely short-lived as the underlying demand drivers will return once the world economies rebound from this recession.
- *Geopolitical risks.* Uncertainty still abounds in Iraq. Tensions with Iran and heightened security risks weigh on businesses and consumers. Disruptions in travel, oil supplies, and consumer confidence could be severe. The drop in business activity could deepen if this uncertainty persists or if the transition out of the Iraq war goes badly for the U.S. The eventual winding down of military expenses will not greatly impact Oregon. There is also an upside risk that the transition will go more smoothly than anticipated, and stability in the Mideast will provide a stronger than forecasted stimulus to the economy.
- *Initiatives, referendums, and referrals.* Generally, the ballot box brings a number of unknowns that could have sweeping impacts on the Oregon economy.

TABLE A.1**May 2009 - Other Economic Indicators**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (Bil of 2000 \$), Chain Weight (in billions of \$) % Ch	10,675.7 3.6	10,989.5 2.9	11,294.9 2.8	11,523.9 2.0	11,652.0 1.1	11,247.2 (3.5)	11,402.5 1.4	11,798.6 3.5	12,271.1 4.0	12,675.7 3.3	13,028.4 2.8	13,378.6 2.7
Price and Wage Indicators												
GDP Implicit Price Deflator, Chain Weight U.S., 2000=100 % Ch	109.5 2.9	113.0 3.3	116.7 3.2	119.8 2.7	122.5 2.2	124.3 1.5	125.6 1.0	127.2 1.3	128.9 1.3	131.1 1.7	133.6 2.0	136.3 2.0
Personal Consumption Deflator, Chain Weight U.S., 2000=100 % Ch	108.4 2.6	111.6 2.9	114.7 2.8	117.7 2.6	121.6 3.3	121.2 (0.3)	122.7 1.2	124.8 1.7	126.9 1.7	129.4 1.9	131.9 2.0	134.5 1.9
CPI, Urban Consumers, 1982-84=100												
Portland-Salem, OR-WA % Ch	192.1 2.3	197.1 2.7	203.0 3.0	208.9 2.9	215.6 3.2	217.7 1.0	219.4 0.8	222.7 1.5	226.7 1.8	231.2 2.0	236.0 2.1	241.1 2.2
U.S. % Ch	188.9 2.7	195.3 3.4	201.6 3.2	207.3 2.9	215.2 3.8	212.3 (1.4)	215.6 1.6	220.2 2.1	225.3 2.3	230.5 2.3	235.8 2.3	241.2 2.3
Oregon Average Wage Rate (Thous \$) % Ch	36.8 3.4	37.9 3.1	39.4 3.9	40.9 3.8	42.2 3.2	43.4 2.9	44.2 1.7	45.1 2.1	46.3 2.7	47.8 3.2	49.3 3.2	50.9 3.1
U.S. Average Wage Rate (Thous \$) % Ch	41.0 4.4	42.4 3.3	44.3 4.4	46.2 4.4	47.8 3.4	49.2 2.9	50.2 2.1	51.3 2.2	52.6 2.4	54.1 2.9	55.8 3.1	57.6 3.2
Housing Indicators												
FHFA Oregon Housing Price Index Housing Index 1987 Q1=100 % Ch	318.8 9.6	371.8 16.6	435.4 17.1	464.6 6.7	458.2 (1.4)	408.7 (10.8)	382.8 (6.3)	387.9 1.3	405.9 4.6	431.4 6.3	452.1 4.8	480.0 6.2
FHFA National Housing Price Index (1980Q1=100) % Ch	313.2 9.5	349.4 11.6	376.2 7.7	385.3 2.4	375.2 (2.6)	338.8 (9.7)	314.6 (7.1)	317.3 0.9	331.3 4.4	350.5 5.8	365.7 4.3	387.0 5.8
Housing Starts Oregon (Thous) % Ch	27.5 8.7	30.9 12.5	27.6 (10.8)	22.0 (20.5)	12.8 (41.7)	7.0 (45.3)	9.3 32.4	14.1 52.5	19.2 35.7	22.3 16.4	23.4 5.1	24.4 3.9
U.S. (Millions) % Ch	1.9 5.2	2.1 6.3	1.8 (12.6)	1.3 (26.0)	0.9 (32.6)	0.6 (39.0)	0.8 53.9	1.3 48.0	1.5 23.0	1.7 7.5	1.7 1.0	1.7 2.6
Other Indicators												
Industrial Production Index U.S., 2002 = 100 % Ch	103.8 2.5	107.2 3.3	109.7 2.3	111.3 1.5	108.8 (2.2)	97.7 (10.2)	97.4 (0.3)	101.9 4.6	107.3 5.3	111.2 3.6	114.3 2.8	117.4 2.7
Prime Rate (Percent) % Ch	4.3 5.3	6.2 42.5	8.0 28.6	8.1 1.2	5.1 (36.8)	3.3 (36.1)	3.3 1.7	4.7 42.1	6.3 35.1	6.6 3.3	7.6 15.9	7.7 2.1
Population (Millions)												
Oregon % Ch	3.6 1.2	3.6 1.4	3.7 1.6	3.8 1.4	3.8 1.2	3.8 0.9	3.9 1.0	3.9 1.2	4.0 1.3	4.0 1.3	4.1 1.2	4.1 1.2
U.S. % Ch	294.0 0.9	296.7 0.9	299.6 1.0	302.4 0.9	305.4 1.0	308.4 1.0	311.4 1.0	314.4 1.0	317.4 1.0	320.5 1.0	323.6 1.0	326.7 1.0
Timber Harvest (Mil Bd Ft) Oregon % Ch	4,000.0 (0.0)	3,955.0 (1.1)	4,328.0 9.4	3,799.0 (12.2)	3,400.0 (10.5)	2,900.0 (14.7)	3,100.0 6.9	3,308.9 6.7	3,561.4 7.6	3,683.9 3.4	3,753.2 1.9	3,790.7 1.0

Source: State of Oregon Economic and Revenue Forecast, May 2009