DEVELOPING A SUSTAINABLE BUDGET STRATEGY

Board Work Session

October 6, 2010
BOARD GOAL: SUSTAINABLE BUDGET STRATEGY

By 2012-13, the district will implement a sustainable budget that:

- maintains reserves at or above board targets,
- minimizes the use of one-time funds for ongoing expenses,
- optimizes the use of short-term resources to improve student achievement, and
- increases operational efficiency while reducing long-term capital needs.

Superintendent goal:

*Develop strategy options for achieving the board’s sustainable budget goal and present a proposal to the board and budget committee by February 2011.*
How do we spend our money?

**GF Expenses:**

$142 million

- Teaching & Student Resources: 71%
- Buses, bldgs, food: 14%
- Principals Ofc: 9%
- Central Admin & bus/tech: 6%

Most of our budget is invested in the classroom and schools.
Why a Shortfall?

Drop in state and other revenue
  • State School Fund, interest earnings, local option property taxes, federal funds

Declining enrollment
  • Fewer students = less revenue from the State School Fund
    • Over 1000 fewer students over last 5 years

Use of reserves & short-term $$ to support operations
  • $36.7 million since 2007

Increases in compensation, PERS rates & benefits costs
  • 85% of budget
4J’s Financial Forecast

- Operating shortfall of 19-27% next year.
- Continuing shortfalls through 2015.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-$27 million</td>
<td>-$0.2 million</td>
<td>-$4.0 million</td>
<td>-$0.8 million</td>
</tr>
<tr>
<td>to</td>
<td>-$38 million</td>
<td>-$1.1 million</td>
<td>-$4.3 million</td>
<td>-$1.0 million</td>
</tr>
</tbody>
</table>
4J’s Financial Forecast Assumptions

How do we get to $30 million shortfall?

- 5% reduction ($7 million) in state per pupil funding
- Restoring school & work days ($3.5M)
  - 176 school days, 192 teacher work days
- 2% increase for compensation, supplies and services ($3.0M)
Targeting Our Limited Resources

Student Achievement
Setting Parameters

• As a district, what must we do?
• What should we be doing that we’re not doing?
• What are the things we are doing but don’t have to do? What can we no longer do?
• Is there a trump card? If so, what is it and how will it be used? (Equity? Neighborhood Schools? Choice?)
<table>
<thead>
<tr>
<th>Priority 2</th>
<th>Priority 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGH VALUE/LOW IMPACT</td>
<td>HIGH VALUE/HIGH IMPACT</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Priority 4</th>
<th>Priority 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOW VALUE/LOW IMPACT</td>
<td>HIGH IMPACT/LOW VALUE</td>
</tr>
</tbody>
</table>
Priority Area 1
Value: Student Learning, Excellence & Equity
- Goal: Student Achievement & Close Achievement Gaps
- Priorities: 21st Century Skills; HS Grad; Literacy
- Strategies: HV/HI

Priority Area 2
Value: Quality Programs in All Schools
- Goals: Well rounded education (art, music, PE, technology & media)
- Priorities: early intervention; grad requirements; neighborhood schools, school size, RTI; PBS
- Strategies: HV/HI

Priority Area 3
Value: Support for Teaching & Learning
- Goals: instructional delivery redesign; central services support; valued staff
- Priorities: staffing ratio; class size; PD; IIIPM
- Strategies: HV/HI; HV/LI

Priority Area 4
Value: Admin & Ops Efficiency/Effectiveness
- Goals: sustainable budget; systemic/centralization/shared/consolidated services
- Priorities: school consolidation; staff effectiveness/accountability; property mgmt; revenue & reserve strategies
- Strategies: HV/HI; HV/LI; HI/LV

Priority Area 5
Value: Public, Community & Stakeholder support and engagement
- Goals: parent, family and community engagement; intergovernmental relations; community partnerships
- Priorities: parental choice; enrollment & boundary mgmt; alt. schs
- Strategies: HV/HI; HV/LI; HI/LV

Hierarchy of Values, Goals and Priorities
Strategic Disinvestment
2011-12 and beyond

Target: $30 Million

- $10 million
  about 7% of GF Budget
- $20 million
  about 15% of GF Budget
- $30 million
  about 20% of GF Budget
- $40 million
  about 30% of GF Budget

- Assumes ongoing reductions
- Using reserves/one-time $ = greater cuts in subsequent years
1. Revenue Enhancements
2. Fewer School/Work Days *
3. Reduced Staffing
4. School Closure/Consolidation
5. School/Instructional Redesign
6. Non-Instructional Programs Reduction
7. Discretionary Funds/Materials/Supplies
8. Compensation/Benefits *
9. Reserves/One-Time Funds
10. Shared Services/Contracting Out *

* Requires negotiation with labor organizations. Others could involve impact bargaining.
Strategy Options

**Revenue Enhancements**
- Potential Strategies:
  - Add/Increase community user fees
  - Increase fundraising
  - Grant opportunities
  - Bond measure/New tax for schools
  - Sell surplus properties
  - Construction Excise Tax (CET)
- Potential Impacts:
  - Reduced community use
  - Inequitable resources
- Potential Costs/Savings:

**Fewer School/Work Days**
- Potential Strategies:
  - Reduce school year (currently 176 days)
  - Reduce non-instructional days
  - Close central office @ spring & winter break (8 -12 days)
- Potential Impacts:
  - Less instructional time
  - Service reductions
  - Less support to schools
- Potential Costs/Savings:
  - Each day = $490,000 all staff
  - Central office staff only day: $43,000
Strategy Options

Reduce Staffing

- **Potential Strategies:**
  - Reduce central services staff
  - Change staffing ratios/teacher & staff reductions

- **Potential Impacts:**
  - Reduced support to schools & classrooms
  - Larger class sizes, fewer specialists

- **Potential Costs/Savings**
  - Currently Central Services = $10 million
  - 12 teachers = $1 million
  - Staffing Ratio by 1 = $2.0 million (23 fte)

School Closure/Consolidation

- **Potential Strategies:**
  - Close 3 schools or more
  - Consolidate & build larger schools with bond measure

- **Potential Impacts:**
  - Larger schools/fewer schools
  - Staff reductions
  - Loss of students

- **Potential Costs/Savings:**
  - Elementary = $330,000
  - Middle = $550,000
  - High = $1.4 million
**Strategy Options**

**Shared Services/Contracting Out**

- **Potential Strategies:**
  - Contract with ESD for shared services
  - Consolidate non-instructional functions with Springfield and/or Bethel
  - Contract out/outsource business & operational functions

- **Potential Impacts:**
  - Loss of local control

- **Potential Costs/Savings:**
  - Reduced staffing costs

**Discretionary Funds/Materials/Supplies**

- **Potential Strategies:**
  - Spending reductions
  - Cut budgets

- **Potential Impacts:**
  - Phones, utilities, & equipment
  - Fewer supplies, materials

- **Potential Costs/Savings:**
  - Supplies & Materials, etc = $17 mil
Strategy Options

**School/Instruction Redesign**
- **Potential Strategies:**
  - Reconfigure grade levels (K-6, K-8, PK-2, 3-5, 7-12)
  - On-line learning/use of technology
  - Larger lecture classes
  - Flexible credit options
  - Program staffing: music, PE, art, counseling, librarians, etc.

- **Potential Impacts:**
  - Staff reductions

- **Potential Costs/Savings**
  - TBD
  - Construction and remodeling costs

**Non-Instructional Programs**
- **Potential Strategies:**
  - Athletics/extracurricular/field trips
  - Equity & Diversity initiatives
  - Student support Services (counselor, librarians, nurses)
  - Professional development

- **Potential Impacts:**
  - Staff reductions
  - Student programs & activities

- **Potential Costs/Savings**
  - Salary and benefits per position
  - Athletics & extracurricular = $2.0 million
  - Student support services = $4.0 million
  - PD = $1.2 million
Strategy Options

Reserves/One-time Funds

- **Potential Strategies:**
  - Use reserves

- **Potential Impacts:**
  - Bigger hole in future
  - Living on borrowed time

- **Potential Costs/Savings**
  - GF Reserve = $5.4 million, 4% of operating budget
  - Capital Reserve = $7.4 million
  - Fleet Funds = $5.3 million
  - Contingency = $3 million, 2% of operating budget

Compensation/Benefits*

- **Potential Strategies:**
  - Negotiate salary freezes or reductions
  - Negotiate benefits changes (health, PERS, etc.)
  - Negotiate workday/furloughs

- **Potential Impacts:**
  - Employee morale
  - Recruitment & retention

- **Potential Costs/Savings**
  - Salaries = $77 million
  - Benefits = $45 million
  - 1 workday = $490,000
Strategy Options

Other Option 1

- Potential Strategies:
  - TBD

- Potential Impacts:
  - TBD

- Potential Costs/Savings
  - TBD

Other Option 2*

- Potential Strategies:
  - TBD

- Potential Impacts:
  - TBD

- Potential Costs/Savings
  - TBD
Sample Scenario
(illustration purposes only*)

- Eliminate all central services/building support staffing = $10M
- Close one region (6 elem, 2 MS and 1 HS) = $4.5 M
- Increase staffing ratio by 10 = $15.5 M

Total = $30 Million

* Assumes board targets for reserves
SUSTAINABLE BUDGET
Proposed Process & Timeline

Sept
- 4J Board Direction: process, timeline, core values & priorities

Oct
- Initial Scenarios
  - 4 regional meetings, web survey

Nov
- Preliminary Recommendations (may include school closures, bond measure proposals)
  - Public hearing, school or regional meetings, web survey

Dec
- Superintendent Revised Recommendations
- Superintendent Final Recommendations

Jan
- Public hearing on Jan. 5
- Board Action on Jan. 12 or 19
Sustainable Budget Strategy

Discussion

Board Work Session
October 6, 2010