



Philomath Public Schools

Benton County School District 17J, 1620 Applegate Street, Philomath OR 97370 (541) 929-3169

DATE: April 10, 2011

TO: All Staff

FROM: Dan Forbess

RE: Budget Process Update

After six months on the job, my assessment of our budget was summarized in my annual report, “Since our enrollment levels determine our State School Fund Grant allocation, a loss of 57 students next year would mean an approximate \$340,000 revenue reduction in basic school support from the State” and “we will be budgeting for next year, 2011-2012, with a preliminary expense reduction of at least \$600,000.” As I continue to work with our Business Manager, Kelly Howard, and learn more about our finances, our preliminary expense reduction has grown closer to at least \$1,000,000, potentially more.

The Oregon legislature is predicting to fund K-12 education at a level similar to the last biennium – roughly \$5.7 billion. During the past few years, and predictably for the next few years, funding for all K-12 districts has, and will, remain less than appropriate to meet the needs of our students and families. Sadly for Philomath, our five largest grades of students, grades 8 through 12, which have an average size of 138 students, will be replaced by lower grade levels with average sizes of less than 100. Therefore, without considering any other factors, we will need to continue reducing our operating expenses by at least \$300,000 per year due to our declining enrollment.

Unfortunately, there are additional factors contributing to our budget balancing efforts. First, to make up for Public Employee Retirement System’s investment losses, we were notified of an annual increase of about \$400,000 in our employer paid PERS contribution. Secondly, prior years’ attempt to build a savings reserve from our general fund revenue into the employee Supplemental & Early Retirement Benefit fund has fallen short. Therefore, we must now begin to directly fund this deferred compensation benefit using general fund dollars. Last year, the expense was \$417,295 and we expect the cost this year and in future years will be about the same.

After discussing student need, student numbers, programs, staffing levels, along with the consideration of future facility and potential building configurations with our administrative team last month, I shared a brainstormed list of possible staffing changes with the Board of Directors, Budget Committee, and staff. I also introduced other ideas, such as a four-day school week and aligning PHS and PMS schedules to enhance our use of shared staff. I know my communication started some good dialogue in our buildings with many of you. I am hopeful your conversations have led, and will continue to lead, to additional cost saving ideas.

Now that I have a few more months under my belt and have a greater understanding of our assets and liabilities, I am convinced **we can no longer budget and spend funds in a manner we have been accustomed to - we simply can’t afford it.** Unfortunately, the need to reduce our budget this year by at least \$1 million is absolutely necessary to avoid a crisis. We must make an important adjustment in how we structure and offer student programs. Balancing our budget will require a critical review of revenues and expenses as related to the supported programs. We must find ways to increase revenue and/or decrease

expense – both options are going to be painful because I see very few options that don't include reducing our staff. Simply put: fewer students means fewer staff.

At our previous Budget Discussion meeting, I shared some preliminary budget balancing suggestions, which you've all seen, and I was asked by the group to develop additional cost savings or income generating ideas. On Monday night, April 11th, I will be sharing the following information with our Board of Directors, Budget Committee, staff and community. With your help, my goal during the next several weeks is to develop and refine our options. We'll need to engage all staff and invite community feedback in our process. We'll need to chart a preliminary decision-making path by early May so we can make some planning decisions. By the end of May, we'll need to complete our plan and move forward so our program and staffing plans will be finalized for next year.

I'll be scheduling time with your administrators so we can plan to meet with staff during a regular staff meeting and discuss ideas and options with everyone. In the mean time, please continue meeting with your colleagues and generating some good ideas for us to consider. Again, the list of options below is to continue our discussion and get your feedback. Our budget balancing target is a \$1.3 million reduction. Feel free to contact me at your convenience with your ideas and feedback. Thank you.

Potential Reduction Description - current discussion/recommendation	Amount	Running Total
Clerical Support (combined buildings/positions)	48,027	
RTI Teacher (move to Title I)	83,629	
K-8 "net" Sped certified reduction (Life Skills w/reassignments)	77,040	
PMS Teacher resignation (staff reduction)	56,234	
9-12 Sped certified reduction (resource room caseload)	34,132	
Science/Forestry certified staffing (reduced number of courses)	26,543	
Business/Library Media certified staffing (reduced media time)	26,551	
1.0 custodial position (less time at PHS demolition)	55,355	
Maintenance reconfiguration (add grounds, create lead)	48,180	
Subtotal	455,691	455,691
Other Reduction Thoughts - needs discussion - staff/community/board		
Additional Course Reductions/Combinations at PHS/PMS to save 1.0 FTE	75,000	
Athletics (reductions and/or fee increases)	25,000	
4-Day School Week	150,000	
Driver's Education - as a self-support, extracurricular program	20,000	
Two Furlough Days at \$38,000 per day	76,000	
Subtotal	346,000	801,691
More Possibilities - critical decisions regarding savings & real property		
Reduce Transfers to other Funds (PMS/PHS athletics, pool, construction)	75,000	
Reduce Ending Fund Balance - spend remaining savings over next few years	150,000	
Increase community Facility use fees	10,000	
Sell KV School and carry 10 or 20 year contract - est. annual revenue	50,000	
Subtotal	285,000	
(Running Total is getting close to target level)		1,086,691
Further options: FTE reductions in other instruction and support areas	\$280,000	\$1,366,691(target)