

## **Corbett School District**

### **2019-2020 Budget Message**

*The goal of Corbett School District is to foster intellectual development, social awareness and civic responsibility among the members of our school community.*

#### **The Budget Document:**

This document is intended to serve as a financial plan for both receipts and expenditures for the 2019-2020 fiscal year. To assist in preparing the plan and to help others to understand the document, it contains: 2016-17 and 2017-18 audited figures, the 2018-2019 budgeted and estimated figures, and the proposed 2019-2020 figures.

#### **The Financial Policies of the District:**

The District Budget is a planning document. It is the intention of Corbett School District to plan for the future and to develop a budget document that is driven by our District goals, our programming decisions and our student enrollment projections. While we recognize the value of maintaining a reasonable level of cash reserves, we are committed to bringing to bear all of the District's resources in support of the upcoming school year.

#### **Important Fixtures of the Proposed Budget:**

We anticipate a beginning fund balance of \$1.675 Million in the General Fund for 2019-20 Budget. The budget was prepared by aligning our revenue projections with the State School Fund Estimate published March 18th, 2019 by the Oregon Department of Education (ODE) as well as the 2019-20 Extended ADMw estimate published on March 18th, 2019 by the ODE.

This budget represents a plan to reproduce our current service level (CSL) of instruction and supports offered to students in grades K-12. As reported to the board at the April board meeting by the principals and student services director the CSL has stretched staff to the breaking point and any reductions in staffing would result in a critical reduction in services to students.

This budget maintains CSL but only because of two unsustainable fixtures of this plan. The first is that there are no COLA's for any employees in this budget document. As a long term strategy this is not sustainable if the District wants to continue to attract and maintain quality staff. Additionally, this feature of the budget is not something that can be unilaterally dictated by the district as this "COLA Freeze" will need to be negotiated with both unions regarding salaries and benefits next year as both contracts are expiring. In the past we have been able to negotiate with the unions for a "COLA freeze" given that many of the employees do receive a step increase. However, this is not the case with confidential employees.

Confidential staff which includes district office staff, all administrators, department managers such as transportation, maintenance, and food service, as well as secretaries will have only received a 2% COLA over the last five years. Further, during the 16-17 school year most confidential staff actually lost more than 2% of their salaries due to furlough days that year. Examining the West Consumer Price Index from

July of 2015 to March of 2019 the CPI index rose from 245.040 to 267.37, more than a 9% increase. Essentially these staff will have lost more than 7% of their pay relative to inflation over the 5 year period.

We have arrived at this juncture through an intentional commitment to remain as small as is fiscally responsible while working to simultaneously maintain something close to our CSL; a service level which continues to provide students with rich academic and extracurricular opportunities. However, that commitment to remain as small as possible has pushed staff to the brink and has reduced opportunities for students. Class sizes continue to grow, intervention services have been reduced, ESL services have been reduced, career services have been reduced, extra-curricular opportunities have been reduced.

The second unsustainable fixture of this budget, which is a manifestation of the call to reduce the student population, can be seen on page 15. Next year, due to the loss of open enrollment, we anticipate a loss of student population which corresponds to a loss of revenue. You can see on page 15 that this year we were funded at a total of \$11,196,638 and next year's anticipated population will generate \$10,838,973. This is a loss of \$357,665 in revenue. However, the 2019-20 budget is based off of \$11,196,638 because we are funded at the higher of these two years. This gives us one year to prepare for the reduction occurring in 2020-21.

<b>State School Funding: General Purpose Grant Allocation</b>	<b>Estimated FY 2018-19</b>	<b>ODE Projected FY 2019-20</b>	<b>Extended 2019-20</b>	<b>CSD Projected Extended 2020-21</b>
ADMR	1,212.12	1,175.00	1,212.12	1,151.00
Plus Additional Weights	164.61	157.75	164.61	154.53
Equals ADMw	1,376.73	1,332.75	1,376.73	1,305.53
Times CSD GP Grant per ADM:	\$8,132.79	\$8,133	\$8,133	\$8,133
<b>State School Fund Allocation</b>	\$11,196,638	\$10,838,973	<b>\$11,196,638</b>	\$10,617,584

Further, I anticipate that we will have an ADMr lower than 1,175 at the conclusion of 2019-20. Our initial estimate was based upon a best case scenario which involves flat population in grades 1-12. CSD has about a 4% mobility rate in any given year which means we can expect about 4% of our students in grades 1-12 to move out of the district. In the past few years, the mobility has been offset by new students, both in-district and out-of-district moving in. However, with the end of open enrollment, we will see a lower, if not near zero, number of students transferring in to CSD from out of district. In addition, out-of-district parents of kindergartners who can no longer attend CSD through open enrollment and who have older siblings at CSD may need to transfer their older students back to their resident districts because of personal schedules and other barriers.

A 4% mobility rate would amount to about 48 K-12 students that would move next year, half of that is 24 probable out of district students. The loss of 24 students and their associated ADMw will likely equate to an additional loss of about \$220k. When coupled with the loss of \$360k in revenue already

predicted in this document we see that it is very likely we will see a reduction of about \$580k in 2020-21.

Consider both of these unsustainable fixtures of the budget in tandem. We are only able to maintain CSL this coming year IF every employee has a 0% COLA AND if we live off of this current year's extended ADMw which is at least \$357,665 more than we should receive based upon our projected population but likely more like \$580,000 more than we should receive. The average teacher's benefit package is about \$113,000 in this budget. What this means in staff time cuts is that we would need to cut about 5.1 AVERAGE FTE in 2020-2021 if we do not bring in more students. The reality is that we would likely cut non-classroom expenses first, starting with programs that are not required like athletics, before moving on to non-classroom positions like..... Frankly, the non-classroom positions are so limited I am not sure we could impact much without going into the classrooms.

### **Possible Solutions: Smaller School, Charter School, or Both?**

Given the anticipated outlook of continually reduced revenues due to the end of open enrollment, now is the time to prepare and take action. Members of the [Independent Citizens for Sustainable School Solutions \(IC3S\)](#) community group, the Corbett School Board, and District administration have been working together to find solutions. In September 2018, the CSD Board hired an independent consultant, Rob Saxton, to provide an independent review of district finances and programming with recommendations to IC3S and the District. Mr. Saxton provided his [report](#) to the Board and community in March 2019. His recommendations included:

- Create a Covenant with the Community
  - Form Vision and Values for 2025
  - Create a Strategic Plan
  
- Create Funding Stability
  - Control school/district size
  - Form a Charter School
  - Make the majority of students who attend Corbett schools live within the district boundaries.
  - Use extended ADMw funding to the district's advantage
  - Use the Small High School formula to the district's advantage

The CSD Board is considering Mr. Saxton's recommendations and is already taking the first steps to start the work. The District is creating a Visions and Values committee to help create a path forward for the District. Critical to the success of this committee will be appointing a broad array of resident parents, non-resident parents, and community members who bring a set of diverse opinions to the process. The District received over 50 applicants which is a strong indication of the community's dedication to supporting our students. The CSD has also requested that the Oregon School Boards Association (OSBA) provide an experienced, independent facilitator to help with the process.

Creating funding stability will be challenging on many levels, but it must be attempted. Optimizing student achievement and opportunities is the goal. To do that, recruiting and retaining outstanding teachers, paraeducators, school administrators, and support staff is crucial. Providing a safe and supportive environment for our students to learn is critical. All of this relies on school funding and school funding in Oregon depends on student enrollment. If the district can maintain a stable enrollment level, then there will be less fluctuation in our funding and we can make better strategic decisions. I believe the best way to maintain stable enrollment levels is to form a Charter School.

With the publishing of Mr. Saxton's report I think it is imperative that I describe what I see as a large concern to this governing body. Although Mr. Saxton has recommended a reduction in enrollment over time, this budget does not begin making the cuts that would be required under that recommendation. This is because there are significant fiscal difficulties associated with those reductions that are not captured by the Saxton report. In summary:

- Mr. Saxton called for a reduction to 871 students with a reduction of 15.25 teachers of our 58 teachers.
- This is a 26% reduction in the number of the teachers. (He also called for a small reduction in classroom aides but we will ignore the aides for simplicity.)
- IF we were suddenly at an ADMr of 871 in this budget we would have to cut about \$2,732,417 in SSF funding.
- The total compensation package for all teaches in this budget is about \$5,887,257.
- Cutting \$2,732,417 out of \$5,887,257 is a 46.41% cut, not a 26% cut.

I am happy to describe my concerns in greater detail should this body want to look deeper into this issue. With that said, finding the right enrollment size for the district that meets our funding needs, without compromising student achievement and opportunities, is difficult. There are pros and cons between larger and smaller schools. Different methodologies can come up with drastically different results, as has been the case between Mr. Saxton's estimates and my own calculations. One person cannot come up with one solution that checks all of the boxes. It will take multiple group discussions with debate and compromise. But it must be done and now is the time to do it.

### **Class Size**

With the loss of open enrollment, class size in the primary grades will drop dramatically next year. Typically we have about 80 kindergarten students, this year we anticipate about 40. Normally, this would result in a loss of primary teaching staff. But, I believe that the Board and community is committed to the new strategic process and as such I am not recommending any cuts at the classroom level. IF we intend to bring in students the following year through a Charter School then I do not want to disrupt every primary students experience this year, only to add back teachers the next year.

### **General Fund Ending Fund Balance:**

This budget assumes an ending fund balance of \$1.675 million in the general fund. If we were to spend according to this budget we will have an ending fund balance of \$1.313 million with \$500,000 earmarked for contingency. Supposing we do not spend the contingency we would grow the ending

fund balance by \$137,000. However, I do not anticipate that this will be the case. First, as mentioned earlier, we will need to negotiate with both unions and this could impact the spending. Second, special education is a considerable wild card. For instance we know that we have 10 new resident kindergarten students who are already identified as special education students. This is a remarkably high number and likely will mean that 25% of the resident kindergarten students will be on IEPs. SPED students costs are wildly variable but we spend an average of about \$10,500 per IEP with some students costing us more than \$90,000 per year. My point is this, this budget has the slimmest of cushions, a cushion that is likely to be eaten up by the vagaries of the unpredictability of school operations.

#### **Funding K-12 Education in Oregon:**

The legislature is likely to pass bills that would significantly increase K-12 funding. If that occurs it will likely go to the voters to ratify. If the voters ratify the revenue package it is very unlikely that any of the funds will be available in this budget year. However, if and when they do becoming available I will be recommending that we first add back the services we have cut over the last few years and that we make right with our employees many of whom have lost against the CPI over the last five years.

#### **The Efficiency of Corbett's Spending Strategies**

The following chart is derived from data supplied by the ODE for all districts spending and graduation rates over the years 14-15, 15-16, and 16-17, the most recent years for which they have data. Over that time frame Corbett has produced graduates at the most efficient rate of the nearly 200 school districts in the state. This budget reflects the same practices that have produced these results over that time frame.

<b>Top 10, Sorted by Average Cost Per Graduate over Three Years for the Entire State.</b>				
<b>District Name</b>	<b>Three Year Average Spending</b>	<b>Three Year Average ADMr</b>	<b>Three Year Average Graduation Rate</b>	<b>Average Cost Per Graduate (Per Pupil Spending divided by Graduation Rate)</b>
Corbett SD 39	\$9,371.98	1240.3	95%	\$9,868.70
Sherwood SD 88J	\$9,328.67	5200.2	92%	\$10,086.87
Banks SD 13	\$9,186.75	1119.1	91%	\$10,135.06
Scappoose SD 1J	\$9,175.95	2345.8	90%	\$10,144.03
Fossil SD 21J	\$8,250.58	371.2	80%	\$10,361.15
West Linn-Wilsonville SD 3J	\$9,646.92	9382.4	93%	\$10,389.42
Harrisburg SD 7J	\$9,919.76	869.2	91%	\$10,877.73
Scio SD 95	\$8,341.07	1929.9	75%	\$11,078.10
Oakland SD 1	\$10,893.76	540	98%	\$11,091.19
Perrydale SD 21	\$10,780.69	311.3	97%	\$11,119.08

**Transportation Budgeting:**

The district is continuing with its planned bus replacements. The budget includes \$115k for the purchase of one bus through a capital lease arrangement.

**Important Thoughts About This Budget and Our Work Ahead and the Future:**

Despite the uncertainty the future holds for our district, I want to stop and highlight the real reasons we are having these discussions. Students and the programs that serve them are what matter. We have been doing a good job of *fostering intellectual development, social awareness and civic responsibility among the members of our school community*. Examples of those successes can be found in:

- For two years every graduate was admitted to college and had an average of more than \$45,000 in scholarships toward college.
- Our graduation rate is, and has been for years, one of the highest in the State.

Despite financial difficulties we are doing a great job for kids. This budget reflects a commitment to minimize impacts on kids. This upcoming year will be a real challenge and I want to thank you all in advance for your willingness to have the difficult conversations we *are* forced to have.

Respectfully Submitted,  
 Randy Trani Ed.D  
 Superintendent  
 Budget Officer