

**NORTH CLACKAMAS SCHOOL DISTRICT**

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Dr. J. Tim Mills  
*Superintendent*

**To:** North Clackamas School District Budget Committee  
**From:** J. Tim Mills, Superintendent  
**Date:** June 10, 2010  
**RE:** Budget message: The Challenge Ahead

**The Budget Context**

Budgeting is always a challenging experience. In times of declining revenue, the process becomes exceedingly complex and the challenge increases significantly. For the past several months, district staff have worked to develop a budget for North Clackamas Schools within the fiscal restraints we now face. In the development of this budget, we held 10 community meetings and reviewed more than 200 comments and suggestions from the community through our Budget Realities Web site. Several of the suggestions will become part of a broader community dialog as we plan the fiscal future of North Clackamas Schools.

The 2010-11 fiscal plan follows two consecutive years of budget reductions. In the 2008-09 budget, state revenue to the district decreased by \$2 million as state revenue forecasts plummeted. The 2009-10 budget reflected a decrease in state revenues exceeding \$6 million. To attain a balanced budget, the district was required to reduce salary and benefits by the equivalent of 109 positions, and to negotiate agreements with employee associations equating to a freeze in salary. In addition, one-time resources totaling \$7 million, including use of the district fund balance, were used to achieve a balanced budget.

As the 2010-11 budget process began, a \$5.5 million budget gap was identified. Even with the passage of Measures 66 and 67, our projected revenue was less than our projected expenses. This gap is the result of two primary factors: a decrease in student enrollment, and increased costs associated with utilities and employee health insurance. The original plan developed to address this gap included the reduction of \$1.4 million in district-wide administrative budgets (not related to staffing), reduction of \$500 thousand in building allocations, and reducing personnel costs by the equivalent of 65 positions to save \$3.6 million.

On May 27, 2010, the state economic forecast revealed a state revenue shortfall of \$577.1 million. The Governor then announced a 9 percent across-the-board reduction in all state budgets. As a result, Oregon's K-12 education budget was cut by \$243 million. The impact to North Clackamas Schools was an additional \$7 million in revenue reductions for the 2010-11 budget year. The district's total budget gap grew to \$12.5 million.

Four things guided the budget development process: The district's Strategic Plan, feedback from the citizen Budget Committee, community and staff input, and the School Board's budget parameters, which provided an overarching framework for the discussion.

Guiding principles in reducing staff include:

- making reductions-in-force as defined in negotiated agreements
- maintaining current programs as much as possible
- minimizing further class size increases; and
- striving to reduce positions rather than eliminate them.

In facing this considerable challenge, it is impossible to accommodate the desires of all stakeholders or to achieve every goal. Our work has been to offer the best recommendation among very bleak options.

## **Budget Assumptions**

This budget is based on the following assumptions and considerations:

### **Revenue:**

The 2010-11 budget is developed with the assumption that the district will receive \$6,182 per student with a weighted student count of 20,188. The projected revenue from the State School Fund is \$124,802,216, and the total projected revenue for the General Fund is \$131,975,350. To give some perspective, this is less revenue than the district received in the 2007-08 school year.

### **Expenditures:**

The 2010-11 budget is based on General Fund expenditures of \$131,975,350. Proposed expenditures reflect:

- \$1.4 million reduction in district-wide administrative accounts
- \$5.8 million reduction in staffing equivalent to 106.25 total full-time positions. This is the equivalent of up to:
  - 7.75 administrators
  - 59.5 licensed staff
  - 39 classified staff
- \$4.5 million reduction in compensation for all employees achieved through the reduction of 10 student contact days.
- \$500,000 reduction in building allocations
- \$285,000 in increased spending for the PERS bond debt
- \$2.25 million in increased spending for employee health insurance.

### **Fund Balance:**

The General Fund Balance for 2010-11 is projected to be \$2.5 million, or 1.9 percent of budgeted expenditures. The School Board's adopted budget parameters state that the district goal is to increase the fund balance to at least 5 percent over time.

### **Other Factors:**

- Negotiations with the North Clackamas Education Association, the Oregon School Employees Association, and the North Clackamas Administrators Association continue. While this budget is created with some basic assumptions regarding employee compensation, it is necessary to stress these assumptions are subject to change pending results of the current negotiations process. This presented budget assumes no increases on the salary schedule, no movement in experience

steps, and continuing coverage of health insurance benefits. The increased cost of health insurance equates to an average 3.2 percent salary increase for employees. However, with the reduction of school days, total employee compensation will be reduced.

- This budget does not reflect any potential adjustments to revenue from state legislative or Federal congressional actions.

### **What the Budget Provides**

This budget represents a commitment to serve students to the extent possible within the revenues available. There have been several areas for reductions discussed in recent months. In those areas, the following is planned:

- School Resource Officers (SROs) for the Clackamas and Rex Putnam feeder systems will be funded by the district. We anticipate the Milwaukie feeder SRO will continue to be funded by the City of Milwaukie. Student safety is paramount.
- Elementary students will continue to receive the same amount of time in both music and physical education, although this will be accomplished in new ways and with reduced staff.
- The district will continue to offer elementary students the same amount of time in Band, Orchestra and Choir, although staff has been reduced.
- High school sports programs will continue.
- Elective choices for secondary students have been maintained.
- Expenses for the opening of and move to Rock Creek Middle School are funded.
- Transportation adjustments to accommodate the Walk Zone Committee recommendations and the opening of Rock Creek Middle School are included.

### **Budget Reductions**

The following represent planned reductions in this proposed budget:

- Reduced counseling services and staff.
- Reduced nursing services and staff.
- Reduced Special Education services and staff.
- Reduction in Services for English Learners, including staff.
- Middle school sports changed to an intramural program.
- Suspension of the Senior Seminar Exhibition (SSE) for one year
- Some reduction of Teachers on Special Assignment (TOSAs)
- Reductions in maintenance. This includes:
  - Buildings
  - Grounds
  - Technology
  - Equipment replacements, including buses.
- Reduced Risk Management services and staff.
- Reduction of one elementary assistant principal position. (Only two remain.)

## **The Future**

While this budget represents the continuation of reductions now spanning three budget years, the future revenue picture does not look positive. At the state level, there are concerns that even greater revenue shortfalls are ahead. North Clackamas Schools faces increasing costs associated with PERS and employee health insurance. The non-staff reductions implemented and planned are not sustainable over the long term. For example:

- elimination of textbook purchases;
- technology budget limitations; and
- deferred maintenance.

Bluntly stated, the district cannot continue without considering large scale restructuring.

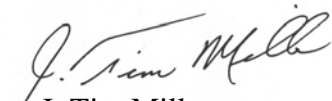
North Clackamas Schools must work with our community to consider the re-design and even the reinvention of public education. We must start from the ground level and decide what must be included in the education we provide for students to move forward in learning and to prepare for their futures. This cannot be accomplished by continuing to chip away at what we now provide, but must grow from a conversation with our community about ways to provide the best experiences and depth of learning within the resources we have available. Education will look different, and we must do our work differently.

I propose this budget with a heavy heart. At this point, there are few options left.

I invite our Board, our Budget Committee, staff, students, parents, and our community to join in the dialog to shape the future of North Clackamas Schools. Together, guided by our Strategic Plan and with innovation, we will find new ways to move education forward. Our vision remains that each student will be engaged today, inspired for the future, and ready for the next set of challenges.

The future of public education depends on our ability to work together.

Respectfully submitted,



J. Tim Mills  
Superintendent