



May 2, 2013

2013-14 BUDGET MESSAGE

The budget presented in this document represents the financial plan for Reynolds School District. It contains estimates of the revenues and expenditures needed to support the program offerings of the district for a single fiscal year. The message provides background information on the budget process, budget development, and the assumptions and estimates used. In total it demonstrates the District's plan to serve the Reynolds School District students during the 2013-14 school year.

Statewide Revenue

Over the past two decades, several citizen initiatives have changed how Oregon funds public education starting with Measure 5 in 1990. The property tax limitations enacted under Measure 5 and the later Measures 47 and 50 shifted the primary burden of paying for K-12 education from local property taxpayers to the state General Fund. This shift led the Legislature in 1991 to establish a school funding equalization formula. That funding formula, largely based on student enrollment numbers and student demographics, determines how much money each school district will get from the State School Fund to fill the gap between the district's local revenue (property taxes) and its equalization target under the formula. This shift affected how funds are provided to public schools, making them more dependent on the overall economy of Oregon. When the economy decreases and there is a high unemployment rate, public programs and services such as schools are directly impacted because the state's primary source of revenue is based on income taxes.

As a result of the economic downturn in 2008 and slow recovery, income tax and property tax collections have decreased and lessened the overall amount of revenue allocated to public programs.

K-12 Revenue Picture

K-12's share of state total revenue has been declining steadily since the 2003-05 biennium. In 2003-05 K-12 was allocated 44.8% of the state revenue and in 2011-13 districts received 38.2%, a decrease of 6.6%.

The proposed 2013-2015 state budget promises increases in spending in education at the \$6.55 billion level as opposed to the \$5.7 billion level during the 2011-13 biennium.

As noted in the Statewide Revenue Picture, schools are funded mainly through income taxes. The revenue shortfall has also affected the number of positions in school districts. School budgets are heavily weighted on personnel costs, wages, and benefits, usually about 80 to 85% of the total budget. According to a survey of Oregon school districts, in the past two years, 8.9% of teachers have lost their jobs, 8.1% of classified have lost jobs, and 9.1% of administrators have lost their jobs.

The loss of teaching personnel in the past two years has had a direct impact on class size increases statewide. Elementary has seen an increase in class size of 11.9%; middle school has seen an increase of 11%; and high school has seen an increase of 15.7%. It is anticipated that class sizes will stabilize during 2013-14 as the district carefully aligns staffing to projected enrollment numbers.

BUDGETING A PLAN

Reynolds School Board Adopted Budget Goals

The Reynolds School Board set the following budget goals to guide the 2013-14 program delivery planning work completed by the District's Administrative Team. Once the plan was in place, the budget was prepared in such a way to fund the plan's implementation.

2013-2014 Board Budget Goals

Support Board and Superintendent Goals and Action Plan

Increase Achievement K-12 with Emphasis at K-3

Align Professional Development Opportunities

Expand District Academic Partnerships

Increase Technology to Meet the Needs of 21st Century Learners

Invest in Current Textbook, E-Text, and/or Instructional Materials per State Adoption Cycle

Maintain Extended Learning and Dropout Prevention Programs

Expand Athletics and Activities Opportunities

Maintain a 5% Unappropriated Ending Fund Balance in Keeping with Board Policy

Provide Safe, Healthy, and Well-Maintained Learning Environments

Superintendent and School Board Goals

The District focus is described in three Target Areas in order to further define goals and action plans for completion of the work and the measurement of outcomes.

Student Achievement Goals

- Improve the Reading and Mathematics Outcomes for each Reynolds School District Student
- Improve the Graduation Rate for Each and Every Student, Particularly within Subgroups
- Redesign the High School Special Education Offerings

Fiscal Responsibility

- Review District Policies and Implement Best Practices in all Areas
- Successfully Implement the Annual Budget
- Redefine the Budget Process to be School-Board Driven

Communication

- Refine and Implement District-wide Communications Plan for Internal and External Communication

Formulation of the Budget Plan

The theme of the budget process for 2013-14 has been to budget a plan, not plan a budget. This change in practice created a tremendous opportunity to commence the budget work by meeting individually with staff and principals to gather feedback on what their requirements were for their school and departments, such as staffing, supplies, technology, and facilities, by reducing the budget process to the student and building level.

With a District of this size, the process was a long and detailed one but well worth the investment of time. A remarkable amount of knowledge was gained about each building and its student population. With this knowledge and feedback, the plan of action for 2013-14 was summarized, and the work began by aligning budget funding for 2013-14 to the plan and by working toward the attainment of the District's goals.

Student Achievement

To improve the Reading and Mathematics outcomes for each Reynolds School District student. The District proposed budget includes the following:

Curriculum and Instruction Budget:

- elementary literacy framework and its components, including a comprehensive assessment system, leveled materials, supporting technology, and the professional development to ensure a high quality implementation;
- literacy committees at the elementary and secondary levels to monitor the implementation of the literacy framework and study state-recommended adoption materials;
- math committees at the elementary and secondary levels to identify and recommend math intervention materials; and
- professional development in instructional techniques and specific program delivery.

Student Services Budget:

- implement recommendations from the Resource Room workgroup, including adding research-based curriculum in reading and math in order to target students with difficulty in these areas; and
- training on the curriculum and providing additional time for special education teachers to work alongside general education teachers to collaborate on students who struggle in reading and math.

Technology Budget:

- implement recommendations from the adopted Technology Plan, including redesigning technology and data collection, reporting staffing to improve efficiencies, and meeting the District's technology needs;
- add a Teacher on Special Assignment (TOSA) for Technology Instruction to provide training to licensed staff on the use of technology in daily classroom instruction; and
- add a TOSA for Technology Data to oversee data collection district-wide, review and validate all District reporting data, and gather student performance and test result data for administrative use when working on school improvement and individual student instructional plans.

To improve the graduation rate for each and every student, particularly within subgroups. The following has been placed in the proposed budget for consideration:

Curriculum and Instruction Budget:

- Increase opportunities within the Advancement Via Individual Determination (AVID) college readiness program to:
 - add tutors to support sections to complete the spectrum of AVID elective classes grades 7 – 12;
 - train non-AVID elective teachers in AVID strategies to grow the program to a school-wide level;
 - provide meaningful exposure to college through bi-annual field trips;
 - pay for registration from the General Fund, not grants in order to ensure the continuity and stability of the program into the future.

Student Services Budget:

- Provide Beyond Diversity equity training for all secondary certified staff;
- Fund Positive Behavioral Interventions and Supports (PBIS) Structure for grades K-8, and Challenge Day diversity awareness and anti-bullying program for all Junior's at Reynolds High School (RHS);
- Add counseling FTE to equalize the District student-to-counselor ratio and to improve services to students at risk of failing to graduate and to implement restorative practices;
- Increase professional development in the following areas:
 - Proficiency-based Teaching, Learning, and Grading;
 - Common Core State Standards;
 - Scope and Sequence work in English Language Arts, Science, Math, Social Studies; and
- Increase student management and safety hours to provide hall monitor coverage of the large secondary schools to improve attendance and overall student safety on District campuses.

To continue the work of redesigning of high school Special Education offerings, case management, and self-contained classrooms in order to increase the graduation rates for students in Special Education. The Student Services Department has budgeted for the following:

- Continue work with the Extended Diploma track, which was new for 2012-2013;
- Increase FTE for a high school SPED/Math endorsed teacher to help ensure that our SPED students are receiving credits to graduate with a standard or modified diploma; and
- Reconfigure a resource room teacher into a behavioral support teacher who assists students who struggle with balancing school with their behavioral challenges in an effort to help keep more students in school; lowering the suspension/expulsion rates, increasing attendance and increasing graduation rates.

Fiscal Responsibility

Much of the work around fiscal responsibility, implementing best practices, and refining the overall process within a budget preparation process happens during the development of the detail and evaluation of labor placement, revenue, and expenditure estimates and cannot be pointed out in terms of budgeted expenditures. Specific expenditures within the proposed budget that demonstrate the continued work in fiscal responsibility are as follows:

- implement the 2012 ODE Chart of Accounts within the proposed budget for compliance purposes and to assist in more accurate reporting of the revenue and expenditure data by subject, grade level, and school;
- research and align classroom and licensed support full-time equivalents (FTE) down to the sections taught to increase efficiencies;
- staff FTE to the minimum to operate each building based on projected enrollment, monitoring class sizes, and allow for a contingency budget to be used for FTE wherever required, following the first 10 days of school should student attendance exceed enrollment projections;
- allocate music and physical education (PE) FTE at the elementary level at a fixed 0.50 FTE each to provide principals the opportunity to have their instructional needs drive their school schedule as opposed to days and times that music and PE teachers can spend time in the buildings, with an additional benefit of dealing with the licensed prep-time needs;
- align classified staff FTE to locations based on measureable criteria, such as enrollment and student mobility rates, where applicable, and square footage of space to be cleaned or mowed;
- base facility maintenance and operations budgets on specific projects to be completed and their estimates as opposed to a % increase in expenditures over the prior year's budget;
- build building allocation budgets on prioritized, expressed building needs for the year – a change from calculated expenditure budgets per student based on projected enrollment and then increased a specific % from the prior year for inflation;
- increase furniture, fixtures, and equipment budgets to replace dangerous or non-repairable furniture in use in school classrooms and buildings to commence an annual replacement cycle and improve student experiences in classrooms;
- continue technology replacement project with a second round of computers proposed to replace student and teacher computers that are older than six years and add technology to the classrooms for instruction and student use;
- acquired ERate approvals during 2012-2013 will result in an 86% reduction in the District's telephone and internet costs; and
- secured telephone system replacement project with ERate approvals, where possible, and fund for 2013-14. This represents a savings to the project previously adopted without ERate funding during the 2012-13 budget process.

Communication

To refine and implement the district-wide communications plan for internal and external communication in order to promote the District as a professional, responsive, and well-managed organization dedicated to student achievement. The proposed budget includes the following:

- increases FTE to provide communications service to parents with emphasis on enhancing services to parents;
- increases memberships and involvement in community organizations to spread the good news about Reynolds School District;
- begins regular patron communication seven times per year. Begin with district mailer with a plan to transition to e-mail for those with Internet access;
- conducts two summit format community-wide interactive sessions;
- coordinates a District-wide service learning day; and
- enhances the District's communication system to include text messaging and the ability for parents to receive communication in their preferred manner (database).

BUDGET DEVELOPMENT

Revenue Assumptions

General Fund

The District's 2013-2014 service plan is based on a number of revenue assumptions. The largest source of District revenue comes from the State School Fund and is determined using projected student enrollment in the District and projected transportation expenditures. As of the date of this message, the District's estimate of revenue and resources that will be available for District use in 2013-14 is based upon the following revenue assumptions:

- The District Average Daily Membership Weighted (ADMw) will be approximately 14,567 for 2013-2014. This is an increase from the projected 2012-13 ADMw of 14,168. The State-projected 2011-12 actual ADMw for the District is 14,180. The increase projected is a result of increase projections from some of the District's charter schools as well as the fact that the exiting 2013 senior class represents the smallest class District-wide. The projected increase in overall enrollment is 265 students, comprised of projected increases of 126 students in the District and 139 students in the District-sponsored charter schools. The weights applied to reach the 14,567 overall weighted membership number are based on the weight distribution among the existing Reynolds' student population and the decreased number of special education students exiting with the Class of 2013 as compared to the projected incoming number of special education students for the 2013-14 school year.
- The estimated State School Fund (SSF) distribution is based upon the Co-Chairs' proposed budget of

\$6.55 billion identified to support K-12 education statewide for the 2013-2015 biennium. It is further assumed that the biennial budget will be split with payments to districts at 49% for the first year and 51% for the second year of the biennium. Based upon the District's projected enrollment and the State's projected funding level, the Reynolds School District estimates \$77.9 million in State School Fund revenues for 2013-14.

- The estimated property tax revenue to be collected by the District during 2013-2014 is \$21.4 million and is based upon a 1.4% growth factor and a 94.6% collection rate as estimated by the Oregon Department of Revenue.
- The District's beginning fund balance, considered a resource in the budget process, is estimated to be \$11.4 million at July 1, 2013.
- The Multnomah Education Service District (MESD) pass through or "transit" dollars anticipated for 2013-2014 are based upon changes to the service plan selection. Additional revenues have been identified in order to fund the Functional Living Skills (FLS) services for students with District staff rather than to utilize MESD services.

Nutrition Service Fund

Revenues are based on projected enrollment with existing free and reduced lunch rates for the upcoming year. Proposed revenues will include a slight rate increase for paid lunches as required to continue the work of bridging the gap between paid and federally-funded school lunches.

Federal Programs

Revenues are based on projected decrease in Title and IDEA programs at an estimated 10% from the current year revenues.

Expenditure Assumptions

General Fund

The District's 2013-2014 service plan is based on a number of expenditure assumptions. As is the case with any educational entity, the largest expense of the District is labor. The proposed staffing framework is based upon a comprehensive evaluation of staffing across all labor groups, departments, and buildings to align to the 2013-2014 plan with emphasis on the Board and Superintendent Goals and overall Board Budget Goals.

The District's anticipated expenditures are proposed to exceed the projected 2013-2014 revenues by \$1.94 million. This amount represents a decrease in the **budgeted** spend-down of the District's reserves by \$4.71 million. It is important to note that if the anticipated PERS reform legislation fails, the committed contingency for PERS employer rates will need to be used and it would increase the budgeted spend-down of reserves for 2013-14.

Reynolds School District is fortunate in that it has additional resources to support the expenditure budget where the current year's revenues fall short. The focus of any proposed spend-down beyond current year revenues has been on one-time expenditures or projects in curriculum and instruction, facility improvements, technology, and furniture, fixtures and equipment. The 2013-14 Budget does not propose spending down reserves for ongoing expenditures such as labor.

As of the date of this message, the estimate of expenditures for 2013-14 is based upon the following assumptions:

- The salary schedules for administrative and confidential employees will include a Cost of Living Allowance (COLA) increase of 2% along with a scheduled experience step. This is not an across-the-board COLA increase and the proposed schedules are realigned and take into consideration salary increases given in 2012-13. Additionally, an average of \$1,050 in monthly insurance caps is assumed.
- The salary schedule for classified staff is based upon an existing negotiated contract and represents a 2.0% COLA increase along with a scheduled step increase and an average of \$902 in monthly insurance caps depending on the length of year worked.
- The salary schedule for licensed staff is based upon an existing negotiated contract and represents a 0.0% COLA increase but with a scheduled step increase that ranges from 1.04% to 1.91%. It is assumed that the ending-fund balance trigger will not be required.
- The Public Employees Retirement System (PERS) Board released contribution rates for the biennium beginning July 1, 2013.
 - Tier 1 and 2 Employer PERS Rate is set at 14.11% - up from 7.13% in 2011-13
 - Oregon Public Service Retirement Plan (OSPRA) Employer PERS Rate is set at 12.11% - up from 5.62% in 2011-13

These rate increases create a much higher labor cost for 2013-14 and are not supported by similar revenue increases projected for 2013-14. The State Legislature will vote on PERS reform legislation that will save an estimated \$200 million state-wide. This savings translates to a 3.5% average PERS Employer Rate reduction for the Reynolds School District. In anticipation of those savings, we have reduced our employer rates by 3.5% when calculating the labor budget; however, the amount of projected savings has been budgeted as a committed contingency for use if the reform measures fail.

- The Public Employees Retirement System (PERS) Unfunded Actuarial Liability (UAL) requires an 11.87% rate applied to PERS eligible payroll to cover the annual bond payments.
- Other employer labor costs are based on the assumption of 7.65% FICA, .485% - 4.11% rates for Workers' Compensation, and a self-funded unemployment rate of 0.5%.
- Projected FTE cuts from reductions in federal funding were absorbed into General Fund vacancies created through retirements or resignations wherever possible to avoid reduction-in-force layoffs.
- The expenditure budget includes a full school year with no cut or furlough days proposed.
- ERate savings are taken as a reduction in the District billing for telephone and Internet services. The District took full advantage of the ERate qualification process during the 2012-2013 school year in order to receive benefits for the 2013-2014 school year. These savings will represent 86% of what the District has historically spent on telephone and Internet services as the ERate program had not been utilized at Reynolds in recent years, estimated at \$120,000 for 2013-2014.

Nutrition Service Fund

Expenditures are based on labor-rate changes as noted above, projected contract services, commodity-rate increases, and continuing capital improvements within the District's food service locations.

Federal Programs

Expenditures are based on labor-rate changes as noted above, together with the projected decreases in Federal Title and IDEA programs at an estimated 10% for 2013-14. Where possible, the General Fund has absorbed projected FTE cuts from these programs using existing positions and vacancies within the General Fund, avoiding a reduction-in-force layoff scenario.

Proposed Changes to Previously Contracted Services

In 2012-13, the Functional Living Skills Program (FLS) served 23 high-needs Reynolds students. This program was operated by the Multnomah Education Service District and supported by resolution funds. Beginning in 2013-14, the Reynolds School District will expand its FLS program utilizing MESD resolution dollars in the form of transit dollars to serve 8 students. These dollars are transferred from the MESD to the District's general fund. The total transit dollars that will be received by the District from the MESD specifically for the FLS students are estimated at \$393,746. These dollars will directly support the FLS program including 2.0 licensed staff and 6.5 classified staff positions.

OTHER BUDGET CONSIDERATIONS

Spending Down District General Fund Reserves

The District has been utilizing reserves to balance the annual budget for some time. The proposed 2013-2014 budget utilizes \$1.94 million in reserves to offset the expenditures proposed that exceed the current year's revenues. This represents a reduction in budgeted spend-down when compared to the \$6.65 million budgeted in 2012-2013 as noted on the following table:

GENERAL FUND BUDGETED SPEND-DOWN OF RESERVES			
2010-11	2011-12	2012-13	2013-14
3,065,032	3,926,000	6,654,722	1,941,539

The reduction in proposed budgeted spend-down is a result of increased State School Fund Revenues, anticipated PERS savings, and changes to expenditure practices. The goal of the District will be to continue to decrease any spend-down and authorize such a spend-down only when the funds are for one-time expenditures such as capital and other non-labor costs.

Student-Teacher Ratio Information

During the fall of 2012-2013 some class sizes were inordinately large, particularly at some elementary schools, where FTE had been cut based on a projected decrease in enrollment.

The proposed 2013-14 budget reflects an overall increase of 16.21 FTE when compared to the current 2012-2013 working budget. The additional FTE consists of all labor groups and has been distributed throughout the District in a strategic manner in response to projected increases in student enrollment and to support the District's goals of improving student achievement.

As previously stated, the proposed 2013-2014 budget includes staffing based on projected enrollment with an emphasis on smaller class sizes in grades K through 3. However, principals have the authority in how FTE is actually used in order to support each building's particular needs. The following table outlines the projected student-to-teacher ratio by location:

2013-2014 PROPOSED GENERAL EDUCATION - GENERAL FUND LICENSED TEACHER FTE			
PROJECTED ENROLLMENT	SCHOOL	PROPOSED CLASSROOM FTE (+ ELECTIVE @ SECONDARY)	CLASSROOM TEACHER:STUDENT RATIO
564	ALDER*	20.00	28.20
424.5	DAVIS	16.50	25.73
453	HARTLEY	17.00	26.65
373.5	FAIRVIEW	14.50	25.76
448	GLENFAIR	17.00	26.35
400	M SCOTT	14.50	27.59
477.5	SALISH	17.00	28.09
361	SWEETBRIAR	12.50	28.88
365	TROUTDALE	13.50	27.04
448	WILKES	16.50	27.15
415	WOODLAND	16.00	25.94
795	HB LEE	27.50	28.91
984	RMS	28.50	34.53
629	WMMS	21.46	29.31
2700	RHS	88.34	30.56
224	RLA WEST	12.17	18.41
50	RLA EAST	3.00	16.67
55	4 CORNERS	-	
10,166.50		355.97	427.55

*All day kindergarten program.

Adjusted to 0.50 FTE for half day kindergarten program.

CONCLUSION

This budget document reflects the conscious effort to maintain the beginning fund balance over the course of the last year for use on one-time purchases while adjusting staffing levels to match the projected increasing enrollment. The 2013-14 budget document benefits from the stop-gap created; however, it is essential to work toward utilizing current year revenues for current year expenses and accessing the fund balance or reserve only for those one-time needs or to offset increased fixed costs in the short term.

The 2013-14 budget uses \$1.94 million of the District's cash reserves, including \$1.72 million in one-time costs for curriculum, technology, facility needs, and site improvements. The projected unappropriated ending fund balance of \$5.71 million represents 5.52% of the total 2013-2014 General Fund revenues, which meets Board policy. Additionally, the proposed budget includes a contingency balance of \$3.80 million. However, the district will need access to contingencies for increased PERS rates should the existing legislation for PERS reform fail.

Even in a time of scarce resources, this document supports the District's mission and goals for a quality educational program, a safe and secure learning environment for our students, and resources to continue to attract and maintain a quality workforce.

I would like to acknowledge the work of the entire Reynolds Leadership Team and the District's Finance staff in particular for their hours of work in planning, projecting, and compiling the 2013-14 budget document.

Respectfully submitted,

Linda L. Florence
Superintendent
Reynolds School District