

HILLSBORO SCHOOL DISTRICT 1J BUDGET COMMITTEE—MINUTES

May 5, 2016

District Administration Center, 3083 NE 49th Place, Hillsboro, Oregon

Budget Committee Present:

Glenn Miller, Chair
Monte Akers
Lisa Allen
Nina Carlson
Cathy Clark Thomas
Wayne Cliff
Angie Ellis
Martin Granum
Betsy Julian
Jaime Rodriguez
Janeen Sollman
Kim Strelchun

Staff Present:

Mike Scott, Superintendent
Debbie Ashley, Chief Human Resources Officer
Adam Stewart, Chief Financial Officer
Beth Graser, Director, Communications
Michelle Morrison, Director, Business Services
Kona Lew-Williams, Director, Human Resources
Val Bokma, Assistant to the Board
Sev Flores, Technology Support

Others Present:

Maureen Barnhart, HEA
Devin Hunter, HCU

Board Chair Wayne Cliff called the meeting of the Budget Committee to order at 7:00 p.m. and led the Pledge of Allegiance. Erik Seligman and Chris Barry were unable to attend the meeting.

Mr. Cliff called for a motion to approve the agenda. Glenn Miller MOVED, SECONDED by Janeen Sollman, to approve the agenda as printed. The MOTION CARRIED (10-0). (Betsy Julian and Jaime Rodriguez were not present during the vote.)

Chief Financial Officer Adam Stewart described the District's budget development process. He explained that the Budget Committee is responsible to set the aggregate level of expenditures for the upcoming school year, set the permanent tax rate, and set the levy amount for debt service collections; and that the Board of Directors adopts the budget in aggregate, makes appropriations by fund and function, and imposes and categorizes the taxes. The Board is scheduled to adopt the 2016-17 budget during the June 14 Board meeting. The County Assessor will be notified by July 15 to levy the taxes.

Mr. Cliff explained that, per policy DBEA, the Budget Committee annually elects a presiding officer from among its members; and he called for nominations. Glenn Miller nominated himself for the position of Budget Committee Chair. Monte Akers seconded the nomination. Hearing no further nominations, Mr. Cliff closed the nominations and called for the vote. The vote was 12-0 in favor of Glenn Miller. Mr. Miller took over as chair of the meeting, and asked Superintendent Scott to read the budget message.

Superintendent Scott read the following budget message into the record.

Dear Hillsboro School District Budget Committee Members and Patrons:

In accordance with ORS 294.391, I am submitting to you the Hillsboro School District IJ proposed 2016-17 budget.

In last year's budget message, I discussed the Legislative Session that was still under way, and some unknowns our District faced as a result. Heading into our annual Budget Hearing in early May 2015, the state was poised to allocate \$7.255 billion to K-12

education for the 2015-2017 biennium, which was to fund regular operations, plus the expansion of kindergarten to a full-day program.

We had planned to add \$720,000 to our budget to fund graduation coaches and AVID instructional coaches at the secondary level, and to increase funding for athletics, activities, and Talented and Gifted (TAG) programming and options for advanced students.

Then, in June 2015, as a result of House Bill 5017, which called for K-12 education to receive 40 percent of any increase in 2015-2017 revenue projections between the March and June forecasts, K-12 was allocated an additional \$100 million for the biennium. This meant approximately \$3.6 million more funding for Hillsboro School District (\$1.8 million per year). With that additional revenue, we increased the number of PE and Music sections at elementary schools (4.2 additional full-time-equivalent [FTE] positions); extended the calendars for select classified positions, and increased the number of classified discretionary hours at the building level; lowered class size at the middle school level (4.34 additional FTE); and banked a portion of the funds to help offset PERS increases in the 2017-2019 biennium. Our total reinvestment for the 2015-16 school year was \$2.44 million, and our intention was for those investments to remain in place for the 2016-17 school year, as well.

In mid-June, Legislative leadership announced that they would increase the K-12 allocation by another \$45 million (to \$7.4 billion, total), with \$18 million going to the State School Fund, and \$27 million going to the Common School Fund. Hillsboro's share of the additional allocation was approximately \$1.62 million for the biennium (\$810,000/year). However, we did not recommend a spending plan for that additional revenue, as it was still unclear what would happen with the state's Gain Share program.

As it turned out, holding off on additional spending was a good decision. Revisions to Gain Share legislation meant that the City of Hillsboro and Washington County would be receiving significantly less revenue through the program than in previous years; and the \$1.2 million per year we had budgeted as pass-through money for the 2015-16 and 2016-17 school years was not going to be available to us. The City of Hillsboro has committed to continuing to share a portion of its proceeds with the District, but the money will be in the form of safety enhancements and targeted STEM (Science / Technology / Engineering / Math) and/or Career and College Pathways investments. Washington County will invest a portion of its proceeds in the Safe Routes to Schools program.

Another budgetary blow came when it was announced that a majority of the PERS reforms that had been passed by the Legislature in 2013 were deemed unconstitutional by the Oregon Supreme Court. Then, in July 2015, the PERS Board reduced the Assumed Earnings Rate—the rate of return expected on PERS investments—from 7.75% to 7.5%. Together with poor actual earnings on PERS investments, public employers could be facing rate increases of approximately 8 percent in the 2017-2019 biennium. If this is the case, Hillsboro School District's cost increase would be approximately \$8 million per year (2017-18 and 2018-19). While that doesn't affect the 2015-16 or 2016-17 school years, it is definitely something to consider as we budget for 2016-17, and determine what is sustainable moving forward.

A surprising development in the fall was that our enrollment was down 0.3 percent, compared with 2014-15. And because we assumed approximately 0.5 percent growth, our net loss was 0.8 percent of students, at a total cost of approximately \$2.4 million.

Taken together, these realities caused us to fear that we would have to reduce several million dollars from our budget in the 2016-17 school year. However, there have been some additions to our revenue that have helped.

There was an increase in the High Cost Disability grant from the Oregon Department of Education (ODE), which reimburses districts whose costs for serving students with special needs is significantly above the double weighting provided through the regular funding formula. That increase added \$1.4 million to the District (\$700,000 each year, in 2015-16 and 2016-17).

ODE also modified its reporting process for English learners. Counts are now collected in October, rather than May, which allows us to be reimbursed for the entire school year. This change added approximately \$2.4 million to the District (\$1.2 million each year, in 2015-16 and 2016-17).

Finally, the revised State School Fund (SSF) estimate for 2014-15 (released April 4, 2016), reflected an increase in statewide local revenue of \$37.9 million, which resulted in an increase of \$56.44/ADMw, or \$1.37 million for Hillsboro School District.

After all of the changes to revenues and expenses were taken into account, the District was still significantly short of what it needed in order to maintain a relatively flat budget for the 2016-17 school year. Therefore, staffing has been tightened up to more closely align with enrollment. This reduction of 14.42 licensed FTE across the District will be managed through attrition. We have also reduced district-level department budgets by 2 percent.

An addition to the budget has been made for two FTE custodial positions. This increase will allow three of our schools that currently have half-time night custodians to have full-time night custodians (Minter Bridge, Mooberry, and McKinney), and will allow incremental additional custodial support at two more of our schools.

We are also reallocating a large portion of funds that have previously been set aside for Additional Adult Assistance (AAA) for students who have special needs. In the past, these funds have been used to pay for temporary and substitute staff on an as-needed basis; however, in an effort to create more continuity in our buildings and to provide staff with additional training, we are converting many of those temporary positions into permanent positions: 12.98 licensed FTE and 67 classified FTE.

With all of these changes, we are heading into the 2016-17 school year anticipating an ending fund balance of \$9,604,527, which is \$930,007 short of our 5 percent target. Based on a general fund budget totaling \$210,690,678, this amount is considered to be within a reasonable margin of error. We also have reasonable expectations that enrollment will increase, and that SSF revised estimates released in the spring of 2017 will bring us up to the 5 percent target. Therefore, we are pleased that we can recommend a budget that meets our goal of creating a sustainable investment plan for the 2015-2017 biennium.

Looking ahead to the 2017-2019 biennium, we will be advocating for several things at the state level:

- *Increased funding for K-12 education. In the 2007-2009 biennium, the K-12 budget represented 41.5 percent of the state's total budget. In the 2015-2017*

biennium, that percentage was 39. In order to stabilize and reinvest in education, we need to return to the 40-41 percent range.

- *A sustainable mechanism for containing PERS costs. This is not a Hillsboro issue or a K-12 issue. It is an issue for every public employer in the state; however, the effects on Oregon's schoolchildren are perhaps the most unacceptable.*
- *Funding to support—or a modification of language surrounding—the increased PE requirements that are due to begin in 2017-18. Although we do not deny that students would benefit from being more physically active, if there is no funding to extend the school day or modify facilities, then increasing PE time means decreasing something else.*

As we budget and plan for the future, and talk with staff, students, and parents about their needs, hopes, and expectations, I am reminded of our responsibilities to all stakeholders—the ones who are here now and the ones who will be with us in the future. Meeting current needs and prudently planning ahead is not always easy, but it is what we must do for our students, the school system, and the broader community.

As always, I am grateful for the ongoing support and involvement of our local citizens in this process.

Respectfully submitted,

*Mike Scott
Superintendent*

Superintendent Scott and Chief Financial Officer Stewart provided information and answered questions regarding the development and details of the 2016-17 Proposed Budget. They explained that the 2016-17 Proposed Budget includes all of the investments made during the 2015-16 budget process, plus 2.0 full-time equivalent (FTE) custodial staff (to decrease the number of shared evening custodian positions in elementary schools), and shifts between some funding areas.

Monte Akers MOVED, SECONDED by Nina Carlson, that a \$200,000 increase be made in 2016-17 expenditures in extracurricular activities/athletics, to continue to reinstate the \$600,000 of cuts in the years 2008 and 2011; and a \$140,000 reduction be made in revenues by cutting the District's "pay to play" fees for activities/athletics. He explained that this is equivalent to a 35% reduction in the District's "pay to play" fees, and is the first leg of eliminating them over 3 years. Mr. Akers stated that this is an income equity issue that the District must attend to, and that 5,000 families in the District are under the Federal poverty line, and another 5,000 are just over the line, but can't afford "pay for play" fees for their children.

Budget Committee members discussed at length various aspects and implications of the proposal, including the following: the need to also provide access to non-athletic activities (e.g., robotics, drama, speech), as well as sports for which reduced fees do not apply (Tier II programs); different options for improving access for all students, including students at the middle and elementary levels; the need for a comprehensive plan that includes a review of stipends, points, general academic fees, etc.; the stage of the budget process at which the proposal was made; and concerns regarding other financial challenges facing the District, including class size and future increases in PERS expenses.

Superintendent Scott shared that the District is considering modifying an athletic director position that is becoming vacant, creating a position that actively seeks funds and partnerships in the community in order to significantly expand the resources and opportunities available for students to participate in athletics and activities. Additional information will be provided, as this plan develops.

The MOTION FAILED (5-7), with Angie Ellis, Cathy Clark Thomas, Jaime Rodriguez, Nina Carlson, and Monte Akers voting in favor; and Janeen Sollman, Betsy Julian, Martin Granum, Lisa Allen, Kim Strelchun, Wayne Clift, and Budget Committee Chair Glenn Miller opposed.

Budget Committee Chair Glenn Miller invited public comments. One request to address the Budget Committee was received:

Devin Hunter introduced himself as a representative of District classified staff, and stated that adequate hours and up-to-date computer equipment are necessary in order for classified staff to effectively perform their work. He said that class size is critical to student success, but other factors are also important.

Budget Committee members discussed at length their concerns regarding budgeting for upcoming years, particularly related to PERS expenses. Chief Financial Officer Stewart explained that the PERS issue will impact every public agency – not just K-12 school districts – and discussed the need to balance adequate reserves with investments in current students, for whom the District receives funding.

Wayne Clift MOVED that the Hillsboro School District 1J budget for 2016-17, in the aggregate amount of \$295,280,232 (total of all funds), be approved as proposed, and that the permanent tax rate of \$4.9749 per \$1,000 of assessed value be assessed in support of the General Fund. This permanent rate is expected to raise \$66,469,087. Mr. Clift further moved that tax levies totaling \$32,604,207 be approved for the debt service fund for the purpose of the retirement of bonded debt owed by the District. The motion was SECONDED by Martin Granum. The MOTION CARRIED (12-0).

Chief Financial Officer Stewart explained that the approved 2016-17 budget will be presented to the Board on June 14 for a public hearing and adoption.

Questions were asked about next steps in improving access for students to athletics and activities programs. Superintendent Scott explained that staff members who need to be involved in these discussions include the following: high school principals; Executive Director Casey Waletich; and the person who will be hired into the restructured position. Martin Granum volunteered to participate. Wayne Clift expressed the importance of including a participant who will advocate for activities that are not sports-related.

The Budget Committee meeting was adjourned at 8:40 p.m.



Approved June 14, 2016