

HILLSBORO SCHOOL DISTRICT 1J BUDGET COMMITTEE—MINUTES

May 9, 2019

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

Budget Committee Present:

Erika Lopez, Chair
Lisa Allen (via speaker phone)
Christopher Clark
Martin Granum
Yadira Martinez
Heather Monaghan
Jaci Spross
Mark Watson

Staff Present:

Mike Scott, Superintendent
Michelle Morrison, Chief Financial Officer
Kona Lew-Williams, Chief Human Resources Officer
Jeff Jones, Manager of Business Services
Val Bokma, Assistant to the Board

Board Vice Chair Erika Lopez called the meeting of the Budget Committee to order at 5:35 PM and led the Pledge of Allegiance. She explained that Board Chair Lisa Allen would be attending via speaker phone. Budget Committee members Nina Carlson, Alexander Diaz, Matthew Long, Michael Smith, Kim Strelchun, and Kyle Taylor; and Student Representatives Jessica Jose-Nickerson and Samanta Vega Contreras were unable to attend the meeting.

Ms. Lopez called for a motion to approve the agenda. Jaci Spross MOVED, SECONDED by Yadira Martinez, to approve the agenda as printed. The MOTION CARRIED (8-0).

Superintendent Mike Scott and Chief Financial Officer Michelle Morrison discussed the process of developing the proposed budget and the factors that were considered. The proposed budget is based on the Governor's K-12 allocation of \$8.972 billion, and includes sustainable reductions of \$9.6 million, as required in order to achieve a balanced budget.

Ms. Lopez explained that the Budget Committee annually elects a presiding officer from among its members, and she called for nominations.

Martin Granum nominated Erika Lopez for the position of Budget Committee Chair.

Hearing no further nominations, Ms. Lopez closed the nominations and called for the vote.

The vote was 8-0 in favor of Ms. Lopez.

Ms. Lopez asked Superintendent Mike 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 2019-20 budget.

After the November 2018 election, there was significant optimism that a “generational fix” for K-12 education funding was on the horizon.

The 2017 Legislature had commissioned a Joint Interim Special Committee on Public Education Appropriation, later to become known as the Joint Interim Committee on Student Success. They met throughout 2018 and traveled across Oregon to meet with

educators, students, parents, community members and community leaders to assess the strengths and opportunities for K-12 education.

Their findings were initially released in November 2018, and compiled in a formal report issued in January 2019. The final statement in the summary letter prefacing the report indicated that the Committee had "...broad recommendations on moving forward with a multi-tiered approach of outcomes-based targeted investments with clear, measurable accountability mechanisms to build and support the public education system that Oregon students deserve." Their conclusion was that additional funding of approximately \$2 billion per biennium was needed to help ensure that all Oregon students receive a quality education that sets them up for success.

Encouraged by this news, along with the strength of the economy, we eagerly awaited the Governor's budget proposal in early December 2018. Historically, the Governor's K-12 budget has represented a "floor" from which the Legislature builds. Governor Brown's recommendation called for base K-12 funding of \$8.972 billion; she also spelled out an education reinvestment plan, which would add another \$1 billion of targeted funds to K-12 and other education priorities. Both her base K-12 funding proposal and her reinvestment plan fell outside of projected statewide revenue for the 2019-21 biennium and would require an infusion of new or repurposed revenue to the system.

So there was optimism, but also pragmatism, as staff determined what that would mean for the Hillsboro School District's budget over the next two years. At the \$8.972 billion budget level, the District would be \$17.3 million short of maintaining its current service level (CSL) in 2019-21. Contingency planning began in earnest as all eyes turned to the release of the budget proposal from the Co-Chairs of the Joint Ways and Means Committee.

That proposal was released on Thursday, March 7, and, unfortunately, it called for a smaller allocation to K-12 education than did the Governor's proposal - \$8.872 billion. That level of funding would leave the Hillsboro School District \$20.86 million short of a CSL budget.

Meanwhile, separate but related efforts were afoot to craft a revenue generation package for K-12 education and a set of recommendations for PERS cost containment.

PERS employer costs are a huge cost-driver in the Hillsboro School District and are not something we control. Those costs represent a liability against our payroll, and with a payroll of approximately \$100 million, every 1 percent increase represents a cost to us of approximately \$1 million. Our PERS employer rate is going up 5 percent in 2019-21, for a biennial cost increase of approximately \$10 million.

As I write this budget message, House Bill 3427 is having its third reading on the House floor and will soon be up for a vote. The bill calls for a commercial activity tax on business, coupled with a personal income tax reduction for most Oregonians to affect a \$2 billion per biennium revenue stream - the Fund for Student Success - dedicated to education. K-12 would receive \$1 billion through a Student Investment Account intended to support smaller class sizes, more learning time, well-rounded educational opportunities, and social-emotional health and safety for students. The remaining money would be divided between early learning investments and statewide initiatives, such as full funding of Measure 98 (the High School Graduation and College and Career Readiness Act of 2016).

If the bill passes both chambers with a supermajority, it could become law as soon as 91 days after the Legislature adjourns this year. If it only passes with a majority, it will have to be referred to voters; and if there is an initiative petition, portions or all of the bill may also be referred to voters.

Either way, districts would likely not see additional revenue until the 2020-21 school year at the earliest.

As a result, many districts - including HSD - are building their 2019-20 budgets on the Governor's K-12 allocation of \$8.972 billion. As I mentioned earlier, this funding level leaves the Hillsboro School District \$17.3 million short of its CSL. Therefore, we need to make sustainable reductions of \$9.6 million in 2019-20 to achieve a balanced budget.

Our recommendations for those reductions are as follows:

- *Increase the staffing ratio in grades 3-12 by two, for a staffing ratio of 31:1 (loss of 37.5 licensed full-time equivalent (FTE) positions; add back 6 FTE in hot spots for a net loss of 31.5 FTE) - \$3,344,000*
 - *Reduce other licensed staff positions and restructure the Care Coordinator service delivery model (7.5 licensed FTE) - \$796,000*
 - *Reduce classified staffing (loss of 37.5 classified FTE) - \$2,198,000*
 - *Reduce administrator positions (loss of 3 administrator FTE) - \$359,000*
 - *Adjust calendars for specific classified positions (loss of 1-2 days for certain classified positions) - \$140,000*
 - *Eliminate the attendance incentive - \$10,000*
 - *Reclassify three facilities positions to Construction Excise Tax (CET) funding (transition of funding obligation from general fund to CET) - \$377,000*
 - *Reduce discretionary budgets at schools and departments by 5 percent - \$2,385,000*
- Total savings from the above actions equal \$9,612,000*

We remain hopeful that legislative efforts will prove successful and that more money will be flowing into the K-12 education system soon. If additional funds beyond the planned \$8.972 billion are allocated in this legislative session and made available to schools in the 2019-20 school year, we will focus that money on investments that will help students in the classroom.

Throughout this past year, our School Board, staff, and community members have been working tirelessly to provide information about the impact of various funding levels on our budget, having tough conversations with elected officials, and encouraging people to share their voice in Salem.

I am so grateful for all of your efforts and advocacy, and I thank you for your continued support and involvement in the Hillsboro School District.

Respectfully,

*Mike Scott
Superintendent*

Following the reading of the budget message, Chief Financial Officer Michelle Morrison presented the proposed budget, highlighting key points throughout the document and responding to Budget Committee members' questions.

Budget Committee members discussed various elements of the proposed budget; funding challenges for school districts; factors that impact the level of funding that districts receive from the State; the differences between the CSL calculated by the State and the actual CSLs of school districts; the differences in PERS rates between school districts; the necessity of improving and expanding the opportunities and supports that are vital to student success – not merely maintaining what is currently being offered – and the importance of communicating this necessity to the community; the potential impacts of legislation that is currently being considered; advocacy for stable and adequate funding for education; and priorities if additional funding is received.

The District will not know what the actual State school funding level will be until June 30, but if additional funding is received, the priority will be to focus on helping students in the classroom.

No audience members were in attendance, and no requests to comment were submitted.

Heather Monaghan MOVED that the Hillsboro School District 1J budget for 2019-20 in the aggregate amount of \$565,636,814 (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 \$75,025,205. She further moved that tax levies totaling \$36,809,981 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 Jaci Spross. The MOTION CARRIED (8-0).

Chief Financial Officer Michelle Morrison explained that the approved 2019-20 budget will be presented to the Board for public hearing and adoption during the June 11 regular Board meeting session.

The Budget Committee meeting was adjourned at 7:00 PM.



Approved June 11, 2019