

HILLSBORO SCHOOL DISTRICT 1J BUDGET COMMITTEE—MINUTES

May 12, 2020

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

Budget Committee Present:

Erika Lopez, Chair
Martin Granum, Vice Chair
Lisa Allen
Christopher Clark
See Eun Kim
Yadira Martinez
Kevin Murphy
Michael Smith
Jaci Spross
Kim Strelchun
Monica Uribe
Mark Watson

Student Representatives Present

Danny Adzima
Maria I. Aguilar Alvarado
Andrew Goodwin

Staff Present:

Mike Scott, Superintendent
Travis Reiman, Assistant Superintendent, Academic Services
Dayle Spitzer, Assistant Superintendent, School Performance
Jordan Beveridge, Chief Information Technology Office
Beth Graser, Chief Communications Officer
Kona Lew-Williams, Chief Human Resources Officer
Michelle Morrison, Chief Financial Officer
Adam Stewart, Capital Projects Officer
Casey Waletich, Chief Operations Officer
Jeff Jones, Manager of Business Services
Kelli Waibel, Technology Support
Justin Arey, Web Specialist/Designer
Francesca Sinapi, Executive Director of Schools
Audrea Neville, Executive Director of Schools
Elaine Fox, Executive Director of Student Services

Board Chair Erika Lopez called the meeting of the Budget Committee to order at 6:57 PM and led the Pledge of Allegiance.

Board Chair Erika Lopez called for a motion to approve the agenda. Mark Watson MOVED, SECONDED by Yadira Martinez, to approve the agenda as printed. The MOTION CARRIED (12-0).

Chief Financial Officer Michelle Morrison and Superintendent Mike Scott discussed the process of developing the proposed budget and the factors that were considered.

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

Vice Chair Martin Granum nominated Erika Lopez for the position of Budget Committee Chair, Director See Eun Kim seconded the nomination.

Hearing no further nominations or discussion, Board Chair Erika Lopez closed the nominations and called for the vote.

The vote was 12-0 in favor of Board Chair Erika Lopez.

Board Chair Erika 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 1J proposed 2020-21 budget.

In last year's budget message, I talked about the potential of House Bill 3427 passing both chambers of the Oregon Legislature with a supermajority. That did, in fact, happen and the Student Success Act (SSA) became law in the summer of 2019, with an implementation date of January 1, 2020.

The SSA would be funded by a corporate activities tax (CAT) that was estimated to generate approximately \$2 billion per biennium. Half of the money would be available to K-12 school districts through a non-competitive grant program called the Student Investment Account (SIA); thirty percent would be earmarked for statewide education initiatives such as full funding of Measure 98 - the career-technical education, graduation attainment, and dropout prevention legislation passed overwhelmingly by voters in November 2016; and twenty percent would support early learning initiatives like preschool.

Although the SIA grant is non-competitive, it comes with many requirements, including a robust public outreach and involvement plan. Each district would need to show that it had involved multiple stakeholder groups in gathering feedback for how the money could best support the most vulnerable and historically underserved students through efforts to lower class sizes, enrich educational offerings, expand learning opportunities, and tend to students' health and safety needs.

The Hillsboro School District started its outreach and feedback-gathering efforts in late August and continued through February, presenting draft plans through an iterative process until a final submission was developed and approved by the Board in late February 2020.

With much optimism, we looked to our SIA money - estimated to be approximately \$16.5 million in the 2020-21 school year - to help us reinvest in our schools. Approximately \$4.5 million would be needed to help us maintain our current service level, due to lower than anticipated student enrollment and higher than historical average utility costs, and the rest would be used for new investments in our system in the four allowable expenditure categories.

Soon after the Board meeting where our SIA plan was approved, however, the coronavirus situation was reaching a problematic stage in the United States. The first presumptive case of COVID-19 in the state was announced on February 28, and, by March 8, the Hillsboro School District became the first in Oregon to have a student test positive for the virus. By March 12, Governor Kate Brown ordered all schools to extend their spring break to begin on March 16 and run through March 31; and on March 17, she extended the closure through April 28. By April 8, Governor Brown announced the closure of physical schools through the remainder of the academic year.

As we navigated our way through preparing ourselves and our students for the new world of distance learning, we began to shift our attention to the impact the coronavirus pandemic was

having on the economy. As I write this letter, there are estimates that the State of Oregon will lose between \$1 and \$3 billion of revenue in tax collections this year; and because the first year of the biennium is almost complete, the impact of that shortfall will be felt in 2020-21 alone. As a preemptive measure, Governor Brown asked all state-funded agencies to prepare for a budget reduction of 8.5 percent. It is also becoming more and more likely that districts may see no money from the SIA in 2020-21. If no other money was accessed to support K-12 education and we not only lost 8.5 percent of our State School Fund (SSF) money, but also received no SIA funding, we would be looking at a shortfall of approximately \$23 million.

The next revenue forecast takes place on May 20 and there will likely be a special session of the Legislature called in the summer to determine the ultimate impacts on each state-funded agency. For now, what we know is that we need to be prepared for reductions and do whatever we can in the remainder of this year to save money for next year - any money we can save in 2019-20 will save staff and programs in 2020-21.

Therefore, we are implementing a three-pronged approach: 1) immediate spending freeze; 2) immediate hiring freeze, with the exception of hard-to-fill positions; and 3) accessing the state program known as Work Share and money from the federal CARES Act to initiate furloughs for all employees each Friday from now through July 31 or the end of their work year (*the reduction is 20% of a staff member's normal work week, which may or may not include a Friday). Implementing furloughs on May 15 will allow the District to save up to \$3.4 million by the end of July, 2020, which is when the CARES Act unemployment support program ends. At this time, it is unknown how much of our shortfall \$3.4 million will represent, but as one staff member recently remarked "we are scrapping for every penny right now."*

All of that said, as a practical matter we are still presenting a budget based on receiving 51 percent of our portion of the \$9 billion that was allocated to the SSF for 2019-21, as well as our portion of the SIA. It is simply the only thing we can do at this time with so many things unknown.

We are doing significant contingency planning based on several different scenarios, so once we know our budget situation with more certainty, we will be able to implement a reduction plan quickly.

Our goal is always to be as forthcoming as possible throughout our budgeting process and this year is no different. Even though we may not know exactly what the future holds, we are committed to updating our Board, Budget committee, staff, and community with information as we receive it.

We intend to advocate at the state level for support of our educational system - whether that be through an activation of reserve funds, utilization of federal assistance monies, reallocation of the current budget, or some combination of strategies. We welcome your partnership in sharing

with our elected officials the extreme importance of stabilizing our education system. We simply must do everything we can to ensure that our students are not left behind in our recovery from this devastating pandemic.

Thank you for your ongoing partnership, patience, and understanding.

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; Student Investment Act funds; COVID-19 pandemic anticipated loses; Current Service Level; the plans for a four tiered reduction; steps being taken currently to save on budget for this year and next, including furlough days, implementing a hiring and spending freeze, modified staffing levels projections.

The District will not know what the actual State school funding level will be until mid to late July, after a likely Legislative Special Session is called.

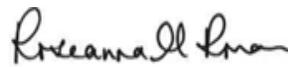
No requests to comment were submitted.

Kim Strelchun MOVED that the Hillsboro School District 1J budget be approved as presented for 2020-2021. The MOTION was SECONDED by Jaci Spross.

The MOTION CARRIED (12-0).

Chief Financial Officer Michelle Morrison explained that the approved 2020-21 budget will be presented to the Board for public hearing and adoption during the June 23 Board meeting regular session.

The Budget Committee meeting was adjourned at 8:12 PM.



Approved June 23, 2020