

Corbett School District

2020-2021 Budget Message

The goal of Corbett School District is to foster intellectual development, social awareness and civic responsibility among the members of our school community.

The Budget Document:

This document is intended to serve as a financial plan for both receipts and expenditures for the 2020-2021 fiscal year. To assist in preparing the plan and to help others to understand the document, it contains: 2017-18 and 2018-19 audited figures, the 2019-2020 budgeted and estimated figures, and the proposed 2020-2021 figures.

The Financial Policies of the District:

The District Budget is a planning document. It is the intention of Corbett School District to plan for the future and to develop a budget document that is driven by our District goals, our programming decisions and our student enrollment projections. While we recognize the value of maintaining a reasonable level of cash reserves, we are committed to bringing to bear all of the District's resources in support of the upcoming school year.

COVID-19 and the Impact on Our Budget:

The COVID-19 pandemic has created havoc across our country and state. Beyond any doubt the COVID-19 shutdown of our economy will impact school funding. This document has been prepared based upon the advice of the Oregon Department of Education (ODE) and based upon the only published revenue estimates available at this time. Revenue estimates are not scheduled to be updated until late May 2020 so until then we continue to use numbers provided to us by the ODE to create this budget. With certitude this budget will be modified downward.

This budget includes new revenue that would will have a positive impact to our programs this upcoming year and beyond. During the 2019 session, the Oregon legislature passed the Student Success Act (SSA). When fully implemented, the Student Success Act is expected to invest \$2 billion in Oregon education every two years; that's a \$1 billion investment in early learning and K-12 education each year. Of those funds, \$200 million goes into the State School Fund and the remaining is distributed into three accounts: the Early Learning Account, the Student Investment Account (SIA) and the Statewide Education Initiatives Account.

Before the COVID-19 pandemic, Corbett was anticipating receiving over \$900,000 from the SIA. After a long process of community engagement those dollars were earmarked to:

- Maintain reasonable class size by retaining teachers that would either need to be cut (or have other programs cut in order to retain those positions) due to the gradual reduction in student body size;
- Increase student supports in the area of mental health by hiring additional counselors;

- Increase student safety by paying for a loan to renovate the recently purchased Natural Resource Center in Springdale and finally move the middle school students out of the current building; and,
- Increase student offerings in CTE by creating additional CTE course offerings.

It is unclear to what extent the SSA will be impacted by the economic fallout of COVID-19. As a precautionary measure, ODE has directed districts to develop a tiered SIA plan that reflects the priorities identified by the community while acknowledging the unpredictability of incoming revenue. A DRAFT of our tiered approach to reductions in SIA follows; this is only a draft and will be reviewed by the ODE for compliance, but it demonstrates a reasonable order in which the SIA funds could be reduced according to the rules established by the ODE. Further ODE has indicated we should implement a hiring freeze related to SIA until the future has more clarity.

Draft of SIA Budget Reductions Commensurate with ODE’s Rules for Reduction in Spending

Estimated SIA Budget 2020-21	
Activities	100% funded \$927,557
Increase FTE dedicated to counseling and mental health services by 1.5.	\$150,000
Fund a 1.0 FTE CTE position.	\$100,000
Secure renovation loan, renovate the buildings, and begin loan repayment.	\$270,000
Restore 3.0 FTE classroom teaching positions grades K 7 scheduled to be eliminated in 2020-2021 due to decline in enrollment.	\$300,000
Increase FTE dedicated to special education services by 1.0.	\$100,000
Total	\$920,000

Activities	90% Funded \$834,801	Activities to be cut	Amount Cut
Increase FTE dedicated to counseling and mental health services by 1.5.	\$150,000	1.0 FTE dedicated to special education services	\$100,000
Fund a 1.0 FTE CTE position.	\$100,000		
Secure renovation loan, renovate the buildings, and begin loan repayment.	\$270,000		
Restore 3.0 FTE classroom teaching positions grades K 7 scheduled to be eliminated in 2020-2021 due to decline in enrollment.	\$300,000		
Total	\$820,000	Total	\$100,000

Draft of SIA Budget Reductions Commensurate with ODE’s Rules for Reduction in Spending, continued

Activities	80% Funded \$742,045	Activities to be cut	Amount Cut
Increase FTE dedicated to counseling and mental health services by 1.5.	\$150,000	1.0 FTE dedicated to special education services	\$100,000
Secure renovation loan, renovate the buildings, and begin loan repayment.	\$270,000	1.0 FTE CTE position	\$100,000
Restore 3.0 FTE classroom teaching positions grades K 7 scheduled to be eliminated in 2020-2021 due to decline in enrollment.	\$300,000		
Total	\$720,000	Total	\$200,000

Activities	70% funded \$649,289	Activities to be cut	Amount Cut
Increase FTE dedicated to counseling and mental health services by 1.5.	\$150,000	1.0 FTE dedicated to special education services	\$100,000
Secure renovation loan, renovate the buildings, and begin loan repayment.	\$270,000	1.0 FTE CTE position	\$100,000
Restore 2.0 FTE classroom teaching positions grades K 7 scheduled to be eliminated in 2020-2021 due to decline in enrollment.	\$200,000	1.0 classroom teaching position grades K 7	\$100,000
Total	\$620,000	Total	\$300,000

Activities	60% funded \$556,534	Activities to be cut	Amount Cut
Increase FTE dedicated to counseling and mental health services by 1.0.	\$100,000	1.0 FTE dedicated to special education services	\$100,000
Secure renovation loan, renovate the buildings, and begin loan repayment.	\$270,000	1.0 FTE CTE position	\$100,000
Restore 2.0 FTE classroom teaching positions grades K 7 scheduled to be eliminated in 2020-2021 due to decline in enrollment.	\$200,000	1.0 FTE classroom teaching position grades K 7	\$100,000
		.5 FTE dedicated to counseling and mental health services.	\$50,000
Total	\$570,000	Total	\$350,000

Draft of SIA Budget Reductions Commensurate with ODE’s Rules for Reduction in Spending, continued

Activities	50% funded \$463,778	Activities to be cut	Amount Cut
Increase FTE dedicated to counseling and mental health services by 1.0.	\$100,000	1.0 FTE dedicated to special education services	\$100,000
Secure renovation loan, renovate the buildings, and begin loan repayment.	\$170,000	1.0 FTE CTE position	\$100,000
Restore 2.0 FTE classroom teaching positions grades K 7 scheduled to be eliminated in 2020-2021 due to decline in enrollment.	\$200,000	1.0 FTE classroom teaching position grades K 7	\$100,000
		.5 FTE dedicated to counseling and mental health services.	\$50,000
		Renovation loan repayment.	\$100,000
Total	\$470,000	Total	\$450,000

Activities	40% funded \$371,022	Activities to be cut	Amount Cut
Increase FTE dedicated to counseling and mental health services by 1.0.	\$100,000	1.0 FTE dedicated to special education services	\$100,000
Secure renovation loan, renovate the buildings, and begin loan repayment.	\$170,000	1.0 FTE CTE position	\$100,000
Restore 1.0 FTE teaching position grades K 7 scheduled to be eliminated in 2020-2021 due to decline in enrollment.	\$100,000	2.0 FTE classroom teaching positions grades K 7	\$200,000
		.5 FTE dedicated to counseling and mental health services.	\$50,000
		Renovation loan repayment.	\$100,000
Total	\$370,000	Total	\$550,000

Activities	30% funded \$278,261	Activities to be cut	Amount Cut
Increase FTE dedicated to counseling and mental health services by 1.0.	\$100,000	1.0 FTE dedicated to special education services	\$100,000
Secure renovation loan, renovate the buildings, and begin loan repayment.	\$170,000	1.0 FTE CTE position	\$100,000
		3.0 FTE classroom teaching positions grades K 7	\$300,000
		.5 FTE dedicated to counseling and mental health services.	\$50,000
		Renovation loan repayment.	\$100,000
Total	\$270,000	Total	\$650,000

Draft of SIA Budget Reductions Commensurate with ODE’s Rules for Reduction in Spending, continued

Activities	20% funded \$185,511	Activities to be cut	Amount Cut
Increase FTE dedicated to counseling and mental health services by .5.	\$50,000	1.0 FTE dedicated to special education services	\$100,000
Secure renovation loan, renovate the buildings, and begin loan repayment.	\$135,000	1.0 FTE CTE position	\$100,000
		3.0 FTE classroom teaching positions grades K 7	\$300,000
		1.0 FTE dedicated to counseling and mental health services.	\$100,000
		Renovation loan repayment.	\$135,000
Total	\$185,000	Total	\$735,000

Activities	10% funded \$92,755	Activities to be cut	Amount Cut
Increase FTE dedicated to counseling and mental health services by .5.	\$50,000	1.0 FTE dedicated to special education services	\$100,000
Secure renovation loan, renovate the buildings, and begin loan repayment.	\$42,000	1.0 FTE CTE position	\$100,000
		3.0 FTE classroom teaching positions grades K 7	\$300,000
		1.0 FTE dedicated to counseling and mental health services.	\$100,000
		Renovation loan repayment.	\$228,000
Total	\$92,000	Total	\$828,000

At the direction of ODE, a similar plan for the District’s High School Success Act (HSSA) is being prepared by staff. Once again no one is sure about the extent that the HSSA will be impacted by the COVID-19 outbreak.

Finally, the majority of our budget is based upon the State School Fund (SSF) allocation, which is primarily funded by property taxes, state income taxes, and lottery funds. The continuing statewide shutdown will have a substantial impact to these sources but no one can predict the extent to which this will affect education.

These anticipated reductions will force us to grapple with a problem Corbett School District has endured for almost two decades; a lack of funding. During economic downturns the District has weathered each storm by balancing cuts with additional revenues. Traditionally, cuts have been levied in a way that protects the classroom and retains academic programming. I will continue to advocate for this approach. Our only source of revenue that will prevent cuts in staff is the addition of students. For at least seven years the District has worked to reduce the student population, not in response to any educational imperative, but rather in response to the political will of a subset of our broader community. In a perfect situation a reduction in students without reducing academic offerings, is a win/win! The influx of new SIA

dollars was going to allow us to continue reducing our population, thereby reducing class size, without immediately impacting offerings for students. About \$300,000 of the SIA dollars were earmarked to retain positions that we would lose because of our student body reduction from 2018-19 to 2019-20. This document excludes staffing cuts and a loss of the SIA dollars will require careful consideration of next steps.

It is best to think of this document as a starting place. It has largely been prepared, as recommended by the ODE, as if the COVID-19 outbreak had not occurred. We will certainly grapple with cuts and school size in the near future.

Important Fixtures of the Proposed Budget:

We anticipate a beginning fund balance of \$3.7 Million in the General Fund for 2020-21 Budget. The budget was prepared by aligning our revenue projections with the ODE's State School Fund Estimate published February 25, 2020 using 2019-20 Extended ADMw.

The beginning fund balance is substantial because of approximately \$2.3 million in loan funds carried forward from 2019-20 for the remodel of the Natural Resource Center. Because of the uncertainty of the fiscal climate, it has been suggested that we use the loan to repay the loan rather than move forward with the project. Initial indications from the bond counsel indicate this may not be an allowable use of those funds and could result in legal actions against individual board members and administrators who misuse public funds. Our own legal firm was unable to provide an opinion on the matter because it is outside the realm of their expertise. Additional counsel has been requested from firms recommended by our lawyers. At this point, it looks unlikely that we can use those funds for anything other than their original purpose. Efforts are still underway to resolve this question definitively.

This budget represents a plan to reproduce our current service level (CSL) of instruction and supports offered to students in grades K-12. As reported at the board meetings by the principals and student services director the CSL has stretched staff to the breaking point and any reductions in staffing would result in a critical reduction in services to students.

This budget maintains CSL but only because of two unsustainable fixtures of this plan and an influx of dollars from the SIA. The first is that there are no COLA's for any employees in this budget document. As a long-term strategy this is not sustainable if the District wants to continue to attract and maintain quality staff. Additionally, this feature of the budget is not something that can be unilaterally dictated by the district as this "COLA Freeze" will need to be negotiated with both unions regarding salaries and benefits next year as both contracts are expiring. In the past, we have been able to negotiate with the unions for a "COLA freeze" given that many of the employees do receive a step increase. However, this is not the case with confidential employees.

Confidential staff which includes district office staff, all administrators, department managers such as transportation, maintenance, and food service, as well as secretaries will have only received a 3.5% COLA over the last six years. Further, during the 16-17 school year most confidential staff actually lost more

than 2% of their salaries due to furlough days that year. Examining the West Consumer Price Index from July of 2015 to March of 2019 the CPI index rose from 245.040 to 272.584, more than a 11.2% increase. Essentially these staff will have lost more than 7.7% of their pay relative to inflation over that 6-year period.

We have arrived at this juncture through an intentional commitment to remain as small as is fiscally responsible while working to simultaneously maintain something close to our CSL; a service level which continues to provide students with rich academic and extracurricular opportunities. However, that commitment to remain as small as possible has pushed staff to the brink and has reduced opportunities for students. Class sizes continue to grow, intervention services have been reduced, ESL services have been reduced, career services have been reduced, extra-curricular opportunities have been reduced.

The second unsustainable fixture of this budget, which is a manifestation of the call to reduce the student population, can be seen on page 17. Next year, due to an expressed desire to reduce the district size by the Board, we anticipate a loss of student population which corresponds to a loss of revenue. You can see on page 17 that this year we were funded at a total of \$11,353,251 and next year's anticipated population will generate \$11,263,278. This is a loss of \$89,523 in revenue. However, the 2020-21 budget is based off of \$11,353,251 because we are funded at the higher of these two years. Unless we add back revenue, we will grapple with this revenue loss in the 2021-2022 cycle. This budget does reflect the use of approximately \$300,000 in SIA funds to account for the reduction in student population from the 2018-2019 school year to the 2019-2020 school year.

Further, I anticipate that we could have an ADMr lower than the projected 1,166 indicated on page 17 unless we take action as part of the district's new charter status. Our initial estimate is based upon a best-case scenario "cohort survival ratio" of 100%, as indicated on page 16, which involves flat population in grades 1-12. However, the CSD has about a 4% mobility rate in any given year which means we can expect about 4% of our students in grades 1-12 to move out of the district. The board has established a target of 81 students per grade level. However, the majority of our grades currently have more than 81 students. In order to hit the enrollment target presented in this budget the district will need to grapple with the idea of offsetting the probable cohort loss in grades that currently have more than 81 students through some fashion. If students who leave in grades that currently have more than 81 students are not replaced, we will lose more revenue. This will create a "free fall" that we were warned about by Rob Saxton in his 2019 report.

Consider the unsustainable fixtures of the budget in tandem along with uncertainty of SIA funding. We are only able to maintain CSL this coming year IF every employee has a 0% COLA AND if we live off of this current year's extended ADMw and if the SIA funds are fully implemented.

Class Size

With the creation of the District Charter, class size in the primary grades is expected to increase above the 2019-2020 levels. We are currently targeting 81 students in kindergarten. Initial polling appears to indicate

we have robust interest in our kindergarten program. Class size across other grades will likely be lower than this year unless a method for replacing current students is established for the new charter.

General Fund Ending Fund Balance:

This budget assumes, see page 23, an ending fund balance of \$668,100 in the general fund with \$50,000 earmarked for contingency. It is understated to describe this as a meager contingency. First, as mentioned earlier, we will need to negotiate with both unions and this could impact the spending. Second, special education is a considerable wild card. SPED students costs are wildly variable but we spend an average of about \$10,500 per IEP with some students costing us more than \$90,000 per year. Further, unanticipated illness also has the potential to devour a contingency of that size. In recent years we have had staff members fall gravely ill which has required the unanticipated need to hire full year long-term subs. My point is this, this budget has the slimmest of cushions, a cushion that is likely to be eaten up by the vagaries of the unpredictability of school operations. Remember this budget is prepared as if COVID-19 had never happened, as if the SSF was fully intact, as if the SIA was fully funded, as if the HSSA was fully funded, as if all employees were given a COLA of 0%, and as if there were no cuts to critical positions.

Funding K-12 Education in Oregon:

The legislature is likely to pass bills that dramatically negatively affect our funding. During that process I will advocate for protecting the classrooms as much as possible, and for maintaining academic programming for as long as possible. These anticipated cuts in revenue will require a considered review of current spending and current revenue.

Transportation Budgeting:

The district is continuing with its required bus replacements. The budget includes \$115k for the purchase of one bus through a capital lease arrangement.

Important Thoughts About This Budget and Our Work Ahead and the Future:

Despite the uncertainty the future holds for our district, I want to stop and highlight the real reasons we are having these discussions. Students and the programs that serve them are what matter. We have been doing a good job of *fostering intellectual development, social awareness and civic responsibility among the members of our school community*. Examples of those successes can be found in:

- For three years, every graduate was admitted to college and had an average of more than \$45,000 in scholarships toward college.
- Our graduation rate is, and has been for years, one of the highest in the State.
- I believe Corbett School District is a stellar example of how a group of dedicated mission driven educators can make the transition to distance learning work for students.

Despite financial difficulties we are doing a great job for kids. This budget reflects a commitment to minimize impacts on kids. This upcoming year will be a challenge unlike any we have seen in our lifetimes'

and I want to thank you all in advance for your willingness to have the difficult conversations we *are* forced to have.

Respectfully Submitted,
Randy Trani Ed.D
Superintendent
Budget Officer