

From: [Superintendent](#)
To: [EPS.Maillist](#)
Subject: 2012-13 budget news is both GOOD and CAUTIONARY
Date: Monday, June 25, 2012 10:34:58 AM
Importance: High

Dear colleague,

On Tuesday, our school board will review the budget for 2012-13 ...

... on July 3, the board is slated to approve a final budget for 2012-13.

The budget news for 2012-13 is both **good** and **cautionary**.

Good news is that the budget cuts we were braced for in December and throughout the legislative session did not transpire.

Why? The Supreme Court's [McCleary Decision](#). It was extremely good news for K-12 education. That and our voters' support in 2010 of the *Temporary Supplemental Educational Operations and Program* levy kept the hounds at bay.

This year we avoided having to adopt a *Reduced Educational Program* – that is the school board-approved description of categories of educational program reductions the superintendent is authorized to make to balance the budget.

[On the Web](#) you can see the reductions that several superintendents have been authorized to make over time. Those reductions have eliminated positions and programs that help students learn to high standards. Those reductions were caused largely by state and federal funding cuts made over the last several years.

Also good news is that for the third year, there are no RIFs of teachers. In fact, we added back a few teaching positions to help with on-time graduation and to achieve more class-size goals.

This good news is reason for optimism, but very cautious optimism. Our school board has faith in our collective ability to hold the line on spending, and faith in the *potential* for change in the economy that seems to be just around the corner.

Because the cuts we expected this year did not occur, and because we were very frugal this past year as we anticipated cuts, the board is scheduled to approve use of \$2.3 million of district reserves for school year 2012-13. *Using this much of our reserves will stave off cuts for ONE year.* After 2012-13, whether we cut or maintain depends upon at least five uncertainties which represent the **cautionary news**:

1. **First is the nation's and region's economic recovery.** News about the recovery is mixed. Public sector recovery usually follows private sector recovery. Any economic stability potentially ahead for schools will come after business stabilizes. Some businesses in some areas are seeing some improvement. But the recovery is still tentative.
2. **Second are the short-term results of the McCleary Decision.** It is one thing for the courts to rule that the state must honor the Constitution to fully fund K-12 education. It is another thing for legislators to determine how and when that can truly be accomplished. I believe the McCleary Decision did have a profound impact on the legislative session this year. I am cautiously optimistic about the McCleary Decision's impact on future school funding decisions.
3. **Third is whether the district will be able to collect all of the funding local voters approved in 2010.** Because local levies are a percentage of our state and federal funding total, if state and federal dollars continue to fall or stay flat, there will be no increased funding available from local levies – even though local voters approved increases. This alone means we will need to cut expenses again.
4. **Fourth is that the \$4 million supplemental levy voters generously approved in August 2010 expires in 2014.** The 2010 state Legislature allowed school districts to ask voters for a “supplemental” levy increase of 4 percent, *and our voters generously said yes in the summer of 2010. This temporary supplemental funding has made a huge difference in our ability to avoid the cuts you have been reading about among our neighboring districts.* However, we must ask voters to continue the 4 percent supplemental levy in 2014.

In 2017, when the temporary supplemental levy authority expires for all state school districts, Everett Public Schools funding will drop by \$6.3 million.

5. **Fifth is how much we can hold down our costs.** Costs of materials, supplies, labor, the work necessary to continuously improve student learning will go up. We each have a critical role to play in maintaining this district's history of financial restraint.

On May 22, Jeff Moore, our executive director of finance and operations, presented the district's four-year financial forecast to the board of directors. That entire presentation is available on [BoardDocs](#) for you and for the public.

I encourage you to review the slide entitled *2012-2015 Projection*. ([available on DocuShare](#) if you have difficulty accessing BoardDocs) That depicts the challenges we face without additional federal and state funding. Please pay particular attention to the bottom line of each of the four years detailed on that slide.

The chart below summarizes our potential four-year financial future. Remember that the district is obligated by board directive to reserve a 5 percent fund balance for emergencies and as a way to maintain our healthy bond and credit rating. (Better credit ratings save taxpayers from paying higher interest rates on bonds.)

School year	2011-12	2012-13	2013-14	2014-15
Estimated beginning fund balance	\$11,626,371	\$11,452,460	\$9,248,460	\$9,361,700
Expected income for the year, with current funding situations	\$182,255,271	\$182,650,000	\$182,750,000	\$182,750,000
Projected costs for the year	\$182,429,182	\$184,854,000	\$187,234,000	\$185,816,760
Projected ending fund balance	\$11,452,460	\$9,248,460	\$4,764,460	\$6,294,940
<i>5% minimum to keep as fund balance</i>	\$9,121,459	\$9,242,700	\$9,361,700	\$9,290,838
What is available for the next year (or what must be cut from expenses)	\$2,331,001***	\$5,760**	(\$4,597,240)*	(\$2,995,898)*
	***This amount, which is above the 5% threshold, is allowing the district to avoid substantial cuts for next school year.	**At the end of next school year, unless funding and costs patterns change, we may be within less than \$6,000 of our required fund balance and facing cuts for 2013-14.	*In 2013-14 and 2014-15, with no changes in funding or cost patterns, we will face cuts of approximately \$4.5 and \$2.9 million.	

The bottom line:

If no additional funding becomes available, we face \$2-4 million in cuts the year after next.

No one in our district has written to me to complain that he or she missed the annual *Reduced Educational Program*. I'd love for us to be able to look back on those as the "Ghosts of REPs past." I am cautiously optimistic. AND I cannot promise freedom from more cuts and more challenges in the future.

At the re-dedication of Monroe Elementary School last month, a standing-room only audience of families, students, current and former staff, community members and dignitaries demonstrated their appreciation of work you do in our schools, and the great job we do to build and maintain our schools. This was one of those especially moving events when the sensation of "community" is so strong you can literally feel it, and one's beliefs in community, the future and the "rightness" of our work are confirmed.

Our work is right, and it is good. Your school board and I are committed to advocacy for constitutionally mandated "ample" funding, and to leveraging local, regional, state and national partnerships to provide funding and resources that help make our students successful.

Here's to a stellar end to an amazing school year and to the rest and rejuvenation to make next year an even better one. Thank you for bringing the vitality and talent you do to our Everett Public Schools.

Warm regards,
Gary