

WASHOE COUNTY SCHOOL DISTRICT
Reno, Nevada

REGULAR MEETING
Planning and Budgeting
December 16, 2008

TITLE: Discussion and Adoption of the Plan to Fulfill Required Fiscal Year 2008-09 Special Session Budget Reductions of \$9,853,466

FROM: Gary S. Kraemer, Chief Financial Officer

PRESENTER(S) & PRESENTATION TIME:

Paul Dugan, Superintendent and Gary Kraemer, Chief Financial Officer
(15 minutes)

DATE REPORT WRITTEN: November 25, 2008

SUMMARY: The Special Session of the Nevada State Legislature held on June 27, 2008 required Washoe County School District (WCSD) to make budget reductions of \$9,853,466 in fiscal year 2008-09. A plan showing how the District will meet the required reductions must be filed with the Nevada Department of Education by January 16, 2009. The recommended reductions are described below. These reductions will adversely impact teaching and learning and district and school operations.

PREVIOUS BOARD ACTION: *(For additional information regarding the previous agenda action listed below, refer to the District's website at www.washoe.k12.nv.us in the Calendar section under Meetings, Agendas, and Highlights.)*

Date: May 27, 2008

Related Action: Board approval of fiscal year 2008-09 Final Budget

ADDITIONAL BACKGROUND INFORMATION: The Special Legislative Session held on June 27, 2008 required Washoe County School District (WCSD) to make budget reductions of \$9,853,466 in fiscal year 2008-09. \$6,770,698 of the reduction was the result of a \$110 per pupil decrease to our State Distributive School Account (DSA) funding for textbooks, instructional supplies and instructional hardware, while \$3,082,768 represents a decrease to our State funding.

To address these reductions, a recommendation is being made to return \$2,250,000 of Senate Bill (SB) 185 grant funds used for school and program improvements; increase expenditures by \$500,000 to provide a contingency for SB 185; reduce textbook and instructional supply expenditures by \$4,250,000; reduce funding of Other Postemployment Benefits (OPEB) by \$3,000,000; reduce the District Office administration by \$300,000; and spend down the fund balance of the General Fund by \$553,466.

The proposed reductions were discussed at several Executive Cabinet meetings, other administrative meetings, and presented to the Budget Review Technical Team on September 3, 2008. An explanation of each item follows.

Senate Bill 185 Grant and Contingency

The majority of the SB 185 grant funds being returned are the result of carryover funds received in the prior year but not spent. Additional reductions have been identified related to salary and other program savings. The identified reductions are \$1.75 million. However, further savings may be anticipated.

To ensure that no unspent funds are returned that could have been used to offset these budget reductions, it is recommended that the General Fund assume \$500,000 of the SB 185 costs by setting up a contingency account for SB 185 expenditures.

This method allows the maximizing of reductions related to SB 185 grants by not having to return unspent funds. Therefore, by having the General Fund assume \$500,000 of the SB 185 costs, the district can commit to returning \$2.25 million of the SB 185 funds.

Textbook and Instructional Supply Expenditures

The amount of State per pupil funding earmarked for textbooks and instructional supplies is being reduced by \$6,770,698. The district's textbook and instructional supply expenditure requirement was also reduced by a similar amount; however, the district will only reduce textbooks and instructional supplies expenditures by \$4,250,000.

The district has a \$3.26 million budget earmarked for this purpose. Typically \$2.26 million of this budget is used to assist with textbook adoptions and \$1.0 million is provided to schools to assist with their textbook and instructional supply purchases. Approximately \$1.11 million of this budget needs to be used for the current year grade 6-12 math textbook adoption. The balance of \$2.15 million will therefore will be spent. As a consequence, schools will not receive \$1.0 million in additional textbook support for the current year and the district will delay the K-5 science textbook adoption. It had been anticipated that this adoption would have been partially funded with the remaining balance of \$1.15 million left after the \$1.0 million in additional textbook support was allocated. .

The district also has a textbook adoption budget. \$2.1 million of unspent funds from the prior year will carryover to the current year. These funds could have been utilized to purchase the K-5 science adoption, but that adoption will be delayed and the funds will be utilized to address budget reductions. The \$2.1 million textbook budget carryover and the \$2.15 million additional textbook and instructional supply budget comprise the \$4,250,000 reduction.

Other Postemployment Benefits (OPEB)

The District has aggressively provided for the annual contribution for other postemployment benefits related to our retiree health insurance. The district is required by the Government Accounting Standards Board Statement 34 (GASB 34) to book a liability and related cost for OPEB in its government-wide financial statements each year.

However, placing money into the WCSD OPEB Trust Fund is not mandatory. Since this liability is long-term, the district is reducing payments into the trust fund (and avoiding reductions in other operating areas that would have immediate impact on operations) until the district's financial picture improves. A reduction of this funding by \$3,000,000 in the current year is necessary to meet the necessary budget reductions, but ultimately this liability must be fully funded in future years.

Central Administration

A reorganization of the District Office administrative positions will save \$300,000. These savings result from eliminating the Superintendent of Operations and Assistant Director of Transportation positions and reclassifying the Plant Facility Administrator and Diversity Director positions.

Ending Fund Balance

The balance of the reductions will be made by spending down the District's General Fund ending fund balance by \$553,466. This amount may be smaller, depending on the actual SB 185 savings set aside in the contingency amount for that item. The district will retain an ample fund balance, but further reductions in the current year and the next biennium will continue to deplete the balance.

BOARD POLICY/DISTRICT GOAL: Retain optimal support for the district's strategic plan, the Blueprint For Student Success, in the face of required budget reductions.

These required reductions will adversely affect the operations of the school district and ultimately student learning. SB 185 grants are the major source of funding for teaching and learning improvements. In the past they have been used to support teacher training, instructional coaches for teachers, the purchase of technology and the implementation of key remedial programs like Read 180 (literacy improvement for middle and high school students) and the support of the Response to Intervention (RTI) initiative, which promises to individualize learning assistance for all students. Reductions to textbook and supply budgets directly affect the classroom. The K-5 science text adoption supports the effort to prepare high school students for the new science proficiency exam. Additional text support for the schools is essential to replace lost and damaged texts and to help fund texts for new classes. The reduction in District Office personnel means that the former duties of the positions eliminated have been transferred to other individuals who already have a full plate of responsibilities. Finally, the reduction in the OPEB fund will eventually have to be made up to meet GASB 34 requirements.

LEGAL: None

FINANCIAL: The recommended plan will meet the requirement for the fiscal year 2008-09 reductions of \$9,853,466. A summary follows:

Description	Explanation	Amount
SB 185 Grants Returned	Carryover & other	\$ (2,250,000)

SB 185 Contingency Account	Maximize SB 185 savings	\$ 500,000
Textbooks and Instructional Supplies	Delay K-5 science adoption and add'l school textbooks	\$ (4,250,000)
Reduce Funding of Other Postemployment Benefits	Fund in subsequent years	\$ (3,000,000)
District Office Administrative Reductions	Eliminate and reclassify positions	\$ (300,000)
Use Ending Fund Balance	Reduced Basic Support	\$ (553,466)
Total Recommended Reductions		\$ (9,853,466)

ALTERNATIVES: N/A

SUPERINTENDENT'S RECOMMENDATION: That the Board of Trustees approve the plan to meet the required fiscal year 2008-09 reductions of \$9,853,466 by returning \$2,250,000 of SB 185 grant funds; increase expenditures to provide a contingency for SB 185 grants of \$500,000; reduce textbook and instructional supply expenditures by \$4,250,000; reduce funding of Other Postemployment Benefits (OPEB) by \$3,000,000; reduce District Office administration by \$300,000; and spend down the fund balance of the General Fund by \$553,466.