

# **TOUCHET SCHOOL DISTRICT NO. 300**

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March, 9, 2007

Dear Parents and Community Members,

When I send out information to the community, I usually try to talk about student and school related events. This time I have chosen to talk about an important part of our school system, the annual school budget. The reason why I am sending this out to you presently is because a flyer is being circulated that has some misleading and false statements concerning information presented at our last school board meeting. I am here to set the record straight.

Each year around this time, we begin the process of setting our sights on a new school budget. By this I mean we begin to look over last year's budget and start planning for next year's budget. The fiscally responsible school district will explore all available options, analyze the costs and benefits, and make an informed decision. In short, the business manager and the superintendent will be working with the school board to find the most efficient and effective way to maximize classroom resources and minimize non-instructional overhead.

The formal school budget is the legal document, which describes the programs to be conducted during a given period of time. For us, it starts September 1 and ends August 31. The laws of the state of Washington direct all second class districts (Touchet is one) to have a completed district budget turned in to our Educational Service District before August 1<sup>st</sup>. Upon completion of a draft budget (called a P-195) for the upcoming school year, the law requires a two-week preview period for citizens to look over and comment on the contents of the budget. The budget must be completed and approved by the school board before the beginning of August. Once approved, it becomes a financial guideline for the direction of all fiscal spending associated with our district during a given fiscal year.

The budget decisions for this upcoming school year need to be tough and barebones in their scope. We are faced with increasing expenditure obligations with little or no revenue increases forecasted for the 2007-2008 school year. In order for the district to meet its forthcoming fiscal obligations, it will have to reduce its present level of spending. If present levels of spending continue, the district will accumulate debts into the thousands with no revenue means to erase these debts. This will put the district in an untenable position.

Several handouts and flyers have been circulated to community member, which contain misleading and false information within their content. I have listed the more important ones below to which I have added accurate clarifications:

*"There was not proper notification given to the district residents, thus denying them the opportunity to comment on the budget"...* **The RCW that these individuals claim the Board violated only refers to a new "completed" budget or a state document called a F-195. The only thing that the Board has done so far is provide the community with an opportunity to see the budget committee's proposed cost-saving options that we may have to use to help reduce spending in the upcoming school year's budget (2007-2008) that we are beginning to build. What the Board approved at the last Board meeting was not a "new"**

**budget, but options I can use to help develop a draft budget that will address our negative cash balance.**

**We hope to have the draft completed by the end of April or first of May if the state and federal dollars are defined by then.**

*“The Touchet School Board recently voted to eliminate the Touchet Cheer Program, the Touchet Track Program, and all Middle School and JV sports in direct violation of legislative law”...Some of these cost-saving options are included in our budget planning process as are others, but eliminating JV or Middle School sports was not one of them, however possible reduction in assistant coaches was. There is no law that prohibits a district from eliminating any sports program within its structure. Since this isn't a new budget document (F-195) or a change in the old budget, the Touchet School Board has done nothing illegal or misleading.*

**The claims of a law violation are unfounded because their understanding of the RCWs defining budget regulations is wrong.**

All of the information being circulated by the same misguided and misinformed individuals is flawed, not only in meaning, but also in purpose. The Touchet School District has not changed its original budget document for 2006-2007, and it is only beginning to build budget parameters for next year's spending allotments and the WACs and RCWs allow the board plenty of leeway to accomplish that process. The only time budget RCWs really apply are when the new budget document is completed and ready for approval.

What follows are reasons for Touchet's budget woes:

- **Fuel/ food and service related costs not properly accounted for in previous budgets...** Rising Costs of Service, Products, and NRECs (over budgeted inflation rate of 3%). Power/electricity, propane, gas, diesel, food, insurance, and service costs have increased by four (4) times the budgeted inflation rate of 3%. Benefit costs have increased due to increase in retirement rates; insurance benefits (11%) as well as worker compensation rates have climbed steady for the past several years (13%/yr.).
- **Steep increase in cost of doing daily school business without corresponding revenue increases (9-14%)...** We budgeted 6-9% cost increases per year, but the majority of school expenditures are running in the 9-14% range. Medical and retirement costs for non-apportionment personnel continue to climb at an 11% rate per year for the last few years with state and/or federal compensation for basic services only and not for any additional increases. State mandated cost-of-living raises have increased our payroll costs for non-certificated employees (3.3%).
- **Property tax rates are at maximum levels and depreciating Wind Project tax revenues (\$27 mil. per year) hinder local efforts to increase Levy dollars...** Because adjusted Personal Property tax rates can't offset huge yearly wind project depreciations. Without LEA dollars, no other form of "non-directed" dollars was available to offset "non-captured" expenses and appropriate reductions were not taken at the onset of these events.
- **No adequate budget allowances made for aging facilities maintenance needs in previous budget plans...** Unforeseen costs have kept our monthly "voucher expenditures" above the \$40,000 per month range thus decreasing our ability to increase our cash reserves.
- **Unforeseen costs for state/Federal unfunded mandate obligations (WASL- Graduation Requirements).**

So you ask, what has the district done to correct these problems in our budget so this will not happen again? Below, I have included the more important efforts to date:

- Two years ago, we were \$139,000 over budget in the area of payroll, last year we were only \$30,000 over budget in the area of payroll (2005-2006).
- Between 2004-2005, our total expenditure costs were about \$186,000, while last year, we were only \$70,000 over budget (2005-2006).

- Increased levy collections \$422,000 (2003) to \$558,000 (2004) 3% annual increase heading into the 2005-06 tax collection period and a 3% annual increase of levy collection to \$653,000 heading into the 2007-08 tax collection period have helped to stem the tide of a negative revenue profile.
- A steady, defined expenditure reduction plan over the last three years (\$95,250) 2003/2004, (\$45,000) 2004/2005, (\$30,000) 2005-2006, (\$20,000) 2006-2007, and (\$5,000) for 2007-2008 in budget areas: capital outlay, supplies, materials, purchased services, and maintenance has neutralized our slide.
- Initial efforts (2003-2004) have been to cut high-end expenses in areas that are furthest from the classroom such as non-classroom supplies and equipment, facilities contract, services agreements, and non-essential staff positions (primarily through attrition).
- Over the past 3 years over \$88,000 in voucher expenses and \$110,000 in payroll costs have been reduced. For 2006-07 an additional \$45,000 was cut out of the budget.
- Our levy capacity is at its maximum level (24%) and we are barely covering identified district expenses not covered by state and federal dollars (Levy \$ = \$652,000, District Expenses=\$630,000).

During the January Board Meeting, the budget committee presented the School Board five areas with individual options as possible ways to help reduce district expenditures and increase cash reserves for the upcoming school year 2007-2008 and beyond. The District held a special Board meeting on the 15<sup>th</sup> of February to hear discussions on the cost-saving areas that could be used to plan next year's budget. The Board heard a number of remarks and opinions from individuals over the cost-saving options. The Board settled on four areas that could best help in finding ways to curb spending in the 2007-2008 fiscal year:

- Area I: Classified Adjustments and Reduction In Force
- Area II: Extra Duty Stipend Reduction or Elimination
- Area III: Reduction in Sports Programs and Assistant Coaching Positions
- Area V: Realignment of District Academic/Support Program

After reviewing the above options, you might have some questions or even concerns. The main point I must stress is that while these are viable options for cost-saving measures, we still must wait until the state and federal legislative bodies complete their budgets before we can completely see what impact their actions will have on elements of our 2007-08 budget. We may have to institute even more cost-cutting measures into next year's budget parameters to ensure that our budget is fiscally sound.

We expect the state and federal budget recommendations to be finalized by the first or second week in April. What is very evident now is that this district cannot continue to spend more than it receives. The cost-saving measures already taken have helped to equalize our revenue and expenditure ratio.

The new options are meant to further 'right' a tilting ship. These cost-saving measures could affect certain programs and people here at Touchet. The board and I are fully aware of the stress these measures will cause. Touchet has not been in this situation for a long, long time. These cost-saving measures are our way of ensuring that this district stays fiscally healthy. We will do everything we can to minimize the negative effects to the students and programs here at Touchet.

Respectfully,

Dan McDonald  
Superintendent