

Budget Update

FEBRUARY 13TH, 2017





Agenda

- Update on State School Fund (SSF)
- Our budget deficit
- Historical trends
- Closing the gap



Why the Disconnect?

- State and Local economy strong
 - Outperformed most of the country for the past few years
 - Oregon unemployment declining to 5% from a high of 11.3% in 2009¹
 - Portland's economy diverse and creating jobs
 - Portland 2015-16 assessed property values increased 4.5%; market values up 12.6%²

¹United States Department of Labor, Bureau of Labor Statistics, Economy at a Glance – Oregon.

<http://www.bls.gov/eag/eag.or.htm>

²S&P CoreLogic Case-Shiller Portland Home Price NSA Index

<http://us.spindices.com/indices/real-estate/sp-corelogic-case-shiller-portland-home-price-nsa-index>



Why the Disconnect? (continued)

- State funding pressures - \$1.8 billion shortfall for biennium

Revenue growth isn't keeping up with rising costs. Demands are in four areas:

- Healthcare
- Public safety
- Education
- PERS

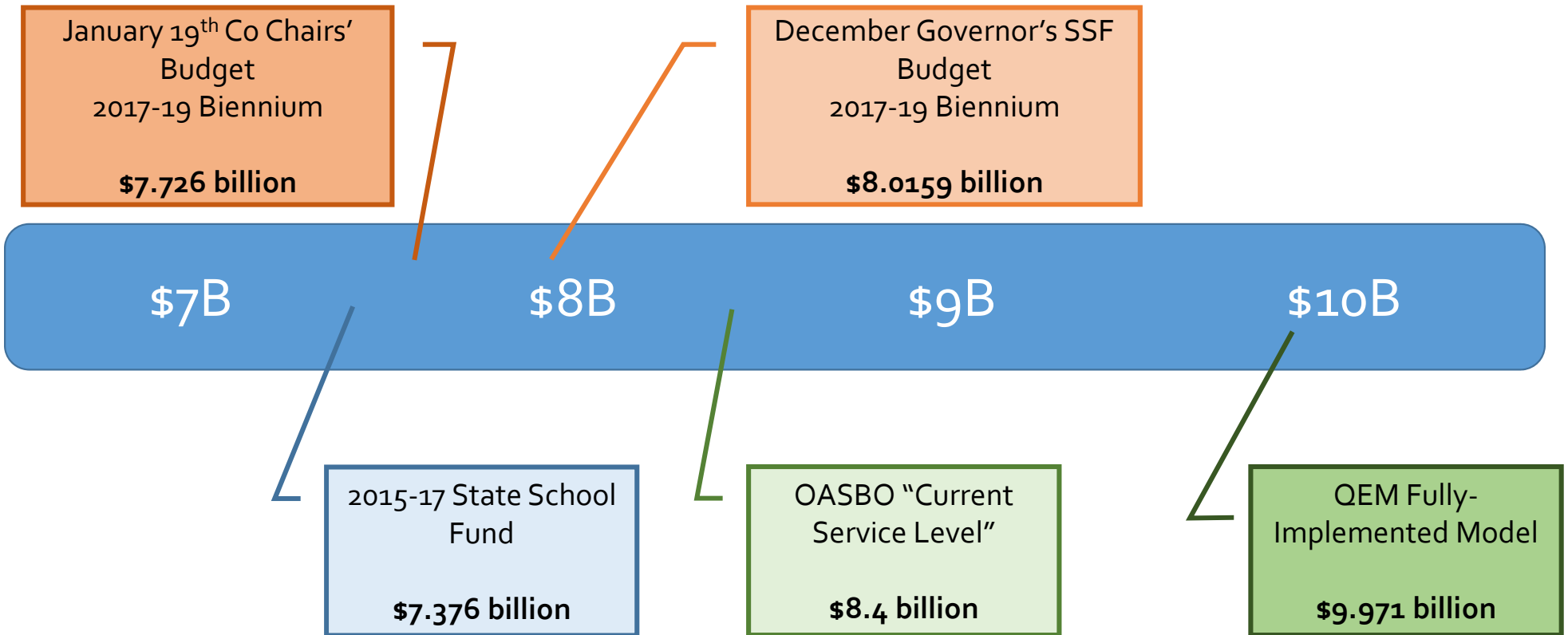


Where we are

- State of Oregon wrestling with \$1.8 billion shortfall for 2017-19 biennium
 - Next state revenue forecast to be released February 22nd
- Co-Chairs' proposed budget not sufficient
 - \$670 million or 8% short of "current service level"
 - \$300 million lower than Governor's budget released in December
 - Reduced the total % dedicated to K-12 (from 38.9% to 38.1%)
 - PPS enrollment growth slower than rest of state (PPS share shrinking)
 - SSF formula allocations do not account for regional cost differences
- Less Title 1 funding – pressure on general fund



Refresh – State of Oregon





Our Direction - Aligning our Budget to \$8.1 billion

- Aligns with COSA
- Uncertainty remains
- Build reserves back - 4 to 5% to avoid reactionary, abrupt cuts if State Funding is less
- Budgeted reserves on a steady decline for past six years – low of 2.4% by end of 2016-17 budget

Sufficient reserves are critical given funding uncertainty



Estimating our Deficit

General Fund Only <i>USD in Millions</i>	Forecast 2016-17	Budget 2017-18	Change
Beginning Balance	\$ 37.8	\$ 18.1	
Total Revenue	562.6	587.1	4%
Total Resources	600.4	605.2	1%
Total Expenses	582.3	599.6	3%
Contingency	-	23.6	
Total Requirements	582.3	623.2	7%
Ending Balance	\$ 18.1	\$ -	
Budget Surplus/(Deficit)	\$ -	\$ (18.0)	



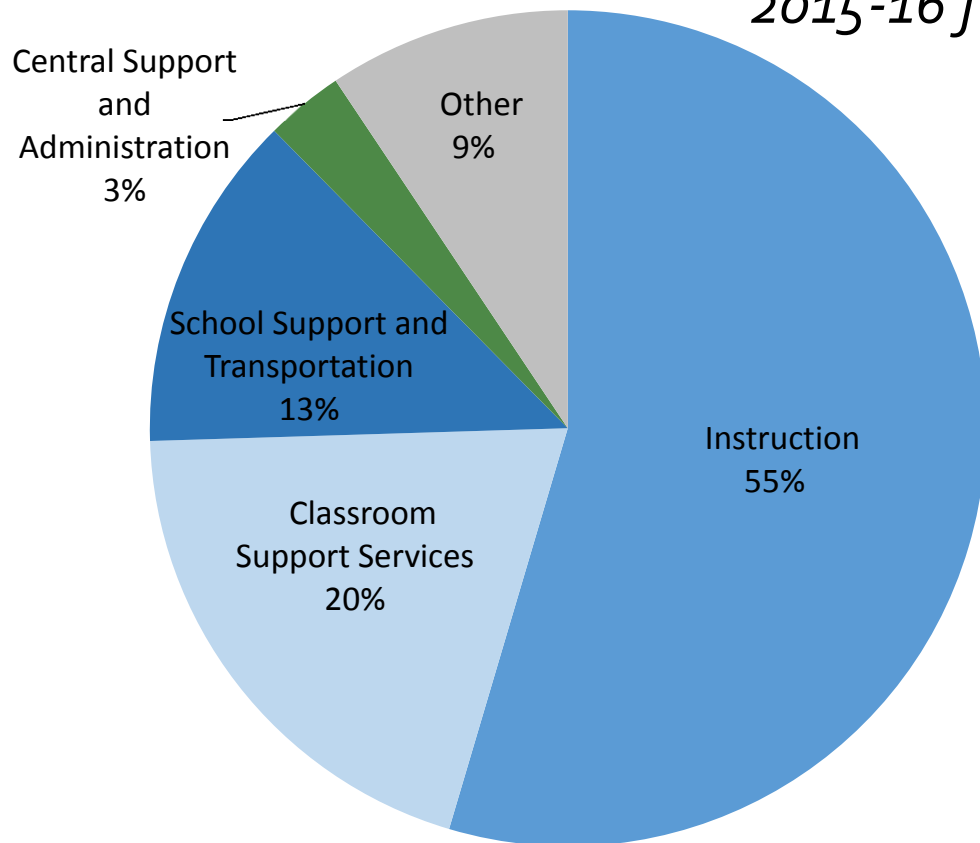
Guiding Principles for Budget

- Student Health and Safety
- Closing the Achievement Gap (Equity)
- Student Learning and Achievement



Refresh - Spending Categories

2015-16 for Reference



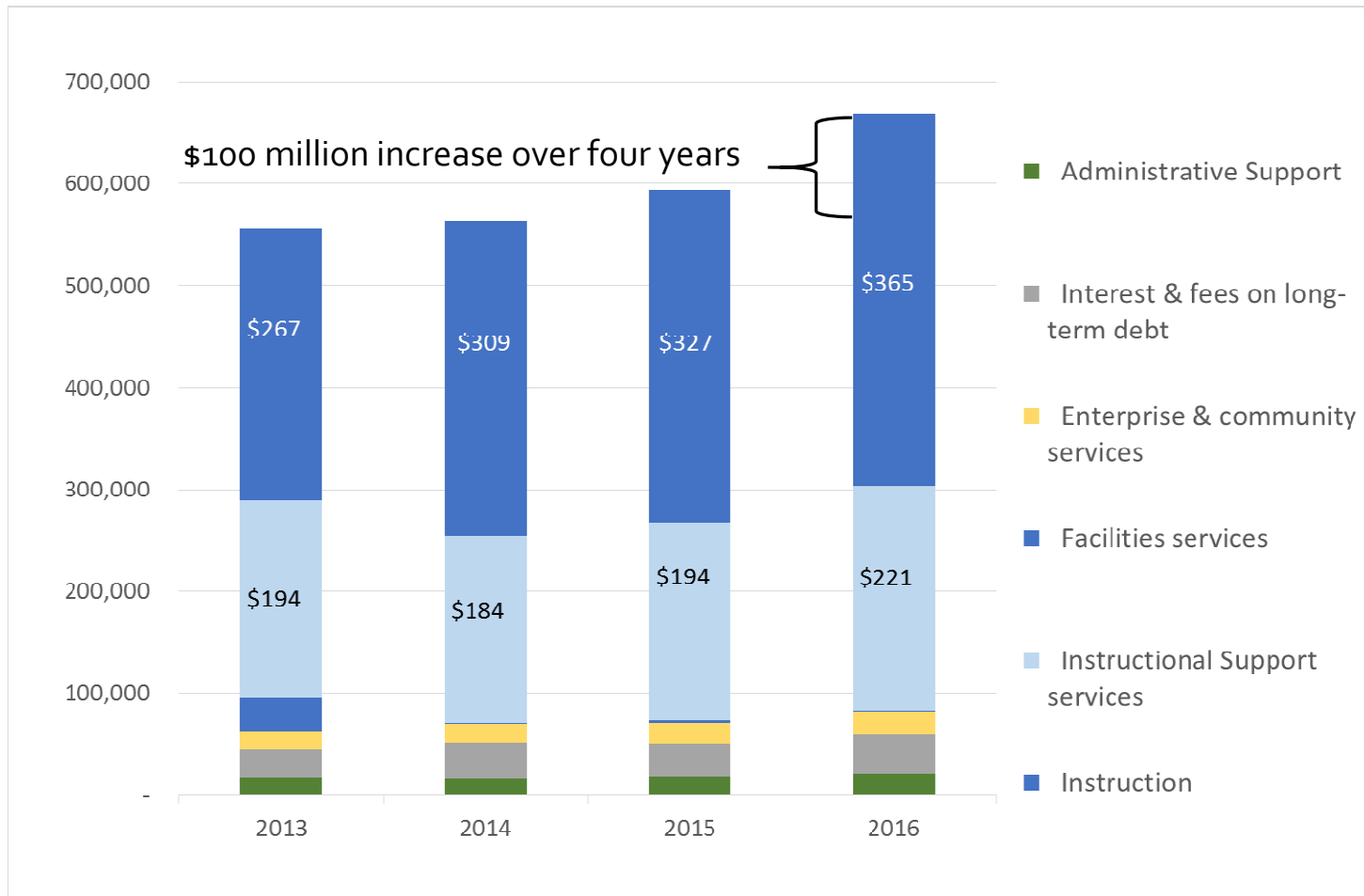
Spending Category	Description and Examples
Instruction	K-12 programs and extracurricular, early intervention, alternative education, summer school, special education, English language learners, and others
Classroom Support	Counselors, curriculum development, training, library/media, textbooks, assessment and testing, and others
School Support and Transportation	Custodial, Environmental health and safety, transportation, utilities, and others
Central Support and Administration	Technology services, Human resources, Communications, Records management, Board, and Superintendent's office
Other	Debt service, Nutrition services



Spending Trends over Time

In Millions of USD

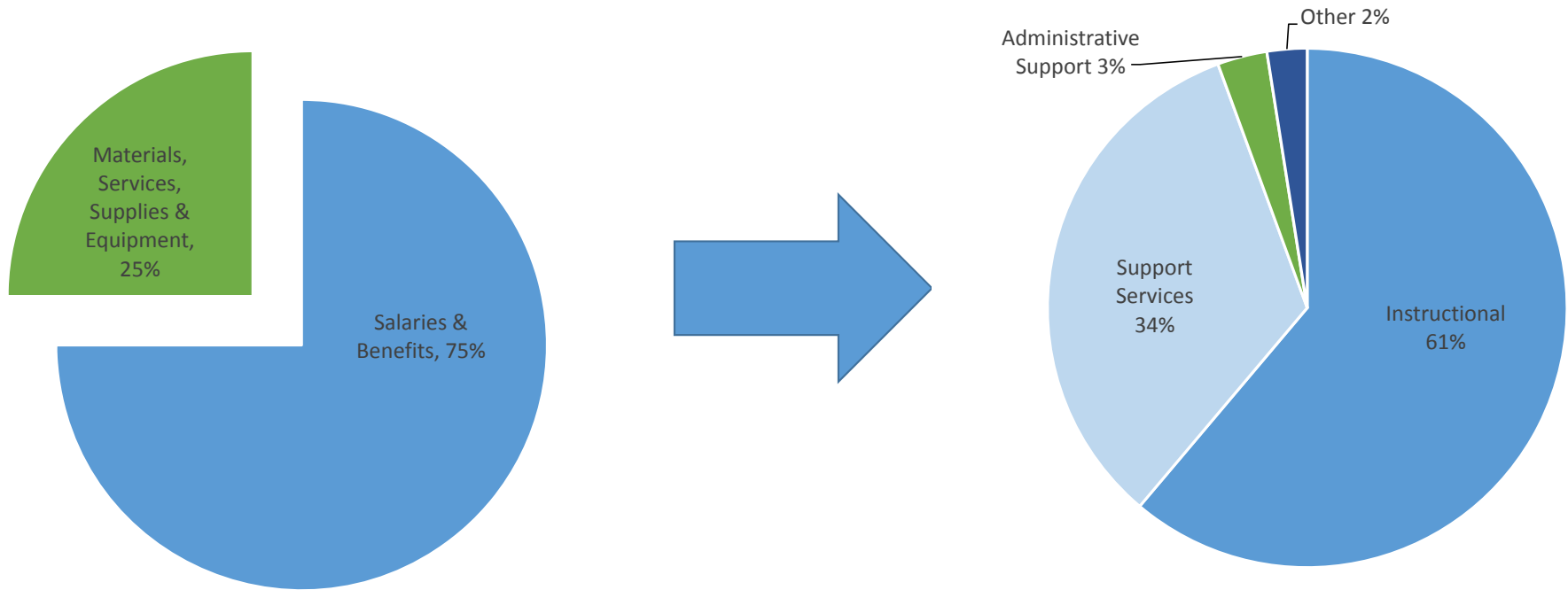
PORTLAND PUBLIC SCHOOLS





Spending by Type

2015-16 for Reference





Allocating the Reduction

<i>USD in Millions</i>	2017-18	Target	
		Reduction	% Change
Schools	\$ 307.4	\$ 10.2	3%
School Support and Other (SPED, ELL, Transportation, etc.)	286.8	7.8	3%
Contingency & Transfers	29.1	-	0%
Total	\$ 623.4	\$ 18.0	3%



Class Ratios

	<u>K - 5</u>	<u>Middle Schools (6 - 8)</u>	<u>High Schools (9 - 12)</u>
Portland Public Schools	25.8 : 1	24.75 : 1	21.63 : 1
Beaverton School District	24.8 : 1 (K) 27.33 : 1 (1 - 5)	26.33 : 1	25.53 : 1
Salem Schools	27.6 : 1 (K - 3) 29.6 : 1 (4 - 5)	31 : 1	35.6 : 1

Note: PPS allocates additional FTE to ensure that Kindergarten class sizes do not exceed 25 students.



Equity Allocation

- Additional FTE is allocated to promote greater equity across the District
- In the 2016-17 adopted budget, equity allocation is 8% of the non-administrative formula FTE
- Half of equity allocation is based on student socio-economic status and the other half of equity allocation is based on the number of students PPS identifies as historically underserved.



Budgeted Contingency Over Time

