

Portland Public Schools



Jan. 17, 2012

To the PPS community:

I want to let you know that next year is going to be another difficult budget year for Portland Public Schools, as it will be for nearly every school district in Oregon.

Tonight our school board heard the first general fund budget forecast for the upcoming 2012-2013 school year. At this early stage of our budget process, we estimate that we will be facing a gap of \$27.5 million next year.

At this point, it is important to remember that this forecast is an initial look at next year's budget picture. The outlook will become clearer as more information becomes available in coming weeks and months, which will enable us to update our funding estimates and develop our spending plans.

State budget and local factors reduce funds for PPS schools

There are many different factors that affect our school district budget. Two of these factors will help the funding outlook for our schools next year: our [growing enrollment](#) and our local option levy (which our community voted to expand in May 2011). We are fortunate and grateful for the local option levy, which funds nearly 12 cents of every dollar in our general fund budget.

However, these increases are offset by other factors:

- State funding for schools is not keeping pace with inflation. As a result, we won't have enough money next year to fund all of the programs and staff we have this year.
- Reduced property values – and state laws that affect how property taxes are collected and allocated among public agencies – mean that this year we will collect more local option dollars than last year, but not as much of an increase as we anticipated. This amount may go down next year.
- We also expect costs to rise to heat, light and maintain buildings, transport students and pay for staff.

Ways we are reducing our costs to preserve funding for the classroom

We have taken some important steps to hold down our costs. Our largest employee groups have agreed to no cost-of-living increases.

Low interest financing of our employee retirement obligations saved \$18 million last year. We are refinancing some of these obligations again and that will further lower our costs as a result.

We are also reducing our facilities costs. Energy efficiency projects are lowering our utility expenses by over \$1 million per year, savings that will be redirected into our general fund budget in coming years when we have paid off costs of the work.

A new proposal to replace aging boiler burners in schools could save an additional \$1 million next year, and prevent more schools from losing teaching days because of boiler problems.

We are also considering additional austerity measures to further reduce costs and save money for next year.

Next steps

I know it is very difficult to face yet another funding gap. It gets harder and harder to balance our budget each year.

I also know how disappointing it is for many of you to hear about more cuts, especially after our community stepped forward and approved an increased local option last May. Yet we were clear then that the local option would only be part of the solution, not wholly fill our budget gap, as it will continue to do next year.

I will propose next year's budget to the school board on March 19th. Before I present that proposal, I will look for your input on how we can address this deficit.

In the meantime, I will keep you informed about our evolving budget picture. Thank you for all that you do on behalf of Portland's students.



Carole Smith
Superintendent, Portland Public Schools

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