

# PPS pursues efficiencies to cut costs

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Portland Public Schools has repeatedly cut costs, found efficiencies and worked to stretch limited funding to best serve its students – almost 47,000 this year, in 85 schools and other education sites. This summary highlights some of the successful strategies PPS has used to manage its budget in lean times.

The State School Fund provides almost three-quarters of the PPS General Fund, which pays for general education, teachers and school operations across the district. The state has cut education funding deeper than other areas of state services; **Oregon's K-12 schools now receive 39 percent of the state budget – down from 45 percent** six years earlier.

Over the last three years, **the state's per student spending has dropped by 5.6 percent**, even as school districts' costs – for salaries, health coverage, retirement benefits, utilities, supplies and other expenses – have continued to rise.

Under the Oregon Department of Education's Database Initiative (DBI) categories, 75 percent of the PPS General Fund budget is spent directly in schools – teaching staff and learning materials, librarians, counselors, principals and other school staff. **Only 4 percent of the PPS budget pays for central administration**, half the average of other large city school districts.

## Compensation and Benefits

PPS is a service organization – one of the largest employers in Portland with more than 7,000 full and part time employees, at 85 schools and other sites across the city. Their salaries and benefits make up 80 percent of the budget, and PPS has managed those costs carefully, negotiating with employee groups (83 percent of employees are represented):

- **All PPS employees agreed to no cost-of-living pay raises** in 2009-10, and many employees have taken unpaid furloughs, worked without pay or accepted pay freezes over the years (a history is online). For next year, PPS is working toward again freezing pay for employees. PPS has bargained agreements for no COLA with several employee groups and is entering negotiations with teachers and classified employees.
- **All PPS employees share in the cost of their health coverage**, unlike many other public employees. Plan design and wellness programs have helped manage costs, which now are in the mid-range of surrounding school districts.
- **PPS employees pay 6 percent of their salaries as their share of retirement costs** (many other public employers "pick up" that 6 percent share of PERS payments).
- **PPS refinanced its PERS liability** in 2002 and 2003, saving millions each year and shielding PPS from much of the recent run-up in PERS costs.
- **PPS has cut central office positions**, contracted services, and supplies. In the last year alone, PPS cut 3.5 percent of non-represented, professional and technical employees and 8.4 percent of its licensed administrators, such as principals and central education leaders. (Classified staff took an 8.4 percent cut, licensed teachers 2.4 percent.)

## Operational expenses

Roughly 16 percent of the General Fund budget pays for student transportation, to provide safe, warm and sound school buildings, and for other operational support. PPS has worked to cut costs in these areas, as well:

- **Streamlining school bus routes**, eliminating several non-mandated routes and shifting school start times to save more than \$500,000 in transportation costs yearly.

- **Closing a dozen schools** in the last 10 years alone, saving operations costs and school administrative costs, but more importantly increasing enrollment at surrounding schools so they might better offer a full program.
- **Managing the district's property assets** and leasing closed school buildings to increase on-going revenue (lease income and other property rental nets \$1.6 million a year), while putting up others that are truly surplus for sale, such as Lakeside, Ball, Glenhaven and Washington High School.
- **Bringing some special education services in-house** when they could be offered more efficiently by PPS staff than through an outside provider.
- **Saving an estimated \$1 million on utility bills** next year by leveraging federal stimulus dollars and BETC financing to increase energy and water efficiency and install solar panels in many PPS buildings.

### State cuts to impact PPS

Governor Kitzhaber has announced he will propose a \$5.56 billion schools budget for 2011-13. It will be months before the Legislature actually adopts a budget for Oregon's K-12 schools. However, PPS is all but certain to face significant reductions. Even in a scenario where all major PPS employee groups agree to a pay freeze – no cost of living adjustment or step increases -- the shortfall remains significant. With a \$5.6 billion State School Fund and an employee pay freeze, PPS would face an estimated shortfall of \$34.8 million – the equivalent of 385 teaching positions or more than a month of school.

State School Fund	Resulting shortfall, base projections	Shortfall after pay freeze	Budget equivalent, with freeze
\$6.0 billion	\$ 24.9 million	\$19.6 million	220 teaching positions
\$5.8 billion	\$ 32.5 million	\$27.2 million	300 teaching positions
\$5.6 billion	\$ 40.1 million	\$34.8 million	385 teaching positions
\$5.4 billion	\$47.8 million	\$42.5 million	470 teaching positions

*\* The budget equivalents are in full-time equivalents for licensed teachers; losing one budgeted teaching position can mean losing two classified paraeducators or educational aides.*

### Renewing the local option early

Portland voters approved a local option levy of \$1.25 per \$1,000 in assessed property value in 2006. That levy runs through 2011-12. The Oregon Legislature in 2007 raised the cap on how much school districts could raise in local option revenues. That increased cap could allow PPS to ask voters to approve as much as \$19.6 million in additional funding. The Portland School Board is considering renewing the local option levy early. Placing a measure on the May ballot would bring increased revenue and prevent deep budget cuts for the 2011-12 school year, and carries no turnout requirement for voter approval.

### Priorities-based budget

Portland Public Schools is approaching the 2011-12 budget based on defined Milestones for student achievement and other high priorities. Each program and function is analyzed against those priorities, and **resources are aligned to invest in high priorities and to cut or reduce lower priorities.**

Information about the PPS budget is online, at [www.budget.pps.k12.or.us](http://www.budget.pps.k12.or.us). Contact the Budget Office, at [budgetoffice@pps.k12.or.us](mailto:budgetoffice@pps.k12.or.us) or call 503-916-3295.