

QUESTIONS SUBMITTED BY JANET BROWNELL
ANSWERS BY JERRY JENKINS, ESD 189

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FROM Dr. Jenkins re: his answers: "Please feel free to share my March 23 (1:03 PM) email that presents a summary of what triggers a formal Fiscal Recovery Plan, NWESD monitoring, and NWESD recommended parameters. I do not have the time to analyze each issue below (nor do I think Ben will as he must focus on building a budget). But, I have inserted some perspectives below. I hope this is helpful."

QUESTION 1:

Have any of the recommendations of the Administrative Structure Review Committee been implemented? Would it be useful to explore what consolidation of duties might be possible using those guidelines?

ANSWER:

The District is contractually obligated to employ a superintendent next year. The only way to legally reduce administrative FTE for the next budget year is reduction of principal FTE, providing RIF notice requirements are met.

QUESTION 2:

A Clarification: In the minutes of the last meeting, it states that ESD "requires that enrollment calculations be done using the lowest number for each of these calculations for each class." I did not hear that that was a requirement. Rather, I heard Ben say that when a district is in a bad financial situation, "you should really" use the more conservative method to calculate enrollment. He described the weighted cohort method as the more conservative and then added that they had chosen the lowest of the three for each class level as an additional safety measure. I guess the question in this is: What are the actual, as opposed to recommended, restrictions in our calculation of projected enrollment? Can we use a different method or blend of methods, if we feel it will still be accurate? This is important because if we just used the weighted cohort method (the most conservative) across the board, it yields over \$100,000 in additional projected revenue.

ANSWER:

The enrollment projections the NWESD uses for financially strapped districts are the most fiscally conservative. As a district under 2000 FTE the budget submitted must be approved by the NWESD. We would not approve enrollment projections (and resultant revenue) in a 07/08 budget for Orcas Island. If the numbers do come in higher (which we hope), the additional revenue may be used to lessen budget tightening or reserve restoration.

QUESTION 3:

The 3% reserve proposed is in keeping with the Strategic Plan, but is it required by the ESD? Would failure to achieve a 3% reserve automatically result in some action being taken by the ESD? The Strategic Plan calls for a 7.5% reserve by the end of the next three school years, starting with 3% next year and adding 2.5% the next year and 2% the year after that. Could that same result be acceptably attained using a different apportionment, for example 1.5%/2.5%/3.5%?

ANSWER:

Again, my March 23 (1:03 PM) email presents a summary of what triggers a formal Fiscal Recovery Plan, NWESD monitoring, and NWESD recommended parameters. A reasonable minimum target for an unreserved fund balance is between 5% and 6% for the small Orcas Island School District (the cost of replacing a failed roof or boiler would constitute a larger percentage of the Orcas GF than in a larger district). This would be approximately \$250,000 to \$300,000. A reasonable timeline to achieve this target would be 3 years-- or approximately \$150,000 (3%) in year one, an additional \$100,000 in year two, and another \$50-100,000 in year three. It is our opinion anything less is fiscally irresponsible.

QUESTION 4:

Given that the Board of Director's budget is used primarily for items such as Superintendent search, audits, election expenses, etc., many of which do not occur every year, could we project the known expenses for 07-08 and set the budget accordingly?

ANSWER:

I am not aware of much "fat" anywhere in the Orcas budget, including the Board's. A thorough review is certainly reasonable. A word of caution though, generally, the Board budget also covers legal fees and in times of RIF legal costs increase.

QUESTION 5:

Ben told us that he would post the spreadsheet of the Enrollment calculations to the district website. Will that be posted on the Board website or the District website? When will it be available? Will the Budget 101 powerpoint file be posted at the same time?

ANSWER:

I assume the district technology person would do this? (NOTE FROM JANET: THIS INFORMATION WAS PROVIDED THE SAME DAY BY BEN.)

QUESTION 6:

Why are the proposed budget reductions applied so unevenly? While Certificated staffing and benefits represent approximately 61% of the projected revenues, those two areas are absorbing almost 95% of the proposed cuts. Classified staffing and benefits represent nearly 22% of revenue, but are only being cut 4.3%, and Non-employee related costs represent over 20% of revenue, but are being cut only 0.26%. Shouldn't there be more equity in the distribution of the cuts?

ANSWER

In order to respond to this question, I first must set the stage-- The District has been facing declining enrollment/revenues for years and has failed to make the resultant program reductions. Two years ago the NWESD advised the District that unless significant budgetary changes were implemented the district would find itself in a position of budgeting receivables within 2-3 years (resulting in a formal Fiscal Recovery Plan and NWESD monitoring). At that time, a part-time interim superintendent was identified and he proposed (over NWESD concerns), to redress the concern by increasing revenues through a contracted credit program. Unfortunately this failed to generate the needed increased revenue. Last year, the NWESD again stressed the need to make significant budgetary changes or receivables would be budgeted within 1-2 years (resulting in a formal Fiscal Recovery Plan and NWESD monitoring). At that time the interim superintendent agreed the budget reductions were necessary, but convinced the Board (again over NWESD concerns) that they could be absorbed largely through classified staff and special education program reductions. Not surprisingly, this fall the District found the cuts were unreasonable (e.g., custodial/maintenance had to be provided, IEPs required delivery of services at prior staffing levels, labor contract requirements). As a result, the District found itself back to the same situation--but, now 1 year from budgeting receivables unless there are significant changes.

So with this history in mind I offer the following comments related to disparity. Classified staffing has been disproportionately impacted in previous years. NERCs have also been disproportionately reduced in prior years and the remaining NERCs are largely not reducible (e.g., the district cannot elect to pay 90% of its power or insurance bills).

It is also important to remember that K-12 funding in Washington is an allocation model, not an entitlement model. This is because the state grossly under funds NERCs and staff. Politically, it looks better to make it seem that they are putting more money into classrooms than is really possible with the total allocation. (For example, if this were an entitlement formula teachers would have no TRI compensation, principals would have an annual salary of \$51,558 in Orcas, etc.).

QUESTION 7:

This same question of parity comes up when looking specifically at the NERC's. I am using the Adjusted budget figures and the 5-yr high, low and average from the District handout. Expenditures for Basic Education in the new budget are cut to 61% of the 5-yr average and 68% of the low, while the combined figures for the Board of Directors, Superintendent's Office and

Business Office are set at 205% of the 5-yr average and 560% of the low. Operations of Buildings, Grounds Maintenance and Maintenance are budgeted at a combined 127% of the 5-yr average and 190% of the low. Couldn't the proposed cuts be divided more equally across the full range of expenses?

ANSWER

No, for the reasons stated in #6 above.

QUESTION 8:

Glenn said that he would be willing to ask ESD to do a hypothetical budget for our district. When will he let us know what their response was?

ANSWER

We do not have the staff time available to build a hypothetical budget, but my March 23 (1:03 PM) email that presents a summary of what triggers a formal Fiscal Recovery Plan, NWESD monitoring, and NWESD recommended parameters.

QUESTION 9:

What is the actual revenue per student that the district receives? Ben told us that it was roughly \$5,000, but in looking at the revenue numbers it looks like the combined enrollment based revenue is actually more than that. We need to have a very accurate number in order to project the effect of changes in the enrollment numbers.

ANSWER

The revenue per FTE depends on which sources are considered. District latitude to control these funds varies, depending on source. For the 2006/07 year, the revenues per student are:

\$5,595.64 BEA

\$ 510.88 I-728

\$1,890.00 Levy

The 2007/08 revenues will not be available until the legislature adjourns. It is important to remember that when the legislature provides COLAs for BEA staff the result on the district is that budget cuts are required to provide the same increases to non-BEA staff.

QUESTION 10:

What is the amount of spending that has occurred over the past five years on district office administration costs? Is there a trend that is rising? Compare this to losses the past few years in the staffing of elementary and middle/high school is there a discrepancy in spending? What is the student to admin ratio in other like sized districts or any district for that matter?

ANSWER

I do not have these data. And quite frankly, the Orcas business accounting practices have been so lacking prior to the contract with NWESD I doubt accurate data exists for more than this year.

QUESTION 11:

Exactly how much has the school spent on the superintendent's travel and training for this school year? Why are we paying for this when we are already spending \$100,000 yearly wage plus \$30,000 in benefits?

ANSWER

The amount can be acquired from Ben. As to the second part of the question, the "why"-- Just as the district must offer teacher compensation packages that will compete (e.g., TRI days) to attract teachers comparable packages must be provided superintendents. I have not reviewed the current Orcas superintendent contract, but am familiar with the search consultant used by the board and expect its provisions are pretty standard.

QUESTION 12:

Why did the superintendents contract exclude the special education director position when Barry's contract was increased by \$30,000 to supposedly cover special education? Also, fundraising should have also been mandated by this contract. Every other high up administrator's job in the state includes fundraising and grant writing. Earn the keep and bring in the dollars. It is calledvalue added service.

ANSWER:

I cannot respond to the issue of special education director responsibilities included in the contract. It is my understanding Glenn is performing these services (I see him at Special Programs-related meetings and trainings).

The statement that "Every other high up administrator's job in the state includes fundraising and grant writing" is not true. It would be a rarity (in my 28 years I have never seen it) to have such included in a superintendent's contract. And would greatly reduce the applicant pool, in my opinion.

QUESTION 13:

How much have we spent over and above the \$70,000 for the business manager on travel and lodging? What are these costs going to be next year?

ANSWER

Glenn, please feel free to share the 07/08 fiscal services contract and the reduction in time on the island.

It is also important to note that Ben's correction of last year's S-275 (staffing report), running start reporting, and enrollment reports resulted in make-up payments totaling about \$68,000. This more than covered Ben's salary for the year. This is one example of the risks of not having qualified people overseeing complex K-12 business operations.

I think it is also relevant to note the "behind the scenes" services the fiscal management contract has provided (e.g., policy review/revisions to comply with law, negotiations support, scheduling/contact time analysis by Marilyn Sollers).

QUESTION 14:

If the high school teaching staff allocation of FTE is truly fully funded by the state then where is the overspending coming from? Why would the district superintendent attack programs that are proven to be successful when we actually need more services for our kids? Are all our kids going to be expected to perform in the middle, not at the AP level or require extra help at the low end?

ANSWER:

Again, it is also important to remember that K-12 funding in Washington is an allocation model, not an entitlement model. This is because the state grossly under funds NERCs and staff. Politically, it looks better to make it seem that they are putting more money into classrooms than is really possible with the total allocation. (For example, if this were an entitlement formula teachers would have no TRI compensation, principals would have an annual salary of \$51,558 in Orcas, etc.).

As such, the HS staffing is not fully funded by the state. I cannot speak for the superintendent, but the NWESD is targeting reductions there because they are required to achieve responsible fiscal management within projected revenues. These reductions should have been implemented over several years. Unfortunately they were not, so now the impacts will be felt more dramatically.

QUESTION 15:

Why is the high school principal going to be cut when she is in charge of Waldron school, Middle school, High school, High School, Oasis ALE, teaches math classes, meetings almost everyday, and she is in the trenches working with one on one kids? Our principal is needed dearly and when you cut that position everyone loses!!!!

ANSWER

From the NWESD perspective, such a reduction is necessary. Please see comments in item #14.