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Special Budget Issue

State Revenue Shortfall Means Funding Cuts for the Mead District

Dear Mead Community,

This issue of Mead Matters is dedicated to profiling and explaining the challenges our district faces in the current financial crisis at our local level. In late summer and early fall of last year, political commercials were full of discussion about the possibility of a record state revenue shortfall that could go as high as 2 to 3 billion dollars. Now, about seven months later, state financial officials have reported a projected 9 billion dollar revenue shortfall. As all government entities across the country and state continued to see deficits grow, an increase in budget cutting discussion and proposals have followed. We are now at that time when decisions must be made and budgets must be passed. As we all know, the global, national, and state financial issues ultimately impact the local economy.

The reason for potentially drastic cuts across the state is due to the fact that our state government is required by law to have a balanced operating budget. Government agencies in Washington State cannot spend more than their budgets. For perspective, the 9 billion dollar revenue shortfall is nearly 27% of the state's budgeted revenue. This means that the state needs to reduce government services and school funding by approximately the same amount for the next budget biennium. Public schools make up nearly 43% of the state budget, so districts across the state will all be involved in substantial reductions.

Mead School District, like the state, must also pass a balanced operating budget every year. As we hope to explain in this special edition of Mead Matters, a little more than 76.1% of Mead School District's budget comes from the state. With this much of our budget coming from state resources, we will definitely feel the impact. Our district will have to make some serious reductions to the excellent learning programs we have built, reduce needed staffing, and trim back on effective student activities.

Mead School District administration is currently working to develop a series of proposals to the Mead School District Board of Directors. Due to the severity of the reductions in revenue, every aspect of the Mead budget is being reviewed and analyzed. The challenge for Mead School District is that although this a state problem, it will be up to us to fix it! Please take the time to read this publication and use one of several avenues to contact us if you have questions or concerns.

In working through this process, the Board remains committed to providing first class educational opportunities for each of our students.

Serving all student needs at the highest level possible remains the cornerstone of the Mead educational mission.

Mead Matters

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Inside this Issue: Questions and Answers about Budget Cuts

Questions and Answers about State Funding Cuts to Schools

Q. We passed the levy, why do we have to make cuts?

As shown below, the district's revenue comes from local, state and federal sources. The renewal of our M & O levy provides continuing local revenues for another three years. As was mentioned in the campaign, this was a renewal of an existing levy, not a new tax providing additional resources. Passage of the levy prevented the district from having to make further budget reductions. **The current funding issues are related to state funding issues, not local funding, which has been supported by Mead's citizens.**

MEAD SCHOOL DISTRICT BUDGET \$82,141,370		
LOCAL	STATE	FEDERAL
18.2%	76.1%	5.7%
\$14,848,800 (<small>\$123,000 in donations</small>)	\$62,537,533	\$4,632,037

Q. Isn't basic education protected? Why are so many cuts anticipated?

In response to a lawsuit initiated in 1976, State Superior Court Judge Doran directed the state Legislature to define and fully fund a program of basic education. Funding was provided for each full-time equivalent student based on staff/student ratios and allocations for staff salaries, benefits, and nonemployee related costs. Subsequent court decisions in the 1980's expanded the state's basic education responsibility. Special education, bilingual education, institutional education, learning assistance program, and pupil transportation are now considered "basic" and the state funds the formulas defined in law. The adequacy of the funding provided by these formulas has been the subject of much study, debate and legal challenges since the education reform act passed in 1993.

Once a program is defined as "basic education," it becomes part of the state's on-going responsibility. As a consequence, funding increases are often labeled "enhancements to basic education" and therefore are not an on-going state responsibility, even though many of these "enhancements" have been funded by the state for many years. Examples of these would be K-4 enhancement, levy equalization and I-728 funds.

As a result, today, an estimated \$9.1 million of the district's \$62.5 million state allocation is not considered basic education.

Q. Where does Mead School District get its money?

Mead, like all school districts in the State of Washington, receives its revenue from three major sources; federal, state, and local. As the boxes below illustrate, the majority of our funds come from the state, followed by local and federal funds. The percentage of funding from those sources may vary from district to district. The differing amounts depend on things such as poverty levels, special programs, bilingual factors, levy bases, and other factors.

Q. What current sources of revenue will the state cut?

Levy equalization (LEA) is state matching money provided to districts that have passed local maintenance and operation levies but have overall assessed valuations lower than the statewide average. In 2008-2009, Mead expects to receive \$3,202,000 in levy equalization payments. For fiscal year 2009-2010, state budget proposals show that funding may be reduced 70-100%.

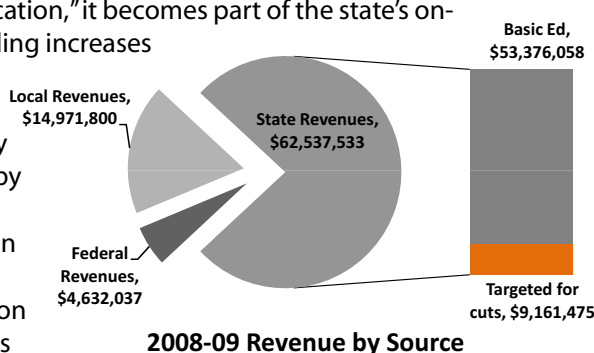
The **K-4 enhancement** is additional state funding provided to school districts to lower class size in kindergarten through fourth grade. Proposed state cuts to this funding source indicate the district will need to reduce 14 staff positions.

Initiative 728 was passed by voters in 2000. The intent was to provide school districts additional money of up to \$450 per student. Funds were to be used to lower class size, provide extended time programs such as before and after school tutoring programs, for early childhood programs and to provide for professional development of the teaching staff. Mead will receive \$4,084,000 in I-728 funds this fiscal year. State proposed budget cuts indicate this revenue will be significantly reduced or eliminated for next school year.

Voter-approved **Initiative 732** provided for a state cost-of-living adjustment (COLA) for school staff. The state will not fund the 4.1% that was to be paid to staff this next school year.

Q. Will Mead be closing schools like other districts?

No. First of all, Mead School District does not have the capacity in any of its schools to house the number of students coming from any one of our other schools. We presently have to transfer about 1% of our students in order to address grade-level overcrowding and class size limits in several schools. In addition, Mead continues to have modest student enrollment increases and does not foresee the student decline that would require closing a school.



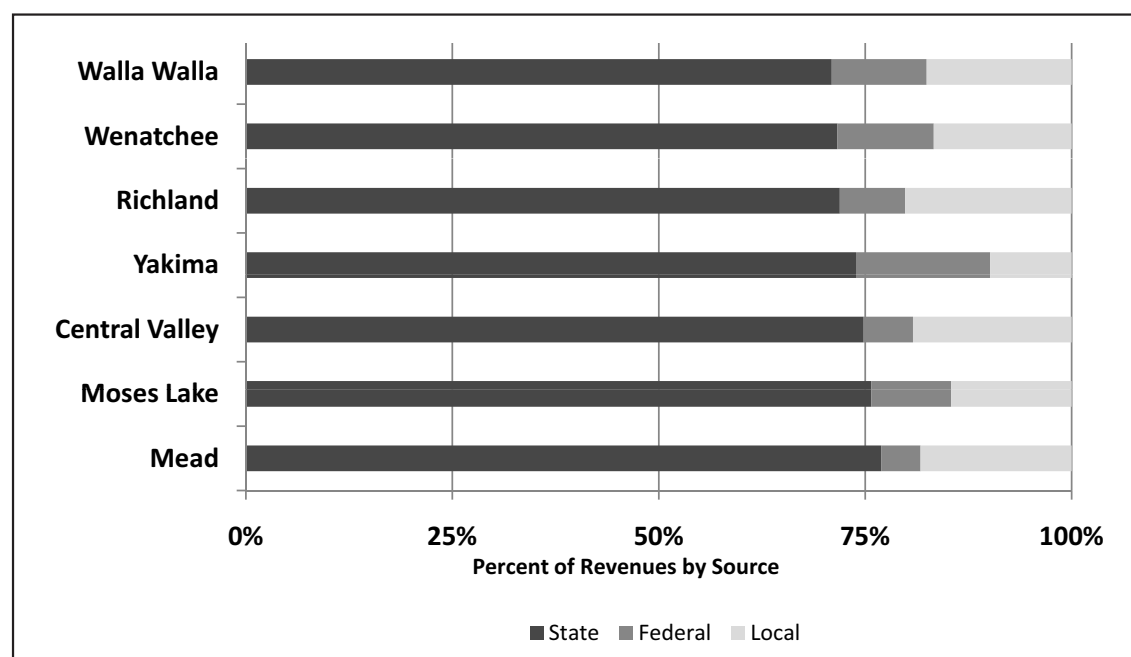
Q. Can't we just spend down our reserves?

Mead has a long history of providing programs for students above the level of other districts in the area. We have been able to do this because of consistently high levels of community support for local levies and bonds. As a consequence, Mead already operates with a lower level of reserves than all other districts in the area. Although this is an area we will be reviewing, a 2-3% cash balance is necessary in order to be able to make monthly payroll. Mead's current fund balance is already within this range. Many district's have reserves above 5%.

District Name	Enrollment	Expenditures	Fund Balance	Fund Balance	
				Per Pupil	% of Exp
Wenatchee	7,266	65,514,725	9,363,198	1,288.62	14.3%
Yakima	14,109	139,493,406	11,693,505	828.82	8.4%
Richland	9,953	87,131,076	7,844,617	788.15	9.0%
Moses Lake	7,081	63,701,366	5,419,305	765.38	8.5%
Walla Walla	5,818	56,169,151	4,429,414	761.39	7.9%
Spokane	28,541	282,433,620	16,497,091	578.02	5.8%
Central Valley	11,938	103,529,498	4,161,235	348.58	4.0%
Mead	8,995	76,135,110	1,970,342	219.04	2.6%

Q. Will budget cuts be proportional across all districts in the state?

No. School districts statewide have different characteristics in student demographics (poverty levels), property valuations, enrollment trends, bilingual factors, geographic size, etc. As a result, state and federal funding levels vary significantly between districts.



Since this budget crunch is a state funding issue, districts that are more dependent on state revenues are likely to experience larger budget issues. This includes Mead School District, which receives a higher percentage of our revenue from state sources than any comparable district.

Q. What will the district reduce to make up for the lost state revenue?

Final decisions on district reductions will be made after the legislature and governor agree on a final state budget resolution for the next biennium (2009-2011). When addressing the shortfall from state revenues last fiscal year, Mead left some support staff positions vacant, eliminated some administrative positions and reorganized others to add more duties, cut back travel and summer building maintenance, and made cost-saving adjustments to transportation routes and to heating and cooling expenditures. In addition to maintaining those cuts, the proposed loss of revenue for this coming year may call for additional loss of staff and programs. The Mead School Board has already given a directive to district administrators to specify up to \$5.1 million dollars in reductions from the budget for the next fiscal year (2009-2010). The district administration is presently in the process of working on the budget reduction issue. The major challenge, at this time, is not knowing the specific state program reductions and the overall amount of reduction Mead will need to deal with for the coming fiscal year.

Q. What impact will the federal stimulus money have on Mead School District?

While the federal stimulus money will help, it will not have as large an impact as many people expected. A preliminary estimate indicated that Mead was to get \$2.1 million from the stimulus package. We have subsequently learned that the state will deduct 15% for administration, that it will be distributed over a period of three budget years and that it will be targeted to primarily the Title 1 and Special Education programs. In addition, it appears it will come with many "strings attached," which could negatively affect Mead in other ways. At this time we are still trying to determine the full affect these funds may have on Mead.

**Mead School District
Board of Directors**

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Ron Farley

Vice-President
Maureen O'Connor

Directors
Denny Denholm
Tom Hunt
Bob Olson

Superintendent of Schools
Dr. Thomas Rockefeller

**Mead School District Guiding
Principles**

As the Mead Community we are:

Focusing on students and their learning

Creating democratic structures for participation

Increasing the connections between parents, business, community and our schools

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Questions or Comments?
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Message from the Board

The Mead School Board of Directors remains committed to providing first class educational opportunities for each of our students. Though the predicted shortfall in state funds will necessitate cuts to both programs and services in the district, serving student needs at the highest level financially possible remains the cornerstone of the Mead School District educational mission. Unless the legislature calls for an extended special session, the state funding decisions should be finalized by April 26th at the end of the regular legislative session. We will continue to evaluate the district's budget shortfall in the weeks ahead and keep you informed of our decisions via the website: www.mead354.org.

Need More Information?

For school related budget articles from newspapers all across the state, go to the district website www.mead354.org. In the right-hand corner of the screen, you can click on a box for *Washington State Education Budget E-clippings* and be linked to specific newspaper articles.

Have additional questions you'd like to see answered?

Send your question by e-mail to: questions@mead.k12.wa.us. As more budget information becomes available, the district will attempt to answer many of your concerns on the Mead home page www.mead354.org. Click on the link to "Frequently Asked Questions."

Board Meeting Dates and Times

The Mead School Board will continue to closely monitor and discuss the impact of revenue cuts as the State legislature finalizes their budget. School Board meetings are open to the public and scheduled for the following dates:

April 20	6:00 p.m.	Mead District Office
April 27	6:00 p.m.	Mead District Office
May 4	6:00 p.m.	Mead District Office
May 11	6:00 p.m.	Midway Elementary
May 26	6:00 p.m.	Mead District Office
June 8	6:00 p.m.	Mead District Office
June 29	6:00 p.m.	Mead District Office

Important Budget Issue: See inside for answers to questions about about state funding cuts