



Tigard - Tualatin School District 23J
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To the Budget Committee Members and Communities of Tigard-Tualatin School District 23J, Tigard, Oregon

INTRODUCTION

In accordance with Local Budget Law under State of Oregon statute, the Tigard-Tualatin School District submits for your consideration a total proposed budget of \$324,049,891, including a General Fund budget of \$183,311,127.

Tigard-Tualatin School District is facing three primary factors affecting the District's current and future financial outlook including the following:

- Inadequate State funding for K-12 education
- Loss of 1,100 in student enrollment since 2018-19
- Inflationary costs in large expenditure categories including salary and benefits, facility operating costs such as utilities and maintenance, substitute services, student transportation, and property and liability insurance

The \$9.9 billion 2023-2025 State School Fund (SSF) budget currently being considered by the Oregon Legislature not only falls significantly less than the \$11.3 billion number required by the Quality Education Model, but it also falls a fair amount short of the \$10.3 billion that K-12 advocacy groups have pushed for this legislative session and indicate is needed to maintain current service levels over the next two years. A \$9.9 billion SSF in 2023-2025 amounts to 35% of the State General Fund and Lottery Funds Budget, further declining from the 2021-2023 amount of 39%. Comparatively, over the past two decades, the SSF portion of the State General Fund and Lottery Funds Budget peaked at 45% in 2003-2005. The portions in the current biennium and pending for the next biennium also include High School Success and Student Investment Account dollars, further compounding the discrepancy of inadequate prioritization of K-12 funding in the State's General Fund.

District enrollment has declined by approximately 1,100 students since 2018-19. There are multiple reasons for the drop in enrollment. Over the last decade, District birth rates began to drop, meaning smaller numbers in kindergarten enrollments five years later. In 2017-18, kindergarten enrollment was just over 900 students, but since 2020-21 kindergarten enrollment has been a little more than 700 students. Also, over the last 5-10 years housing costs and rents have risen in the District making it non-affordable for many families to stay in our communities. Finally in 2020-21, the first full school year during the pandemic, fall enrollment was 752 students less than in the fall of 2019-20. During comprehensive distance learning, families began

homeschooling, sending their students to virtual schools, attending private schools, or moving outside of the District. The District had hoped these students would return to Tigard Tualatin in 2021-22 when students returned to in-person instruction, but that did not happen.

Like many households, school districts, and organizations across the State and Country, Tigard Tualatin will continue to feel the impacts of inflation during 2023-24 experiencing 5-10% cost increases in the largest expenditure categories including salaries and benefits, student transportation, and facility operating costs such as utilities and maintenance, substitute services, and student transportation. The District will also see a 20% increase in the cost of premiums for property and liability insurance.

The loss of 1,100 students means \$11 million less in State School Fund revenue annually over the next two years, based on \$10,000 per Average Daily Membership weighted (ADMw) under a State School Fund amount of \$10.1 billion discussed below. To offset the loss of revenue over the last two years and to retain current staffing to meet the needs of students as they continue their recovery from the academic and social-emotional impacts of the pandemic, the District spent down reserves from \$34 million to the projected \$21.5 million at the end of 2022-23.

Continuing programs at current service and staffing levels in 2023 without any budget adjustments would deplete the General Fund reserves before the end of the second year of the biennium, even if the State School Fund reaches an attainable level of \$10.1 billion.

The 2023-24 General Fund budget is developed based on reductions of approximately \$9 million in addition to eliminating over 60 positions. This includes approximately \$6.2 million for 50 licensed positions to adjust class sizes to reflect levels prior to the pandemic before the enrollment loss. The remainder of the \$9 million consists of \$1 million in reductions to classified support positions and reductions at the District and administration levels. The budget also uses \$8 million in reserves drawing down the balance to 8% of operating revenue, which is under the 12% required by the Board. The District has a preliminary plan for additional reductions of \$4 million and the further drawdown of reserves to \$10 million or 6% in 2024-25.

In 2023-24, the District will have available up to \$6.2 million in ESSER 3 resources to expend before the grant expires in September 2024. This total includes \$4.8 million in ongoing costs for positions which means in 2024-25 the District will have to eliminate the positions or prioritize them in the General Fund. If reduced, these cuts would be in addition to the 2024-25 General Fund estimated reductions of \$4 million discussed above.

The proposed budget includes other State resources outside of the General Fund. In addition to the \$9.9 million in the SIA Fund, the High School Success Fund includes \$3.4 million for funding under Ballot Measure 98. The Capital Projects Fund includes resources from bond proceeds to expend over upcoming years for scheduled projects.

The District is required to adopt and submit a budget to the State and County before July. Local Budget Law requires the District to prepare a budget based on the most reasonable estimates currently available.

STATE SCHOOL FUND

In the 2023 Legislative session, the State of Oregon Legislature is currently considering a State School Fund amount of \$9.9 billion for the 2023-2025 biennium as recommended by the Governor and Co-Chairs of the Ways and Means Committee. The \$9.9 billion is comprised of

\$9.2 billion in General Fund and Lottery Funds (including the corporate tax kicker of \$1.5 billion), with the remainder made up of the Corporate Activity Tax, marijuana taxes, and other

sources. Note that the corporate tax kicker of \$1.5 billion is a one-time resource, which is concerning given that it may not be a sustainable option to backfill the State School Fund in future budget periods.

Oregon school districts early on collectively determined that \$10.3 billion was required in the State School Fund to maintain services at the current level over the next two years. There is hope that the Legislature may approve an SSF allocation of over \$10 billion especially since the May 17 economic and revenue forecast reflects additional revenue growth including a 2021-2023 corporate tax kicker of \$1.8 billion in the upcoming biennium compared to \$1.54 billion estimated in the March forecast. Since the corporate tax kicker is dedicated to K-12, advocates believe this is highly possible and TTSD has proposed a 2023-24 General Fund budget based on a 2023-2025 State School Fund of \$10.1 billion. If the State School Fund is approved at a lesser amount, TTSD is prepared to make further 2023-24 budget adjustments. Each \$100 million increase or decrease in the biennial SSF means additional or less annual revenue of \$1 million for TTSD.

Regardless of the State School Fund number in the next biennium, the percentage of the total 2023-2025 General Fund and Lottery Funds budget for K-12 funding will likely be at the lowest portion seen over the last two-plus decades. This is even after including the one-time \$1.5 billion from the corporate tax kicker as part of a \$9.9 billion SSF package in addition to adding resources from the High School Success (HSS) and Student Investment Account SIA funds. Under this scenario, K-12 funding of \$9.9 billion in 2023-2025 amounts to approximately 35% of the General Fund and Lottery funds budget, which is a decline from 39% in the current two-year budget based on a State School Fund amount of \$9.3 billion and the HSS and SIA funds. These numbers fall far short of the high point in the 2003-2005 biennium when the State School Fund alone was 45% of the total General Fund and Lottery funds.

The District's 2023-24 budgeted State School Fund revenue is based on the following assumptions.

- 49% of the \$10.1 billion or a \$4.95 billion statewide distribution. The 49%/51% revenue distribution model is designed to cover the increase in costs between the two biennial years.
- Extended Average Daily Membership weighted (ADMw) of 13,700. This is the ADMw for 2022-23 which exceeds the estimated ADMw in 2023-24 of 13,561.45 and thus becomes the Extended ADMw for 2023-24. This 2023-24 enrollment is forecasted at 11,248 by the District's demographer, a drop from the 2022 fall enrollment of 11,325.
- Total formula revenue for the District of \$141,765,862 including transportation; this equates to \$10,205 per Extended ADMw.

STUDENT SUCCESS ACT

The 2019 Legislature's House Bill 3427 includes a \$2 plus billion biennial investment in PreK-12 education when fully phased in beginning in the 2021-2023 biennium. House Bill 3427, the Student Success Act, creates a dedicated revenue stream for the Fund for Student Success, which would include three education-focused accounts outside of the State's general fund dedicated to marginalized students. The three education-focused accounts are:

- At least 50% dedicated to the Student Investment Account which includes four broad uses for use beginning in 2020-21:
- Expanding learning time
- Reduced class size
- Student social-emotional health and safety
- Well-rounded education
- At least 20% for the Early Learning Account
- Up to 30% for the Statewide Initiative Account including expanded Measure 98 and school nutrition funding

The Co-Chairs of the Ways and Means Committee 2023-2025 Budget framework includes current service level budgets of \$929.8 million for the Student Investment Account, \$512.3 million for the Early Learning Account, and \$352.7 million for the Statewide Initiative Account. The legislation includes a Corporate Activities Tax (CAT) as the new dedicated revenue source effective with the 2020 calendar year.

The Student Success Act also required community engagement to help inform how the Student Investment Account dollars should be prioritized. In 2020, the District formed the SIA Workgroup and SIA Planning Team stakeholder groups to meet this requirement and maintain transparency during the application development process. In 2021, the District continued community engagement related to the Student Investment Account during the Community Budget Workgroup process for the 2021-22 budget. In 2022, community engagement related to SIA was part of the District's community process for the development of a new Strategic Plan, which will be adopted and implemented in the fall of 2022.

During 2022-23, the District convened the community again for the development of the Integrated Plan which helped inform how the District plans to use the Student Investment Account and other specialized resources such as the High School Success funds over the next two years. Tigard Tualatin has planned for \$9.9 million in Student Investment Account expenditures in 2023-24, but a final state allocation for SIA has not been determined yet. In any event, once again the District is planning for the SIA funding to fall below the \$10.2 million that approximates the "full funding level" promised under the Student Success Act.

FTE included in the 2023-24 SIA budget includes:

Employee Group	Allowable Use Category	Elementary Schools	High Schools	Middle Schools	Multiple Levels	Grand Total
Licensed	Improving Student Health & Safety	5.00	-	3.00	2.50	10.50
	Reducing Class Size	9.00	5.00	5.33	-	19.33
	Total Licensed FTE	8.50	6.50	6.50	2.50	29.83
Classified	Improving Student Health & Safety	-	-	2.63	-	2.63
	Ongoing Community Engagement	9.75	2.00	-	2.00	13.75
	Reducing Class Size	0.81	8.75	16.10	-	25.67
	Total Classified FTE	10.56	10.75	18.73	2.00	42.04
Confidential Manager						
	Improving Student Health & Safety	-	-	-	1.00	1.00
Administrator	Improving Student Health & Safety	5.00	-	3.00	0.30	8.30
	Total Administrator FTE	5.00	-	3.00	0.30	8.30
Grand Total		24.06	17.25	28.23	5.80	81.17

OTHER FUNDS

The 2023-24 budget also includes the following resources outside of the General Fund:

- The Capital Projects Fund includes \$38.6 million for scheduled 2017 bond projects during 2023-24; includes expenditures for capital construction, technology, and curriculum.
- The Student Investment Account Fund includes \$9.9 million for the District’s share in 2023-24.
- The High School Success Fund includes \$3.4 million for the District’s share in 2023-24
- ESSER Grant funds include \$6.2 million for ESSER 3’s remaining allocation in 2023-24.
- The State, County, and Private Grants Fund includes a \$1.5 million State grant to provide the educational program for students receiving long-term care and treatment services within District boundaries.

STRATEGIC PLAN AND STRATEGIC FINANCIAL PLAN

After an extensive community engagement process during 2022, which included a community advisory committee, internal and external focus groups, and surveys, the District’s Board of Directors and Superintendent adopted and implemented a new five-year Strategic Plan beginning in 2022-23. The 2022-2027 Strategic Plan maintains a student focus and includes the following themes:

- **Student Achievement:** We prepare our increasingly diverse student body to be life-ready and fully prepared to successfully navigate a culturally rich society and global economy.
- **Talent:** We hire, develop, support, and retain racially, linguistically, and culturally diverse student-centered employees.
- **Safety, Culture, and Climate:** We create and nurture a welcoming and inclusive learning community where every individual student feels safe, valued, connected, known, and seen.

The Strategic Plan centers on Equity: We provide equitable educational opportunities and a school experience that is validating, empowering, and just for every student.

At Tigard-Tualatin School District, we educate every child, every day. We acknowledge that accelerating outcomes for every student, especially our historically underserved communities, requires an understanding of the barriers that are present for students and families and working with all the key collaborators in our system to actively address and support equity of outcomes for all students.

The Tigard-Tualatin School District will conduct business in a manner that communicates the core operational values of:

- Equitable allocation of resources supported by the Strategic Financial Plan 2022-2027
- Fiscal transparency
- Maintaining the public's trust
- Effective and efficient operations
- Clean and safe facilities

Therefore, at TTSD, we provide equitable educational opportunities and a school experience that is validating, empowering, and just for every student.

To support these core operational values, a goal embedded in the Strategic Plan is to develop a Strategic Financial Plan adopted by the Board each June to ensure District resources are prioritized to achieve the student outcomes identified in the Strategic Plan. The Strategic Financial Plan also includes a long-term financial plan designed to maintain sustainability in the District's programs. Other key components of the Strategic Financial Plan include long-term investment reports tracking the amounts expended and estimated for strategic investments and the analysis of Academic Return on Investment comparing dollars invested with student outcomes.

To help develop the District's first version of the 2022-2027 Strategic Financial Plan, this spring over 30 stakeholders including community members, staff, administrators, and Board representatives convened to form the Community Budget Workgroup. The Workgroup met over two meetings to receive the District financial update and presentations on the following strategic investments recommended for inclusion in the new Strategic Financial Plan.

- Early Learning
- Student Success
- Instructional Coaches
- Social Emotional Learning

Even during times of financial scarcity, the District will continue to prioritize resource allocation with a focus on Equity and the themes of the Strategic Plan, while prioritizing strategic investments that most support the attainment of the student outcome goals in the Plan

BUDGET REDUCTIONS AND FTE RECONCILIATION

The budget reductions of almost \$9 million proposed for the 2023-24 budget are summarized in the table below, including 67.28 FTE. An FTE is the equivalent of an 8-hour position.

Reductions	Budget	FTE
	Savings	
Licensed:		
Classroom Teachers	\$ 5,571,280	46.40
Student Services TOSA's	\$ 309,432	2.00
Teaching & Learning TOSA's	\$ 305,362	2.00
Licensed Total	\$ 6,186,074	50.40
Classified:		
Operations Trades	\$ 395,705	3.00
Instructional Assistants	\$ 157,289	2.72
Health Room Assistants*	\$ 354,045	8.28
Instructional Assistants*	\$ 166,541	2.88
Classified Total	\$ 1,073,580	16.88
Adminstration:		
Reduction of Benefits	\$ 368,248	n/a
District Departments:		
Superintendent	\$ 10,000	n/a
Assistant Superintendent	\$ 13,725	n/a
Business Office	\$ 50,000	n/a
Contracts	\$ 179,979	n/a
Communications	\$ 19,910	n/a
IT	\$ 257,000	n/a
Operations	\$ 50,000	n/a
Secondary Education	\$ 20,000	n/a
Driver Education	\$ 71,826	n/a
Early Learning	\$ 5,500	n/a
Teaching & Learning	\$ 255,789	n/a
Equity	\$ 14,000	n/a
Other	\$ 406,876	n/a
District Departments Total	\$ 1,354,605	
* ESSER funded		
Total Reductions	\$ 8,982,507	67.28

The following is a reconciliation between the FTE in the 2022-23 budget and the FTE in the 2023-24 budget considering the 2022-23 budgeted FTE, positions added in 2022-23 following adoption of the budget, and reductions and additions considered in the 2023-24 budget.

Budget FTE Reconciliation	FTE
2022-23 Budget	1,353.30
2022-23 Additions:	
Lifeworks LTCT Education Program	14.18
Positions of Need, e.g. Learning Specialist Assistants	14.56
2022-23 Additions Total	28.74
2023-24 Reductions	(67.28)
2023-24 Additions:	
Art Rutkin Elementary Support Positions	6.75
2023-24 Budget	1,321.51

RESERVES

The District recognizes the need to maintain fully funded reserves to offset the effects of future economic downturns to maintain sustainable education programs. Although reserves were built up beyond the Board-required level during the pandemic, inadequate State funding, the enrollment loss and inflationary cost increases have led to the drawdown of reserves over the last two years to about 13% of operating revenues. The 2023-24 budget indicates the District will further draw down reserves to 8%. The preliminary forecast reflects the District will draw down reserves to 6% during 2024-25.

The District estimates a 2022-23 ending fund balance of \$21.5 million and thus a beginning fund balance of that same amount as a resource in the 2023-24 budget. This amount approximates the amount budgeted as the 2022-23 ending fund balance, which accounted for the 12% required by the Board in addition to the amount necessary for operating costs to open Art Rutkin Elementary in the fall of 2023.

The District's Board Policy DBDB sets minimum levels for reserves in the General Fund. The proposed budget plan includes the full funding of reserves under Board Policy. For calculating minimum reserves under the Board Policy as addressed below, budgeted General Fund operating revenue, which provides the basis for reserves, is \$161.8 million. The 2023-24 proposed budget plans for the following level of reserves by category:

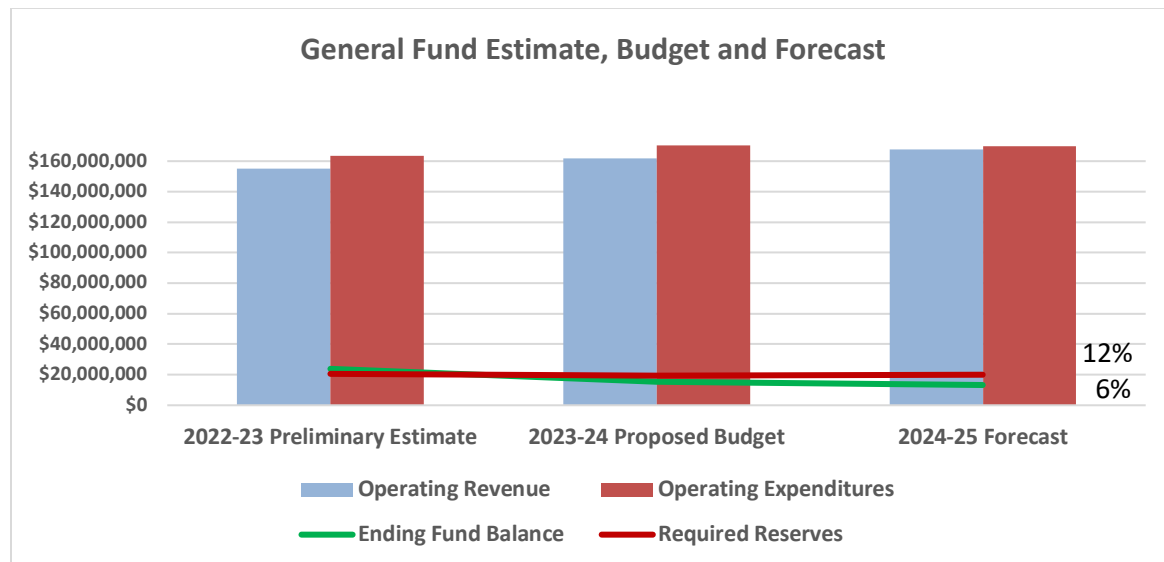
- Operating Contingency is budgeted at \$3.23 million or 2% of current operating revenue, which meets the Board Policy.
- Unappropriated Ending Fund Balance is budgeted at \$8.09 million or 5% of current operating revenue, which meets the Board Policy.

- Sustainability Reserve is budgeted at \$1.65 million or 1% of current operating revenue, which is less than the 5% under Board Policy. This will require Board approval by resolution prior to adoption of the budget.

FINANCIAL OUTLOOK

The financial picture below reflects a General Fund operating deficit of \$8 million in 2023-24 based on the budget assumptions described in this message, which draws reserves down to \$13 million or 8% of operating revenues. This approximates the amount of deficit the District budgeted for and expects to incur in the current year. The \$8 million deficit in 2023-24 takes into account the budget adjustments or reductions of \$9 million. The preliminary estimate for 2024-25 reflects additional adjustments of \$4 million and further drawdown of reserves by \$2 million to 6% of operating revenues.

The 2023-24 budget and the 2024-25 forecast assume a \$10.1 billion State School Fund in 2023-2025.



IN CLOSING

The values of the Tigard-Tualatin School District community will continue to drive District priorities in addition to spending and program decisions even during times of financial uncertainty and scarcity. The District's commitment to equity and all students and the principles of Smarter School Spending will lead to cost-effective decisions resulting in student growth and success despite the revenue shortfall we face.

The District is proud of the community engagement, advocacy and which have helped inform our future investments in the education of our students. Also, we are proud of our transparent Strategic Financial Plan process and document. The document will continue as a communication tool as the District aligns current and future spending decisions with student outcome priorities in the Strategic Plan and provides for sustainability and long-term financial planning.

As we submit this proposed budget, we thank each member of the School Board and Budget Committee for your commitment to the students of the Tigard-Tualatin School District. We also want to thank the community members, staff, students, administrators, and board representatives who were involved in the community engagement processes which helped inform District and budget priorities. Thank you to the Cabinet team for your thoughtful and collaborative work taking our financial challenges head-on and devising a plan while keeping the student priorities of the Strategic Plan at the center. We also recognize the Human Resources team for their due diligence and attention to detail as they arrived at difficult staffing decisions. Additionally, thank you to administrators for your leadership role and your strength and empathy for your staff, especially those most impacted by the District's budget challenges.

The effort of putting this proposed budget together is a team effort. We would like to recognize the efforts of a few individuals in developing the proposed budget: Dr. Susan Rieke-Smith for her leadership during the budget development process and throughout the year; members of the internal Strategic Financial Plan Working Group and Cabinet members for planning agendas and framework for our community engagement processes; Sarah Mehrabzadeh for coordination of the budget process and development of the budget; and Tara Baumann for her attention to detail compiling the proposed budget document.

Respectfully submitted,

A handwritten signature in blue ink that reads "David C. Moore". The signature is written in a cursive style and is positioned above a horizontal line.

David Moore
CFO and Budget Officer
Tigard-Tualatin School District 23J