

Journal 24

November 19, 2009

Burns Calls for Central Office Cuts in 2010-11 Budget

Hello. I'm Del Burns, superintendent of the Wake County Public School System.

I've been doing these weekly journal entries as one of the ways I try to keep both the community and our employees informed about our school system. This week I need to take a slightly different approach with this edition of the Superintendent's Journal. This week, I want to speak more directly to our employees and then address the broader community.

In September of each year, we begin the budget development process for the next fiscal year which will begin on July 1. My administration must present to the Board of Education by early March our recommendations for the next year. The superintendent's recommended budget addresses required expenditures, establishes priorities, and does so within expected funding from state, local and federal sources. The Board then takes our recommendations and works through them in a similar manner. By law, the Board must submit a budget request to the Board of Commissioners by May 15.

This videotaped message is shared on Thursday, November 19, the same day I announced that I have directed our leadership team to develop plans for next year's budget to include \$20 million in cuts to central services. These are the services that we provide to support our school system as a whole, as opposed to school-based functions. As you may know, 88 cents from every dollar we spend goes directly to schools. The remaining 12 cents pay for administrative costs such as payroll, human resources, maintenance, and so on.

Last year at this time, it was clear that changes were occurring in our economy, and not for the better. What wasn't clear at that time was the impact on local and state revenue. This year at the same point in our budget development process, we have a much clearer picture, at least in some areas, than we did a year ago. Last year we worked through the uncertainty in a very proactive and systematic manner. As was the case last year when we were required to cut more than \$35 million from the budget, early decisions and direct communication gave us the most flexibility to respond to an ever-changing financial picture. We will again this year use that strategy which I believe serves us well.

Looking ahead to the 2010-11 fiscal year we expect reductions in a number of areas. We know that we will receive at least \$8 million less in state funding, part of the discretionary reductions already established when the General Assembly adopted their two-year budget. In addition to that amount, there are cost increases in employee retirement, hospitalization, dental insurance and local salary supplements of at least another \$6 million. Last year, we used a portion of our undesignated fund balance to complete our budget and now that our total amount available for that purpose has decreased, it means we'll have \$3 million less to spend this year from our reserve. Finally, there are some yet unknown expenses associated with growth and new schools.

We are planning with the full realization that increases in funding from local or state sources are unlikely to occur.

The vast majority of our funding is spent directly in classrooms and in schools, as should be the case. We will continue to protect them and to minimize the impact of the funding reductions we anticipate for next year. Our principals and their staff will welcome nearly 3,800 more students into their classrooms next year, and every dollar we can preserve is critical to helping them be successful.

Last year's budget reductions impacted the entire system. I predicted that we would have increased class sizes, fewer electives in our middle and high schools, and a reduction in services supporting our schools. Unfortunately, those predictions have come true. With that in mind, even though funding for central services was reduced last year, that leaves us with the difficult decision of requiring central services to make further cuts necessary to balance our budget while doing what they must in order to continue providing important services to our students, our classrooms and our community.

During the past decade, we have reduced central services budgets to absorb funding shortfalls. Our central services operations are already lean and tightly run. But looking ahead, it becomes clear that we will not be able to operate with the funding we expect without further substantial reductions. Unfortunately, the reductions will have to occur in dollars as well as in people -- and these reductions will certainly have an indirect impact on services and support for schools.

These are hard decisions to make, and a natural question would be, "Why do this now? Why don't you wait and see what the financial picture will look like in the spring?" The reason is, as I shared at the beginning of this message, that we know much earlier and with greater certainty what we will be facing in the spring. Frankly in order to deliver a budget to the Board of Education and for them to process our recommendation takes valuable time we just won't have if we wait.

Should the financial picture change for the better in the coming months, then the cuts I am requiring could be reduced. Should the picture become worse, the planning process that is now underway will have prepared us. Either way, it is fiscally responsible to plan and act now. We will no doubt talk more about next year's budget in the coming weeks and months.

Today's announcement is difficult, but it's the right thing to do and now is the time to do it.

Thanks, and I'll talk with you again soon.