

On November 18, I shared our most current budget model (version X2A) with the Superintendent and School Board. The information contained in that model was based on the update I had received at the Florida School Finance Officers Association conference the prior week. This is the model that incorporated the state-wide budget reduction (formerly a “holdback”) of \$1.4 billion. The Pinellas School District’s share of that revenue reduction was officially announced at \$14.4 million by the Commissioner of Education, Dr. Eric Smith.

The projected spending reduction targeted by that model for next year (09/10) for Pinellas was \$39.0 million. Since that time, additional information has come to our attention which I have now built into our next budget model series.

The first change has to do with the FTE projections for our current 08/09 fiscal year. Based on the October student survey, our **un-weighted FTE** is projected to be **118 less** than what was originally budgeted. Unfortunately for us, the weighted equivalent of that difference is **412 weighted FTE**, which translates to a **reduction in future FEFP** calculations of approximately **\$1.6 million** for this fiscal year’s revenue base. Since this funding reduction is for the current fiscal year, this change actually impacts next year’s cuts by twice that number or \$3.2 million. As you know, the ending revenue base for one year becomes the beginning base for the next year with appropriate adjustments to be made in the next year’s budget column.

The second change has to do with the financial impact of the recent arbitration decision released November 26. Essentially that “Arbitrator’s Award” **requires our school district to restore the 5-of-6 schedule** at those **middle schools** that had such schedules last year and whose faculty had not voted to accept the 6-of-7 schedule. The arbitrator encourages both parties to continue negotiations with the understanding that this coming semester we make the changes noted above. The financial impact of this decision with respect to the middle schools is a lost savings of **\$1.1 million** for the balance of this fiscal year and an additional **\$2.2 million** for the anticipated savings we had built into our prior budget model for the 09/10 fiscal year. Thus, the **negative impact** with respect to the **middle schools scheduling** is a total of **\$3.3 million** when we consider the spending cuts we will have to make next year (09/10).

Another change with respect to the recent arbitration “award” is the savings we had built into our previous models for similar schedule alignment relief at the **high school level**. The previous model included two components of savings for high school schedule alignments. The first had to do with eliminating block scheduling which is projected to save our district \$3.6 million. That savings still remains in the new model. What is lost is the projected savings attributable to the anticipated change to 6-of-7 alignment at the high schools. Given the decision to deny that opportunity for change at the middle school level, **we now are forced to back out the related savings at the high school level of \$2.8 million**. This reduction of \$2.8 million when combined with the middle school “loss” of \$3.3 million **totals a significant combined model savings “loss” of \$6.1 million**.

Now I have explained in detail the factors contributing to our updated budget model. To the previous model’s targeted cuts of **\$39.0 million**, we had been forced to add **\$3.2 million** for the current year’s FTE loss and another **\$6.1 million** for the impact of the “Arbitration Award”. This calculates to a new projected spending cut for 09/10 of **\$48.3 million**. **Please remember that**

this number assumes no pay raises for this year or next, and it also assumes that we are not asked to absorb any further revenue reductions for this year. We have reviewed various data which suggests that the statewide problem is much greater than the \$1.4 billion referenced above, possibly as high as \$3.1 billion. If this turns out to be the case, our share of that difference would be approximately another \$17 million this year which would impact next year's spending cuts by twice that (the cumulative impact) or \$34 million. **Needless to say, if this comes to pass, we will be in serious financial difficulties as we face developing our budget for the next fiscal year (09/10).** We would again be forced to reexamine our revenue assumptions for 09/10 as well since all indications are that our state-wide economic problems will not be turned around as fast as we had previously anticipated.

We are doing everything we can to work to fend off the negative financial impacts which are currently bombarding us. The more we are forced to cut, the more difficult each subsequent round of cuts becomes. I think you all remember the candid comments I made at the workshop on November 18th and I still stand by those remarks. I believe our list of viable options for realistic spending reductions of these proportions is narrowing considerably when one considers the timing aspect of all related factors. As you know, we are striving to maintain a planned future contingency reserve equivalent to 1.50%. That is becoming increasingly difficult, to say the least.

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