

Prepared Notes for Board Meeting – Forecast

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I'm just going to make one or two observations about the May forecast this year.

First, in my opinion, the forecast process does present a much broader and more balanced view of the budgetary upsides and risks. For example, with regard to state funding, no one really knows what's going to happen and the document accurately reflects the uncertainty. Another example is in the area of employee retirements while in years past, we just assumed that no one will ever retire from Worthington Schools, the document now makes reasonable assumptions and so forth.

We as a board never really talk about the district's budget. We all saw the article in the Dispatch about how our colleagues in Columbus approve a billion dollar budget from a one page appropriations document, but truth be told, we do the same thing – as do most school boards. True, we get voluminous information but budget isn't really discussed except at forecast time, so let's discuss it a little bit now.

The biggest observation that needs to be made is how so much of the district's budget is on autopilot. The largest expenses, salaries and benefits, are locked in through 2017 with the exception of new staffing which is not expected to be significant. Revenues are stable, with the downside of TPP phase out forecasted in and while I think this forecast is a bit optimistic on the formula, the difference isn't going to be significant.

So what does it mean to have a forecast on autopilot? Is this a good thing? I'm not so sure. For one thing, leaving the forecast on autopilot virtually guarantees a levy sometime in the next 2, 3 or 4 years. I noted a month ago that we had a fascinating discussion at the TAC on this subject because we'd be running the levy with literally tens of millions of dollars in the bank and I have to believe that's going to be a tough sell, yet, with the budget on auto pilot, if you wait longer, the levy amounts grow and it becomes an even tougher sell. If we were to take the budget off of autopilot, how might we do it? At various points, this board has inquired about zero based budgeting, about programmatic budgeting and about methodologies designed to get handle perhaps not so much how much money we are spending, but what we are spending it on. Zero based budgeting is the notion of challenging departments to justify their budgets each year rather than simply get an inflationary increase. Programmatic budgeting would allow us to more easily answer questions such as – how much do we spend on sports each year. With the WEC reorganization, perhaps it might be time to take another look at these methodologies. After all, the forecast does show a return to deficit spending in 2018 and a return to an unsustainable levy cycle (assuming the forecast remains on autopilot) right around 2020 or 2021. If we were looking at structural reform, the sooner you start, the more painless it is.

Since the forecast is on autopilot, we have pretty good visibility to a cash reserve of around 45 million dollars at the end of the forecast period in 2019. With 20 million of that committed to extending the 2012 levy, that leaves 25 million, give or take, but it occurs to me that the administration provides no guidance on the answer to this question: Is that a lot? We are about to engage in a goal setting exercise where really smart people are going to propose all kinds of new initiatives without having any idea whether the district has money to actually spend on new stuff and if so, how much money?

It seems to me that to arrive at an answer, we need to play out the next levy cycle in our collective heads. First of all, do we believe collectively that the next levy is avoidable? I don't. It can be delayed, but it will happen eventually. Given that it is structurally impossible to balance this budget over the long term given current Ohio law, is the next levy going to be a reflection of how much we think could pass or is it going to be a reflection of actually need to preserve the status quo? If we think these things through 2 to 4 years ahead of the fact, we can begin to arrive at an answer as to whether funds are available to spend on new initiatives which could in turn make goal setting more realistic.

Alas, School Districts don't work like this. People don't like to hear that budget increases are on autopilot or that levies are preordained, but if those are the working assumptions endemic in this forecast, I think maybe it's time we acknowledge them, embrace them and incorporate them into our goal setting process.