



## VALLEY SCHOOL DISTRICT RE-1

Logan County, Colorado

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Dear RE-1 Valley community, families, and staff members,

I hope families had a chance to celebrate the progress of their children following parent teacher conferences. I send a big shout out to the students and dedicated teachers at Sterling High School for their multiple recognitions in athletics, academic growth, Future Business Leaders of America, and Auto Tech! Our basketball teams for both girls and boys had the opportunity to play at the campus of University of Denver, and our boys won the state championship for 2017. These last few weeks seem to be the golden time for recognition at SHS! Students, including the pep band, the cheer squad and the student spectators all benefit from state competition events.

Caliche staff and parents are about as great at our students there! Our elementary teacher, Ms. Yearick secured funding for virtual field trip goggles that she will use with her students and plans training and lending programs to share the goggles with other RE-1 teachers.

One of our parents, Jenn Svoboda, wrote grants over the past four years and partnered with Caliche staff to design a new elementary playground. Mrs. Svoboda has currently secured \$260,000 for the playground. RE-1 Valley has plenty to celebrate.

I'm writing today to bring you up to date regarding our work in preparing the district's budget for the 2017-18 school year. Along with other districts in the state, we are facing difficult decisions in preparing our budget as our revenue continues to fall short of our expenses.

As most are aware, our board voted to adopt a 4-day school week next year, as part of the strategy to rein in costs. Since the Great Recession of 2007, twenty-two school districts have implemented a 4-day week, bringing the total school districts in Colorado utilizing the 4-day model to eighty-eight in 2016. This represents 49% of the 178 school districts in Colorado. At least three school districts in our surrounding area are adopting or seriously considering adopting the 4-day week for next year. We realize the burden for child care of our young students for these extra Mondays, and hope that at least the consistency of all conference comp days and teacher in-service days moving to Mondays helps with arrangements.

The remainder of this letter gives more detailed information about our budget and next steps that we'll be taking to address multiple challenges. Our budget challenges are the result of several factors, including the following:

### **1. Continued Declines in State Funding**

Funding for K-12 education has declined sharply in the years following the Great Recession of the late 2000s. The state legislature sets school funding levels each year. Beginning in the 2009-10 school year those allocations have fallen short of the amount needed to keep up with inflation. For the current school year, we

are funded about 12 percent lower than in the 2008-09 school year when adjusting for inflation. In dollars and cents, the state funding reduction over the past eight years exceeds \$15 million for RE-1 Valley.

We expect the funding situation to worsen in the 2017-18 school year because of a few major factors at the state level:

**a. Gallagher Amendment Adjustment**

The legislature does not finalize school funding allocations for the next year until late April or early May, but at this point we believe we could have our funding for next year reduced by about an additional \$250,000. This would bring the annual reduction of funding to RE-1 Valley to a total of 2,250,000. Most of the increased reduction is the result of a provision in the Colorado Constitution called the Gallagher Amendment. Gallagher requires reductions in the residential assessment rate for property tax purposes when increases in home values outpace increases in the value of commercial property. The large statewide increase in home values has triggered the Gallagher adjustment. State analysts indicate tax rates for residential property will go down starting January 2018 and that the funding for K-12 education will decline by over \$100 million statewide.

**b. Medicaid Expansion and Increased enrollment**

In 2009, the Colorado Legislature decreased eligibility requirements for Medicaid, thus creating new medical coverage obligations for the state's general fund, and decreasing the amount the state is able to allocate to K-12 Education. Five years ago, one out of twelve Coloradans qualified for Medicaid benefits. Currently, one out of five Coloradoans qualify for this benefit.

**c. State Law and Local Challenges**

School Districts are continuing to operate educational facilities with reduced funding and increasing requirements. A partial list includes:

1. K-12 legislation including Early Literacy, testing requirements, standards, and educator evaluation requirements
2. Deferred maintenance of buildings and grounds
3. Aging vehicle fleet (busses are obsolete and replacement parts are no longer on the market)
4. Technology demands and increased costs (connectivity, web filters, switches)
5. Increasing PERA pension requirement
6. Healthcare costs and Affordable Healthcare Act
7. State and Federal reporting requirements and the Automated Data Exchange
8. Door hardware replacement requirements from Division of Fire and Safety

**2. Depletion of One-time Dollars, also known as Fund Balance**

We have mitigated some of the bite of these ongoing state funding reductions by using money from the district savings account, which we commonly refer to as "fund balance" or "reserves". In the 2012-13 school year we had about \$4,900,000. We have drawn from the reserves consistently over the past five years to offset state funding cuts so that we can avoid multi year salary freezes and maintain some type of comparison wage to neighboring school districts. We invested in programming to improve student achievement. These expenditures were targeted at addressing the districts most critical needs and have helped us improve the academic achievement of students. For the first time, all schools in RE-1 Valley are ranked at the highest performance level the state assigns. We have elevated the district's state accountability rating to Performance status or the second ranking from the top, which is Distinguished status, a rating our district aims for in the coming years. We are no longer able to use reserve funds to help subsidize our operations. Our fund balance has declined by nearly 50 percent over the past five years and is now sitting at the minimum levels required by board of education policy.

## The Bottom Line

Given the reduced revenues and challenges I've outlined above, and estimated increases in health care costs, RE-1 Valley has developed a comprehensive plan that includes the 4 day week to trim a minimum of 1.25 million dollars from the budget in the next fiscal year. Because the district is the 21st from the bottom of state funding out of 178 school districts, the district has made difficult cuts over the past ten years. We continue to attempt to keep funding cuts as far as is possible from learning opportunities for students.

## How are other districts dealing with state revenue cuts?

There are three primary ways that a school district can soften the blow of state funding cuts.

- **Pass a local mill levy override.** Local voters can generate additional property tax revenue for their local school district through passage of an override, which generates ongoing dollars to support compensation, programming and other academic opportunities. Districts that have passed an override in or after 2010 have used the dollars to help ease the pain of cuts at the state level. Voters in RE-1 Valley last passed an override in 2005.
- **Increase enrollment.** The amount of state funding a school district receives is based on the number of students it serves. RE-1 Valley has had declining enrollment over the past 20 years, but some investments to increase enrollment appear to be helping, including a blended learning online program for high school students and full day kindergarten to keep entering students in this district. The district will continue to look at creative solutions to increase enrollment.
- **Use available fund balance.** All fiscally responsible organizations save dollars for a "rainy day" like the Great Recession. RE-1 Valley School District is no different. The problem is the "rainy day" became the "rainy decade", and has depleted the district's fund balance to an unsustainable level.

## Next Steps in the Budget Process

We continue to monitor the budget-setting process at the state level. We have engaged staff, our District Accountability and Advisory Committee (DAAC) our board of education, and our community in building an understanding of the budget situation. As we move forward, we will consider other budget reductions.

We will also begin discussion about longer-term budget balancing needs, including the possibility of generating additional operating revenue through asking again for a local mill levy override.

Thank you for your continued engagement in our schools. I look forward to partnering with you as we move forward to address critical issues that impact our student's learning environment.

Sincerely,



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