Can Budget Reduction Be Rational?

Like a lot of districts around the country, the Portland (Oregon) Public Schools found 1980-81 to be a year of fiscal trauma. Not only was inflation gnawing away at all school and department budgets, but a series of unexpected and virtually unforeseeable revenue problems arose. These included reductions in anticipated state and federal funds, failure of a usually reliable carry-over surplus to materialize through the year on the expenditure side, and new initiatives in desegregation. Rapidly expanding service requirements in bilingual and special education compounded the difficulties. Some of these problems created financial imbalances in the 1980-81 school year, while other issues, including teacher salary negotiations, produced an astounding $30 million discrepancy between expenditure requirements and anticipated revenues for 1981-82.

This discrepancy led to two separate but related processes designed to reduce expenditures in the 1980-81 school year and to bring expenditures for 1981-82 in line with anticipated revenues.

Fortunately for the district, most of the 1981-82 revenue shortfall was revealed in enough time to present the voters with a tax measure designed to keep the district in basically good fiscal health for at least one year. The voters responded magnificently to our desperate fiscal needs—partly, we believe, because the budget analysis and development of recommendations for reductions were rational processes and included extensive community participation. This, in turn, helped the district receive favorable press coverage and unprecedented editorial assistance from the two leading local newspapers.

A Rationale for Budget Cutting

Many school administrators have been involved in budget reduction processes, which are often handled in an arbitrary, or at best unimaginative, fashion by a board of education, superintendent, budget officer, or combination of these. We were determined in Portland to avoid shortsighted and arbitrary approaches to budget reductions and, to a large degree, we succeeded. The administration worked hand-in-hand with a board subcommittee on finance, which reviewed and helped shape the various planning processes recommended by the superintendent. The need for the board and staff to reach agreement on these processes was, of course, essential to their success. Our initial logic was founded on the following rationale:

1. Budget reductions should be based on principles that make clear the basis for all final decisions by the board of education

2. Multiple opportunities should be provided for citizens to express themselves regarding budget priorities at the local school level as well as at the district level

3. Budget reductions that have districtwide effects should be recommended at the superintendent's level

4. Principals and department heads should recommend specific budget reductions in programs and services within their respective operations, tempered by districtwide considerations

5. Ultimately, a full range of options for budget reductions should be administratively determined using citizen input tempered by professional judgments

6. The board of education should have available multiple options and related impact statements in making final decisions regarding specific budget reductions.

One of these criteria needs further clarification. Point three concerns what might be called the "equity principle" applied to such items as per pupil expenditures for instructional supplies, magnet program allocation, instructional supplies and equipment expenditures, and other...
similar budget categories. For central departments equity adjustments took the form of uniform percentage reductions, with certain exceptions. Central department heads determined the types of reductions that would be least harmful to the delivery of their respective services.

Figure 1 is a flow chart showing the processes followed in identifying cuts in programs and services needed to produce 7½ percent and 15 percent reductions in expenditures during the course of the 1980-81 school year. These percentages represented the spread between "worst case" and "best case" scenarios as potential revenue sources were re-evaluated.

The timeline for determining budget reductions extended over a period of four months from October through early February. Citizen input was secured specifically during the month of December. These recommendations were obtained from the district's citizen budget advisory committees, which take a regular part in the annual budget-building process. Committees are assigned for every school and department. Members examine budgets and make recommendations to the superintendent and board. Approximately 700 citizens are thus directly involved in the preparation of the district's budget!

Determining Budget-Cutting Priorities
In addition to their regular task, which concerns the budget of the coming fiscal year, the citizen committees were convened and asked to submit recommendations for budget reductions relative to the current year. This took the form of a review of recommendations made by department heads and principals for achieving the indicated 7½ percent and 15 percent reductions which, at the time, were projected levels of potential reduction in the 1980-81 budget, as has already been noted.

At the same time, citizen committees were asked to review recommendations of department heads for 10 percent and 20 percent budget reductions for the 1981-82 fiscal year. Those committees, working with principals at the local community level, were asked to comment on...
Worksheets prepared for the Portland Board of Education listed 50 possible budget cuts in order of priority assigned by district administrators.

Portland Public Schools
1981 - 1982
Budget Reduction Worksheets

<table>
<thead>
<tr>
<th>Option #1</th>
<th>Option #2</th>
<th>Option #3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Non-Instructional Support</strong></td>
<td><strong>B. Instructional Support</strong></td>
<td><strong>C. Instruction</strong></td>
</tr>
<tr>
<td>Description</td>
<td>Amount</td>
<td>Description</td>
</tr>
<tr>
<td>--------------</td>
<td>--------</td>
<td>--------------</td>
</tr>
<tr>
<td>Close consolidated schools</td>
<td>1,300,000</td>
<td>Reduce Instructional Support services</td>
</tr>
<tr>
<td>Reduce in-school transportation</td>
<td>1,500,000</td>
<td>Reduce Direct contribution to general alternative schools</td>
</tr>
<tr>
<td>Reduce Maintenance</td>
<td>1,750,000</td>
<td>Reduce special education needs</td>
</tr>
<tr>
<td>Reduce transportation cost</td>
<td>765,000</td>
<td>Reduce counseling support services</td>
</tr>
<tr>
<td>Reduce Special Education costs</td>
<td>300,000</td>
<td>Reduce Remedial Instruction Program</td>
</tr>
<tr>
<td>Reduce Class size</td>
<td>100,000</td>
<td>Reduce Graduation rate</td>
</tr>
<tr>
<td>Reduce Remedial Education Program</td>
<td>14,000</td>
<td>Reduce Reading Progression Program</td>
</tr>
<tr>
<td>Reduce Direct Instruction</td>
<td>14,000</td>
<td>Reduce Class size</td>
</tr>
<tr>
<td>Deregistered students</td>
<td>21,000</td>
<td>Reduce ECC Special Support</td>
</tr>
</tbody>
</table>

Total: 5,050,000

Comments:
- See Priority 33
- See Priority 32
- See Priority 31
- See Priority 30
- See Priority 29
- See Priority 28

their own school's priorities, as well as more generalized areas in which districtwide reductions might be made. Specifically, they were invited to make suggestions about reallocation of resources within their own schools, as well as among schools and services throughout the district. This information was tabulated and became an important ingredient in the total budget reduction decision-making process. It was eventually used by the superintendent in preparing proposed budget reduction options for the board of education.

The forms on which the citizen committees were asked to prioritize their recommendations for budget reductions for the 1981-82 school year were divided into categories labeled “high yield,” “medium yield,” and “low yield.” The term “yield” related specifically to a need to determine hard cash savings as opposed to nebulous accounting maneuvers.

The high yield category included such items as reducing the instructional year by two days, increasing class size, eliminating or modifying transportation services for pupils traveling to and from schools, cleaning classrooms less frequently, and eliminating other specified major programs or services.

Medium yield budget items included reduction of curriculum support services, reduction of high school electives, eliminating pre-kindergarten, eliminating summer school, eliminating high school athletics, among others.

Low yield items included such things as modifying the career education program, reducing support of alternative schools, reducing the number of teacher planning days, reducing teacher substitute services, increasing distances children would walk to school, staggering school opening times to save contracted bus costs, and many other items.

Each category, whether high, medium, or low yield, directly affected the schools. Citizen committees were asked to check one “high yield,” two “medium yield,” and three “low yield” budget items in establishing priorities. Committee members were not asked to prioritize within cate-
categories. They identified programs and services in each instance, however, and by summing their responses, established budget priorities.

A similar set of proposed budget reductions also divided into high, medium, and low "yield" categories, was prepared for prioritizing district-level reductions in administrative and related support services. In effect, this forced committees at both the school and district levels to indicate their priorities within each "yield" category of reduction for both school and administrative/support programs.

It was not possible for a given committee to limit its recommenda-

tions solely to low yield items, or to focus on administrative/support or school budgets, exclusively. Thus the procedure produced a balanced set of recommended priorities covering high, medium, and low yield hard cash items in both school and administrative/support budgets. These, in turn, were translated by the superintendent and his staff into a package of options, together with their consequences (impact statements) for final review and decision making by the board of education.

Board and Central Administrative Planning

Early in the process, the superintendent decided that the heads of district-level departments providing both administrative and support services would recommend reductions in their budgets after decisions about percentage decreases were made. As a result, all heads of district-level departments were asked to prepare budgets that reflected both a 10 percent and 20 percent level of reduction for fiscal year 1981-82. Again, the "worst case scenario" was faced squarely even though the 20 percent reduction would have meant dramatic and destructive losses in programs and services.

A review of department budgets revealed that some contained monies for operating programs at the local school level, as well as for administrative and support programs in the pure "districtwide" sense. Examples included the special education department, which budgets for direct services to mentally retarded, learning disabled, speech/hearing impaired, physically handicapped, and other similar categories of students. Vocational education was another example. Certain federal and state-supported vocational education programs are administered by a district-level department, at least in the fiscal sense. Obviously, 10 percent and 20 percent reductions in these budgets would have a different meaning for local schools than in the case of "pure" support services, such as those provided by the departments of public information, curriculum, instructional media, data processing, or evaluation.

District-level departments providing a direct instructional function were asked to separate the local
school related program or service elements of their budgets from the district-level administrative and support elements before determining the 10 percent and 20 percent reductions. This left the instructional parts of their budgets directly affecting local schools to be dealt with separately. Once this adjustment was made, recommendations for achieving 10 percent and 20 percent reductions were made by department heads. They were given substantial freedom to adjust their budgets based on their professional sense of the priorities assigned to their particular districtwide support functions.

At all levels of administration, substantial professional decision-making prerogatives were protected, although citizen committee recommendations were carefully weighed and frequently incorporated into final decisions.

The Issue of Reduction According to Function

From the beginning of the budget reduction process, members of the board of education wanted to give highest priority to protecting expenditures for direct instruction in the classroom. Therefore, in designing procedures, the superintendent was careful to identify which of the recommended reductions belonged to each of the functions of instruction, support, and management.

Partly because of the agonizing process of reducing expenditures for the previous school year, the interdependency of both management and instructional support services came into sharp perspective as the board and staff developed contingency budgets for the 1981-82 fiscal year. For example, in reviewing ways to reduce expenditures, the data processing department, which represents a large item in the district's budget, was found to be unable to sustain even a 10 percent reduction without serious damage to every level of instructional support. In reviewing all support services, the board of education was reluctant to reduce them beyond a modest degree if such reductions would have negative effects at the classroom level. The thorough documentation of effects (impact statements) of the proposed 10 percent and 20 percent reductions required of department heads was exceptionally helpful to the board in arriving at its final decisions about actual and potential budget reductions for the 1981-82 school year.

The format used by the board in arriving at its priorities for budget reductions maintained distinctions among major support service functions. The items the superintendent recommended as priorities for reductions were aligned on worksheets showing the three functions of instruction, support, and management so that the board, as it reviewed and either approved or amended the recommendations, could readily see the effects of the decisions on each such function. In addition, the degree of congruence between the priorities of the citizen budget committees and those of the superintendent were clearly defined for the board's analysis.

By listing his own recommendations in a numerically-prioritized list, the superintendent provided a budget chart that permitted the board to "add back" to the recommended 1981-82 budget any desired items based on changes in revenue projections. The chart also contained abbreviated impact statements that were supplemented by more detailed comments in an accompanying document. Since the format showed cumulative budget totals that could be achieved by adding each item successively to the list of reductions, it was possible to rely on relatively simple processes of addition and subtraction to assess the impact of each item on total budget reduction goals.

Thus, the board of education accomplished, in a straightforward way, the very difficult job of arriving at budget reductions that contributed ultimately to achieving a balanced budget for 1981-82.

A Painful but Productive Process

Planning for required budget reductions, or "contingency planning" in the face of unknown revenues, is inevitably a painful process for the administrative staff and board of education. Clear, concise information that distinguishes among instruction, support, and management functions, together with accompanying "impact statements" that give precise information about lost services, staff reductions, and other variables, become invaluable administrative and board tools in the decision-making process. The additional contributions of citizen budget committees provide a critical perspective by which the administration and board of education can test their perceptions of what is of ultimate importance to the welfare of children. The Portland experience paid off handsomely in another way. The clarity of what was at stake in the potential loss of programs and services contributed directly to the success of a $25 million levy election that ensured the maintenance of the district's fiscal stability for 1981-82.

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