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**Date:** January 24, 2010 3:52:39 PM PST  
**To:** "Kennedy, Donald R" <[drkennedy@seattleschools.org](mailto:drkennedy@seattleschools.org)>  
**Subject:** FY 2010/2011 Budget Update #3 - Central Office Budget Prioritization

Dear Seattle Schools Staff Members,

The purposes of this update are to let you know how and why the budget gap number has changed, to highlight the state budget process and its impact to our budget, and to discuss our next strategy for dealing with the budget gap.

In my first update we projected a budget gap for next year of \$45.5 million. This consisted of reduced revenues or increased expenses of \$35 million, and \$10.5 million to support academic programs as a part of the new student assignment plan and other strategic initiatives.

The budget gap is now \$24.1 million. The change is due to proposed changes in the state budget as well as the implementation of some of our budget reduction strategies. Details of these changes are:

- The estimated decrease of state revenue to Seattle Schools changed from \$17.2M to \$9.4M
- The use of reserves by the district to help close the gap of \$4.4M
- Implementation of a district hiring and spending freeze will result in \$5.0M in savings
- Additional revenue for transportation of \$1.1M
- Implementation of miscellaneous budget reduction strategies will result in \$3.1M in savings

The reason for the changed estimate of state revenue for Seattle is that the governor issued a second version of her proposed budget week before last. Her first proposed budget was released in mid-December and resulted in the projected \$17.2M reduction to Seattle. Her updated budget proposal restored \$7.8M of the previously cut funding.

Which brings me to the state budget process. One reason our projected budget gap will continue to change is due to the process the governor and the state legislatures use to develop the state budget. The governor, the senate, and the house each develops their version of a proposed budget. The budget numbers for each of these proposals is different. Because of these differences, the state has to reconcile the budget proposals in order to arrive at a consolidated state budget. As this reconciliation process takes place the projected state budget numbers change and therefore the projected revenue that will be allocated to school districts change. The state legislature went into a 60 day session in mid-January and we can expect to see changes in the projected state budget numbers throughout this legislative period.

The current budget reduction strategy that we are focused on is the prioritization of the work of the central office departments. To accomplish this task, we selected a group of approximately 40 employees to do the prioritization and make recommendations to the superintendent and her executive team. The 40 employees include a wide range of people from across the departments, including both managers and non-managers. The intent was to identify people to accomplish the prioritization that are actually doing the day-to-day work instead of relying exclusively on the leaders of the departments to determine any reductions that might be made. In doing the prioritization, the larger group was divided into smaller groups, by department.

A significant portion of the prioritization was done this past Friday, and the remainder will be completed this coming week. Once the groups have finished prioritizing and discussing ways to change and improve how the day-to-day work is done, their recommendations will be reviewed by the superintendent's executive management team. This team will give its input and make final recommendations to the school board as a part of the overall budget recommendation. Of course, the final recommended budget has to be voted on and approved by the board.

I want to thank everyone involved in minimizing our spending this year. Such an effort supports the hiring and spending freeze recently put in place, which will minimize negative budget impacts next year.

Also, I want to remind you again that our Employee Assistance Program (EAP) has posted an array of resources on our web site at <http://inside.seattleschools.org/area/eap/index.dxml>, and that confidential EAP services is available by calling (206) 252-4800. These resources are intended to help all of us as we face the stress associated with economic challenges and uncertainties.

Sincerely,  
Don

