THEODORE R. KULONGOSKI
GOVERNOR

April 9, 2009

Dear Superintendent:

We write today because we are concerned about the impact of the recession on the K-12 budget for the 2009-11 biennium and believe we must work together to continue to make education a priority while also managing through this time in a fiscally responsible manner.

Since December, in three short months, the state’s budget shortfall (General Fund and Lottery Fund) has tripled to more than $3.1 billion below Essential Budget Level (EBL). The forthcoming May revenue forecast will provide the information needed to finalize the current biennium’s budget as well as to construct the budget for the next biennium. But we cannot simply wait. We must begin planning today.

Given the magnitude of loss in such a short period of time, coupled with national economic trends, we must develop a variety of budget scenarios for the 2009-11 school years. We recommend that you include worse case scenarios.

We believe we must be prepared for an additional $2 billion in lost revenue by February 2010, which will bring the total loss of GF/LF to more than $5 billion. The proportionate impact to K-12 under this scenario could translate into a reduction of state funding by approximately 15% below the Governor’s Recommended Budget for K-12, from $6.4 billion to as low as $5.4 billion. This figure assumes all available federal stimulus dollars, the Oregon Education Stability Fund and the Rainy Day Fund have been fully utilized to balance the state budget.

If we remain disciplined and use only federal stimulus funds to cover potential additional shortfalls for 2007-09, we will have a total of $1.8 billion in federal funds, the Oregon Education Stability Fund and Rainy Day Funds for use in 2009-11 to help with some of the expected shortfall yet to come. We ask that you develop budgets to include a range of scenarios from a $5.4 billion State School Fund to a $5.9 billion State School Fund for 2009-11.

While, again, these are just estimates, it is important that you make informed budget decisions. We must not overreact and make irreversible cuts, but we also must plan responsibly for greater budget shortfalls.
We remain committed to preserving education funding to the fullest extent possible given the dire economic circumstances. The decisions before you, the state legislature and local governments in light of this recession are not easy. We hope to continue to partner with you during this difficult time to continue to advance educational opportunities at every level for Oregon children and students across the state.

One other item of note regarding the use of federal stimulus funds for education: Please refer to the Oregon Department of Education’s website at www.ode.state.or.us or http://stimulus.k12partners.org/ for guidance on the use of federal stimulus dollars. The Department is frequently posting the latest information from the US Department of Education.

In the meantime, if you have any questions, please do contact us.

Sincerely,

THEODORE R. KULONGOSKI
Governor

SUSAN CASTILLO
Superintendent of Public Instruction

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