



2012-2013 Budget

Adopted June 27, 2012

2012-2013 Budget

Contents

Letter from the Interim Executive Director	3
General Organizational Information	4
2012-13 OSBA Officers and Directors	5
Organizational Chart	7
OSBA Budget 2012-13	8
Executive Summary: Budget 2012-13	11
How to Read the Five-Year Budget Projections	15
OSBA Five-Year Budget Projections: Alternative Scenarios	17
Worst Case: Scenario 1	
Conservative Case: Scenario 2	
Breakeven Case for Revenues and Expenditures: Scenario 3	
Breakeven Case for Restoring Fund Balance: Scenario 4	
Alternative Scenarios	

A message from the Interim Executive Director

June 29, 2012

Dear Members of OSBA:

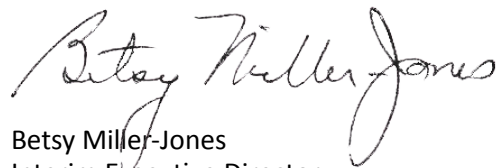
I'm pleased to provide the adopted association budget for Fiscal Year 2012-2013—a budget that enables OSBA to achieve its objectives for the coming year.

As always, our main concern was to craft a budget that's both operationally effective and sustainable over the long term. In answer to a prolonged recession that has hampered the performance of OSBA's investments, this budget makes prudent use of our financial reserves to sustain the activities and services that respond to the wants and needs of our boards and districts. Our board of directors wisely decided that now more than ever our members need the services that OSBA provides.

I want to acknowledge the services of Heidi Franklin, CPA, for her help in constructing this budget and the five-year projections. I'm also grateful to Sharon Addison, our bookkeeper, for her stalwart help and advice.

Finally, I must pay tribute to the valiant efforts of our OSBA staff, not only to maintain a high level of excellence in serving our members' needs, but also to raise that level as a significant reorganization and change of executive leadership were under way. Their dedication to this association is both remarkable and appreciated.

Respectfully,



Betsy Miller-Jones
Interim Executive Director
Oregon School Boards Association

General Organizational Information

Created in 1946 in Eugene, the Oregon School Boards Association is a voluntary association of local boards of education. Its main sources of revenue have come from insurance trust management fees, contract income for services rendered and membership dues. With dissolution of the OSBA Health Insurance Trust, state law has required employees of school districts to enter a state-run, state-mandated program. Thus, investment income has replaced insurance trust management fees as OSBA's primary source of income.

Membership

Any school district, education service district (ESD), charter school or community college may join OSBA by submitting an application and paying the annual membership dues. A district may terminate its membership at any time, and OSBA may terminate a membership for nonpayment of dues. As of August 1, 2012, all Oregon school districts, ESDs and community colleges are members of OSBA (with the exception of the McDermitt and Juntura School Districts). The State Board of Education is also a member.

Mission Statement

Improve student achievement through advocacy, leadership and services to Oregon public school boards.

Strategic Directions

Advocacy:

Harness the collective influence of Oregon's pre-K-14 school boards to promote excellence in student achievement, community engagement and public support. Sustain the strength and vitality of local education boards as the foundation of our democracy.

Leadership:

Provide opportunities for pre-K-14 board members to gain world-class knowledge and collaborative skills that focus on improving student achievement.

Services:

Create outstanding professional services that are affordable, accessible and relevant for Oregon's pre-K-14 boards and education partners. We serve school districts, public charter schools, education service districts and community colleges.

The Association:

Continually monitor and improve OSBA's structure, operations and services to meet the changing needs of members.

2012-13 Board of Directors

President: Kris Howatt

Gresham-Barlow 10 Board Member
1558 NW 12th Ct
Gresham, OR 97030-4922
Email: Kris.Howatt@gmail.com
Day: 503-669-9255 Eve: 503-669-9255
Cell: 503-830-3608

President-elect: Terry Lenchitsky

Oregon Trail 46 Board Member
34231 SE Bluff Rd
Boring, OR 97009-9751
Email: terrylenchitsky4@gmail.com
Day: 503-663-5745 Eve: 503-663-5745
Cell: 503-568-2615

Vice-president: Lori Theros

Klamath Falls City Schools Board Member
1641 Lancaster Ave
Klamath Falls, OR 97601-2100
Email: loritheros@yahoo.com
Day: 541-783-2219 x132 Eve: 541-883-8389
Cell: 541-690-2514

Secretary-Treasurer: Dave Krumbein

Pendleton 16 Board Member
309 NW 5th
Pendleton, OR 97801-1622
Email: dave.krumbein@gmail.com
Day: 541-278-5748 Eve: 541-276-3048
Cell: 541-377-9054

Past president: David Beeson

Silver Falls 4J Board Member
16903 Herigstad Rd NE
Silverton, OR 97381-9736
Email: beeson_david@silverfalls.k12.or.us
Day: 503-873-2227 Eve: 503-873-2227

Greg Jackle

John Day 3 Board Member
PO Box 143
Canyon City, OR 97820-6121
Email: gregjackle@hotmail.com
Cell: 541-460-3552 Eve: 541-460-3552

Steve Rankin

Jefferson ESD Board Member
655 SE Dussault Rd
Madras, OR 97741-9206
Email: srankin@jcesd.k12.or.us
Day: 541-475-6716 Eve: 541-475-6716
Cell: 971-344-5887

Craig Prewitt

Phoenix-Talent 4 Board Chair
2692 Pioneer Rd
Medford, OR 97501-9660
Email: zimcraig@charter.net
Day: 541-535-4224 Eve: 541-535-4224
Cell: 541-944-6477

Laurie Adams

Springfield 19 Board Member
2175 11th St
Springfield, OR 97477-2460
Email:
Day: 541-729-3321 Eve: 541-729-3321
Cell: 541-729-3321

Linda Brown

Lake Oswego 7J Board Member
17917 Kelok Rd
Lake Oswego, OR 97034-6643
Email: brownlinda@clear.net
Day: 503-638-1566 Eve: 503-638-1566
Cell: 503-789-2939

Samuel Lee III

Winston-Dillard 116 Board Chair
324 Maria Ln
Roseburg, OR 97470-9783
Email: swlee@dadco.com
Day: 541-679-3737 Eve: 541-679-3737

Anne Schuster

Corvallis 509J Board Chair
30303 Bellfountain Rd
Corvallis, OR 97333
Email: anne.schuster@corvallis.k12.or.us
Day: 541-752-1060 Eve: 541-752-1060
Cell: 541-207-8021

Tass Morrison

North Santiam 29 Board Member
PO Box 384
Sublimity, OR 97385-0384
Email: tandtmor@wvi.com
Day: 503-767-1190 Eve: 503-767-1190
Cell: 503-910-7219

Michael Blanchard

Dallas 2 Board Member
800 James Howe Rd
Dallas, OR 97338-9693
Email: mikeblanchard1@gmail.com
Day: 503-390-7880 Eve: 503-623-3936

Greg Kintz

Vernonia 47J Board Member
54240 Nehalem Hwy S
Vernonia, OR 97064-9632
Email: gpkintz@juno.com
Day: 503-429-3303 Eve: 503-429-3303

Karen Cunningham

Beaverton 48J Board Member
6896 SW 67th Ave
Portland, OR 97223-3433
Email: karen_cunningham@beaverton.k12.or.us
Day: 503-246-3563 Eve: 503-246-3563

Fred Marble

Forest Grove Board Member
3460 SW Anderson Rd
Forest Grove, OR 97116
Email: fimarb@hotmail.com
Eve: 503-357-2048
Cell: 503-348-8576

Bobbie Regan

Portland 1J Board Member
1907 NW Mill Pond Rd
Portland, OR 97229-7553
Email: bobbieregan@comcast.net
Day: 503-292-6841 Eve: 503-292-6841
Cell: 503-819-5447

James Woods

Parkrose 3 Board Member
10612 NE Sacramento St
Portland, OR 97220-3743
Email: woodsjam@parkrose.k12.or.us
Day: 503-465-4883 Eve: 503-465-4883

Jackie Crook: Ex-officio

South Coast ESD 7 Board Member
23710 Carpenterville Rd
Brookings, OR 97415-8181
Email: mj.crook@hotmail.com
Day: 541-698-7710 Eve: 541-247-7270
Cell: 541-698-7710

Craig Hawkins: Ex-officio

COSA Executive Director
707 13th St SE Ste 100
Salem, OR 97301-4035
Email: craig@cosa.k12.or.us
Day: 503-581-3141

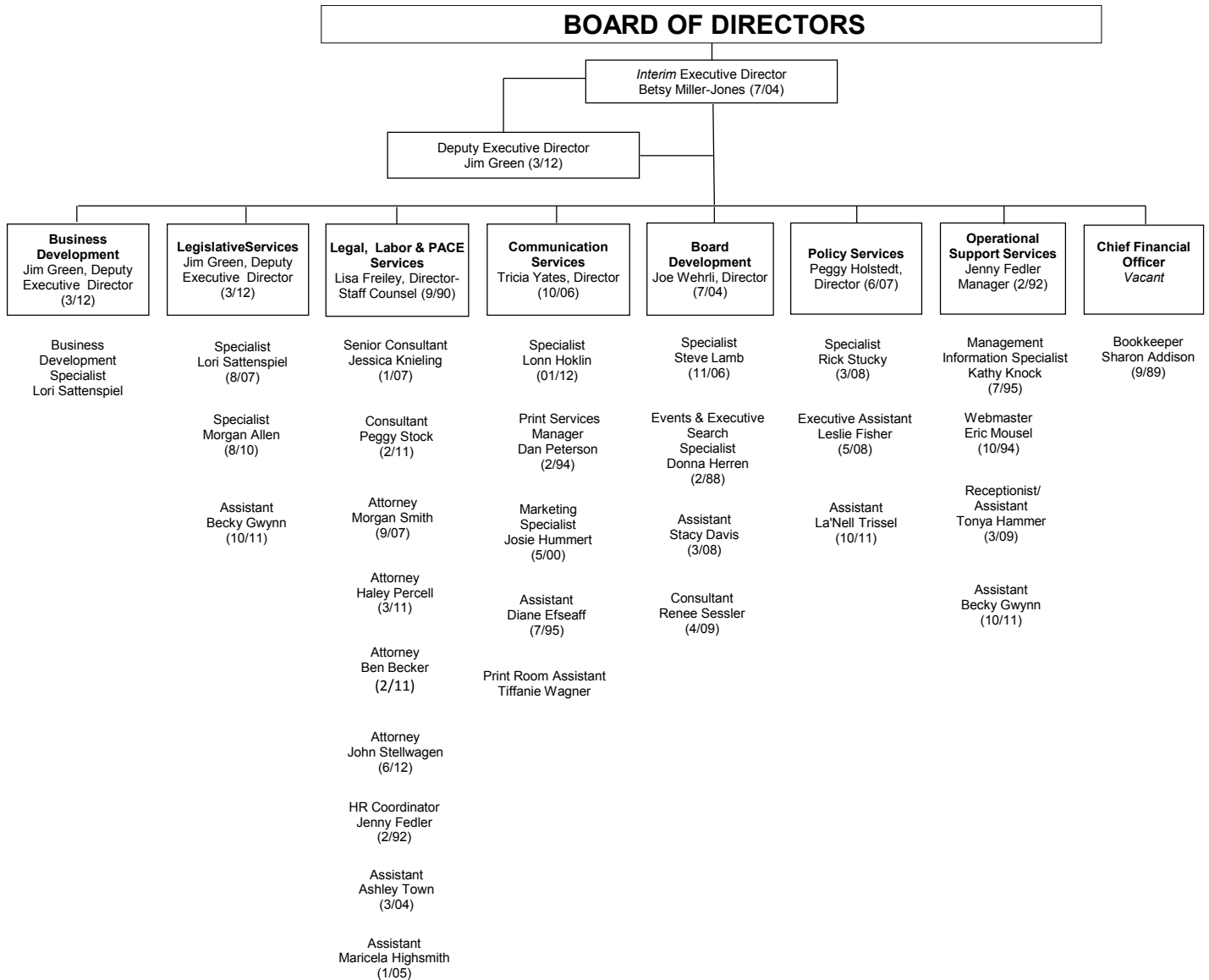
Artemio Paz Jr: Ex-officio

Board Chair, Oregon State Board of Education
255 Capitol St NE
Salem, OR 97310-0203
Email: artemio@apazarchitect.com
Day: 541-744-1018

Jim Harper: Ex-officio

Portland CC Board Member
380 NW Macleay Blvd
Portland, OR 97210-3325
Email: jimdharper@comcast.net
Day: 503-295-1965 Eve: 503-295-1965
Cell: 503-702-4923

Organization Chart



OREGON SCHOOL BOARDS ASSOCIATION

Proposed 2012-13 Budget

2009-10 AUDITED	2010-11 AUDITED		2011-12 PROJECTED ACTUAL	2011-12 ADOPTED BUDGET	2012-13 PROPOSED BUDGET	% of Total	% Change over prior year
700,619	699,493	REVENUES					
2,519,855	2,374,605	Dues	661,965	698,000	678,000	14.92%	-2.87%
		Interest/Investment Earnings	1,720,000	2,250,000	1,585,000	34.87%	-29.56%
		Insurance					
5,972,997	0	Regence BCBSO	0	0	0	0.00%	0.00%
304,400	320,569	Property - PACE	324,000	324,000	324,000	7.13%	0.00%
5,005	0	Life/LTD	0	0	0	0.00%	0.00%
6,282,402	320,569	TOTAL INSURANCE	324,000	324,000	324,000	7.13%	0.00%
		Convention/Conferences					
205,799	225,973	Convention	207,000	253,650	205,500	4.52%	-18.98%
31,620	22,595	Summer Conference	36,750	20,000	28,000	0.62%	40.00%
15,555	17,210	Collective Bargaining	16,635	18,000	14,000	0.31%	-22.22%
7,335	10,357	School Law Conference	0	7,500	7,500	0.17%	0.00%
43,168	25,730	Sustainable Schools	0	40,500	0	0.00%	-100.00%
30,885	12,345	McGrath Training	4,550	18,000	10,000	0.22%	-44.44%
0	500	Leadership Oregon	96	0	0	0.00%	0.00%
7,198	5,275	Misc. Conferences	514	6,000	5,000	0.11%	-16.67%
341,560	319,984	TOTAL CONVENTION/CONFERENCES	265,545	363,650	270,000	5.94%	-25.75%
		Sales of Publications/Subscriptions					
17,050	16,463	School Law Reporter	16,000	16,000	17,000	0.37%	6.25%
106,690	109,164	Policy Subscriptions	115,000	107,000	120,000	2.64%	12.15%
3,500	5,400	Web Hosting	6,000	4,500	4,500	0.10%	0.00%
338	338	Mailing List	75	200	75	0.00%	-62.50%
10,270	8,025	PR in Action	8,500	10,325	8,500	0.19%	-17.68%
7,352	8,626	Handbooks/Calendars	4,500	6,000	6,000	0.13%	0.00%
21,588	27,145	SPOT	30,000	30,000	30,000	0.66%	0.00%
0	0	Boardbook	60,000	42,500	55,000	1.21%	29.41%
11,357	52,047	Miscellaneous	4,925	8,000	8,000	0.18%	0.00%
178,144	227,207	TOTAL SALES OF PUBLICATIONS	245,000	224,525	249,075	5.48%	10.93%
		Contract Services					
3,500	4,000	Contract Analysis	4,000	6,000	6,000	0.13%	0.00%
120,626	64,611	Executive Search	60,000	95,000	60,000	1.32%	-36.84%
235,251	240,545	Human Resource Development	200,000	249,000	200,000	4.40%	-19.68%
5,580	2,231	NAEN	1,000	3,000	0	0.00%	-100.00%
436,710	575,770	Legal Services	740,220	455,625	750,000	16.50%	64.61%
6,200	1,867	Policy Analysis	0	7,000	0	0.00%	-100.00%
120,249	108,743	Policy Revisions/Audits	87,000	100,000	87,000	1.91%	-13.00%
0	0	Lighthouse Grant	0	0	40,000	0.88%	100.00%
60	25,000	Misc. Contract Services	27,000	45,000	21,000	0.46%	-53.33%
6,504	4,983	Contract Printing	5,000	5,000	5,000	0.11%	0.00%
41,172	36,037	Board Development	31,500	31,500	31,000	0.68%	-1.59%
7,535	360	Communications Serv/Focus Grps.	500	500	500	0.01%	0.00%
3,000	3,600	TANS	2,000	4,000	2,000	0.04%	-50.00%
2,113	27,650	FlexFund	41,780	2,100	41,780	0.92%	1889.52%
988,499	1,095,396	TOTAL CONTRACT SERVICES	1,200,000	1,003,725	1,244,280	27.37%	23.97%
133,713	135,408	Rental Income	95,000	110,000	105,000	2.31%	-4.55%
25,000	50,000	Sponsorships	50,000	105,000	80,000	1.76%	-23.81%
24,387	9,851	Miscellaneous	5,000	10,000	10,000	0.22%	0.00%
179,576	(222,041)	Change in FMV of Investments		0	0		
	20,820	Change in FMV-LGC/Sale of Assets		0	0		
11,373,756	5,031,292	TOTAL REVENUES	4,566,510	5,088,900	4,545,355		

OREGON SCHOOL BOARDS ASSOCIATION
Proposed 2012-13 Budget

2009-10 AUDITED	2010-11 AUDITED		2011-12 PROJECTED ACTUAL	2011-12 ADOPTED BUDGET	2012-13 PROPOSED BUDGET	% of Total	% Change over prior year
EXPENDITURES							
Personnel							
2,358,797	2,459,949	Salaries	2,500,048	2,578,363	2,575,096	46.69%	-0.13%
1,105,136	1,152,570	Payroll Assessments/Benefits	1,345,237	1,461,145	1,475,218	26.75%	0.96%
94,334	131,250	Contract Services/Other	80,000	94,000	192,500	3.49%	104.79%
<u>3,558,268</u>	<u>3,743,769</u>	TOTAL PERSONNEL COSTS	<u>3,925,285</u>	<u>4,133,508</u>	<u>4,242,814</u>	<u>76.93%</u>	<u>2.64%</u>
Legislative							
15,954	6,800	Legislative Committee	10,000	12,000	10,000	0.18%	-16.67%
254	2,712	Legislative Highlights/Report	100	24,000	2,800	0.05%	-88.33%
<u>16,208</u>	<u>9,512</u>	TOTAL LEGISLATIVE	<u>10,100</u>	<u>36,000</u>	<u>12,800</u>	<u>0.23%</u>	<u>-64.44%</u>
Travel							
45,166	48,173	Board/Committee (In)	58,000	49,800	49,800	0.90%	0.00%
50,265	52,242	Board/Committee (Out)	50,000	60,000	52,000	0.94%	-13.33%
26,035	28,487	Billable	18,000	30,000	20,500	0.37%	-31.67%
72,932	50,720	Non-billable	45,100	75,000	50,000	0.91%	-33.33%
25,966	29,432	Auto Expenses	30,000	30,000	27,600	0.50%	-8.00%
70,419	47,748	Auto Purchase	24,355	20,000	0	0.00%	-100.00%
6,078	6,844	Lighthouse Project	6,000	10,000	6,000	0.11%	-40.00%
<u>296,861</u>	<u>263,646</u>	TOTAL TRAVEL	<u>231,455</u>	<u>274,800</u>	<u>205,900</u>	<u>3.73%</u>	<u>-25.07%</u>
<u>65,288</u>	<u>67,704</u>	Professional Development	<u>48,545</u>	<u>80,000</u>	<u>94,800</u>	<u>1.72%</u>	<u>18.50%</u>
Publications							
4,695	3,942	PR in Action	4,110	4,714	4,110	0.07%	-12.81%
0	0	Critical Issues	0	5,000	0	0.00%	-100.00%
4,382	3,163	Executive Search	1,500	7,350	6,200	0.11%	-15.65%
0	0	Boardbook	33,000	27,000	33,000	0.60%	22.22%
270	0	Outside Printing	0	500	0	0.00%	-100.00%
1,510	28,629	Miscellaneous Publications	4,600	29,500	4,600	0.08%	-84.41%
<u>10,857</u>	<u>35,734</u>	TOTAL PUBLICATIONS	<u>43,210</u>	<u>74,064</u>	<u>47,910</u>	<u>0.87%</u>	<u>-35.31%</u>
Convention/Conferences Expenses							
172,991	178,201	Convention	169,000	208,540	170,000	3.74%	-18.48%
28,617	18,186	Summer Conference	33,295	23,000	26,000	0.57%	13.04%
8,379	5,759	Collective Bargaining	5,000	8,000	4,000	0.09%	-50.00%
221	986	School Law Conference	500	500	2,000	0.04%	300.00%
27,081	15,139	Sustainable Schools	500	30,000	0	0.00%	-100.00%
24,350	9,645	McGrath Training	5,205	18,000	10,000	0.22%	-44.44%
0	16,168	Leadership Oregon	0	0	30,000	0.66%	100.00%
1,884	2,998	Misc. Conferences	1,500	6,000	3,000	0.07%	-50.00%
<u>263,523</u>	<u>247,082</u>	TOTAL CONVENTION/CONFERENCES	<u>215,000</u>	<u>294,040</u>	<u>245,000</u>	<u>5.39%</u>	<u>-16.68%</u>
Office Expense							
80,317	88,916	Audit, Insurance	88,000	88,000	88,000	1.60%	0.00%
10,147	11,574	Telephone	12,000	12,000	12,000	0.22%	0.00%
0	519	Video Conferencing	2,100	1,000	2,000	0.04%	100.00%
27,983	14,980	Postage	25,000	30,000	25,000	0.45%	-16.67%
40,337	48,841	Supplies/Other Office Expense	25,000	35,000	35,000	0.63%	0.00%
4,989	4,302	Non-consumable Supplies	5,800	12,300	7,400	0.13%	-39.84%
45,545	37,818	Xerox/Impressions	38,000	45,000	38,000	0.69%	-15.56%
11,827	16,741	Computer Hardware	30,000	30,000	28,100	0.51%	-6.33%
4,659	28,376	Computer Software	4,000	4,000	5,000	0.09%	25.00%
1,297	0	Equipment Purchase	0	0	0	0.00%	0.00%
12,173	6,232	Equipment Maintenance	10,000	15,450	22,000	0.36%	0.00%
0	1,085	Staff Recruiting	5,000	5,000	15,000	0.00%	0.00%
<u>239,275</u>	<u>259,384</u>	TOTAL OFFICE EXPENSE	<u>244,900</u>	<u>277,750</u>	<u>277,500</u>	<u>5.03%</u>	<u>-0.09%</u>

OREGON SCHOOL BOARDS ASSOCIATION
Proposed 2012-13 Budget

2009-10 AUDITED	2010-11 AUDITED		2011-12 PROJECTED ACTUAL	2011-12 PROPOSED BUDGET	2012-13 PROPOSED BUDGET	% of Total	% Change over prior year
EXPENDITURES (Continued)							
Dues, Subscriptions, Publications							
75,582	77,381	NSBA	76,550	78,582	76,550	1.39%	-2.59%
7,525	14,866	Dues	15,500	20,000	12,750	0.23%	-36.25%
5,000	0	Dues-Lighthouse Project	0	0	0	0.00%	0.00%
32,690	36,000	Subscriptions, Publications	35,010	44,300	44,850	0.81%	1.24%
<u>120,797</u>	<u>128,247</u>	TOTAL DUES, SUBS., PUBLICATIONS	<u>127,060</u>	<u>142,882</u>	<u>134,150</u>	<u>2.43%</u>	<u>-6.11%</u>
Building							
102,843	90,990	Operations	105,000	110,000	105,000	1.90%	-4.55%
12,000	12,000	Reserve	12,000	12,000	12,000	0.22%	0.00%
<u>114,843</u>	<u>102,990</u>	TOTAL BUILDING	<u>117,000</u>	<u>122,000</u>	<u>117,000</u>	<u>2.12%</u>	<u>-4.10%</u>
2,022	646	Legal Fees	220,000	15,000	50,000	0.91%	233.33%
<u>3,302</u>	<u>1,550</u>	Tech Connections	<u>7,230</u>	<u>7,230</u>	<u>4,100</u>	<u>0.07%</u>	<u>-43.29%</u>
0	0	Depreciation Expense	45,000	45,000	45,000	0.82%	0.00%
422	101	Contingency	500	5,000	500	0.01%	-90.00%
8,102	665	Special Projects	550	10,000	500	0.01%	-95.00%
<u>20,050</u>	<u>43,787</u>	Board of Directors' Projects	37,000	42,000	37,000	0.67%	-11.90%
<u>4,719,818</u>	<u>4,904,818</u>	Continuing Partnerships					
TOTAL EXPENDITURES			<u>5,272,835</u>	<u>5,559,274</u>	<u>5,514,974</u>		
Excess of Revenue Over/(Under)							
6,653,938	126,474	Expenditures	(706,325)	(470,374)	(969,619)		
<u>71,254,279</u>	<u>77,908,217</u>	Unrestricted Beginning Fund Balance				<u>78,034,691</u>	<u>77,564,317</u>
<u>77,908,217</u>	<u>78,034,691</u>	Unrestricted Ending Fund Balance	<u>(706,325)</u>	<u>77,564,317</u>	<u>76,594,698</u>		

Executive Summary: 2012-2013 OSBA Budget

Revenue

Dues

The dues estimate conservatively assumes that either Salem-Keizer or Portland, but not both, will rejoin as members of OSBA. We have seen an increase in charter school memberships in 2011-12. Ten have joined this year, bringing us to a total of 83 of the 115 in Oregon. There have not been any changes made to dues rates since 1998-99.

Interest/Investment Earnings

The projection for fiscal year 2012-13 investment earnings is \$1,560,000. Interest income of \$25,000 is added as well. The investment earnings estimate is down substantially from both the 2011-12 budgeted number of \$2,250,000 and the projected actual 2012-13 investment income of \$1,700,000. Interest rates are projected to remain low through 2013.

Insurance

Property/PACE: OSBA is not requesting a service agreement fee increase from PACE for 2012-13. We received a 3-percent increase in 2011-12. We are holding steady at \$324,000 and working with the PACE board to explain how we spend the funds received to provide direct services to PACE.

Life/LTD: We will not receive any income from this source. The revenue from the health insurance program has ended.

Convention/Conferences

Overall the revenue and expenses for the convention and conferences this year came out with a gain. The revenue for convention was down, but so were expenses. We did not hold the Sustainable Schools conference in 2012 and are projecting not holding it again in 2013. The revenue for Summer Board is budgeted conservatively to reflect a non-election year and the challenging fiscal situation of districts. Leadership Oregon is held in odd-numbered years. We are planning an attendance of 20-25 in 2013, with no charge for participants.

Sales of Publications

Revenue for publications is projected up to reflect the actual experience in 2011-12.

Contract Services

We have increased the projected legal services revenue substantially from the 2011-12 budget.

Estimates are based on projected actual results for 2011-12.

We will receive a \$40,000 grant from ODE for Lighthouse training in four districts.

NAEN has reduced their use of our services.

Miscellaneous includes \$20,000 for the Oregon DATA project.

FLEXFund income is up for 2011-12 and we expect it to continue.

Rental Income

Reflects current experience.

Sponsorships

The revenue expected from the sponsorship program was significantly over-estimated in the budget for 2011-12. We project increased revenues in 2012-13 from what was actually received in 2011-12. The addition of the deputy executive director and his focus on this area provides additional personnel and new resources for sponsorships.

Miscellaneous

This category includes NSBA revenue sharing, PaySchools and Solveras Check Recovery.

Change in FMV

This is an audit entry for unrealized loss or gain (see audited columns for 2009-10 and 2010-11). It is not used for budget purposes.

Expenditures

Salaries

This line item shows a small net decrease over the 2011-12 budget. We are requesting the funding of a CFO position and \$60,000 for salary adjustments and one-time payments to employees. This line item also reflects a reduction in salary of \$14,000 (each, \$28,000 total) for two highly compensated employees, reduction in the salaries for the executive director and deputy director positions from the prior year's budget and the reduction of the position of director of human resources. The net decrease to this line over last year's budget is \$3,267.

Payroll Assessments/Benefits

The actual cost increase in health insurance benefits to OSBA in 2011-12 was 7 percent. The projected increase in cost to OSBA to provide health insurance benefits for employees in 2012-13 is 12 percent. This line item also includes a substantial increase in unemployment insurance. 2011 began the first time that OSBA employees paid out-of-pocket for their family coverage insurance benefits (\$50 per month). Employee payroll deductions began at the end of March 2011 and will continue through 2013.

Contract Services

We anticipate a substantial increase in contracted services for 2012-13.
\$50,000 for executive search services for an Executive Director.
\$30,000 for a contract attorney, and contract superintendent search services.
\$50,000 for contract survey (values and beliefs and member survey) services.
\$15,000 for contract graphic design and other communications services.
\$30,000 for support services for investment and trusts fees.
\$17,500 for facilitation and technology services.

Legislative Committee

This line covers the cost of the LPC meetings. The line has been adjusted to reflect actual experience.

Legislative Highlights/Report

Last year marked the first year that we have produced this publication electronically. Going into a session year we have adjusted the dollar figure up slightly to allow for some print publications.

Travel

Adjusted down to reflect actual expenses in 2011-12 and no new auto purchase.

Professional Development

We have increased professional development to \$3,800 per professional staff, \$2,200 for mid level staff, and \$800 for assistants. We have a substantial number of staff in new positions and need to increase their knowledge and exposure to new information.

Publications

No significant changes are expected in this area. Adjustments reflect actual experience in 2011-12.

Convention/Conference Expenses

Leadership Oregon is offered every two years. We have included it in the budget for 2012-13. Sustainable Schools will not be held. Other adjustments reflect actual experience. In most cases both revenue and expenditures are down slightly for events.

Office Expense

Expenses have been estimated using the prior year's actual expenses. We have included an additional \$10,000 in the recruitment line for transition of an incoming executive director (moving expenses). Equipment maintenance includes software licenses and maintenance for MAS 90, CRM, Sitecore, Microsoft, Malwarebytes and the computer server.

Dues, Subscriptions, Publications

NSBA dues and subscriptions and publications will remain roughly the same as the prior year. Individual dues have decreased.

Building

Slight decrease in expenses anticipated from last year's budget, reflecting actual experience.

Legal Fees

We are budgeting \$50,000. \$15,000 is for the expected use of outside legal counsel for routine OSBA matters. \$35,000 is for expenses related to the January 2012 terminations.

Tech Connections

This expense is due to the necessary renewal of our firewall and spam appliance maintenance services. It is based on current experience and expected charges.

Depreciation Expense

This is an audit entry. It is not used for budget purposes.

Contingency

No change anticipated.

Special Projects

No specific project is currently identified.

Board of Directors' Projects

No current projects.

Continuing Partnerships

Decreased by \$5,000 from 2011-12 budget to reflect reduced CFEE scholarships. Planned break-out: equity work \$10K; PTA \$10K; OLN \$10K; Center for Public Ed \$5K; ODE and Small Schools.

This budget proposal anticipates using \$969,619 from reserves for the 2012-13 fiscal year.

The prior three budgets have anticipated using funds from reserves. Even as early as 2004-05 budgets have planned to spend out of reserves. Reserves were not actually used until the 2011-12 year. We are currently looking at using about \$706,000 by the end of the 2011-12 year. The budgeted amount to be taken from reserves was \$443,373. The bulk of the additional funds needed result from unplanned outside legal expenses due to the termination of three employees, and a reduction in investment income.

How to Read the Five-Year Budget Projections

What the Projections Say

All four scenarios deal with revenues, expenditures, fund balance and unrestricted reserves presented under different assumptions. Descriptions of the **assumptions** appear in two or three numbered sentences at the top of each page.

The first two columns provide the **actual results** for 2009-10 and 2010-11; these are the audited amounts for those years.

The third column, **projected current year 2011-12**, shows a best estimate of the revenues and expenditures expected to occur for the year ending June 30, 2012.

The fourth column, shaded gray, summarizes the **proposed budget for 2012-13**.

The remaining five columns project the next five years of revenues and expenditures under varying assumptions about the interest rates. All four scenarios show identical **expenditures**, which were projected on the assumption that costs increase by 4.0 percent each year.

The scenarios reflect different interest rate assumptions:

Worst Case—Scenario #1 assumes that the amount of interest proposed for the next year’s budget remains \$1,585,000 for the next five years. While potential changes in the investment policies and improvements in the economy make it unlikely this scenario would occur, it does show what happens as expenditures increase while revenues remain flat.

Conservative Case—Scenario #2 assumes that interest rates increase to 3.0 percent by 2014-15, 3.5 percent by 2015-16, 4.0 percent by 2016-17, and 4.5 percent by 2017-18.

Breakeven Case for Revenues and Expenditures—Scenario #3 provides an example of how interest rates could increase to generate enough revenues to cover expenditures by 2016-17.

Breakeven Case for Restoring Fund Balance—Scenario #4 shows that if interest rates were to rise to 4.0 percent by 2014-15, and then increase by 0.5 percent each year thereafter, the fund balance would be restored to the current year level by 2017-18.

A summary of the impact on **unrestricted reserves** of other interest rate assumptions appears in two tables on a separate page.

What the Projections Mean

- The Budget reflects a revenue shortfall of almost \$1.0 million in 2012-13. The Worst Case Scenario demonstrates that spending reserves to avoid drastic budget cuts are sustainable for another couple of years, while still maintaining unrestricted reserves at a level above 100 percent of expenditures. As better information about interest rates becomes available in the future, the association will have time to make any necessary changes and maintain fiscally prudent reserve levels. (*Worst Case – Scenario #1 and Conservative Case – Scenario #2*)
- If interest rates do not rise as expected, the association may manage expenditures to keep them from increasing at a rate of 4.0 percent each and every year. Timely budget forecasting and planning will accompany this monitoring.
- If interest rates rise to 5.0 percent by 2016-17, and if no other changes occur in other revenue line items, the association will have enough revenues to cover expenditures and stop deficit spending without cutting services. (*Breakeven Case – Scenario #3*)
- If interest rates rise to 4.5 percent by 2014-15 and continue to increase another 0.5 percent each year thereafter, the unrestricted reserve balance will return to the current level of \$9.0 million by 2016-17. (*Breakeven Case – Scenario #4*)
- Even if interest rates rise to only 4.0 percent by 2014-15 and continue to increase another 0.5 percent each year thereafter, the unrestricted reserve balance will almost return to the current level of \$9 million by 2017-18. (*Alternative Scenario L*)
- The sooner interest rates begin increasing, the less negative impact reserve balances will endure. Alternatively, the longer the delay before interest rates start increasing, the greater the negative impact on reserve balances, unless the association implements other cost-saving measures.
- The faster interest rates increase, the sooner reserve balances will return to current-year levels and the fewer the number of years for which reserves may be tapped. (*Alternative Scenario G, for example*)

Corrective action may occur at any time, if interest rates do not rise as expected.

OSBA Five-Year Budget Projections
Worst Case - Scenario #1

This Worst Case Scenario is based on the following assumptions:

1. Interest rates do not increase over the 5-year period, so Insurance Trust revenue remains flat at \$1.585 million per year
2. Personnel, Operating, and Services Costs increase at 4% per year

	Final Audited					Proposed Budget 2012-13	Projected							
	Actual Results 2009-10	Actual Results 2010-11	Projected Current Year 2011-12	2012-13	2013-14		2014-15	2015-16	2016-17	2017-18				
Revenues														
Insurance Trust	2,656,704	2,152,564	1,720,000	1,585,000	1,585,000	2.09%	1,585,000	1,585,000	1,585,000	1,585,000	1,585,000	1,585,000	1,585,000	1,585,000
Regence BCBSO	5,976,002													
Dues	700,619	699,493	661,965	678,000	678,000		678,000	678,000	678,000	678,000	678,000	678,000	678,000	678,000
Other Revenues	1,997,703	2,179,235	2,184,545	2,283,355	2,283,000		2,283,000	2,283,000	2,283,000	2,283,000	2,283,000	2,283,000	2,283,000	2,283,000
Total Revenues	11,331,028	5,031,292	4,566,510	4,545,355	4,546,000		4,546,000	4,546,000	4,546,000	4,546,000	4,546,000	4,546,000	4,546,000	4,546,000
Expenditures														
Personnel Costs	3,558,267	3,743,769	3,925,285	4,242,814	4,412,500	4.0%	4,589,000	4,772,600	4,963,500	5,162,000	5,363,000	5,568,000	5,773,000	5,978,000
Operating Costs	869,222	868,721	1,077,450	982,160	1,021,400		1,062,300	1,104,800	1,149,000	1,195,000	1,241,000	1,287,000	1,333,000	1,379,000
Services Costs	292,328	292,328	225,100	245,000	254,800		265,000	275,600	286,600	298,100	309,700	321,300	332,900	344,500
Contingency			45,000	45,000	45,000		45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Total Expenditures	4,719,817	4,904,818	5,272,835	5,514,974	5,733,700		5,961,300	6,198,000	6,444,100	6,690,000	6,936,000	7,182,000	7,428,000	7,674,000
<i>percentage increase compared to prior year</i>		3.92%	7.50%	4.59%	3.97%		3.97%	3.97%	3.97%	3.97%	3.97%	3.97%	3.97%	3.97%
Revenue Greater (Less) Than Expense	6,563,579	126,474	(706,325)	(969,619)	(1,187,700)		(1,415,300)	(1,652,000)	(1,898,100)	(2,144,000)	(2,390,000)	(2,636,000)	(2,882,000)	(3,128,000)
Beginning Fund Balance	21,063,587	77,908,217	78,034,691	75,843,366	74,873,747		73,686,047	72,270,747	70,618,747	68,720,647	66,566,547	64,412,447	62,258,347	60,104,247
Endowment Principal	50,281,051		(1,485,000)											
Adjust to Cash Basis (without net unrealized gain)														
Ending Fund Balance	77,908,217	78,034,691	75,843,366	74,873,747	73,686,047		72,270,747	70,618,747	68,720,647	66,566,547	64,412,447	62,258,347	60,104,247	57,950,147
Endowment Principal		50,000,000	50,000,000	50,000,000	50,000,000		50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Restricted Reserves		15,762,867	15,762,867	15,762,867	15,762,867		15,762,867	15,762,867	15,762,867	15,762,867	15,762,867	15,762,867	15,762,867	15,762,867
Unrestricted Reserves	12,271,824	12,271,824	10,080,499	9,110,880	7,923,180		6,507,880	4,855,880	2,957,780	1,104,780	(69,000)	(1,104,000)	(2,108,000)	(3,113,000)
<i>as a percent of Total Expenditures</i>	250.2%	250.2%	191.2%	165.2%	138.2%		109.2%	78.3%	45.9%	12.0%	(2.4%)	(4.9%)	(8.4%)	(12.0%)
Ending Fund Balance	78,034,691	75,843,366	74,873,747	73,686,047	72,270,747		70,618,747	68,720,647	66,566,547	64,412,447	62,258,347	60,104,247	57,950,147	55,796,047

**OSBA Five-Year Budget Projections
Conservative Case - Scenario #2**

The Conservative Case Scenario is based on the following assumptions:

1. Interest rates rise to 3.0% in 2014-15 and increase another 0.5% each year thereafter
2. Personnel, Operating, and Services Costs increase at 4% per year

	Final Audited		Projected						
	Actual Results 2009-10	Actual Results 2010-11	Projected Current Year 2011-12	Projected Budget 2012-13	Projected 2013-14	Projected 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18
Revenues									
Insurance Trust	2,656,704	2,152,564	1,720,000	1,585,000	1,585,000	2,210,600	2,551,400	2,888,400	3,222,700
Regence BCBSO	5,976,002								
Dues	700,619	699,493	661,965	678,000	678,000	678,000	678,000	678,000	678,000
Other Revenues	1,997,703	2,179,235	2,184,545	2,282,355	2,283,000	2,283,000	2,283,000	2,283,000	2,283,000
Total Revenues	11,331,028	5,031,292	4,566,510	4,545,355	4,546,000	5,171,600	5,512,400	5,849,400	6,183,700
Expenditures									
Personnel Costs	3,558,267	3,743,769	3,925,285	4,242,814	4,412,500	4,589,000	4,772,600	4,963,500	5,162,000
Operating Costs	869,222	868,721	1,077,450	982,160	1,021,400	1,062,300	1,104,800	1,149,000	1,195,000
Services Costs	292,328	292,328	225,100	245,000	254,800	265,000	275,600	286,600	298,100
Contingency			45,000	45,000	45,000	45,000	45,000	45,000	45,000
Total Expenditures	4,719,817	4,904,818	5,272,835	5,514,974	5,733,700	5,961,300	6,198,000	6,444,100	6,700,100
<i>percentage increase compared to prior year</i>		3.92%	7.50%	4.59%	3.97%	3.97%	3.97%	3.97%	3.97%
<i>Depreciation</i>	(47,632)								
Revenue Greater (Less) Than Expense	6,563,579	126,474	(706,325)	(969,619)	(1,187,700)	(789,700)	(685,600)	(594,700)	(516,400)
Beginning Fund Balance	21,063,587	77,908,217	78,034,691	75,843,366	74,873,747	73,686,047	72,896,347	72,210,747	71,616,047
Endowment Principal	50,281,051		(1,485,000)						
Adjust to Cash Basis (without net unrealized gain)			75,843,366	74,873,747	73,686,047	72,896,347	72,210,747	71,616,047	71,099,647
Ending Fund Balance	77,908,217	78,034,691	75,843,366	74,873,747	73,686,047	72,896,347	72,210,747	71,616,047	71,099,647
Endowment Principal		50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Restricted Reserves		15,762,867	15,762,867	15,762,867	15,762,867	15,762,867	15,762,867	15,762,867	15,762,867
Unrestricted Reserves	12,271,824	12,271,824	10,080,499	9,110,880	7,923,180	7,133,480	6,447,880	5,853,180	5,336,780
<i>as a percent of Total Expenditures</i>	250.2%	250.2%	191.2%	165.2%	138.2%	119.7%	104.0%	90.8%	79.7%
Ending Fund Balance	78,034,691	75,843,366	75,843,366	74,873,747	73,686,047	72,896,347	72,210,747	71,616,047	71,099,647

**OSBA Five-Year Budget Projections
Breakeven Case for Revenues and Expenditures - Scenario #3**

This Breakeven Case Scenario shows interest rates rising such that revenues are enough to cover expenditures by 2016-17. It is based on the following assumptions:
 1. Interest rates rise to 3.5% in 2014-15, increase to 4.25% in 2015-16, increase to 5.0% in 2016-17 and increase to 5.2% in 2017-18
 2. Personnel, Operating, and Services Costs increase at 4% per year

	Final Audited		Final Audited						
	Actual Results 2009-10	Actual Results 2010-11	Projected Current Year 2011-12	Projected Budget 2012-13	Projected 2013-14	Projected 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18
Revenues									
Insurance Trust	2,656,704	2,152,564	1,720,000	1,585,000	1,585,000	2,579,000	3,113,800	3,657,100	3,812,400
Regence BCBSO	5,976,002								
Dues	700,619	699,493	661,965	678,000	678,000	678,000	678,000	678,000	678,000
Other Revenues	1,997,703	2,179,235	2,184,545	2,282,355	2,283,000	2,283,000	2,283,000	2,283,000	2,283,000
Total Revenues	11,331,028	5,031,292	4,566,510	4,545,355	4,546,000	5,540,000	6,074,800	6,618,100	6,773,400
Expenditures									
Personnel Costs	3,558,267	3,743,769	3,925,285	4,242,814	4,412,500	4,589,000	4,772,600	4,963,500	5,162,000
Operating Costs	869,222	868,721	1,077,450	982,160	1,021,400	1,062,300	1,104,800	1,149,000	1,195,000
Services Costs	292,328	292,328	225,100	245,000	254,800	265,000	275,600	286,600	298,100
Contingency			45,000	45,000	45,000	45,000	45,000	45,000	45,000
Total Expenditures	4,719,817	4,904,818	5,272,835	5,514,974	5,733,700	5,961,300	6,198,000	6,444,100	6,700,100
<i>percentage increase compared to prior year</i>		3.92%	7.50%	4.59%	3.97%	3.97%	3.97%	3.97%	3.97%
<i>Depreciation</i>	(47,632)								
Revenue Greater (Less) Than Expense	6,563,579	126,474	(706,325)	(969,619)	(1,187,700)	(421,300)	(123,200)	174,000	73,300
Beginning Fund Balance	21,063,587	77,908,217	78,034,691	75,843,366	74,873,747	73,686,047	73,264,747	73,141,547	73,315,547
Endowment Principal	50,281,051		(1,485,000)						
Adjust to Cash Basis (without net unrealized gain)			75,843,366						
Ending Fund Balance	77,908,217	78,034,691	75,843,366	74,873,747	73,686,047	73,264,747	73,141,547	73,315,547	73,388,847
Endowment Principal		50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Restricted Reserves		15,762,867	15,762,867	15,762,867	15,762,867	15,762,867	15,762,867	15,762,867	15,762,867
Unrestricted Reserves	12,271,824	10,080,499	10,080,499	9,110,880	7,923,180	7,501,880	7,378,680	7,552,680	7,625,980
<i>as a percent of Total Expenditures</i>	250.2%	191.2%	165.2%	138.2%	125.8%	119.0%	117.2%	113.8%	113.8%
Ending Fund Balance	78,034,691	75,843,366	74,873,747	73,686,047	73,264,747	73,141,547	73,315,547	73,388,847	73,388,847

**OSBA Five-Year Budget Projections
Breakeven Case for Restoring Fund Balance - Scenario #4**

This Breakeven Case Scenario is one example of interest rate increases that would restore fund balance after 3 years of deficit spending. It is based on the following assumptions:

1. Interest rates rise to 4.5% in 2014-15 and increase 0.5% each year thereafter.
2. Personnel, Operating, and Services Costs increase at 4% per year

	Final Audited		Final Audited							
	Actual Results 2009-10	Actual Results 2010-11	Projected Current Year 2011-12	Projected Budget 2012-13	Projected 2013-14	Projected 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	
Revenues										
Insurance Trust	2,656,704	2,152,564	2,200,000	1,585,000	1,585,000	3,315,900	3,700,100	4,095,600	4,504,600	6.00%
Regence BCBSO	5,976,002		1,720,000							
Dues	700,619	699,493	661,965	678,000	678,000	678,000	678,000	678,000	678,000	
Other Revenues	1,997,703	2,179,235	2,184,545	2,282,355	2,283,000	2,283,000	2,283,000	2,283,000	2,283,000	
Total Revenues	11,331,028	5,031,292	4,566,510	4,545,355	4,546,000	6,276,900	6,661,100	7,056,600	7,465,600	
Expenditures										
Personnel Costs	3,558,267	3,743,769	3,925,285	4,242,814	4,412,500	4,589,000	4,772,600	4,963,500	5,162,000	4.0%
Operating Costs	869,222	868,721	1,077,450	982,160	1,021,400	1,062,300	1,104,800	1,149,000	1,195,000	
Services Costs	292,328	292,328	225,100	245,000	254,800	265,000	275,600	286,600	298,100	
Contingency			45,000	45,000	45,000	45,000	45,000	45,000	45,000	
Total Expenditures	4,719,817	4,904,818	5,272,835	5,514,974	5,733,700	5,961,300	6,198,000	6,444,100	6,700,100	
<i>percentage increase compared to prior year</i>		3.92%	7.50%	4.59%	3.97%	3.97%	3.97%	3.97%	3.97%	
Revenue Greater (Less) Than Expense	6,563,579	126,474	(706,325)	(969,619)	(1,187,700)	315,600	463,100	612,500	765,500	
Beginning Fund Balance	21,063,587	77,908,217	78,034,691	75,843,366	74,873,747	73,686,047	74,001,647	74,464,747	75,077,247	
Endowment Principal	50,281,051		(1,485,000)							
Adjust to Cash Basis (without net unrealized gain)										
Ending Fund Balance	77,908,217	78,034,691	75,843,366	74,873,747	73,686,047	74,001,647	74,464,747	75,077,247	75,842,747	
Endowment Principal		50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	
Restricted Reserves		15,762,867	15,762,867	15,762,867	15,762,867	15,762,867	15,762,867	15,762,867	15,762,867	
Unrestricted Reserves	12,274,824	12,271,824	10,080,499	9,110,880	7,923,180	8,238,780	8,701,880	9,314,380	10,079,880	
<i>as a percent of Total Expenditures</i>		250.2%	191.2%	165.2%	138.2%	138.2%	140.4%	144.5%	150.4%	
Ending Fund Balance	78,034,691	75,843,366	75,843,366	74,873,747	73,686,047	74,001,647	74,464,747	75,077,247	75,842,747	

OSBA Five-Year Budget Projections
Alternative Scenarios

	Final Audited Actual Results 2009-10	Final Audited Actual Results 2010-11	Projected Current Year 2011-12	Proposed Budget 2012-13	Projected 2013-14	Projected 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18
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Impact on Unrestricted Reserves

If interest rates increase to the percentage below in 2014-15 and remain flat for the following three years:

A	2.00% Worst Case	12,271,824 250.2%	10,080,499 191.2%	9,110,880 165.2%	7,923,180 138.2%	6,507,880 109.2%	4,855,880 78.3%	2,957,780 45.9%	803,680 12.0%
B	2.50%				6,765,080 113.5%	5,341,280 86.2%	3,635,780 56.4%	1,631,680 24.4%	
C	3.00%				7,133,480 119.7%	6,083,380 98.2%	4,755,680 73.8%	3,132,180 46.7%	
D	3.50%				7,501,880 125.8%	6,829,180 110.2%	5,886,780 91.4%	4,655,380 69.5%	
E	4.00%				7,870,280 132.0%	7,578,580 122.3%	7,029,180 109.1%	6,201,780 92.6%	
F	4.50%				8,238,780 138.2%	8,331,880 134.4%	8,183,080 127.0%	7,771,580 116.0%	
G	5.00%				8,607,180 144.4%	9,088,680 146.6%	9,348,180 145.1%	9,364,680 139.8%	

If interest rates increase to the percentage below in 2014-15 and increase 0.5% each year thereafter:

H	2.00% Worst Case	12,271,824 250.2%	10,080,499 191.2%	9,110,880 165.2%	7,923,180 138.2%	6,507,880 109.2%	4,855,880 78.3%	2,957,780 45.9%	803,680 12.0%
I	2.50%				6,765,080 113.5%	5,703,880 92.0%	4,722,080 73.3%	3,802,380 56.8%	
J	3.00% Conservative Case - Scenario #2				7,133,480 119.7%	6,447,880 104.0%	5,853,180 90.8%	5,336,780 79.7%	
K	3.50%				7,501,880 125.8%	7,195,480 116.1%	6,995,480 108.6%	6,894,280 102.9%	
L	4.00%				7,870,280 132.0%	7,946,780 128.2%	8,149,180 126.5%	8,475,280 126.5%	
M	4.50% Breakeven Case - Scenario #4 restores fund balance				8,238,780 138.2%	8,701,880 140.4%	9,314,380 144.5%	10,079,880 150.4%	
N	5.00%				8,607,180 144.4%	9,460,580 152.6%	10,490,880 162.8%	11,708,280 174.7%	



1201 Court St NE, Ste 400, Salem, Oregon 97301
PO Box 1068, Salem, Oregon 97308
www.osba.org
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503-588-2800 or 800-578-6722