



RIO RANCHO PUBLIC SCHOOLS

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"Student Excellence"

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September 22, 2008

Dear Colleagues,

As you have probably heard, Rio Rancho Public Schools is facing a budget shortfall this year. This shortfall has been building for several years and we are now facing some difficult decisions. The number one goal is to cut "things" rather than "people." The district is trying to maintain full employment rather than deal with a RIF (reduction-in-force).

While our situation is serious, it is not catastrophic. We must reduce or operational budget of \$107 million by about \$4 million immediately. Since salaries, benefits, insurance and utilities add up to \$100,500,000, this limits our options in making budget cuts.

In the past several days, our finance department has been working hard to identify potential savings. I want to emphasize that we are in a difficult situation and we will be asking schools and departments to:

- Reduce supplies and materials
- Reduce travel
- Reduce some, not all, stipends
- Reduce utility bills (Everyone can really help out here!)
- Limit out-of-state student travel

Historically, when the district has faced tough financial times, we have been able to keep everyone employed, and we are optimistic we can do so this time. However, if we are unable to hold the line on our expenses, we would have to consider RIFs as a last resort. In other words, the district must be successful in cutting expenses or our friends and colleagues will lose their jobs. Obviously, everyone's job is important to them.

How did we get into this situation? The primary factor in our budget shortfall, and those of districts statewide, is the lack of sufficient public school funding. A recent study completed by American Institute for Research which was commissioned by the New Mexico Legislature showed New Mexico to be under funding its schools on an average of 15%. The numbers for Rio Rancho Public Schools show that we are currently under funded by \$10 million dollars. Statewide, the under funding amounts to at least \$350 - \$400 million.

This situation has been exacerbated by growth and the lack of startup funding for new schools—and we opened three new buildings this year. It is expensive to open new buildings and districts that are opening new campuses are at a real disadvantage. The state funding formula funds districts on a per-student basis. Districts opening new schools have expenses that other districts do not -- but they do not receive any extra money to help with those costs. Many states pay for a one-time start-up cost for any new building.

We anticipated a slowdown in growth when budgeting and hiring this year, and the slowdown materialized. Historically, growth has made our job more difficult, but ironically this year we did not grow

enough. According to our calculations, school districts must grow at a rate of about 6% per year to “break even” on growth funding, and we grew by slightly more than 2% this year. Some 160 of the approximately 350 students we grew by will be funded by the state at only one-half unit/student, as opposed to the Rio Rancho average of about 1.72 units/student. This is because the state’s funding formula funds the first 1% of growth at only .5, instead of the unit value growth students generate plus an additional half-unit.

The other major reason for our financial shortfall has been mandated raises and the Three-Tier Licensure process. These measures have helped to provide a living wage for teachers and we fully supported them, but have not always received sufficient funding to pay for them. For example, during the five-year implementation of Three-Tier Licensure only once did the district receive adequate revenue to fully fund those raises. This year, the cost to the district of salary adjustments for staff members changing levels was about \$1 million. Over time, these factors have eroded our cash reserves. Again, let me reiterate, Three-Tier Licensure is necessary and well-deserved by our hardworking staff, but it should have been sufficiently funded by the state.

The cumulative effect has put Rio Rancho Public Schools -- and many other districts across the state -- in a precarious financial position. Las Cruces has reduced its staff by 350 positions this year. (They are the second largest district; we are the third largest in the state.) Not only are times tough for districts across New Mexico, but many school districts across the country are in dire straits.

We have received some questions about increases in insurance premiums. Rio Rancho Public Schools and all other school districts in the state except Albuquerque are part of the New Mexico Public Schools Insurance Authority (NMPSIA). Premiums are set by NMPSIA, and RRPS has no control over premium increases. Albuquerque is not part of NMPSIA and is self-insured. Their premiums did not increase this year, but it is our understanding that their premiums are higher than ours.

If the Rio Rancho Public School community will pull together, we will get past this difficult financial situation. Our budget situation is serious, but we can certainly deal with a 4% reduction. When we started this district fourteen years ago, we had almost nothing, but some pretty wonderful people. The district can find a way to get through this.

At this time, we have many families in our community without jobs, without benefits, and who facing many challenges. We can deal with our shortfall with dignity and compassion. I think it is also important to recognize that many of our students’ families may be facing serious budget issues as well.

Thank you for all that you do for our schools. We will do the very best that can be done to minimize the impact, but still make the cuts needed to balance the budget this year. Your assistance is appreciated. We will be sharing ideas with you on how you can help, and we are open to your suggestions.

Sincerely,

A handwritten signature in cursive script that reads "V. Sue Cleveland".

V. Sue Cleveland, Ed. D.
Superintendent of Schools