

We passed a preliminary 2013-2014 budget in March and continue to refine it. That means that budget season is now in high gear. Of course working on the budget makes me think of Halloween. Halloween? Well, it makes me think of a particular Halloween.

I don't remember exactly how old I was, but it was the year that my parents decided I was old enough to trick or treat outside my immediate neighborhood. I was allowed to go visit the homes along the route of my daily 10 block walk to school (with mother in tow, of course). I remember that it was a cold and damp night - light drizzle and wet sidewalks. I also remember my excitement as I thought about how much candy I would have at the end of the night - probably 30-40 more candy bars than previous years.

When I got home, I ran to the living room to inventory my haul. I dumped the contents of my trick or treat bag onto the carpet. Suddenly, my excitement for a glycemic high was shattered. Where was all the candy? I knew there had to be more!

Back in those days I was even lower to the ground than I am now and my height, combined with my paper shopping bag and wet sidewalks, meant that the bag touched the sidewalk enough that the moisture and friction put a hole in one corner of the bag. As I collected my treats from homes, I unknowingly deposited previous acquisitions on the sidewalks, leaving a trail of confectionary bread crumbs. Sure enough, on my walk to school the next day, the evidence of my loss insulted my injury as I counted the trampled candy bars that had escaped on what was to be my night of Halloween glory!

My perforated bag is a metaphor for the collection of budget savings through my tenure as superintendent. The first budget under my watch, the 2011-2012 budget, was one million dollars *less than* the 2010-2011 budget. Considering it started at a 2.1 million dollar deficit, that was quite an accomplishment achieved by our employees picking up greater costs of health care, cuts to non-instructional personnel and significant cuts to the maintenance budget. The budget for 2012-2013 also faced challenges. By switching our third party health care administrator from Highmark to Health America, we chiseled out \$350,000 in annual savings. We also lowered operating costs by \$300,000 by not replacing three retired central administrators.

All these cuts came with pain and complications. But the hope was that lower operating costs would make future budgeting easier. This year should be easier, right? Not when new challenges come that make you feel like you are collecting savings in a bag with the corner missing.

This year's challenge comes in the form of the Affordable Health Care Act. I know that there are widely varied opinions about this law and my purpose is not to add to them. My purpose is to briefly explain the impact this will have on our budget.

You first need to understand that the law is 1,000 pages long. It is expected that the IRS, which has been charged with the implementation of the law, will produce 100,000 pages of guidelines to implement the law. Given this large task, guidelines are coming out slowly and many things are still unsettled. Our business manager, Jeff Fox, has been immersed in the guidelines we have to date. He has spent many hours keeping up with the latest and I fear he may be driven mad by it all.

The biggest issue for us will be the 66 part time employees that currently do not receive health benefits. Schools have numerous employees who only work 180 days per year for less than a full day. The law is redefining full-time work to be 30 hours per week and does not recognize the three month break as mitigation of the full time status awarded. If an employee works 30 hours per week, she is entitled to health care (per the current guidelines). The regulations may impact substitute teachers as well. What we do in the 13-14 school year will be the "look back period" for how we will be charged in the 14-15 school year. If we make no changes and continue to operate as we have, a penalty of \$720,000 would be assessed. If we provide health care to all part time employees redefined as full time in the law, it will cost an additional \$462,000 per year.

The preliminary budget has a \$900,000 deficit and includes an additional \$400,000 for new health care costs to part time employees. It includes a small tax increase at about the same millage as last year's increase. We have been reworking the structure of our part time employees and believe we can get that \$400,000 down to \$120,000. We also are working at reducing costs in other areas (preliminary budgets include everybody's wish list and these days, wishes DO NOT come true).

The restructuring of our part time staff is going to be a major overhaul. At the core, we are combining part time positions to become full time since we will want to lower the number of people receiving health care. In certain areas such as classroom aids and personal care attendants, we believe a change was in order even without the new health care law. Other areas don't need the change quite as much; but, it is coming nonetheless.

We will continue to do our best to honor the law while treating our employees and taxpayers fairly. This law is evolving and after you read this letter, a new guideline could make what I said inaccurate.

We will continue to look for savings anywhere we can find them because an expense eliminated this year, may slip out the hole in the bag when another expense takes its place next year. Trick or treat!