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# BUDGET FRICH CRISIS

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*Special Edition*

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Since news of the current budget crisis first broke a couple weeks ago, we, the editorial staff here at FRICH, have been on a mission. Our goal was to gain a complete and accurate understanding of the district's current financial problems, and to share that understanding with you, the reader. It's been an interesting project. We've talked to teachers, administrators, School Board members, and district executives. We've dealt with irate parents, apologetic officials, misinformed students, and even one picket line organizer. We've attended meetings, we've conducted interviews, we've chatted with Times-Call and Daily Camera reporters covering the same issue, and we've even talked over Blimpie's with Randy Zila, superintendent of the St. Vrain Valley School District. We now present to you the fruits of our labor over the past weeks. Here are the facts, the concerns, and our best responses to them. Stay tuned to FRICH as our investigations continue.

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## **The Problem**

We all know that the district ran out of money, but how? Bad accounting. Ken Kirkland, the district's former Assistant Superintendent for Business Services, and Walker Nielsen, the recently-resigned finance director, are the two most often blamed for all of the problems. It all began with overstating the beginning balances of the district's general fund. The School Board was told that they had more money than they actually did, so they decided to spend more money, and, you guessed it, spending money where there is none doesn't work. To make matters worse, mistakes were made when planning the budgets for the last two school years. Between overestimating the numbers of students, which resulted in receiving less per-pupil revenues than expected, underestimating the number of teachers, which resulted in spending more on salaries than expected, and a number of other calculation errors, the district ended up spending so much money that it actually ended the 2001-2002 fiscal year in debt. To keep the schools from shutting down, the district has applied for a number of loans from the state's interest-free loan program. This presents a problem since we're borrowing more money than we can pay back this year. Another problem is that the district is currently in violation of a statute that requires them to keep a certain percent of their money in reserve. No word on the consequences of this yet.

## **The Solution... Sorta**

Michael Coffman, the State Treasurer, initially told district officials that he will not grant us any more loans until an acceptable new budget and payment plan have been submitted to him and been approved. By the end of this week, the district was supposed to provide the state treasurer's office with their new budget, which Mr. Coffman would then approve, and the district would get a \$9.8 million loan to make payroll on the 20th and meet other obligations for December. But after the district began creating a budget last week that Coffman didn't approve of, he realized that if the budget presented on Friday wasn't any better, he'd be caught between a rock (not paying teachers and risking them all quitting) and a hard place (approving a plan in which students suffer). Since Coffman knew what he wanted to see in the new budget (cuts closer to administration than to students), he assigned two of his advisers, Dick Murphy and Raymond Kieft, to the district to basically make our new budget. That way, we get the loan, teachers get paid on the 20th, and Coffman is assured that cuts happen far away from the classroom.

## **After we get this loan, are we in the clear?**

Not quite. Remember, we're only asking for this money to meet the obligations in December. It is expected that, come January, we will be asking for about another \$4 million to meet payroll, and a similar amount will be requested in February. As far as we can tell, these loans should be granted with few problems (compared to this month's issues). Why haven't you heard much about these additional loans, you ask? The district's been conveniently not

mentioning them very often, probably in an effort to make the situation appear less dire. All of the loans will mostly be repaid when the district receives its state property tax money around the beginning of March. However, the tax revenue won't pay for all of our debt; we'll still owe the state \$13.8 million if this year's budget finished unchanged. Superintendent Zila stated that he hopes to make up this deficit in a span of two to three years, starting this year. Now the state's in charge, though, it's completely up to them to say how much of this \$13.8 million will be due, when it'll be due, and from where the cuts will come.

## **Where will they cut these millions of dollars?**

Reductions will be made all around the district wherever possible, and every penny saved will help. However, this year, fully 82% of the remaining budget is tied up in wages and benefits, and the projected numbers for the next two or three years aren't that different. Obviously, substantial portions of the reductions will come out of district employees' paychecks. Everyone we talked to was careful to avoid the phrase "firing teachers," and Don Haddad, principal of Niwot High School, said he hoped that most cuts will come at the administrative level (a sentiment Coffman shares), but Zila did say that increasing class size is inevitable, which may have been a hint at what's to come. Perhaps even more shocking is what our source inside the Colorado Classified School Employees Association told us. It's entirely possible that the state could fire every single lunch lady, janitor, and bus driver, and fill these roles with low-bid outside companies. Whether this portion of the reductions will be accomplished with pay cuts, loss of benefits, not replacing employees who leave, or a drastic reduction in forces (RIF) will depend on what the upcoming budget outlines, as well as the outcome of negotiations with the employee unions. Any RIF of teachers will probably operate on the basis of seniority, but it's not time to kiss your favorite young teachers goodbye quite yet. Every party involved is working to make these cuts come at the administrative level, not in the classrooms.

## **Will they cut sports/music/art/etc.?**

Obviously, football would be cut before Math or English, but it hasn't come to that yet. Some programs might take hits (especially if the district stops paying coaches/advisors for these extracurricular activities), but this problem isn't going to be solved by cutting programs like these. Programs will be asked to save money; certainly we won't spend money on extracurriculars and sports as casually as before. The recent cutting of some middle school sports has caused many to fear for their favorite programs. However, high school sports are less expendable since, for one, seniors rely on them for scholarships. Zila said that we shouldn't be surprised to see cuts made on the C-team and freshmen levels of sports, but it's way too early to worry about the whole programs. At least that's what the district officials said. Keep in mind however, that the state is in charge of the new budget now, and their decisions are harder to predict. Still, the general consensus seems to say that even if they're a bit smaller, the programs will remain.

### So what's this "Activities Fund," and what happened to it?

The Activities Fund is all money donated to extracurricular programs, raised by student fundraisers to finance activities, and paid as fees to finance certain expensive class activities. The district borrowed the money in this fund (about \$1.7 million total; about \$200,000 from NHS and \$150,000 from LHS, for example) to meet an immediate financial need at the end of last year, and because of the budget crisis, they have not yet repaid it. Don't worry, though, because according to Zila, Coffman, and Thomas Garcia, Assistant Superintendent of Human Resources, this fund is a priority, and it will be restored as soon as possible. Mr. Haddad explained that we still have access to money raised since July 1st, 2002, and that the rest of the money, like the large sum that the NHS music department was saving to pay for their next musical, will be available within two or three years. We still have some of it, and every district official we spoke with promised that the rest will come back soon.

### Will this affect the \$212.9 million bond?

It might. It would have been illegal for the bond committee to have known of the shortfall and presented the bond to voters anyway. One bond committee co-chair swore to us repeatedly that they were as clueless as the School Board, but this will still be a key focus of the criminal investigation that District Attorney Mary Keenan has been asked to conduct. Another key issue is the district's bond rating, which determines the interest that will be assessed when taxpayers have to repay the loan. The rating given to the district by Moody's Investor Services has fallen, but this is only one part of what

### Who is to blame?

Superintendent Zila met with District Attorney Mary Keenan last Friday in one of the first steps in the criminal investigation to determine who is at fault. We here at FRICH cannot simply decide and explain who to blame for all this was, but we can tell you the facts about the people that everybody tends to be blaming.

### Demands for the School Board's resignation

As is the case with many organizations, the School Board doesn't receive much publicity until they screw something up. Representatives from the St. Vrain Valley Educators Association and the Colorado Classified School Employees Association shared with us a lack of confidence in the School Board, and one parent we came across called their actions "shameful" to a Board member's face. What most people wonder about all of this is where the checks and balances were in this system. Well, there used to be an old policy that required monthly financial reports to the board. For reasons that we can't determine, this practice was ended several years ago, which effectively put the Board in the dark on financial matters. Board member Sandi Searls admitted that they should have becoming more involved, and she said that they "offer no excuses" for not doing so. But although the Board could have done more to prevent this crisis, it doesn't look like they had a hand in *causing* it.

### Demands for Zila's resignation

Although Zila is a common target for the public's disgust and outrage, this is mostly undeserved. December will only be Mr. Zila's sixth full month in the district, and the financial problems existed long before his arrival. When asked why he never inquired as to the financial standing of the district, Zila explained that he did, but when the figures were not presented immediately, he did not feel this was a pressing concern, because Ken Kirkland assured him that the district did not have any problems financially. Being more concerned with what seemed to be more pressing matters, Zila didn't pursue the financial figures. Again, it's hard to blame Zila for not having the ability to see the future.

### What does Richard Weber have to do with all this?

Hey, remember Richard Weber? He was the Superintendent of St. Vrain Valley until last school year, when he resigned after the last financial scandal (Remember? The one with his secretary?). Well,

determines the overall rating, and the other parts haven't changed yet. According to School Board member Sandi Searls, under the terms of the bond, the process of repaying it may not exceed ten years or 6% interest, and neither of these have been exceeded, but it's important to be aware that they very well could be. And just in case you were wondering, no, the bond money can't be used to pay back the debt. As we at FRICH understand it, it would be illegal to use money that voters approved for one thing to pay for something else, no matter how good of a cause that something else is. That issue would have to go back to the voters.

### What can we, the students, do?

If there's one question here that's hardest to answer effectively, it's this one. Unfortunately we're not district or state officials; we can't participate in determining the new budget, no matter how much it might affect us. As one assistant principal put it, we're just "waiting for the axe to drop." One thing that is important to remember is to not get caught up in the rumors. Mr. Haddad told us that rumors are running rampant here at Niwot. He is getting tired of explaining to misinformed parents that we *do* have chalk in our classrooms. The only real restrictions on the school are those concerning printing copies, which will soon be reduced to allow tests, quizzes, important hand-outs, and "secondary" hand-outs. Always treat every rumor as just that, and don't believe anything unless it has been announced by somebody in authority. The situation is serious, but the sky isn't falling, and despite the example set by some, we don't all need to be running around announcing that it is.

before St. Vrain Valley, Weber was superintendent of the Adams 14 school district where, just as here, shortly after he left, there was an enormous budget shortfall. However, Kate Larsen from the Daily Camera explained to us that, although he had a lot of expensive ideas, hired Kirkland, was superintendent when the deficit first formed, and was around when monthly financial reviews disappeared, it's probably still more likely that he was just as badly informed as the rest of the district and not at fault. There was an article in last Friday's Daily Camera about just that. We can't speak for the District Attorney, but it seems that this crisis wasn't because of him, even if he has been part of two similar crises.

### What's the story on Kirkland?

Whenever somebody blames something on an accountant, they're probably talking about this guy. Kirkland, the former Assistant Superintendent of Business Services, was the one who, according to the Times-Call, overstated beginning balances and changed numbers to make the budget balanced. Here's the thing about Kirkland, though: Nobody can talk to him. Our source at the Daily Camera told us that the only phone number for Kirkland apparently goes to his ex-wife, and she's *really* tired of taking calls. So everybody is indirectly blaming it all on a guy who doesn't seem too concerned with defending himself at the moment. We've heard him called everything from incompetent to a crook, but we refuse to simply believe any of it on faith. The only one that can truly tell us what happened is Kirkland himself. Well, Ken, if you do happen to read this FRICH or visit [poorschool.com](http://poorschool.com), how about an exclusive interview?

π Joe Stalin π and π John Nash π

### Disclaimer:

We at FRICH want to point out that the information presented in this document is a reflection of what we've been told by district and union officials, and what we've read in the papers. We're just the reporters; if something printed here is not accurate, either someone unintentionally mislead us, or we were lied to. If anything isn't accurate, we will gladly print a retraction. Stay tuned to us and to [poorschool.com](http://poorschool.com) (now affiliated with FRICH) for more updates as the drama continues. And, as always, **Please don't sue!**