



Lake Washington School District
School Board Study Session

Date: May 8, 2017

Topic: **Strategic Planning/Budget Process**

Purpose

The purpose of the study session is to provide the Board information including an update on the 2016-17 budget, an overview of 2017-18 budget implications based on future legislative changes, and a review of processes to align the 2017-18 budget to district strategic work and Board and organizational priorities. The Board will also provide feedback on budget considerations.

Background/Overview

The Business Office has completed a mid-year review of the 2016-17 budget. Through this process, revenues, expenditures and fund balances are projected for each fund. Legislative proposals, which will affect the 2017-18 budget and beyond, are being monitored by staff and estimated effects are being developed.

In addition, a budget process to align expenditure requests with strategic work and organization and priorities is underway. This process aims to provide appropriate resources for accomplishment of organizational priorities. Over the past three years, specific budget additions have been made based on organizational priorities. Organizational priorities and strategic work continue to inform the budget considerations for 2017-18.

Study Session Overview:

- Update on 2016-17 budget picture
- Review of potential legislative actions and future considerations
- Update on 2017-18 strategic planning and budget process
- Board feedback

Update on 2016-17 budget picture

The Board receives monthly Budget Status Reports which show year to date expenditures and encumbrances for each fund. Comparison of key budget assumptions to actuals is provided to assist the Board in monitoring district financial status. In addition, staff complete a formal mid-year review to project ending fund balances. Budget highlights from each fund are shown below:

General Fund:

- Beginning Fund Balance was higher than budgeted
- Actual enrollment increase was 2,073 FTE vs. budgeted 1,523 FTE

- Staffing was aligned with enrollment at start of school year
- Revenue and Expenditures are expected to be lower than budgeted due to planned contingencies
- The mid-year General Fund Budget projection is as follows:

	2016-17 Budget	2016-17 Estimated
Beginning Fund Balance	\$41.4	\$45.2
Revenues	\$321.0	\$318.6
Expenditures	\$318.4	\$314.5
Ending Fund Balance	\$44.0	\$49.3

Debt Service Fund:

- Expenditures are in alignment with planned budget
- The mid-year Debt Service Fund Budget projection is as follows:

	2016-17 Budget	2016-17 Estimated
Beginning Fund Balance	\$14.8	\$14.7
Revenues	\$54.0	\$54.0
Expenditures	\$54.0	\$50.0
Other Financing Uses	\$0.0	\$0.0
Ending Fund Balance	\$14.8	\$14.7

Capital Projects Fund:

- Beginning fund balance higher than planned due to project work extending beyond August.
- Expenditures greater than planned due to updated bond project spending.
- The mid-year Capital Projects Fund Budget projection is as follows:

	2016-17 Budget	2016-17 Estimated
Beginning Fund Balance	\$189.4	\$200.0
Revenues	\$46.6	\$49.6
Transfers Out	(\$15.9)	(\$15.9)
Expenditures	\$81.9	\$94.4
Ending Fund Balance	\$138.2	\$139.3

Review of potential legislative impacts

This year is the first year of a biennial legislative session. The legislature did not complete their work during the Regular Session which adjourned April 23, 2017. Governor Inslee immediately called legislators back for a Special Session to finalize a budget. The special session is limited to 30 days. Additional 30-day session may be called if necessary.

SB5023 was passed during the regular session to delay the levy cliff by one year from 2017 to 2018. Both the senate and the house have different proposals regarding levy funding in the future. The table below shows the differences between the proposals

SB 5023	HB 1843	SB 5607
<ul style="list-style-type: none"> • Delays levy cliff by one year from 2017 to 2018 • Establishes that EP&O may not be used for Basic Ed but may be used for enrichment beyond the state provided Basic Ed funding. • Requires OSPI to approve EP&O levy prior to election. • Requires to separately account for amount and use of levy funds 	<ul style="list-style-type: none"> • Phases down reduction of 4% levy lid from 28.89% to 24% over 4 years • Eliminates some grandfathered dollars from the state calculation (“ghost” money) in 2018 	<ul style="list-style-type: none"> • Delays levy cliff by one year from 2017 to 2018 • Proposes State “Local Effort Levy” at \$1.80 /\$1,000 AV beginning 2018 to be placed before the voters November 2017. Some of these funds come back to the district in state funding. • Eliminates district local levy in 2019 • Allows districts to collect local levy up to 10% beginning 2020 • Requires OSPI to approve local district EP&O levy prior to election • Requires districts to separately account for amount and use of local levy beginning in 2018-19 • Significant increase in 2018, decrease in 2019, and potential increase in 2020

The table below shows the estimate revenue increase (loss) from these Levy Proposals. Dollars are in millions.

	2017-18	2018-19	2019-20	2020-21
2018 extension	\$2.0	(\$3.1)	(\$1.6)	\$3.4
House	\$2.0	\$6.1	\$5.4	(\$0.7)
Senate	\$2.0	(\$35.7)	(\$17.1)	\$13.9

Highlights of the current legislative proposals are:

House Proposal

- Maintains prototypical funding model
- Eliminates state salary schedule
- Increases minimum salary for beginning teachers to \$45,000 in 19-20
- Makes progress toward increasing state responsibility for Basic Education compensation
- 2.3%, 2.7% COLA
- Makes progress toward class size reduction

Senate Proposal

- Implements weighted per pupil model
- Eliminates state salary schedule

- Increases minimum salary for beginning teachers to \$45,500 in 18-19
- No information on salary funding
- .5% COLA
- Makes progress toward class size reduction

Revenue scenarios based on OSPI data show revenue ranges from \$18.4 to \$21.7 million per year. While these are the current proposals, the legislative session is not complete and it is unknown what the final proposal will look like. Given this uncertainty, potential low, mid and high range annual revenues are being considered. Low is little to now new non-committed revenue; mid-range is \$9-\$11 million in new non-committed revenue and high is \$18-\$21 million new non-committed revenue.

Decisions on levy funding and enhanced state funding will have significant impact on all districts throughout the state. Specific impacts on many of the considerations are difficult to determine until specific proposals are developed.

Update on 2017-18 strategic planning and budget process

Each year a comprehensive strategic planning and budget process occurs. Through staff and parent program surveys, the district seeks feedback that helps inform strategic planning and budget prioritization. District Leadership Team identifies budget additions aligned to strategic priority work. The Strategic Advisory Leadership Team completes a process to make budget recommendations to the superintendent, who in turn submits a budget recommendation to the Board for approval. The Board holds a series of study sessions throughout the spring focused on strategic planning and budget alignment and ultimately holds a public hearing to adopt the budget in August.