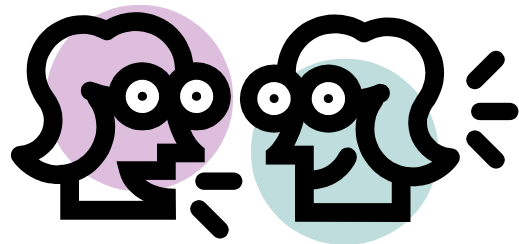


2017 BUDGET UPDATE

Board Study Session
August 14, 2017

Study Session Purpose

2



 Discussion



Decision



 Information



 Direction

Mission

Each student will **graduate** prepared to lead a rewarding responsible life as a contributing member of our community and greater society



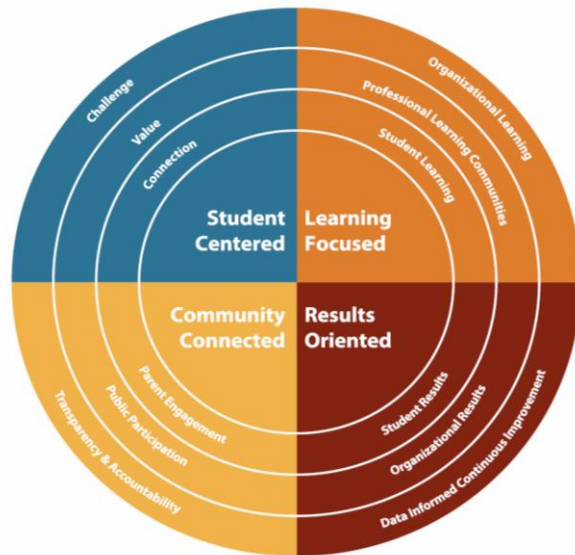
Vision

Every Student Future Ready:

- *Prepared for College*
- *Prepared for the Global Workplace*
- *Prepared for Personal Success*



Values



Goals

- 1 Ensure academic success for every student
- 2 Provide safe & innovative learning environments
- 3 Recruit, hire & retain highly effective personnel
- 4 Use resources effectively & be fiscally responsible
- 5 Engage our communities

Ideals/Board Priorities

Opportunity & Equity
 Innovation
 Improvement

Key Question

5

- What are the impacts of legislative decisions for 2017-18 and beyond?
 - ▣ Biennial Budget 2017-18 to 2018-19
 - ▣ “McCleary Solution” Education Funding Plan

Study Session Outline

6

- ❑ Budget Policies, Process and Timeline
- ❑ Legislative Update
 - ❑ Resulting Budget Changes for 2017-18
 - ❑ Legislative Impacts 2018-19 and Beyond
- ❑ 2017-18 Budget Documents
 - ❑ LWSD District Budget Document
 - ❑ F-195 Required State Format
- ❑ Board Discussion

7

Budget Policies, Process & Timeline

Annual Budget *File: DB*

8

A district's annual budget is tangible evidence of the board's commitment toward fulfilling the aims and objectives of the instructional program. The budget expresses in specific terms the services to be provided, consistent with immediate and long-range goals and resources available and establishes priorities within broad program areas such as basic education, other separately funded programs and support services.

Prior to presentation of the proposed budget for adoption, the superintendent shall prepare for the board's study and consideration appropriate documentation supporting his/her recommendations, which shall be designed to meet the needs of students within the limits of anticipated revenues consistent with reasonable management practices.

Program planning and budget development shall provide for staff participation and the sharing of information with patrons prior to action by the board.

Current practice codified 1988

Adopted:
5/7/90

Budget Hearings & Review *File: DBG*

9

The board shall hold an annual budget meeting as prescribed by state law at which time the voters of the district are invited to a public hearing on the proposed budget for the coming year. Members of the board and the administration shall be present at this meeting to answer questions on any phase of the budget.

Established by law

Budget Adoption *File: DBH*

10

The budget shall be presented in a public hearing no later than August 31. Following this formal presentation, the president shall invite any written or oral testimony for or against the budget. After sufficient opportunity to react, the budget shall be adopted by the board. Such action shall be recorded in the official minutes of the board. Copies of the budget as adopted shall be filed with the educational service district no later than September 3. Copies of the budget will be filed with the State Superintendent of Public Instruction.

Current practice codified 1988

Adopted:

5/7/90

Financial planning for any fiscal year shall align with Board's **End Results** policies, ensure the district's financial position is fiscally sound and be derived from a multi-year plan.

Accordingly, the CEO shall develop a budget which:

1. Is in a summary format understandable to the Board and community presented in a manner that allows the board to see the relationship between the budget and the **Ends** priorities for the year.
2. Adequately describe revenues and expenditures.
3. Shows the amount spent in each budget category for the most recently completed fiscal year, the amount budgeted for each category for the current fiscal year and the amount recommended for the next fiscal year.
4. Discloses budget planning assumptions.
5. Plans for the expenditures in any fiscal year to be equal or less than are conservatively projected to be available during the year.

6. Provides necessary information to the Board on matters with a significant budgetary impact, allowing the Board adequate time to consider the information presented.
7. Considers feedback from the Board.
8. Provides for reasonable contingencies.
9. Maintains the projected year-end fund balance is not less than five percent of the projected revenue.
10. Provides adequate and reasonable budget support for Board development and other governance priorities, including the costs of fiscal audits, Board and committee meetings, Board memberships and district legal fees.
11. Takes into consideration fiscal soundness in future years and builds on the organizational capabilities sufficient to achieve **End Results** in future years.
12. Reflects anticipated changes in employee compensation, including inflationary adjustments, step increases, performance increases and benefits.
13. Is based on reasonable consultation with appropriate constituent groups.

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Budget Process to Date

Budget & Strategic Planning Process and Timeline

14

February	March	April	May	June	August
<ul style="list-style-type: none"> • Staff program survey deploys 	<ul style="list-style-type: none"> • Board holds Extended Study Session • Parent program survey deploys • District receives legislative funding level and new mandates • Strategic Planning Representative Group convenes 	<ul style="list-style-type: none"> • Departments receive budget information for review • District Leadership Team identifies budget addition requests and submits to Business Office 	<ul style="list-style-type: none"> • Strategic Advisory Leadership Team reviews strategic plan and budget requests associated with strategic work • Board holds Study Session • Strategic Advisory Leadership Team completes recommendations 	<ul style="list-style-type: none"> • Board holds Study Session • Formal budget presentation • Public feedback period begins 	<ul style="list-style-type: none"> • Board holds public hearing • Board takes action on budget

Typical Year: Timeline

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- June
 - ▣ Preliminary/proposed budget presentation
 - ▣ Preliminary budget is made available on district's website or copies can be obtained in Budget office
- Public comment period - June – August
- August
 - ▣ Budget presentation
 - ▣ Public hearing
 - ▣ Formal Board action

2017-18: Legislative Delayed Timeline

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- Preliminary 2017-18 budget presented at June 26 Board meeting
- Preliminary budget document was made available on the district's website or copies could be obtained in Budget office
 - ▣ Public comment period began on June 26
- Legislature finalized biennial budget on June 30 (at the close of the third special session)
- Budget office began work to revise district budget on July 3
- Updated 2017-18 budget will be presented at August 14 Board meeting

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2017-18 Key Budget Changes

Legislative Recap

18

- ❑ Legislature adopted biennial budget – June 30 (PSSB 5883)
- ❑ In addition, legislature passed the Education funding plan or “McCleary Solution” (EHB 1242) which outlines the long-term funding plan for schools

Budget Proposal

Key Changes - Revenues

19

State Legislative Changes	Millions	
	June	Aug
Compensation/Benefits	Unknown	\$7.2
K-3 Class Size Reductions	Unknown	11.8
Materials, Supplies, and Operating Costs (MSOC)	Unknown	0.7
Categorical Programs (ELL, CTE, Skills Center)	Unknown	1.9
Total Legislative Changes	\$0.0	\$21.6

Budget Proposal

Key Changes - Revenues

20

Enrollment/Levy Changes	Millions	
	June	Aug
Basic Ed/Special Ed Enrollment	\$6.0	\$6.0
Categorical/Self-Supporting Programs	\$1.8	\$1.8
Levy	\$2.0	\$2.0
Transportation	\$0.1	\$0.1
Total Local Impact	\$9.9	\$9.9

Budget Proposal

Key Changes - Revenues

21

	Millions	
Federal Grants	June	Aug
Title I	(\$0.4)	(\$0.4)
Total Federal Grants	(\$0.4)	(\$0.4)
Other Self-Supporting Programs	June	Aug
Grants/Self-Supporting Programs	\$0.7	\$0.7
Tech Training&Software Transfer from CPF	\$1.1	\$1.1
Total Other	\$1.8	\$1.8

Budget Proposal

Key Changes - Revenues

22

Revenue Impact Summary	Millions	
	June	Aug
Local Impact	\$9.9	\$9.9
State Legislative Impact	\$0.0	\$21.6
Federal Grant Impact	(\$0.4)	(\$0.4)
Other Self-Supporting	\$1.8	\$1.8
Total Revenue Changes	\$11.3	\$32.9

Budget Proposal

Key Changes - Expenditures

23

	Millions	Millions
	June	Aug
Staffing due to Enroll./Prog.&Staff. Changes	\$11.10	\$11.10
Compensation/Benefits	\$12.50	\$19.00
Categorical/Grants/Self-Supporting Programs	\$3.30	\$4.60
Fixed Costs	\$0.40	\$0.40
Less one-time expenditures from prior year	(\$1.00)	(\$1.00)
Strategic and Organizational Work	\$2.60	\$2.70
Total Expenditure Changes	\$28.90	\$36.80

2017-18 Compensation/Benefits

24

- ❑ Compensation (salary & benefits): \$7.2 million
 - ❑ 2.3% Cost-of-Living Adjustment (COLA)
 - ❑ 5.1% Health benefit increase
 - ❑ 2.0% Employer share of pension increase

- ❑ Local costs: \$2.7 million

- ❑ Expenditures required: \$9.9 million
 - ❑ Some assumed in LWEA/LWSD CBA

2017-18 Categorical/Grants/Self-Supporting Programs

25

- ❑ Highly Capable
 - ❑ Increased eligible student funding from 2.3% to 5% of total population
- ❑ ELL
 - ❑ Increased funding allocations for Grades 7-12
- ❑ CTE/Skills Center
 - ❑ Lowers CTE staffing ratios
 - ❑ Increased MSOC
 - ❑ Reduced allowable indirect charges from 15% to 5%

2017-18 Strategic Work

26

Strategic Goal Area	Millions
1-Ensure academic success for every student	\$2.10
2-Provide safe&innovative learning environments	\$0.20
3-Recruit, hire&retain highly effective personnel	\$0.20
4-Use resources effectively&be fiscally responsible	\$0.20
5-Engage our communities	\$0.00
Total Strategic Work Expenditures	\$2.70

Strategic Goal: Ensure Academic Success for Every Student

Objective: *Develop Specific Strategies and Programs to Ensure High Quality Learning for all Students*

Additional Resource Needs Identified for 2017-18: \$1,943,499

- Emerson K-12 (Parent Partnership Program) Monitoring
- Highly Capable K-3 program Support
- Highly Capable Testing Support
- High School Credit Retrieval Support
- Athletics – High School Slow Pitch Softball
- Intervention - SIOP Training
- Special Education Preschool Assessment
- Special Education Assessment Kits
- Special Education Staffing and Program Enhancements
- Equity Efforts
- Dual Language
- Multi-Tiered Systems of Support (MTSS)
- Innovation

Revenue Summary

28

	2016-17	2017-18	%
	<u>Budget</u>	<u>Budget</u>	<u>Change</u>
State Apportionment	\$181.1	\$207.9	14.8%
State Categorical	\$37.7	\$40.4	7.2%
Federal	\$16.2	\$15.7	(3.1%)
Levy	\$65.9	\$67.9	3.0%
Fee Programs	\$11.3	\$12.1	7.1%
Other	\$8.8	\$9.9	12.5%
Total Revenue Budget	\$321.0	\$353.9	10.2%

Expenditure Program Summary

	2016-17	2017-18	%
	<u>Budget</u>	<u>Budget</u>	<u>Change</u>
Regular Education	\$200.3	\$223.1	11.4%
Alternative Learning Exp.	\$0.6	\$0.7	16.7%
Special Education	\$38.8	\$45.3	16.8%
Vocational Education	\$6.8	\$9.3	36.8%
Skills Center Instruction	\$1.9	\$2.8	47.4%
Compensatory Ed.	\$11.3	\$12.0	6.2%
Other Instruction	\$6.3	\$6.5	3.2%
Community Services	\$2.1	\$2.3	9.5%
District Wide Support	\$32.6	\$34.6	6.1%
Nutr. Serv./Transportation	\$17.7	\$18.6	5.1%
Total Expenditure Budget	\$318.4	\$355.2	11.6%

Materials, Supplies and Operating Costs (MSOC)

30

- ❑ State Funded MSOC \$36.5
- ❑ District Budgeted MSOC Expenditures \$26.4
- ❑ Difference \$10.1

Difference used for special education, substitute costs, professional learning, compensation for curriculum work, meetings, and training.

General Fund

31

		<u>Millions</u>
Beginning Fund Balance		\$49.279
Revenues		\$344.036
Transfer from Capital Projects Fund		<u>\$9.894</u>
Total Revenues		\$353.930
Expenditures		<u>\$355.230</u>
Ending Fund Balance		
Nonspendable Inventory	\$0.950	
Unassigned Minimum Fund Bal.	\$17.697	
Unassigned	<u>\$29.333</u>	
Total Ending Fund Balance		\$47.980

Key Changes – Enrollment

32

	2016-17 Budgeted Enrollment	2017-18 Budgeted Enrollment	Change in Enrollment from Budget to Budget
Elementary	14,066	14,865	799
Middle	6,514	6,831	317
Sr. High	7,170	7,428	258
Subtotal	27,750	29,124	1,374
Skill Center	302	391	89
ALE (EMK12)	70	80	10
Total Enrollment	28,122	29,595	1,473

Figures represent Average Annual Full-time Equivalent (FTE) and excludes Running Start

Legislative Impacts

2018-19 and Beyond

- Compensation
- Special Education
- State Property Taxes
- Local Levy
- State Capital Budget
- Other

Compensation – Certificated Instructional Staff

34

- ❑ Begins to address state funding for staff compensation
- ❑ Eliminates the certificated teacher salary schedule (staff mix factor)
- ❑ Will phase in, equally over 2018-19 and 2019-20, statewide average salary allocations
- ❑ In addition, regionalization will be applied to the base salary at either 6%, 12%, 18%
 - ❑ LWSD will have an 18% regionalization factor along with the majority of King County School Districts.

Compensation – Certificated Instructional Staff

35

- ❑ For 2019-20, the certificated instructional base staff minimum salary is \$40,000.
- ❑ Those with 5 years experience must exceed this amount by at least 10%.
- ❑ Districts may not pay a certificated staff salary that exceeds \$90,000.
- ❑ Beginning 2019-20 supplemental contracts can only be enrichment activities and must be at the same hourly rate as the base
 - ❑ Minimums and maximums apply to the bases and exclude supplemental contracts for TRI (time, responsibility and incentive associated with enrichment)

Compensation – Certificated Instructional Staff

36

- ❑ State task force to develop model salary grid by Dec. 2017
- ❑ Professional Learning Days are included in base amounts – adding 1 day for 2018-19; 2 for 2019-20; and, 3 for 2020-21
- ❑ Districts may pay 10% higher to educational staff associates, science, technology, engineering, math, ELL, or special ed.
- ❑ Beginning 2020-21, state allocations for salary must be adjusted annually for inflation using the Implicit Price Deflator (IPD) rather than Consumer Price Index (CPI)
- ❑ Beginning with the 2023 legislative session and every 6 years, they must review compensation to ensure market-rate salaries and regionalization adjustments

Average State Allocation for Compensation

37

Staff Category	2017-18	2017-18 LWSD Estimated Average Salary*	2018-19 (with 18% Regionalization)*	2019-2020 (with 18% Regionalization)*
Certificated Instructional	\$52,636 (\$36,521x1.441)	\$73,537	\$70,014	\$78,109
Certificated Administrators	\$62,199	\$131,831	\$93,370	\$115,944
Classified	\$34,180	\$52,419	\$47,171	\$56,034

*Current Average salary assumes 2016-17 rates with 2.3% COLA

*Does not include other compensation cost per CBA or handbook

Basic Ed Compensation Funding

38

	State Allocation
2017-18	\$160 million
2018-19 est	\$206 million
2019-20 est	\$230 million

- State allocations for Basic Ed compensation are expected to increase
- We are analyzing how the increased allocations will impact local expenditures
- We are analyzing the related Enrichment Levy impacts

Special Education Funding

39

- ▣ Increased the maximum enrollment for state funding in special education enrollment from 12.7% to 13.5%
 - LWSD enrollment is 10.1% so will see no increase in revenue related to this change
 - LWSD spends \$11.5 million more than the state provides in revenues
 - These funds currently come from and will need to continue to come from local levies

State Property Tax

40

- ❑ The state currently imposes a state property tax for the support of Common Schools
- ❑ These taxes make up 12% of state revenue. Other major revenue includes retail sales tax and B&O tax
- ❑ The state spends 45% of its total revenue on public schools
- ❑ The 2017 rate is currently \$1.88/\$1,000 of AV
- ❑ For 2018 the rate will be \$2.70/\$1,000 of AV, an \$0.82/\$1,000 increase
- ❑ These funds will support education across the state

Local Levies

41

- ❑ State renamed “Maintenance and Operation Levies to “Enrichment Levies”
- ❑ Beginning 2019-20, levies must be used solely for permitted enrichment activities
- ❑ Beginning with levies collected in 2019 the maximum dollars that can be collected is the lessor of \$1.50/\$1,000 of AV OR \$2,500 per average student FTE
- ❑ Beginning with levies collected in 2020, districts must receive approval of an enrichment levy expenditure plan prior to submission of voters.

Local District Enrichment Levy

42

- Local Enrichment Levies cannot exceed \$1.50 per thousand of AV or \$2,500 per student, whichever is less
- For LWSD, the lesser amount is \$2,500 per pupil
 - ▣ Estimate: $\$2,500 \times 29,000 \text{ students} = \72.5M
(approximately \$1.29 at 2019 AV)
 - ▣ Current 2017 levy rate is \$1.32 per thousand of AV or \$66.8M

Local District Enrichment Levy

43

Key Points

- ❑ The caps imposed on local enrichment levies do not significantly impact or lessen LWSD's overall levy authority when compared to today
- ❑ Under the new law we have to authority to collect more dollars than we collect today
- ❑ Many of our neighboring districts who have levies greater than \$1.50 per \$1,000 will lose levy dollars, as they will only be allowed to collect \$1.50 per thousand of AV
- ❑ This change will apply to our upcoming 2018 election, which will ask voters to approve a 4-year Enrichment Levy for 2019, 2020, 2021 and 2022
- ❑ The changes will be difficult to communicate/explain

Local District Enrichment Levy

- Enrichment Activities are permitted if they provide supplementation beyond the state:
 - Minimum instructional offerings
 - Additional staff beyond prototypical model
 - Professional Learning
 - Extracurricular activities, extended school day, extended school year
 - Additional course offerings
 - Early learning programs
 - Salary costs related to administration of enrichment activities
 - OSPI may develop recommendations for expanding the list of permitted activities

Local District Enrichment Levy

45

- Concerns regarding activities that are not mentioned
 - ▣ Special Education underfunding
 - ▣ Costs of average salaries beyond state funding
- Alliance will be working on our behalf with OSPI to ensure permitted activities list includes items on which districts are currently spending levy dollars

Local District Enrichment Levy

46

- Other Enrichment Levy Requirements Beginning in 2019-20:
 - Enrichment levies, along with other local levies must be deposited in a sub fund
 - OSPI must require school districts to provide separate accounting of state and local revenues to expenditures
 - State Auditor is required to review expenditures of school district local revenue to ensure compliance
 - School boards must adopt a policy for responding to audit findings related to use of local revenues

State Capital Budget

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- State has not passed a capital budget
- This delay does not immediately impact LWSD
- This delay does impact staff at OSPI
 - ▣ Delays in review processes, grant reimbursement, site visits, etc.

Other Provisions of Education Funding Plan

48

- Budget Transparency – Beginning in 2019-20
 - ▣ Budget must set forth state funded basic education salary amounts, locally funded salary amounts
 - ▣ Annual budget process shall include a four-year budget plan including enrollment projections

Other Provisions of Education Funding Plan

49

- **Collective Bargaining Agreements**
 - ▣ Restricts increases provided in collective bargaining agreements for the 2018-19 school year
 - ▣ Increases shall not exceed the previous year's CPI increase

Other Provisions of Education Funding Plan

50

- School Employee's Health Benefits
 - ▣ Creates a School Employee's Benefits Board (SEBB)
 - ▣ Requires by January 1, 2020 all school district employees move to the SEBB

Next Steps

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- 2017-18 proposed budget will be available on district's website or copies can be obtained in Budget office
- Public comment period will occur August 14 – 27
- Formal Board action will occur on August 28

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Board Discussion