



Lake Washington School District
Study Session of the Board of Directors

Date: August 14, 2017

Topic: **Budget Update**

Purpose

The purpose of the study session is to provide the Board an update of the 2017-18 budget and information on legislative changes.

Background/Overview

At the June 5 study session, preliminary changes for the 2017-18 budget were shared including enrollment, revenue and expenditures changes. The 2017-18 Preliminary Budget was presented to the Board at the June 26th board meeting. The preliminary budget was available on the district's website and copies could be obtained in the Budget office. The public comment period began June 26. The budget timeline was different this year due to the legislative delay in completing the state budget. Additional changes to the budget would be made once the legislature passed the state budget. The legislature adopted a biennial budget on June 30, 2017. The 2017-18 General Fund Budget has been revised to reflect these changes.

Study Session Overview:

- Budget Policies, Process and Timeline
- Legislative Update and Budget Changes for 2017-18
- 2017-18 Budget Changes and Documents
- Legislative Impacts 2018-19 and Beyond
- Board Discussion

2017-18 Key Budget Changes

The legislature adopted the biennial budget on June 30, 2017 (PSSB 5883). In addition, the legislature passed the Education funding plan or "McCleary Solution" (EHB 1242), which outlines the long-term funding plan for schools. The changes to the 2017-18 general fund revenues and expenditures due to the legislative budget were reviewed. The 2017-18 revenue budget is \$353.9 million which is an increase of \$32.9 million from the 2016-17 year. The 2017-18 expenditure budget is \$355.2 which is an increase \$36.8 million increase over 2016-17. The ending fund balance is projected to be \$48.0 million.

Legislative Impacts for 2018-19 and Beyond

Compensation Impacts

- The legislature addresses state funding for staff compensation beginning the 2018-19 school year. The certificated teacher salary schedule will be eliminated (staff mix factor) and the legislature will phase in, equally over 2018-19 and 2019-20 school years, statewide average salary allocations.

- Regionalization factors will be applied to the base salary at either 6%, 12% or 18%. LWSD will have an 18% regionalization factor, along with the majority of King County School Districts. One professional learning day is included in these averages for 2018-19, 2 days for 2019-20 and 3 days for 2020-21.
- For 2019-20, the certificated instructional 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.
 - Minimum and maximum salaries apply to the base and exclude supplemental contracts for TRI (time, responsibility and incentive). Districts may pay 10% higher to educational staff associates, science, technology, engineering or math, ELL or special education.

Average state allocations for compensation both current and proposed were reviewed. The district expects new state allocations for compensation in 2018-19 and 2019-20. With the increased allocations the district will experience increased expenditures. The district is analyzing how the increased allocations will impact local expenditures, along with related Enrichment Levy impacts.

Special Education Funding

- Special Education – Increased maximum state funded enrollment in special education from 12.7% to 13.5%. The district’s enrollment is under the maximum so we will not see any increase related to this change. For 2017-18 the district is projected to spend \$11.5 million more than the state funds. This gap is filled by local levy dollars

Changes to State Property Tax

- In an effort to fully fund education in the state, the legislature revised and is adjusting state property tax for the support of common schools. The 2017 rate is currently \$1.88 per thousand of assessed value (AV). All property owners in Washington State pay this rate and the money funds education across the state. The 2018, 2019, 2020, and 2021 rates will be \$2.70, representing an 82-cent increase.
- State property taxes currently make up 12% of the state revenue. Other major revenue resources include retail sales tax and B&O taxes. The state spends 45% of its total revenue on public schools.
- The additional state property tax will support education across the state.

Local Levies

- Districts currently run local levies to pay for educational programs and operations the state does not fund.
 - The legislature impose new limits on district’s ability to collect local dollars through Enrichment Levies (formerly known as Maintenance & Operations (M&O) levies).
 - Beginning in 2019, the maximum Enrichment Levy a local district is allowed to collect is either \$1.50 per thousand of AV or \$2,500 per student, whichever is less.
 - For LWSD, the lesser amount is \$2,500 per student, which equates to approximately \$1.29 per thousand of 2019 AV or \$72.5 Million. LWSD’s current 2017 levy rate is \$1.32 per thousand of AV or \$66.8 Million
- The caps imposed on local enrichment levies do not significant impact or lessen LWSD’s overall levy authority when compared to today.
- This change will apply to our upcoming 2018 election, which will ask voter to approved a 4-year enrichment levy for 2019, 2020, 2021, and 2022
- Enrichment Activities are permitted if they provide supplementation beyond the state

- Concerns regarding activities not mentioned such as special education funding and the costs of average salaries beyond state funding.
- Other requirements begin in 2019-19 relating to accounting and audit requirements

State Capital Budget

The state has not passed a capital budget. The delay does not immediately impact LWSD however the delay does impact staff at OSPI which could mean delays in review processes, grant reimbursements, site visits, etc.

Other Educational Funding Plan Impacts

- Budget Transparency – Beginning in 2019-20 budget must set forth state funded basic education salary amounts and locally funded salary amounts. Annual budget process shall include a four-year budget plan which includes enrollment projections.
- Collective Bargaining Agreements – the legislature imposed restrictions on collective bargaining increases for 2018-19. Increases cannot exceed the previous year's CPI increase.
- School Employee's Health Benefits – Creates a School Employee's Benefits Board (SEBB) and requires all school district employee move to the SEE by January 1, 2020.