

Action Item
August 9, 2011

2011-12 Budget First Reading: **Public Hearing** - Kuper

Action to be taken: **The Board will conduct a hearing to obtain public input on the 2011-12 Budget. Adoption of the budget is scheduled for the August 24, 2011 board meeting.**

The Budget Process

Each spring the budget process begins with the Board establishing broad parameters for budget development. For the 2011-12 Budget these parameters were then incorporated into Superintendent's guiding budget philosophy. The Administration follows the Board's parameters and reinforces these parameters during actual budget development.

In the 2009-2011 fiscal years the Issaquah School District has had to compensate for the loss of an estimated \$10.4 million in state revenue. In addition to these budgeted reductions, the State also made unprecedented mid-year cuts totaling \$1.5 million. These reductions were taken directly out of fiscal year 2010-11 reserves.

In 2011-12, the District will be forced to make up a \$3.7 million cut in state support, as well as a \$600,000 decrease in potential local levy collection. The cumulative reductions in state funding have totaled nearly \$16 million over the last three fiscal years.

The reduction in state revenue has been devastating to the education systems across the nation and State of Washington. We in Issaquah, however, have been very fortunate that during this economic downturn our local voters supported a four-year maintenance and operations levy with increased funding for our schools. Due to the change in state law, strategic planning, and continued community support we were able to provide an additional \$4.3 million in local funding for the 2010-11 budget, and an additional \$3.5 million for 2011-12.

In order to keep staff and community informed and seek input, we launched several communication avenues: The superintendent held staff meetings at every school and with operational departments and wrote several community-wide letters; the District created a 2011-12 budget website with a timeline and ongoing updates; the School Board scheduled time at each business meeting for legislative and budget updates (podcasted for the public), administrators met with key groups such as the PTSA to provide updates; the District asked for comments and suggestions via a budget e-mail account, and the District continually shared the information via eNews and staff e-mail messages.

On February 9, 2011 the Board adopted budget guidelines for the 2011-12 budget. On April 27, 2011 the administration updated the board and community concerning the budget. The following items were discussed at these Board Meetings:

- Board of Director's Guidelines
- Superintendent's Guiding Budget Philosophy
- Program Reductions for 2011-12
- Certificated reduction in Force threshold
- Costs associated with various State of Washington Legislative Budget Proposals

Where the Money Comes From

The district receives funding from three primary sources. The State of Washington provides approximately 61% of the funding for general operating costs, the federal government provides 4%, and 35% is generated through local fees and the M&O Levy.

There are 295 school districts in the State of Washington. Issaquah School District is ranked 277 out of the 295 school districts in terms of revenue per student. This means that funding is a challenge for the district. The average district receives \$9,753 in revenue for each student while Issaquah School District receives \$8,863 per student. This puts Issaquah School District at a revenue disadvantage of \$14.7 million per year when compared to the state average per student rate.

Where the Money Goes

The Issaquah School District is the second largest employer in Issaquah with over 2,000 full time and part time staff members. These employees are represented by 1,100 teachers, 300 educational assistants, 125 bus drivers, 70 food service workers, 190 office/support staff, and 120 custodial/maintenance personnel.

The district budget is represented by seven distinct cost centers. These cost centers encompass all of the above staff and help to present a visual picture of the district and its many programs and services. These cost centers are defined as follows:

(1) Basic Education (Classroom Services)

Educational services for the district's 17,000 students are provided in fifteen elementary schools, five middle schools, three comprehensive high schools, and one alternative high school. The basic education class room staffing allocation goal for each grade level has been established as follows:

K-2	21 students to 1 teacher (Range of 18 to 24)
3-5	25 students to 1 teacher (Range of 22 to 28)
6-8	25.5 students to 1 teacher (Range of 26 to 32 when adjusted for prep period)
9-12	26.5 students to 1 teacher (Range of 28 to 34 when adjusted for prep period)

The district offers a full program of basic education services to students. Each school is equipped with a library, counseling services, nursing services, and extra-curricular programs. The Teaching and Learning Department and Student Assessment Department work together to align the classroom curriculum with local, state and national learning goals.

Parent participation in the educational process is extremely high. Membership in PTSA is 100% in some schools and approaches this rate in most schools. Parental support is vital to the success of Issaquah School District.

The district offers the latest in technology to support student learning. Teachers are provided opportunities to learn how to use technology in the classroom to best enhance the learning environment. Equipment and software tools are upgraded on a continuous basis.

This district also provides many co-curricular and extra-curricular opportunities for students. These activities are designed to promote physical, intellectual and leadership development. In addition, students are able to participate in a Running Start Program that enables them to earn college credit for classes taken in high school while advancing their standing in higher education and in the pursuit of a future career.

(2) Basic Education (Support Services)

Support services for the district connects our many schools and programs through educational leadership and by providing the materials, equipment, facilities and other support needed for a quality educational environment. The departments in this cost center provide for the governance of the district, the hiring of

150-250 staff members each year, and maintaining the grounds and buildings to ensure a safe quality learning environment. Many of the items we all take for granted, such as heat, lights, water, telephones, insurance, warehousing services and data processing services are associated with support services.

(3) Special Education

The District serves approximately 1,550 special education students. These services are designed to provide an individualized educational program to meet the handicapping condition of each student. This is a quality program that results in many students meeting the same demanding curriculum standards as regular education students. The cost of the program is approximately 15.5 million dollars next year.

The District participated in an appeal to the State Supreme Court regarding the inadequate funding of special education programs. The appeal was recently decided by the Court. The district lost its case against the State, but still believes that the legislature should define special education as part of the basic education program, and require it to be fully funded under the parameters established in the state constitution. The district is budgeting \$2.65 million in the coming year to backfill the special education shortfall in funding created by the state's current funding formula.

(4) Echo Glen

The State of Washington contracts with the Issaquah School District to provide educational programs to serve the Echo Glen Children's Center for juvenile offenders. This program provides educational programs to approximately 150-170 students belonging to districts all around the State of Washington. This program is not a financial responsibility of the Issaquah School District and is fully funded by the State of Washington.

(5) Food Services

The Food Service Program provides over 7,000 lunches to students and staff members every day. That is the equivalent of 1.25 million meals each year. The state and federal government provide minimal funding to support this program. Approximately 96% of the cost of this program is paid for from the fees charged for each meal served. This program represents about 4.5 million dollars of the total district operating budget.

(6) Transportation

Approximately 50% of the students ride the bus on any given day. This means that 8,500 students ride the bus from home to school, and back home on a daily basis. The district has over 150 school buses that are operated and maintained by district employees and travel over 1.3 million miles each year. The cost of providing these services will be approximately 6.85 million dollars next year.

Like special education, transportation is defined as part of the basic education program, thus it is required to be fully funded by the state under the parameters established in the state constitution. The state currently funds approximately 53% of this obligation, leaving the other 47% to be funded from the local Maintenance and Operations (M&O) Levy. This diverts local levy money from the educational enhancements it was intended to provide for students.

(7) Other Programs

The district provides a number of other educational programs including remediation in reading, assistance for English language learners, ROTC and traffic safety. The district also provides a full day kindergarten program, after school child care program and night/summer school programs that are totally funded by tuition and fees charged for services.

Budgetary Goals and Philosophy for 2011-12

The Board of Directors and Superintendent have established the primary goal of funding a comprehensive educational program that reflects overall community values and directs resources in support of the District Mission and Ends learning goals for students. This endeavor is to be accomplished within the parameters of:

- The District Mission and Ends Learning Goals
- Providing a comprehensive educational program that allows opportunity and growth for all students
- Maintaining an unrestricted fund balance of 3-5% of the general fund budget
- Establishing staff compensation and benefit levels that do not deviate materially from the local professional market, insofar as district resources allow
- Maintaining administrative costs at a level no higher than the King County average for school districts (9.42% in 2011-12 Budget)
- Maintaining sufficient reserves for start-up operating costs associated with new schools (\$900,000 for 2nd year of Creekside start-up)
- Maintaining and managing the district's resources to protect district assets and guarantee the board's financial goals

The 2011-12 State funding levels were reduced, while the local levy funding increased resulting in the following impacts:

The legislature provided:

Decrease in Basic Education Salary Allocation Models	(\$1,195,000)
Decrease in certificated staffing ratio funding	(\$1,715,000)
Unfunded Pension Rate Increases	(\$802,000)

Local levy relief:

Because the Legislature passed a 4-percent increase in the District's Maintenance and Operations Levy authority and voters approved a measure with the added capacity in February of 2010, the District will collect an additional \$3.5 million in local levy dollars for 2011-12. This will allow the District to offset the Legislative cuts to funding in order to maintain current class size, salary amounts, and service levels. The District will use any remaining resources to maintain initiatives in STEM (Science, Technology, Engineering, and Math) areas at the middle- and high-school levels and provide literacy support at the elementary level.

Other Funds

The Debt Service Fund will provide resources to pay the principal and interest on debt incurred to make capital improvements.

The Associated Student Body Fund is controlled through student government and funds activities designed and approved by student councils.

The Transportation Vehicle Fund will provide resources to purchase eleven new buses next year. These buses will provide for the replacement of older buses and also provide additional capacity for increasing enrollment.

Conclusion:

The administration certifies that 2011-12 proposed Budget meets all Board Executive Limitations and meets Board adopted budget parameters.

The final budget will be presented for adoption at the August 24, 2011 board meeting.

Jacob Kuper, Chief of Finance and Operations will be available for questions and a brief presentation.
