

2016-17 Budget First Reading: **Public Hearing** – Kuper

**Action to be taken:**                      **The Board will conduct a hearing to obtain public input on the 2016-17 Budget. Adoption of the budget is scheduled for the August 24, 2016 board meeting.**

**The Budget Process**

Each spring the budget process begins with the Board establishing broad parameters for budget development. (Adopted 2-12-2016) The Administration follows the Board's parameters and reinforces these parameters during actual budget development. These guidelines have been observed and incorporated into the 2016-17 Budget.

From 2009-10 to 2011-12 (3 fiscal years) the District has had cumulative reductions in state funding totaling nearly \$16 million. State funding as a percentage of District revenues has dropped from 68% in 2008-09 to 60.8% in 2012-13. The trend of declining state revenue subsided in 2012-13 and for budget years, 2013-14 and 2014-15, there was an actual increase in state revenue. State revenue has continued to grow 2016-17 and will now comprise 63.9% of the District's operating revenue, an increase of 0.8% over the prior fiscal year (2015-16). The State is still 4.1% below the recent peak in state funding as a percentage of total operating revenue.

The aforementioned reduction in state revenue during the "great recession" was devastating to the education systems across the nation and State of Washington. However, we in Issaquah were very fortunate that during this economic downturn our local voters supported a four-year maintenance and operations levy with increased funding for our schools. The change in statute which allows for this increase expires in 2017 and provides an additional \$14M a calendar year in funding. The State legislature has continued to gradually increase education funding pursuant to the McCleary decision, however a large portion of this "new" revenue came in the form of COLA's (salary increases) and actuarially needed pension rate contributions. Some additional non-categorical revenue has been provided, but the bulk of "new" state revenue is focused on class size reduction and in this fiscal year the implementation of Full Day Kindergarten.

In order to keep staff and community informed and seek input, we offer several communication avenues: the District creates a 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 shared information via eNews and staff e-mail messages.

**Where the Money Comes From**

The District receives funding from three primary sources. The State of Washington provides approximately 63.9% of the funding for general operating costs, the federal government provides 2.9%, and 34.1% 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 273 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 \$10,465 in revenue for each student while Issaquah School District receives \$9,599 per student. This puts Issaquah School District at a revenue disadvantage of \$17.2 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 2,200 full time and part time staff members. These employees are represented by 1,350 teachers, 325 educational assistants, 130 bus drivers, 70 food service workers, 190 office/support staff, 135 custodial/maintenance personnel, and other administrative and support staff.

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 nearly 20,000 students are provided in fifteen elementary schools, five middle schools, and three comprehensive high schools. The basic education classroom 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.

The 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 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 1,800 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 \$21.4 million next year.

The District participated in an appeal to the State Supreme Court regarding the inadequate funding of special education programs. 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 \$4.2 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 130-155 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 7,500 lunches to students and staff members every day. That is the equivalent of 1.35 million meals each year. The state and federal government provide minimal funding to support this program. Approximately 92% of the cost of this program is paid for from the fees charged for each meal served. This program represents about \$4.9M of the total District operating budget.

### **(6) Transportation**

Approximately 50% of the students ride the bus on any given day. This means that about 9,500 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 1.4 million miles each year. The cost of providing these services will be approximately 8.32 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 74.5% of this obligation, leaving the other 25.5% to be funded from the local Maintenance and Operations (M&O) Levy. According to the State, they have fully funded the to/from school transportation model.

## **(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 before and after school child care program and night/summer school programs that are totally funded by tuition and fees charged for these services.

### **Budgetary Goals and Philosophy for 2016-17**

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 unassigned fund balance of 3-7% 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 (Currently: 12.16%) for school Districts. (Issaquah's admin expense is set for 8.68% in 2016-17 Budget)
- Maintaining and managing the District's resources to protect District assets and guarantee the board's financial goals

### **Major Budget Drivers for 2016-17:**

- Categorical State revenue of \$8.8 million, as the legislature begins to restore reductions made during the "great recession" and that are required by the McCleary decision are detailed below:
  - A 1.8% State COLA was provided by the legislature (\$1.7M) with an unfunded cost to the District of \$1.4M
  - State Funded Full Day Kindergarten will be funded at nearly \$4.5M, with a local cost of \$1.5M and an additional decrease in tuition revenue of just under \$1.3M.
  - \$2.6M is provided for lower class sizes in K-3, each staffing unit needed above and beyond the allocation will cost the local levy an estimated \$35,000.

- Projected enrollment growth of 440 new students and an additional 672 student FTE as the District moves to “State Funded” Full Day Kindergarten for all students.
- Additional \$2.5 million in local levy revenue over prior year due to enrollment growth and increasing state revenues
- A \$600,000 investment in additional Full Day Kindergarten EA’s, conversion of 4 deans of students to assistant principals, and increased mental health support
- \$500,000 was invested into “start up” costs for Gibson Ek.
- Locally funded salary increases of \$2.3 million and COLA backfill of \$1.4M.
- Increased non-employee costs; fuel, commodities, insurance, and utilities.

**Additional Information:**

*Districts must now, as part of their budget process, disclose:*

- 1) The amount of general education and lab science MSOC to be received by the district.*
  - a. For 2016-17 fiscal year the District will receive an estimated \$23,800,880**
- 2) The amount the district proposes to spend on MSOC, as well as the difference between these two amounts.*
  - a. The District has budgeted \$39,174,402 for a difference of \$15,373,522**
- 3) If MSOC allocations exceed MSOC expenditures, the district must report any proposed use of the difference and how this use will improve student achievement.*
  - a. The amount in excess of the state allocation will improve student achievement by providing for curriculum, materials, and supplies for staff and students. Additionally, utilities such as water, sewer, and electricity are essential to providing a comfortable learning environment. Programs such as special education are also backfilled significantly by local levy funds to ensure the District meets its legal obligations under IDEA.**

**Conclusion:**

The administration certifies that 2016-17 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, 2016 board meeting.

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

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