

Advance Notice
August 8, 2018

DISCUSSION/ACTION ITEMS

2018-19 Budget First Reading: **Public Hearing** – Kuper

Action to be taken: **The Board will conduct a hearing to obtain public input on the 2018-19 Budget. Adoption of the budget is scheduled for the August 22, 2018 board meeting.**

Notice of this hearing as been published twice in our paper of record as required by statue on July 13 and July 20st, 2018.

The Budget Process

Each spring the budget process begins with the Board establishing broad parameters for budget development. (Adopted 2-14-2018) The Administration follows the Board’s parameters and reinforces these parameters during actual budget development. These guidelines have been observed and incorporated into the 2018-19 Budget.

From 2009-10 to 2011-12 (3 fiscal years) the District 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 through 2016-17, there was an actual increase in state revenue. State revenue has continued to grow in 2018-19 and will now comprise 71.4% of the District’s operating revenue, an increase of 7.2% over the prior fiscal year (2017-18). The State is now 3.4% above the recent historical peak in state funding as a percentage of total operating revenue.

The State legislature has continued to increase education funding pursuant to the McCleary decision, however a large portion of this “new” revenue comes in the form of salary and benefit allocations, making the funds less flexible than local levy dollars.

The legislature has provided significant structural changes to the education funding for 2018-19 and beyond, which included a decrease in local levy authority (capped at \$2500 per student or \$1.50/1000, whichever is less) this results in a decrease in calendar year 2019 of an estimated \$15.2M in local levy collections (\$59.7M vs. \$44.5M). This drop in local levy funding is coupled with new restrictions on what and how local levy funds can be used to support and supplement basic education.

The State in 2018-19 also moves away from the current salary allocation model for certificated staff and funds all employee types (certificated, classified and certificated administrator) on statewide minimum salary allocation that is then to be adjusted by regional factors (18% for ISD).

Overall, the increase in state revenue has allowed the District to make key programmatic investments, which as a community have been desired for many years. The District has concerns however on how local enrichment levies can be used in the future and what changes may be

foisted upon us by the creation of the School Employee Benefit Board who will subsume all of the health benefit plans for all K-12 employees across the state.

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 71.4% of the funding for general operating costs, the federal government provides 2.2%, and 26.2% is generated through local fees and the M&O Levy.

There are 295 school districts in the State of Washington and 18 other Local Education Agencies that receive funding. Issaquah School District is ranked 286 out of the 313 K-12 agencies in terms of total revenue per student. This means that funding has been a challenge for the District. The average district in 2016-17 received \$12,037 in revenue for each student while Issaquah School District received \$10,851 per student. This puts Issaquah School District at a revenue disadvantage of \$24.2 million per year when compared to the state average per student rate.

The good news however, is that in 2018-19 the State Legislature (persuaded by the McCleary Decision) significantly changed Issaquah School District's revenue per pupil predominately due to increased funding amounts for salary allocations. The 2018-19 revenue per pupil is approximately \$14,900.

Where the Money Goes

The Issaquah School District is the second largest employer in Issaquah with over 2,700 full time and part time staff members. (This excludes several hundred substitute employees) These employees are represented by 1,400 teachers, 370 educational assistants, 135 bus drivers, 70 food service workers, 195 office/support staff, 140 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 21,000 students are provided in fifteen elementary schools, five middle schools, and three comprehensive high schools. The basic education class room staffing allocation goal for each grade level has been established as follows:

K-3	21 students to 1 teacher (Range of 18 to 24)
4-5	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	26.0 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 over 1,850 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 \$29.5 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 \$6.1 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 110-140 students belonging to districts all around the State of Washington. This program is not a financial responsibility of the Issaquah School District and should be fully funded by the State of Washington.

(5) Food Services

The Food Service Program provides over 8,000 lunches to students and staff members every day. That is the equivalent of 1.4 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 \$5.43M of the total District operating budget.

(6) Transportation

Approximately 50% of the students ride the bus on any given day. This means that nearly 10,000 students ride the bus from home to school, and back home on a daily basis. The District has over 155 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 9.5 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 88% of this obligation, leaving the other 12% 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 2018-19

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, Executive Limitations, and Ends learning goals for students.
- A comprehensive educational program which reflects overall community values and interests and provides an equitable and balanced educational experience for all students.
- A comprehensive educational program balanced to reflect overall community values including the course capacity and opportunity for all students to take four years of mathematics, three years of lab-based science, take at least two years of world languages, and engage in social emotional learning.

- 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: 12.29%) for school districts. (Issaquah's admin expense is set for 9.26% in the 2018-19 Budget).
- Maintaining and managing the District's resources to protect District assets and guarantee the Board's financial goals, including an annual review of program that is sufficient to determine how much local Educational Programs and Operations levy must be collected/rolled back.

Major Budget Drivers for 2018-19:

- State revenue increase of approximately **\$49 million**, as the legislature provided funding in an amount sufficient to remove the order of contempt from the Supreme Court.
 - The majority of this funding was driven out via an increase to the funding of salary amounts that are the largest portion of the state apportionment process.
- Projected enrollment growth of 400 new students.
- Loss of Local Levy Authority in 2018-19 of just under \$7 million.
- Loss of an estimated \$850,000 as the calculation for a student FTE increases to 1665 minutes per week.
- \$2.5M in increased non-employee costs; fuel, commodities, insurance, and utilities.

Educational Program Investments for 2018-19:

- The District will be adding nearly 165 full time positions (totaling about \$16M) targeted strategically at our most needed areas;
 - \$3.2 million was provided for 7 additional Swedish Mental Health Counselors, 7.5 additional elementary counseling staff, 7.5 additional Positive Behavior Coaches, and 8 additional secondary counselors.
 - \$1.3M was invested in lower class size at 3rd grade (adding 13 classroom staff).
 - \$1.3 M was allocated for increased elementary special education staffing adding 13 certificated staff.
 - \$1.2 M has been invested in creating a mentor/staff induction program for certificated and classified staff.

- \$800,000 was provided to our three comprehensive high schools for lower class sizes (8 FTE).
- \$500,000 for 4 FTE for additional school psychologists.
- \$500,000 for 5 additional ELL teachers.
- \$1M leveraged for TOSA's, Elementary Dual Languages and CTE.
- \$1.3M for additional paraeducator support in General and Special Education.
- Three new family partnership liaison positions and increased equity work totaling \$500,000.
- \$1.8 million in additional operation positions (HVAC, Grounds, Custodian, Bus, Business office, etc.)
- \$500,000 in additional building secretarial support.
- \$2M in additional administrative and admin support positions.
- \$2M in increasing labor cost for settled bargaining agreements.
- \$4.5M has been obligated for changes to the High School schedule/learning opportunities for students.
- The remainder of the District resources will be used to settle our current and pending compensation demands.

The 2018-19 has the greatest investments in program the District has ever been able to make. We have to thank the State for increasing funding, and the local community for supporting our recent levy passage. Finally, thanks to the Board of Directors for providing stable governance and supporting the investments in our educational program that have been talked about for decades.

Conclusion:

The administration certifies that 2018-19 proposed Budget meets all Board Executive Limitations and meets Board adopted budget parameters.

The final budget will be presented for adoption at the August 22, 2018 board meeting.

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