

DISCUSSION/ACTION ITEMS

2019-20 Budget First Reading: **Public Hearing** - Kuper

Action to be taken: **The Board will conduct a hearing to obtain public input on the 2019-20 Budget. Adoption of the budget is scheduled for the August 28, 2019 board meeting.**

Notice of this hearing as been published twice in our paper of record as required by statute on July 19 and July 26, 2019.

The Budget Process:

Each spring the budget process begins with the Board establishing broad parameters for budget development. (Adopted 1-23-2019) The Administration follows the Board's parameters and reinforces these parameters during actual budget development. These guidelines have been observed and incorporated into the 2019-20 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 as a percentage of total revenue appears to have peaked in 2018-19 (71.4%) and will now comprise 71.2% of the District's operating revenue, a slight decrease of 0.2% over the prior fiscal year. The State is now 3.2% 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 2019-20 and beyond, which included a decrease in local levy authority (capped at \$2500 per student or \$2.50/1000, whichever is less) this results in a decrease in calendar year 2020 of an estimated \$19M in local levy collections (\$59.7M vs. \$40.6M). 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.

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 continues to have concerns on how local enrichment levies can be used in the future and the pending changes that are foisted upon us by the implementation of the School Employee Benefit Board who will subsume all of the health benefit plans for all K-12 employees across the state. The 2019-20 Budget reflects an increase in State funding for Health Benefits. The SEBB has expanded eligibility and looks now for the District to pay for staff whom opt out of insurance coverage and in some cases for substitute employees. This change will cost the local levy nearly \$5 million annually.

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 71.2% of the funding for general operating costs, the federal government provides 2.3%, and 26.3% is generated through local fees and the Educational Programs/Operations Levy (M&O).

There are 295 school districts in the State of Washington and 18 other Local Education Agencies that receive funding. Issaquah School District is ranked 257 out of 295 in terms of total revenue per student. The average district in 2017-18 received \$12,966 in revenue for each student while Issaquah School District received \$12,075 per student. This puts Issaquah School District at a revenue disadvantage of \$18.4 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.

Where the Money Goes

The Issaquah School District is the second largest employer in Issaquah with over 2,800 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 \$35.8 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 \$9.5 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 80 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 8,500 lunches to students and staff members every day. That is the equivalent of 1.5 million meals each year. The state and federal government provide minimal funding to support this program. Approximately 95% of the cost of this program is paid

for from the fees charged for each meal served. This program represents \$6M 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 1.5 million miles each year. The cost of providing these services will be approximately \$11.4 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 92% of this obligation, leaving the other 8% 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 2019-20

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.
- Overall growth in student learning toward state and federal learning targets, as well as growth for each of the disaggregated groups. This includes students working above standard.

A program that allows students to:

- Meet the requirements for a Washington State high school diploma;
- Meet the standards set forth by the Student Achievement Council for baccalaureate institutions or community and technical colleges to meet each student's High School and Beyond Plan;
- Have access to student-driven opportunities to explore non-core options especially in the areas of CTE, STEM and the arts, providing career-connected learning

□ Consider student opinion in academic remediation and acceleration opportunities.

- 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: 12.31%) for school districts. (Issaquah's admin expense is set for 9.05% in the 2019-20 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 2019-20:

- State revenue increase of approximately **\$10 million**,
 - The majority of this State funding was driven out via salary and benefit allocations. Comprised of a 2% IPD (Inflationary adjustment) and additional funds for the implementation of the School Employee Benefit Board.
- Projected enrollment growth of 120 new students,
- Loss of Local Levy Authority in 2019-20 of \$4 million,
- Negotiated salary increases of \$4.3M,
- \$1.5M in increased non-employee costs; fuel, commodities, insurance, and utilities,
- Utilization of set-aside funds for the implementation of the 7th period schedule at Issaquah and Skyline High Schools (from 2018-19) \$3.6M,
- One time funds of \$2.2M from no health benefit remittance in December of 2019,
- Draw down of reserve balances estimated at \$2-3M.

The 2019-20 budget is a fairly flat operating budget as compared to the 2018-19 budget year which had the greatest investments in program the District has ever been able to make. We have to thank the State for increasing funding, the local community for supporting our levy measures. Finally, thanks to the Board of Directors for providing stable governance and supporting our students, staff, and community.

Conclusion:

The Administration certifies that 2019-20 proposed Budget meets all Board Executive Limitations and meets Board adopted budget parameters.

The final budget will be presented for adoption at the August 28, 2019 board meeting.

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