

Advance Notice April 14, 2021

2021-22 Proposed Program/Service Reductions and Communication of Certificated Reduction in Force Threshold – Thiele/Kuper

Action to be taken: I move the board approve the proposed 2021-22 Program/Service Reductions as presented by the Administration.

The Administration will be presenting recommended program/service reductions for the 2021-22 Budget. This presentation will provide the estimated program/service reductions needed to ensure financial solvency, given the impact of COVID-19 on District finances. Specifically, the District has had substantial enrollment decline in student FTE from **20,234** (Prior Year Average) to **19,054** (Current year Average) of **1,180** FTE. (Please note this excludes running start enrollment). The District is also projecting further declines in student enrollment for fiscal year 2021-22, with estimated student FTE for 10-1-21 to be **18,582**. This decrease of **1,652** students over a two year period has and will have significant financial impacts to the District for the foreseeable future.

The information provided will also notify the Issaquah Education Association, per the 2018-22 Negotiated Contract between the Issaquah School District (ISD) and the Issaquah Education Association, which states in Section 8.5.D - General Provisions of Lay-off and Recall:

“If the Board anticipates a lay-off staff, the Board will notify the Association by the last Board meeting in April the level of the seniority required to guarantee a position for the following school year, based on projected revenues to be available.”

The administration will also review applicable layoff and recall procedures, as needed.

Rationale for total proposed reductions of \$22 million for fiscal year 2021-22.

As noted above the District has and will likely continue to face student enrollment declines due to the Covid-19 pandemic. (An estimated 1,652 students over a two year period). A decline in enrollment directly effects revenue that is generated on a per student basis from local, state and federal funding formulas. Furthermore, the District’s tuition based programs such as Food Service, Before and After School Care (BASC) and facility rentals have also declined significantly and do not drive the historical program revenue needed to keep self-sufficient.

The District’s financial decline has been rapid, with a total beginning fund balance of \$42.3M for 2019-2020 and an estimated ending fund balance of \$27M for the current fiscal year. \$27M represents a total fund balance of 7.8% of expenditures. Prior year equity balances of \$42.3M or 13.77% of actual expenditures. The decline of equity reserves from \$42.3M to an estimated \$27M is \$15.3M or a 36% decrease in reserve balances.

The simple chart below shows where the District is likely to end the year, even with the lowering or elimination of reserved funds, the District just barely, by 0.12% (\$415,000) meets the Board of Directors requirements of a 3 to 7% unreserved fund balance.

Budgeted Expenditures for 2020-21		\$		346,000,000	% of Actual
EST Ending 8-31-2021	27,000,000				7.80%
		G/L	Title		
Reserved for Inventory (pre-paid items)	6,849,707.97	840	Reserved for Inventory (non-spendable)		1.98%
Reserved for uninsured risks	500,000	850	Reserved for uninsured risks (Restricted)		0.14%
Board Reserve	1,000,000	870	Committed		0.29%
Imprest	108,220	870	Committed		0.03%
Reserved for other contingencies	500,000	875	Assigned for Contingencies		0.14%
Building Carryover	1,000,000	888	Assigned		0.29%
High School Schedule Implementation	1,000,000	888	Assigned		0.29%
Reserve for Future School Facilities	5,000,000	888	Assigned		1.45%
Total Non-Spendable	6,849,708				1.98%
Total Restricted	500,000				0.14%
Total Committed	1,108,220				0.32%
Total Assigned	7,500,000				2.17%
Total Designated Fund Balance	\$ 15,957,928				4.61%
Unreserved Fund Balance	\$ 11,042,072	890	Unassigned (Undesignated)		3.19%

The program reductions before the Board today, assumes no additional hold harmless funding from the State legislature (as only the Senate Budget thus far provides this funding) and ESSER funds totaling \$6.4M or \$331 per student. A portion of ESSER funds will be supplanted (in allowable activities) to assist with the huge budget shortfall facing the District. The District finds itself in an unfortunate revenue position as the State House and Senate have yet to reach political/budgetary agreement:

- No surety on hold harmless due to Covid-19 enrollment decline for 2020-21 (Senate is proposing a \$1500 student minimum when combined with ESSER funds, which would net the District \$20 to \$22M)
- No sign that we will not have continued enrollment declines for 2021-22 (K registration is down again)
- No financial assurances/direction for transportation funding for 2021-22. (The District has missed 2 ridership counts and will likely have reduced Spring ridership, effecting next year's transportation revenue significantly (\$6 to \$7M unless the legislature provides funding)
- No concurrence as of yet from the House on HB 1476 (This bill has yet to become a law but could allow the District to collect its full levy authorization.

Increased expenditures, enrollment decline, opening of new buildings, and more:

Why is there a need for a program reduction this significant? Given increased expenditures and as noted earlier a huge loss in student enrollment, the District is facing a “perfect financial storm.” Below please see the detail of the expenditure/deficits facing the District as well as any very likely increases in revenue that are forthcoming.

9/1/2021	EST Beg. Fund Balance	\$	27,000,000	
				Increased Costs or Loss of Revenue
		\$	(7,500,000)	IEA Negotiated Increases (2% IPD and 3% Local, total of 5%)
		\$	(2,952,000)	Other Negotiated (other bargaining units increases vary
		\$	(1,500,000)	Increase in MSOCS (Fuel, Utilities, Insurance)
		\$	(2,200,000)	Fixed Cost for Opening Middle School 6
		\$	(1,500,000)	Fixed Cost for Opening E16
		\$	(4,000,000)	Adopted Fund Balance Spend Down From 2020-21 Budget (Deficit
		\$	(16,600,000)	Prior Year Enrollment Decline & loss of Program Revenue
		\$	(5,600,000)	Budgeted Decline for 2021-22 of 572 less FTE from PY 10-1 Count
		\$	(6,000,000)	Estimated Loss of Transportation Revenue 2/3
	Subtotal	\$	(47,852,000)	
	Increases in Revenue(s)	\$	3,800,000	Increase in state revenue driven by 2.0% IPD
		\$	4,400,000	Increase in Local Levy with Hold Harmless, (allows district to collect full levy in 2022)
		\$	4,000,000	ESSER 2 and 3 (Amt to be supplanted)
				Hold Harmless Transportation (needs legislative action)
				Hold Harmless Enrollment (needs legislative action)
	Subtotal	\$	12,200,000	
	Remaining Deficit	\$	(35,652,000)	

The chart above shows an estimated beginning fund balance for 9-1-2021 of \$27,000,000. The increased costs/deficits from prior year (2020-21) and the budgeted decline in student enrollment is also captured as well. The district is facing \$47.8 million in revenue loss or increase in expenditures. There is positive revenue highly likely inbound to the District as demonstrated by agreement in the Senate & House budgets or legislative actions. Increased revenues totals \$12.2 million leaving a deficit of \$36.65 million for fiscal year 2021-22.

In order to remain solvent for fiscal year 2021-22 the following program reductions are needed. Our hope is that hold harmless funding for enrollment declines, due to COVID-19 and transportation funding will materialize but as of yet, we do not have any assurance that this outcome is certain.

Proposed Reductions	Est. amount of Savings	
	\$ 10,010,000	Cert Staffing Reductions (Enrollment Driven) 77 FTE
	\$ 1,600,000	Previously Executed Para and Office Pro Reductions
	\$ 770,000	Building Admin Reductions (4 FTE)
	\$ 290,000	Middle School Deans (2 FTE)
	\$ 700,000	Middle School Counselors (5 FTE)
	\$ 270,000	Swedish Mental Health (3 FTE)
	\$ 167,000	Business Office Reduction of (1.6 FTE)
	\$ 270,000	Asst Supt of Special Projects (1 FTE)
	\$ 1,050,000	PBSES Coaches (7.5 FTE)
	\$ 1,050,000	Elementary Counselors (7.5 FTE)
	\$ 980,000	PLC Coaches (7 FTE)
	\$ 950,000	Suspension of overload resulting from RIF
	\$ 750,000	Reduction of Extended Day Contracts
	\$ 130,000	PLC Coaches Classified (2 FTE)
	\$ 1,260,000	Math Path Cert Staffing (8 FTE)
	\$ 140,000	Counseling TOSA (1 FTE)
	\$ 130,000	CTE Enhancement (1 FTE)
	\$ 290,000	Theatre Managers (3 FTE)
	\$ 390,000	High School Grad Specialist (3 FTE)
	\$ 130,000	On-line learning building support (1 FTE)
	\$ 208,000	Assessment Dept. Restructure (1 FTE)
	\$ 247,000	Assessment Dept. Restructure (2 FTE)
	\$ 210,000	TLS TOSA (1.5 FTE)
Total Reductions	\$ 21,992,000	
Total use of Fund Balance	\$ (13,660,000)	Balance
Grand Total	\$ 13,340,000	Estimated Ending Fund Balance

The reductions above are likely the first round of significant decreases facing the District, if student enrollment does not increase post COVID-19. Regardless of “hold harmless” funding the District must right size our employment force to account for the significant enrollment decline(s). The proposed program reductions still have the District in a deficit position (cutting fund balance in ½) and take the equity reserves down to \$13.34M or 4% total (reserved and unreserved).

Certificated Reduction in Force Threshold and Recall:

Per the 2018-22 Negotiated Contract between the Issaquah School District (ISD) and the Issaquah Education Association (IEA) states in Section 8.5.D - General Provisions of Lay-off and Recall:

If the Board anticipates a lay-off staff, the Board will notify the Association by the last Board meeting in April the level of the seniority required to guarantee a position for the following school year, based on projected revenues to be available.

The administration has taken great care in determining at what level the district can guarantee employment for fiscal year 2021-22. Given the potential severity of the revenue shortfall and significant increase in expenditures (due to labor contracts and the opening of two new buildings, the District must ensure that contractual obligations for fiscal year 2021-22 do not place the District in financial jeopardy.

The calculation of the Reduction in Force threshold, or RIF line, was determined by the need to save a targeted amount of funds and makes allowances for endorsements in hard to fill areas. For example, a special education staff member who was RIF'ed is likely to be recalled in 2021-22, and therefore, was not counted in the targeted savings amount.

Superintendent Thiele will provide the seniority number that guarantees employment with the District for the 2021-22 school year.

Following that rationale, the District will be exercising the recall process for a number of positions included in the Reduction in Force figures. The lay-off and recall process for certificated staff is proscribed in the IEA and ISD collective bargaining agreement.

Administration will be available to answer questions if needed.