

Levy Cliff Extension Information for Community

- The state's paramount duty is to fully fund education.
- As of last week, Seattle Public Schools was facing a \$74M budget shortfall, 9.4% of our budget for 2017-18 because the state has not fulfilled its obligation.
- The \$74M gap was made up of the following:
 - ✓ \$41M is related to compensation, a state responsibility.
 - ✓ \$30M was the Levy Cliff, a reduction in our local levy authority and ability to use already approved voter funds.
 - ✓ \$3M was a result of SPS typical functions (e.g., opening new schools, new option school). This component of our budget gap, in any other year, could be addressed through normal cost saving measures.
- Over the past six months, the budget office has worked with SEA, PASS, SCPTSA, community partners and the School Board to develop a "worst-case" budget reduction plan.
- Staffing allocations that reflect the final reduction plan, which included \$16.6M in WSS reductions, were provided to schools on February 28.
- Two weeks ago, the Legislature came to agreement and passed a bill (SB5023) that provides immediate financial relief to school districts by addressing the Levy Cliff and extending our levy authority for calendar year 2018. This affects both school year 2017-18 and the first half of school year 2018-19. The Governor signed the bill on March 15.
- Through December 2018 we can use our already approved local funds in the same way we have been.
- The original \$30M local levy reduction was focused in three areas:
 - ✓ **A 4% reduction in levy authority (36.97% to 32.97%)** which represented \$12M.
 - ✓ **Ghost factor related to initiatives 728/732, funding that the state should have been providing** and represents \$12M. The ghost factor reflects that state's ongoing practice of letting us pay their bills. For voter approved initiatives (728 and 732) because the state didn't have the funds, they adjusted the local levy formula so we could ask voters to backfill state obligations with local dollars.
 - ✓ **Per pupil inflator.** This represents \$6M. The per pupil inflator is an inflation adjustment to our levies that allows additional funding to be collected. It also drives a state levy subsidy to property poor districts. The legislature has artificially lowered this number, resulting in less than anticipated levy revenue for SPS.
- Two of components of the Levy Cliff were addressed in the passed bill: Reduction in levy authority (\$12M) and the ghost factor (\$12M). Levy Cliff restoration provides us with \$24M of our \$30M levy loss.
- **\$24M of our \$74M shortfall will be restored.**

- The remaining \$6M of our levy could be addressed in the next two-year budget passed by the legislature in June or July.
- We now find ourselves in a unique position of being extremely thankful and relieved yet still with a \$50M budget shortfall.
- Without full budget restoration, the district will still need to make cuts.
- Next steps for Seattle Public Schools include gathering feedback from our partners including Seattle Council PTSA, Seattle Education Association and Principal Association of Seattle Schools regarding restoration priorities.
- Over the next couple of weeks, the budget office will continue to work with school leaders and school building leadership teams on reduction and restoration plans.
- On March 29, based on feedback from partners (SCPTSA, SEA, PASS), the Superintendent will share restoration recommendations with the School Board at a budget work session. Then the budget office will rerun staffing allocations.
- We anticipate updated staffing allocations will be sent to schools after Spring Break.
- We thank the Legislature for the bipartisan accomplishment and commitment to students.
- The 18-months of levy relief will greatly reduce the 2017-18 staffing reductions and negative impact to schools and our students
- We still have a \$50M dollar shortfall for next year.
- This shortfall represents significant cuts to central office, reduction of our reserve to 1.6% (our rainy day fund), potential delay of instructional material adoption and many, many painful actions.
- All of them in some way have an impact on students and schools.
- We need to remain focused on fully funding education and will need the support of schools, teachers, staff, and the broader community.