Budget Process and Update

Board Work Session

October 26, 2016

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Agenda

- Opening Thoughts
- Guiding Principles
- 2017-18 Budget Outlook
- Managing Expectations
- Outreach/Community Engagement
- What Do You Value?
- Next Steps

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Budget Guiding Principles

(draft for discussion/consideration)

- Although the 2013-15 and 2015-17 biennium Washington State budgets reversed the trend of diminishing State funding for K-12, it did not replace the accumulated reductions of the prior years. The severity of the accumulated shortfall continues to damage programs, infrastructure and student achievement, and extraordinary measures are required to achieve a balanced and sustainable district budget. We will work thoughtfully, diligently and transparently to achieve the best outcomes possible for SPS students, while acknowledging that any budget cuts are not in the best interest of our students. Closing the opportunity gap is at the core of our work – a sustainable level of funding for our schools is essential to success and to allow flexibility and innovation.

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Budget Guiding Principles

(draft for discussion/consideration)

To make progress towards our goals and to accomplish our core work we must look for structural change that will

- Continue to evaluate strategic initiatives, programs and functions to determine if they have produced desired results while shifting investment to proven and promising ideas that align to our strategic goals. Implementing the Strategic Plan will require the reallocation of resources.
- Invite all labor partners to work with us to address continuing budget shortfalls;
- Identify and prioritize opportunities to improve operational efficiency including the identification of externally provided services that can be renegotiated.
- Ensure a **lean infrastructure** exists to support instruction, employees and organization decision making while remaining legally compliant.
- Focus on budget sectors out of alignment with State and National spending per student benchmarks;
- Continue the governance investments required to ensure compliance to Board policies, to verify fiscal controls, and to create a culture of ethical behavior in Seattle Public Schools.

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FY 2017-18 Budget Development Calendar

December 15, 2016
Central Office and School Funding Model Recommendations Finalized

February 28, 2017
Budget Allocations to Schools

May 2017
Final General Fund Balancing for Budget Book

July 2017
Required Public Hearing

January 9 to April 24 to ???
State Legislature Session

April 15, 2017
Reduction in Force (if needed) work begins

June 2017
Introduce Budget to Board, Board Action Report and Budget Resolution

August 2017
Board Action to adopt school year 2017-18 budget

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FY 2017-18 Budget Development Calendar

- **December 15, 2016** – Central Office and School Funding Model Recommendations Finalized
  - Determine WSS Changes
  - Determine Overall Central Office budget targets
- **January 9 to April 24 to ???** - State Legislative Session
- **February 28, 2017** - Budget Allocations to Schools
- **April 15, 2017** – Reduction in Force (<u>if needed</u>) work begins
- **May 2017** - Final General Fund Balancing, Budget Book development
- **June 8, 2017** - Board Action Report and Budget Resolution
- **June 21, 2017** - Introduce Budget to Board
- **July 2017** – Required Public Hearing
- **August 2017** - Board Action to adopt school year 2017-18 budget

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Projected FY17-18 Budget

	FY17-18 Major Budget Changes (Dollars in Millions)	Surplus/GAP
1	Materials, Supplies, Operating Costs (MSOC)	$0.9
2	Operations Levy	$13.0
3	Levy base authority, “ghosting”, and per pupil inflator	($30.7)
4	Onetime Funds to balance FY16-17	($23.4)
5	Items funded for FY16-17 only	$11.0
6	COLA (2.2% less 1.8% one-biennium = 0.4%)	($0.7)
7	Pension	($3.9)
8	K-3 class size reduction	($4.7)
9	Estimated increased cost for 24 credit graduation	($7.1)
10	Estimated increased cost for core staff for new schools	($1.2)
11	Set Budget Development Reserve to $3.0M	($1.8)
12	Set Uncertainty Contingency to $2.0M	($1.0)
13	Labor cost increases	($22.8)
14	Items < $1.0M	1.3
	FY17-18 Current Budget GAP	**($71.1)**

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Projected 2017-18 Deficit Items – More Information

- Change in legislative rules would reduce the amount Seattle would receive from our local levy ($30.7M).
- Using one-time funds to balance the 2016-17 school year requires finding other one-time or on-going funds to balance 2017-18 ($23.4M).
- Negotiated pay and staffing cost increases ($22.8M).
- Cost of providing a cost of living adjustment of .4% to all District employees not paid for by the state ($.7M). This is the difference between $1.2M provided against a cost of ($1.9M).
- Increase of pension funding requirements set by the state of 2.2% for certificated staff and 1.89% for classified staff, creates an increased cost for the District ($3.9M).
- Cost of additional teachers for kindergarten through third grade class size reduction, above the state funding allocation ($4.7M).
- Estimated cost to increase high school staff to support 24 credit graduation requirements ($7.1M).
- Increased cost for principal and support staff for new schools ($1.2M).
- Reset Budget Development and Contingency Fund reserve balances ($2.8M)

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MANAGING EXPECTATIONS

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Managing Expectations

"We can do anything, we can't do everything."

- $71M is almost 10% of our budget.
- Worst case scenario must be planned for, but is unlikely.
- Don't want to appear to be "crying wolf", but need to communicate that there will be reductions unless we receive net new revenue.
- Still significant challenges if worst case does not occur.
- Concerns about time to react to potential good legislative news, could be too late for major staffing shifts.

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Outreach

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Three Tracks for Outreach

Overarching Question: What do you value?

- Track 1 – Community and Labor Partners
  - August 23rd and October 10th
- Track 2 – Parents
  - Two meetings to be held Oct 26th and Nov 3rd
- Track 3 – Internal Stakeholders
  - Two to three meetings of WSS workgroup, scheduled to the beginning of December

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What Do You Value?

WHAT IMPACTS STUDENT ACHIEVEMENT THE MOST?

WHAT ALIGNS TO OUR GOALS?

Reduce Reserves/Fund Balance

- Levy amount is not reduced (levy cliff goes away, levy authority stays at current level)
- Utilize all unrestricted fund balance amounts
- Change board policy 6022 and reduce economic stabilization fund
- Potential 2015-16 savings
- Potential 2016-17 salary savings
- Shift bond interest back to Capital

NOT INCLUSIVE LIST - EXAMPLES ONLY TO GENERATE CONVERSATION

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Reductions – No/Little Direct Impact on Staffing or School Service

- Eliminate budget for textbook adoptions 2017-18
- Implement indirect policy on all grants and Capital

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Reductions – non WSS Related

- Reduce 24 credit enhancements
- Central admin efficiencies
- Reduce Fall enrollment adjustments
- Eliminate funding to reduce school splits

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SPS Programs Enhanced with Levy

- Advanced Learning programs/offerings
- Bilingual programs programs/offerings
- Option Schools
  - Dual Language
  - K-8's
  - Montessori
- Special education programs/offerings
- Others?

NOT INCLUSIVE LIST - EXAMPLES ONLY TO GENERATE CONVERSATION

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Reductions to WSS

- Freeze K-3 class sizes
- Grades 9-12 class size back to 30:1
- Grades 4-5 class size back to 28:1
- Eliminate 50% of elementary school counselors
- Eliminate 50% of all elementary school assistant principals
- Eliminate discretionary "core" staffing for all schools

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NOT INCLUSIVE LIST - EXAMPLES ONLY TO GENERATE CONVERSATION

Examples that follow

- Example only, as a starting point for discussion
- To show scope and breadth of deficit
- Start to size the box for some of the ideas to get to a balanced budget

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EXAMPLE ONLY

2017-18 Budget Balancing						
		Total projected deficit	($71,000,000)			
		Subtotal from below	$82,400,000			
		Amount of deficit remaining	$11,400,000			
	Potential Solutions					
	Item #	*Description*	*Estimated Amount*	*Total*		
Level 1 - must do even if levy cliff is fixed	1	Levy amount is not reduced (levy cliff goes away, levy authority stays at current level)	$24,000,000			
	2	Utilize all unrestricted fund balance amounts	$10,000,000			
	3	Change board policy 6022 and use 50% of economic reserve fund	$11,500,000			
	4	Potential 2015-16 savings	$4,000,000			
	5	Potential 2016-17 salary savings	$7,000,000			
	6	Shift bond interest back to Capital	$900,000	$57,400,000	Total of Level 1	
				($13,600,000)	Remainder to solve	

ALL NUMBERS ARE ESTIMATES

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EXAMPLE ONLY

Level 2 - must do even if levy cliff is fixed	7				
	8	Eliminate budget for textbook adoptions 2017-18	$5,000,000		
	9	Implement indirect policy on all grants and Capital	$1,000,000	$6,000,000	Total of Level 2
				($7,600,000)	Remainder to solve
Level 3	10	Reduce 24 credit enhancements	$2,000,000		
	11	Central admin efficiencies	$1,000,000		
	12	Reduce Fall enrollment adjustments	$1,000,000		
	13	Eliminate funding to reduce school splits	$1,800,000	$5,800,000	
				($1,800,000)	Remainder to solve
Level 4	14	Freeze K-3 class sizes	$4,700,000		
	15	Grades 9-12 class size back to 30:1	$1,900,000		
	16	Revert back to Gr 4-5 class size of 28:1	$1,100,000		
	17	Eliminate 50% of elementary school counselors	$700,000		
	18	Eliminate 50% of all elementary school assistant principals	$2,900,000		
	19	Eliminate discretionary "core" staffing for all schools	$1,900,000		
	20				
	21				
	22				
	23			$13,200,000	
				$11,400,000	Remainder to solve

ALL NUMBERS ARE ESTIMATES

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EXAMPLE ONLY

2017-18 Budget Balancing

ALL NUMBERS ARE ESTIMATES

		Total projected deficit	($71,000,000)		
		Subtotal from below	$58,400,000		
		Amount of deficit remaining	($12,600,000)		
	Potential Solutions				
	Item #	*Description*	*Estimated Amount*	*Total*	
Level 1 - must do even if levy cliff is fixed	1	Levy amount is not reduced (levy cliff goes away, levy authority stays at current level)	$0		
	2	Utilize all unrestricted fund balance amounts	$10,000,000		
	3	Change board policy 6022 and use 50% of economic reserve fund	$11,500,000		
	4	Potential 2015-16 savings	$4,000,000		
	5	Potential 2016-17 salary savings	$7,000,000		
	6	Shift bond interest back to Capital	$900,000	$33,400,000	Total of Level 1
				($37,600,000)	Remainder to solve
Level 2 - must do even if levy cliff is fixed	7				
	8	Eliminate budget for textbook adoptions 2017-18	$5,000,000		
	9	Implement indirect policy on all grants and Capital	$1,000,000	$6,000,000	Total of Level 2
				($31,600,000)	Remainder to solve
Level 3	10	Reduce 24 credit enhancements	$2,000,000		
	11	Central admin efficiencies	$1,000,000		
	12	Reduce Fall enrollment adjustments	$1,000,000		
	13	Eliminate funding to reduce school splits	$1,800,000	$5,800,000	
				($25,800,000)	Remainder to solve
Level 4	14	Freeze K-3 class sizes	$4,700,000		
	15	Grades 9-12 class size back to 30:1	$1,900,000		
	16	Revert back to Gr 4-5 class size of 28:1	$1,100,000		
	17	Eliminate 50% of elementary school counselors	$700,000		
	18	Eliminate 50% of all elementary school assistant principals	$2,900,000		
	19	Eliminate discretionary "core" staffing for all schools	$1,900,000		
	20				
	21				
	22				
	23			$13,200,000	
				($12,600,000)	Remainder to solve

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Next Steps

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Next Steps

- November 16 – Budget Work Session
  - Feedback from Community meetings
- November 22 – Budget Work Session
  - Recommendations from Executive Leadership (not including WSS recommendations)
  - Level 1 and 2 decisions made
- December 3 – Board Retreat
  - WSS Committee feedback
  - Recommendations from Executive Leadership
  - Level 3 and 4 decisions made

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