
Budget Process and Update

Board Work Session
November 16, 2016

Agenda

- Opening Thoughts
- Budget Guiding Principles
- Historical Budget Gaps
- Direct School Costs vs. Support Services
- Levy Cliff
- Fund Balance
- Financial Policies
 - Bond Interest Repayment
 - Indirect Policy
- Outreach/Community Engagement
- Next Steps

Budget at 10,000 Feet

*New from original posting

Dollars in Millions	
\$30.90	Reduction in funding from change in levy
\$22.80	Increase in labor costs
\$53.70	State legislatively driven increased costs
(\$71)	Total projected deficit
\$53.70	State legislatively driven increased costs
(\$17)	Remaining

Recommendations upcoming for November 22 Budget Work Session

*New from original
posting

- Economic Stabilization Amount
- Indirect Policy

Budget Guiding Principles

Budget Guiding Principles

- 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.

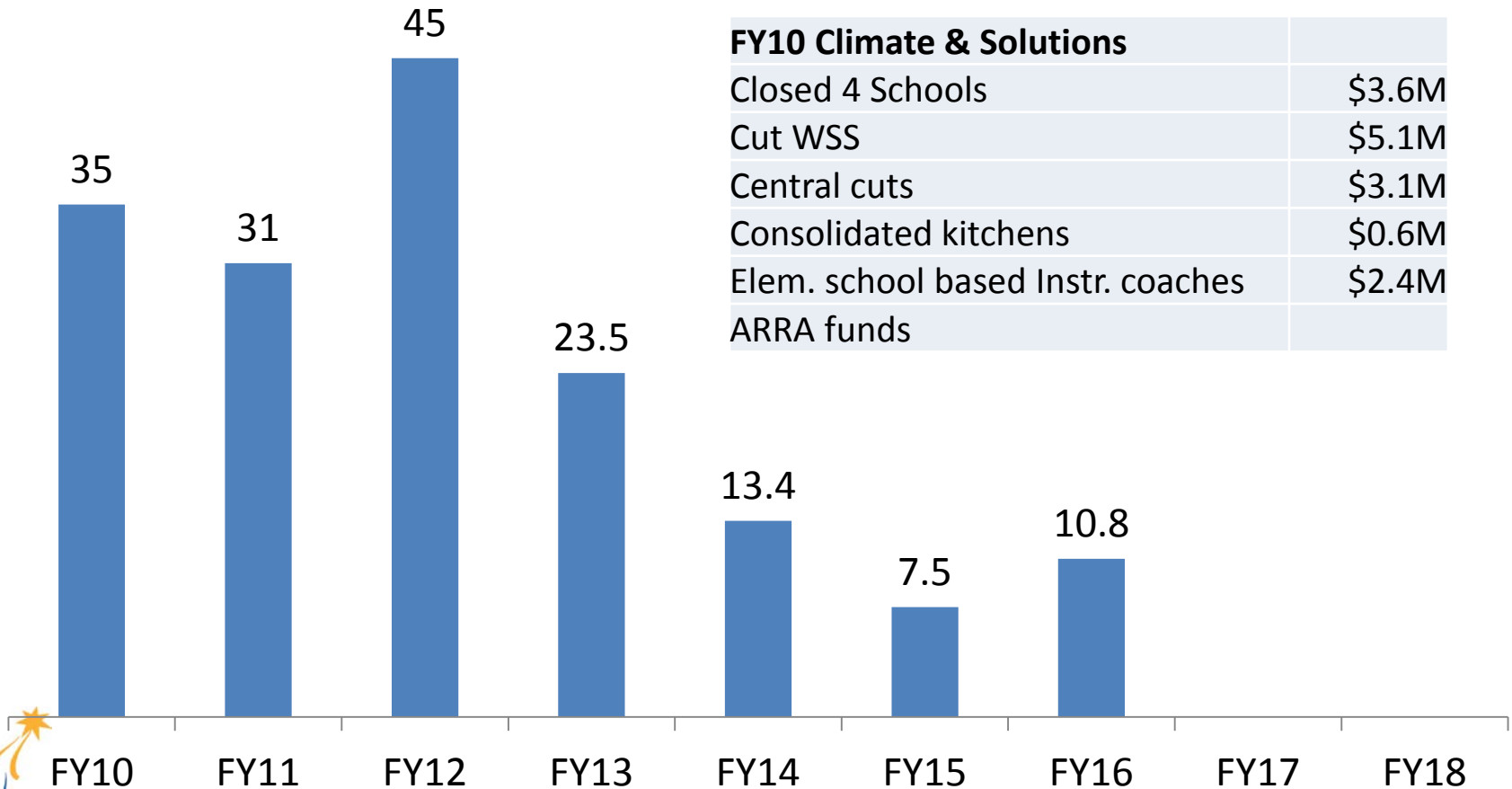
Budget Guiding Principles

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.

Historical Budget Gaps

Historical Budget Gaps (in \$Millions)

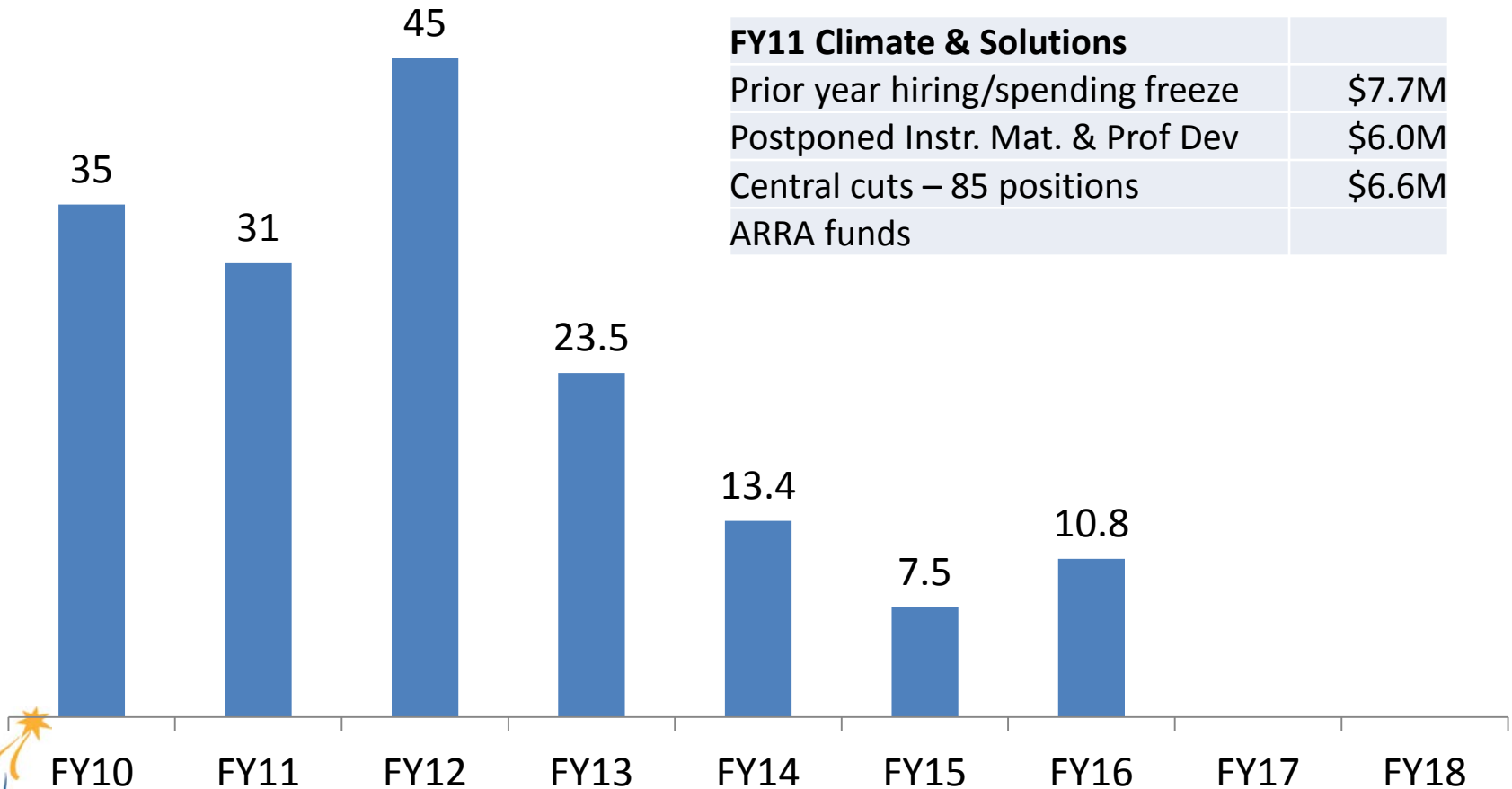


FY10 Climate & Solutions

Closed 4 Schools	\$3.6M
Cut WSS	\$5.1M
Central cuts	\$3.1M
Consolidated kitchens	\$0.6M
Elem. school based Instr. coaches	\$2.4M
ARRA funds	



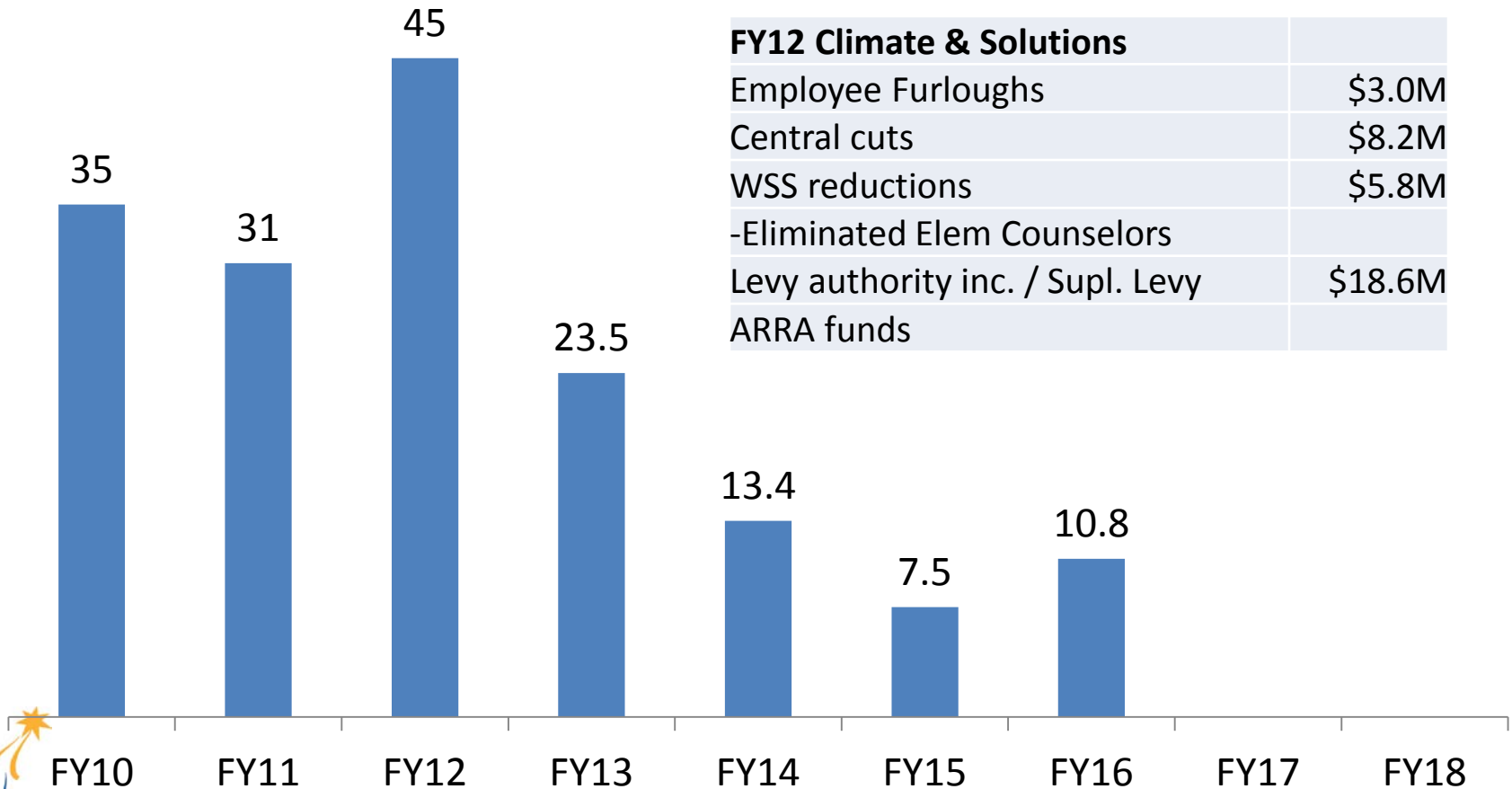
Historical Budget Gaps (in \$Millions)



FY11 Climate & Solutions

Prior year hiring/spending freeze	\$7.7M
Postponed Instr. Mat. & Prof Dev	\$6.0M
Central cuts – 85 positions	\$6.6M
ARRA funds	

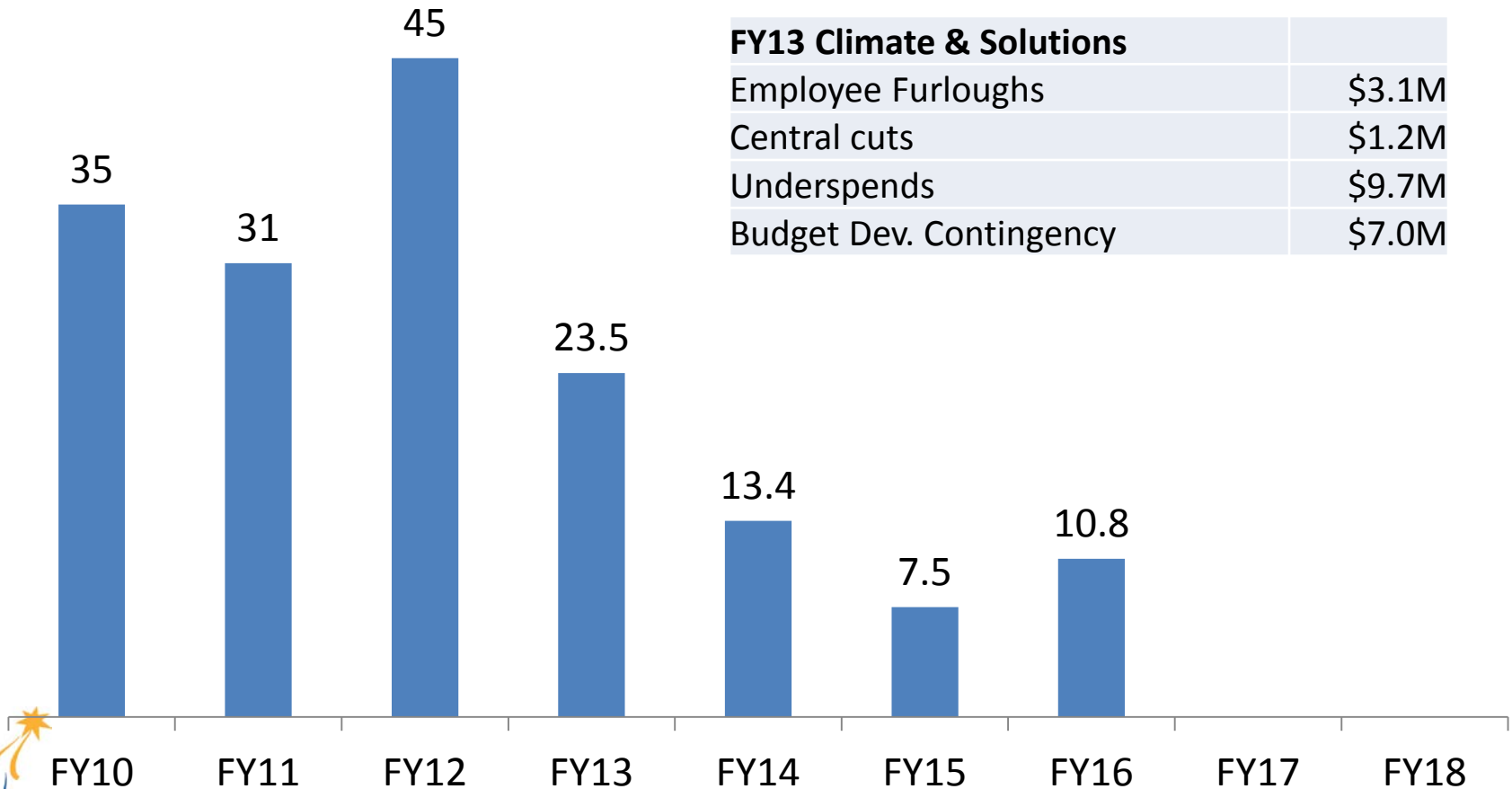
Historical Budget Gaps (in \$Millions)



FY12 Climate & Solutions

Employee Furloughs	\$3.0M
Central cuts	\$8.2M
WSS reductions	\$5.8M
-Eliminated Elem Counselors	
Levy authority inc. / Supl. Levy	\$18.6M
ARRA funds	

Historical Budget Gaps (in \$Millions)

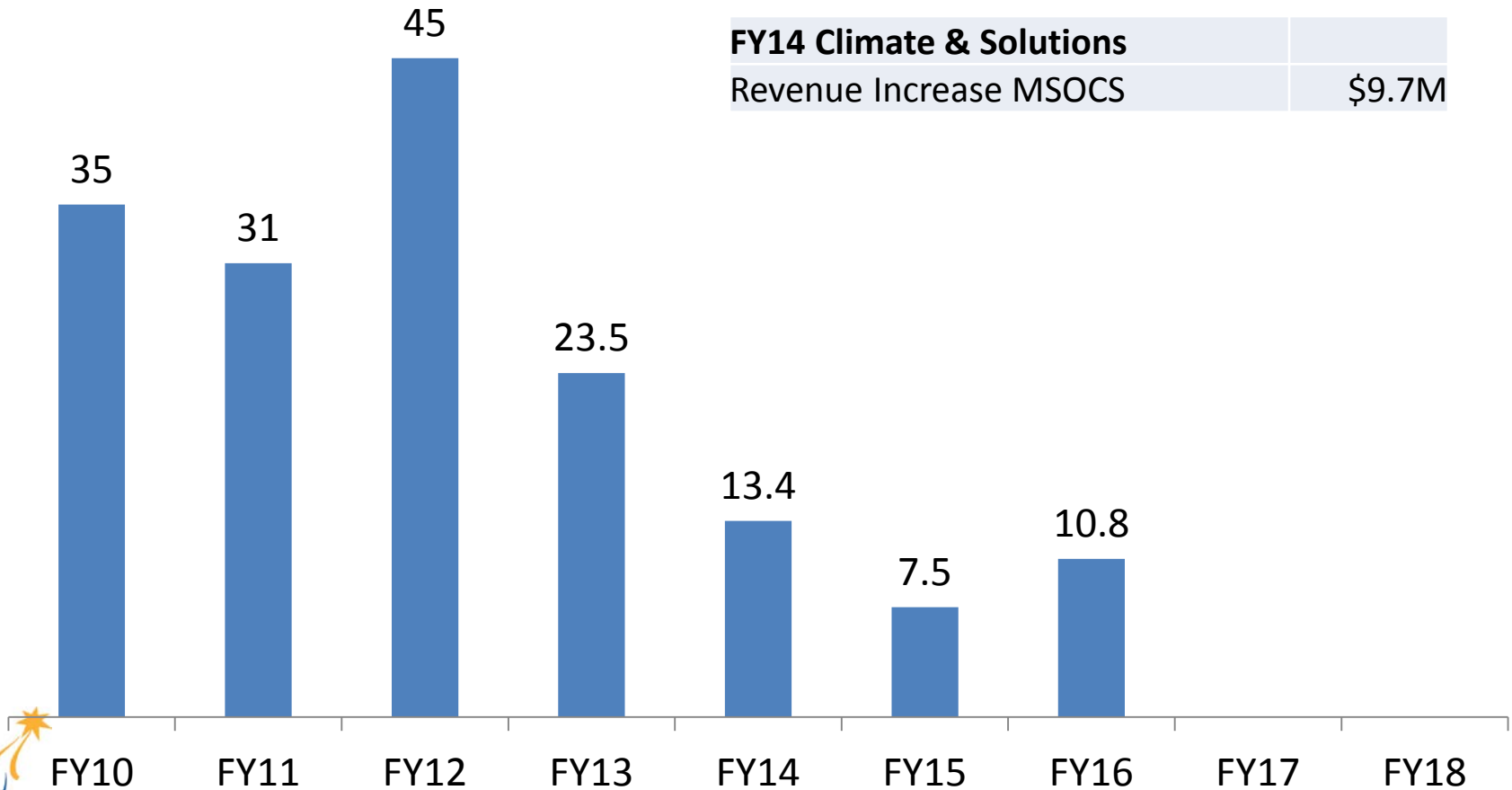


FY13 Climate & Solutions

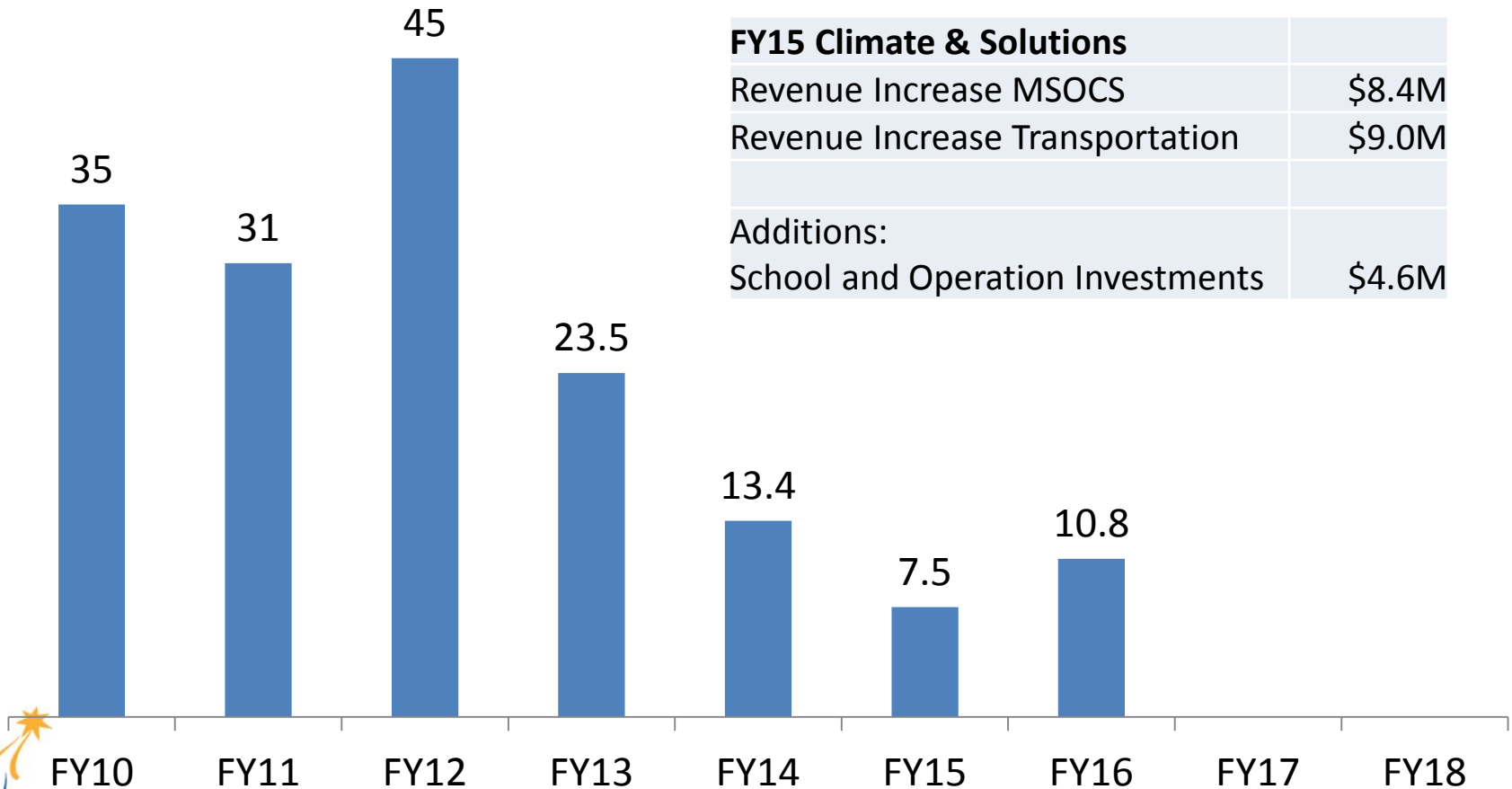
Employee Furloughs	\$3.1M
Central cuts	\$1.2M
Underspends	\$9.7M
Budget Dev. Contingency	\$7.0M



Historical Budget Gaps (in \$Millions)



Historical Budget Gaps (in \$Millions)

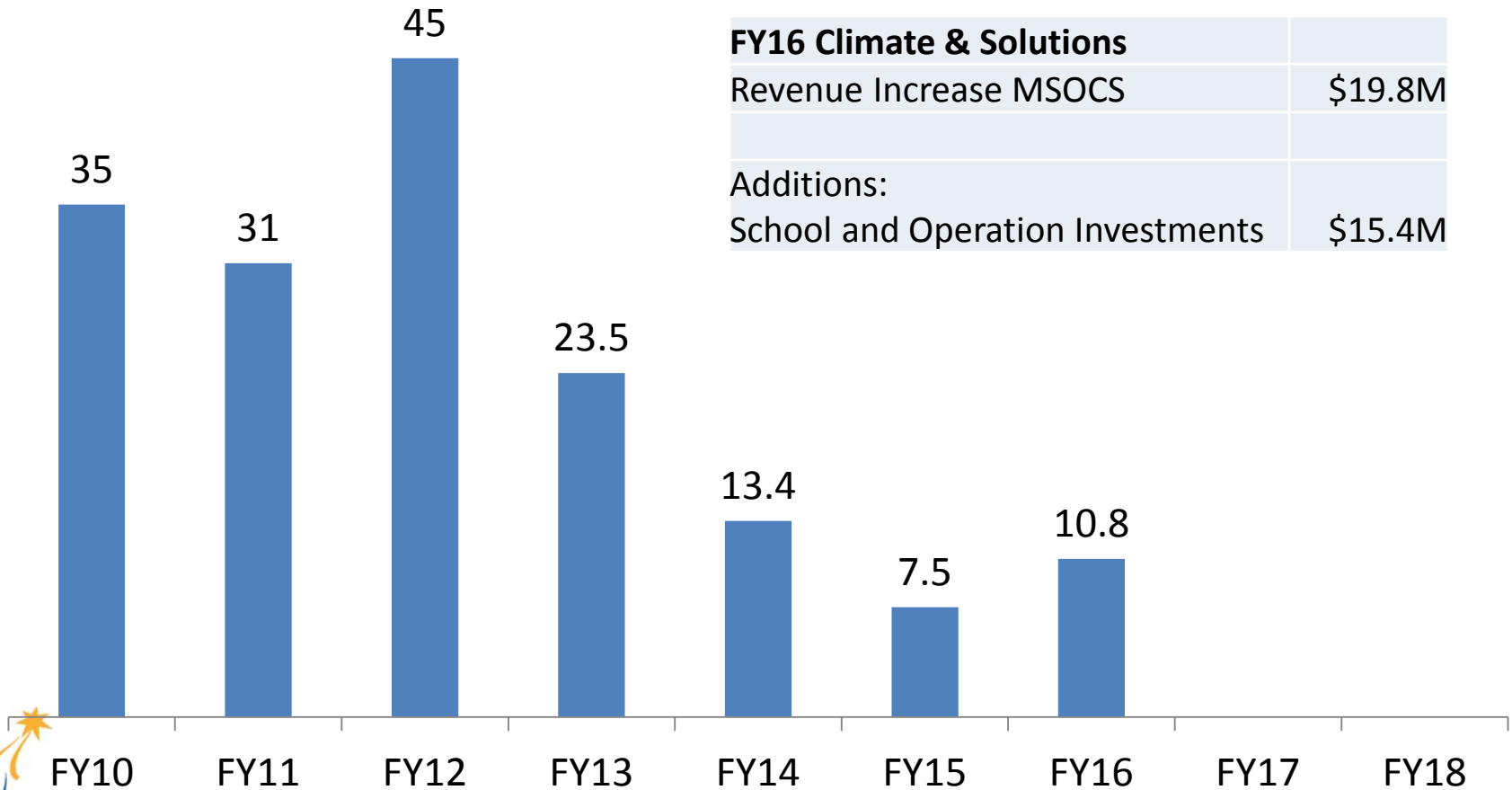


FY15 Climate & Solutions

Revenue Increase MSOCS	\$8.4M
Revenue Increase Transportation	\$9.0M
Additions:	
School and Operation Investments	\$4.6M



Historical Budget Gaps (in \$Millions)



FY16 Climate & Solutions

Revenue Increase MSOCS	\$19.8M
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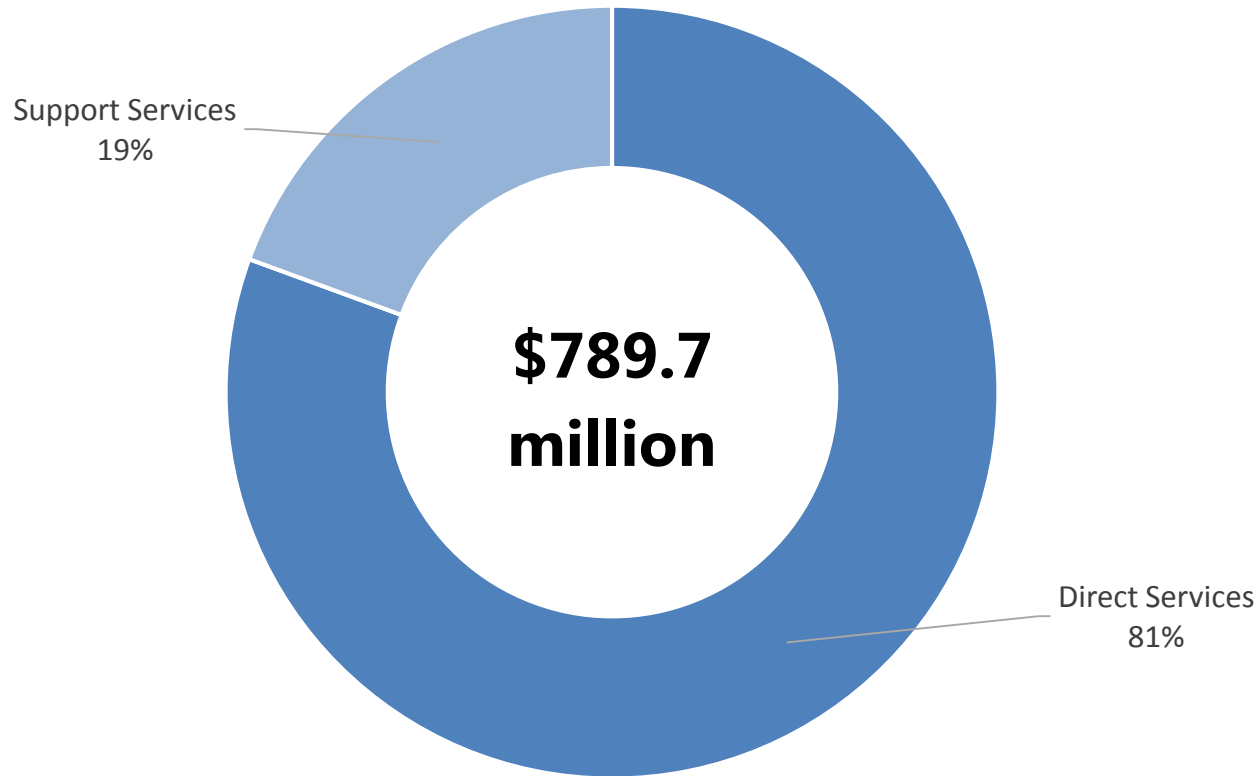
Additions:

School and Operation Investments	\$15.4M
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Direct Services compared to Support Services

Direct Services compared to Support Services



What are Direct Services?

Direct Services can be categorized in two groups, 1) the school allocation budget which is managed by the individual schools, and 2) centrally held budget that pays for staff and supplies that are exclusively in the schools, such as teachers, nurses, instructional assistants, custodians and food service workers. This also includes the utilities that heat our schools and the costs of transporting students to and from school.

The following table shows the direct service expenditures in more detail.

Direct Services	2016-17
Athletic coaches, equipment and transportation	3,696,339
Child Nutrition Services	14,151,332
Curriculum and textbooks	9,305,496
Custodial Services	23,333,745
Instructional Technology	113,702
Maintenance of school grounds and athletic fields	2,296,082
Nurses and Health Services	28,225,647
Professional Development for school office personnel	1,917,724
Professional Development for teachers	13,713,342
Security guards, crossing guards and playground supervisors	5,087,762
School Allocation - budgets managed by individual schools	443,084,982
Student Transportation	30,400,469
Teaching, instructional assistants, tutors and student supplies held in central dept. budgets	47,125,450
Utilities	14,005,641
Total Direct Services	\$636,457,713

What are Support Services?

Support Services include the staff that do not work directly in the schools with students, but rather support the staff in schools and are instrumental to running a district. Support Services include the costs of processing payroll, paying bills, administering programs, managing grants and hiring staff. It also includes the costs of our technology team, our delivery drivers, warehouse staff and insurance.

Support Services	2016-17
Board of Directors	4,648,980
Building and Property Security	1,567,486
Business Office	6,708,916
Communications and Customer Service	757,771
Counseling Support	3,299,710
Human Resources	6,978,484
Information Systems	15,229,150
Insurance	1,927,000
Teaching Support	9,299,610
Library Support	840,830
Maintenance	21,684,148
Operations of Buildings	467,692
Reserves	49,953,467
Superintendent	5,501,999
Supervision - Child Nutrition Services	935,088
Supervision - Instructional Services	17,934,368
Supervision - Maintenance	959,987
Supervision - Transportation	2,190,869
Warehouse and Distribution	2,371,861
Total Support Services	\$153,257,416



Central Admin – a subset of Support Services

Department	Support Services	Central Admin
Board of Directors	\$4,648,980	\$4,648,980
Building and Property Security	1,567,486	
Business Office	6,708,916	6,708,916
Communications and Customer Service	757,771	757,771
Counseling Support	3,299,710	
Human Resources	6,978,484	6,978,484
Information Systems	15,229,150	
Insurance	1,927,000	
Teaching Support	9,299,610	

Central Admin – a subset of Support Services, cont.

Department	Support Services	Central Admin
Library Support	\$840,830	
Maintenance	21,684,148	
Operations of Buildings	467,692	
Reserves	49,953,467	
Superintendent	5,501,999	5,501,999
Supervision - Child Nutrition Services	935,088	935,088
Supervision - Instructional Services*	17,934,368	17,934,368
Supervision - Maintenance	959,987	959,987
Supervision - Transportation	2,190,869	2,190,869
Warehouse and Distribution	2,371,861	
Total	\$153,257,416	\$46,616,462

*Includes Education Directors

Levy Cliff

Levy Cliff

2017-18 Revenue Reductions

	Amount (in millions)
Levy Base Authority from 36.97% to 32.97%	<\$12.2>
Levy “Ghosting” expiration	<\$12.3>
Levy Per Pupil Inflator	<\$6.4>
Total	<\$30.9>

Individual amounts may vary in the event a reduction is restored or partially restored.

Fund Balance/Economic Stabilization Fund

What makes up 2015-16 Ending Fund Balance?

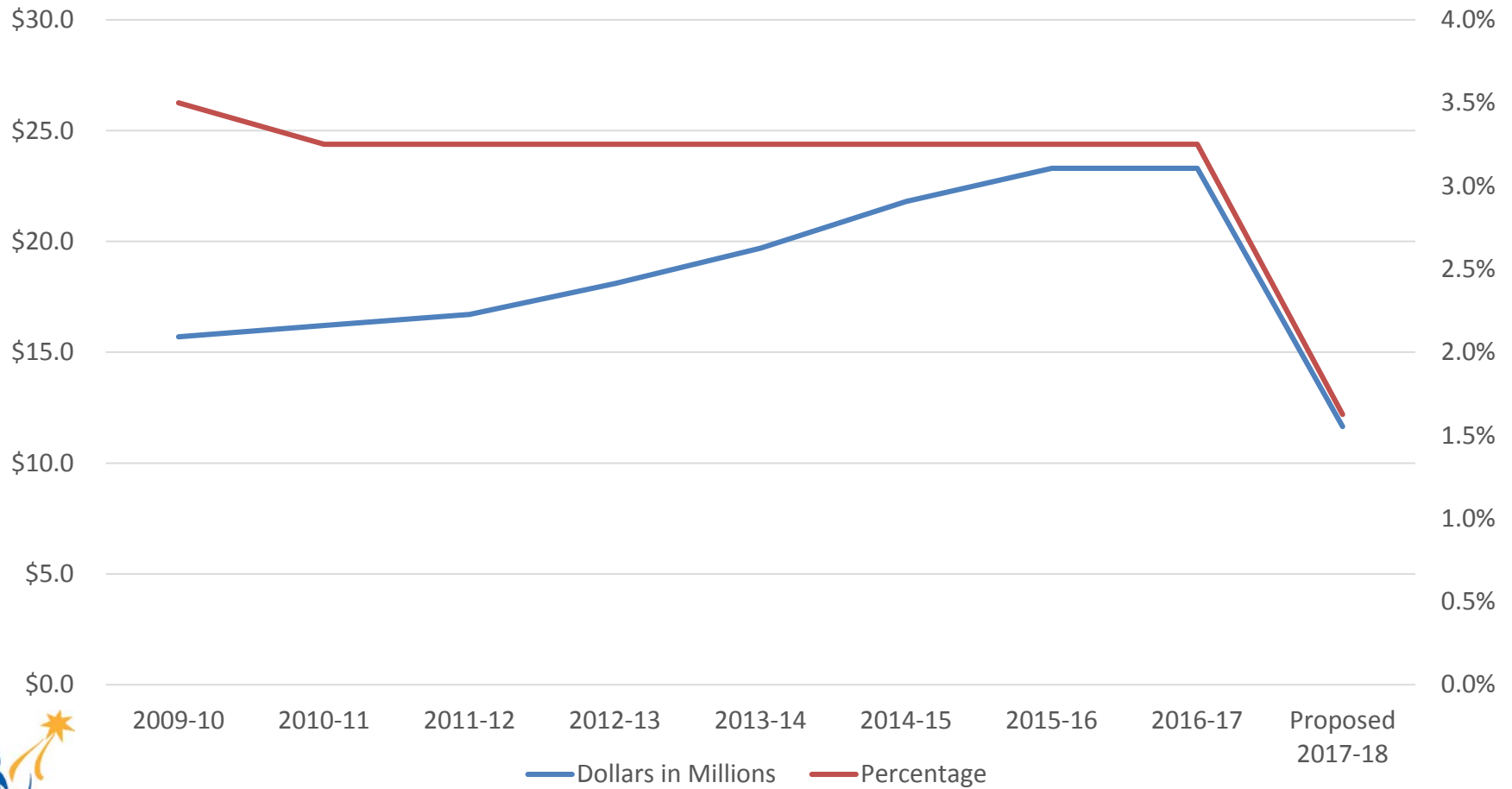
F-196 Category	Item	Actual	Can we use this to help?
Nonspendable	Inventory and prepaid expenses	\$1.5M	No - Restricted purpose
Restricted	Grant Carry Over	5.1M	No - Restricted purpose
Committed	Economic Stabilization	23.3M	Yes - Flexible
Assigned	School Carry Forward	9.1M	?? - Restricted purpose
	Central Self Help and Carry Forward	2.2M	?? - Restricted purpose
	Assigned to balance FY16-17	23.4M	No - Restricted purpose
	Assigned to balance FY17-18	5.0M	Yes - Restricted purpose
	Audit Recovery	.40M	?? - Restricted purpose
	Legal Settlement reserve	4.9M	No - Restricted purpose
Unassigned	Unassigned Fund Balance	3.1M	Yes - Flexible
	Totals for FY 2015-2016	\$78.0M	

History of Seattle Economic Stability Fund Balance

School Year	Dollars	Percentage*
2009-10	\$15,700,000	3.50%
2010-11	\$16,200,000	3.25%
2011-12	\$16,700,000	3.25%
2012-13	\$18,100,000	3.25%
2013-14	\$19,700,000	3.25%
2014-15	\$21,800,000	3.25%
2015-16	\$23,300,000	3.25%
2016-17	\$23,300,000	3.25%

*Percentage is based on non-grant budget for the following school year (2016-17 is based on anticipated 2017-18 expenditures)

Economic Stabilization Fund



Economic Stabilization Reserve

Percent	Balance	Available to Use	Total Available
3.25%	\$23,300,000	-	\$23,300,000
3.00%	\$21,507,692	\$1,792,308	\$23,300,000
2.75%	\$19,715,385	\$3,584,615	\$23,300,000
2.50%	\$17,923,077	\$5,376,923	\$23,300,000
2.00%	\$14,338,462	\$8,961,538	\$23,300,000
1.50%	\$10,753,846	\$12,546,154	\$23,300,000
1.00%	\$7,169,231	\$16,130,769	\$23,300,000

History of Seattle Unassigned Fund Balance

School Year	Dollars
2009-10	\$2,529,486
2010-11	\$3,456,228
2011-12	\$4,118,033
2012-13	\$1,758,323
2013-14	\$2,767,665
2014-15	\$3,365,634
2015-16	\$3,057,514

Committed to Fund Balance Policy Comparison of Districts

District	Policy	Seattle Equivalent
Spokane	5-6% of General Fund Previous Year Expenditure (Includes committed, assigned and unassigned fund balances)	10.0%
Tacoma	5% of General Fund Revenues	4.8%
Kent	5% of Prior Year General Fund Expenditures supported by unassigned Fund Balance	3.7%
Bellevue	5-6% of Previous Year's General Fund Expenditures supported by unassigned Fund Balance	3.7%
Seattle	3-5% of Non-Grant General Fund Budget of Next Years Expenditures	3.25%



Source: Compiled from district websites

Financial Policy – Options to Improve Fiscal Status

JSCEE Bond Interest

- Proposing that the 2016-17 and the 2017-18 interest payment be paid out of the Capital Fund (as in all recent prior years).
- See the September 2, 2016 Friday Memo for details.

Current Indirect Policy

- Indirect rates represent the overhead cost for administering grants.
- For 2016-17 SPS' rates were:
 - 3.99% restricted rate (use on federal education grants with a supplant clause and as required by state law)
 - 15.29% unrestricted rate
- Currently there is no district policy

Indirect Policy Options

- Increase rate from 3.99% to 15.29%, where allowed.
 - Phased implementation?
- Implement new policy to charge indirects on all grants.
 - Exclude school level PTSA grants? Lower rate?

Indirect Policy Options

Indirect Rate Options				
	All State and Local, including PTSA		Excluding PTSA	
Total Grants (amounts are only for grants where indirects are not currently taken)	\$10,582,525		\$6,263,825	
Take up Rate	50%	80%	50%	80%
Rate	Estimated Amt.	Estimated Amt.	Estimated Amt.	Estimated Amt.
1.5%	\$ 79,369	\$ 126,990	\$ 46,979	\$ 75,166
2.5%	\$ 132,282	\$ 211,651	\$ 78,298	\$ 125,277
3.99%	\$ 211,121	\$ 337,794	\$ 124,963	\$ 199,941
5.0%	\$ 264,563	\$ 423,301	\$ 156,596	\$ 250,553
8%	\$ 423,301	\$ 677,282	\$ 250,553	\$ 400,885
10%	\$ 529,126	\$ 846,602	\$ 313,191	\$ 501,106
12%	\$ 634,952	\$ 1,015,922	\$ 375,830	\$ 601,327
15.29%	\$ 809,034	\$ 1,294,454	\$ 478,869	\$ 766,191
Total Grants (amounts are only for grants where restricted rate is currently taken)	\$17,544,913			
3.99%	\$700,042			
Take up Rate	50%	80%		
Rate	Estimated Amt.	Estimated Amt.		
5.0%	\$ 88,602	\$ 141,763		
8%	\$ 351,776	\$ 562,841		
10%	\$ 527,225	\$ 843,559		
12%	\$ 702,674	\$ 1,124,278		
15.29%	\$ 991,288	\$ 1,586,060		

Indirect Policy Options

Totals	Include PTSA	Exclude PTSA
Low End Fiscal Impact	\$ 167,971	\$ 135,580
High End Fiscal Impact	\$ 2,880,515	\$ 2,352,251

*New from original posting

EXAMPLE ONLY

2017-18 Budget Balancing - ESTIMATES ONLY FOR DISCUSSION					
	Total projected deficit	(\$71,000,000)			
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			
7	Implement indirect policy on all grants and Capital	\$1,000,000			
			\$34,400,000	Total	
			(\$36,600,000)	Remainder to solve	

*New from original posting

EXAMPLE ONLY

Other Items for Consideration				
Eliminate budget for textbook adoptions 2017-18				
Reduce 24 credit enhancements				
Central admin efficiencies				
Reduce Fall enrollment adjustments				
Eliminate funding to reduce school splits				
Freeze K-3 class sizes				
Grades 9-12 class size back to 30:1				
Revert back to Gr 4-5 class size of 28:1				
Eliminate 50% of elementary school counselors				
Eliminate 50% of all elementary school assistant principals				
Eliminate discretionary "core" staffing for all schools				



Outreach

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 held Oct 26th and Nov 3rd
- Track 3 – Internal Stakeholders
 - Two to three meetings of WSS workgroup, scheduled to the beginning of December

Community and Labor Partners

What You Value

Family engagement
Welcoming environment
High quality, competent instruction
Equity lens
PD on class splits
EOG!!! Protect students that need most help.
Funding from partners
Student Achievement
Continuity in funding
Relationships
Wrap-around-holistic
Equity
Basic needs (food/housing)
Student mentors
Core instruction

WSS

Family engagement (Support Worker)
Guidance Counselor
Social Worker
Psychs – Therapists
Behavior Techs- Social-Emotional

Give Up

Schoolology
Computers

❖ 25 people attending

Parent/Community Members

October 25, 2016 Community Budget Meeting


- Increase Elementary Counselors
- Partial Implementation of K-3
- Reduce central admin, school Executive Directors and principals
- Consider the role of athletics in academic achievement



❖ 4 people attending

Parent/Community Members

November 3, 2016 Community Budget Meeting Notes

- Madrona wants small class sizes and our counselors and social workers
- Reach out to Community Centers and do presentations
- Let PTA's and parents know what is coming
- Small class sizes and/or interventionists & support staff at high poverty schools
- Want SPS to focus on Goals 2&5:
 - Relationship building in schools- so students feel they belong; so they feel connected
 - Relationship building between teachers (& schools) & students' families toward true partnerships
- Concord internationals dual language model is financially sound- all teachers are certified & bilingual-no need for additional funding
- Dual Language immersion and globally focused education is extremely important for today's students, closes opportunity gaps, and has very limited additional cost. District focus opposed to school by school focus could increase this impact even more
- Reasonable class sizes
-  Competitive salaries

Next Steps

Next Steps

- November 22 – Budget Work Session
 - Recommendations from Executive Leadership (not including WSS recommendations) for Economic Stabilization and Indirect Policy
- December 3 – Board Retreat
 - WSS Committee feedback
 - Recommendations from Executive Leadership on remaining areas