



Budget Study Session 3

January 22, 2025

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For questions and more information about this document, please contact the following:

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The following is a PowerPoint presentation.



Seattle Public Schools

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January 22, 2025

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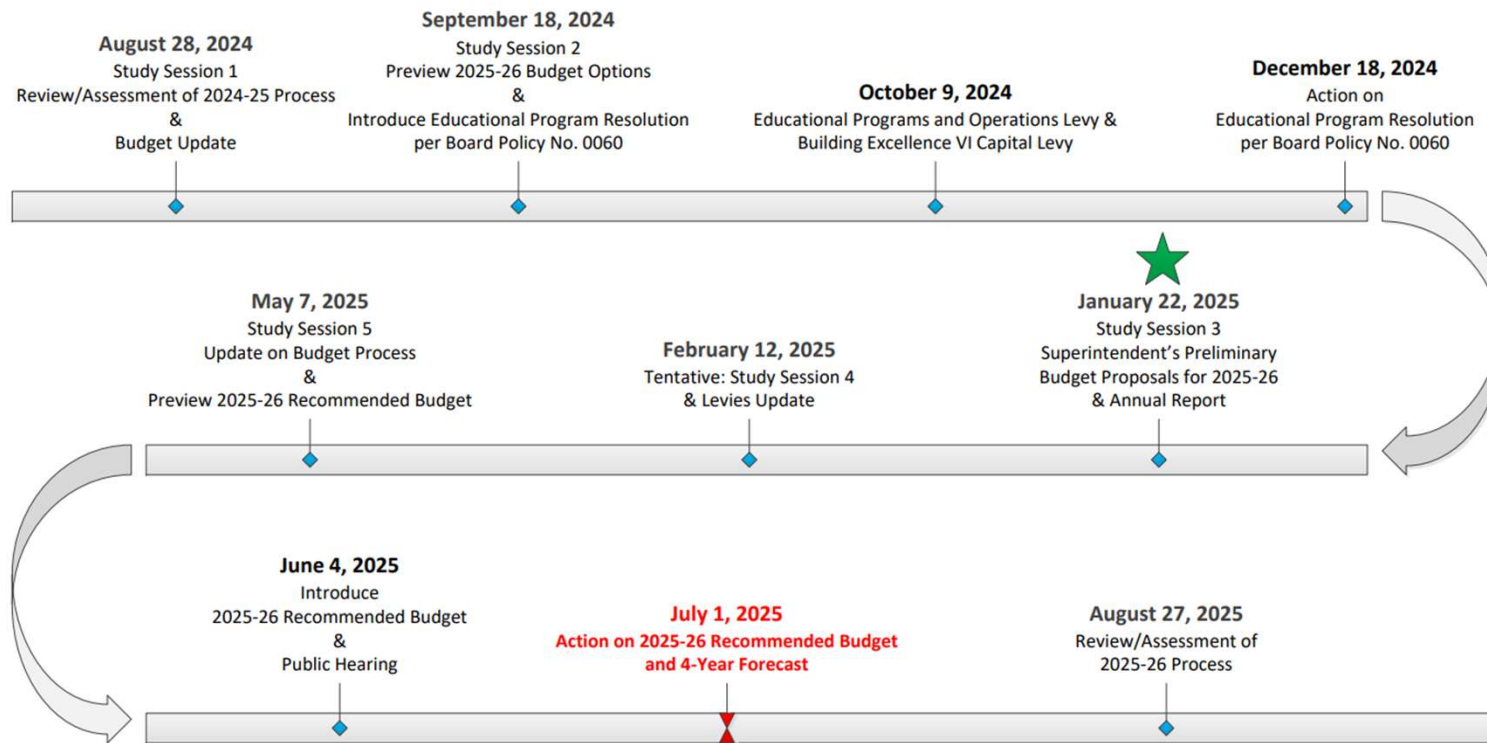


Agenda

1. 2025-26 Budget Development Timeline
2. Budget Development Goals and Principles
3. Review of Annual Financial Report for 2023-24
4. Update on Budget Development Process
5. Enrollment Study Update
6. 2025-26 Budget Options & Preliminary Recommendation(s)
7. Legislative Update
8. Questions



Budget Development Timeline



* All dates are tentative

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Budget Development Goals and Principles

- Stabilize our financial future to be able to fund our highest priorities
- Resolve long term (decades of) structural deficit spending
- Display fiscal stewardship and responsibility



Prioritize quality instruction and learning



**Good faith efforts:
We each share the same values**



**Teamwork:
Board and Superintendent
are one team**



Be clear on the challenges and opportunities



Review of Annual Financial Report for 2023-24

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Financial Information Transparency

Reports available on SPS [Business and Finance Webpage/Financial Reports](#)

Financial Statement Audit Reports

- [Seattle School District Financial Statement Audit Report FY 2022-2023](#)
- [Seattle School District Financial Statement Audit Report FY 2021-2022](#)
- [Seattle School District Financial Statement Audit Report FY 2020-2021](#)

F-195 Budget

- [Fiscal Year 2024-2025](#)
- [Fiscal Year 2023-2024](#)
- [Fiscal Year 2022-2023](#)

F-196 Annual Year-End Financial Statements

- [Fiscal Year 2023-2024](#)
- [Fiscal Year 2022-2023](#)
- [Fiscal Year 2021-2022](#)

General Fund Budget Status Reports

- [October 2024](#)
- [September 2024](#)
- [August 2024](#)

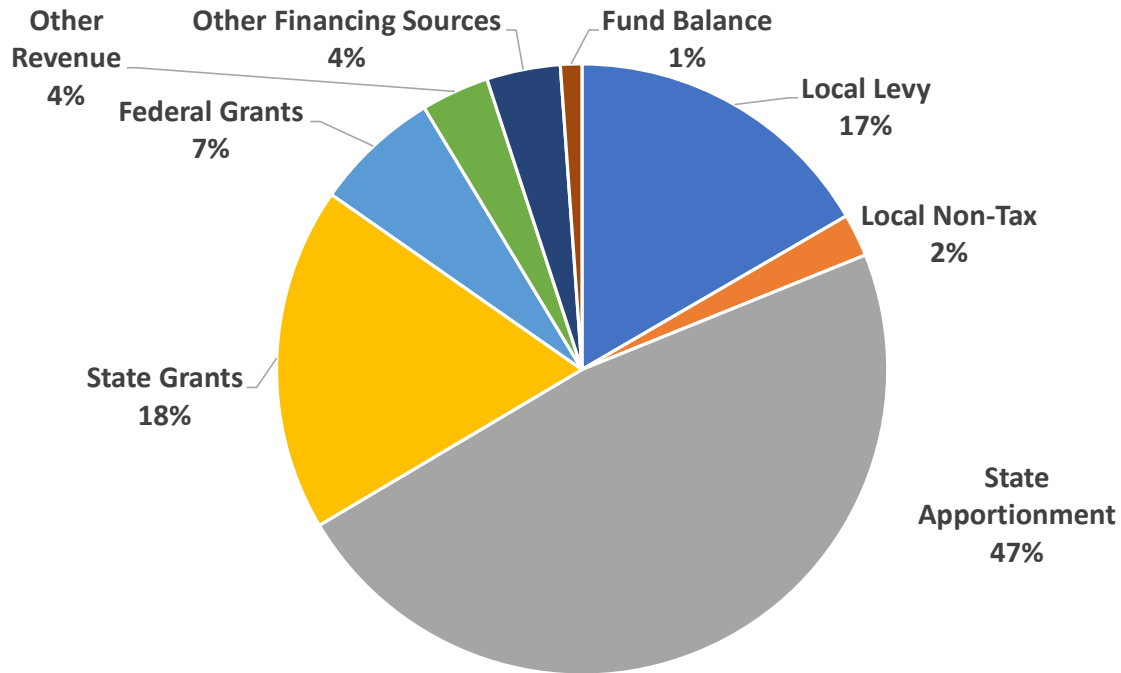


General Fund Resources

	2021-22		2022-23		2023-24		% Change 21-22 to 23-24
Local Levy	\$173,242,890	16.4%	\$185,094,825	16.5%	\$189,277,084	16.6%	9.3%
Local Non-Tax	\$13,269,938	1.3%	\$21,557,878	1.9%	\$25,775,010	2.3%	94.2%
State Apportionment	\$498,491,569	47.3%	\$533,088,625	47.4%	\$541,643,729	47.6%	8.7%
State Grants	\$156,519,797	14.8%	\$169,692,878	15.1%	\$207,352,189	18.2%	32.5%
Federal Grants	\$127,310,971	12.1%	\$77,610,300	6.9%	\$75,933,215	6.7%	-40.4%
Other Revenue	\$34,827,984	3.3%	\$40,418,921	3.6%	\$40,969,643	3.6%	17.6%
Other Financing Sources	\$40,241,699	3.8%	\$55,146,510	4.9%	\$44,384,802	3.9%	10.3%
Fund Balance	<u>\$10,426,533</u>	1.0%	<u>\$41,605,012</u>	3.7%	<u>\$12,952,459</u>	1.1%	24.2%
Total GF Resources	\$1,054,331,382	100.0%	\$1,124,214,950	100.0%	\$1,138,288,131	100.0%	8.0%



General Fund Resources FY 2023-24

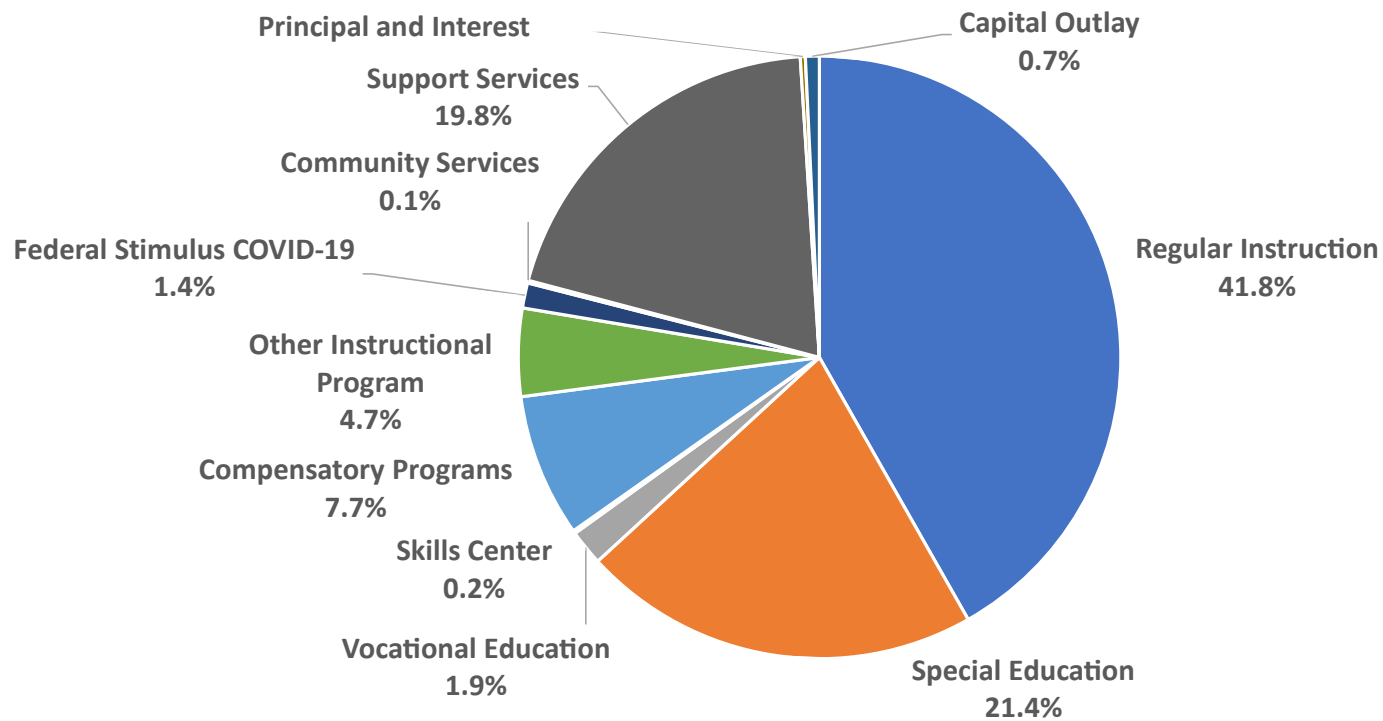


General Fund Expenditures by Program

	2021-22		2022-23		2023-24		% Change 21-22 to 23-24
Regular Instruction	\$467,035,230	44.3%	\$496,355,209.00	44.2%	\$475,654,431.00	41.8%	1.8%
Special Education	\$186,979,903	17.7%	\$211,456,692.00	18.8%	\$243,484,057.00	21.4%	23.2%
Vocational Education	\$17,896,129	1.7%	\$20,578,153.00	1.8%	\$21,617,573.00	1.9%	17.2%
Skills Center	\$1,373,654	0.1%	\$1,456,416.00	0.1%	\$1,773,211.00	0.2%	22.5%
Compensatory Programs	\$78,477,948	7.4%	\$86,338,057.00	7.7%	\$87,366,835.00	7.7%	10.2%
Other Instructional Program	\$40,822,493	3.9%	\$48,249,017.00	4.3%	\$53,726,468.00	4.7%	24.0%
Federal Stimulus COVID-19	\$64,473,425	6.1%	\$21,934,151.00	2.0%	\$15,419,961.00	1.4%	-318.1%
Community Services	\$1,826,852	0.2%	\$1,840,829.00	0.2%	\$1,629,382.00	0.1%	-12.1%
Support Services	\$192,479,587	18.3%	\$226,594,376.00	20.2%	\$225,889,910.00	19.8%	14.8%
Principal and Interest	\$741,219	0.1%	\$848,471.00	0.1%	\$3,216,337.00	0.3%	77.0%
Capital Outlay	<u>\$2,224,942</u>	0.2%	<u>\$8,563,578.00</u>	0.8%	<u>\$8,509,967.00</u>	0.7%	73.9%
Total Expenditures	\$1,054,331,382	100%	\$1,124,214,949.00	100%	\$1,138,288,131.00	100%	7.4%



General Fund Expenditures by Program FY 2023-24



General Fund Expenditures by Object

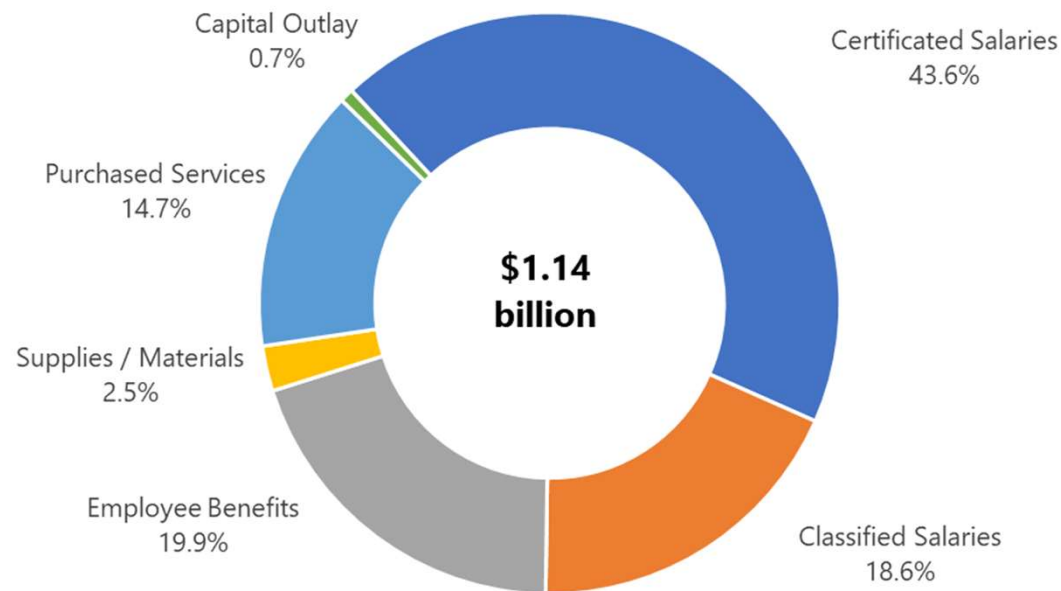
	2021-22		2022-23		2023-24		% Change 21-22 to 23-24
Certificated Salaries	\$465,268,087	44.1%	\$485,619,966	43.2%	\$495,867,085	43.6%	6.6%
Classified Salaries	\$191,059,734	18.1%	\$198,524,220	17.7%	\$211,394,279	18.6%	10.6%
Employee Taxes and Benefits	\$227,121,363	21.5%	\$240,105,016	21.4%	\$226,635,858	19.9%	-0.2%
Total Personnel Expenditures	\$883,449,183	83.8%	\$924,249,202	82.2%	\$933,897,222	82.0%	5.7%
Supplies / Materials	\$42,280,384	4.0%	\$38,806,258	3.5%	\$28,562,870	2.5%	-32.4%
Purchased Services	\$126,009,769	12.0%	\$151,988,571	13.5%	\$166,796,465	14.7%	32.4%
Travel	\$367,103	0.0%	\$607,339	0.1%	\$521,608	0.0%	42.1%
Capital Outlay	\$2,224,942	0.2%	\$8,563,579	0.8%	\$8,509,967	0.7%	282.5%
Total MSOC Expenditures	\$170,882,198	16.2%	\$199,965,747	17.8%	\$204,390,909	18.0%	19.6%
Total General Fund Expenditures	\$1,054,331,382	100.0%	\$1,124,214,949	100.0%	\$1,138,288,131	100.0%	8.0%



General Fund Expenditures by Object FY 2023-24

2023-24 Expenditures by State Object

percentages may not total 100% due to rounding



Note: Travel is not shown due to percentages totaling less than 0.5%

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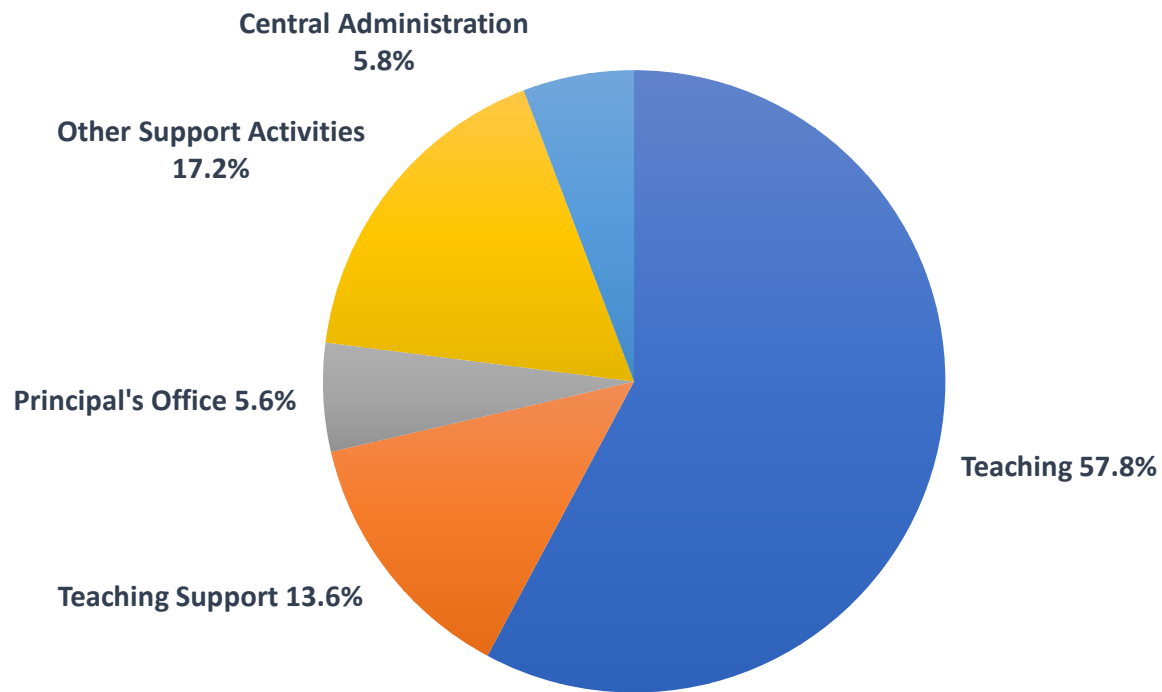


General Fund Expenditures by Activity

Activity	2021-22		2022-23		2023-24		% Change 21-22 to 23-24
Teaching	\$603,248,814	57.2%	\$641,635,862	57.1%	\$658,133,516	57.8%	9.1%
Teaching Support	\$143,237,736	13.6%	\$150,237,286	13.4%	\$154,249,538	13.6%	7.7%
Principal's Office	\$62,338,479	5.9%	\$63,702,546	5.7%	\$64,050,689	5.6%	2.7%
Other Support Activities	\$177,573,388	16.8%	\$198,959,781	17.7%	\$196,110,383	17.2%	10.4%
Central Administration	\$67,932,964	6.4%	\$69,679,476	6.2%	\$65,744,007	5.8%	-3.2%
TOTAL	\$1,054,331,381	100.0%	\$1,124,214,951	100.0%	\$1,138,288,131	100.0%	8.0%



General Fund Expenditures by Activity FY 2023-24



Percentages may not total 100% due to rounding

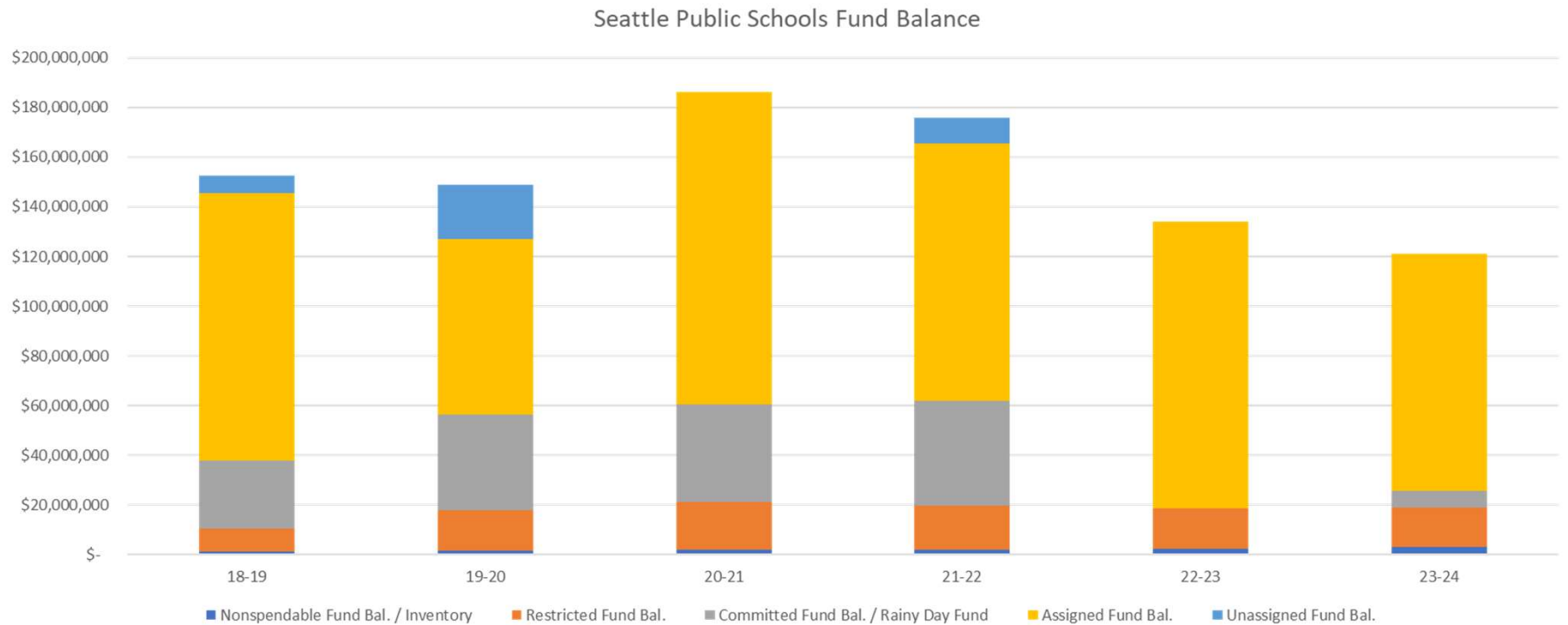


General Fund Balance

	FY22	FY23	FY24
Nonspendable / Inventory	\$1,999,630	\$2,462,576	\$3,117,126
Restricted Revenues for Carryover	\$11,468,441	\$9,840,884	\$10,840,539
Committed to Economic Stabilization	\$42,200,000	\$ -	\$7,000,000
Assigned - School Carryforward	\$9,578,426	\$6,665,571	\$7,278,579
Assigned - Seattle Levy Performance	\$9,681,884	\$11,320,627	\$9,946,413
Assigned - Central Carryforward	\$3,739,658	\$4,069,330	\$3,584,662
Assigned - Legal Reserve	\$4,221,340	\$3,923,972	\$4,749,500
Assigned - One-time	\$82,499,269	\$63,595,740	\$32,300,676
Assigned – Budget Balancing	\$ -	\$32,300,676	\$42,409,422
Unassigned Fund Balance	\$10,395,740	\$ -	\$ -
Total Ending Fund Balance	\$175,784,388	\$134,179,376	\$121,226,917



General Fund Balance – 6 Year Trend



Key Takeaways from 2023-24 Annual Report

- Teaching and teaching support increased as a percentage of total spending, from 70.8% in 2021-22 to 71.4% in 2023-24.
- State underfunding remains a significant issue.
- Fund balance continues to decrease.
- Student and family needs have increased.
- Inflation continues to be a challenge.
- Central Administration spending has decreased the last three years.



Discussion of Annual Report

- What questions do you have about the Annual Report?



Update on Budget Development Process for 2025-26

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Background Information

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Current Budget Situation

- The structural deficit still exists. This means our anticipated expenditures exceed our anticipated revenues.
- The deficit is projected to be more than \$94 million for 2025-26.
- For 2023-24, we used our “Rainy Day” fund to help balance the budget.
- For 2024-25, we borrowed \$27.5 million from our Capital Fund to bridge the gap.
- For 2025-26, our one-time options are further limited.
- Seattle Public Schools’ general fund financial situation remains unsustainable unless further reductions are made and/or additional revenue is provided by the State or our local levy.



Summary of 2023-24 Budget Changes

\$131 million deficit

- Used Economic Stabilization Account (ESA)/Rainy Day Reserve Fund to balance budget
- Maximized Capital and Grants Funding
- Reductions in JSCEE staff and non-staff
- School Staffing changes
- Reductions in contracted services
- Furloughs for non-represented staff at JSCEE
- Transportation changes



Summary of 2024-25 Budget Changes

\$104 million deficit

- Executed interfund loan
- Deferred first repayment of Economic Stabilization Account (ESA)/Rainy Day Reserve Fund
- Reductions in JSCEE staff and non-staff
- Reductions in custodial services
- Reductions in schools' discretionary funding
- Increase in secondary class sizes
- Transportation reductions
- Reductions in budgeted contingencies
- Implementation of convenience fees and voluntary athletic fees
- Utilized Capital Fund interest for school supplies



Enrollment Study Update

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Preliminary Budget Proposals for 2025-26

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Educational Program Resolution per Board Policy No. 0060

[Educational Program Resolution 24/25-9 approved December 18, 2024](#)

1. “The Superintendent is directed to prioritize on-going solutions that support improving student outcomes in the development of the preliminary budget proposals for 2025-26 fiscal year;
2. These proposals shall align with making progress on the Board’s Goals and honoring the Board’s Guardrails and prioritize the critical functions of the District in pursuit of improving outcomes for students
3. The preliminary balanced budget proposals shall be presented to the Board on or around January 22, 2025;
4. The preliminary balanced budget proposals shall include a scenario in which the District receives no additional funding from the Legislature in the state’s adopted 2025-2027 biennial operating budget, and should contemplate the potential impacts on enrollment;



Educational Program Resolution (continued)

5. The Superintendent is directed to continue to advocate with the Board and collaborate with our legislative partners to explore state funding solutions for the 2025-26 school year and beyond;
6. The Superintendent is directed to, aligned with recommendations developed with a task force or advisory group for the strategic plan, develop a multi-year budget forecast to be presented to the Board at or around the time at which the 2025-26 budget is presented for Board approval;
7. The Superintendent will, prior to the introduction of the 2025-26 District operating budget in a Regular Meeting of the Board, update the Board on any significant variations in necessary program reductions if the adopted Washington State 2025-27 biennial operating budget results in a significantly different level of revenue for the District than anticipated and will align any increase or decrease with the most positive impact possible for improving student outcomes as aligned with greatest need.”



Year Zero

- Transportation Efficiency
- Safety
- Artificial Intelligence
- Enrollment, Capacity, and Student Assignment

- Special Education/Inclusion
- English Language Learners
- Expansion of Highly Capable Access
- Mental Health



- New Goals & Guardrails
- Full Board
- Stable Leadership
- SOFG Implementation
- Policy Discipline

- Fiscal Stabilization (eliminate structural deficit)
- Multi-Year Budget
- Levy Passage
- Legislative Push
- Strategic Philanthropic Requests

- Predictable School Allocations
- New Weighted Staffing Standards (WSS)
- Music, Physical Education, & Art

Budget Development Variables

	Jan.	Feb.	March	April	May	June	July	Aug.
Legislative Session								
EP&O & Capital Levies								
Enrollment Projections								
Economic Forecast / IPD information								
Strategic Plan								
JSCEE budget process								
School budget process								
Strategy/Resource Analysis								
Weighted Staffing Standards (WSS)								
Labor Negotiations								



Preliminary 2025-26 Budget Proposal - No Additional Legislative Funding



Preliminary 2025-26 Budget Proposal – No Additional Legislative Funding (Scenario 1)

One-time solutions

- Fiscal Year 23-24 Assigned Fund Balance (\$42.4 million)
- Economic Stabilization Fund deferrals (\$14 million)

On-going solutions

- No additional legislative funding
- Central Office & Central Administration Reductions (\$0 - 5 million)
- Strategic Plan Refinement (\$0 - 4 million)
- Transportation Changes (\$0 - 11 million)
- Athletic Fees (\$0 - 2 million)
- Reductions / Adjustments in School Staffing (\$0 - 28.6 million)



Possible Pros/Cons of Scenario 1

Pros

- Does not rely on any Legislative actions to balance the budget for 2025-26.
- School staffing reductions provide an on-going solution that helps stabilize the budget. Potentially significantly reduces the long-term deficit issue.
- Meets the Board Policy directing that the Superintendent shall not allow or cause SPS to: Fail to engage in long-range planning to ensure fiscal capacity and equitable compensation structures for all SPS employees.

Cons

- School staffing reductions further destabilize schools and would have a negative impact on student learning outcomes.
- Does not meet Board Policy directing that the Superintendent shall not allow or cause SPS to: Fail to disclose any legally allowed budget options which mitigate financial risk and/or promise substantive fiscal improvement in the District's ability to serve students.
- Does not provide for adequate contingency funding for significant unplanned for cost increases.
- Continues to erode the ability of the district office to provide adequate supports for schools.
- Potential negative impact on SPS future enrollment
- Transportation impacts
- Athletic Fees



Superintendent's Preliminary Recommendation

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Superintendent's Preliminary Budget Proposal (Scenario 2)

One-time solutions

- Fiscal Year 23-24 Assigned Fund Balance (\$42.4 million)
- Economic Stabilization Fund deferrals (\$14.0 million)

On-going solutions

- Legislative Action (\$30 - 60 million+)
- Central Office & Central Administration Reductions (\$0 - 5 million)
- Strategic Plan Refinement (\$0 - 4 million)
- Transportation Changes (\$0 - 11 million)
- Athletic Fees (\$0 - 2 million)
- ~~Reductions / Adjustments in School Staffing (\$0 - 28.6 million)~~



Possible Pros/Cons of Scenario 2

Pros

- Allows SPS to have full information related to the outcome of the Legislative session. Buys time for more informed decisions.
- Minimizes school-based impacts for 2025-26.
- Meets Board Policy directing that the Superintendent shall not allow or cause SPS to: Fail to disclose any legally allowed budget options which mitigate financial risk and/or promise substantive fiscal improvement in the District's ability to serve students.

Cons

- Does not meet the Board Policy directing that the Superintendent shall not allow or cause SPS to: Fail to engage in long-range planning to ensure fiscal capacity and equitable compensation structures for all SPS employees.
- Does not provide for adequate contingency funding for significant, unplanned for cost increases.
- Continues to erode the ability of the district office to provide adequate supports for schools.
- Relies on Legislative action
- Transportation impacts
- Athletic Fees



Discussion of Proposals

- What are your reactions to these proposals?
- Are there other pros/cons to consider?



Legislative Update

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Proposed Budgets from Inslee and Ferguson

- On December 17, Governor Inslee unveiled his proposed [2025-2027 budget](#). As a reminder, the governor's budget is a proposal.
 - Per his budget summary document for education: "The governor's budget upholds the state's commitment to educating the next generation of Washingtonians... The governor's proposed budget covers the increased costs necessary to maintain those investments and focuses on addressing required inflation in compensation costs for teachers and other vital school staff, materials and technology, and sustained support for school food services."
- On January 9, Governor Ferguson also offered his position on K-12 Funding:
 - Governor Ferguson's proposal would achieve ongoing budget savings of \$4 billion over the four-year budget period by evaluating state agency spending and making reductions equivalent to approximately 6 percent of operational expenditures... Importantly, **this proposal assumes no additional savings from reductions to K-12 education.** Governor-elect Ferguson maintains his commitment that Washington must increase, not decrease, the portion of the budget that supports K-12 education as the state's paramount duty.
- The Washington State House and Senate will offer their own budget proposals in March.
- The [Legislature](#) is expected to adopt a final operating budget for 2025-27 by April 27, 2025, the last day of the legislative session.



2025 Legislative Priorities

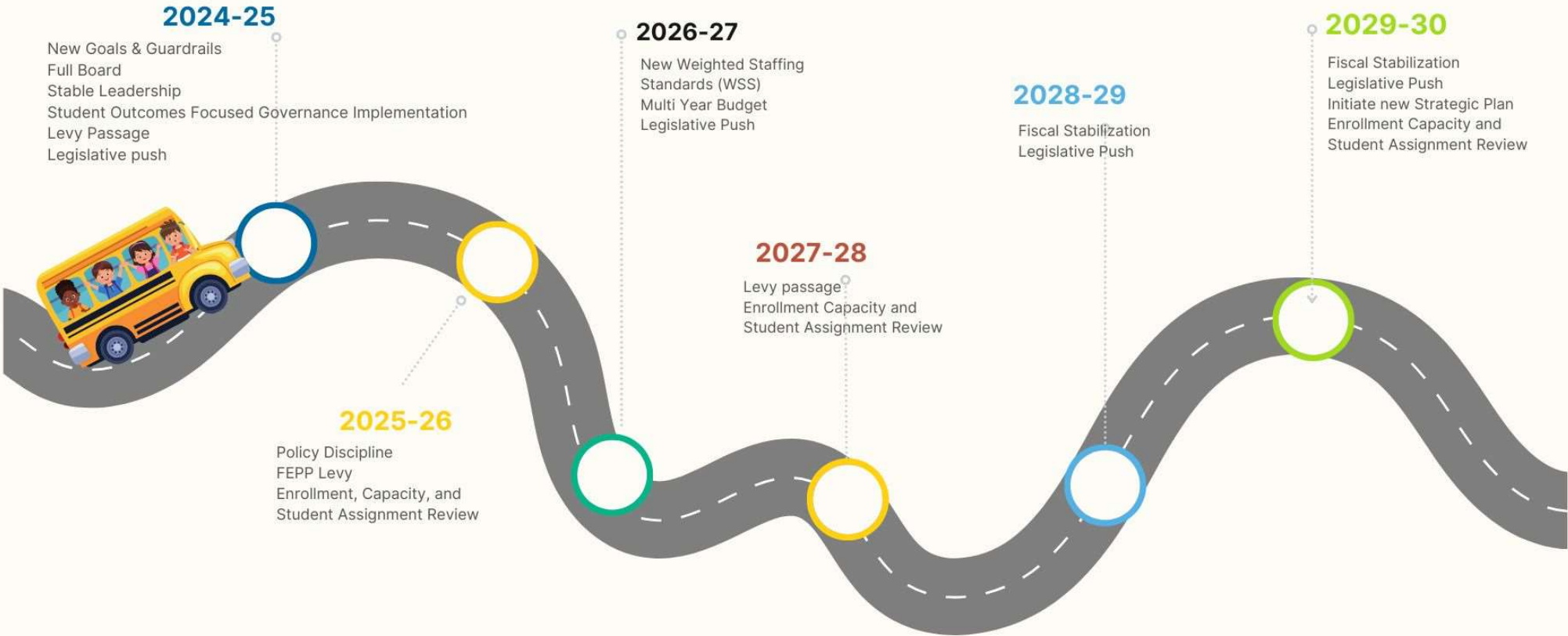
Seattle Public Schools has three priority areas for the 2025 Washington State legislative session:

- 1. Addressing Funding Gaps in Basic Education:**
 - Special Education
 - Transportation
 - Materials, Supplies, and Operating Costs
- 2. Supporting Student Learning and Well-Being**
- 3. Accessing Capital and Levy Funding**

More information: [2025 Legislative Priorities](#)



Roadmap to Sustainability



Budget Development Next Steps

- **January – June:** Internal technical budget processes
- **January – June:** Strategic Plan Task Force or Advisory Work
- **January:** Superintendent's preliminary budget proposals for 2025-26 as directed by Educational Program Resolution; Legislative Session begins
- **February:** Capital and EP&O Levies on the Ballot
- **April:** Legislature adopts 2025-27 Biennial Budget
- **May:** Budget Study session to preview the Superintendent's budget recommendation pending the outcome of the legislative session
- **June & July:** The School Board is scheduled to review the final budget recommendation in June and is scheduled to vote on a final budget in July.



Questions





Thank you!

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