



The purpose of Budget Advisory Council is to:

- Generate ideas for developing the budget through discussion, consultation with constituents, and information gathered through the BAC process;
- Provide feedback to the Superintendent on District budget proposals; and,
- Seek understanding of issues related to budget process in order to communicate with those you represent.

Meeting Norms:

- Allow everyone an opportunity to express their ideas, opinions, and concerns
- Be respectful of the viewpoints of others
- Focus on the issues, not people
- We have a limited amount of time and a lot of information....keep to the agenda
- Remember our Mission and Vision

- I. Welcome/Introductions
- II. Budget Advisory Meeting Topics of Discussion –
 - a. Budget Advisory Council Role and Responsibilities
 - b. Budget Calendar & Development Process
 - c. Board Budget Development Parameters
 - d. Projected Financial Outlook for 2019/20
 - e. School Employee Benefit (SEB) Program and Costs
 - f. Projected Enrollment/Staffing for 2019/20
 - g. Changes in School Tax Rates 2017/18 through 2019/20
 - h. Legislative Priorities
- III. Next Steps for BAC
- IV. For the Good of the Order

Next Meeting Dates: March 21st, April 18th, & May 16th, 2019
4:00 – 5:30 p.m. Board Room



Road to

STUDENT SUCCESS

Our Goals



SCHOOL CLIMATE

A school climate that emphasizes student safety, a healthy lifestyle, and respect for other students and faculty.



EARLY LEARNING

Every Kelso student will meet or exceed standard by the end of third grade in English/language arts and mathematics.



QUALITY INSTRUCTION

Every Kelso student will experience high-quality standards-based instruction that fosters critical thinking and high levels of academic achievement.



CAREER, COLLEGE & COMMUNITY READY

Every Kelso student will transition successfully between grades and schools and will graduate with the knowledge, skills and attitude to excel in post-high school opportunities. To that end, we will actively engage and partner with parents, families, and our community.

Mission

The mission of Kelso Public Schools is to prepare every student for living, learning and achieving success as a citizen of our changing world.

Vision

Our students begin school ready to learn, transition confidently between grades and schools, and emerge from our district as engaged citizens, both career- and college-ready.

Principles

District communication that is open, effective, and collaborative. Financial stewardship that assures the responsive and productive management of district resources.



CAREER, COLLEGE & COMMUNITY READY

Increase the four-year high school graduation rate by at least one percent per year for the next five years.



100% GRADUATING



QUALITY INSTRUCTION

Student achievement in mathematics and English language arts will increase annually and the achievement gap between English learners, students with learning disabilities, and students in poverty—in comparison with other students—will decrease annually.

★ **2018-19 PRIORITY:**
ELA standards and materials implementation



EARLY LEARNING

The percentage of all third grade students meeting or exceeding the grade level English language arts benchmark will increase annually, regardless of student subgroup.



SCHOOL CLIMATE

Improvements will be achieved to the learning environment in two specific areas: 1) safety and security of our students and staff, and 2) student behavior.

★ **2018-19 PRIORITY:**
Whole Child/Social Emotional Learning (SEL) systems implementation

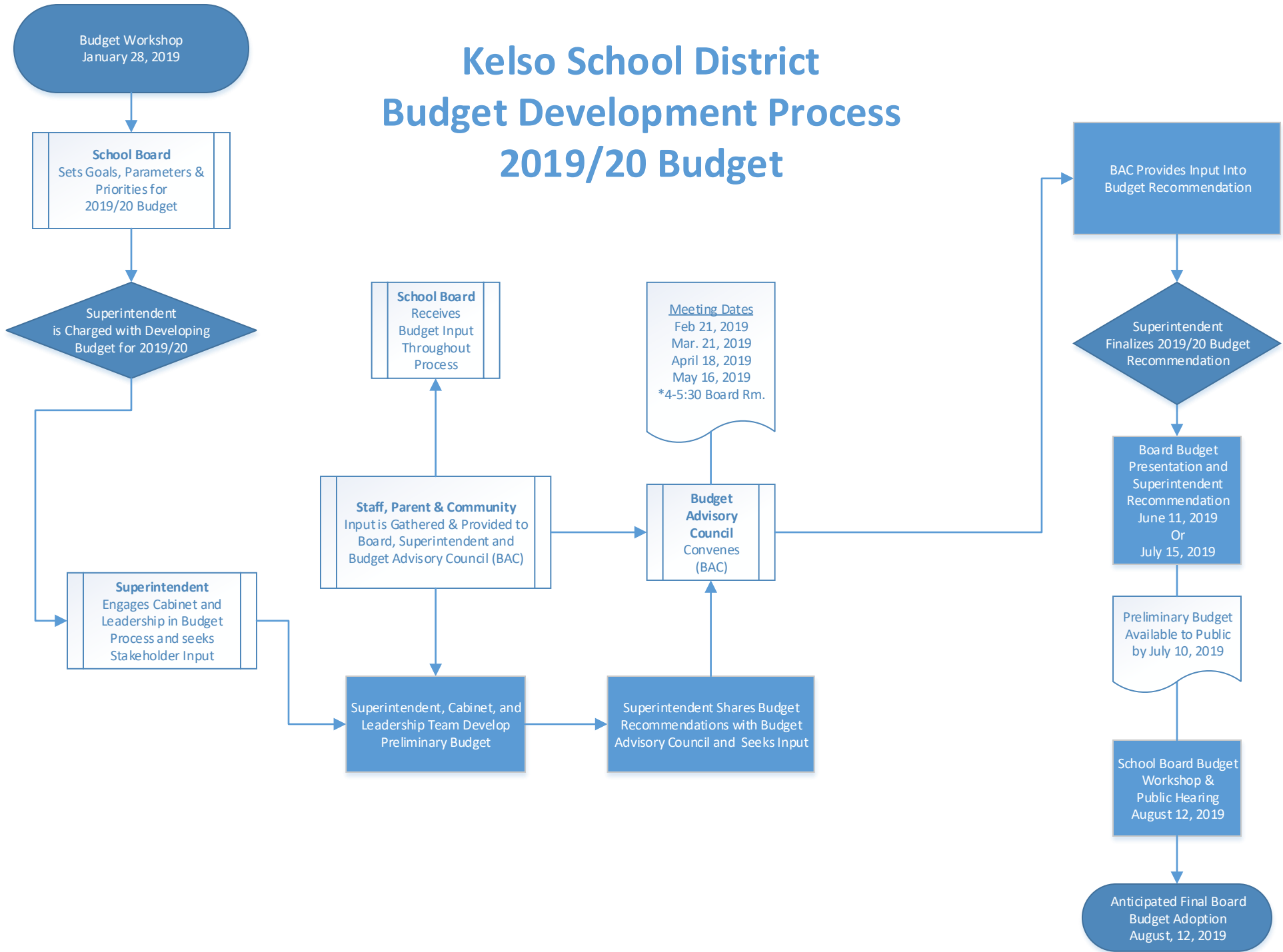
How We Get There





| | |
|--------------------------|--|
| December 2018 | Governor Releases Preliminary State Budget Proposal |
| January 14, 2019 | 2019 Washington State Legislative Session Begins |
| January 28, 2019 | Board of Director's Workshop 5:00 pm Budget Development Process <i>Location: Board Room District Office</i> |
| February 1, 2019 | Budget Information Available on District Website. Budget email address opens up for questions: budget.input@kelsosd.org |
| February 13, 2019 | Preliminary School Enrollment and Staffing Projections by HR/Fiscal |
| February – March, 2019 | School, Program, and Department Staffing Reviews with HR |
| February – May 2019 | Budget Advisory Council (BAC) Topics of Discussion: Review Budget Development Process, Budget Assumptions, Revenue Updates, Staffing, Enrollment, Budget Advisory Council Staff Budget Presentations, Provide Feedback on Budgetary Decisions, Review Superintendent/Cabinet Budget Proposal <i>Location: District Board Room 4:00 – 5:30 p.m.</i> |
| <i>February 21, 2019</i> | |
| <i>March 21, 2019</i> | |
| <i>April 18, 2019</i> | |
| <i>May 16, 2019</i> | |
| February – April, 2019 | Board of Director Meetings – Budget Update |
| March-April, 2019 | Staff/Parent/Community Input (Forums, Listening Posts, Surveys, as needed) |
| April 26, 2019 | School/Director Budgets due to HR and Business Offices |
| April 28, 2019 | 2019 Washington State Legislative Session Ends |
| May 15, 2019 | Reduction in Force Date for Certificated Staff (if necessary) |
| May 31, 2019 | Personnel Budget Submitted to Business Office |
| June 10 or July 15, 2019 | Board Budget Presentation and Superintendent Recommendation |
| July 10, 2019 | Budget Available for Public Review |
| August 12, 2019 | Budget Workshop; Public Budget Hearing & Board Adoption |

Kelso School District Budget Development Process 2019/20 Budget





2019-2020 Staffing Process

- February 7 & 8:** Cabinet finalizes staff allocation model to schools
- February 11:** Board Budget Update
- February 11:** Seniority and Experience list (Provisional and Continuing Certificated Staff) sent to Association – 20 day calendar period for employees to correct errors
- February 12:** Superintendent Letter to Staff regarding budget challenges
- February 13:** Leadership meeting: Staffing numbers for BEA, Title, LAP, ELL, SPED, CTE released to school administrators
- February 19 & 20:** Cabinet meets individually with each school administrator team with staffing, displaced staff, needs, etc.
- February 20:** Leadership meeting: process and answer questions with administrators
- February 21:** Budget Advisory Committee
- March:** Cabinet makes adjustments; hold meetings with administrators with final staffing

- March 11: Board Workshop on Proposed Budget Reductions**
- March 13: Leadership – Budget update and discussion**
- March 21: Budget Advisory Committee**
- March 25: Board Meeting @KHS Auditorium/Public Hearing & Comment**
- March 26: Staff & Parent Survey Out through April 12, 2019**
- April 8: Board Meeting Update 30 day advance notice to KEA of Superintendent’s budget reduction proposal to Board before statutory deadline for issuing nonrenewal notice – Resolution to School Board**
- April 18: Budget Advisory Committee**
- April 22: Board Meeting Budget Update/Hearing**
- April 23&24: Cabinet finalize staff reductions and RIF**
- April 25: HR prepares RIF notices**
- April 29 –May 3: Principals meet with staff and personally deliver RIF notices no later than 5:00 pm on May 3**
- May 16: Budget Advisory Council**

**BUDGET ADVISORY COUNCIL MEMBERS
2018-19 School Year**

Facilitators:

| | |
|--------------------------------------|----------------|
| Superintendent | Mary Beth Tack |
| Chief Financial & Operations Officer | Scott Westlund |

Council Members:

| | |
|-----------------------------------|------------------|
| KEA Representative | Kelly Sims |
| PSE 1 Representative | Roy Pennington |
| PSE 2 Representative | Darlene Dagleish |
| Elementary Administrator | Tim Yore |
| Secondary Administrator | Greg Gardner |
| Supervisor | Gary Schimmel |
| Cabinet Representative | Tim Peterson |
| Community Member | Patty Wood |
| Board Member (s) | Darr Kirk |
| Director of Student Services | Don Iverson |
| Director of Special Programs | Denise Freund |
| Director of Teaching and Learning | Kim Yore |

| Entity | Role/Responsibility |
|---|--|
| <p>Budget Advisory Council (BAC)</p> <p>*Sharing Association/Union impacts to budgetary decision is encouraged as part of the BAC process. However, the BACs role is not to negotiate salaries/benefits or other association related issues.</p> | <ul style="list-style-type: none"> • Generate ideas for developing the budget through discussion, consultation with constituents, and information gathered through the BAC process • Provide feedback to the Superintendent on District budget proposals • Seek understanding of issues related to budget process in order to communicate with those you represent |
| <p>Cabinet</p> | <ul style="list-style-type: none"> • Work with principals, associations, department supervisors, staff, and other stakeholders as needed to generate budget proposals and seek feedback • Present budget proposals for discussion at weekly Cabinet budget workshops • Work cooperatively with other Cabinet members to present budget proposals and develop a draft budget to be shared with BAC |
| <p>Executive Director of Human Resources</p> | <ul style="list-style-type: none"> • Provide relevant staffing information and data to Board of Directors, Superintendent, Cabinet and BAC • Work with building principals and HR staff to develop personnel plans and budgets |
| <p>Chief Financial and Operations Officer</p> | <ul style="list-style-type: none"> • Coordinate the efforts of the BAC and budget development process • Provide relevant financial information and data to Board of Directors, Superintendent, Cabinet and BAC • Assist the Superintendent to ensure the budget development process and Board parameters are adhered to • Prepare and present overall District budget for Board consideration and approval |
| <p>Superintendent</p> | <ul style="list-style-type: none"> • Facilitate Cabinet discussions and decision making process regarding budget development • Make final decisions on budget development options to be included in the budget presented to the school board |
| <p>School Board</p> | <ul style="list-style-type: none"> • Work with Superintendent to establish budget parameters, budget calendar, and priorities • Approve final budget, and/or provide feedback to Superintendent for revisions |



Budget Development Parameters 2019/20 Kelso School District Budget

- The established Budget Calendar and Process will be utilized for the development of the 2019/20 budget;
- The Superintendent will recommend a budget to the Board that is aligned to the Mission, Vision, and District Goals outlined in the Roadmap for Results;
- The Superintendent will recommend a budget to the Board that addresses the School Board's Priority Goals;
- Budget development will address impacts of the legislative McCleary decision, and anticipate impacts of changes during the 2019 legislative session;
- The Board desires to maintain a minimum total ending fund balance of 8%;
- The Superintendent will utilize input from staff, parents, community, and other stakeholders in the development of the recommended budget to the Board;
- The recommended budget will address efficiency and effectiveness of operations, and the responsive and productive management of school district resources; and,
- The Board recognizes the District must continue to prioritize and invest in the core instructional program closest to the classroom, and recognizes that a balanced approach to reductions, if needed, is necessary to ensure continuity of overall District operations.



Kelso School District Board of Directors Budget Funding Priorities & Challenges 2019/20 Budget

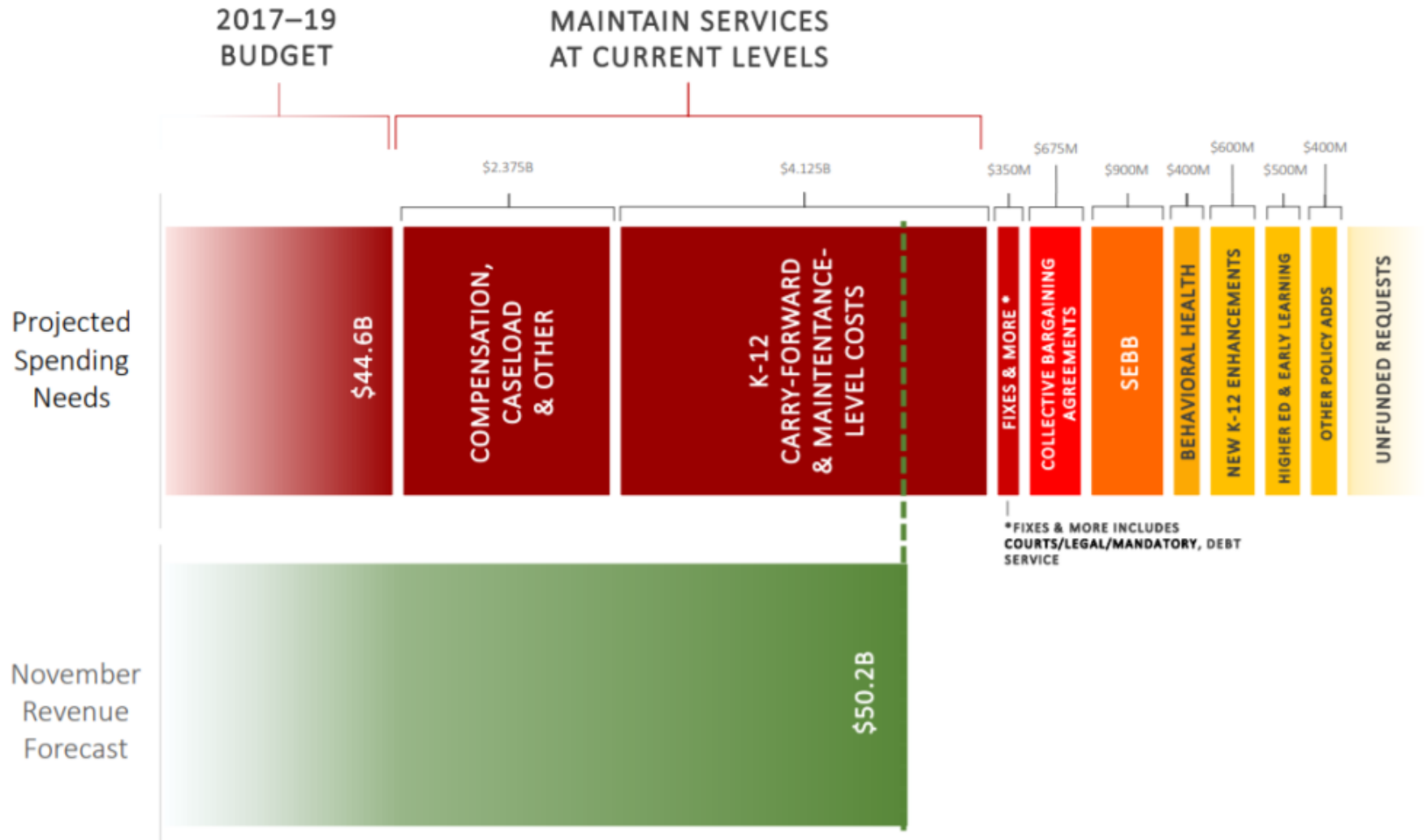
- Salary/Health Benefit Open Bargains;
- Potential New State School Employee Health Benefit Plan;
- Impacts of McCleary Decision on Kelso School District -- \$4 Million Shortfall
- Additional inflationary costs increases (e.g. utilities) that exceed State MSOC increases.

Priorities/Challenges above have been identified as areas that must be addressed in the 2018/19 budget due to legislative, contractual, and programmatic decisions already made, or will likely need to be addressed due to current legislative budget discussions in Olympia.

At this point in time, it is important to recognize that without additional State funding related to salaries/benefits, particularly those monies beyond a cost-of-living-adjustment (COLA), or other non-program specific monies (discretionary or inflationary increases), the budget **WILL** require budgetary reductions in order to address line items listed above.

Therefore, it is prudent and fiscally responsible for the Kelso School District to engage in planning for potential reductions in order to sustain current operations, consider additional educational programming needs, and address employee contracts. Our decisions moving forward will largely depend upon legislative action in Olympia.

Governor's 2019/20 – 2020/21 Budget Proposal



Kelso School District -- Increased Costs of New SEB Health Plan

| BEA Allocation for Health Benefits (Prgs. 01/02/97/98/99) | | |
|---|--------------------------|----------------|
| | Total Benefit Allocation | FTE |
| CIS | \$ 2,479,571.76 | 251.989 |
| CLS | \$ 901,005.19 | 79.484 |
| CAS | \$ 185,542.73 | 18.719 |
| | <u>\$ 3,566,119.68</u> | <u>350.192</u> |

| Current Cost Calculation for 2019/20 | | | |
|--------------------------------------|-------------------|------------------|------------------------|
| | Total Benefit FTE | State Allocation | Annual Cost |
| | 260 | \$ 913.00 | \$ 2,848,560.00 |
| | 95 | \$ 1,049.95 | \$ 1,196,943.00 |
| | 25 | \$ 913.00 | \$ 273,900.00 |
| | <u>380</u> | | <u>\$ 4,319,403.00</u> |

| Estimated SEBB Costs in 2019/20 | | | |
|---------------------------------|---------------------|------------------|------------------------|
| | Total HC > 630 hrs. | State Allocation | Annual Cost |
| | 270 | \$ 1,174.00 | \$ 3,803,760.00 |
| | 150 | \$ 1,174.00 | \$ 2,113,200.00 |
| | 25 | \$ 1,174.00 | \$ 352,200.00 |
| | <u>445</u> | | <u>\$ 6,269,160.00</u> |

| Estimated Revenue Under SEBB Plan | | |
|-----------------------------------|----------------|-------------|
| | FTE | Emp Alloc. |
| CIS | 251.989 | \$ 1,197.48 |
| CLS | 79.484 | \$ 1,678.82 |
| CAS | 18.719 | \$ 1,197.48 |
| | <u>350.192</u> | |

\$ 3,621,021.45
 \$ 1,601,271.95
 \$ 268,987.54
\$ 5,491,280.94

| |
|--|
| <p>Estimated Additional Cost</p> <p style="font-size: 24pt; color: red;">\$777,879</p> |
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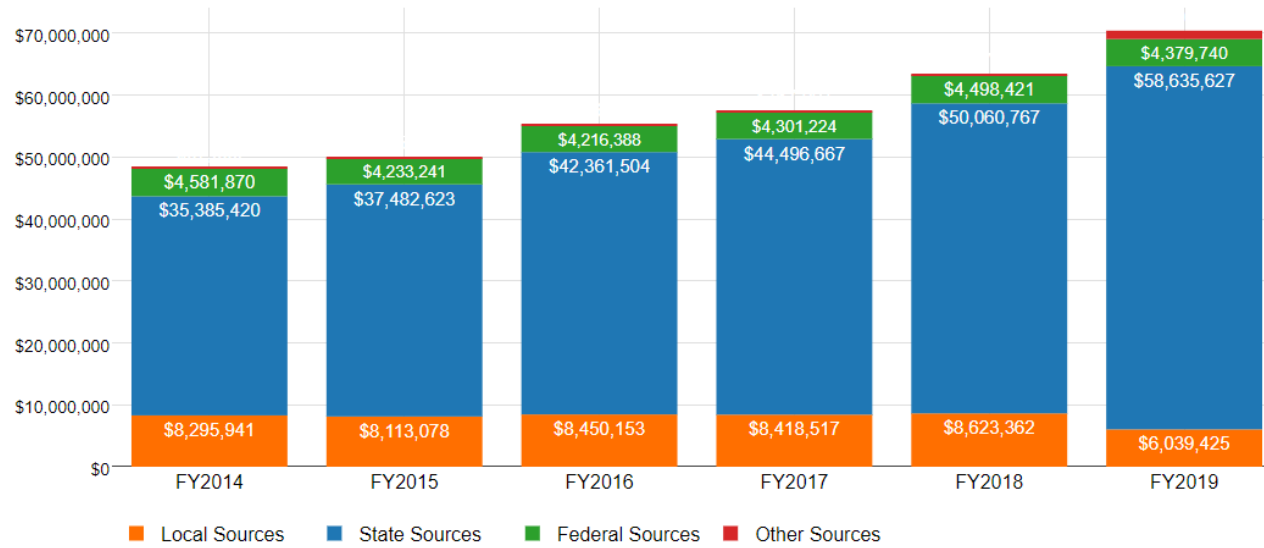


Kelso School District

**Projected Financial Outlook
for 2019/20**

Over the last four years State revenue (shaded blue) for Kelso SD has steadily increased. In large part because of the McCleary decision to adequately fund public schools. However, local revenue (shaded orange) was reduced by nearly \$2.6 million in 2018/19 due to the drop in local tax collections as mandated by the McCleary decision. The drop in local revenue will be fully realized in the 2019/20 budget, nearly a 53% drop from 2017/18. Local approved levy collection alone will drop from \$7.8M in 2017/18 to \$3.8M in 2019/20.

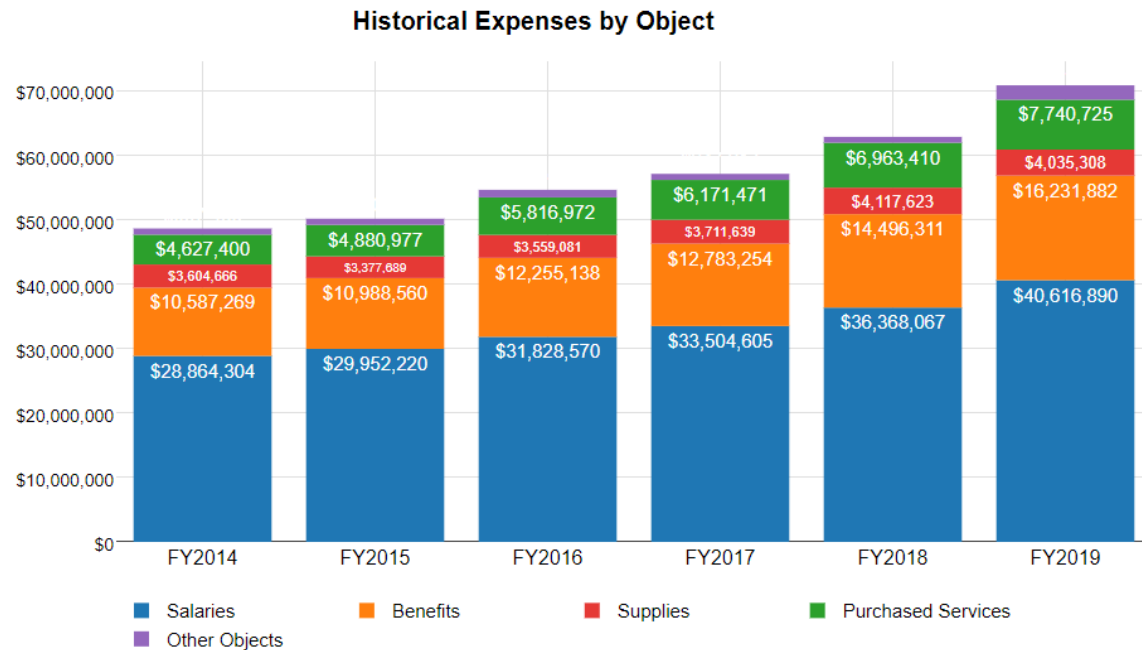
Historical Revenues by Source



| Source Category | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Local Sources | \$8,295,941.46 | \$8,113,077.68 | \$8,450,152.80 | \$8,418,517.43 | \$8,623,361.84 | \$6,039,425.00 |
| State Sources | \$35,385,420.09 | \$37,482,623.23 | \$42,361,504.47 | \$44,496,666.78 | \$50,060,767.43 | \$58,635,627.00 |
| Federal Sources | \$4,581,870.39 | \$4,233,240.67 | \$4,216,387.56 | \$4,301,223.51 | \$4,498,420.99 | \$4,379,740.00 |
| Other Sources | \$57,508.90 | \$185,595.33 | \$176,943.76 | \$167,901.47 | \$137,694.92 | \$1,360,000.00 |

*FY 2019 'Other Sources' includes \$1.3M in budget capacity for unexpected revenue. Actual revenue will likely be in line with prior year revenue in FY 2016-2018. The offset is located on the expenditure side under 'Other Objects' on the expense side.

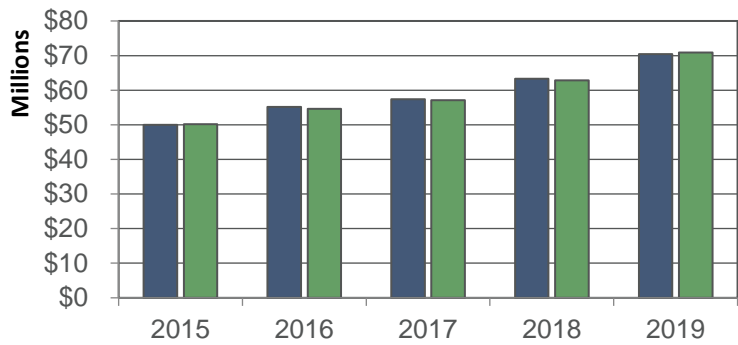
Over the last four years expenditures (shaded blue) have steadily increased. The increases have largely occurred in salary and benefits costs. In the last six years, salary costs have risen 41% from \$28.8 million to \$40.6 million. Benefits have increased 53% from \$10.6 million to \$16.2 million.



| Object | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Salaries | \$28,864,304.16 | \$29,952,219.56 | \$31,828,569.96 | \$33,504,605.13 | \$36,368,066.77 | \$40,616,890.00 |
| Benefits | \$10,587,269.35 | \$10,988,560.07 | \$12,255,138.04 | \$12,783,254.31 | \$14,496,310.78 | \$16,231,882.00 |
| Supplies | \$3,604,666.25 | \$3,377,688.51 | \$3,559,080.63 | \$3,711,638.50 | \$4,117,623.18 | \$4,035,308.00 |
| Purchased Services | \$4,627,399.76 | \$4,880,976.50 | \$5,816,971.57 | \$6,171,471.18 | \$6,963,409.98 | \$7,740,725.00 |
| Other Objects | \$957,486.06 | \$960,604.72 | \$1,180,922.50 | \$947,216.90 | \$911,962.82 | \$2,234,685.00 |

*FY 2019 'Other Objects' includes \$1.3M in budget capacity for unexpected expenditures. Actual expenditures will likely be in line with prior year expenses in FY 2016-2018. The offset is located on the revenue side under 'Other Sources' on the revenue side.

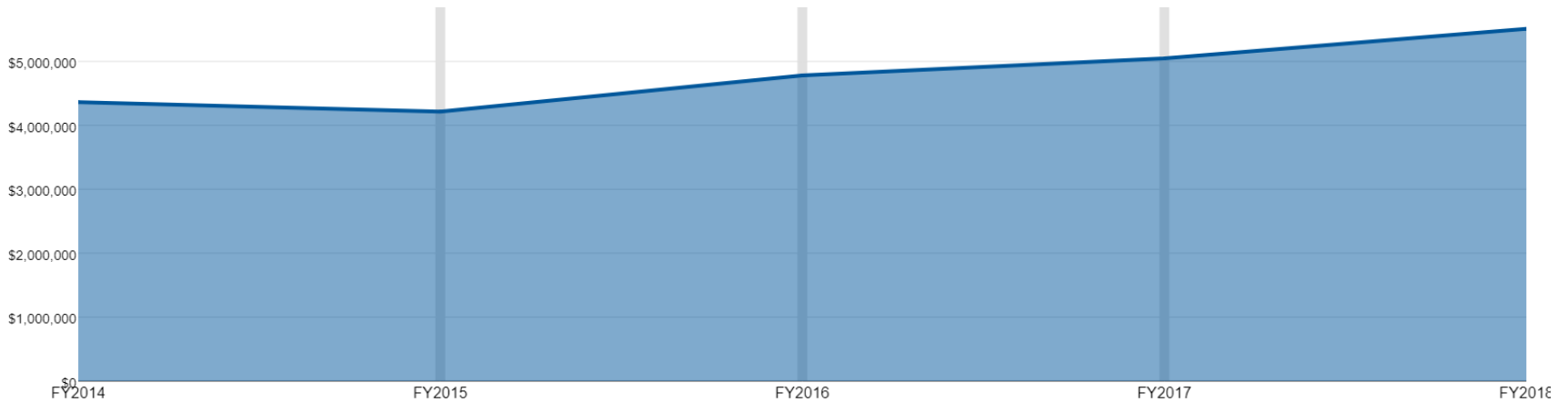
Revenues vs. Expenditures



Revenue and Expenses have been in line over the last 5 years, with revenue slightly outpacing expenses. This has allowed our fund balance to grow at a rate that keeps our fund balance at the School Board goal of 8% of expenditures.

An 8% ending fund balance is equivalent to having a one-month savings for unexpected costs that may arise and to pay bills during months of varying cash flows.

Historical General Fund Balances



| FY2014 | FY2015 | FY2016 | FY2017 | FY2018 |
|----------------|----------------|----------------|----------------|----------------|
| \$4,361,739.73 | \$4,216,227.28 | \$4,780,533.17 | \$5,045,444.97 | \$5,509,528.00 |

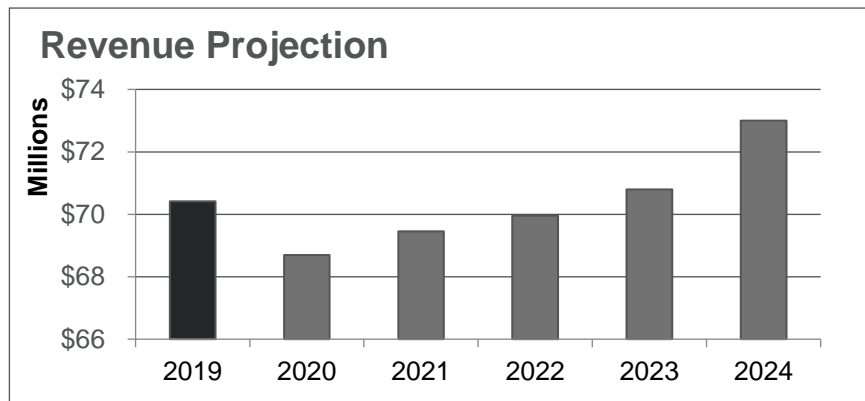
*Projected **FY2019** ending fund balance is projected to drop to **\$5 Million**, largely due to drop in enrollment at the Kinder level.

Projected Revenue Forecast

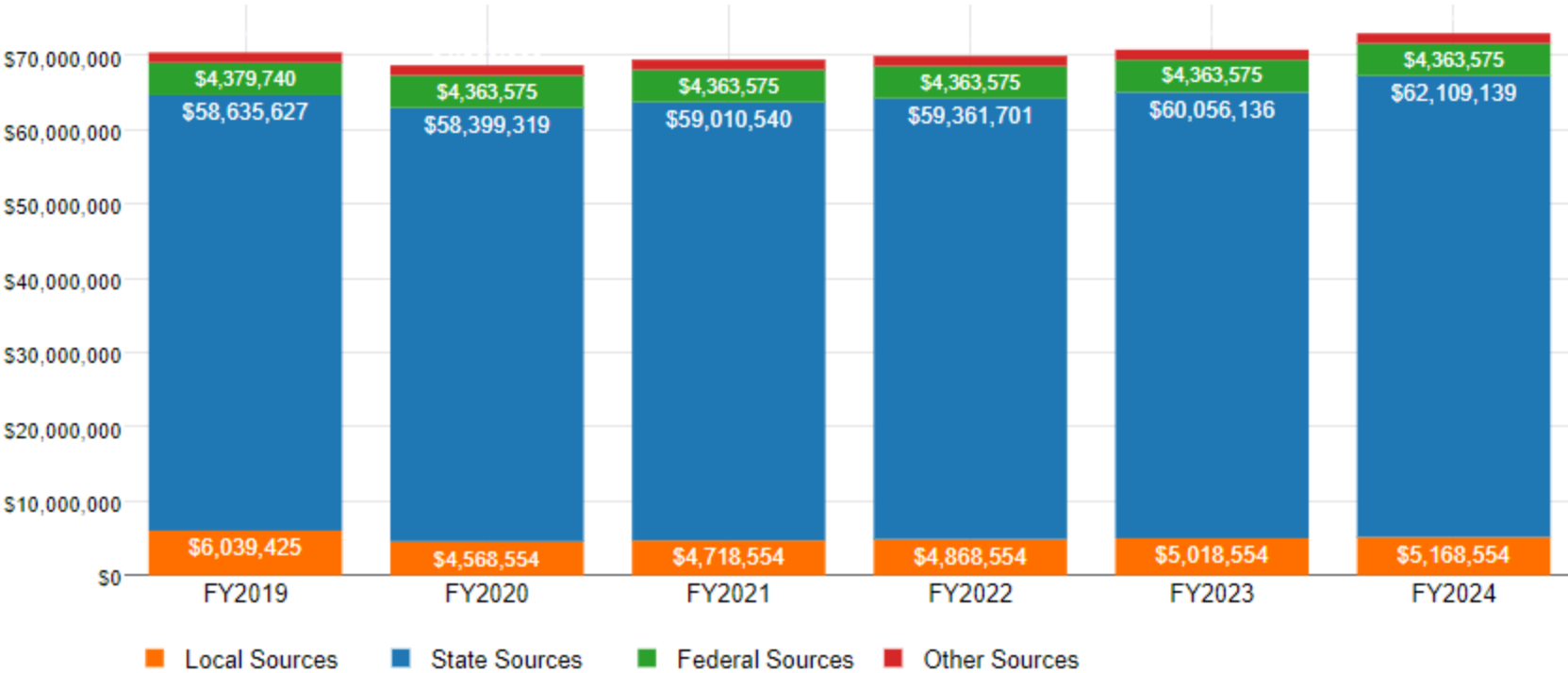
| | BUDGET | | | REVENUE PROJECTIONS | | | |
|------------------------------|---------------------|---------------------|----------------|---------------------|-------------|---------------------|-------------|
| | 2019 | 2020 | % Δ | 2021 | % Δ | 2022 | % Δ |
| LOCAL | | | | | | | |
| Taxes | \$5,224,544 | \$3,753,673 | (28.2%) | \$3,903,673 | 4.0% | \$4,053,673 | 3.8% |
| Support Non-Tax | \$814,881 | \$814,881 | 0.0% | \$814,881 | 0.0% | \$814,881 | 0.0% |
| TOTAL LOCAL REVENUE | \$6,039,425 | \$4,568,554 | (24.4%) | \$4,718,554 | 3.3% | \$4,868,554 | 3.2% |
| STATE | | | | | | | |
| General Purpose | \$46,619,089 | \$46,479,233 | (0.3%) | \$46,818,682 | 0.7% | \$46,919,068 | 0.2% |
| Special Purpose | \$12,016,538 | \$11,920,086 | | \$12,191,859 | | \$12,442,633 | |
| TOTAL STATE REVENUE | \$58,635,627 | \$58,399,319 | (0.4%) | \$59,010,540 | 1.0% | \$59,361,701 | 0.6% |
| FEDERAL | | | | | | | |
| General Purpose | \$16,165 | \$0 | (100.0%) | \$0 | | \$0 | |
| Special Purpose | \$4,363,575 | \$4,363,575 | 0.0% | \$4,363,575 | 0.0% | \$4,363,575 | 0.0% |
| TOTAL FEDERAL REVENUE | \$4,379,740 | \$4,363,575 | (0.4%) | \$4,363,575 | 0.0% | \$4,363,575 | 0.0% |
| OTHER | | | | | | | |
| Other School Districts | \$0 | \$0 | | \$0 | | \$0 | |
| Other Entities | \$1,358,500 | \$1,358,500 | 0.0% | \$1,358,500 | 0.0% | \$1,358,500 | 0.0% |
| Other Financing Sources | \$1,500 | \$1,500 | 0.0% | \$1,500 | 0.0% | \$1,500 | 0.0% |
| TOTAL OTHER REVENUE | \$1,360,000 | \$1,360,000 | 0.0% | \$1,360,000 | 0.0% | \$1,360,000 | 0.0% |
| TOTAL REVENUE | \$70,414,792 | \$68,691,448 | (2.4%) | \$69,452,669 | 1.1% | \$69,953,830 | 0.7% |

Revenue is projected to decline in the 2019/20 school year. This is the result of two main factors. One is the drop in local levy collections for a second straight year as mandated by the McCleary decision. Second, Kelso School District had an unexpected drop in enrollment of over 60 kindergarten students in 2018/19, and is forecasted to continue at this lower level moving forward and for incoming grades.

After the initial drop in revenue in 2019/20, overall revenue is projected to increase at a slight rate. At this point, revenue is forecasted to keep up with expenditures moving forward.



Projected Revenues by Source



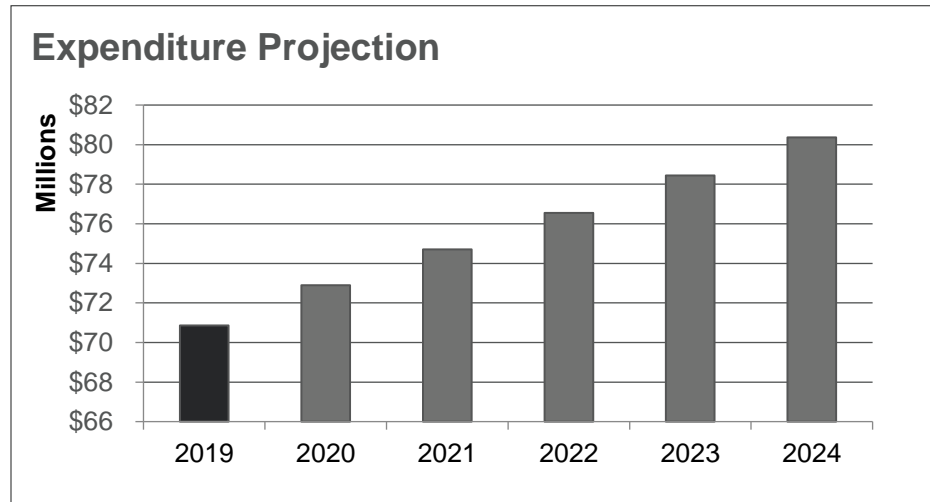
| Source Category | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Local Sources | \$6,039,425.00 | \$4,568,554.00 | \$4,718,554.00 | \$4,868,554.00 | \$5,018,554.00 | \$5,168,554.00 |
| State Sources | \$58,635,627.00 | \$58,399,318.99 | \$59,010,540.32 | \$59,361,700.78 | \$60,056,135.96 | \$62,109,138.73 |
| Federal Sources | \$4,379,740.00 | \$4,363,575.00 | \$4,363,575.00 | \$4,363,575.00 | \$4,363,575.00 | \$4,363,575.00 |
| Other Sources | \$1,360,000.00 | \$1,360,000.00 | \$1,360,000.00 | \$1,360,000.00 | \$1,360,000.00 | \$1,360,000.00 |

Projected Expenditure Forecast

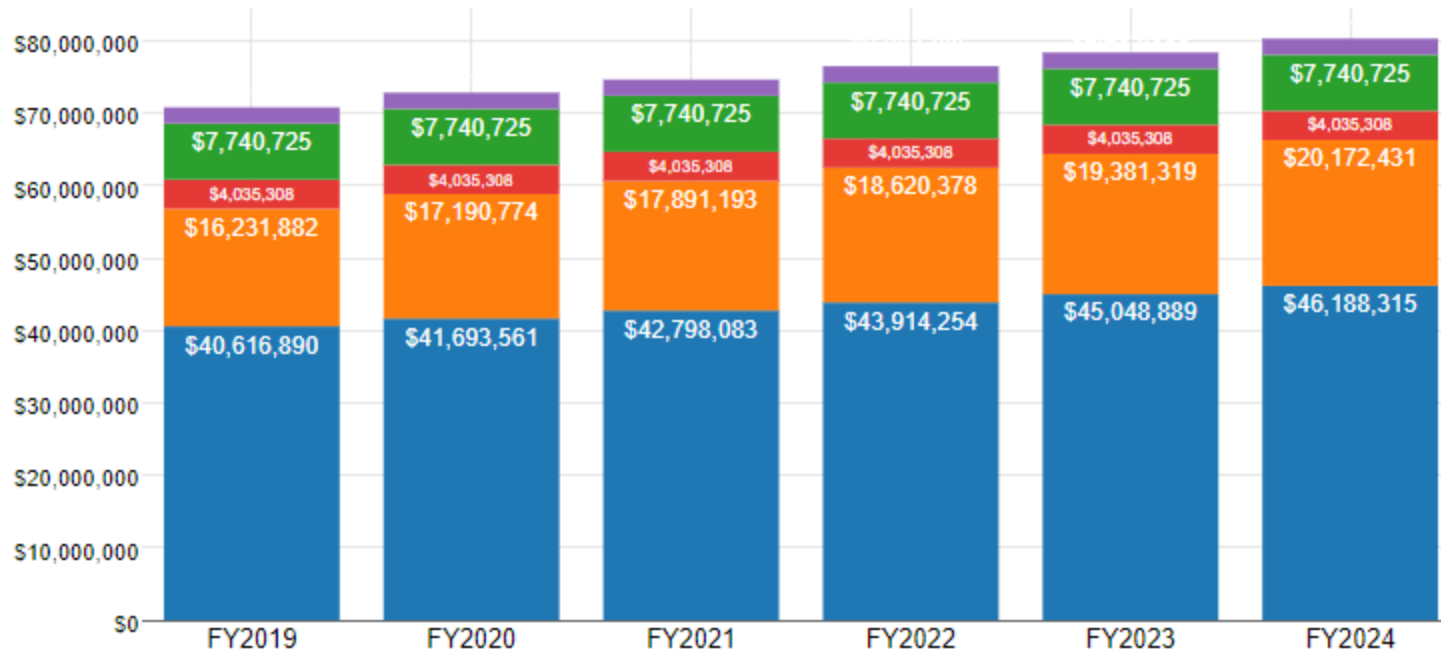
| | BUDGET | | EXPENDITURE PROJECTIONS | | | | |
|--------------------------------------|---------------------|---------------------|-------------------------|---------------------|-------------|---------------------|-------------|
| | 2019 | 2020 | % Δ | 2021 | % Δ | 2022 | % Δ |
| Salaries | \$40,616,890 | \$41,693,561 | 2.7% | \$42,798,083 | 2.6% | \$43,914,254 | 2.6% |
| Benefits | \$16,231,882 | \$17,190,774 | 5.9% | \$17,891,193 | 4.1% | \$18,620,378 | 4.1% |
| TOTAL SALARIES & BENEFITS | \$56,848,772 | \$58,884,335 | 3.6% | \$60,689,276 | 3.1% | \$62,534,632 | 3.0% |
| Supplies, Resources, & Non-Cap | \$4,035,308 | \$4,035,308 | 0.0% | \$4,035,308 | 0.0% | \$4,035,308 | 0.0% |
| Purchased Services | \$7,740,725 | \$7,740,725 | 0.0% | \$7,740,725 | 0.0% | \$7,740,725 | 0.0% |
| Travel | \$304,685 | \$304,685 | 0.0% | \$304,685 | 0.0% | \$304,685 | 0.0% |
| Capital Outlay | \$1,440,000 | \$1,440,000 | 0.0% | \$1,440,000 | 0.0% | \$1,440,000 | 0.0% |
| All Other | \$490,000 | \$490,000 | 0.0% | \$490,000 | 0.0% | \$490,000 | 0.0% |
| TOTAL ALL OTHER | \$14,010,718 | \$14,010,718 | 0.0% | \$14,010,718 | 0.0% | \$14,010,718 | 0.0% |
| TOTAL EXPENDITURES | \$70,859,490 | \$72,895,053 | 2.9% | \$74,699,994 | 2.5% | \$76,545,350 | 2.5% |

Expenses are forecasted to increase annually over the next few years. The projected rate of increase is a modest 2.5%-2.9%, which is in line with normal cost of living and inflationary factors.

The largest forecasted expenses are in the areas of salary and benefits, as employee salary rates are projected to increase annually at the Legislature approved US Implicit Price Deflator for Personal Consumption (IPD). The potentially new School Employee Benefit (SEB) health care program could have additional cost overruns to the Kelso School District in the range of \$750K-\$1M.



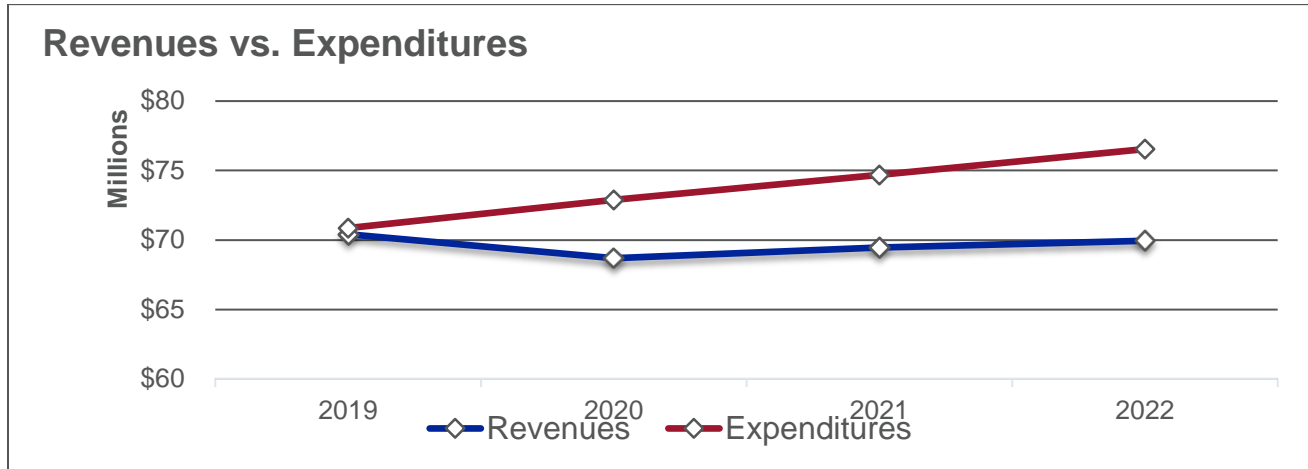
Projected Expenses by Object



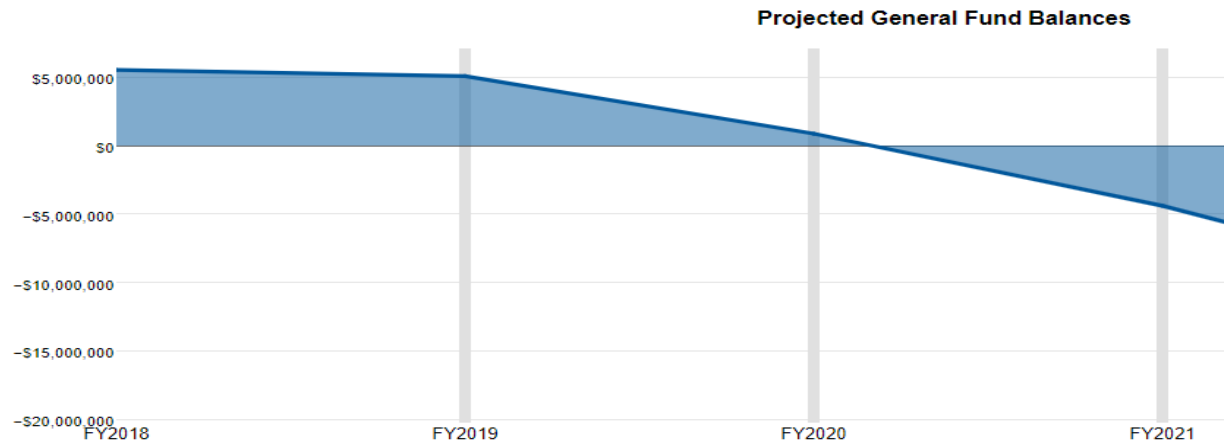
| Object | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 |
|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Salaries | \$40,616,890.00 | \$41,693,560.75 | \$42,798,082.80 | \$43,914,254.30 | \$45,048,888.63 | \$46,188,315.18 |
| Benefits | \$16,231,882.00 | \$17,190,774.41 | \$17,891,193.07 | \$18,620,378.08 | \$19,381,318.56 | \$20,172,431.23 |
| Supplies | \$4,035,308.00 | \$4,035,308.00 | \$4,035,308.00 | \$4,035,308.00 | \$4,035,308.00 | \$4,035,308.00 |
| Purchased Services | \$7,740,725.00 | \$7,740,725.00 | \$7,740,725.00 | \$7,740,725.00 | \$7,740,725.00 | \$7,740,725.00 |
| Other Objects | \$2,234,685.00 | \$2,234,685.00 | \$2,234,685.00 | \$2,234,685.00 | \$2,234,685.00 | \$2,234,685.00 |

Projected Budget Shortfall & Impact to Fund Balance

A reduction in revenue coupled with an increase in expenses results in a shortfall beginning in 2019/20. This shortfall is estimated at \$4 Million. A reduction in expenses is necessary to bring revenue and expenditures inline moving forward.



Reductions must be made in 2019/20 to prevent a rapid decline of the fund balance.

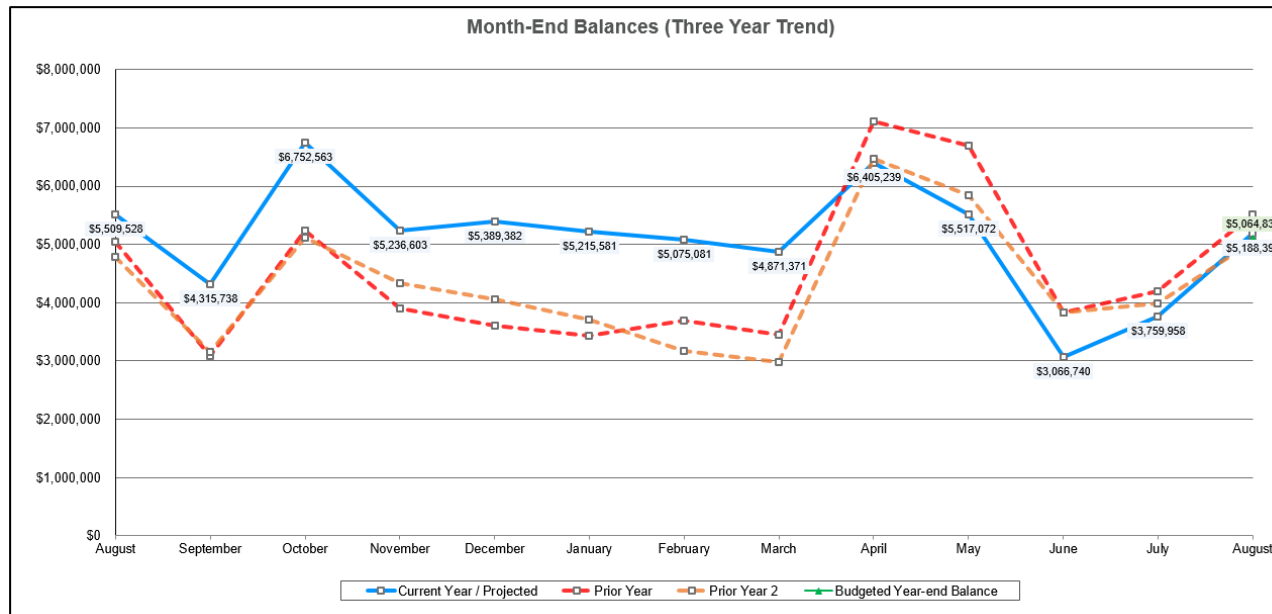


Meeting Monthly Expenses and an Adequate Fund Balance

Below is a three year trend in our fund balance from month to month. A school district’s fund balance is similar to personal savings account. It is money available for unexpected and emergency situations, and a means of balancing cash flow needs throughout the year.

When we report ending fund balance annually in our financial statements, we are only stating the August ending balance, as our fiscal year runs from September 1 to August 31. You can see that the fund balance swings monthly depending upon when revenue is received and expenses are made.

There are a number of “low” months, around \$3 million dollars. Essentially what this is saying is if our fund balance drops below this amount, KSD would have to “borrow” money during those months in order to meet payroll and other fiscal obligations. An adequate fund balance is KEY to solid financial stability and demonstrates sound financial stewardship of our community’s resources.



2019/2020 Projected Enrollment & Staffing for Elementary Schools (Class Size Contract Language All Schools)

| | Kinder FTE | Staffing Ratio 1:19 | Grade 1 | Staffing Ratio 1:19 | Grades 2-3 FTE | Staffing Ratio 1:25 | Grade 4 FTE | Staffing Ratio 1:26 | Grade 5 FTE | Staffing Ratio 1:28 | Total Projected FTE | Staffing FTE for 2019/2020 |
|---------------|--------------|---------------------|---------------|---------------------|----------------|---------------------|-------------|---------------------|-----------------|---------------------|---------------------|----------------------------|
| Barnes | 54.00 | 2.84 | 55.00 | 2.89 | 120.00 | 4.80 | 63.33 | 2.44 | 71.67 | 2.56 | 364.00 | 15.53 |
| Beacon Hill | 78.00 | 4.11 | 78.67 | 4.14 | 168.33 | 6.73 | 90.67 | 3.49 | 83.67 | 2.99 | 499.33 | 21.45 |
| Butler Acres | 49.00 | 2.58 | 50.00 | 2.63 | 145.33 | 5.81 | 72.33 | 2.78 | 76.00 | 2.71 | 392.67 | 16.52 |
| Carrolls | 18.00 | 0.95 | 18.00 | 0.95 | 40.00 | 1.60 | 22.67 | 0.87 | 30.00 | 1.07 | 128.67 | 5.44 |
| Catlin | 48.00 | 2.53 | 50.33 | 2.65 | 125.00 | 5.00 | 55.67 | 2.14 | 67.67 | 2.42 | 346.67 | 14.73 |
| Rose Valley | 24.00 | 1.26 | 23.67 | 1.25 | 45.67 | 1.83 | 26.00 | 1.00 | 29.00 | 1.04 | 148.33 | 6.37 |
| Wallace | 50.00 | 2.63 | 49.33 | 2.60 | 122.00 | 4.88 | 64.33 | 2.47 | 59.67 | 2.13 | 345.33 | 14.71 |
| Totals | 321.0 | 16.89 | 325.00 | 17.11 | 766.3 | 30.65 | 395 | 15.19 | 417.6667 | 14.92 | 2225.0 | 94.76 |

| | Total Projected FTE | Staffing FTE for 2019/2020 | Specialist Staffing Ratio 1:141 | Total Combined Staffing FTE |
|---------------|---------------------|----------------------------|---------------------------------|-----------------------------|
| Barnes | 364 | 15.53 | 2.58 | 18.11 |
| Beacon Hill | 499 | 21.45 | 3.54 | 25.00 |
| Butler Acres | 393 | 16.52 | 2.78 | 19.31 |
| Carrolls | 129 | 5.44 | 0.91 | 6.35 |
| Catlin | 347 | 14.73 | 2.46 | 17.19 |
| Rose Valley | 148 | 6.37 | 1.05 | 7.42 |
| Wallace | 345 | 14.71 | 2.45 | 17.16 |
| Totals | 2225 | 94.76 | 15.78 | 110.54 |

| | 2019/2020 Staffing FTE (Budgeted) | 2018/2019 Staffing FTE (Budgeted) | Difference for 2017/18 |
|---------------|-----------------------------------|-----------------------------------|------------------------|
| Barnes | 18.11 | 22.00 | -3.88 |
| Beacon Hill | 25.00 | 29.05 | -4.05 |
| Butler Acres | 19.31 | 21.74 | -2.43 |
| Carrolls | 6.35 | 7.74 | -1.39 |
| Catlin | 17.19 | 20.78 | -3.59 |
| Rose Valley | 7.42 | 8.15 | -0.73 |
| Wallace | 17.16 | 20.06 | -2.90 |
| Totals | 110.54 | 129.51 | -18.97 |

Other: 1 FTE Principal, and 1 FTE Asst Principal (.5 FTE BEA, .5 FTE LAP HiPov).
 .5 FTE Counselor (additional counseling time must be paid from categorical programming funds).
 Per Principal Association contract, schools over 500 are provided with additional staff. Beacon Hill has an additional .5 FTE for school counselor for a total of 1.0 FTE in counseling.
 All other positions are categorical program funded, not basic education. Only classroom teachers and specialists can be charged to the basic education allocation provided above.

2019/2020 Projected Enrollment & Staffing for Middle Schools

| | Grade 6 | Grade 7 | Grade 8 | Total FTE | Staffing Ratio 1:31.5 @ 5 periods | 2018/19 |
|--------------|---------------|---------------|---------------------------|------------------|---------------------------------------|---------------------------------------|
| Coweeman | 184.33 | 189.33 | 182.67 | 556.33 | 20.70 | 22.31 |
| | | | Less CTE Enrollment (FTE) | 13.00 | | |
| | | | | <u>543.33</u> | | |
| Huntington | 209.67 | 197.67 | 193.33 | 600.67 | 21.47 | 22.13 |
| | | | Less CTE Enrollment (FTE) | 37.00 | | |
| | | | | <u>563.67</u> | | |
| Total | 394.00 | 387.00 | 376.00 | Total 1157.00 | Less CTE 50.00 | BEA Total 1107.00 |
| | | | | 42.17 | 2019/20 Total BEA Middle Sch Staffing | |
| | | | | 44.44 | -2.27 | 2018/19 Total BEA Middle Sch Staffing |

Other Positions: 1 FTE Principal, and 1 Asst Principal basic education funded.
 2 FTE Counselors basic education funded.
 1 FTE Librarian basic education funded.
 All other positions are categorical program funded, not basic education. Only classroom teachers can be charged to the basic education allocation provided above.

2019/2020 Projected Enrollment & Staffing for High School

| | Grade 9 | Grade 10 | Grade 11 | Grade 12 | Total FTE | | |
|------------------------|---------|----------|----------|----------|----------------|--------------------|----------------|
| Kelso High Only | 406.00 | 365.00 | 305.33 | 290.67 | 1367.00 | Total KHS Only FTE | 1067.00 |
| | | | (@80.0%) | 300.00 | 1067.00 | | 44.46 |

*Kelso High Only does not include:
CEO, Running Start, GED
Home/Hospital, Team Placed,
KVA, Loowit, or SMART

Staffing Ratio
1:30 @ 4 per.
Instructed

KHS has been given 4-6 additional FTE annually above this allocation. This must be reduced for 2019/20. Target is 5.0 FTE in basic education cert staffing.

| | Grade 9 | Grade 10 | Grade 11 | Grade 12 | Total FTE | Staffing Ratio 1:30 @ 5 periods | Actual BEA Staffing | Addtl Prog Staffing |
|-----------------------------|-------------|-------------|-------------|-------------|--------------|------------------------------------|---------------------|---------------------|
| Alternative Programs | | | | | | | | |
| Smart | | | | | 0.00 | 0.00 | 0.00 | |
| KVA | | | | | 25.00 | 1.00 | 1.00 | |
| Loowit | | | | | 25.00 | 1.00 | 1.00 | 0.2 CTE |
| Totals | 0.00 | 0.00 | 0.00 | 0.00 | 50.00 | 2.00 | 2.00 | 0.2 |

| | Total FTE | Total BEA FTE Staffing | |
|----------------------------------|----------------|------------------------|--------------|
| Summary Totals | | | |
| KHS Only (Teaching) | 1067.00 | 44.46 | |
| Alternative Programs | 50.00 | 2.00 | |
| Totals | 1117.00 | 46.46 | |
| | | -0.24 | Increase FTE |
| 2018/19 Baseline Staffing Level: | 46.7 | | |

Other Positions: 1 FTE Principal, and 3 FTE Asst Principal basic education funded.
 1 FTE Dean of Students
 5 FTE Counselors (4 FTE basic education and 1 FTE CTE funded).
 1 FTE Librarian basic education funded.
 2 FTE Instructional Coaches basic education funded in-lieu of additional LAP funding at KHS
 All other positions are categorical program funded, not basic education. Only classroom teachers can be charged to the basic

Changes in School Tax Rates for Kelso SD

(prepared by S. Westlund, October 5th, 2017)



Current 2017 Taxes (per \$1,000 AV)

| | |
|-------------------|---------------|
| State School Levy | \$2.13 |
| M&O Levy | \$3.90 |
| KSD Bond | <u>\$1.39</u> |
| Total | \$7.42 |

Estimated 2018 Taxes (per \$1,000 AV)

| | |
|-------------------|---------------|
| State School Levy | \$3.05 |
| M&O Levy | \$3.67 |
| KSD Bond | <u>\$1.30</u> |
| Total | \$8.02 |

Estimated 2019 Taxes (per \$1,000 AV)

| | |
|-----------------------------------|--|
| State School Levy | \$3.05 |
| Enrichment Levy (replaces M&O) | \$1.50 |
| KSD School Bond | <u>\$3.07</u> (est. proj new \$98.6M Bond) |
| Total | \$7.62 |

*This scenario shows an overall ***net increase*** in taxes from 2017 to 2019 of ***\$.20 cents per \$1,000 of Assessed Valuation***. This scenario assumes a new bond measure of \$98.6 million being collected in 2019.

UPDATED ACTUALS JANUARY 2019

Actual 2017 Taxes (per \$1,000 AV)

| | |
|-------------------|---------------|
| State School Levy | \$2.13 |
| M&O Levy | \$3.90 |
| KSD Bond | <u>\$1.39</u> |
| Total | \$7.42 |

Actual 2018 Taxes (per \$1,000 AV)

| | |
|-------------------|---------------|
| State School Levy | \$2.90 |
| M&O Levy/Bond | <u>\$4.94</u> |
| Total | \$7.84 |

Actual 2019 Taxes (per \$1,000 AV)

| | |
|-------------------|---------------|
| State School Levy | \$2.60 |
| Enrichment Levy | \$1.49 |
| KSD School Bond | <u>\$2.93</u> |
| Total | \$7.02 |

2019 Local Funding Work Group Priorities Required Updates to New Education Funding Policy



The *Local Funding Work Group* was established in 2014 and represents the voices of nearly 8,000 school district leaders from our state’s 295 school districts. We bring a front-line understanding to the issues facing the Legislature as progress is made in revising Washington's K-12 education financing system.

Over the past several years, the Legislature has made great strides in recognizing need for greater alignment, accountability, and funding. Some work is on track, more needs to be accomplished. We appreciate that many are tired of the education funding mandate; however, a well-educated populace adds value to the lives of every citizen, to our economy, and to our future. Our students await your leadership.

To that end, we propose that these immediate priorities be acted upon by the 2019 Legislature:

➤ **Update the Prototypical School Funding Model to align with Initiative 1351**

Comprehensive student supports, and services are a clear need yet, the currently funded staffing levels are not meeting our student needs; especially for critical health, social services and safety personnel. In the 2011 transition to the Prototypical Funding model these areas were funded at low ratios to keep within targeted funding amounts, without regard to appropriate staffing levels. Since then, the need for student supports in local school districts has grown exponentially, yet the funding ratios provided for mental health professionals, counselors, and nurses have remained at the same values used in 2011.

Here are just a few examples of the funded staffing levels Statewide that are inadequate to address the student needs within our school system:

1 Psychologist per 38,857 students
1 Social Worker per 15,841 students

1 school nurse per 6,442 students
1 safety staff per 5,378 students

➤ **Fully Fund Legal Requirements**

We urge the Legislature to address the following financial components of education funding:

Fund the full cost of Special Education – Providing a free and appropriate public education for students with Individualized Education Plans is required and should not be subsidized with local levies. State funding for students with disabilities continues to be underfunded by nearly \$400 million. The special education safety net must fully support high cost programs and services.

Fund the full cost of the School Employees Benefits Program (SEBB) Implementation: If the State cannot afford the full cost of providing benefits to all eligible employees, the current tentative agreement should not be ratified.

K-3 Staffing Requirements - K-3 relief: Allow districts to meet certificated staffing ratios of 17:1 by investing in additional types of certificated staff as requested in the first bullet.

➤ **Temporarily Return to a Levy structure Based on a Percentage of State & Federal Revenues until Basic Education is Truly Fully Funded**

Inequities between districts was not solved by the now in place “property tax swap.” The current system, when using the \$1.50 per thousand rate vs. \$2,500 per student, whichever is lesser, creates significant inequities between property rich and property poor districts and fails to recognize the differences in district market costs. In addition, our communities want the opportunity to support their schools and interests through the local levies. Districts should be allowed to collect higher levies than currently constrained so that no district experiences an overall revenue shortfall. And, it is imperative, that the continued inequity this temporary fix would create be addressed by an increase in the per pupil LEA threshold. Any additional levy capacity provided must include clear limits to ensure that levy funding doesn’t get bargained away.

➤ **Address Salary Allocations and State Schedule**

Elimination of the statewide salary schedule and mix factor created significant inequities. Districts with senior staff need additional monies to support these higher costs. In addition, state funding is not adequate to cover classified and administrative salaries. In 2019, we urge the Legislature to expand and improve the experience factor set by the 2018 Legislature and to begin work on development of a future state salary allocation schedule.

➤ **Advance a constitutional amendment that would empower voters to approve school bonds by a simple majority**

These are the combined priority recommendations of the following organizations: Washington State School Directors’ Association (WSSDA), Washington Association of School Administrators (WASA), Washington Association of School Business Officials (WASBO), Washington School Personnel Association (WSPA), Alliance of Educational Associations (AEA) and Association of Washington School Principals (AWSP).

Adopted: 01/18/2019

2019 LEGISLATIVE PRIORITIES



WE GREATLY VALUE LEGISLATIVE EFFORTS TO MAKE INVESTMENTS IN K-12 PUBLIC EDUCATION

As you know, EHB 2242 has created unintended consequences and inequities among Washington's school districts. We look forward to working together during the upcoming session to ensure equitable and sustainable funding for all school

districts. The 30 superintendents and their school boards in the ESD 112 region urge the legislature to address three priorities so we can continue to serve the best interests of all students.



1. FIX FUNDING INEQUITIES AMONG SCHOOL DISTRICTS

a. Provide sustainable funding for small school districts

Of the state's 295 school districts, over two-thirds have 2,000 or fewer students. Under the new funding plan, small school districts are among those most negatively impacted due to teacher longevity, large cuts to Local Effort Assistance and reduced authority to collect local funding. In several instances, levy/LEA funding per student has been cut 60-70% because districts receiving equalization are limited to \$1,500 per student.

PROPOSED SOLUTIONS:

- » Reinststate small school factors into LEA funding to recognize the loss of small school factors in the current \$1,500 levy/LEA per student. (Estimated cost is less than \$15 million.)
- » Reevaluate the new formula for providing teacher experience funding, which currently allows districts to receive additional funding if experience (longevity) **AND** educational attainment (master's degrees) exceed the statewide average.
- » Allow districts to receive experience funding if it exceeds the statewide average for longevity by 15%, rather than requiring a district to exceed state averages in both categories.

b. Evaluate and correct regionalization methodology

EBH 2242's regionalization plan forced inequities among even neighboring districts, creating teacher recruitment and retention challenges and unfairly pitting school districts against one another.

PROPOSED SOLUTION:

- » Modify the current methodologies used to calculate and apply factors for district regionalization funding.

c. Support school capital facility needs

Many school districts have difficulty passing local requests for capital improvements. We urge the Legislature to invest in construction/modernization and security-related facility costs.

PROPOSED SOLUTIONS:

- » Advance a constitutional amendment authorizing school district bond issues to be approved with a simple majority vote.
- » Update the current formula for the Construction Cost Allowance and Student Space Allocation to reflect actual construction costs and educational space needs.

2. FULLY FUND SPECIAL EDUCATION

The minimal increase per student in the cost multiplier in 2018-2019 does not cover the actual cost of providing services. As the state continues to underfund special education, many districts are forced to use decreasing local levy funds to backfill the gap. It will cost \$21 million to make up the special education shortfall in the 112 region.

PROPOSED SOLUTIONS:

- » Increase the multiplier for each special education student.
- » Fund the safety net with state monies to lower the threshold required to attain the funding.
- » The safety net process needs to recognize regionalization factors when providing funding to districts. Higher regionalization districts will receive a disproportionate share of a fixed amount of funding.
- » The legislature could restrict the formula so districts cannot collect more than they spend on special education.

3. FULLY FUND THE SEBB

In the proposed plan, the state does not fund what districts actually pay for employee health benefits, creating an unfunded mandate. While we recognize the importance of providing health benefits for all employees and their families, funding is not sufficient.

PROPOSED SOLUTIONS:

- » Fully fund employee health benefits costs for all eligible employees.
- » If unable to fully fund employer costs, adjust eligibility criteria to reduce costs and align revenues and expenditures for the SEBB.

1. OPPOSE REVISING THE LEVY LID BEYOND ESTABLISHED \$1.50 PER THOUSAND

- This promises to provide property rich districts the ability to raise significantly more money per student which exacerbates the inequities already found in the system as a result of regionalization.
- Shifts the burden back to local taxpayers and away from the state which was the basis for the McCleary decision.
- Will confuse taxpayers and erode the trust taxpayers have in school districts who have assumed the \$1.50 lid in their tax projections when seeking facilities bond requests and technology and maintenance levies.

2. RELATIONSHIP BETWEEN STATE ASSESSMENTS AND HIGH SCHOOL GRADUATION – STATE BOARD OF ED

If the legislature reconsiders policies related to mandatory state assessments linked to graduation, the State Board of Education supports legislation that delinks the passing of statewide assessments from graduation requirements, provided that 1) State standards in Math, English Language Arts, and Science are not diminished; 2) State assessment results are still used as part of the Washington School Improvement Framework; 3) Assessment participation rates remain a focus of emphasis consistent with the expectations of ESSA; and 4) student-level assessment results will be used to inform student course taking in subsequent terms to focus on growth and progress to achieve high school proficiency and career and college readiness.

3. IMPROVE SCHOOL SAFETY AND SECURITY – WASA

School districts need to support their students and staff before – and after- a crisis occurs. Providing sufficient nurses, mental and behavioral health counselors, and school security is an effective strategy. Unfortunately, current funding does not provide sufficient staffing support for schools. WASA urges the Legislature to enhance staff allocations, with a priority of providing additional staff in the categories of Health and Social Services (including school nurses and mental health counselors), Guidance Counselors, and Student and Staff Security.





Legislative Priorities



As leaders governing our state's public schools, the 1,477 members of the Washington State School Directors' Association (WSSDA) appreciate the challenges faced by our fellow elected officials at the state level. We greatly value the Legislature's effort to deliver on the promise to make significant investments in K-12 public education. Our young people deserve nothing less.

WSSDA remains a steadfast partner with the Legislature to:

» Ensure student health and safety

Comprehensive safety resources to support students and schools are needed. Please:

- **Enhance funding for wrap-around support services.** Fund school nurses, social workers, counselors, mental health professionals and other support staff at nationally recommended staff-to-student ratios. Fund programs focused on social-emotional learning, digital citizenship, bullying and hazing prevention and threat assessments.
- **Establish support structures at the regional and local levels for managing school crises.** Improve coordination between schools and regional mental health providers, community partners, emergency management and law enforcement.
- **Provide for school security personnel according to local needs.**
- **Adequately fund public health research and education on firearms-related issues.**

» Promote student success

High-quality staff who better reflect our student populations are needed, as are innovative and relevant educational pathways for students. Please:

- **Increase funding for efforts to attract, recruit and retain high-quality, diverse staff.**
- **Adopt student-centered graduation requirements.** Delink state-mandated tests from graduation and link state-mandated credit requirements with career pathways aligned with each student's goals.
- **Increase availability of quality public early childhood education programs for low income children and English learners.**

» Increase funding model equity

2017 and 2018 education funding policies resulted in unintended consequences and inequities across districts. Please:

- **Fully fund special education.** Increase and align special education funding with districts' actual costs and update the current funding model.
- **Level the playing field for districts in budgeting and bargaining.**
 - Reestablish and fund a statewide salary schedule.
 - Modify the current methodologies used to calculate district regionalization funding.
 - Fund statewide supports to improve consistency and accuracy of information needed by districts to budget for and bargain sustainable agreements.
- **Fund school employee health care benefits.**
- **Restore access to local funding for local needs and hold districts harmless.**
 - Replace the current formula for levies with one based on a designated percentage of each school district's budget and fund Local Effort Assistance (LEA) at a minimum of 50% of the amount levied. OR, improve the current formula by raising the amount of levy authority available and increasing LEA funding to at least \$2,500 per student.
 - Formulas should protect against steep losses in levy authority due to circumstances beyond district control.

» Invest in public school facilities

Student success requires adequate school facilities. State law stipulates that the state pay an average of half the cost of school construction. Please:

- **Revise the school construction funding formula.** State funding must recognize the real costs of building and modernizing schools.
- **Support multiple pathways for districts to access school construction funding.**
 - Advance a constitutional amendment that would empower voters to approve school bonds by a simple majority.
 - Increase ways for districts to access funding for new construction, modernization, and/or repairs or retrofits necessary for school safety, security, and class-size reductions.
- **Increase dedicated funds for school construction in addition to the Common School Trust.**