

Tonight's Agenda

- ◆ Superintendent Cudeiro's Charge (10 min)
- ◆ Expectations of Committee Members (5 min)
- ◆ Budget Core Values and Focus
- ◆ Introductions (30 min)
- ◆ FAC Operating Norms (15 min)
- ◆ Unlocking The Mysteries of Washington State School Financing (60 min)

Superintendent's Charge

I charge the Fiscal Advisory Committee with supporting and advising the fiscal operations of the district. Initially, for the first half of 2010, the committee's specific charge will be to provide input to the 2010-2011 budget. Specifically, I ask that you:

- ◆ Develop a list of possible budget savings – program, department, or line item – and revenue generation items;
- ◆ Provide a rank-ordered list of the recommended budget savings options; and
- ◆ Present this list to me by mid-April.

Superintendent's Charge (Continued)

- ◆ In compiling this list, I ask that you ensure that all recommendations are aligned with the district goals and strategy, and they comply with all applicable federal, state, and local laws and regulations. The rank order will be determined by the FAC.
- ◆ I will use these recommendations in putting together my submission to the School Board's initial budget session in late-April.



District Goals

- ◆ Eliminate the achievement gap
- ◆ Extend learning for students who currently meet or exceed standard

Expectations of Committee Members

Committee members have been selected from the major stakeholder groups in our community. Each committee member represents their stakeholder group and is expected to keep that group informed of the committee's work and decisions.

- ◆ Commit to district strategic priorities;
- ◆ Report to your stakeholder group;
- ◆ Provide suggestions for budget savings and revenue generation;
- ◆ Attend all meetings;
- ◆ Turn up on time and prepared for meetings; and
- ◆ Respect meeting norms.

Committee members serve an advisory role – providing recommendations to the Superintendent.

Budget Core Values and Focus

- ◆ Develop a budget with sustainable spending levels - "right size" based on expected funding levels. (Currently there is a level of uncertainty as we wait for the State to finalize its budget.);
- ◆ Provide equity in resources across schools and students considering need; and
- ◆ Consider cost savings and revenue sources that align with district educational goals and strategies as well as promoting operating efficiencies.

FAC Operating Norms

- ◆ Attend all meetings, be on time and work on scheduled agenda items
- ◆ Use district goals and budget core values for making decisions
- ◆ Ask clarifying questions
- ◆ Do not engage in side conversations
- ◆ Be respectful: Address the issue not the person
- ◆ Limit our comments to 2 minutes -Share the floor
- ◆ Communicate with your constituent groups
- ◆ Support group decisions once they are made – publically and privately



UNLOCKING THE MYSTERIES OF WASHINGTON STATE SCHOOL FINANCING

Prepared for

Bellevue School District Fiscal Advisory Committee

Adapted from:

*An earlier version prepared for the BSD Budget Review Committee,
February 1, 2003 &*

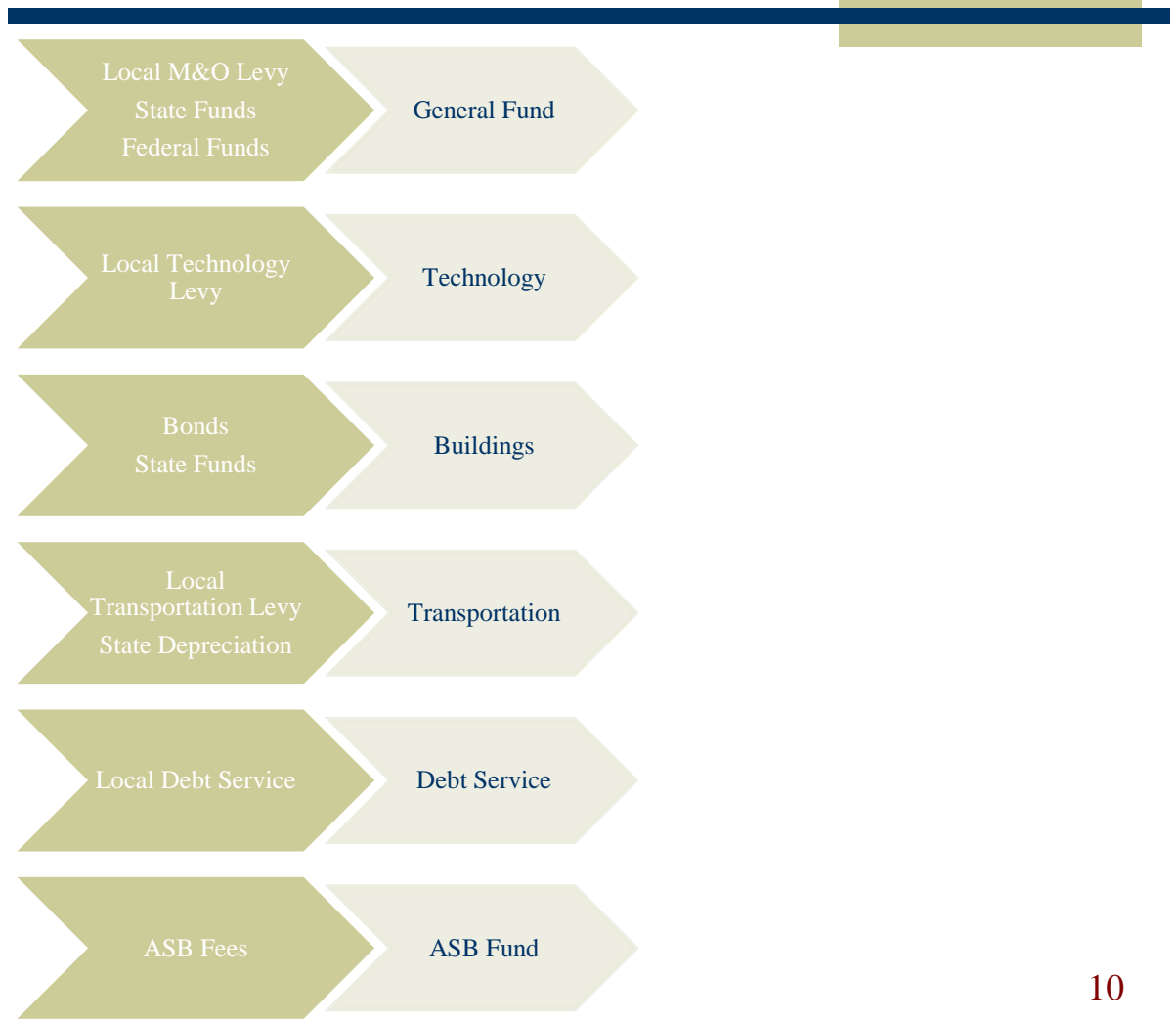
School Finance Overview presented by OSPI, November 7, 2002

February 25, 2010

Roadmap

- Revenue and Expenditure Funds
- Sources of General Fund Revenue
- Spending
- More Information
- Questions

Funds and Their Sources of Revenue



General Fund

- ◆ Used to account for all financial resources except those required to be accounted for in another fund.
- ◆ Used to finance the ordinary normal and recurring operations of the school district such as instruction, food services, maintenance, data processing, and transportation.

Capital Projects Fund: Technology and Capital Projects (Special Levy)

- ◆ Used for costs associated with the **application and modernization** of technology systems for operations and instruction and facility improvements.
 - “...developing acquiring, and installing computer technology, related technology infrastructure, providing initial training in the application and implementation of said technology and administrative expenses, necessary equipment purchases and facility improvements.” (Levy measure)
 - May include: Ongoing fees for on-line applications, subscriptions, or software license; upgrades and incidental services; and ongoing training related to the installation and integration of the technology.

Capital Projects Fund: Buildings

- ◆ Used to account for the acquisition of land or existing facilities, construction of buildings, purchase of equipment and making capital improvements to buildings and grounds.
- ◆ Generally financed from the proceeds from the sale of bonds, state matching revenues, lease or sale of real property, interest earnings and special levies.

Transportation Vehicle Fund Debt Service Fund

- ◆ The **Transportation Vehicle Fund** is to account for the state reimbursement to school districts for depreciation of approved pupil transportation equipment and for the purchase and major repair of such equipment.
- ◆ The **Debt Service Fund** is to account for the payment of principal, interest and other expenditures related to the redemption of outstanding bonds. Provision must be made annually for a levy sufficient to meet the payments of principal, interest and related expenditures for voted debt.

Associated Student Body Fund

- ◆ Only designated special revenue fund in school districts.
- ◆ Financed from the collection of fees from students and non-students as a condition of their attendance at any optional, noncredit, extracurricular event.
- ◆ Under the control, supervision and approval of the Board of Directors but students determine the activities of the associated student body program.

Roadmap

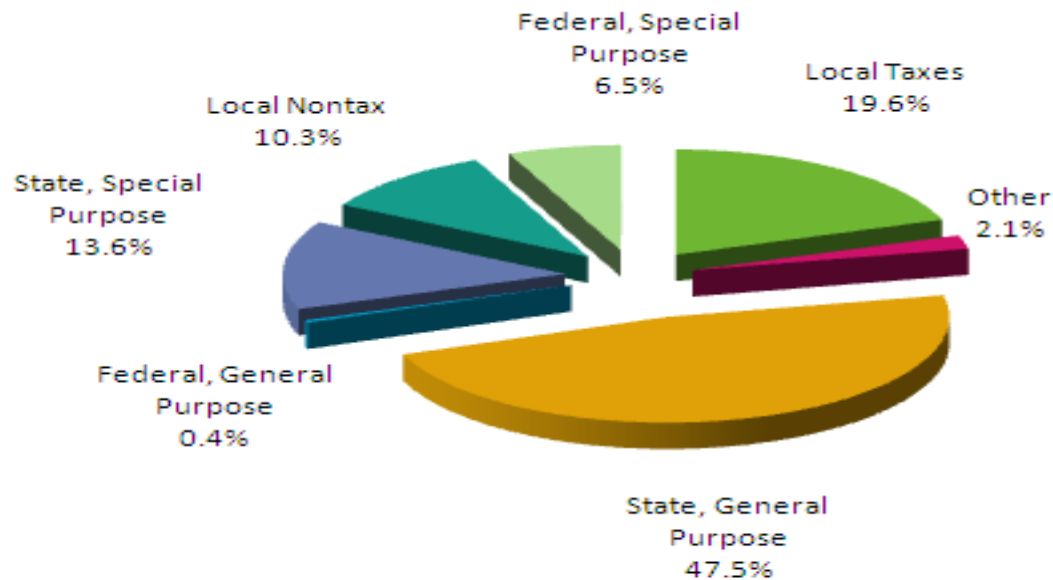
- Revenue and Expenditure Funds
- Sources of General Fund Revenue
- Spending
- More Information
- Questions

Sources of General Fund Revenue

- ◆ Overview
- ◆ Local Levy
- ◆ State Funds
- ◆ Federal Funds

BSD Sources of General Funds, 2009-10 (budget)

DISTRICT RESOURCES



Funding Principles

- ◆ The funding formula is not cast in concrete; it is the continuing obligation of the Legislature to review, define and fund **basic education**.
- ◆ Local school levies may be allowed as long as they enrich programs outside of the legislative definition of basic education and are not used to reduce the state's obligation to fund basic education.

-- Overview of State Funding -- What Is the State's Responsibility?

Washington State Constitution

Article IX

Section 1. "It is the **paramount duty** of the state to **make ample provision** for the education of all children residing within its borders, without distinction or preference on account of race, color, caste, or sex."

Section 2. "The legislature shall provide a **general and uniform system of public schools . . .** and such . . . normal and technical schools as may hereafter be established."

Washington's School Finance System

- ◆ Is a legislative response to three court decisions interpreting the “paramount duty” clause of the state constitution.
- ◆ These court decisions, in 1977 ,1983 and 1988 described the state’s duty under the constitution.
- ◆ The state has not yet responded to the courts decision in 2010.

Seattle Lawsuit - Doran I

- ◆ After a levy failure in 1976, Seattle School District sued the state alleging that the state was not meeting its constitutional duty to make ample provision for education.
- ◆ On January 14, 1977 Judge Doran issued a declaratory judgement finding that:
 - **State funding was insufficient to fund a basic program of education; and**
 - **The legislature must define and fully fund a program of basic education through regular and dependable tax sources and could not rely on local excess levies for that funding.**

Doran II and IIB Decisions

Subsequent decisions by Judge Doran expanded and clarified the state's responsibility for basic education.

- ◆ The 1983 decision included the following categorical programs to the state's basic responsibilities:
 - Special Education
 - Bilingual Education
 - Remediation (LAP)
 - Pupil Transp. (some students)
- ◆ The 1988 decision:
 - Generally supported state funding for special education based on averages;
 - Concluded that some form of “safety net” was needed to supplement special education funding for districts demonstrating need.

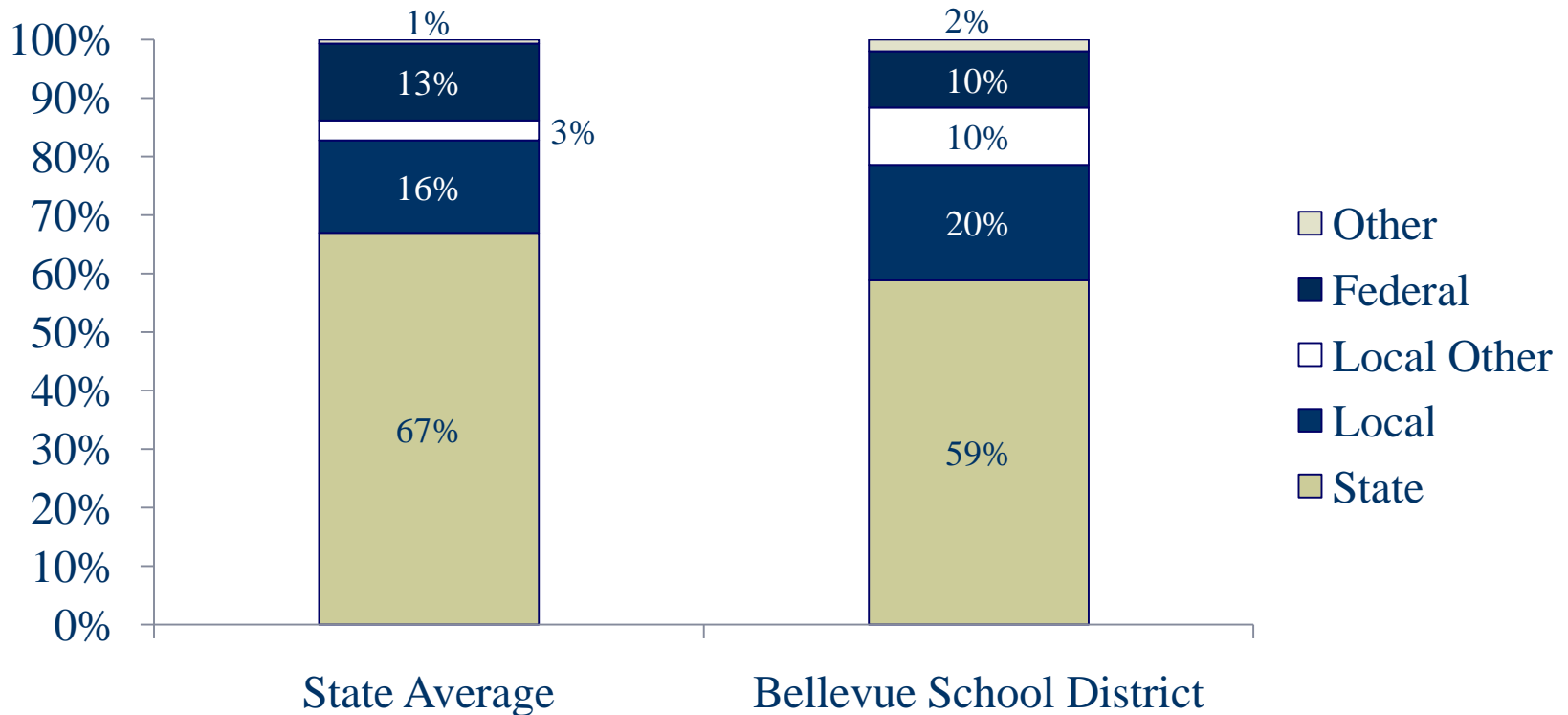
McCleary v. State, 2010

Court ruled that the State is failing to meet its “paramount duty.” The judge ordered the Legislature to fully fund the actual cost of educating all children with ample, stable and dependable State funding.

(<http://www.waschoolexcellence.org/>)

General Fund Revenue, by Source

Local Revenue Contributes More due to the BSD's Levy Base and Levy Lid



Source: OSPI School District & ESD Financial Reporting Summary

FY08-09 - Section Three (<http://www.k12.wa.us/safs/PUB/FIN/0809/fs.asp>)

BSD Revenue per Student is Higher Than the State Average

Revenue per Student by Source, 2008-09 School Year

	State Average	BSD Average
Local Tax and Local Other	1,567	2,027
State Revenues	6,648	6,045
Federal	1,304	989
Other	409	1,211
Total	\$9,928	\$10,272

BSD Per Student Revenue is also High Compared with Local Districts

District Revenues per Student for Local Districts, by Enrollment

District	Ranked by Enrollment	Local Tax \$	State \$	Federal \$	Other \$	Total \$
Seattle	43,770	2,738	6,740	1,553	807	11,839
Kent	26,335	1,723	6,275	1,144	310	9,453
Lake Washington	23,173	1,682	5,997	845	807	9,332
Federal Way	21,258	1,587	6,502	1,172	341	9,602
Northshore	18,939	1,845	6,302	867	666	9,681
Highline	17,420	1,890	6,478	1,444	553	10,366
Bellevue	16,636	2,027	6,045	989	1,211	10,272
Issaquah	16,080	1,601	5,837	636	760	8,834
Auburn	14,312	1,604	6,251	1,174	326	9,355
Renton	13,443	1,705	6,248	1,319	313	9,585
Snohomish	9,388	1,690	6,263	843	465	9,262
Shoreline	8,844	2,104	6,425	977	809	10,315
Mercer Island	3,927	2,283	5,943	825	1,019	10,069

Source: OSPI School District & ESD Financial Reporting Summary
 FY08-09 - Section Three

Strengths of the Current System

- ◆ Recognizes cost difference between school districts:
 - Salary differences based upon the education and experience of staff hired.
- ◆ Provides enhanced funding for special need populations:
 - Students with disabilities (Special Education)
 - Second language students (Bilingual Education)
 - Low achieving students (Learning Assistance Program)

Weaknesses of the Current System

- ◆ No recognition for cost of living differences among school districts.
- ◆ Fails to fully fund the real cost of basic education.
- ◆ Fails to fully fund the real cost of education for students with special needs.
- ◆ Special education is funded on a head count basis with no provision for severity of disability.
- ◆ The US Chamber of Commerce gave WA a “C” grade for finance in recent report.

Accountability for Inputs Not Outputs

- ◆ 49/1000 certificated instructional staff ratio for K-4.*
- ◆ Must maintain 46/1000 certificated instructional staff for all other grades.*
- ◆ Must pay minimum salaries for beginning teachers.
- ◆ Must not exceed state average allocated salary for average base salaries of certificated staff (salary compliance).
- ◆ Must use state accounting and program structure.

* Current 2010-11 Governor's Proposed Budget.

3/5/2010

Sources of General Fund Revenue

- ◆ Overview
- ◆ Local Levy
- ◆ State Funds
- ◆ Federal Funds

Local Levy



- ◆ Local levies are for enhancements to the state basic education programs. i.e. – extracurricular activities, enhanced class offerings, additional duties for teachers.
- ◆ Requires voter approval:
 - 50% majority required
 - Regardless of the number of voters voting on the proposition

Source: EHJR 4204, November 2007

3/5/2010

School District Levies

- ◆ Prior to 1977, there was no limit on the amounts that school districts could raise from local levies.
- ◆ In 1977, the legislature passed the Levy Lid Act, which limited school district M&O levies to 10 percent of a levy base and set a four year time limit for districts to get to that level.
- ◆ In subsequent sessions the legislature raised the limit to its current 24 percent of the levy base. Last changed in 1999.

The Basic Levy Components

$$\text{Levy Base} \times \text{Levy Lid} = \text{Calculated Levy}$$

- ◆ Levy Collected is based on the amount calculated (as above) up to the amount Authorized by Local Voters through the M&O Levy Proposition every Four Years

Levy Base

- ◆ The levy base is generally made up of the state and federal revenues a district received in the previous school year.
- ◆ The levy base is one of the limiting factors for levies.

Levy Lid Percent

- ◆ Statewide rate is 24%.
- ◆ 91 districts have “grand-fathered” levy authority percentages up to 34%.

BSD Levy Lid is Relatively High Compared to Local Districts

Local Tax Per District and Levy Lids, 2008-09

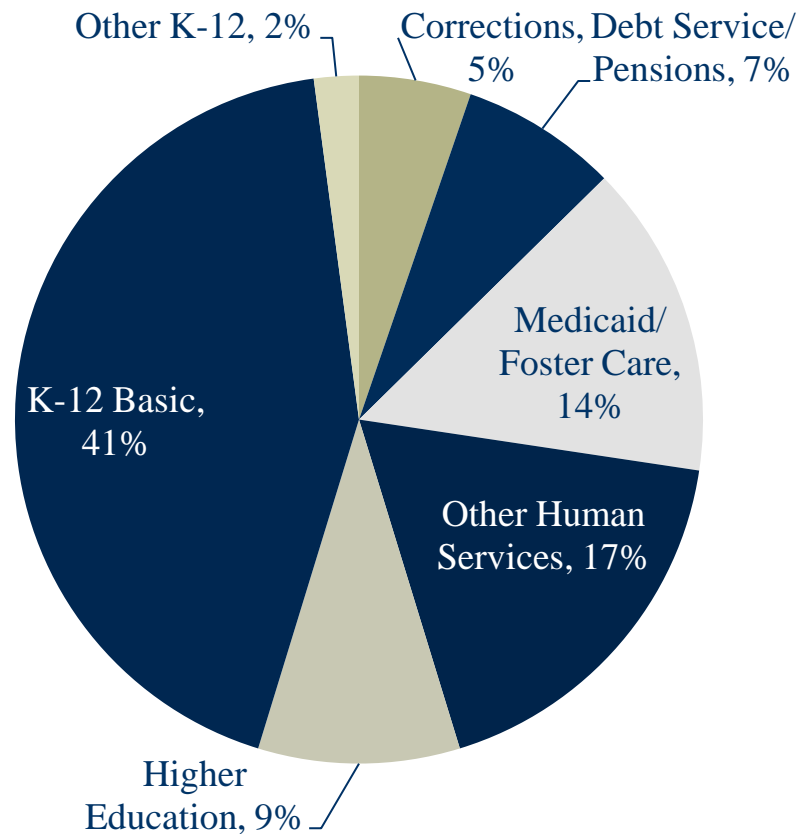
	Per Student	Local Levy Lid
Statewide Average	\$1,567	25.31%
Issaquah	\$1,601	24.97%
Lake Washington	\$1,682	24.89%
Northshore	\$1,845	24.90%
Bellevue	\$2,027	30.66%
Mercer Island	\$2,283	33.67%
Seattle	\$2,738	32.97%

Source: OSPI School District & ESD Financial Reporting Summary
FY08-09 - Section Three & F780 Levy Authority 08-09

Sources of General Fund Revenue

- ◆ Overview
- ◆ Local Levy
- ◆ State Funds
- ◆ Federal Funds

2009–2010 Biennium State General Fund Budget



Source: The 2009-11 Budget Story. Office of Financial Management, November 2009. WA State.

State Funding is Driven by a Formula

1. District Enrollment



2. Staff Ratios



3. Salaries & Benefits



4. Operating Costs (NERC)

=

State General

Apportionment for Basic Education

#2 Districts do not have enough staff to provide ample opportunity to all students and keep the district running

#3 Districts heavily subsidize compensation costs

#4 Districts heavily subsidize basic operating expenditures

→ Costs increase faster than state revenue and faster than local revenue

Factor # 1: Basic Education Enrollment

Student 1.0 FTE based on “seat time”

Grade Span	Hours/ Week	Hours/ Day
K	10	
1-3	20	4
4-6	25	5
7-12	25	5

- ◆ Based on Enrolled hours—not attendance
- ◆ Nine monthly count dates—first school day of each month all months except September – 4th day)
- ◆ Exceptions to Seat Time FTE Rule: Alternative Learning Experience, Skills Center, and Running Start.

Factor # 2

Legislated Staffing Ratios

1,000 FTE students generate:

- 4.0 Certificated Administrative Staff (CAS)
 - e.g. Superintendents, Principals etc.
- Certificated Instructional Staffing (CIS)
 - Grades K-4 49.0
 - All other grades 46.0
 - e.g. Teachers, Program Supervisors
- 17.0 Classified Staff
 - e.g. Business office, classroom aides

Enhanced staffing (per 1,000 FTEs):

- K-4th grade = 49.0 CIS (use it or lose it)

Bellevue's Staffing - State Generated versus Employed

Based on final 2008 – 2009 State apportionment

	Allocated	Employed
Certificated Administrative Staff	65.21	47.84
Certificated Instructional Staff	790.04	824.17
Classified Staff	277.17	323.51

Source: Employed: Report 1801. Allocated: Report 1191F. WA State OSPI.
Certificated P-12 Basic Education Instructional.

Factor # 3

Instructional Staff – Salary Funding

- ◆ The state determines the funding provided for each certificated position based upon the experience and education level of the staff hired. This is captured in a staff mix factor.
- ◆ District wide average mix factor determines the state funding provided for each funded certificated staff position in the district.

Staff Mix

- ◆ The staff mix factor is a five-decimal number between 1.00000 and 1.88482 that quantifies the educational and experience level of instructional staff of the district.
 - 1.00000 would equal a new teacher with no experience
 - 1.88482 would equal a teacher with a PhD. Or MA+90 and 16+ years experience

Source: <http://www.k12.wa.us/safs/INS/PER/0809/S275.pdf>

Staff Mix Factors and Base Salary 2008-09

	State Funded Staff Mix	Base Salary	State Funded Salary
Statewide Average	1.53723	\$34,532	\$53,083
Northshore	1.57884	\$35,856	\$56,611
Seattle	1.51371	\$34,657	\$52,460
Lake Wash.	1.49768	\$34,426	\$51,559
Issaquah	1.47991	\$34,426	\$50,947
Bellevue	1.44030	\$34,426	\$49,584

Source: Report 1191 Certificated Instructional. WA State OSPI.

3/5/2010

Compensation

- ◆ Certificated staff are compensated as follows:
 - Base Contract – tied to state funding schedule.
 - Supplemental Contracts for additional time, responsibilities and incentives (TRI).
- ◆ The state assumes **No** responsibility for supplemental contracts. These are typically funded from local levy.

Why do some districts get more state funding than others?

- ◆ Base salary differences
- ◆ Different levels of staff experience and education
- ◆ Low test scores affect LAP funding
- ◆ Levy Equalization funding
- ◆ Different number of students participating in:
 - Bilingual Programs
 - Special Education
 - Vocational Education
 - Transportation

2008-09 General Apportionment

Bellevue School District

◆ Staff Units and Salaries

- 790.042 certificated instructional staff X 1.44030 X \$34,426 = \$39,173,000
- 65.208 certificated administrative staff X \$61,230 = 3,993,000
- 277.170 classified staff X \$34,507 = 9,564,000

◆ Mandatory Benefits

- Certificated staff - (\$39,173,000+3,993,000) X 16.70% = 7,207,000
- Classified - \$9,564,000 X 18.45% = 1,765,000

◆ Insurance Benefits

- 855.250 certificated staff X \$732 X 12 months = 7,513,000
- 277.17 classified staff X 1.152 X \$732 X 12 months = 2,805,000

◆ Non-employee Related Costs

- 818.532 certificated staff X \$10,178 = 8,331,000
- 37.88 certificated staff – voc ed X \$20,920 = 918,000

◆ **TOTAL STATE ALLOCATION. \$ 81,269,000**

Source: Report 1191 Certificated Instructional. WA State OSPI.

Sources of General Fund Revenue

- ◆ Overview
- ◆ Local Levy
- ◆ State Funds
- ◆ Federal Funds

In 2008-09, Total Federal Revenue was \$16.5M; most was from the Following Top 5 programs

Top 5 Programs	Statewide \$ (Millions)	Bellevue \$ (Millions)
■ Federal Stimulus	444.4	7.3
■ Special Ed (IDEA)	208.3	3.9
■ Title I	186.5	1.1
■ USDA –Food Services	159.4	1.6
■ School Improvement	58.3	n/a

Sources: OSPI School District & ESD Financial Reporting Summary
FY08-09 - Section Two & BSD F196 08-09

Federal Funds -Allocations

- ◆ Title I and Title II funds are allocated to districts in part based upon poverty factors obtained from the U.S. Census Bureau.
- ◆ IDEA and Impact Aid is based upon specific student populations and counts.
- ◆ USDA funding is based upon free & reduced price eligibilities.

BSD Free & Reduced Price Eligibility, October 2009

◆ Statewide, Average	42.26%
◆ King County, Average	33.89%
◆ Seattle	41.29%
◆ Bellevue	20.60%
◆ Lake Washington	14.77%
◆ Northshore	14.78%
◆ Issaquah	7.93%

Source: OSPI Public Schools Free & Reduced Applications 2009

Roadmap

- Revenue and Expenditure Funds
- Sources of General Fund Revenue
- Spending
- More Information
- Questions

Realities of Local Levy Usage

- ◆ Failure of the State to fully fund its basic education responsibilities shifts funding to local levies for programs such as:
 - Special Education
 - Bilingual Education
 - Transportation
- ◆ A statewide certificated salary schedule, not responsive to local cost of living, places increased pressure on local districts for supplemental compensation called TRI (Time, Responsibility and Incentive.)

Examples of Our Use of Local Levy Dollars

- ◆ Basic Education Shortfalls
 - Special Education
 - Transportation
 - Bilingual Education
 - Gifted Education
- ◆ District Choices
 - Supplemental Compensation
 - 7 Period Day enhancement - High School and Middle School
 - Extracurricular Activities and Athletics
 - Medical Benefits beyond state allowance
- ◆ Grade Level Choices
 - Elementary Counselors
 - Art, Music, and PE Specialists
 - School Nurses
 - Textbooks and Other Curriculum Materials
 - Improved Class Size

Roadmap

- Revenue and Expenditure Funds
- Sources of General Fund Revenue
- Spending
- More Information
- Questions

More Information

- **Office of Superintendent of Public Education**
“Organization and Financing of Washington Public Schools”
 - **Contains overview of school finance in Washington State including:**
 - Legal history
 - Description of sources of funding
 - Detailed descriptions of funding formulas
 - **Updated biennially (last update March 2009)**
 - **Select “Publications” from <http://www.k12.wa.us/safs/>**

- **League of Education Voters**
“Realities of Education Funding in Washington State: Why schools are still struggling even after the passage of two education initiatives” by Glenn Pascall
 - **Go to <http://www.educationvoters.org/lev-foundation/publications/>**

Key Financial Reports

<http://www.k12.wa.us/safs/>

■ Monthly Reports

- Apportionment
- Enrollment

■ Publications

- Organization and Financing of Washington Public Schools
- Manuals & Handbooks
- Bulletins

■ Annual Reports

- F-195 Budget
- F-196 Annual Financial Statements

■ Rules

- Current WACS
- Proposed Revisions

Roadmap

- Revenue and Expenditure Funds
- Sources of General Fund Revenue
- Spending
- More Information
- Questions