

From: [Superintendent](#)
To: [EPS,MailList](#)
Subject: Our Financial Outlook: The Best of Times, The Worst of Times
Date: Tuesday, November 6, 2018 6:02:28 PM
Attachments: [image003.png](#)

Good evening! I hope your Tuesday went well, that your Wednesday is even better, and that you have something wonderful planned for the Veterans Day weekend.

Last month we were blessed with unseasonably warm autumn weather. It was a luxury to enjoy more of our fall colors with a blue-sky backdrop, more sports activities without rain gear, and more walks without umbrellas. We've been enjoying similar blessings the past several years when it comes to our district's financial health and stability. While we rarely know what the Legislature will decide, or how we might have been affected by the McCleary decisions, we surely knew we had prepared well for change and that we'd be able to maintain operational momentum because of thorough long-term planning. It was financially a dependable, secure time. That season, along with autumn, is once again about to change.

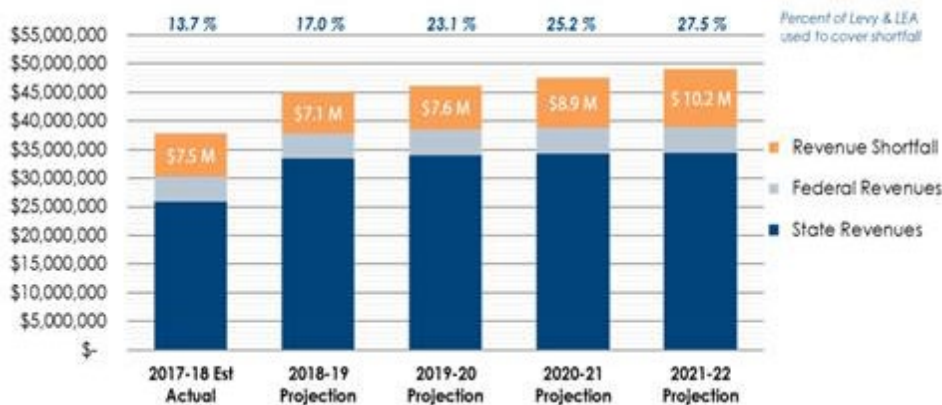
Financial update

My [Oct. 25 message](#) offered you a glimpse into the budget challenges we are preparing to face next year. To reiterate key themes from that message, until we know what the Legislature does this winter, it will be hard to know the extent of the district's shortfall. Here's what we do know at this time.

Although the Legislature provided more funding for school employee compensation this year to comply with the Supreme Court's McCleary decision, legislators also reduced the amount school districts can collect through the local operating levy. The Legislature also underfunded vital programs like special education, which therefore must continue to rely on local levies. The chart below shows you how that underfunding forces the use of \$7.1 to \$10.2 million per year in local levy funds.

Special education shortfall continues

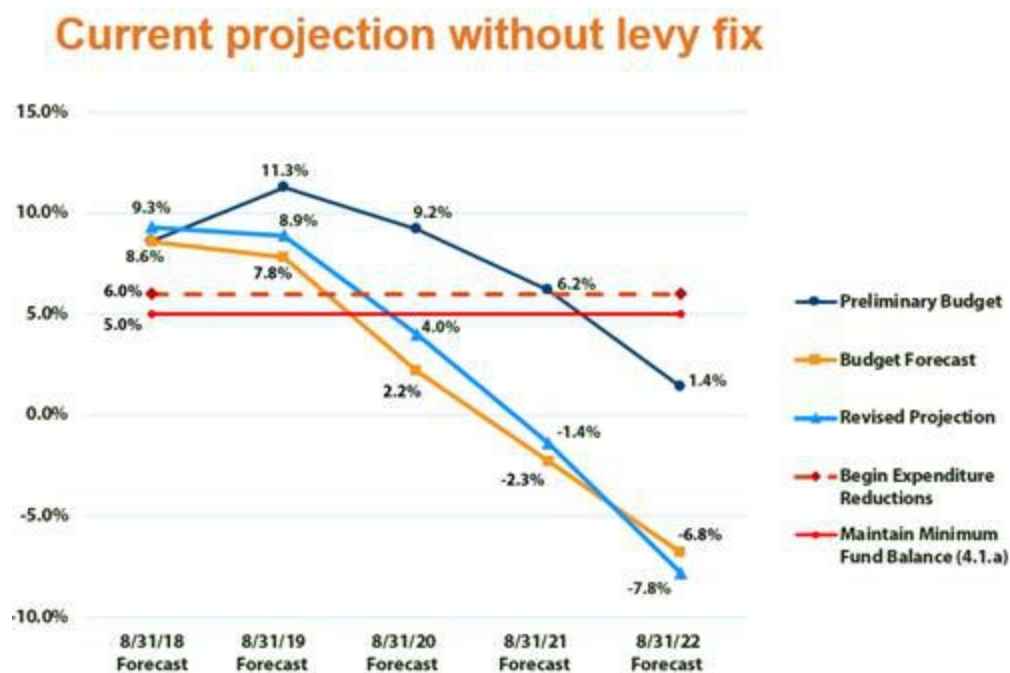
- Projected funding shortfall declines some, then grows to \$10.2 M



Several surrounding school districts around the state have already started announcing their budget cuts as a result. (See, for example, news coverage of the Mt. Vernon, Edmonds, Seattle, and Tacoma districts.)

In our district, we may need to cut projected 2019-20 budget expenditures by 2 percent – or approximately \$6.5 million. The following year, 2020-21, the cut could be an additional \$11.5 million. The reductions are necessary to work within our estimated state, federal, and local funding. (By comparison, some of us will recall cutting approximately \$17 million during 2008 - 2012 in response to the “Great Recession” driven largely by the real estate market collapse.)

Reducing a budget by \$6.5 million for 2019-20 could affect entire programs and may well include layoffs, although at this time we are not certain how many positions might be affected. If layoffs are necessary, the district will work with affected staff to ensure as we provide notice as early as we reasonably can do so. Of course, substantial reductions could come through attrition and by eliminating vacant positions. You can see a lot more detail about our budget plans by reviewing tonight’s [board agenda item](#) about our financial outlook.



Legislative priorities

While the district continues to work on meeting budget with the current funding challenges, the school board and I are continuing to hold discussion with our legislators. We are advocating for equitable and consistent funding for all Washington schools. Our [2019 legislative priorities](#) highlight the areas the board feels must be addressed by the Legislature early this session.

These “fixes” are essential for school districts to avoid substantial budget reductions. When the legislative session comes to an end in April 2019, we should know far more clearly the amounts we need to cut over the next several years.

Everett Public Schools has a long record of strong financial management and exceptional stewardship of public resources. Even in these uncertain funding times, we will continue to exercise great care in maintaining that reputation.

I remain hopeful the Legislature will provide the funding all Washington school districts need to operate under the new laws. So continue your great work in supporting student success, and we will continue to work hard at advocating for our schools and students as we prepare for the upcoming shortfall.

I continue to appreciate all you do for our students and our schools. Thank you, and have a tremendous week!

Very best regards,

Gary



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