The Fiscal Advisory Council’s recommendations for development of the 2020-21 budget
Overview

District’s commitments

District’s commitment to community process

During the last decade, state and federal funding failed to keep pace with increasing K-12 operational costs. For more than a decade, the Fiscal Advisory Council convened each year to give perspective and advice for the superintendent to consider before presenting his recommendations to the school board. The council is comprised of seven community members, four students, three bargaining groups, seven principals, and three cabinet members. Over the years, the council has provided critical guidance on significant and impactful cuts ($17 million) during the Great Recession, followed by several years where program restorations and enhancements were possible as a result of the 2012 Supreme Court ruling on McCleary vs. State. Currently, the FAC is experiencing the post McCleary era, where there are declining economic indicators and legislative fatigue on K-12 funding, resulting in projected budget shortfalls and the constant reprioritization of the use of district resources.

The views and opinions expressed by FAC members are critical to open and transparent decision making that represent the values of our community, staff, and students. Members serve in an ambassadorial role and are responsible to seek input from their peers, neighbors, co-workers, and family to broaden their perspective, as well as to inform others of their integral role in the budget development process.

District’s commitment to strategic plan

The Strategic Plan guides the school district’s academic and operational goals.
The Fiscal Advisory Council’s (FAC) charge

The FAC’s work is integral to the district’s annual budget development process. The superintendent has outlined the FAC’s “charge” as follows:

- **Focus on the operational fund** — School districts are comprised of five different fiscal funds however, the success of students is primarily supported by the operational (general) fund.
- **Emphasize achievement for all students** — Balance district programs to support each student’s unique achievement needs. Student achievement depends on academic programs tailored to each student’s success, extracurricular activities, adequate supervision and student safety, and learning in clean and supportive schools. The council should acknowledge that classroom support is an educational necessity, and that such support ranges from maintenance and personnel, to curriculum and assessment.
- **Commit to big-picture thinking** — The general fund is supported by a multitude of state, federal, and local revenue sources with a variety of specific, legally-defined spending and reporting requirements. Equally complex are the regulatory requirements associated with education. Historic legislative actions over the past six years have heightened emphasis on long-range financial planning that prepare the district for both favorable and impactful legislative decisions moving forward.
- **Evaluate the priority of program enhancements and reductions** — In the development of the 2020-21 operating budget, the FAC should consider the impact of past reductions; consider how recent program enhancements balance all organizational needs; engage in active discussions; and request additional data as necessary to make informed recommendations for future action. The FAC will be presented with difficult choices as we brace for reductions, and must provide critical input to prioritize all cuts as measured against the Strategic Plan, student performance data, and Instructional Reviews (IRs).
- **Align FAC work with the annual budget development cycle** — Align critical conversations with key milestones including legislative session(s), IRs, annual update to the Strategic Plan, and school board budget adoption.

### Phase one

**October-December**

State revenue forecast, issuance of governor’s budget, and financial forecasting.

### Phase two

**January-May**

FAC continual assessment of district programs and further engagement of board in guiding strategic direction.

### Phase three

**June/July**

Formal development of the operating budget, budget hearing, and adoption.

### Phase four

**July/August**

Operational adjustments to align with formal budget adoption.

### Phase five

**September**

Complex, eight-day, school-by-school assessment of staffing based on student enrollment, making adjustments as necessary.

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**Overview**

**Major revenue streams**

**State overview**

In 2012, the Washington State Supreme Court decided in McCleary vs. State that the state had not complied with its constitutional duty to amply fund K-12 public education. During the 2013-15 biennium and the 2015-17 biennium, the legislature phased in additional funding focused on increasing discretionary dollars for materials, supplies, operating costs (MSSC), and student transportation. In the 2015-17 biennium, the legislature also funded full-day kindergarten and reduced student to teacher ratios for grades K-3. The reduced class size ratio of 17:1 counts all K-3 teachers including music, physical education, reading, math, technology, and art. Even a perfect mathematical solution would result in 19.4 students per classroom. In reality, students don’t arrive at school in even groups of 18 or 19, resulting in actual class sizes ranging from 16 or 17 up to 23, or even an occasional 24.

The 2017 legislature adopted the 2017-19 biennial budget (ESHB 2227) on June 30, 2017, following three special 30-day sessions. To appease the court, the legislature phased in billions of dollars for school employee compensation over two years. For a district like Everett, they established a higher cost of living factor (regionalization), but also set a schedule to decrease funding by 2023 creating a long-term budget deficit. To pay for this, they increased the state school property tax while cutting what districts can collect in local levies, known as a “levy swap,” creating significant levy inequities across the state.

The 2018 legislature adopted the supplemental budget (ESHB 6362) and agreed to fully fund employee compensation in 2018-19. As a result, on June 7, 2018, the Supreme Court ruled the end of McCleary.

The 2019 legislature completed the 105-day long session on time adopting the 2019-21 biennial budget (ESHB 1109) on April 28, 2019. Adjustments were made to the critically low levy cap and modest increases were provided in special education funding, but no adjustments were made to address reduced salary funding for regionalization.

The 2020 legislature concluded the 60-day short session on March 12, 2020. The legislature clearly demonstrated “McCleary fatigue,” as little attention was given to K-12 funding. The primary focus shifted to the onset of the COVID pandemic in the closing days of the session.

**Federal overview**

Federal funding remains flat following several years of reduction and the advent of sequestration. In December 2015 the House and Senate passed an Elementary and Secondary Education Act (ESEA) reauthorization bill known as Every Student Succeeds Act (ESSA). Current federal forecasts suggest there will be a drop in funding for the 2019-20 school year.

**Local overview**

The district has been fortunate to have strong local support for Educational Programs and Operations levies, which currently contributes approximately 12 percent of the district’s operating fund, supporting student learning. EHB 2242 significantly changed the way local levy authority is calculated, creating great inequity. The passage of ESSB 5312 adjusted the state levy formula and as a result, the district can now collect the levy amounts approved by voters in 2018 for the calendar years of 2020, 2021, and 2022.
Legislative Outcomes
More work to be done following 2020 session

Full funding of public education is the state's paramount duty

Court rules end to McCleary, districts continue to disagree
The most significant shortfall is special education funding. Districts are mandated by state and federal law to provide essential services, while state funding continues to fall well below actual costs. Other shortfalls include the full funding of the prototypical allocation model, transition to School Employees Benefit Board, transportation, and substitute teachers.

State did not define Basic Education
The legislature strictly prohibited the use of local levy funds for basic education costs, but failed to provide a rulebook.

State improved the levy formula, but inequities continue
EHB 2242 defined the local levy authority to be the lesser of $2,500 per student FTE or $1.50 per $1,000 of assessed property value, creating a significant impact to large Puget Sound districts that have modest property values, as well as to some small rural districts. ESSB 5313 greatly helped many districts in the near term by increasing the $1.50 to $2.50 per $1,000 of assessed property values, but further adjustments must be made to increase LEA and increase the levy inflation factor to keep up with inflationary costs.

Salary funding phase down creates three-year structural deficit
The legislature created a regionalization factor allocating more salary dollars to offset the higher cost of living in urban areas. For some areas, mainly near the King and Snohomish County line where salary costs are the highest in the state, the funding formula provided a temporary bump of six percent, raising the total factor to 24 percent, only to be cut back to 18 percent over the next three years.

Subsequent to the work of the FAC, the economic outlook has significantly changed due to COVID-19
On March 13, 2020, Governor Jay Inslee ordered a six-week closure of school facilities as part of Washington’s response to the pandemic. Further gubernatorial action required school facilities to remain closed through the end of the 2019-20 school year. Since March, state revenue projections are declining, accelerating the timeline for more significant reductions. As schools prepare to reopen in the fall, the 2020 legislature will be facing a $4.5 billion revenue decline for the 2019-21 biennium and another $4.3 billion for the 2021-23 biennium.

Four-year fiscal outlook as of March 17, 2020 and prior to COVID-19 economic impacts

The school administrative teams review data together, conduct teacher observations, and develop improvement plans to begin implementation
Net reduction of $2.5 million comprised of program enhancements and reductions

On November 19, 2019 the board was updated on the 4-year fiscal outlook which continued to project expenditures exceeding available revenues primarily due to the phase-out of salary regionalization funding in combination with limited local levy funding under the new legislative formula. Over the past several years the district has built reserves to buffer against potential legislative impacts such as the well-publicized “levy cliff.” The projection demonstrated, with a combined use of reserves and program reductions, more significant cuts could be delayed until 2022-23. This strategy safeguards our fiscal commitment to minimum fund balance under Board Policy 6000 and provides time for the legislature to fully fund basic education as required by the state constitution. The net reduction target for the 2021-22 fiscal year was $2.5 million.

The FAC met in January and February to consider and provide feedback on proposed program enhancements and reductions with a net reduction of $2.5 million. Many of the recommended enhancements responded to the needs identified in the IR’s, and student performance data identified instructional needs across the system. Several of the recommended general instructional program reductions were accomplished by shifting funding sources to some state categorical programs that have been allocated a higher level of funding in recent years. The remaining savings or “belt tightening” was a result of deferral of expenditures or budget reductions that safeguard classroom instruction and student success.

Summary of general instruction program enhancements
- Full-time assistant principal at remaining elementary schools
- Behavior support specialists
- Middle school geometry sections
- Performance Matters tools
- PBIS training
- Orchestra expansion

Summary of general instruction program reductions
- Department and program discretionary spending
- Reduced professional service contracts
- Deferral of some curriculum adoptions and associated professional development
- Reduced district-wide professional development fund
- Elementary robotics stipends shifted to CTE
- 11.5 staff FTE through attrition or reassignment

A word of appreciation
The FAC commends the superintendent and board for engaging representatives of our community, employee groups, students, and administrators in this highly collaborative process. We appreciate the commitment of time, energy, and talent to develop an open and transparent process to support informed decision making. Respectfully, The Fiscal Advisory Council

School district operations (general fund) have three sources of revenue
(Appendix A)

Local
Local revenues equal approximately seventeen percent of the general fund income. The majority of this is from local property taxes. Other non-tax local resources include lunch fees, fines, summer school, rental income, interest earnings, and donations.

State
The largest source of general fund revenue, 78 percent, comes from the state in two areas: state general purpose funds, called “state apportionment,” and state special purpose funds, called “categorical program funding.” The amount each district receives is based upon the annual average number of students enrolled in the district and a series of formulas that consider salaries, employee benefits, as well as materials, supplies, and operating cost allocations. These formulas are set by the state legislature. State special purpose funds support programs such as special education, student transportation, transitional bilingual, highly capable, and learning assistance programs. Most of this money is designated for specific programs and cannot be used for other purposes.

Federal
Federal funds are the smallest source of revenue for the district and equal only about five percent of the district’s budget. Federal funds support specialized programs that are allocated to support school improvement (Title II), disadvantaged students (Title I), and students with limited English proficiency (Title III). In addition, federal funds provide free and reduced price lunch programs as well as supplemental funds for special education. Federal funds are very restrictive and can only be used for specifically designated programs.

School districts budget revenues and expenditures in five separate funds:
(Appendix A)

School districts in Washington State have five separate funds to conduct district business. State and federal laws specify how these funds can be used. The five state-mandated funds are:

- General Fund, the operating budget which guides our day-to-day activities;
- Capital Projects Fund, which covers our long-term school construction and repair needs and cannot be spent on school operations;
- Debt Service Fund, which is used to pay the principal and interest on bonds issued to finance school construction and renovation;
- Associated Student Body Fund (ASB), which accounts for each middle and high school’s extracurricular activities; and
- Transportation Vehicle Fund, which provides for the purchase of school buses.

For a more in-depth and detailed discussion, financial information, and other data, please see the district’s award winning Comprehensive Annual Financial Report (CAFR), which is available online, along with other pertinent financial information, at the Everett Public Schools: Departments: Budget page.
Community partnerships
Lighting the way for our students

Community partnerships

The district’s strategic plan includes targets to expand and improve learning opportunities for students. In pursuit of this strategic priority, the district is engaged in a number of partnerships.

Everett Public Schools Foundation

The Everett Public Schools Foundation has been a vital partner to the district and community since 1985. They have built community support and invested resources to inspire innovation, excellence and achievement for all learners in Everett Public Schools. The organization plays a unique role, providing funding that would otherwise not be available for critical programs that support student success. Donor funded programs have transformed education and supported each student, each classroom, each day. EPSF organizes their services under four pillars of support: Early Learning, Innovation and Excellence, High School and Beyond, and Student Basic needs. The foundation has contributed over $5 million dollars in program support since its inception. $696,125 of that in classroom grants with 46 grants awarded last year, impacting more than 12,000 students along with over a million dollars in scholarships awarded through the years. This past year the foundation funded over $371,000 in programs for the students and staff. As a strategic partner with the district, during these unprecedented times, they’ve also been able to offer support with more than $30,000 in additional ways during COVID.

Everett Career Link

The City of Everett has partnered with the Everett School District to create the Everett Career Link internship program. The program serves to link local businesses with emerging local talent for a 90-hour summer internship. The students earn high school credit for the internship (a student stipend is optional), and employers receive the benefit of fresh perspectives, proactive approaches to the talent pipeline, highlighting their brand, keeping local talent in the community, and charting the career course of young leaders.

The kinds of internships range from technology to medical, education to business careers. Students included their interests and skills on their applications, but the matchmaking happened with the help of district staff, including the school worksite learning coordinators who will be the liaisons between the student interns and the employers from now through the end of the summer. They will ensure students are progressing on their worksite learning plans to support their learning and accountability. They will also help students with other things they may need to enter the workplace, including transportation, clothing, and lunches. Twenty-three employers were able to commit to the 106 summer internship placement opportunities through the newly formed Everett Career Link partnership. About 90 students put their hat in the ring for a summer internship, and approximately 70 students were able to commit to the summer schedule and paired with employers.

In summer 2019, the launch year program, fifteen employers, representing 29 worksites hosted the 50 students that completed a 90-hour internship. Due to the COVID-19 closure of school buildings, the summer 2020 program was shifted to an online course, Career Exploration, Networks and Mentorships, at the time of writing this report, 35 employers expressed interest in contributing to the summer experience.

School district comparisons
How Everett Public Schools compares to others

OSPI compiles financial information about every school district in the state and publishes this financial data on their website. Using this information, it is possible to compare how districts spend money in various categories. The chart below shows that Everett Public Schools compares favorably to the state’s other similarly-sized districts.

<table>
<thead>
<tr>
<th>Spending Category</th>
<th>What is included in this category</th>
<th>% of general fund used in Everett</th>
<th>% of fund used by similarly sized districts</th>
<th>What this says about Everett Public Schools spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total teaching (includes teaching support)</td>
<td>Teachers, paras, support staff, supplies, coaches, activity directors, librarians, counseling</td>
<td>74.9%</td>
<td>73.0%</td>
<td>Everett Public Schools spends more on teaching and teaching support than 14 of the state’s 20 similarly sized school districts.</td>
</tr>
<tr>
<td>Teaching support</td>
<td>Librarians, counseling, student security, career counseling, school health services</td>
<td>14.6%</td>
<td>14.8%</td>
<td>Everett spends more on teaching support than 9 of the state’s 20 similarly sized school districts.</td>
</tr>
<tr>
<td>Special education</td>
<td>Staffing including teachers, paraeducators, psychologists, nurses, speech and language pathologists, occupational and physical therapists, administrative staff, services, equipment, and materials</td>
<td>14.3%</td>
<td>13.9%</td>
<td>Everett spends more on special education than 11 of the state’s 20 similarly sized school districts.</td>
</tr>
<tr>
<td>Total administration</td>
<td>School and district administrators, technical and clerical staff, their supplies and materials</td>
<td>11.2%</td>
<td>11.5%</td>
<td>Everett spends less on total administration than 14 of the state’s 20 similarly sized school districts.</td>
</tr>
<tr>
<td>Disbursements</td>
<td>School board, superintendent, human resources, finance, information systems, communications, maintenance</td>
<td>11.0%</td>
<td>11.4%</td>
<td>Everett spends less on disbursements than 12 of the state’s 20 similarly sized school districts.</td>
</tr>
<tr>
<td>Maintenance and operations</td>
<td>Maintenance of schools and other district facilities and grounds, custodial, utilities and school security</td>
<td>6.0%</td>
<td>6.2%</td>
<td>Everett spends less in this category than 13 of the state’s 20 similarly sized school districts.</td>
</tr>
</tbody>
</table>

This chart is a representation of specific categories of spending and does not represent all areas of measurement.

More details for each category above, including the comparison districts of our size, the rank of each district in those categories, and a visual comparison can be found in the charts in Appendix B.
Appendix A
Budget--five funds and sources of revenue

**Five funds of the budget 2019-20**

- General Fund: 71.4%
- Capital Projects Fund: 15.4%
- Debt Service Fund: 12.6%
- Associated Student Body Fund: 0.5%
- Transportation Vehicle Fund: 0.1%

**Sources of revenue**

**General Fund** 2019-20

- Local Tax: 18%
- Local Other: 5%
- State General Purpose: 12%
- State Special Purpose: 5%
- Federal: 60%

Appendix B-1
How do we compare? Teaching and teaching support

**Large district comparison**

**Total teaching: 2018-19 (includes teaching support)**
Teachers, paraeducators, supplies, coaches, activity advisors, librarians, counseling, student security, recess supervision, psychologists, speech, and health services

- Average = 73.8%

**Large district comparison**

**Teaching support only: 2018-19**
Librarians, counseling, student security, recess supervision, psychologists, speech, and health services

- Average = 14.8%
Appendix B-2
How do we compare? Special education and total administration

Large district comparison

**Special education: 2018-19**
- Staffing including teachers, paraeducators, psychologists, nurses, speech and language pathologists, occupational and physical therapists, administrative staff, services, equipment, and materials
- Average = 13.9%

Large district comparison

**Total administration: 2018-19**
- Includes central and building administration
- Average = 11.5%

Appendix B-3
How do we compare? Districtwide support and maintenance

Large district comparison

**Districtwide support: 2018-19**
- School board, superintendent, human resources, finance, information systems, communications, and maintenance
- Average = 11.4%

Large district comparison

**Maintenance and operations: 2018-19**
- Grounds, operation of buildings, maintenance, utilities, security, and insurance
- Average = 6.3%
Designated to handle inquiries about nondiscrimination policies are:

**Title IX/Civil Rights Officer**
Mary O'Brien
P.O. Box 2098
Everett, WA 98213
425-385-4106
mo'brien@everettsd.org

**Section 504 Coordinator**
Becky Ballbach
P.O. Box 2098
Everett, WA 98213
425-385-4063
rballbach@everettsd.org

**ADA Coordinator**
Randi Seaberg
P.O. Box 2098
Everett, WA 98213
425-385-4104
rseaberg@everettsd.org

Everett Public Schools does not discriminate in any programs or activities on the basis of sex, race, creed, religion, color, national origin, age, veteran or military status, sexual orientation, gender expression or identity, disability, or the use of a trained dog guide or service animal, and provides equal access to the Boy Scouts and other designated youth groups.