



Budget Development Review

Board of Directors Special Meeting
March 16, 2021



Presentation objectives

- Review budget development progress
- Value the work of the Fiscal Advisory Council (FAC)
- Update legislative enrollment, transportation, and levy funding fixes
- Provide an overview of federal relief funding utilization
- Review current factors that continue to improve fiscal outlook
- Update progress on the Associated Student Body (ASB) budget
- Provide closing comments



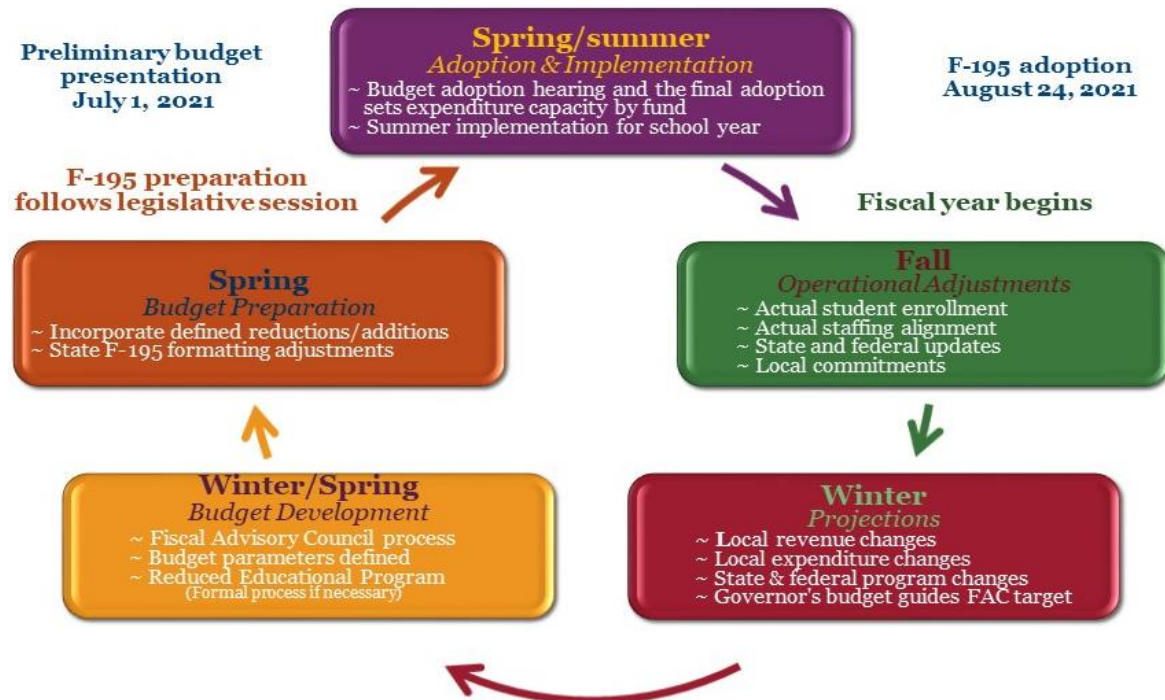
Budget Development Progress

Budget development progress



Annual cycle on track for July 1 first reading

- \$6-10 million cut discussed in the fall has been mitigated
 - Improved state revenue forecasts and current legislative progress
 - Remote learning and proactive resource management savings
 - Strategic use of federal relief funding to date
 - President Biden's relief package

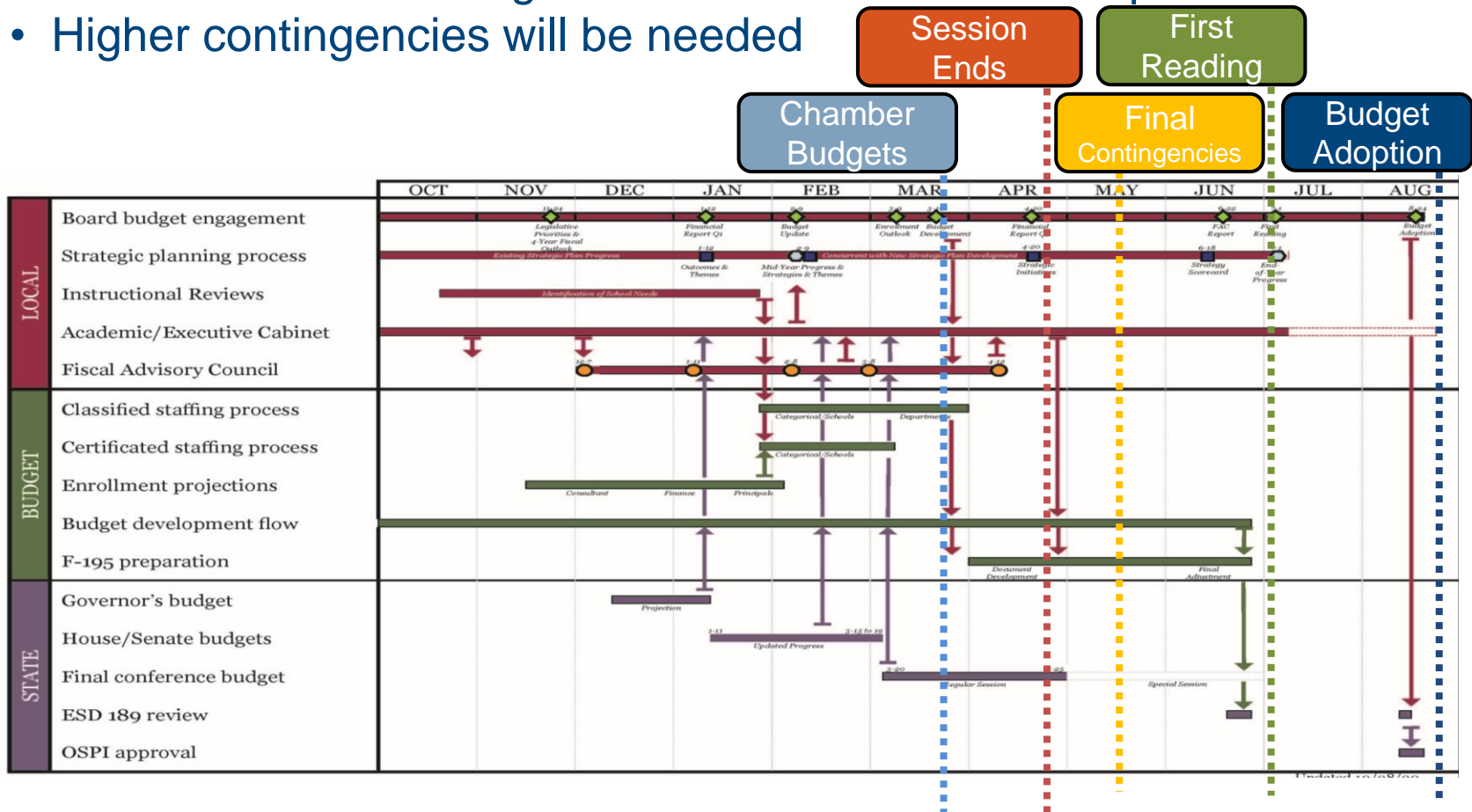


Budget development progress



Budget development is more streamlined

- Efforts to mitigate cuts have averted difficult program impacts
- All indications show legislative session will end on April 25
- Higher contingencies will be needed





Budget development progress

Budget development milestones

- Budgets must be made available to public by July 10
- First reading of the 2021-22 operating budget is July 1
- State structure (F-195) complete in mid-June for OSPI review
- F-196 requires 6 weeks for staff to input and balance
- Baseline general fund budget plans for in-person learning
- Contingencies added to baseline by early May
 - COVID impacts including staffing and non-staffing expenditures
 - ESSER II expenditures anticipated in next fiscal year
 - President Biden's stimulus package
 - Strategic plan initiatives
- Detailed staffing and budget structures in place by early April



Value Work of Fiscal Advisory Council

Value work of FAC



Work of 2020-21 FAC

- December 7 committee meeting
 - Provided community input on the strategic plan update
 - Updated the FAC on the shifting fiscal outlook since we last met
 - Highlighted the impacts of COVID-19 on the fiscal outlook
 - Discussed how state funding formulas align with remote learning
 - Emphasized the need for early legislative action to avoid deep cuts
- January 11 committee meeting
 - Provided update on the 2021 Legislative Priorities
 - Shared improved fiscal outlook
 - Enrollment overview
 - Group discussion on enrollment loss
 - Draft enrollment projection
- March 8 committee meeting
 - Reviewed budget development progress
 - Updated current factors that continue to improve fiscal outlook
 - Reviewed legislative enrollment, transportation, and levy funding fixes
 - Conducted group discussion on learning loss and social-emotional supports

Value work of FAC



Thank you to the 2020-21 FAC members

- Chris Adams, Adams & Duncan Lawyers
- Julio Cortes, City of Everett
- Tony Edwards, Edwards Insurance and Financial Services, Inc.
- Mary Fosse, Community Member
- Meggan Jacks, Community Member
- Rachel Mathison, Cocoon House
- Jamyang Dorjee Nhangkar, Community Transit
- Mason Rutledge, C3 Leaders
- Angie Sievers, Economic Alliance of Snohomish County
- Maritza Rodriguez, Cascade High School student
- Jessica Gonzalez, Everett High School student
- Puneet Birk, H.M. Jackson High School student
- Jodie Moyer, Special Services Office Assistant and EAEOP Representative
- Laura Rogers, Paraeducator and EAP Representative
- PattyAnn Toomey, Technology Technician and SEIU Representative
- Jessica Corneille, Assistant Principal, Madison Elementary School
- Heather Paddock, Principal, Monroe Elementary School
- Jacob Ellsworth, Assistant Principal, Evergreen Middle School
- Kelly Shepherd, Principal, Sequoia High School
- Dr. Laura Wellington, Principal, Heatherwood Middle School
- Dr. Peter Scott, Deputy Superintendent
- Dr. Shelley Boten, Chief Academic Officer



Legislative Funding Fixes

Legislative funding fixes



Legislature relying upon federal funding

- **OSPI January 19 proposal combined ESSER II and state funds**
 - Relies upon ESSER II to fund enrollment and transportation funding loss
 - Step 1 - Early action on the release of federal funds
 - Step 2 - Use state “stabilization” funds for districts receiving less ESSER II
- **ESSER II must be delivered based upon Title I formula**
 - Title I formula based upon district poverty level
 - Title I subject to highly restrictive funding rules (**RED DOLLARS**)
 - Strict procurement laws
 - Time and effort documentation of staff
- **State stabilization funds are likely more flexible**
 - Not subject to strict federal requirements (**GREEN DOLLARS**)





Legislative funding fixes

ESHB 1368 uses ESSER II for enrollment loss

- Unlike OSPI plan, transportation funding is addressed in SB 5128
- OSPI enrollment loss estimate is Oct. 1, 2019 to Oct. 1, 2020
 - District funding loss varies widely as shown by comparison of similar districts
- Significant disparity on **RED** and **GREEN** dollars

| School Districts | OSPI Student FTE Estimate | Title I Poverty Level | ESSER II Estimated Allocation at 90 Percent RED DOLLARS | OSPI Estimated Enrollment Funding Loss | Remaining ESSER II Funding for Other COVID Impacts RED DOLLARS | Remaining State Enrollment Stabilization Funding GREEN DOLLARS |
|------------------|---------------------------|-----------------------|---|--|--|--|
| Highline | 18,810 | 67.4% Highest | \$ 24,181,377 | \$ 5,115,582 | \$ 19,065,795 | \$ - |
| Mukilteo | 15,579 | 49.2% | \$ 9,515,071 | \$ 5,650,515 | \$ 3,864,556 | \$ - |
| Everett | 20,527 | 38.6% | \$ 10,183,373 | \$ 10,266,190 | \$ - | \$ 82,817 |
| Edmonds | 21,076 | 36.4% | \$ 8,991,796 | \$ 7,097,868 | \$ 1,893,928 | \$ - |
| Snohomish | 9,878 | 18.0% | \$ 1,024,759 | \$ 8,333,661 | \$ - | \$ 7,308,902 |
| Bellevue | 20,715 | 16.5% | \$ 6,333,922 | \$ 18,775,334 | \$ - | \$ 12,441,412 |
| Issaquah | 21,084 | 8.6% Lowest | \$ 2,025,213 | \$ 20,032,054 | \$ - | \$ 18,006,841 |



Legislative funding fixes

ESSER II expenditure rules

- Rules emphasize the need for investment in student recovery
- Added rule covers operations, services, and existing staff

ESSER II expenditure rules follow complex federal regulations

Coordination of COVID-19 preparedness and response efforts.

Activities to address the needs of students experiencing poverty, students with disabilities, multilingual/English learners, students of color, students experiencing homelessness, and foster care youth

Purchasing supplies to sanitize and clean school facilities and training of staff

Purchasing educational technology for students

Providing mental health services and supports

Implementing summer learning and supplemental afterschool programs

Addressing learning loss among students by administering high-quality assessments to assess academic progress, implementing evidence-based activities to meet the comprehensive needs of students, providing information and assistance to families on how to effectively support students, tracking student attendance, and improving engagement in remote learning.

School facility repairs and improvements to reduce risk of transmission and exposure to environmental health hazards, and to support student health needs.

Inspection, testing, maintenance, repair, replacement, and upgrade projects to improve the air quality in school facilities

Other activities necessary to maintain district operations and services and employ existing staff.

Few stabilization expenditures rules

State funded through apportionment

Not subject to restrictive federal requirements but may be subject to prescriptive program delivery for lost learning and social emotional needs

Provided for lost revenue from enrollment drop



Legislative funding fixes

Regular session set to end April 25

- **ESHB 1368 has been enacted for ESSER II reimbursements**
 - Current financial projections anticipate legislative action to address funding losses due to enrollment and transportation formulas
- **E2SSB 5128 was at 70 percent funding, now amended**
 - Amendments created a “Public Schools Emergency Transportation Relief Account” capped at \$100 million
 - Amendments also require use of ESSER II funds first
- **ESHB 1476 enrollment stabilization for funding and levy cap**
 - Recent amendments maintain language addressing enrollment impact on local levy formula for 2022 and 2023
 - Amendments remove state stabilization elements for final budget conversation
 - Districts relying upon **GREEN** dollars may not know fate until April 25
- **SB 5326 requiring state benefit levels with busing contractors**
 - Everett cost for health and retirement benefits estimated at \$2.0-2.7 million
 - Current STARS funding model does not cover these costs
 - Appears dead, or sent to Joint Legislative Administrative Review Committee



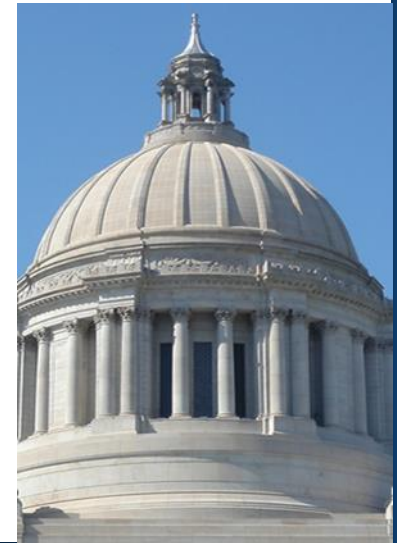
Federal Relief Funding



Federal relief funding

Federal relief funding to date at \$12.7 million

- **ESSER I available July 2020 – \$2,633,500**
- **FEMA announced in May 2020 with little specificity – \$392,794**
- **Other CARES Act grants – \$539,057**
- **ESSER II 90 percent available March 2021 – \$9,165,000**



Federal relief funding



ESSER I available July 2020 - \$2,633,500

| Area | Description | \$2,633,500 |
|---|--|--------------------|
| Schools | Timecards, postage, and furniture | \$69,200 |
| Communications | Staff overtime | \$4,700 |
| Academics | Printing and postage | \$52,500 |
| Human Resources and Finance | Staff overtime | \$22,300 |
| Special Services | Staff overtime for IEP preparation and printing | \$26,100 |
| Learning & Information Technology Systems | Staff overtime, hotspots, and software | \$228,400 |
| Maintenance | Staff overtime, PPE, and cleaning supplies | \$137,900 |
| Food Services | Governor's March 2020 proclamation to provide community meals and keep staff | \$803,400 |
| Transportation | Cleaning Supplies | \$1,900 |
| District-wide | Unemployment costs | \$1,251,500 |
| Categorical | Equitable Share – Private Schools | \$28,800 |
| Other | Office supplies, postage, etc. | \$6,800 |
| | Total | \$2,633,500 |

Federal relief funding



FEMA - \$392,794

| Area | Description | \$392,794 |
|-----------------|---|------------------|
| Custodial | Overtime for initial cleaning | \$15,057 |
| Communications | Overtime | \$1,938 |
| Food Services | PPE | \$166 |
| LITS | PPE and cleaning supplies | \$693 |
| Maintenance | PPE and cleaning supplies | \$369,940 |
| Management team | Eligible COVID planning and preparation costs | \$5,000 |
| | Claimed to date | \$387,794 |
| | Balance to claim | \$5,000 |

Other federal grants - \$539,057

| Source | Description | \$539,057 |
|---|----------------------------|------------------|
| Internet Access Program K-12 thru OSPI | Hotspots for FRLP students | \$183,717 |
| Technology support through Governor's Emergency Education Relief fund | 370 Chromebooks, 39 iPads | \$163,340 |
| ECEAP – Coronavirus Relief thru Snohomish County | Additional supplies | \$192,000 |
| | Claimed to date | \$341,169 |
| | Balance to claim | \$197,888 |

Federal relief funding



ESSER II planning March 2021 - \$9,165,000

| Area | Description | \$9,165,000 |
|---|--|--------------------|
| Schools | Hybrid additional staffing hours to support cares rooms, supervision, teacher instructional model transitions | \$329,500 |
| Special Services | 3 additional teachers, 9 paraeducators* | \$927,400 |
| Health & Student Services | Attestation software, tracing software, staff time | \$336,100 |
| Athletics | Athletics costs for high school sports 2020-21 seasons | \$111,700 |
| Categorical Programs | Postage | \$2,200 |
| Learning & Information Technology Systems | 1:1 middle school instructional technology facilitator, Seesaw Learning software, paraeducators laptops, webcams, 1,000 elementary replacement computers for 2021-22 | \$1,349,700 |
| Maintenance | PPE and 9 additional custodians for secondary building reentry through the 2021-22 school year | \$1,744,800 |
| Maintenance | HVAC costs, upgrades, and filters | \$577,100 |
| District-wide | Unemployment costs for furloughed staff | \$726,300 |
| District-wide | 17 regular education teachers, 2 paraeducators* | \$2,863,700 |
| Other | Miscellaneous | \$196,500 |
| | Identified costs | \$9,165,000 |
| | Balance | \$0 |

*Planned reimbursement of staffing cost to be verified for eligibility under ESSER II regulations



Federal relief funding

Federal relief resource management review

- **Relief funding reimbursed for PPEs and cleaning costs-to-date**
 - 75 electrostatic disinfecting sprayers
 - 33,000 microfiber cleaning cloths
 - 30,550 cloth masks
 - 700 youth transparent masks
 - 86,000 adult surgical masks
 - 10,000 youth surgical masks
 - 19,125 fitted N95 masks
 - 31,300 KN95 masks
 - 2,350 face shields
 - 75,415 disposable gowns
 - 10,000 washable gowns
 - 25,000 reusable water bottles
 - Employee overtime



Federal relief funding

Federal relief resource management review

- **Relief funding has covered a myriad of other costs-to-date**
 - Additional teachers and paraeducators
 - Additional custodians for secondary reopening
 - Health and student services supports
 - Technology and software
 - Mechanical systems improvements and filters
 - Unemployment costs

President Biden's plan signed into law

- **March 11, 2021 – American Rescue Plan (ARP) Act of 2021 provides third round of Elementary and Secondary School Emergency Relief (ESSER) Funds, known as ESSER III**
 - \$22,875,000 for Everett
 - 20 percent must be used to address learning loss
 - Follows ESSER II rules and is available through September 2024



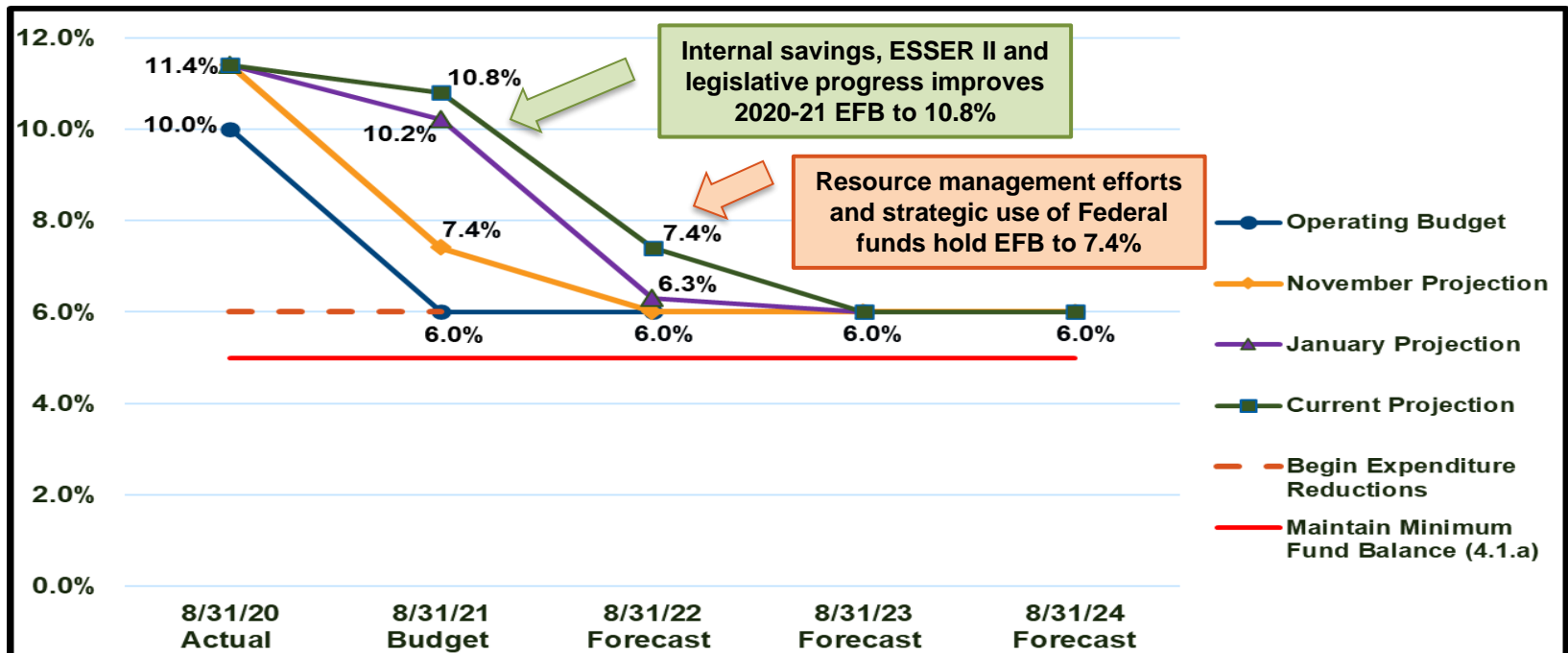
Improved Fiscal Outlook

Improved fiscal outlook



Improved outlook has averted further cuts

- Remote learning and resource management savings
- Federal relief funding
- **10.8 percent 2020-21** projected ending fund balance
- **7.4 percent 2021-22** projected ending fund balance
- 2022-23 is final year of state regionalization cut



Improved fiscal outlook



Savings through March total \$6.3 million

COVID monthly cost savings

- \$365,450 total initial savings per month for vacancies and furloughs
 - \$ 98,250 Food services furloughs diminishing over time
 - \$108,000 Health room assistants, now mostly recalled
 - \$ 64,400 Supervision paraeducators
 - \$ 92,000 Custodial, mover, and refuse furloughs
 - \$ 2,800 Cabinet member furloughs
- \$188,000 Substitutes
- \$349,150 Maintenance Supplies and Operating Costs (MSOC)
 - \$ 49,150 Schools – 15% cut plus underspend estimate
 - \$300,000 Departments – 10-15% cut across most departments

Improved fiscal outlook



Other measures contribute to projection

- \$465,000 current year middle school athletics
- \$700,000 in 2021-22 secondary staffing efficiencies
- \$480,000 holding on central classified vacancies for 2021-22

ESD 189 unemployment pool

- Increased unemployment costs covered by ESSER I and II

Transportation savings avert ESSER II use

- \$1.2 million of expenditures through January 31, 2021
- \$5.5 million of expenditures through January 31, 2020
- Current STARS funding may cover most projected costs





ASB Fund Progress



ASB fund progress

Current year activity not a good predictor

- Much lower revenues and expenditures as of January 31
 - Revenues are down from \$1,261,000 to \$226,000
 - No ASB card fees
 - No parking revenues
 - No game receipts
 - Expenditures are down from \$751,000 to \$256,000
- Fund balance carryover able to fund some activities
- Some ASB costs related to sports now paid by ESSER II

2020-21 ASB Budget Adopted

| Associated Student Body | Budget 2019-20 | Budget 2020-21 | Difference | % Change |
|-------------------------|-------------------|-------------------|------------|----------|
| Beginning Fund Balance | 996,271 | 1,024,967 | 28,696 | 2.9 |
| Total Revenues | 2,490,737 | 2,720,616 | 229,879 | 9.2 |
| Total Expenditures | 2,646,756 | 2,923,618 | 276,862 | 10.5 |
| Ending Fund Balance | 840,252 | 821,965 | (18,287) | (2.2) |



ASB fund progress

Remote budgeting a challenge

- Current ASB team did not participate in budget last year
- Some schools delayed elections
- Virtual training occurred in February
- Learning curve is steep, but they're doing a great job
- Presentations will highlight accomplishments in remote world
- ASB budgets assume students are back in school
- Students struggling with revenue loss from HB 1660

2020 HB 1660 creates a logistical challenge

- Free ASB cards and activities for more students and some families
- Well-intended bill has unintended consequences
 - More required fundraising?
 - Change fees for ASB cards, parking, and/or event tickets?
 - Reduce activities and services?



Closing Comments



Closing comments

Key points

- Budget development is on track for July 1 first reading
- FAC has been actively engaged in the budget development process
- Much needed legislative funding fixes are in place or on course
- Aggressive resource management of federal relief is in place
- Cost savings and federal relief avoided deep 2021-22 cuts
- ASB students are on track for board review on May 11



Closing comments

Milestones leading to August 24 adoption

- March 16..... Board budget development workshop
- April 25..... End of regular legislative session
- May 3..... Tentative FAC meeting
- May 11..... ASB budgets presented board
- July 1..... Operating budget first reading
- August 24..... Operating budget hearing and adoption



Questions?