Updated Feb 6, 2023

2023-24 Budget Realities

EVERETT PUBLIC SCHOOLS®

What are the state funding factors?

- 2018 McCleary “fix”
  - Increase in state funding, paired with a cap on local levies
  - Decreasing regionalization
  - Tried to fix an existing model rather than create a new funding model

- 2020 Pandemic
  - One-time federal funding
  - Enrollment decline
  - Increase in educational needs

Many districts around us and throughout the state are experiencing the same factors contributing to a budget deficit

2022-23 budget

Original Budget

- Revenue $384.4 million
- Expenditures $396.2 million
- Deficit $ 11.8 million

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*using fund balance is a one-time solution to a deficit.

Based on spending through December 2022

- Revenue projected $367.7 million
- Expenditures projected $382.5 million
- Deficit $ 14.7 million (decreases the fund balance*)

Projected Fund Balance – 5.4% of expenditures

2023-24 projections

- Revenue projected (FY23) $367.7 million
    - Federal Revenue (ESSER) - $8 million
    - State apportionment increase est. + $17.2 million
    - Levy increase est. + $3.8 million
- Revenue projected (FY24) **$380.7 million**
- Expenditures projected (FY23) $382.5 million
- Cost est. to pay salary increases + $27.7 million
- Expenditures projected (FY24) **$410.2 million**
    - **Spending will exceed revenue by at least** **$29.5 million**

As of Feb 6, 2023

We are working together to reduce a potential $28-38 million deficit for 2023-24

What are the 4 “why’s”?

1. Increased cost of goods and services
2. Increased staffing costs
3. State does not cover all basic ed costs
4. Unpredictable funding over time

Why is there a predicted deficit?

In short, revenues are not keeping up with expenses.

1. Increase in cost of goods and services

- Inflation is causing higher costs
    - Includes “hidden” costs like utilities
- We budget based on a predicted increase

2. Increased staffing costs

- Budget created with <u>predicted</u> IPD (cost of living adjustment).
  - IPD was much higher than predicted for 22-23, and unknown yet for 23-24.
  - Total salary cost increase for this year is **$23.3 million**

    (state pays a portion, the rest is local levy funded)
- We have very experienced, veteran teachers
  - Great for students, but more experienced teachers means that salary costs require more local funds
  - **45%** of our teachers are at the highest step in salary range

We have provided excellent education and strong student supports. Our improving scores validate our investment. That does come at a cost.

4. State does not cover basic education costs

- Special Education alone was $9 million underfunded
- “Prototypical School Model” Funding
  - The state only funds certain positions, at a basic pay rate. Every group of employees has a different rate of underfunding.
  - Any staffing outside of this model we pay 100% of salary
  - Currently state funding only covers about **83%** of certificated salaries.
  - For 2022-23 this is an underfunding of **$24.3 million** *(this is to be locally funded)*
- Overall state and federal funding fell short by **$52.9 million** last year and next year predicted to be higher *(this is locally funded).*

3. Unpredictable funding –

These are funding reductions we can estimate, which decreases our ability to meet current expenses.

Regionalization

- Due to the cost of living in our area, the district was given a “regionalization factor”, which decreased 2 percent a year. What we pay in salaries is not decreasing annually.

Enrollment

- Enrollment is in slight decline, which decreases our “per pupil” state funding. Costs do not directly correlate as basic services cannot be reduced in a 1 to 1 ratio.

ESSER Funding

- $8 million in ESSER III was one-time funding but covered essential resources and interventions.

Revenues are not keeping up with expenses

Over the last several years we have added many great supports and services for our students.

We see the limitations of the funding model and need to adjust our expenses to be in line with our revenue.

We need to right-size the district.

Refining the range of deficit

There are several pending factors that will help narrow down the predicted $28-38 million deficit including:

a. Funding related to finalizing enrollment (February)
b. Funding from legislative session (May)
    - *We do not expect a big bail out*
c. Salary increase based on IPD (May)
d. Special Services funding from the state (August)
e. Levy distribution is based on CPI (August)

2023-24 Budget Reduction Process Timeline
Key Activities

Nov-Jan
- Cabinet process numbers, determine guiding principals for decisions and frame out work.
- Independent financial consultant retained

Dec
- Hold on all non-essential spending.
- Principal Advisory meeting

Jan 10-17
- Budget survey sent to staff, families and community
- Continued work on defining numbers

Jan 17 – Feb 3
- Engagement sessions with union leadership, district administrators and supervisors, district staff, teacher focus groups, and fiscal advisory council

Feb 9
- Board of Directors budget workshop

Feb 13-24
- Meetings with union leadership
- Cabinet finalize reduction plan and make recommendation to superintendent

Feb 24
- Superintendent prepares a budget reduction plan to the board

Feb 28
- Board votes on proposed reduction plan