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Subject: Long-Range Financial Forecast: Good, Bad, or Ugly?
Date: Tuesday, October 27, 2015 6:21:15 AM
Attachments: [image002.png](#)

Colleagues, district finances are not a topic many find exciting, and I'm not one prone to sending lengthy emails on the topic. Historically the district has been pretty solid financially. And though we've maintained a very strong financial position through good management and careful expense control, my sense is we are at the most significant crossroads since the 1970's with respect to how our state funds its schools.

As a classroom teacher in the early 1980s, I didn't have good picture of how schools were funded. Email didn't exist then (a painful admission, mind you), so I rarely heard from my superintendent ... unless he dropped by to see how his son was doing in my class. (Both the superintendent and his son were delightful people, really.) Without a doubt, we live in a very different age today. If you want a summary of what's on the horizon, read on. If you're not worried about the future of school funding, by all means hit [delete](#) now.

Long-range financial forecast – the good, the bad and the ugly – what we know and what we don't know

At last Tuesday's board meeting, our executive director of finance and business services, Jeff Moore, highlighted the circumstances that could impact future district resources, what he thinks could radically alter current projections about resources, and he reviewed potential multi-year district budget models. (You can view his [report on BoardDocs](#), and I encourage you to take a look at it.)

We KNOW

1. In 2014 voters approved a four-year Educational Programs and Operations Levy (it was previously called an "M&O Levy") which will expire in 2018. Traditionally, district voters have voted "yes" when asked to "replace" that critical levy. In 2014 it passed with a 60% approval rate.

HOWEVER, current state law threatens to cut what the district can collect in the last year of that voter-approved four-year **operating levy**, and in future replacement levies by 4%. While that may not sound like a big number, a 4% cut and other state-authorized funding changes mean the budget for 2017-18 could have nearly \$5 million less. This is about what it costs to pay for 44 teachers (about 1½ elementary schools), or all of the finance, human resources, communications, and teaching and learning departments.

We KNOW

2. In 2010 voters approved a six-year Building Improvement and Technology Levy. This **capital levy** will expire after 2016.

Capital levies have strict rules about how long they can pay for IT staff to install the "new" systems or hardware approved by the levy. **Capital levies** cannot be used to "maintain" systems like

operating levies can, so once the newness is legally gone, the necessary cost of keeping the systems up and running must come from the general fund.

SO ... the general fund has been and will continue to absorb costs of almost \$3 million by 2017-18. Today the district has fewer IT support staff because the 2010 tech levy funds can no longer be used to pay for the staff it took to roll out new computers and systems, including the security camera systems.

We KNOW

3. Legislators are wrestling with how to comply with the Supreme Court's ruling to fully fund K-12 education. The legislature has considered adjusting district's local levy funding – possibly reducing ours even more than the 4% mentioned above. This could be devastating.

Our local **operating levy** pays for 28% of our teachers' salaries, 37% of administrators' salaries and 38% of classified staff salaries. Our district, like most of those across Washington State, is hugely dependent upon the local **operating levy** to recruit and maintain qualified staff, and to support quality instructional programs.

We KNOW

4. We need to build more schools because enrollment is growing.

It will cost \$1.25 million more from the general fund to operate a new elementary and \$2.5 million more from the general fund to operate a new high school. While the teachers and most specialists will follow the students, each new school requires office and custodial staff, a counselor and librarian, food service, utilities, etc. to operate.

We KNOW

5. Federal funds are supposed to pay 40% of the cost special education but currently only pay 16% – the rest of the cost comes from the local **operating levy** – approximately \$6.5 million today.
6. The McKinney-Vento Act is another underfunded federal mandate, and our homeless student population grows every year. Each year, we invest more than \$100,000 into services for homeless students.
7. Each year we spend about \$1.7 million for transportation costs not covered by the state. (This is inconsistent with legislators' claims that they've fully funded transportation.)

We DON'T KNOW

1. What the Legislature will do about the Supreme Court's directive to **amplify** fund K-12 education. Where will the money come from? Will the Legislature try to swipe local school districts' levy resources in a shell game that only appears to place more of the funding in the "state" versus the "local" column?
2. Whether we have enough classroom space to fully implement full-day kindergarten across the district next year, as well as the legislatively required K-3 class size reductions, if our enrollment keeps growing faster than we've projected. (If we don't have the classroom space, we do not get state funding for the extra teachers. Our public and our staff expect smaller class sizes.)
3. Whether Tim Eyman's latest initiative to cut basic state funding will pass in the November

election.

4. What **capital levy** measures the board might decide to place before voters – and the timing for such measures. (Such funding could help pay for professional development for “new” systems and for specialized staff to keep those systems up and running)
5. What **capital bond** measures the board might decide to place before voters – and the timing for such measures. (Such funding would pay new schools, for modernizing North and Woodside and parts of other schools, and add permanent classrooms to schools for class size reduction under I-1351.)
6. Whether the legislature will allow the current **operating levy** maximum of 28% to stay in place beyond 2017, and not cut it by 4%, -- at least until legislators and the governor can finally agree on how to amply fund public schools.

If not knowing the answers to these questions worries you a bit, then you have a good grasp of the political and financial landscape we face during the next couple of years.

We can be thankful that our district’s finances are very strong, and that we’ve a strong track record of managing in an environment of uncertainty. We can also be thankful for the incredible work of our school board members to stay on top of these issues, and to work diligently with legislators on behalf of our staff and students.

What we cannot do is be complacent or ignore the challenges before us. We cannot take our eye off the ball in our schools: our success has depended on quality staff doing the right thing and responding daily to a changing environment. These characteristics will help us through this next round of heavy political seas in Washington’s school funding storm.

Thank you for the time you invested in becoming more knowledgeable about our political and state school funding challenges, and for making Everett Public Schools the best ever.

Cheers, and Happy Halloween!



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