



Fiscal Advisory Council
Annual report to the superintendent

June 2018



Overview

District's commitments

Fiscal Advisory Council Members

Community Members

- Sharita Burton, Red Umbrella Productions, LLC
- Tony Edwards, Edwards Insurance and Financial Services
- Jered Fowler, Fowler Financial Group
- Rachel Mathison, Cocoon House
- Shean Nasin, Community Member
- Angie Sievers, Hologic
- Sean Straub, Videri, LLC

Student Representatives

- Ryan Burt, Everett High School
- Catherine Eveland-Lambert, Sequoia High School
- Jocelyn Ibarra, Cascade High School
- McKenna O'Bryant, H.M. Jackson High School

Association Representatives

- Cris Bosket, Classified Staff
- PattyAnn Toomey, Classified Staff

Principals

- David Jones, Principal Cedar Wood Elementary School
- Laura Phillips, Principal Heatherwood Middle School
- Kelly Shepherd, Principal Sequoia High School

Staff Administrators

- Dr. Joyce Stewart, Deputy Superintendent
- Dr. Peter Scott, Associate Superintendent
- Debbie Kovacs, Executive Director, Human Resources
- Jeff Moore -- Chair, Executive Director, Finance and Business Services
- Ruth Floyd -- Vice Chair, Budget Director

District's commitment to community process

During the last decade, state and federal funding failed to keep pace with increasing K-12 operational costs. In fall 2009, the superintendent convened an ongoing Fiscal Advisory Council 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, two bargaining groups, three principals, and four cabinet members. During the first three years, the FAC had the difficult task of recommending its support of nearly \$17 million in cuts to vital district programs.

In 2012, the McCleary case changed the climate when the Washington Supreme Court found the state had not complied with its constitutional duty to fully fund K-12 public education. In the years to follow, state funding began to increase and the role of the FAC evolved from measuring the impacts of reductions to one of providing guidance and input on prioritizing program restorations and enhancements. They have played an integral role with the Superintendent's Cabinet and the Superintendent's Leadership Team to measure program additions against the Strategic Plan, student data, and State of the School Reviews (SOSR).

District's commitment to strategic plan

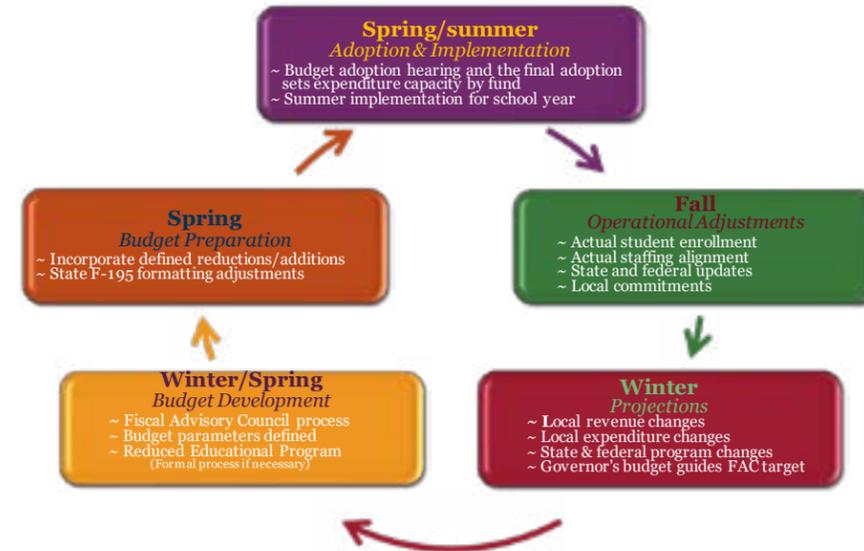
The [Strategic Plan](#) guides the school district's academic and operational goals.



Development Process

Data driven decision processes

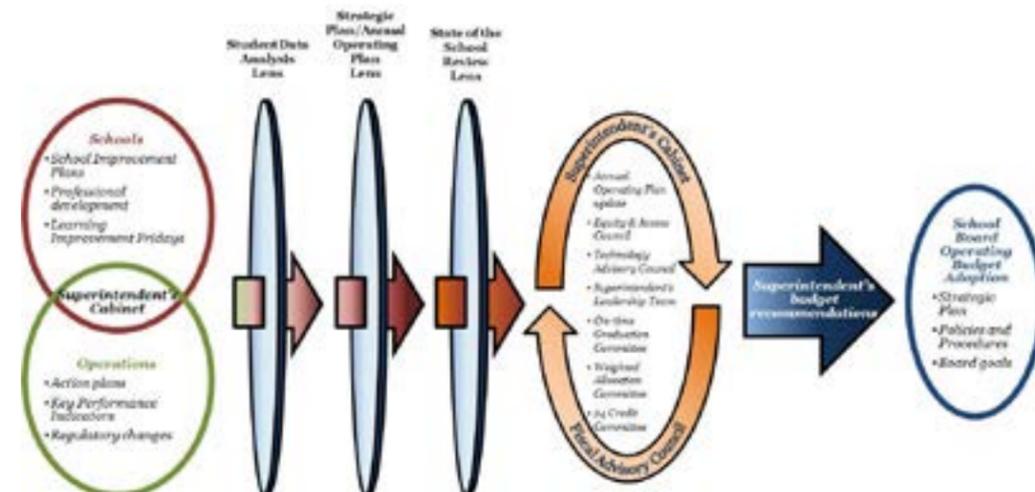
Annual budget cycle



Three guiding lenses are paramount to the distribution of district resources

Several concurrent processes are focused on ensuring that student learning measures are used intentionally and systematically to drive long-term financial and staffing needs. The first is student performance data, critical to defining both areas of success as well as areas of challenge. Student data drives policy decisions for the board, programmatic decisions for the administration, and instructional decisions for each school. The second lens is the State of the School Reviews (SOSRs), where teams from each school report on the assessment of their student data and define modifications to their School Improvement Plans (SIP). This process identifies specific instructional and programmatic adjustments and the resources necessary to accomplish their SIP. The third lens is the Strategic Plan, as established by the board and the Annual Operating Plan (AOP) developed by the administration, identifying the actions necessary to ensure progress on the multi-year strategic plan.

Data driven decision processes - guiding lenses



Overview

Charge and work plan

The five phases of the annual budget development cycle:

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

Making all 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

The Fiscal Advisory Council's (FAC) charge – what the superintendent asked us to do

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 student achievement** – Balance district programs to support each student's unique achievement needs. Student achievement depends on both academic programs tailored to each student's success, on 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. The instability of recent legislative actions requires emphasis on long-range financial planning that prepares for the worst while hoping for the best.
- **Evaluate the priority of program enhancements** – In the development of the 2018-19 operating budget, the FAC should present to the superintendent recommendations that: fully consider the impact of past reductions; fully consider the parameters used by prior FAC groups; fully 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 needs well exceeding the additional resources and must provide critical input to prioritize all needs as measured against the Strategic Plan, student performance data, and State of the School Reviews (SOSR's).
- **Align FAC work with the annual budget development cycle** – Align critical conversations with key milestones including legislative session(s), SOSR's, annual update to the Strategic Plan, and school board budget adoption.
- **Commit to ongoing participation through 2019** – Members are asked to serve a minimum of two years to maintain continuity and retain essential knowledge to support informed recommendations critical to the budget development process.



FAC balancing short-term revenue surplus with future budget deficits over five years

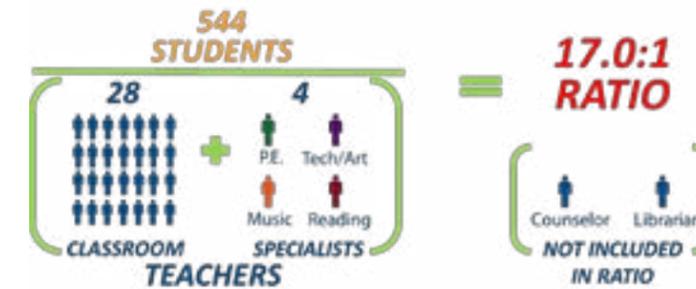
Overview

Major revenue streams

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. The Court set a deadline of 2018 for full compliance. 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 (MSOC), and student transportation. In recent years, full-day kindergarten and reduced classroom sizes in grades K-3 were fully implemented as required by the 2009 ESHB 2261, however no construction funding was provided to build classrooms or buy portable classrooms to house 7,000 additional teachers across the state. The reduced class size ratio of 17:1 includes 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 ([EHB 2242](#)) 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, half in 2018-19 and the other half in 2019-20. To do so, 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. While the legislature pronounced full compliance of *McCleary* on November 15, 2017, the Supreme Court ruled the state did not meet the September 1, 2018, deadline.

School districts across the state urged the 2018 legislature to make several critical fixes to the sweeping changes adopted the prior June, in the 2017-19 biennial budget. Some of the most significant concerns included inequity of the new local levy formula, underfunding of special education, and legislative failure to define basic education. The 2018 legislature adopted the supplemental budget ([E2SSB 6362](#)) on March 8, ignoring the concerns of school districts. Relying on better revenue projections, they chose to fully fund employee compensation in 2018-19 to meet the demands of the recent court order. As a result, on June 7, 2018, the Supreme Court ruled the end of *McCleary*.

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 that there will be little change in funding for the 2018-19 school year.

Local overview

The district has been fortunate to have strong local support for Educational Programs and Operations levies which currently contribute more than one of every five dollars of the district's operating fund, directly funding student learning. EHB 2242 significantly changed the way local levy authority is calculated, creating great inequity. While Bellevue School District has about the same number of students, their levy cap is \$20 million higher. Everett's state cap was reduced from \$62.2 million in 2018 to \$31.4 million in 2019, contributing to a significant budget shortfall beginning in 2020-21, leaving less than two years to seek a legislative fix.

Development Process

Necessary adjustments with economic recovery



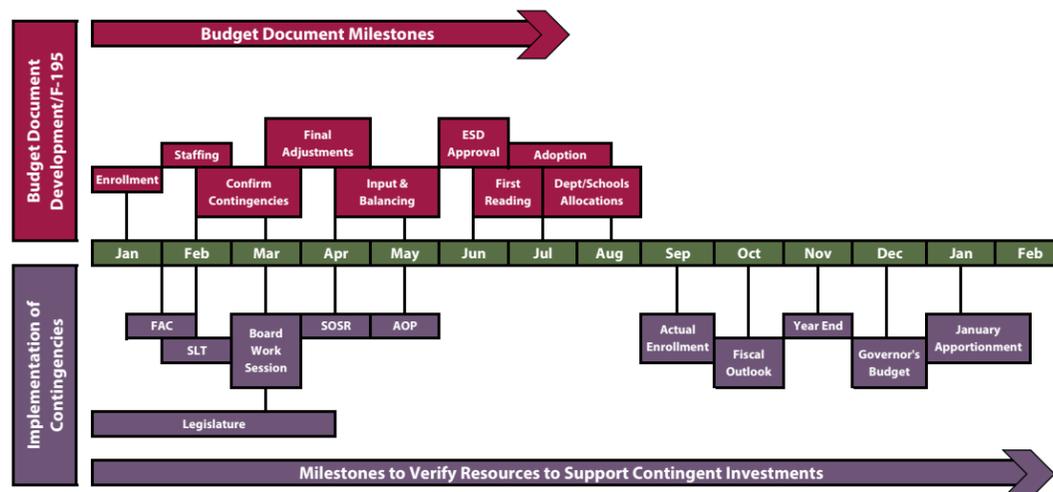
Economic recovery challenges alignment of the three lenses within the budget development process

The key to the data-driven decision-making process is the sequential alignment of the three lenses. Fall student data informs schools on areas that may need additional focus and support. The actions necessary and the resources needed are integrated into the SIP, which is presented to the administration in SOSRs held in January through March. Concurrently, the student data drives districtwide programmatic analyses and decisions that are reviewed and prioritized by the FAC and Superintendent's Cabinet. Finally, the SOSR presentations further identify specific school-based resources necessary to finalize the AOP and inform development of the operating budget for the following school year.

The economic recovery over the past two years, combined with expansion of full-day kindergarten and K-3 class size reduction, has contributed to a teacher shortage throughout the state. In addition, with instructional program changes to Common Core, expansion of STEM, and increased credits students need to graduate, the shortage is compounded for math, science, language arts, world language, and special education.

This reality requires school districts to begin hiring in late January or early February, which "short-circuits" the traditional budget development process. To support the early hiring of staff well before the legislature completes their work, the budget document must "plan for the worst and hope for the best." In the past few years, the budget plan included \$2-3 million of budget priorities that will be implemented only if favorable legislative outcomes and positive fiscal projections occur. While the highest needs may be funded early, many important program additions may not be approved for six to nine months.

2018-19 Budget document milestones



Legislative Outcomes

EHB 2242 and E2SSB 6362 impactful to Everett

Monumental changes in K-12 funding has varying impacts from district to district

Court rules end to McCleary, districts 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 (BE) and eliminated Salary Allocation Model (SAM)

The legislature strictly prohibited the use of local levy funds for basic education costs, but failed to provide a rulebook. To make matters worse, they eliminated the SAM, which is a statewide common schedule that defines teacher compensation based upon education and years of experience. 295 school districts across the state will need to negotiate their own unique SAM and define BE with their local bargaining units.

State did not fix new levy formula which cuts Everett too deep

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 moderate property values, as well as to some small rural districts. In addition, the state capped the levy growth rate at a level that will not keep pace with local inflationary costs. For 2018-19, half of the levy is funded under the old formula, creating a surplus of levy dollars of over \$17 million. After that, the levy does not keep pace with local inflationary costs, leading to significant budget shortfalls.

Salary funding phase down creates four-year structural deficit

While the legislature eliminated the SAM, they also recognized the higher cost of living in more urban areas. Accordingly, they created a regionalization factor allocating more salary dollars to urban areas. For some areas, mainly around the King and Snohomish County line where salary costs are the highest in the state, they 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 four years.

Net funding impact of levy cut and phase-out of regionalization factor

(In Millions)	2018-19	2019-20	2020-21	2021-22	2022-23
Enrichment Levy/LEA	41.9	32.4	34.5	36.0	37.1
BE CIS - Teachers	(9.1)	(11.3)	(14.1)	(17.8)	(21.6)
BE CAS - Administrators	(0.9)	(1.1)	(1.5)	(1.9)	(2.3)
BE CLS - Classified	(5.8)	(6.6)	(7.2)	(7.9)	(8.5)
Remaining Levy	26.1	13.4	11.7	8.4	4.7
Special Education	(3.6)	(4.6)	(6.1)	(7.8)	(9.5)
Athletics/Activities	(2.7)	(2.8)	(2.9)	(2.9)	(3.0)
Other	(2.6)	(3.2)	(3.3)	(3.8)	(4.0)
Remaining Balance	17.2	2.8	(0.6)	(6.1)	(11.8)
Regionalization Factor	1.24	1.24	1.22	1.20	1.18

Does not include future operating needs for new elementary, large curriculum adoptions, or strategic priorities.

“... expansion of full-day kindergarten and K-3 class size reduction, has contributed to a teacher shortage throughout the state.”

Budget recommendations

Recommended program enhancements



“it was determined to begin recruiting and hiring math specialists in January, as one of the district’s highest priorities.”

Concurrence with prioritized program enhancements

The addition of math specialists at every elementary school is one of the most significant requests from the SOSR process. Nearly every elementary school is at capacity, inhibiting the ability to add classroom teachers to reach the staffing ratio target of 17:1. Given this reality, it was determined to begin recruiting and hiring math specialists in January, as one of the district’s highest priorities.

The FAC, Superintendent’s Leadership Team, and Superintendent’s Cabinet worked concurrently to further develop and prioritize additional program needs aligned with the 2018-19 Annual Operating Plan. This was accomplished with the understanding that, to the extent to which they are implemented, many of the requests will not be sustainable without a legislative fix to the levy funding formula.

2018-19 PRIORITY REQUESTS			
KPO	DEPT	Position/MSOC Needs	Priority Total
FIRST PRIORITY			
1.3.a	TL	Math specialists at all elementary schools	
TOTAL FIRST PRIORITY GROUP			\$ 2,040,000
SECOND PRIORITY			
1.1.a	TL	Additional elementary supervision paraeducators	
1.1.a	TL	Additional elementary administrative paraeducators at two large schools	
1.1.b	SPED	1.5 FTE for increased enrollment in birth to three and preschool assessment team	
1.1.d	TL	21 teachers and 6 paraeducators to support summer school math at middle school	
1.3.c	ATH	Memorial Stadium events supervision	
1.4.a	CASP	Orchestra program expansion	
1.5.a	CASP	1.4 FTE English Learners teachers and paraeducator support	
1.5.a	CASP	Elementary software and training for elementary English and language arts	
2.1.a	TL	1.0 FTE Instructional technology facilitator to support 1:1 implementation	
2.2.b	LITS	Technology support for 1:1 implementation	
3.1.a	HR	Equity and diversity recruitment	
3.2.a	TL	High schools paraeducator support	
3.3.b	TL	Professional development for 1:1 instruction at 3 middle schools and 3 elementary schools	
3.4.a	CASP	Software system enhancement to support volunteers program	
3.5.a	MAINT	2.0 FTE grounds positions	
3.5.a	MAINT	Small tools, equipment, consumables, and training	
3.5.a	MAINT	Large equipment, truck, trailer, and mower	
3.5.a	MAINT	Grounds materials for plant replacements, fertilizer, mulch, irrigation system	
3.5.a	MAINT	5.0 FTE Custodians	
3.5.a	MAINT	0.5 FTE Community services administrative assistant	
3.4.a	TL	Additional School Resource Officer	
4.1.a	FIN	1.0 FTE procurement and contracts analyst	
4.1.a	HR	Expanded Human Resources management system software	
TOTAL SECOND PRIORITY GROUP			\$ 3,363,474

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

Public School Funding

Everett Public Schools budget

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

[\(Appendix A\)](#)

Local

Local revenues equal approximately twenty-three 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, 71 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, the collective education and experience of teachers, 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 six 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. Five of them are described here.

Everett Public Schools Foundation

The [Everett Public Schools Foundation](#) was established as Citizens for Everett Public Schools Association in February 1985, with the central goal "to support the educational programs of the Everett Public Schools." Their mission is to build community support and invest resources to inspire innovation, excellence and achievement for all learners in the Everett Public Schools. In the 2017-18 school year, the foundation contributed \$407,100 in classroom grants, early learning support, summer school tuition assistance, college bound scholarships, "Stuff the Bus" campaign, and numerous other instructional supports.

Parent, Teacher and Student Association Council (PTSA)

The Everett Public Schools award winning [PTSA Council](#) is an organization designed for parents, students and staff to advocate for quality education for each child. PTSA members coordinate events and educational programs at schools and across the district. This organization forges strong school communities and strong support for students.

Launch Ready - The Opportunity Council

The [Opportunity Council](#) launched in Whatcom County in 1965 as a volunteer group and model project for President Lynden B. Johnson's 1964 Economic Opportunity Act to help low income people. The private, non-profit human services organization serves Whatcom, Island, San Juan, Skagit and Snohomish counties, offering a broad scope of services including meeting immediate and crisis-oriented needs, longer-term programs promoting self-sufficiency, and early childhood education and development support services.

Learner Ready - The Boeing Company

As its largest employer, [The Boeing Company](#) is a significant partner for all of Snohomish County. Boeing leverages resources such as corporate gifts, employee volunteers, equipment and advocacy in support of educational enrichment programs promoting academic success, independence and economic stability.

Life Ready - Everett Community College

Located just north of the district, [Everett Community College](#) is one of the state's 34 community and technical colleges. Serving a diverse student body of more than 19,000, the college offers associate degrees, certificates of completion, adult education, English as a Second Language, and high school completion programs.



School district comparisons

How Everett Public Schools compares to others

OSPI and Forecast5 Analytics compile financial information about every school district in the state and publishes this financial data on their websites. 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 with student populations between 10,000 and 20,000 students.

2016-17 OSPI and Forecast5 Analytics Financial Data

Spending Category	What is included in this category	% of general fund spent in Everett	Avg % spent by similarly sized districts	What this says about Everett Public Schools spending
Total teaching (includes teaching support)	Teachers, paraeducators, supplies, coaches, activity advisors, librarians, counseling, student security, recess supervision, psychologists, speech, and health services	73.5%	71.4%	Everett Public Schools spends more on teaching and teaching support than 18 of the state's 20 school districts of comparable size
Teaching support	Librarians, counseling, student security, recess supervision, psychologists, speech and health services	14.5%	13.8%	Everett spends more on teaching support than 11 of the state's 20 comparably sized school districts
Special education	Staffing including teachers, para educators, psychologists, nurses, speech and language pathologists, occupational and physical therapists, administrative staff, services, equipment, and materials	13.6%	13.4%	Everett spends more on special education than 10 of the state's 20 comparably sized school districts
Total administration	School and district administrators, technical and clerical staff, their supplies and materials	11.8%	12.2%	Everett spends less on total administration than 11 of the 20 comparably sized districts
Districtwide support	School board, superintendent, human resources, finance, information systems, communications, maintenance	11.0%	12.9%	Everett spends less on districtwide support than 18 of the 20 comparably sized districts
Maintenance and operations	Maintenance of schools and other district facilities and grounds, custodians, utilities and school security	6.0%	7.2%	Everett spends less in this category than all other comparably sized districts

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](#).

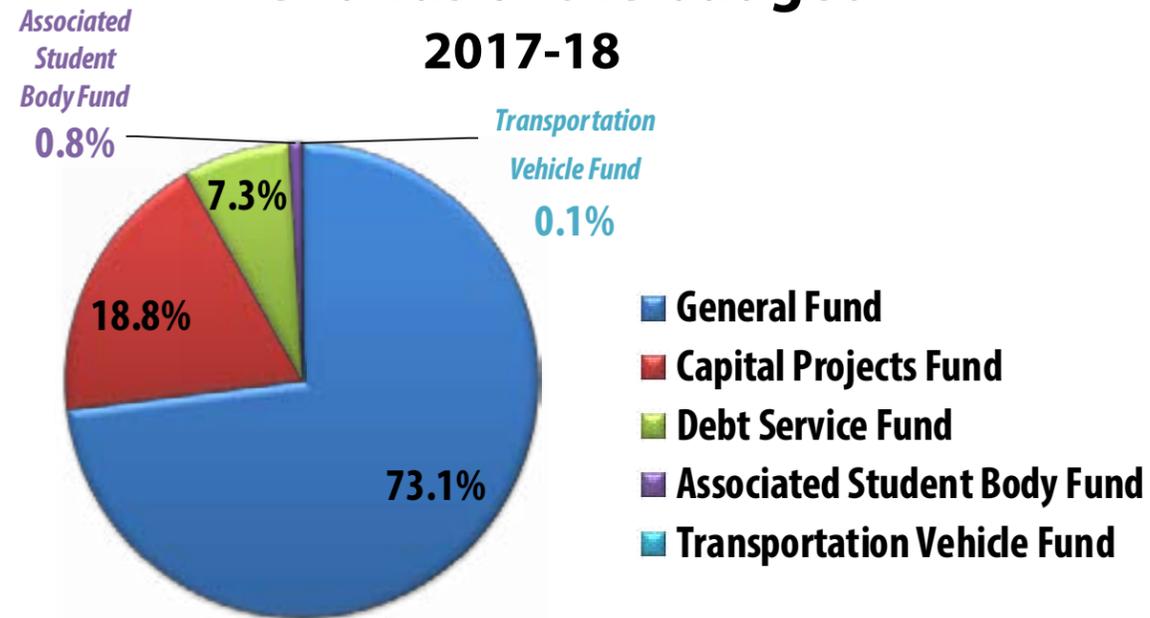
"In the 2017-18 school year, the foundation contributed \$407,100 . . ."



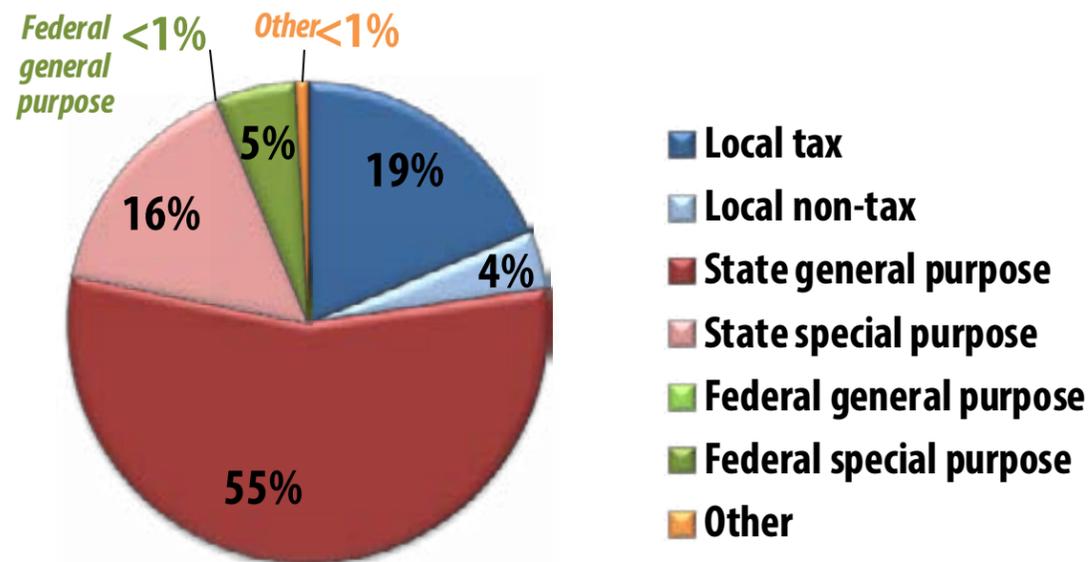
Appendix A

Budget--five funds and sources of revenue

Five funds of the budget 2017-18



Sources of revenue General Fund 2017-18



Appendix B-1

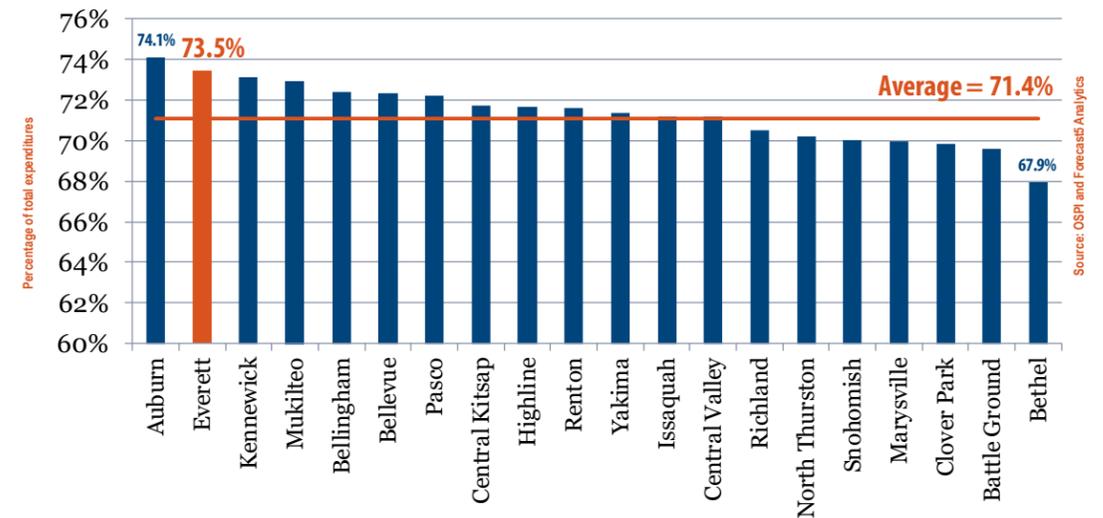
How do we compare? Teaching and teaching support

Large district comparison

Districts with enrollments between 10,000 – 19,999

Total teaching: 2016-17 (includes teaching support)

Teachers, para educators, supplies, coaches, activity advisors, librarians, counseling, student security, recess supervision, psychologists, speech, and health services

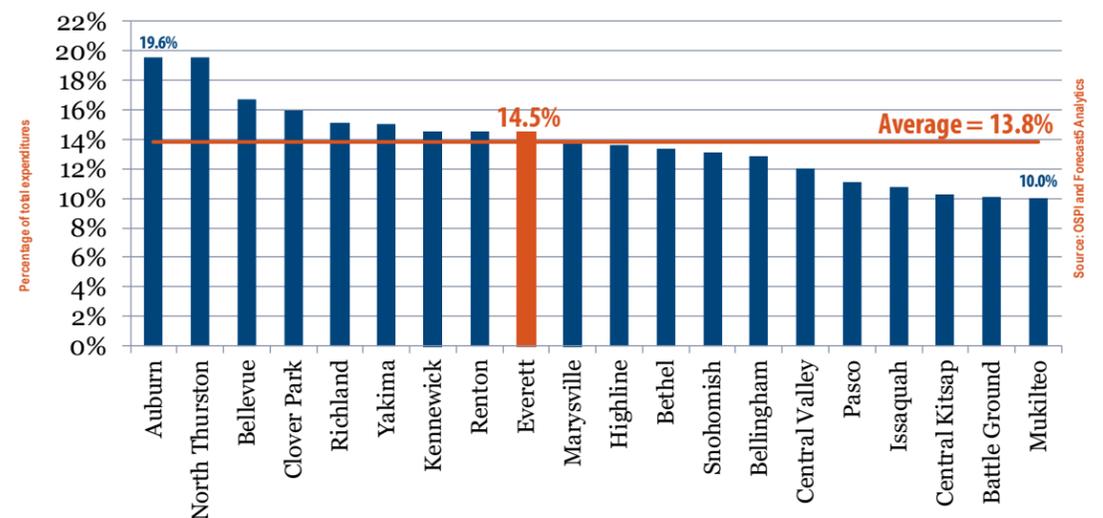


Large district comparison

Districts with enrollments between 10,000 – 19,999

Teaching support only: 2016-17

Librarians, counseling, student security, recess supervision, psychologists, speech, and health services



Appendix B-2

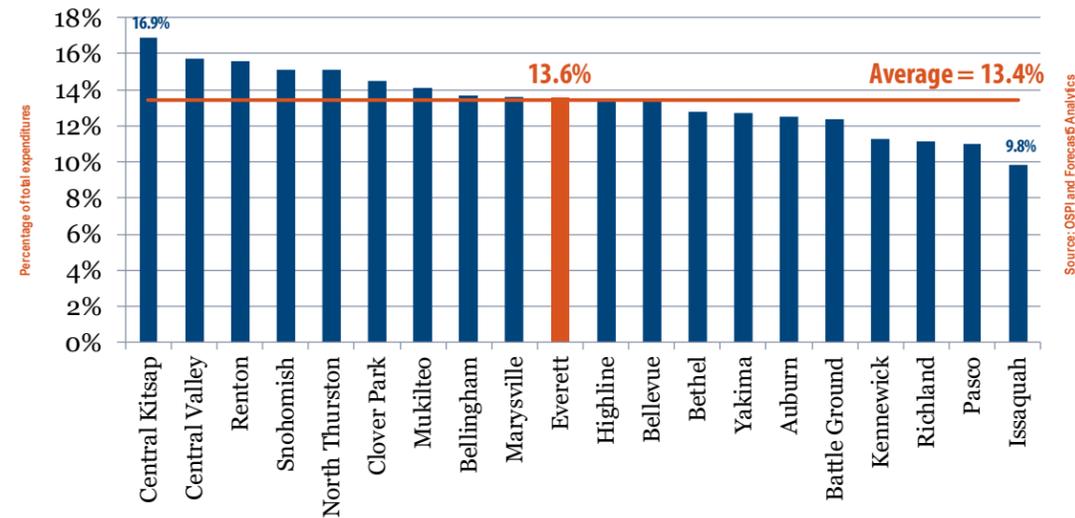
How do we compare? Special education and total administration

Large district comparison

Districts with enrollments between 10,000 – 19,999

Special education: 2016-17

Staffing including teachers, para educators, psychologists, nurses, speech and language pathologists, occupational and physical therapists, administrative staff, services, equipment, and materials

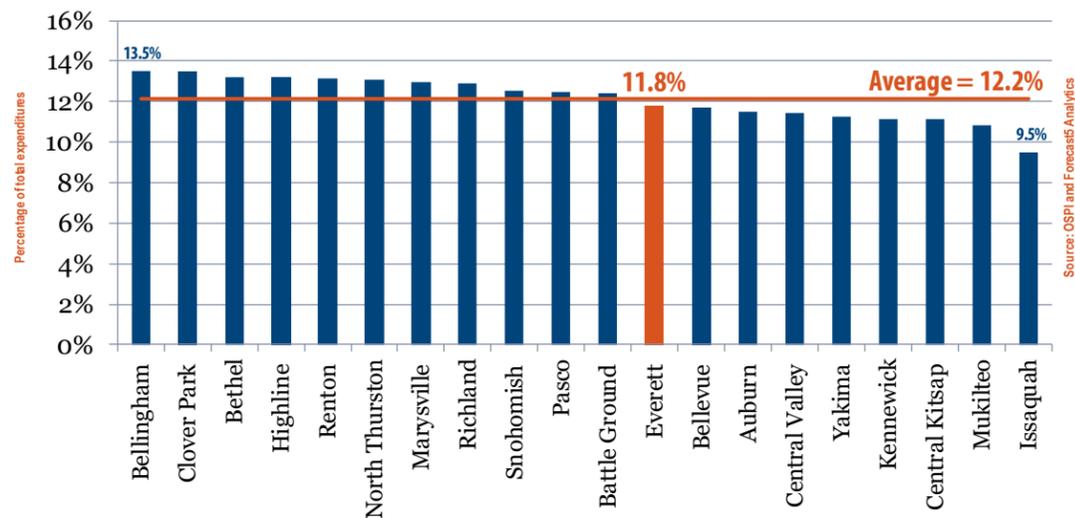


Large district comparison

Districts with enrollments between 10,000 – 19,999

Total administration: 2016-17

Includes central and building administration



Appendix B-3

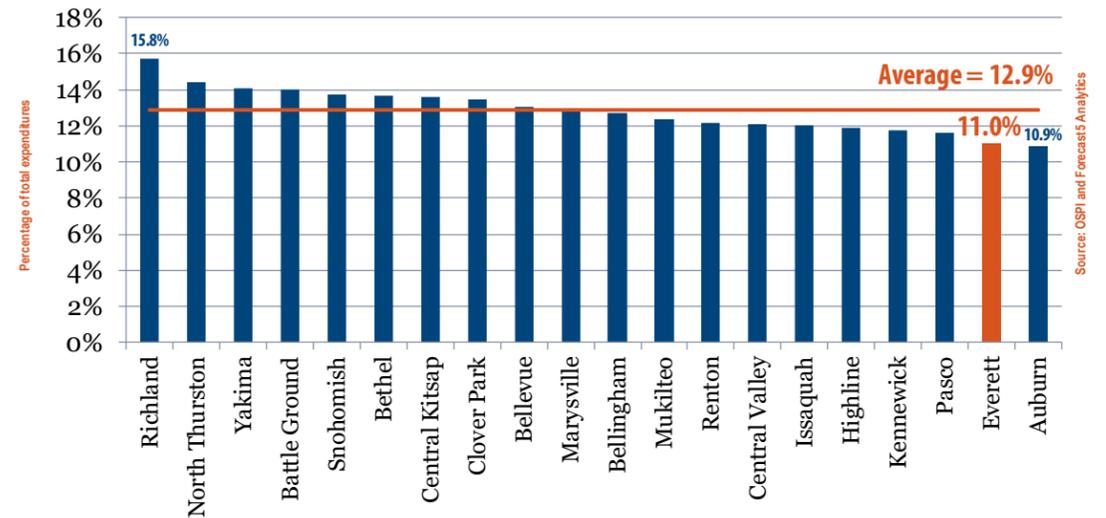
How do we compare? Districtwide support and maintenance

Large district comparison

Districts with enrollments between 10,000 – 19,999

Districtwide support: 2016-17

School board, superintendent, human resources, finance, information systems, communications, and maintenance

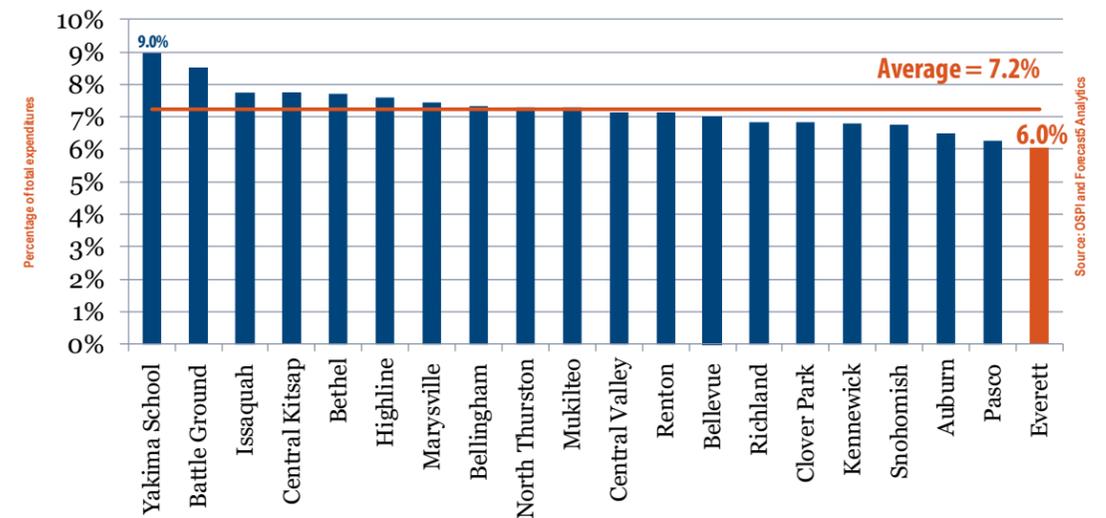


Large district comparison

Districts with enrollments between 10,000 – 19,999

Maintenance and operations: 2016-17

Grounds, operation of buildings, maintenance, utilities, security, and insurance



Fiscal Advisory Council Report – June 2018

BOARD OF DIRECTORS

Caroline Mason, President
Carol Andrews, Vice President
Traci Mitchell, Legislative Representative
Pam LeSesne, Board Member
Ted Wenta, Board Member

SUPERINTENDENT

Dr. Gary Cohn

Designated to handle inquiries about nondiscrimination policies are:

Affirmative Action Officer

Randi Seaberg
3900 Broadway
Everett, WA 98201
425-385-4104
rseaberg@everettsd.org

Title IX Officer

Mary O'Brien
3900 Broadway
Everett, WA 98201
425-385-4106
mo'brien@everettsd.org

Section 504 Coordinator

Becky Ballbach
3900 Broadway
Everett, WA 98201
425-385-4063
rballbach@everettsd.org

ADA Coordinator

Becky Clifford
3900 Broadway
Everett, WA 98201
425-385-5250
rclifford@everettsd.org

Everett Public Schools shall provide equal educational opportunity and treatment for all students in all aspects of the academic and activities program without regard to race, color, national origin, creed, religion, sex, sexual orientation, gender expression, gender identity, veteran or military status, the presence of any physical, sensory or mental disability or the use of a trained dog guide or service animal by a student with a disability.

