



Olympia School District

Budget Outlook, 2019-20 through 2021-22 School Year

State-Required Formal Budget
Outlook, Updated from August 2018

2018-19 School Year

- This year is set for now.
 - Will need to be amended in early 2019.
 - Amendment process prescribed in law and rules.
- 2018-19 SY has an impact on the upcoming three years. If we carry in more revenue, the future deficits are lower.
- Very unlikely that we will carry in extra revenue.
 - Salary decisions rely on spending 1x beginning balance resources. Enrollment is down, not up. Revenue projection is probably high.
- Assuming a 3% Beginning Balance for 2019-20 SY.



2019-20, 2020-21, and 2021-22 School Years

3 YEAR OUTLOOK



State Law Background

- Historically, Districts prepared a budget for the upcoming school year. Board adopted by August 31st.
- HB 2242 requires Districts to prepare a 4 year budget.
 - 2018-19, 2019-20, 2020-21, and 2021-22 school years.
 - Board formally adopted 2018-19 SY and reviewed projections for later years this August.
 - In September, OSPI required all districts to re-project the upcoming 3 years and upload that projection November 1.



Work to Date

- In August 2017 began projecting future years.
- Levy step-down and salary allocation step-up was unique to new system.
 - Additional Professional Days ramps up from 0 to 3 across 3 years.
- August 2017, February 2018, May 2018---all projections of future years indicate a \$7-\$11 million deficit.
 - Variations on some assumptions, but largely similar.
 - Some presentations have included impact of new state health benefit system.



November 1 Upload Key Enrollment Assumptions

- Enrollment is projected 3 years. (4th year is a guesstimate.)
 - Staffing plan for all schools for all grades by year = how many teachers must be deployed. Very precise.
 - Classified is less precise, but few.
 - 1,800 staff projected with step increases and all other salary specifics, each year.
 - This enrollment has not changed from August.
 - In November, will create the official 2019-20 SY enrollment projection. At that time will re-cast 2020-21 and 2021-22 school years. Do not expect that change will be significant.



Key Revenue Assumptions

Year	MSOC	Salary Funding	Inflation Funding	District Granted COLA	K-3 Staffing	Other Staffing
2018-19	---	---	1.9%	Negotiations	No Compliance	(no data)
2019-20	Insurance Increase 10%; all other 1.9%	\$2.3 M for staff mix	1.9%	Negotiations	Compliance, Meet 1:17, 12 new Staff	Current Staffing Design is Assumed
2020-21	Same as 2019-20 SY	Same as 2019-20 SY	2.0%	2.0%	Meet 1:17	Same as above
2021-22	Same as 2019-20 SY	Same as 2019-20 SY	2.0%	2.0%	Meet 1:17	Same as above



Additional Assumptions

- Maximize levy revenue across all years.
 - February 2020 election, voters approve \$1.50/\$1,000 and assessed value grows in 9% range.
 - New state decision to lag assessed value by 1 year = reduced levy revenue.
- Title I and other federal programs, LAP, Highly Capable, and CTE do not require a general fund subsidy.
- Special Education (including federal), all require a subsidy which grows.
 - Transportation is similar, but much smaller subsidy.



Salary Assumptions

Employee Groups	2019-20 SY	2020-21 SY	2021-22 SY
Teachers	Step Increases + 2 nd year of 2-year agreement	Step Increases + 2% COLA	Step Increases + 2% COLA
All Other	Agreements are being finalized. Step Increases and minimum 1.9% COLA.	Step Increases + 2% COLA	Step Increases + 2% COLA

- How is this different from August assumption? 2nd year of Teacher contract is higher than August projection, but not significantly. Other contracts are not yet final.
- Compounding in 2020-21 SY and 2021-22 SY is slight but a factor in the context of cuts.



Health Benefit Assumptions

- October 1 state finalized negotiations regarding the health benefit system that will be effective January 1, 2020.
- Employees that are contracted to work 630 hours per year will be afforded full health benefits.
 - Currently employees are afforded full health benefits when they work **XX** hours per year.
 - Cost is \$2.2 million for a full year (2020-21 SY).
 - Revenue is \$500,000.
 - Each are built into the new budget projections.



Revenue and Expenditure Outlook

School Year (SY)	2018-19 SY	2019-20 SY	2020-21 SY	2021-22 SY
1) Beginning Balance	\$7,250,814	\$4,165,155	\$4,283,165	\$4,430,172
2) Revenue	\$135,718,521	\$134,477,827	\$138,044,681	\$141,807,445
3) Expenditure	\$138,805,180	\$142,772,154	\$147,672,408	\$156,971,520
4) Difference (Row 2 minus 3)	(\$3,086,659)	(\$8,294,327)	(\$9,627,727)	(\$15,164,075)
5) Percent Difference	-2.22%	-5.81%	-6.52%	-9.66%
6) EFB w/ No Cuts*	\$4,164,155	(\$4,130,172)	(\$5,344,562)	(\$15,443,049)
7) Cut to Meet 3% EFB	\$0	\$8,413,336	\$9,774,734	\$15,443,049
8) New Reduction		\$8,413,336	\$1,361,398	\$5,668,314
9) % Reduction		5.89%	0.92%	3.61%

*Not possible. Must cut expenditures to meet district policy of 3% minimum ending fund balance.



What is this? What is this Not?

- Declaration to the Legislature of the impact of the new funding formulas and new levy law.
- Close approximation of what current salaries, as of November 1, will cost into the future.
- Early indicator of budget work ahead and request to Legislature.
- It is not our final budget reduction target for the 2019-20 SY.
- Salary negotiations for current year continue.
- True beginning balance will take shape.
- December – February, New enrollment, more experience with formulas, better information on health benefits.



How Much Will we Plan for?

- Must plan for reduction of more than the minimum \$8.4 million.
 - No margin of error any more.
 - 2019-20 SY beginning balance is 3% and little optimism that we will have more.
 - Ending fund balance assumption is at absolute minimum.
 - Fall contingency is also at absolute minimum.
 - Some costs are much higher than in prior years and we do not have any experience for whether or not we have appropriately budgeted.
 - Salary increases may be higher than assumed.



Outcome if Do Not Balance Budget

BINDING CONDITIONS



Binding Conditions Generally

- State law: expenditures must not exceed resources (revenue plus beginning balance).
- If district ends year (or approaches year end) by over expending, district requests the permission to budget (count) future receivables against the deficit, from OSPI.
- OSPI will grant permission but impose binding conditions. Typically, turns key financial oversight to Educational Service District. ESD assists district with developing a balanced budget and monitoring progress. If district does not follow ESD advice, then additional restrictions imposed.



Binding Conditions Text

WAC 392-123-060

Petition to budget receivables collectible in future fiscal periods.

When a school district or charter school is unable to prepare a budget or a budget extension in which the estimated revenues for the budgeted fiscal period plus the estimated fund balance or actual fund balance in case of a budget extension, at the beginning of the budgeted fiscal period less the ending reserved fund balance for the budgeted fiscal year do not at least equal the estimated expenditures for the budgeted fiscal period, the school district board of directors or charter school board may deliver a petition in writing at least twenty days before the budget or budget extension is scheduled for adoption to the superintendent of public instruction requesting permission to include receivables collectible in future periods beyond the fiscal period being budgeted in order to balance the budget or budget extension for the fiscal period being budgeted. Said petition shall include a resolution of the school board requesting permission to budget receivables collectible in future fiscal periods and other such information as the superintendent of public instruction shall deem as necessary.

If such permission is granted, it shall be in writing, and it shall contain conditions, binding on the district or charter school, designed to improve the district's or charter school's financial condition.



Binding Conditions by Year

- Board is not adopting the 2019-20 SY budget and beyond. Only adopted 2018-19 SY; which balances. Therefore, binding conditions do not apply.
- 2019-20 SY: Must identify how to balance by April 15, 2019 as this is the date by which we can influence staffing and can take advantage of attrition.

