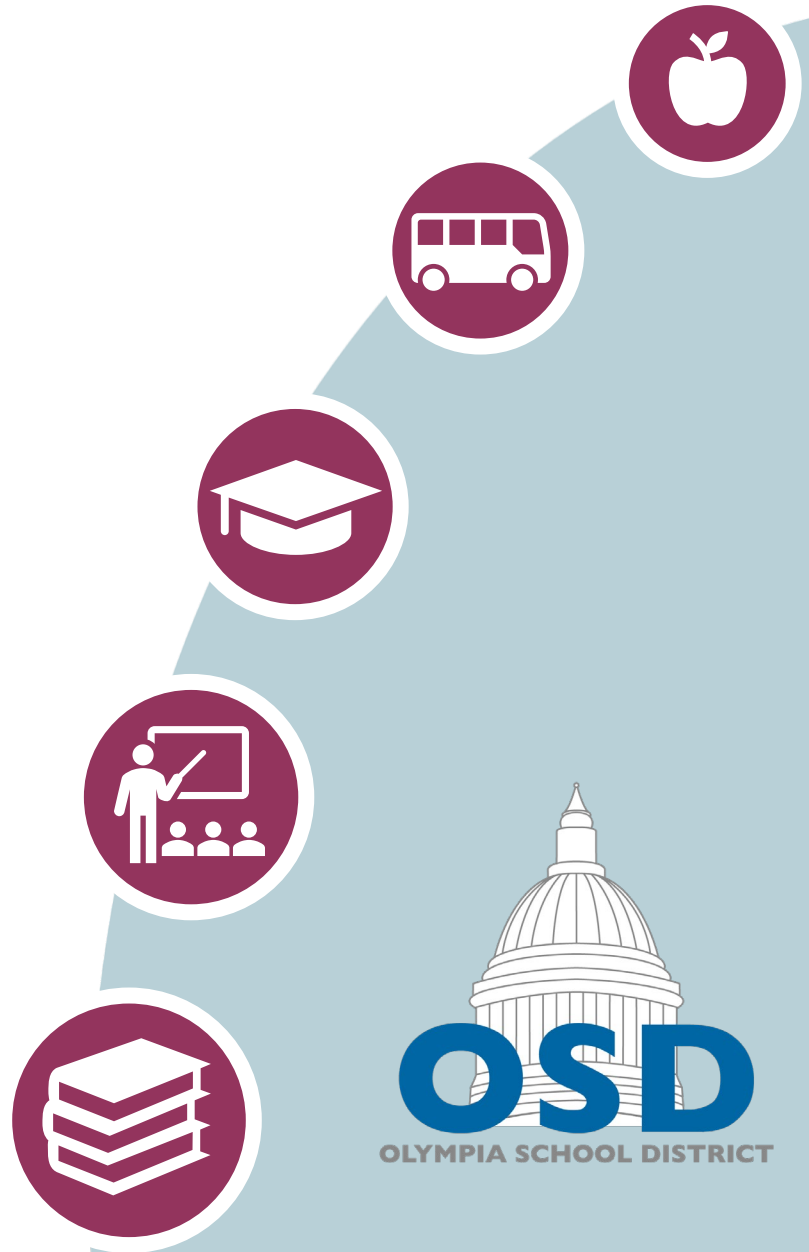


2023-24 Budget Development

Unique Challenges

January 12, 2023



Enrollment Decline is a Challenging Factor



Enrollment Projection Outcome

- Projected enrollment for the upcoming school year drives the budget process:
 - Amount of state general fund revenue that we will receive.
 - The amount of levy authorization that we can collect.
 - Staffing level that we must plan for.

Enrollment Projection Method for 2023-24 SY

- Incoming kindergarten enrollment is based on prior 3 year average.
- Grades 1-12:
 - Project Average Annual FTE for 2022-23 (based on October 2022).
 - Identify historical rates of FTE progression from grade-to-grade with 5 years of data; 4, 3, 2, and 1 year of data also.
 - Make 5 projections for future enrollment based on 5 years of data; 4, 3, 2, and 1 year of data. *5 projections by grade by school.*
 - Analyze each school; recommend the projection for that school: most conservative, 2nd most conservative, middle, 2nd highest and highest projection.



Deviations from General Method

- ORLA—Unique projection, based on current enrollment.
- Lincoln—Enrollment based on static capacity and distribution by grade in combination classrooms. Determine class size (to be consistent with other schools) and adjust enrollment target accordingly.
- Special Programs –
 - JAMS at JMS and CIS at TMMS. Number of students who will divert from Reeves, Washington, or Marshall varies annually, but it is a sizable number.
 - Projections are now based on full 5 years of data at 3 full grades of JAMS and CIS, so no special data back out is necessary. However, will review in spring once transfers are known.



Staffing Impact of Enrollment

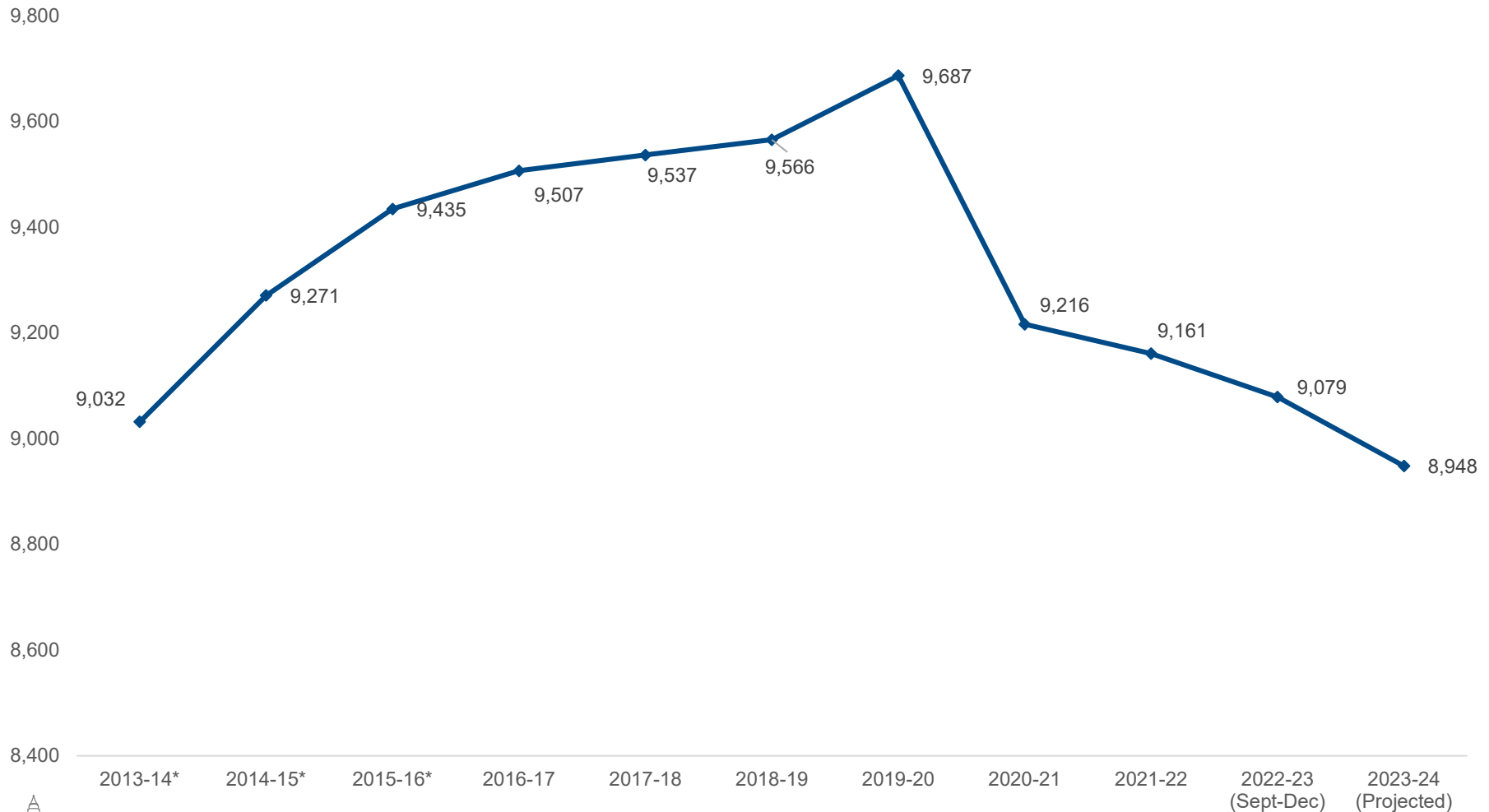
- How many fewer or how many more staff do we need next year in order to maintain our current staffing ratios and (later in the process) plan for possible budget reductions via class size increase?
 - Elementary:
 - Keep class sizes as close to guideline as possible (K-3: 17 students; 4-5: 27 students).
 - Secondary:
 - Maintain 1:29 ratio for Olympia and Capital
 - Maintain 1:28.5 ratio for middle schools
 - Maintain 1:26.4 ratio for Avanti

Enrollment Projection for 2023-24 SY

- Overall
 - Projecting 128 fewer students than expected final for 2022-23 SY.
 - Based on 2nd most conservative of 5 projections for each school. (Conservative projection is needed due to current budget outlook and due to limited reserves.)
 - 157 fewer students at the elementary level.
 - 16 additional students at the middle level.
 - 12 additional students at the high school level.
 - 2 additional students at ORLA/K-12.

K-12 Enrollment Similar to 2013-14 Level

Olympia School District Annual Average Full-time Equivalent Students
(BEA & ALE; No Gravity, No Running Start)
(*for comparison purposes, Half-Day Kindergarten is Converted to Full-Day)



Elementary Enrollment is the Largest Impact

Enrollment: Annual average full-time equivalent students, does not include Running Start or Gravity. *Half-day kindergarten adjusted to full-day.

1	2	3	4	5	6	7	8	9
School Level	Avg Annual 2013-14*	Avg Annual 2015-16*	Avg Annual 2019-20	Avg Annual 2022-23 (Sept-Dec)	Projected 2023-24	Difference, 2013-14 to 2022-23	Difference, 2019-20 to 2022-23	Difference, 2019-20 to 2023-24
Elementary	3,765.93	3,915.45	4,054.70	3,656.16	3,508.70	(109.77)	(398.54)	(546.00)
Middle	1,942.65	1,977.24	2,090.76	2,023.15	2,049.30	80.50	(67.61)	(41.46)
High School	3,009.72	3,070.76	3,034.96	2,983.00	2,973.80	(26.71)	(51.96)	(61.16)
K-12 (ORLA/VAO)	313.72	471.22	506.48	414.50	416.50	100.78	(91.98)	(89.98)
Total	9,032.01	9,434.68	9,686.90	9,076.81	8,948.30	44.80	(610.09)	(738.60)

Staffing, 2013-14 Compared to 2022-23

Full Time Equivalent Staff	2013-14	2021-22	2022-23 (Budgeted)
Certificated Administrative	41.3	44.8	46.6
Certificated Instructional	550.7	676.7	688.2
Classified	335.4	424.6	474.2
Total Staff	927.5	1,146.1	1,209.0

- State and federal resources and expectations have changed in 10 years (e.g., Full-day Kinder, K-3 staffing, Physical, Emotional, Social staffing).
- Student eligibility, and deployment by Programs has changed.
- However, key question remains: what type and how many staff can we deploy if our student enrollment has shrunk to 2014 levels?

Proposed 2023-24 Student Enrollment

Example, LP Brown

Column 3 identifies the projected change between current and upcoming year.

LP Brown enrollment will be lower by 25 students (314 to 289).

However, LP Brown is currently staffed for 331 students. Therefore, Column 4 identifies the catch-up impact on staffing—a 42 student reduction.

1	2	3	4	5	6
	<u>Proposed 2023-24 Budgeted FTE Students</u>	<u>Change from 2022-23 (Projected AAVG to 2023-24)</u>	<u>Change from 2022-23 (Budgeted Enrollment)</u>	<u>Change from 2019-20 (Actual AAVG to 2023-24)</u>	<u>% Change from 2019- 20 SY</u>
Boston Harbor	165.8	(10.4)	(17.2)	(20.3)	-12.3%
LP Brown	288.9	(25.0)	(42.1)	(76.0)	-26.3%
Centennial	470.0	(13.2)	10.0	(60.5)	-12.9%
Garfield	285.0	(14.8)	2.0	(81.1)	-28.4%
Hansen	440.9	(13.6)	2.9	(53.9)	-12.2%
Lincoln	274.5	4.1	(0.5)	(6.9)	-2.5%
Madison	194.3	(11.8)	(8.7)	(84.3)	-43.4%
McKenny	260.3	(14.1)	8.3	(75.3)	-28.9%
McLane	412.1	(3.6)	(1.9)	44.5	10.8%
Pioneer	345.9	(37.6)	(54.1)	(106.8)	-30.9%
Roosevelt	371.0	(17.3)	(6.0)	(24.3)	-6.5%
	3,508.7	(157.4)	(107.3)	(545.0)	-15.5%
Jefferson	454.3	7.3	24.9	(23.3)	-5.1%
Thurgood Marshall	465.6	15.8	15.4	45.8	9.8%
Reeves	401.3	10.0	36.9	6.4	1.6%
Washington	728.1	(17.4)	8.6	(70.4)	-9.7%
	2,049.3	15.7	85.8	(41.4)	-2.0%
Avanti	171.2	-	(10.4)	21.9	12.8%
Capital	1,163.2	(1.4)	(8.1)	(42.3)	-3.6%
Olympia	1,639.4	12.9	86.3	(40.8)	-2.5%
	2,973.8	11.6	67.8	(61.2)	-2.1%
ORLA*	416.5	2.1	(134.6)	(90.0)	-21.6%
TOTAL	8,948.3	(128.0)	(88.2)	(737.5)	-8.2%

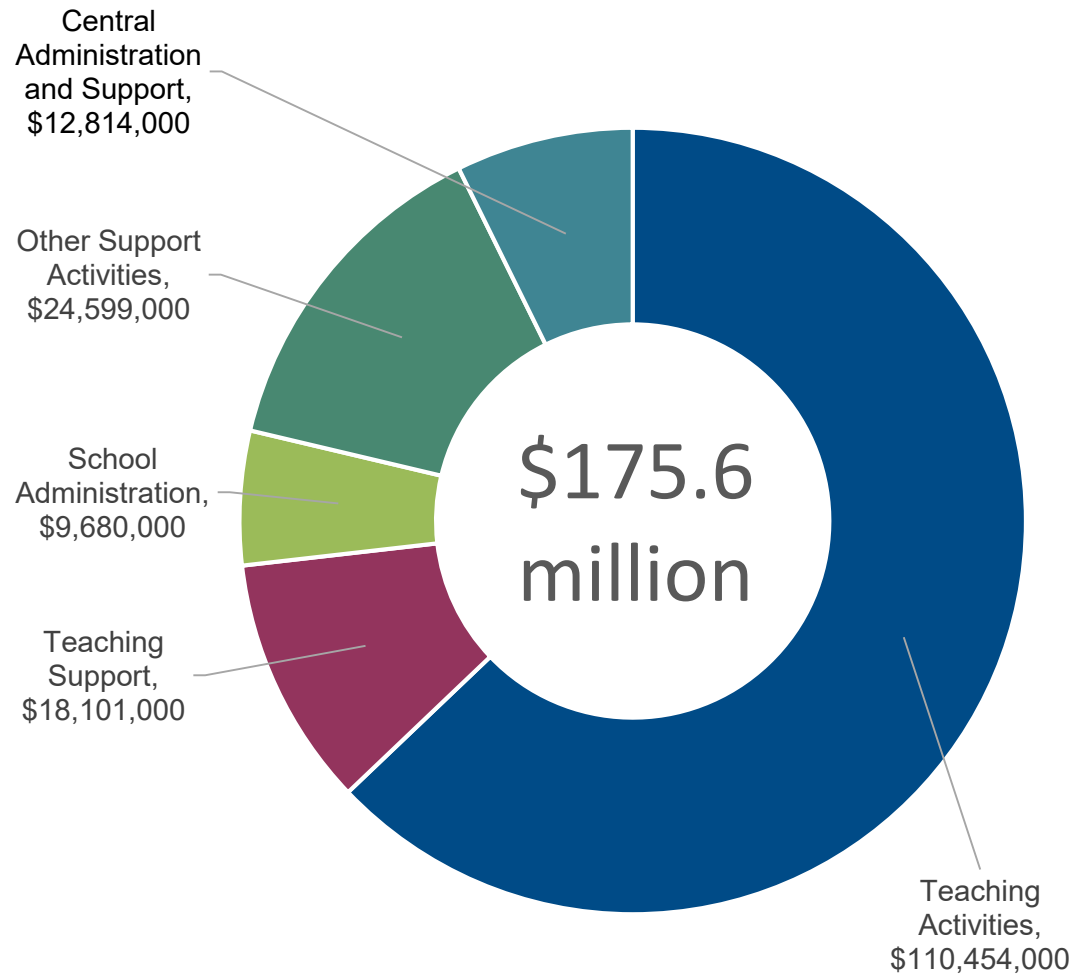
* preliminary.

Levy Capacity and Inflation are Challenging Factors



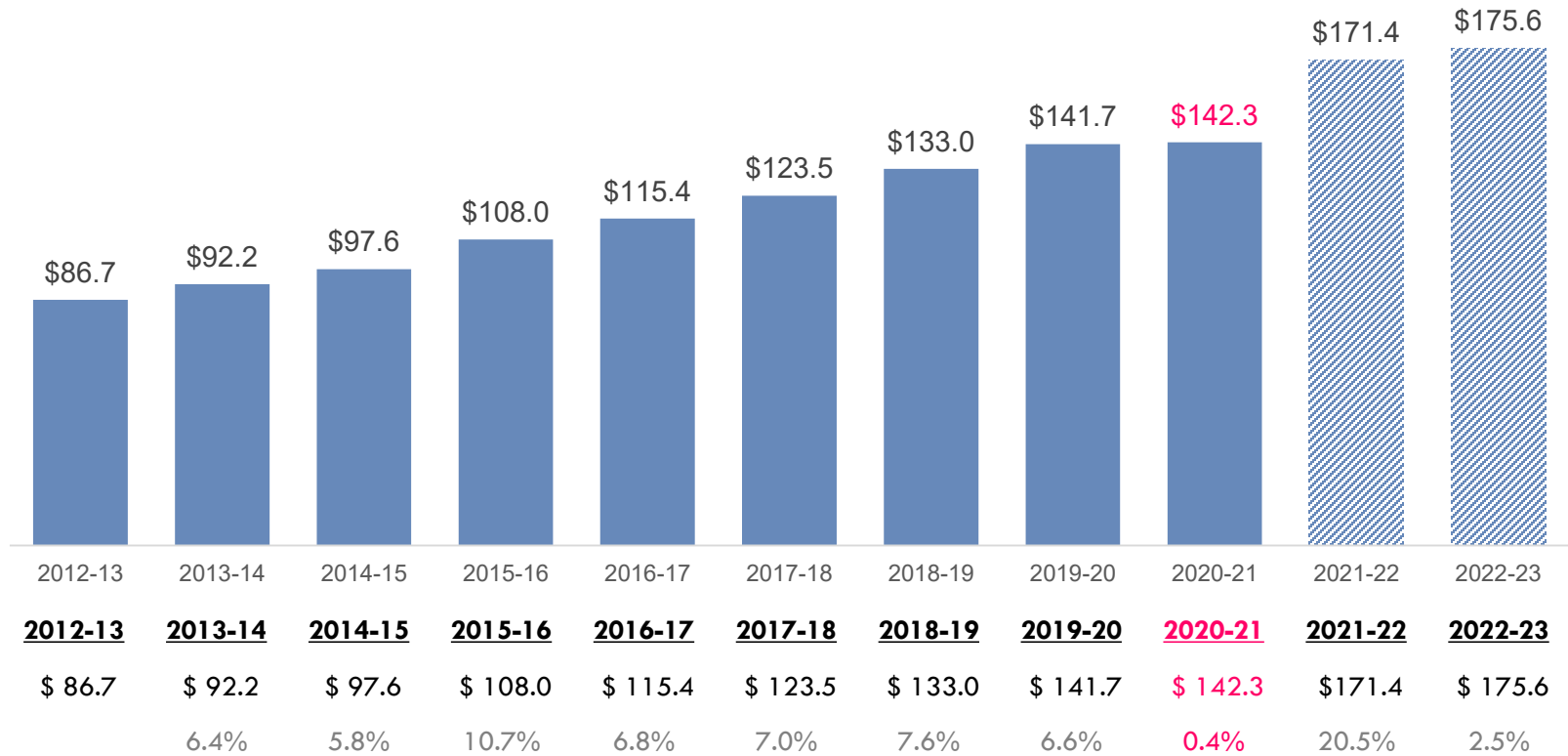
2022-23 Budget

By Expenditure Activity



General Fund Expenditures Grow an average 7.4% per year

Total General Fund Expenditures
(dollars in millions)



School Year 2020-21 was an anomaly in that school was remote for much of the year, creating unique savings opportunities.



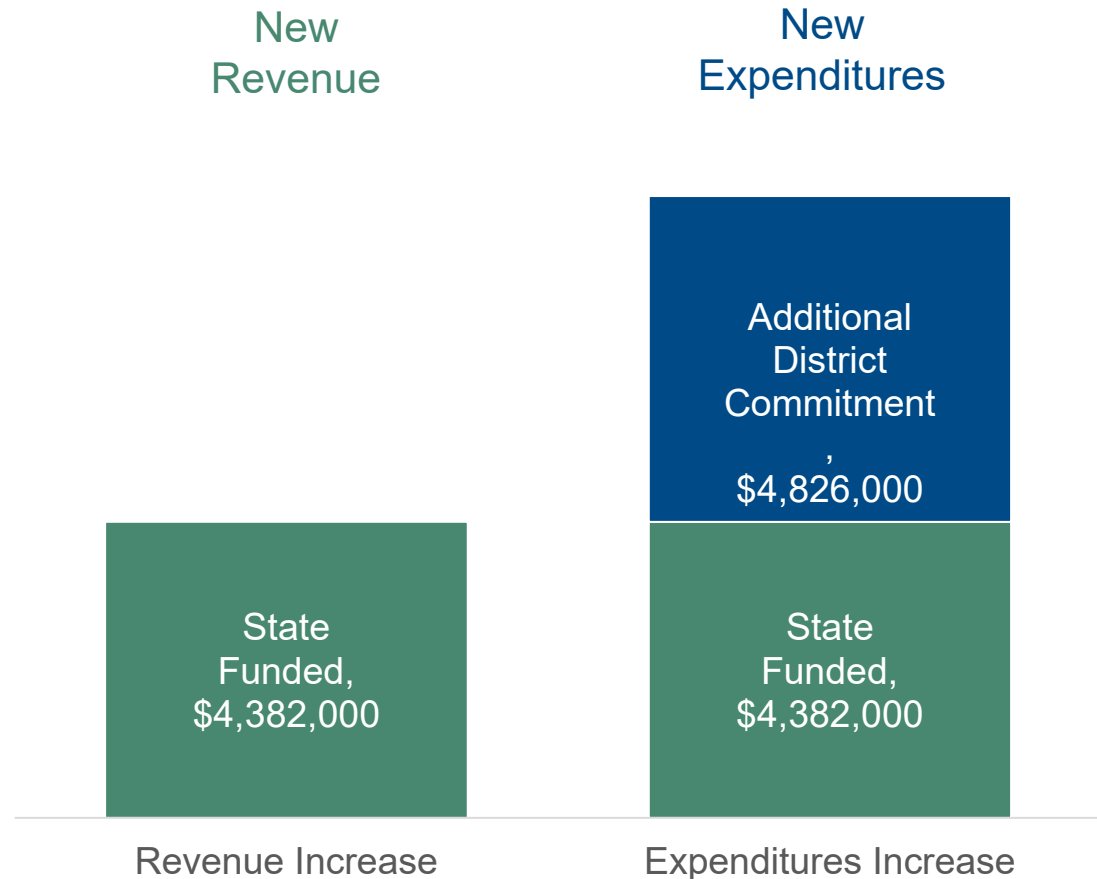
Salaries & Benefits

(prepared August 2022)

85.6% of the budget is spent on staff salaries and benefits. Up from 82.3% last year.

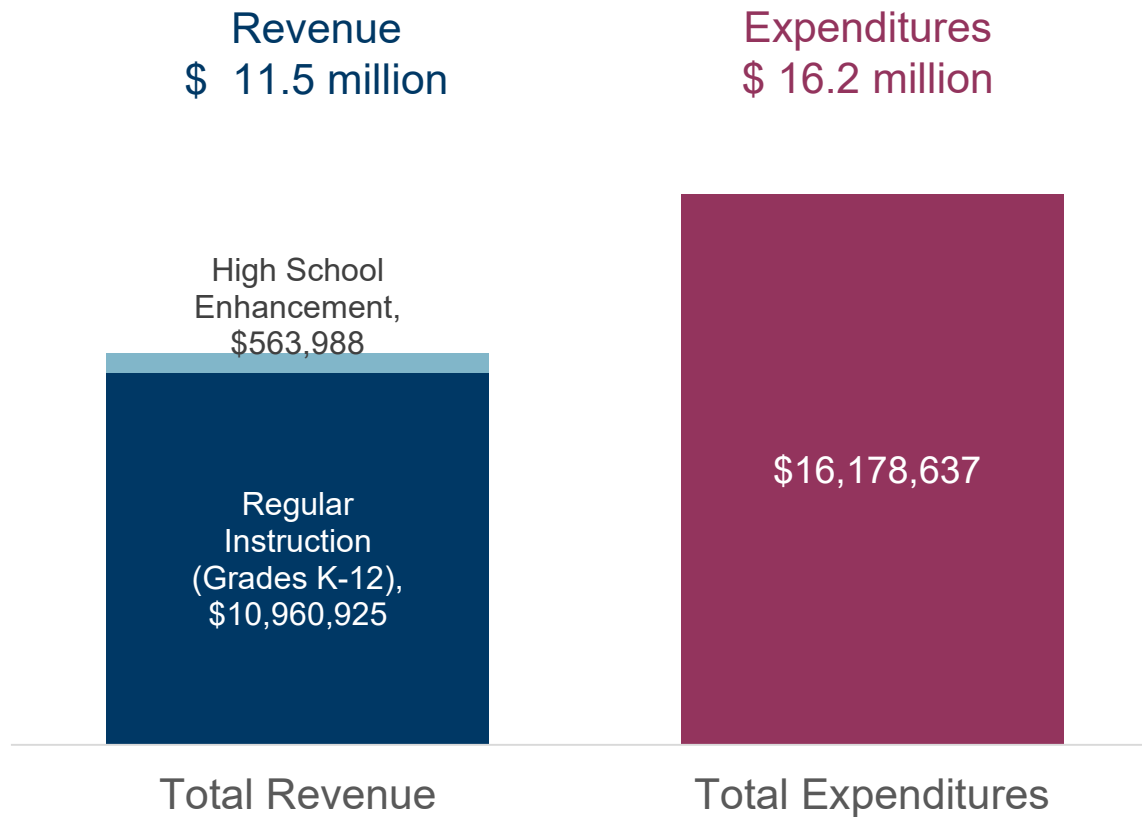
5.5% state funded inflationary adjustment includes partial catch-up for missed inflation.

Many staff contracts include compensation adjustments that go beyond state funded inflation.



Materials & Supplies

(prepared August 2022)



\$4.6 million

above state funding is spent on Materials, Supplies, and Operating Costs

5.5% inflationary adjustment from the state

5-15% increase in expenditures like insurance and utilities

Revenue and expenditures displayed in above chart are for general education programs only



Operating Balance Sheet Detail

(prepared August 2022)

Program	Total Budget	Difference From Dedicated Revenue
ESSER	\$6,336,000	\$0
Career and Technical Education	\$8,279,000	\$0
Special Education	\$30,558,000	-\$9,890,000
Title I, LAP, HC, Multi-Lingual	\$6,683,000	-\$1,245,000
Grants & Other Funding	\$1,569,000	-\$35,000
Food Services	\$3,785,000	-\$122,000
School Bus Transportation	\$5,408,000	-\$795,000
Total		-\$12,087,000

Balance Sheet by Fund

(prepared August 2022)

Balance Sheet Component	General Fund	ASB Fund	Capital Projects Fund	Debt Service Fund	Transportation Vehicle Fund
Beginning Fund Balance	\$12,620,856	\$914,777	\$50,770,499	\$11,794,380	\$1,789,432
+ Total Revenues	168,347,457	1,208,620	24,782,729	18,868,900	470,463
- Total Expenditures	175,646,680	1,447,396	50,059,567	18,379,986	1,789,432
Ending Fund Balance	\$5,321,633	\$676,001	\$25,493,661	\$12,283,294	\$470,463
Net Change in Fund Balance	(7,299,223)	(238,776)	(25,276,838)	488,914	(1,318,969)

General Fund 3-Year Look Forward

In August 2022, we developed the State-required 3-year look forward budget. We know this is imperfect, but we also know that we have a sizable budget gap to solve.



Revenue and Expenditure Assumptions

(Prepared August 2022)

- State funding is assumed to grow slowly. For revenue, all scenarios assume:
 - Enrollment remains flat at the 2022-23 projected level.
 - Salary and MSOC (Materials, Supplies, and Operating Costs) inflate by IPD plus a catch-up in 2023-24.
 - Continued state investments in staffing for physical, social, and emotional allocations continues. (HB 1664)
- Expenditure assumptions:
 - Salaries assumed to grow at either adopted CBAs or IPD (including Catch-up), whichever is greater.
 - OSD has already met requirements for additional PSES, and therefore no staff are added.
 - No additional enrollment-driven staff are added or eliminated.



General Fund: 4-year Budget

(Prepared August 2022)

View 1: ESSER Revenue will be Depleted by August 2023

- ESSER revenue will be depleted by August 2023.
- Assumes that *all* ESSER positions continue and are funded on other general fund (non-ESSER) resources. (In actual budget, one-time items will not be included.)
- State revenue for new SEL (social-emotional learning) staffing steps-up in 2023-24 and 2024-25—however, our district had already hired/deployed these staff, so no new staff are added.

General Fund: 4-year Budget

View 1, continued (prepared August 2022)

Balance Sheet		2022-23	2023-24	2024-25	2025-26
1	Beginning Fund Balance	\$12,620,856	\$5,321,633	\$5,557,137	\$5,717,964
2	+ Revenues	\$168,347,457	\$167,556,521	\$169,982,820	\$172,223,904
3	- Expenditures	\$175,646,680	\$185,237,915	\$190,598,815	\$194,119,352
4	- Expenditure Adjustment to Maintain Minimum Fund Balance	--	(\$17,916,898)	(\$20,776,822)	(\$22,001,064)
5	Ending Fund Balance	\$5,321,633	\$5,557,137	\$5,717,964	\$5,823,580
6	Ending Fund Balance %	3%	3%	3%	3%

Other helpful information:		2022-23	2023-24	2024-25	2025-26
7	Change in Minimum Fund Balance	--	\$235,504	\$160,827	\$105,616
8	Revenues Less Expenditures	(\$7,299,223)	(\$17,681,394)	(\$20,615,995)	(\$21,895,448)
9	Reduction in Expenditures Required to Maintain Minimum Fund Balance	--	-9.7%	-10.9%	-11.3%

State Budget Policy Decisions

OSD Process

- Jan – May OSD developing budget contingencies
- March Education Reduction Plan (1st Reading March 23)
- April – May RIF Process if necessary

Legislative Process

- Mid-March quarterly revenue forecast
- House and Senate budget after March forecast
- Does each chamber grant enough of a revenue increase; do they agree on these increases?
- If revenue in both House and Senate budgets is a sufficient increase, will set RIF aside

Major Items in Governor's Proposed Budget

Issue	Investment (Statewide #'s)	Comment
Compensation	<ul style="list-style-type: none"> \$950 million (\$600 million for COLA plus "extra") 4.5% in 23-24 	<p>Posted IPD is 2.6% and Governor funded 4.5%. Next economic forecast will bring new figures.</p> <p>No mention of re-basing salaries or regionalization</p>
Special Education	<ul style="list-style-type: none"> Increase funding cap from 13.5% to 15% (\$74 million) Increase safety net capacity (\$31 million) Additional Pre-K per student funding 	Seems likely that something will happen this session.
Mastery-based Learning	<ul style="list-style-type: none"> \$10 million in school district demonstration sites 	Competency-based Crediting and Other Graduation Pathways at H.S. Level.
Outdoor Education	<ul style="list-style-type: none"> \$64 million 	"Every 5 th and 6 th grade student has access to outdoor learning experience."
Teacher Training, Induction, Etc.	<ul style="list-style-type: none"> Increases in teacher residencies, BEST program, teacher academies (\$17 million) 	---
CEP Program Expansion	<ul style="list-style-type: none"> Additional \$60 million 	Looking into details of the proposal

Steps and Timeline to Build the Budget

Common Understanding of the Steps to Build a Budget
in order to Plan the Upcoming 6-month Process



Two Steps to Build Budget

What will it take to recreate our current education design next year (taking into account inflation, bow wave, and/or change in student population)?

→ Maintenance Level budget b/c we maintain our current system.

What changes to the education design must we (may we) make in order to adjust for the resource gap (surplus) that we have?

→ Policy Level budget b/c we have implemented policy changes in order to balance the budget.

Build Steps for Expenditures

Row	Steps	Short Description	Amount
1	Current, 2022-23	Current Budgeted Expenditures	\$100
2	Adjustments for Temporary / 1X	Staff or programs originally intended as Temporary	-\$10
3	Bow Wave of New	Cost of a Full Year for any Part-Year Programs (\$5 M program started mid-year will cost \$10 M next year)	\$5
4	Inflation / COLA	Inflation / COLA	\$6
5	Workload	Enrollment or New State / Fed Requirement (fewer classrooms/teachers)	-\$10
6	Total Maintenance Level, 2023-24	---	\$91
7	Adjustments to Balance	Necessary reductions to balance to Revenue	?
8	Enhancements Required or Needed	Policy decisions to Enhance District Investment (add back 1 time items)	?
9	Final Budget	Final Budget with Policy changes, 2023-24	---

Build Steps for Revenue

Steps	Short Description	Amount
Current, 2022-23	Current Revenue	\$90
Adjustments for Temporary / 1X	Staff or programs originally intended as Temporary	-\$7
Bow Wave of New	Revenue of a Full Year for any Part-Year Programs	\$2
Inflation / COLA	Inflation / COLA / State Allocations	\$4
Workload	Enrollment or New State / Fed Requirement (student FTE revenue)	-\$6
Total Maintenance Level, 2023-24	---	\$83
Adjustments to Balance	Fee Increases (Pay-to-Play, Rental)	?
State or Federal Revenue Increases	Policy decisions to Enhance District Revenue, typical increase expenditures	?
Final Budget	Final Budget with Policy changes, 2023-24	---

Building Full Budget – Example 1

Steps	Revenue Steps	Expenditure Steps
Current, 2022-23	\$90	\$100
Adjustments for Temporary or 1X	-\$7	-\$10
Bow Wave of New	\$2	\$5
Inflation / COLA	\$4	\$6
Workload (Enrollment Decline)	-\$6	-\$10
Total Maintenance Level, 2023-24	\$83	\$91
Adjustments to Balance	\$1	-\$7
Enhancements Required or Needed	?	?
Final Budget w Policy Changes, 2023-24	\$84	\$84

Building the Full Budget – Example 2

Steps	Revenue Steps	Expenditure Steps
Current	\$90	\$100
Adjustments for Temporary	-\$7	-\$10
Bow Wave of New	\$2	\$5
Inflation / COLA	\$4	\$6
Workload	-\$6	-\$10
Total Maintenance Level	\$83	\$91
Adjustments to Balance	\$1	-\$7
Enhancements Required or Needed	0	\$5
Additional Adjustments to Balance	0	-\$5
Final Budget w Policy Changes, 2023-24	\$84	\$84

Adjustments for Temporary Items

- In the 2022-23 SY, several expenditures have been identified as “**one-time**” or **temporary** deployments to address a specific condition, largely associated with the pandemic and post-pandemic recovery. These are items that were intended as short-term or grant-fund-dependent at the time that we deployed that resource.
- In 2022-23 SY, some items are identified as **potentially on-going**, even though the item is paid for using temporary grant fund. Categorization as “potentially on-going” does not necessarily ensure that the resource can be deployed in future years, but the resource will be considered along with all other district investments as our district makes decisions to balance the 2023-24 SY budget.

Adjustments for New Investments in 2021-23, Temporary Items vs. Potentially On-Going

One-Time/Temporary (*ESSER Funded)

- CHS 1.0 Dean (2nd Dean)
- LPBES 1.0 Dean and 0.2 FTE Teacher*
- 1.0 Director of Grants (Teaching and Learning)*
- 0.5 FTE ESSER Grant Specialist*
- 1.0 Full-time Driver Trainer
- 1.0 Director of Preschool
- 6.6 Secondary Teachers (enhanced allocation formula)*
- Multilingual Caseload Reduction*
- VAO Staff Hired above formula*
- Health Room Assistant expansion hours*
- 1.0 Director of Health Services
- 1.0 Family Liaison Supervisor*

Potentially On-Going (*ESSER Funded)

- 2nd Dispatcher (Transportation) (possible ESSER)
- Mentor Coordinator*
- Instructional Coaches (enhancement over historical levels)*
- Social Workers (*2 ESSER; 2 non-ESSER)
- Multilingual Translation Expansion*
- Multilingual Partnership*
- 11.0 Family Liaisons*
- Assistant Principal Hansen/Centennial*
- 1.5 Substitute Custodians*
- About 5.0 Teachers*

Tuition and Fees

- Prior to the Pandemic, the district charged tuition for several programs, and charged fees. Most were waived during the pandemic.
- All tuition and fees will be re-instated for the 2023-24 school year at the 2019-20 school year level.
(Maintenance Level assumption)
 - Any miscellaneous ESSER funding will not be used to buy-down tuition and fees unless the funding source is solely intended for that purpose.
- Some tuition/fees will be increased in level, for inflation and for comparability with neighbors. This is a policy-level discussion, and we will seek ideas and input.

Budget Development Timeline

	Staff	Leaders	Board & Community
January	Updating key data; develop survey tool.	Briefed on process, timeline and key data. Maintenance level staffing is discussed.	Briefed on process, timeline, and key data. Review survey tool.
February	Preliminary deficit is known.	Begin deliberating on budget reduction options.	Budget survey open. Begin deliberating on budget reduction options. Facebook Live webinar.
March	Final deficit projection completed. Deficit projections updated for House- and Senate-proposed budgets.	Continue discussion of reduction options.	Budget survey completed and reported. Board adopts Education Plan Reduction, 1 st Reading (23 rd).
April	If necessary, RIF notices begin being distributed. Continuous updates for Legislative decisions. Develop reduction options.	Continue discussion of reduction options.	Board adopts Education Reduction Plan, 2 nd Reading (13 th). Plans updated for Legislative decisions. Continue discussions of reduction options.
May	Same as April. If necessary, RIF notices completed May 12. Administrative budget developed (11 th).	Discussion of administrative budget.	Discussion of administrative budget. Possible interfund-loan due to June cash flow projections. Facebook Live webinar.
June	Same as May.	Same as May.	Community in-person meetings (16 th and 18 th). Budget is adopted, 8 th and 22 nd .