

Budget Update

March 23, 2023

*North Kitsap School District
Study Session*



Considerations

- There are several things that factor into the budget development process.
- The following slides will outline things that are impacting or affecting the budget development process for the 2023-2024 budget:
 - Legislative action in the current session
 - End of federal Covid funding support (ESSER)
 - Enrollment decline
 - Limits to levy collection
 - Inflation

Legislative Update

- Anticipate IPD (inflationary index used by the state to apportion salary revenue) to come in at 3.6%-3.7%
- Anticipate small increase in Special Education Funding
 - Increases in Special Education caps, funding multipliers, and Safety Net eligibility.
 - Statewide anticipate $\frac{1}{4}$ to $\frac{1}{2}$ of what's needed to fully fund Special Education
 - NKSD currently spends approximately \$4M out of local levy collections to fund Special Education
- Transportation funding fix will not happen this session
 - NKSD spends approximately \$1M out of local levy to supplement transportation funding

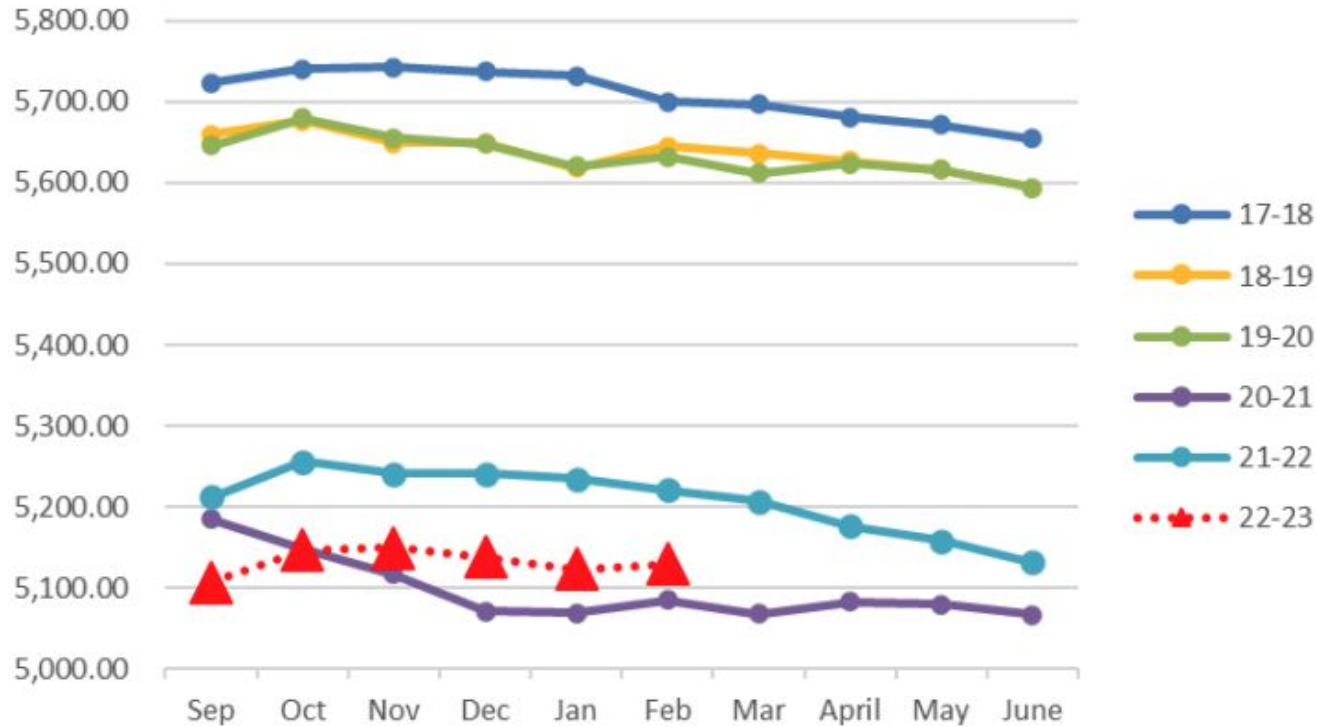
End of federal COVID support (ESSER)

- ESSER funds have been used to provide additional support to students as we emerged from the pandemic.
- Chiefly, supports consisted of additional staff to help limit class sizes as well as specialized support teachers to implement blended learning, AVID, and MTSS strategies.
- ESSER helped prop up funding for districts across the nation during and after the pandemic
- ESSER funds have now been expended and are no longer available
- Numerous districts are having to end additional supports due to end of ESSER funds. NKSD is not alone.

ESSER and NKSD fund balance

- Because NKSD expended ESSER funds across different years, the fund balance was larger than normal coming into the current (22-23) academic year.
- NKSD budgeted for a deficit spend for the 22-23 academic year knowing that the fund balance would be used to offset revenue shortfalls.
- The fund balance will be normalized by summer 2023
- Reminder: the fund balance is “one time money” and it cannot be used for continuous expenses (salary increases) as it is not sustainable.

Enrollment Decline

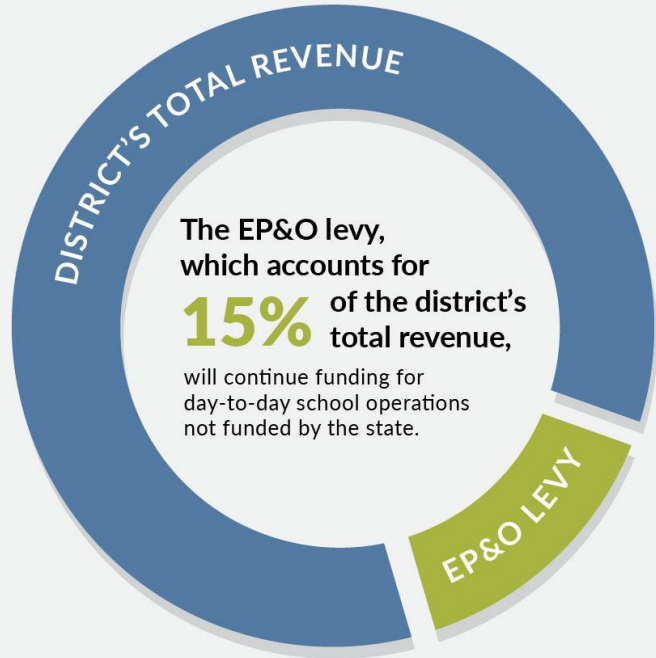


Most school districts are experiencing enrollment decline.

National and state trends of declining enrollment.

NKSD currently overstaffed (by design to support students post-pandemic)

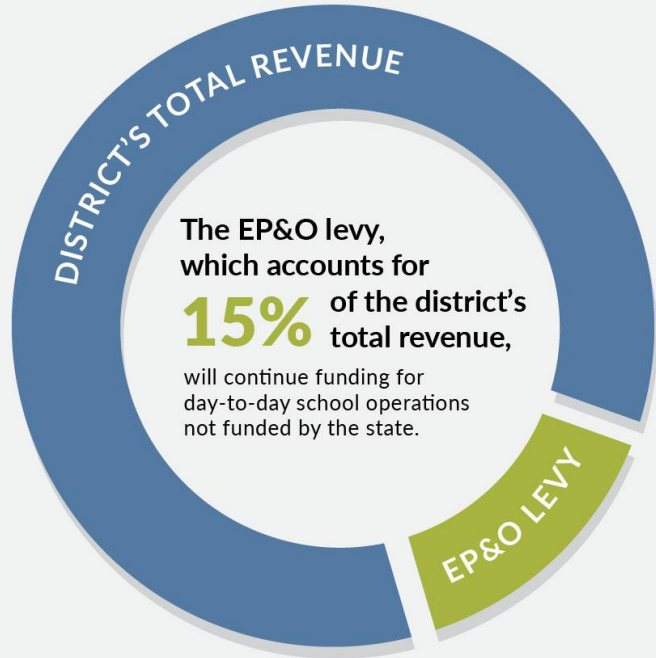
Levy collection limits coming



Local levy collection in tax year 2024 will be limited by enrollment cap.

This will affect the total revenues for NKSD in the 23-24 academic year and beyond.

Levy collection / Inflation



Even though we get inflation adjusted revenue from the state, levy dollars are NOT inflation adjusted.

This presents challenges when we are seeing costs across the board impacted by inflation.

In summary

We have several significant impacts all at once:

- ESSER ending
- Declining enrollment
- Inflation

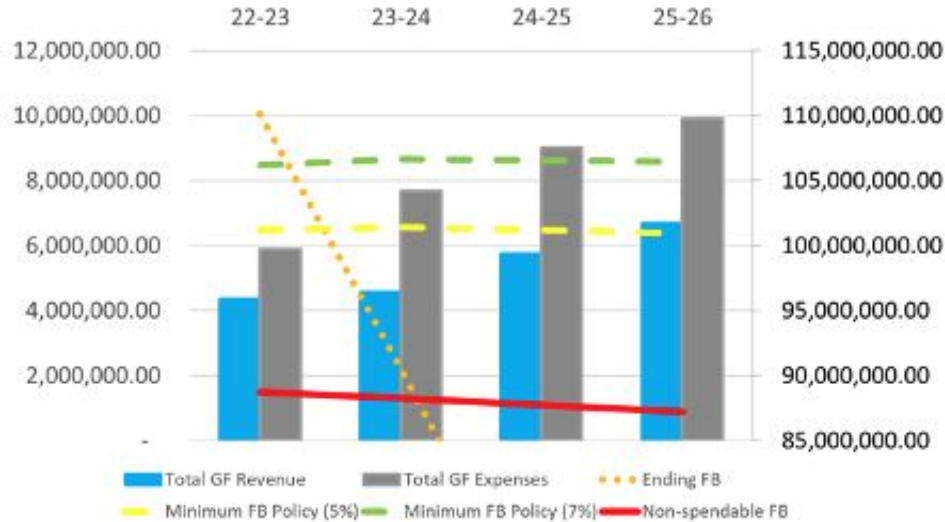
Furthermore, we have limited legislative action, and limited inflationary relief.

We must take action to maintain stability and solvency. This includes many difficult decisions about programs and personnel.

Again, we are not alone in this struggle. Districts across the state are all experiencing the combination of these three impacts.

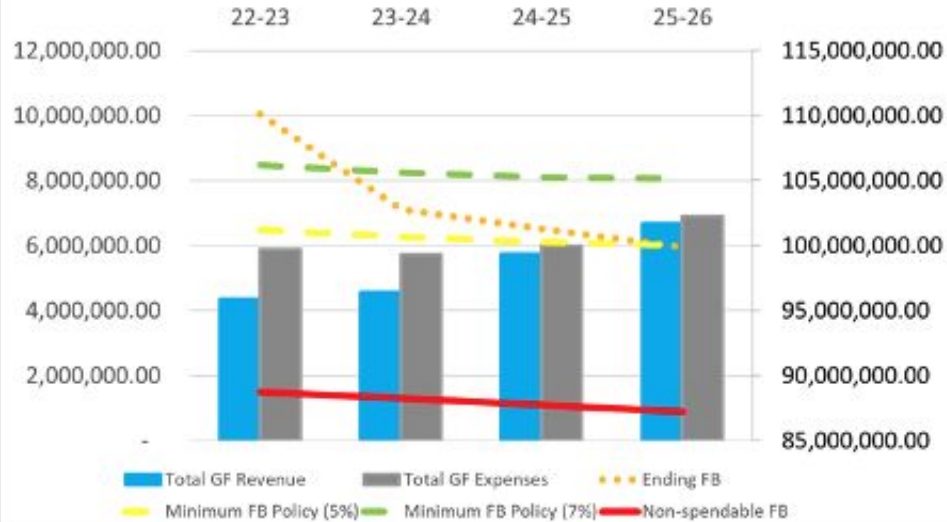
Revenue - Expenditure & Ending Fund Balance (no future adjustments)

(Revenue & Expenditure (bars) -right axis : Fund balances (lines) -left axis)

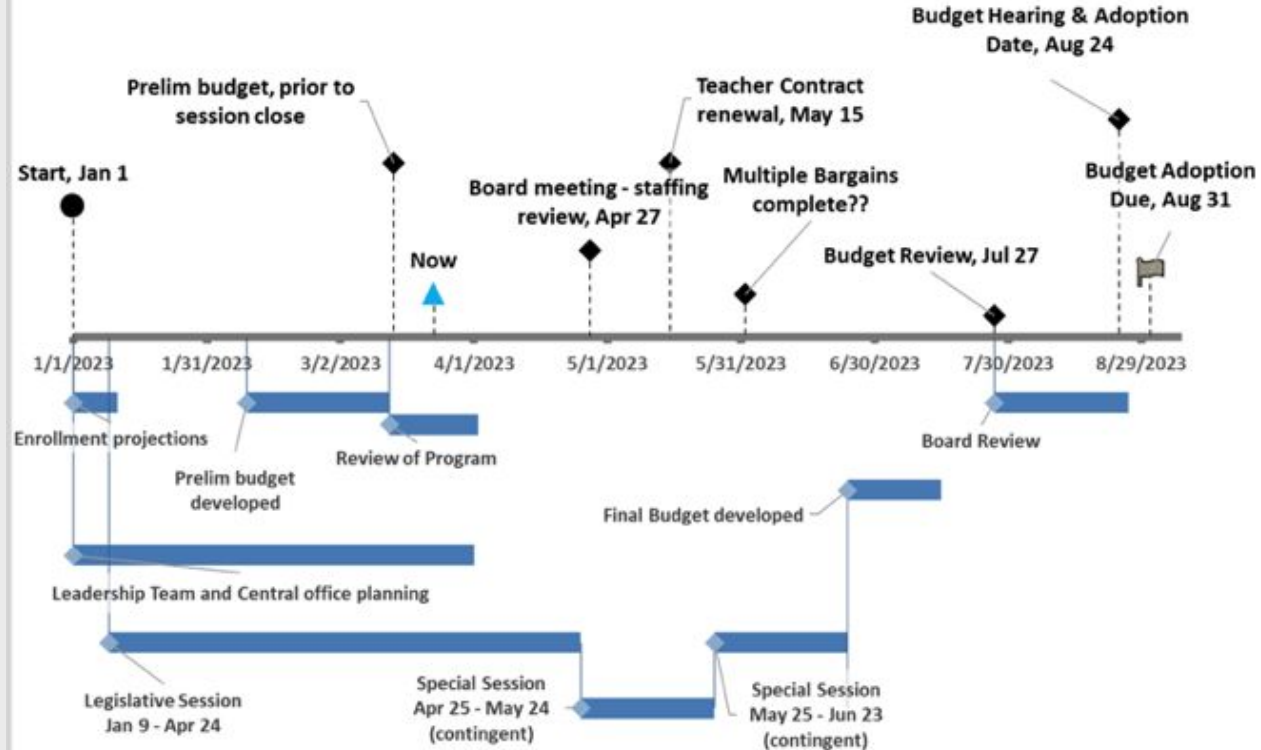


Revenue - Expenditure & Ending Fund Balance (adjustments starting 23-24 SY)

(Revenue & Expenditure (bars) -right axis : Fund balances (lines) -left axis)



23-24 Budget timeline



Questions?



Resources re: the Budget

The screenshot shows the North Kitsap School District website. At the top is a navigation bar with the address "18360 NE Caldart Avenue, Poulsbo, WA 98370", a "Select a School" dropdown, a "Language" dropdown, and links for "Families", "Students", "Staff", "Login", and a "Search..." field. Below this is the district logo and a main navigation menu with links: "ABOUT", "DEPARTMENTS", "ACADEMICS", "FOR FAMILIES", "GET INVOLVED", "FOR STAFF", and "EMPLOYMENT".

On the left side, there is a vertical list of budget information links: "2023 - 2024 BUDGET INFORMATION", "2022 - 2023 BUDGET INFORMATION", "2021 - 2022 BUDGET INFORMATION", "2020 - 2021 BUDGET INFORMATION", "2019 - 2020 BUDGET INFORMATION", "2018 - 2019 BUDGET INFORMATION", "2017 - 2018 BUDGET INFORMATION", "2016 - 2017 BUDGET INFORMATION", and "BUDGET ARCHIVE".

The main content area features a breadcrumb trail: "Departments » Business Office » Budget and Financial Reports » 2023 - 2024 Budget Information". The primary heading is "2023 - 2024 Budget Information". Below it is a section titled "2023 - 2024 BUDGET DEVELOPMENT" with a link to "2023-2024 Budget Process and Timeline".

A video player is embedded, showing a video titled "2023-2024 Budget Video Series from North Kitsap School District". The video player interface includes a play button, a progress bar at 00:56, and the Vimeo logo. The video thumbnail displays the text "North Kitsap School District" and "Understanding School District Budgets Video Series". To the right of the video player are three circular images: the top one shows two graduates in purple and gold caps and gowns; the bottom-left one shows a student in a cheerleader outfit; the bottom-right one shows two students in graduation attire.

Click [HERE](#) for the link to additional information:

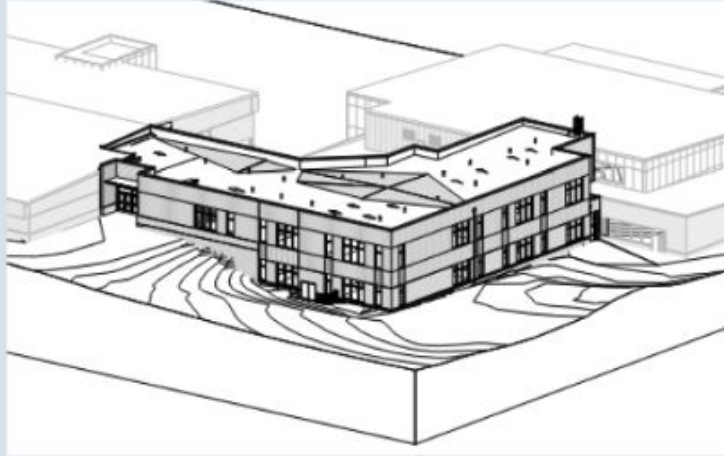
- Informational videos
- 23-24 budget development
- Prior year budget information

If we are struggling with the budget, why are we spending money on campus improvements?

Capital levy funds must be used for capital expenditures.

General Fund – “Annual Operating Budget”

Capital Projects Fund



Revenues and Expenses cannot be intermixed between budgets