

The background features abstract, overlapping geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue. These shapes are primarily located on the left and right sides of the slide, framing the central white area.

# 2019-2020 Budget Development Update

June 27, 2019

# 2019-2020 Budget update: Agenda

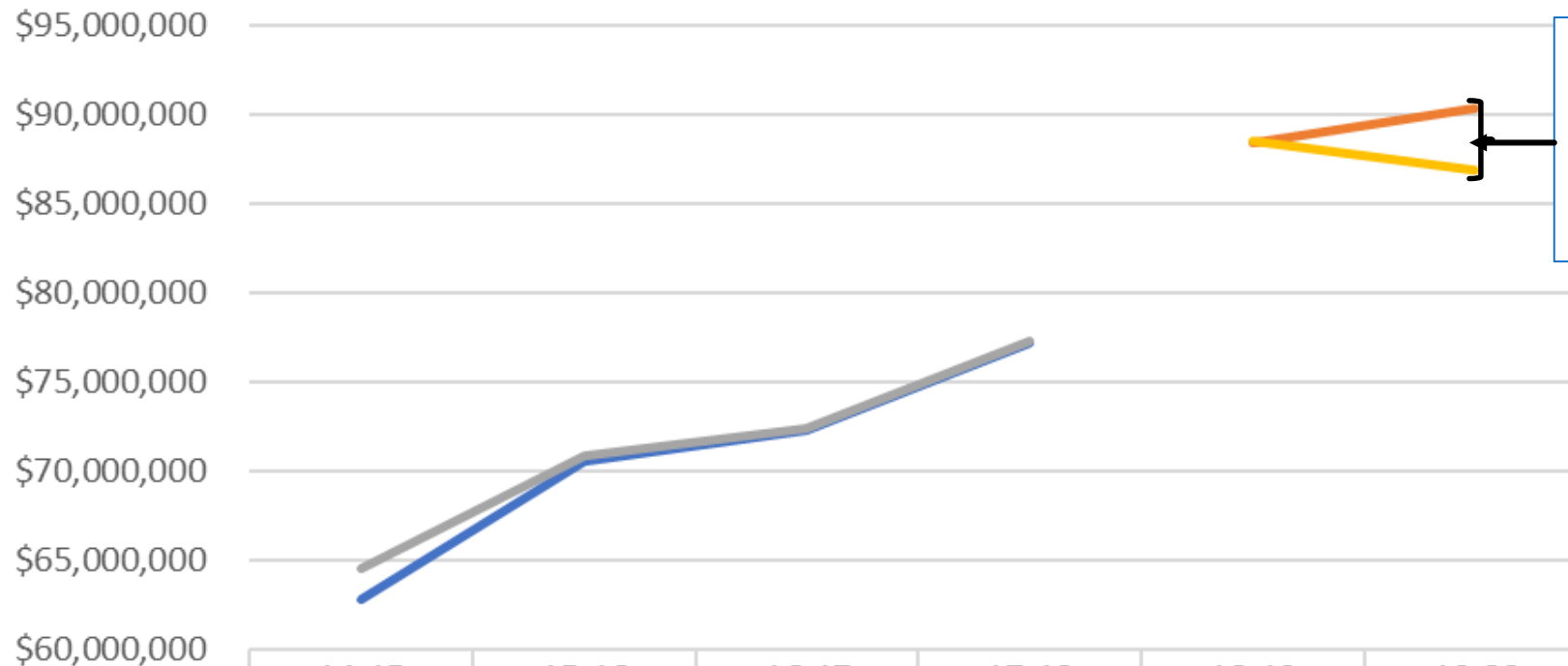
- ▶ Reductions to date are sufficient to address the 2019-2020 shortfall
- ▶ Safety net award \$858k - budgeted at \$500k (prior year award)
- ▶ SEBB and SPED multiplier increased revenues
  - ▶ However, still no SEBB funding for non-prototypical model employees
- ▶ What keeps us up at night
  - ▶ Short term: enrollment
  - ▶ Long Term: SEBB future costs
- ▶ SEBB Solution
  - ▶ Board Resolution - Committed Fund Balance for Economic Stabilization
- ▶ 19-20 Budget adoption
  - ▶ Completing budget process
  - ▶ Awaiting final enrollment and check in

# Revenue vs Expenditures - with SEBB

## “Statement of Problem”

- ▶ 18-19 GF Authorization: \$87,621,701 (Budget Extension request +\$2M)

General Fund - Revenue vs Expense (status quo)



Declining Enrollment,  
Increasing Salary Costs,  
Levy Swap unevenness,  
Increasing Healthcare Costs

	14-15	15-16	16-17	17-18	18-19	19-20
Expense (actual)	\$62,813,591	\$70,558,504	\$72,322,969	\$77,184,824		
Expense (projected)					\$88,384,208	\$90,321,911
Revenue (actual)	\$64,509,053	\$70,884,590	\$72,419,813	\$77,311,881		
Revenue (projected)					\$88,547,540	\$86,936,965

# Reality for the 2019-2020 School Year

- ▶ Previously, projected revenue was less than current year. SEBB and SPED multiplier came in higher than previously projected, meaning that 19-20 revenue looks to be similar to current year.
- ▶ That said, the following remains true:
- ▶ Enrollment decline in 2019-2020. Check in numbers show a bigger decline than previously anticipated.
- ▶ Salary and Benefit costs rose markedly in the 2018-2019 school year due to market conditions
- ▶ 2018-2019 revenue abnormality due to the overlap of new state funding with old levy rates
- ▶ 2019-2020 school year revenues currently projected to be less than expenses
  - ▶ Position control, Program review, Department review will be needed to align expenditures with future revenues

# Identified/Proposed Reductions - Review

- ▶ Administration - 2.0 FTE
- ▶ Student Support Center staffing - 2.0 FTE
- ▶ Spending slowdown across NKSD in current year
- ▶ Copy Center closure - personnel and MSOCs
- ▶ Curriculum budget - reduction of \$200,000
- ▶ Position control and staffing to need/ratio (certificated and classified)
- ▶ Transportation efficiencies and staffing to need
- ▶ Fee increase for facility rental, food services and athletics participation
  
- ▶ **TOTAL: \$3 MILLION**

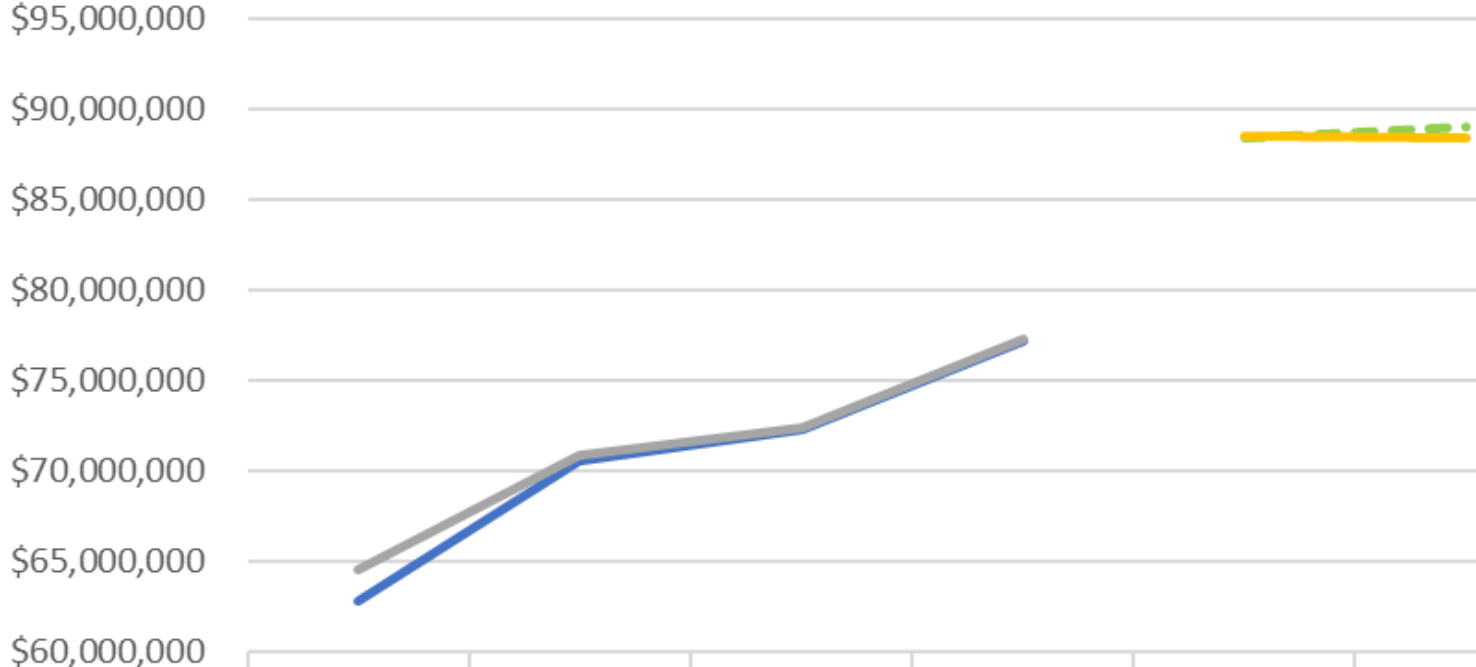
# Legislative Results - Reminder

- ▶ Minor SPED multiplier increase
- ▶ SEBB passage with lower rates
- ▶ No changes to funding allocation models
- ▶ Of the increases to K-12 funding
  - ▶ Half - SEBB
  - ▶ Other - Inflation, SPED, other minor increases

# Revenue vs Expenditures -

after adjustments - **Current budgeting not yet final**

General Fund - Revenue vs Expense

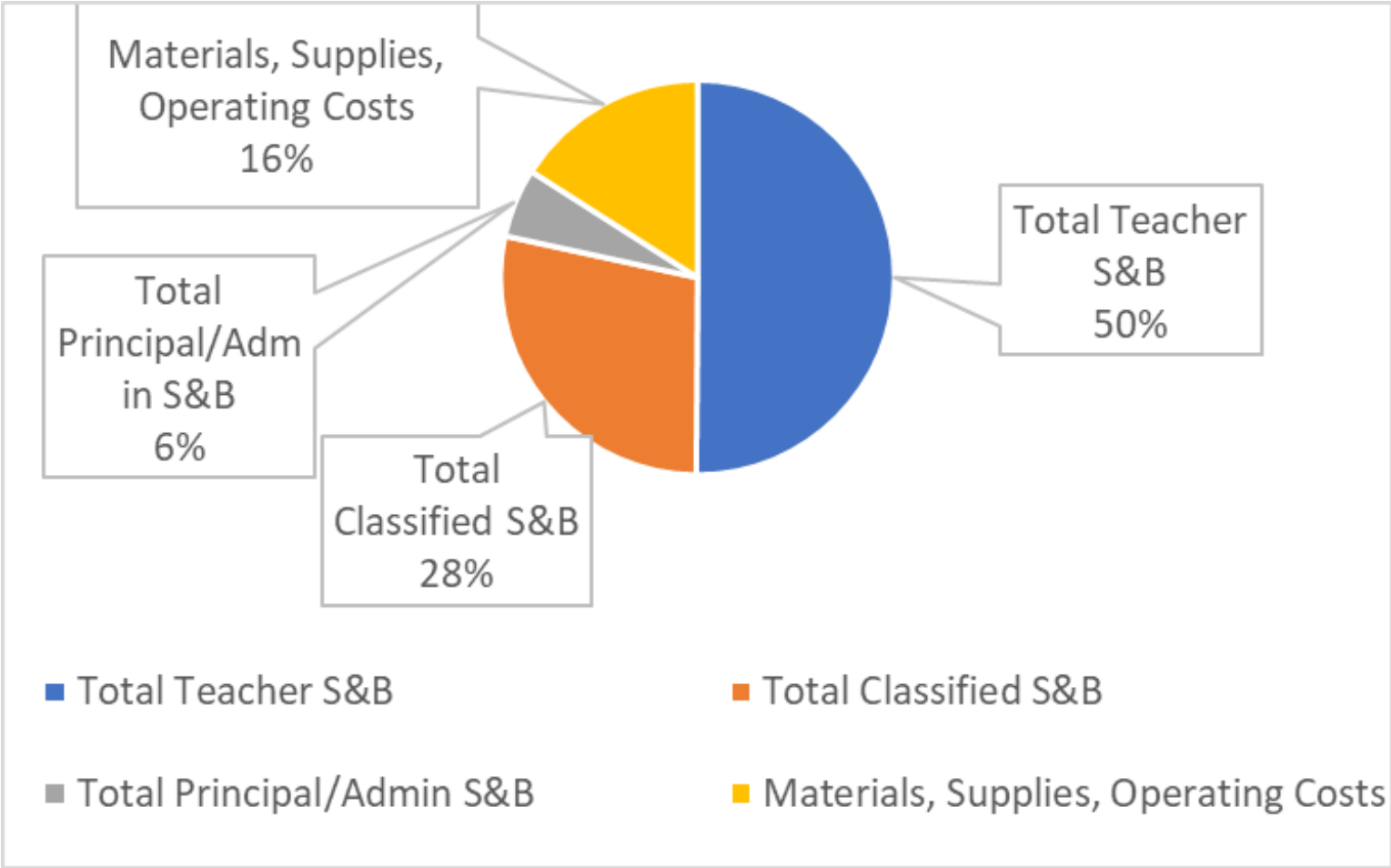


Salaries & Benefits  
84.7%

Materials, Supplies, Operating  
15.8%

	14-15	15-16	16-17	17-18	18-19	19-20
Expense (actual)	\$62,813,591	\$70,558,504	\$72,322,969	\$77,184,824		
Expense (projected)					\$88,384,208	\$88,982,124
Revenue (actual)	\$64,509,053	\$70,884,590	\$72,419,813	\$77,311,881		
Revenue (projected)					\$88,547,540	\$88,520,505

# Expenditures by Category: 85% on people

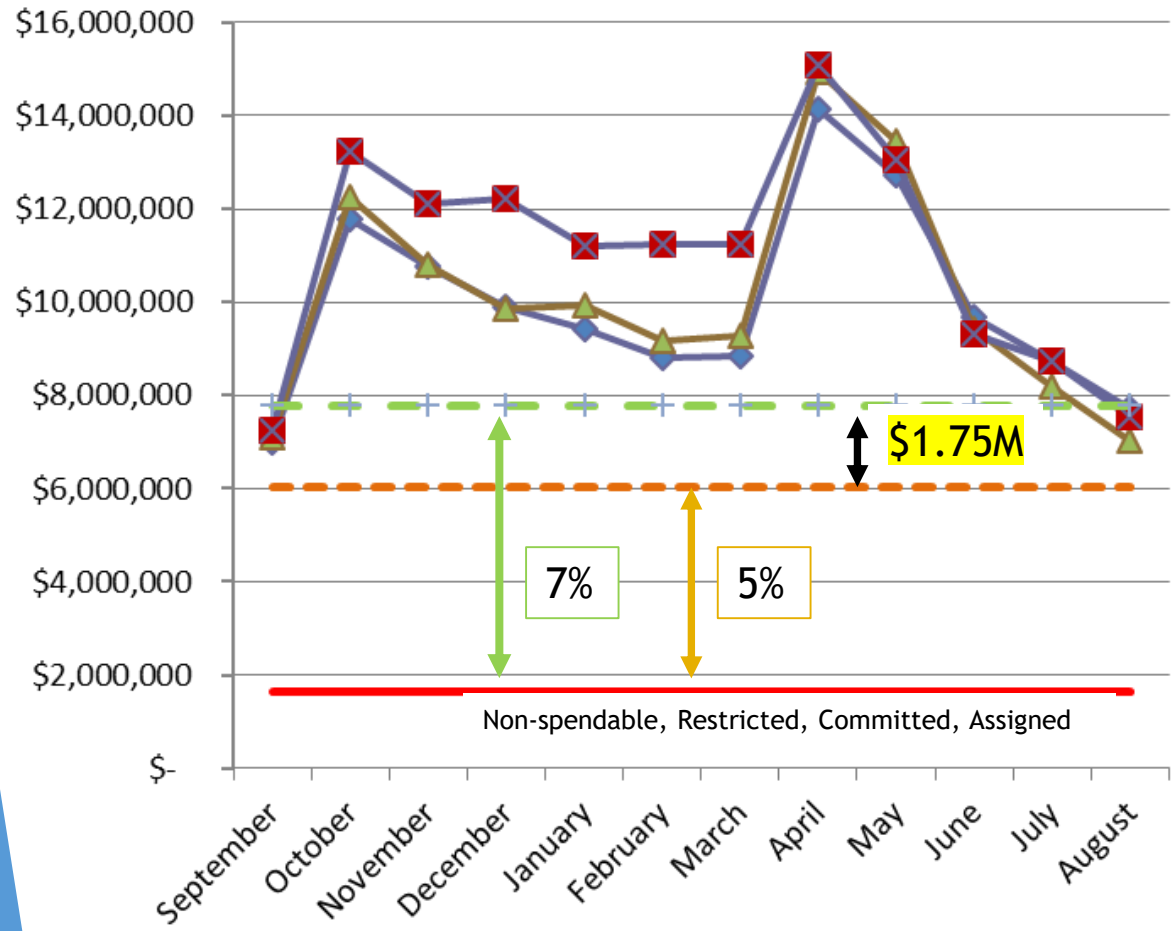




# 2018-2019 Fund Balance projection

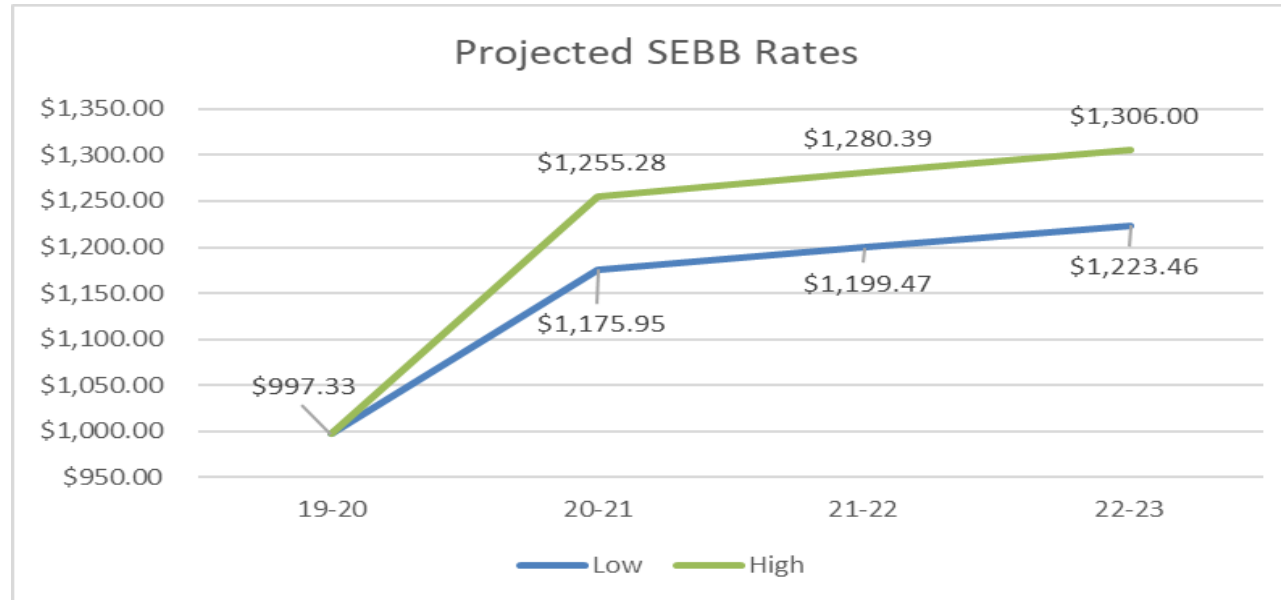
- ▶ Assuming year end Enrollment forecast from October enrollment actual
- ▶ Known and Projected Salary & Benefit changes

Between 7% and 5% = \$1.75M  
 7% ~ one month of Salaries and Benefits



- ◆ 3 Year Average
- ▲ 2017-18
- 2018-19 projection
- Non-spendable, Restricted, Committed, Assigned fund balance
- - - 5% fund balance
- + - 7% fund balance

# What keeps us up at night: long term SEBB



- ▶ Legislature underfunding actual SEBB costs
- ▶ HCA will raise rates
  - ▶ Unclear when and how much
- ▶ Continue rising SEBB costs will burden the unfunded portion of employees not in the prototypical model
  - ▶ (mainly classified support)

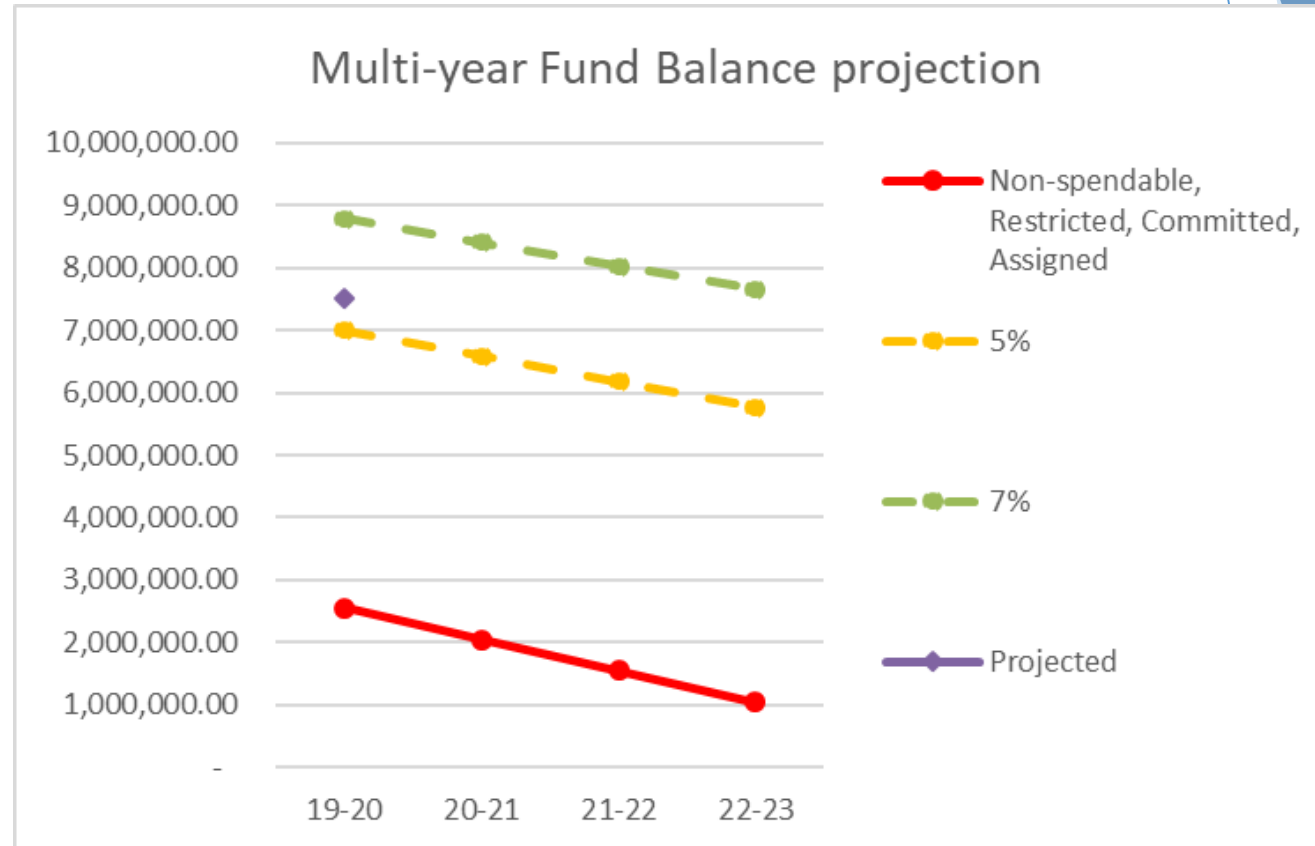
# Projected SEBB Cost overage (minimum)

- ▶ From now until the 22-23 school year expect at least \$1.24M in additional unfunded healthcare costs.
  - ▶ Increasing SEBB costs directly effects the unfunded but necessary positions
  - ▶ Modest (non-conservative) assumption that costs are increasing at 2% similar to the IPD
- ▶ Now all employees working over 630 hrs/year will receive full-time insurance benefits
- ▶ Because the state will only partially fund the people covered in the prototypical model, NKSD must cover all employees as per SEBB, even those we pay for with local levy dollars. There is no differentiator for state funded employees vs local funded employees.

	Per month per prototypical model FTE	Annual Benefit Revenue	Annual Benefit Costs to district	Annual Benefits funded by local levy	Difference
18-19 before SEBB	\$ 843.97	\$ 5,180,571.52	\$7,558,509.91	\$ 2,377,938.39	
19-20 (After SEBB)	Blend (\$997.33)	\$ 6,327,291.23	\$9,470,484.51	\$ 3,143,193.28	\$ 765,254.89
20-21	\$ 1,255.28	\$ 8,195,101.59	\$11,674,104.00	\$ 3,479,002.41	\$ 335,809.13
21-22	\$ 1,280.39	\$ 8,359,104.33	\$11,907,627.00	\$ 3,548,522.67	\$ 69,520.26
22-23	\$ 1,306.00	\$ 8,526,355.08	\$12,145,800.00	\$ 3,619,444.92	\$ 70,922.25
					<b>\$ 1,241,506.53</b>

# SEBB solution

- ▶ Use Future Year Fund Balance to mitigate future SEBB unfunded mandates
  - ▶ Resolution for Board committed fund balance reserve to economic stabilization
  - ▶ 2019-2020: \$1.5M
  - ▶ 2020-2021: \$1M
  - ▶ 2021-2022: \$0.5M
  - ▶ Will bring as part of budget adoption



# Path forward for 2019-2020 budget

- ▶ Previously identified reductions have closed the gap for the budget
- ▶ Results of Safety net: \$858K (budgeted for \$500k)
- ▶ Budgeting and revenue forecasting tools released from OSPI
  - ▶ Working through the details of the budget
- ▶ SEBB underfunded at passage
  - ▶ Expect increases in SEBB rates in second half of biennium
  - ▶ Legislative answer to SEBB costs was to increase local levy authority
  - ▶ Need to counteract long term impacts of increasing SEBB costs on non-funded employees with long term plan for buffering with fund balance until next levy election
- ▶ Awaiting results of actual 19-20 enrollment
  - ▶ With current Kindergarten registration and total possible returning check-ins now only 40 student FTE short of enrollment projection
- ▶ Committed Balance Resolution and Budget adoption during August 22 meeting
  - ▶ Must be adopted by August 31

# Questions / Discussion