



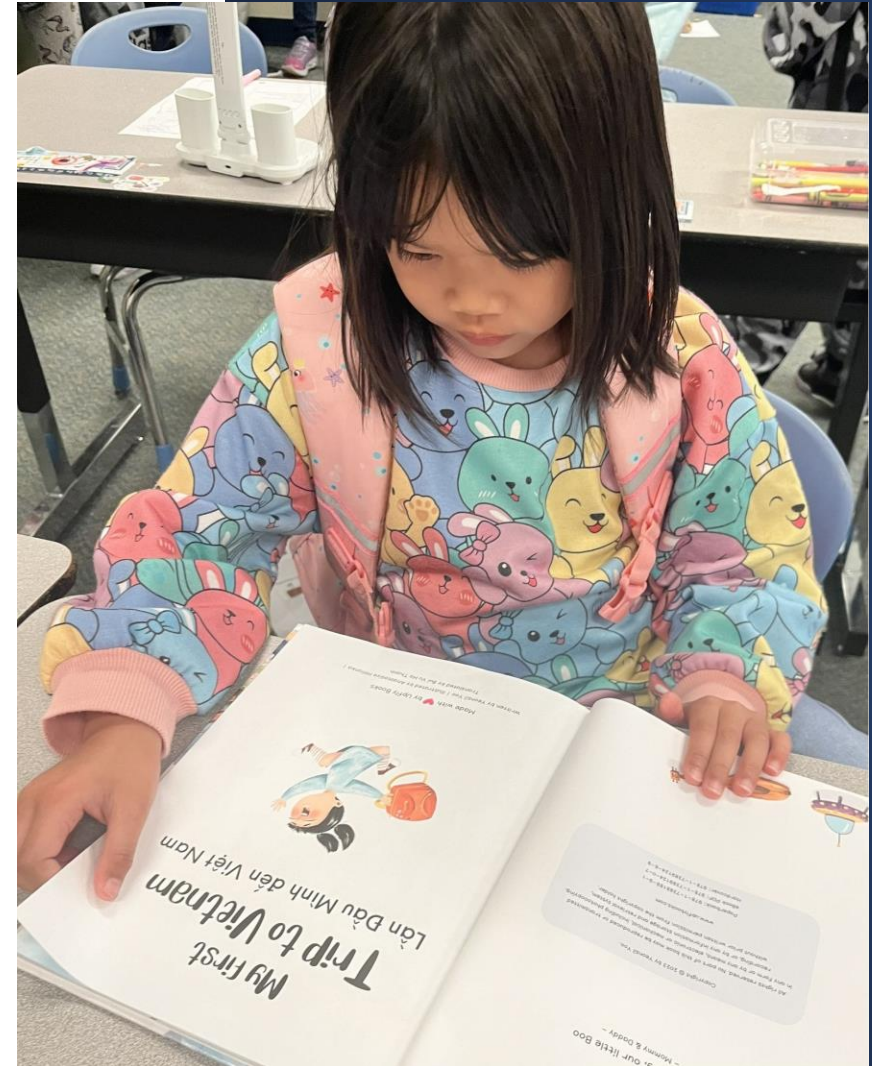
2025-26 Budget Planning

Board Study Session

January 8, 2025

Our General Fund Budget

- Budget year runs September 1 – August 31
- The General Fund is primarily comprised of:
 - Revenues from the State, local property taxes, and the federal government
 - Expenditures to fund our educational model, primarily staff, as well as supplies, curriculum, utilities, insurance, transportation, etc.
- The General Fund can provide relief to other funds (such as Capital or ASB) but cannot receive monies from other funds except in very limited circumstances
- The District's budget is a plan; it can and will change to respond to conditions and estimates will adjust accordingly
- The total budget allocations are presented to the board & public in a public hearing and the budget must be adopted not later than August 31



General Fund Budget, Continued



- Our Ending Fund Balance is one measure of our fiscal health, but our monthly cash flow is also critical
 - We must be able to meet our obligations and maintain a positive cash on hand
- There is no prescribed ending fund balance in statute
 - Board target is 7%
 - State has required districts in binding conditions to maintain 3% to exit binding conditions
- It is acceptable to spend fund balance as part of our budget strategy
 - It can only be spent one time and restoration is an extended effort unless new resources become available

Budget Cycle



Fall

Actual student enrollment
Staffing adjustments
State and federal updates
Year-End process
Early budget parameters



Winter

Governor's budgets ✓
House & Senate budgets
Enrollment projections ✓
Engagement in reduction process



Winter/Spring

Legislative session
Staffing
Refined budget targets
Continued work on recommendations for a balanced budget



Spring

Budget technical preparation
Reduced Educational Program, as needed
Incorporate defined adjustments
Incorporate legislative outcomes
Implement reductions where required



Spring/Summer

Budget assembly, review
Public & Board comment on preliminary budget document
Adoption & Implementation of adopted budget

Updates Since 2024 Budget Planning

- 2024 Legislative relief was primarily in Materials, Supplies, and Operating Costs
 - Still underfunded by 1.7m in budget
 - Insurance, energy, fuel, and supply costs continue to rise
- Implicit Price Deflator was higher due to high inflation
 - Provided relief for staff in salaries but is not fully funded
 - Will be at least 1.9% next year, likely higher
- 2024-25 Budget was approved with a deficit spending plan
 - Intentional use of fund balance to cushion the effects of budget challenges
- 2023-24 Ending Fund Balance was lower than projected
- November State Revenue news was not positive
- Governor Inslee's budget, released December 17, maintains current service levels but does not indicate progress forward

Budget Challenge



McCleary settlement funds provided significant infusion of funds in schools in 2018-19



Funding held steady in 2019-20 but then started to decline across time



Federal Pandemic Relief funds were distributed starting in 2020 and masked the structural budget problems many districts were confronting



The State had invested 52.4% of its budget to meet its paramount duty in 2018-19. That had declined to 43% by 2023-24



Enrollment declines have magnified the budget issue

Our Budget Challenges

- Prototypical School Model
 - Does not provide necessary supports for our students
- Competitive Wages
- Rising Costs
- Underfunding of Special Education
- Underfunding of Transportation
- Underfunding of Materials, Supplies and Operating Costs
 - Costs continue to escalate primarily around insurance, utilities, and cost of goods

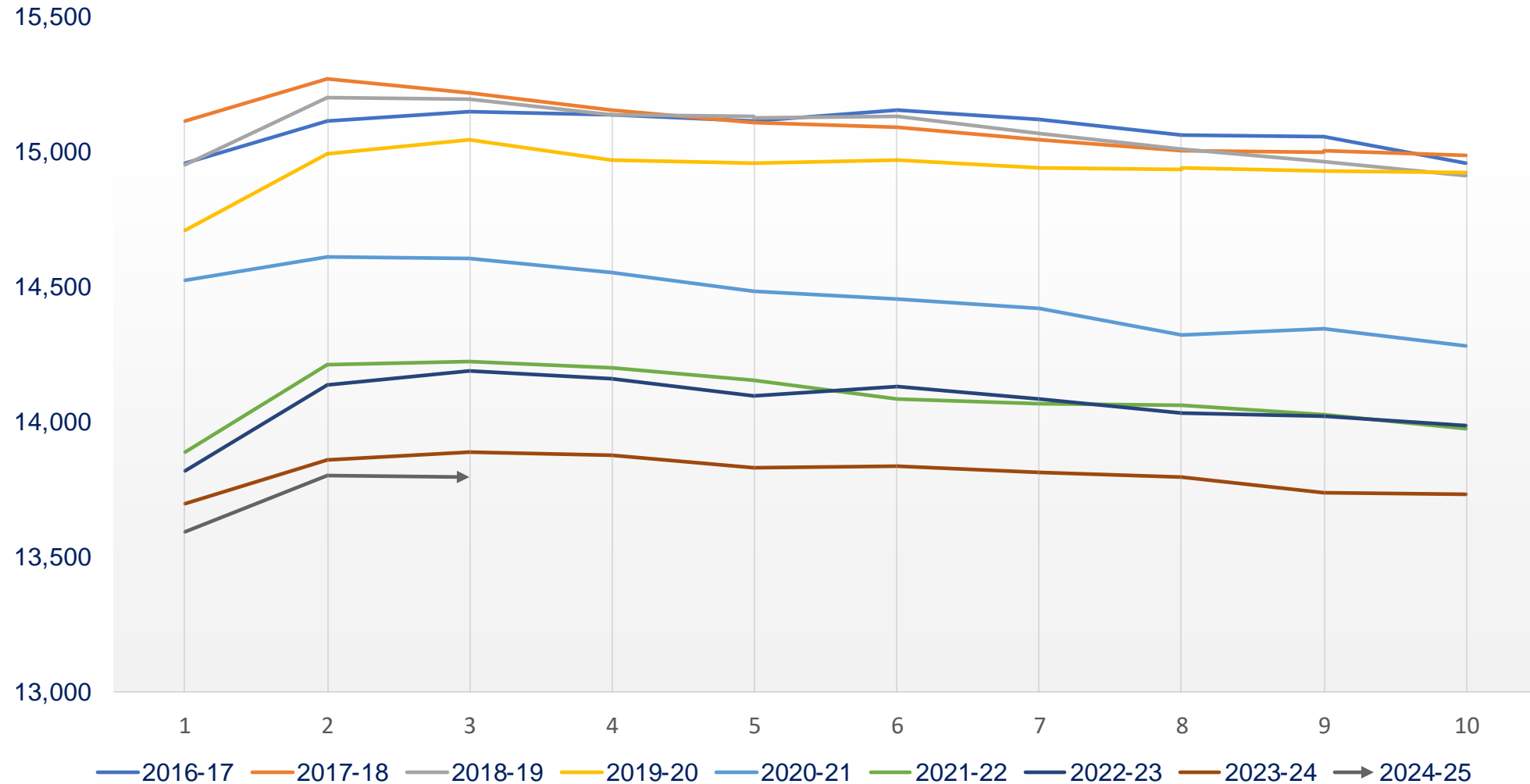


Enrollment



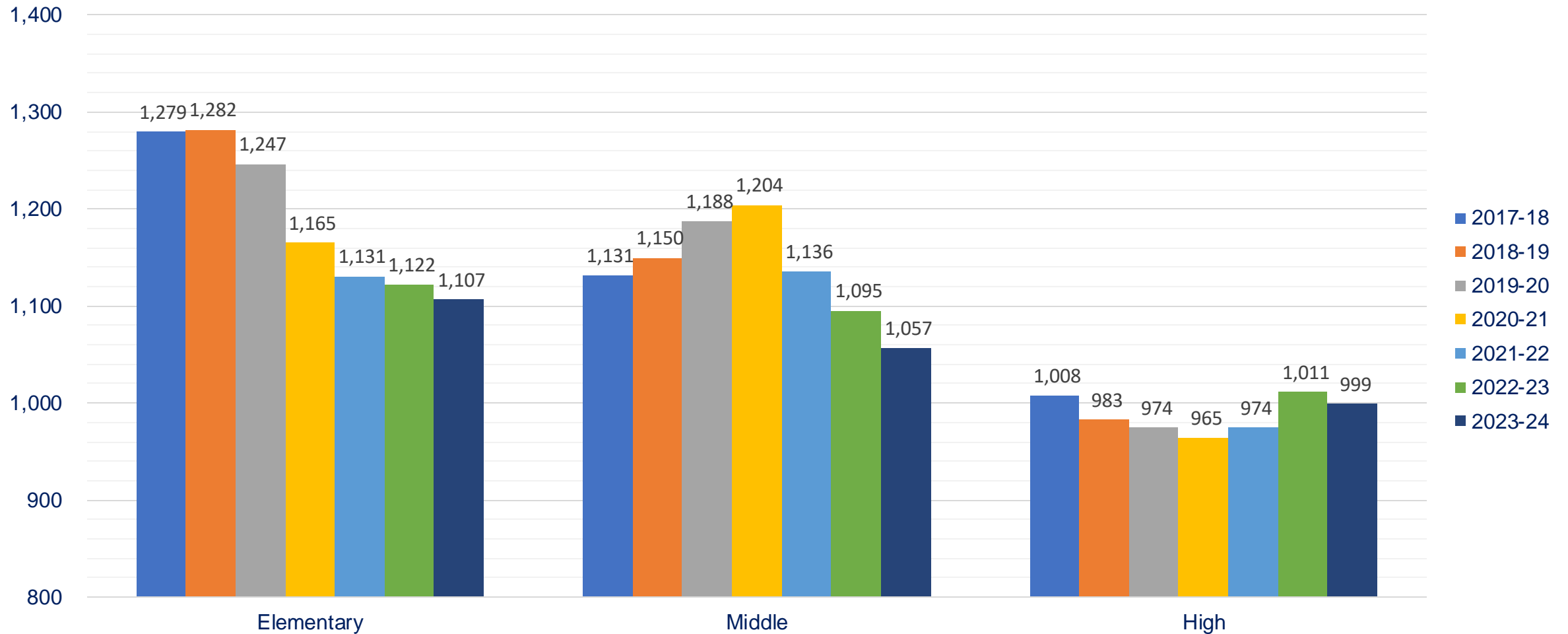
Historical Performance

Monthly Enrollment Over Time (W/O Ready K)

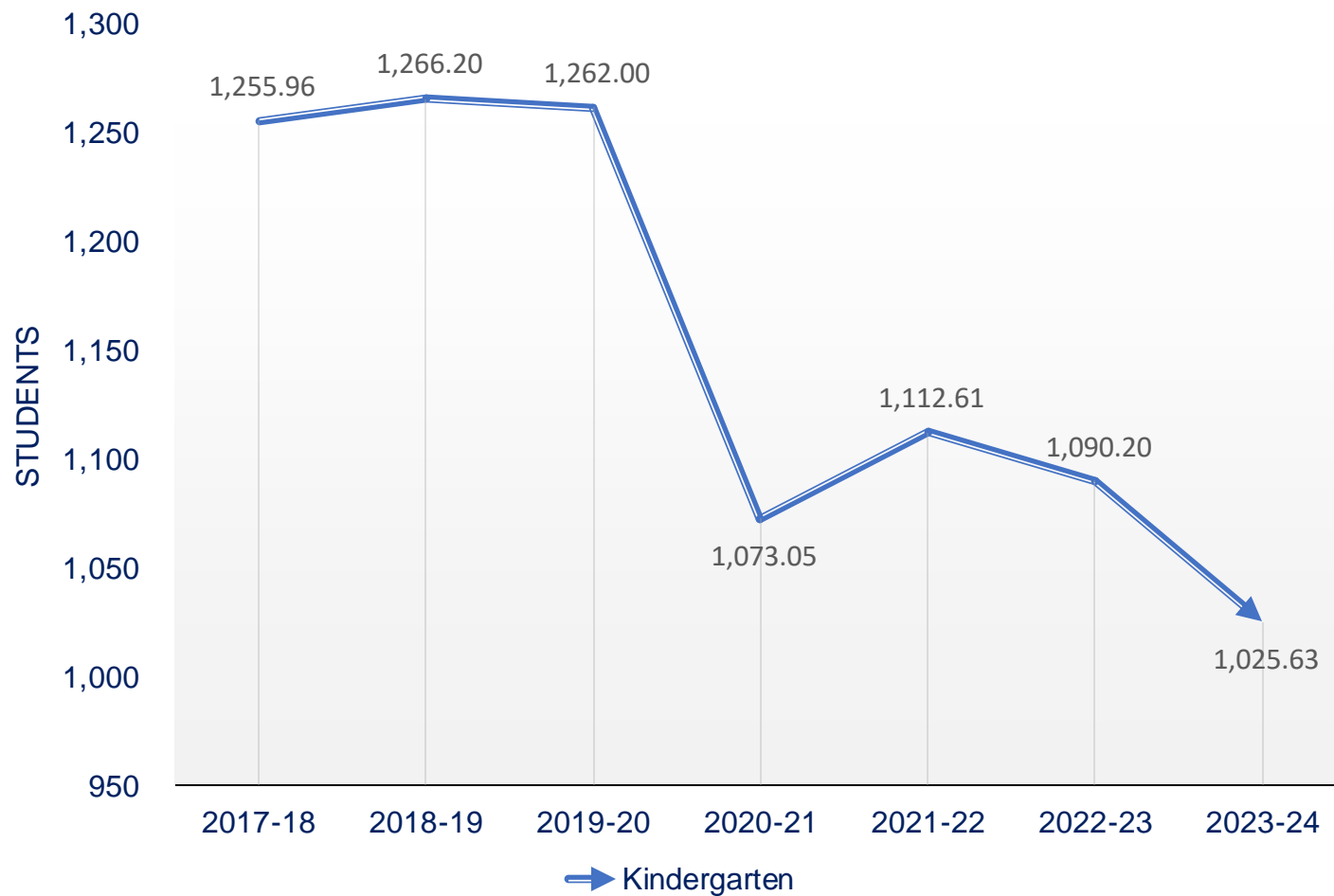


Historical Performance

Average Grade Level Students by Group/Year



Actual Kindergarten Cohort by Year

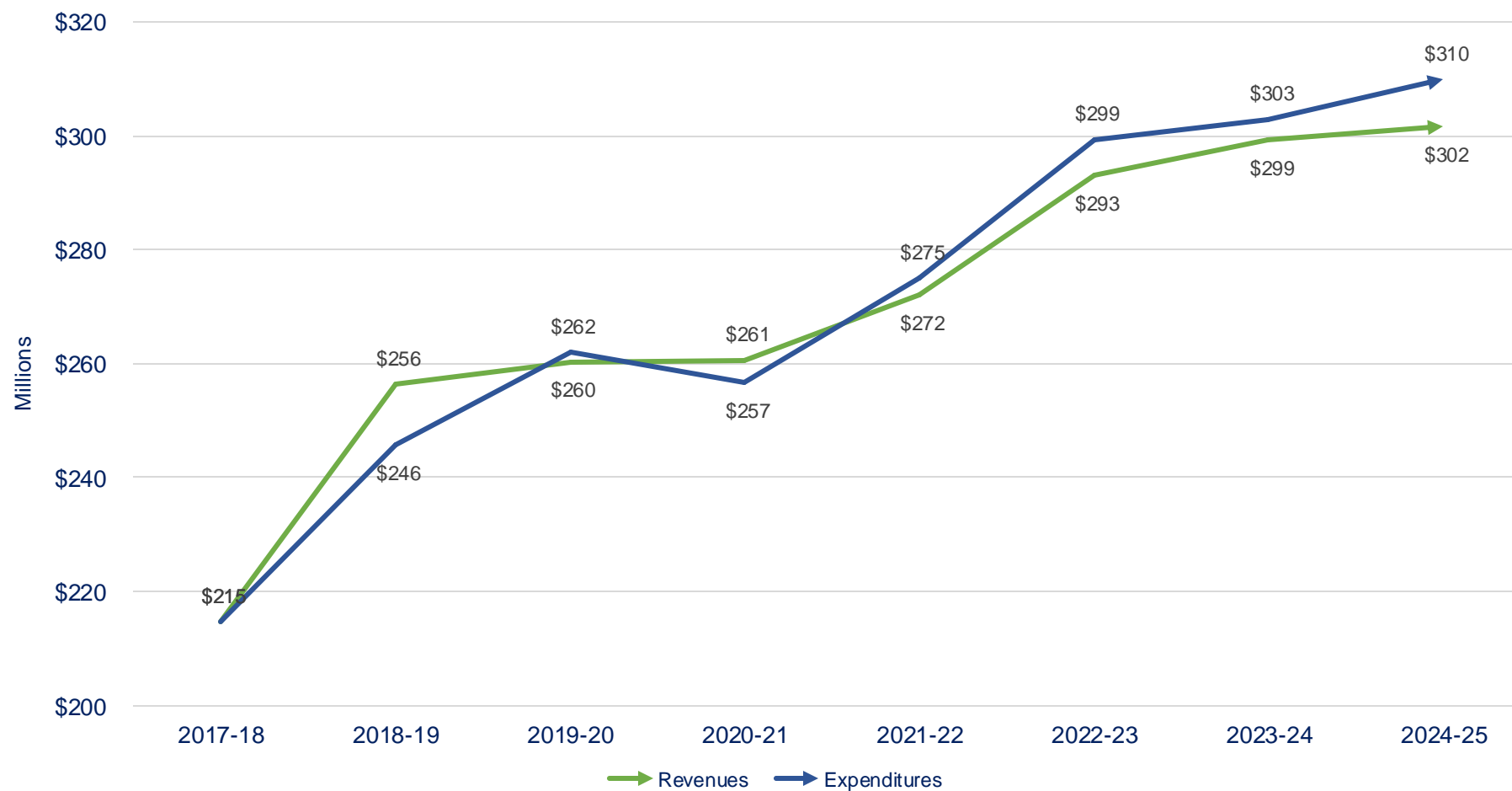




Revenue & Expenditure Performance

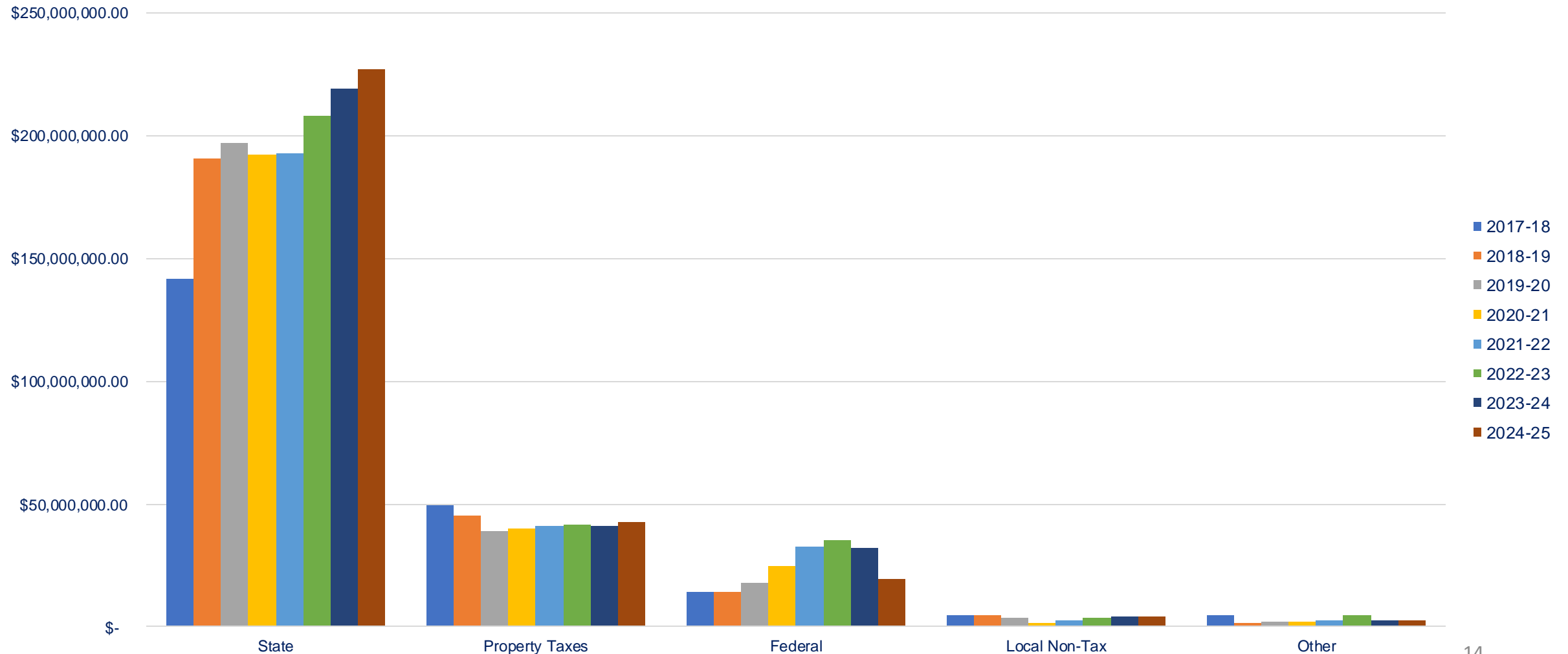
Historical Performance

Revenues vs. Expenditures



Historical Performance

Revenues by Major Source

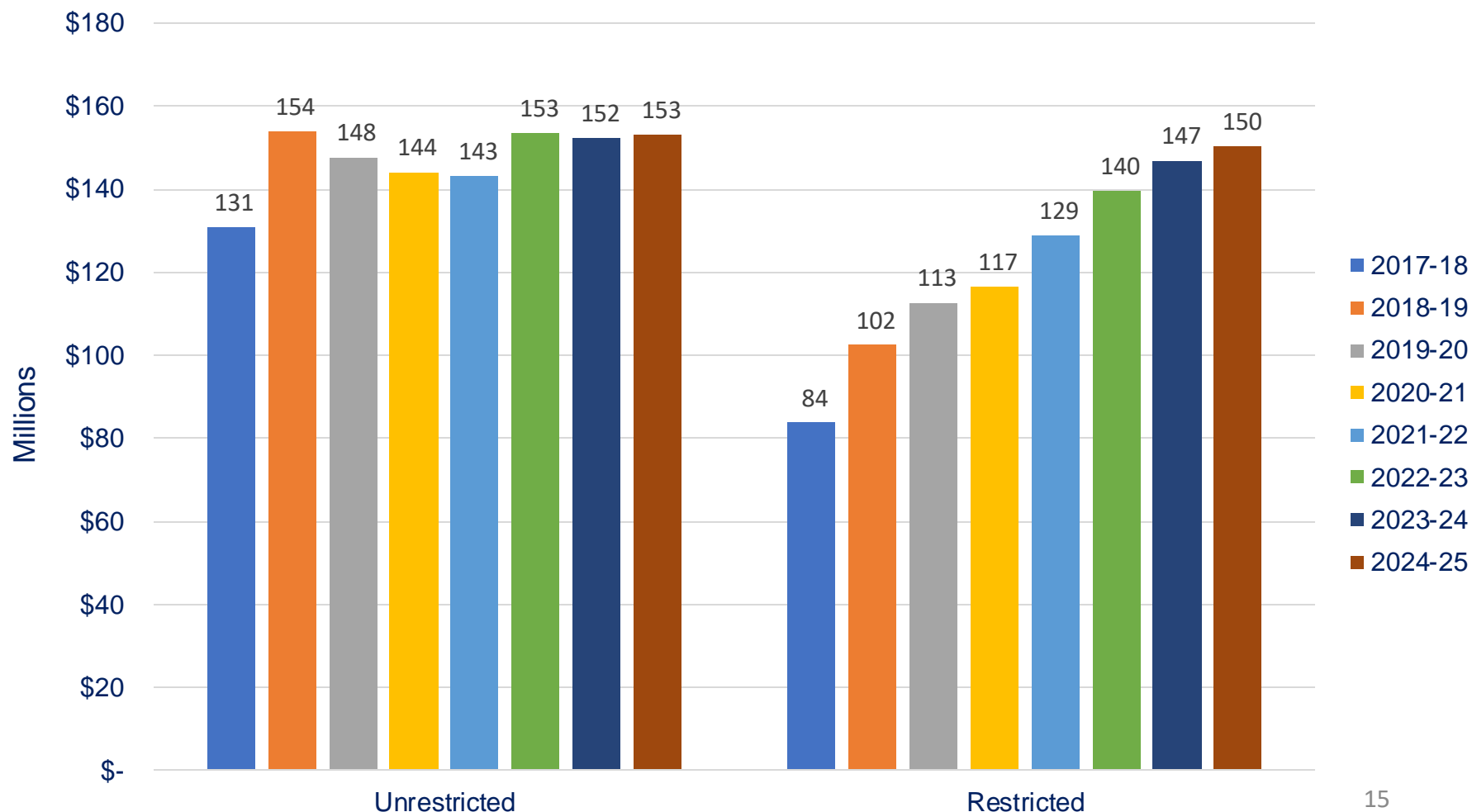


Historical Performance

Revenues – Unrestricted vs. Restricted

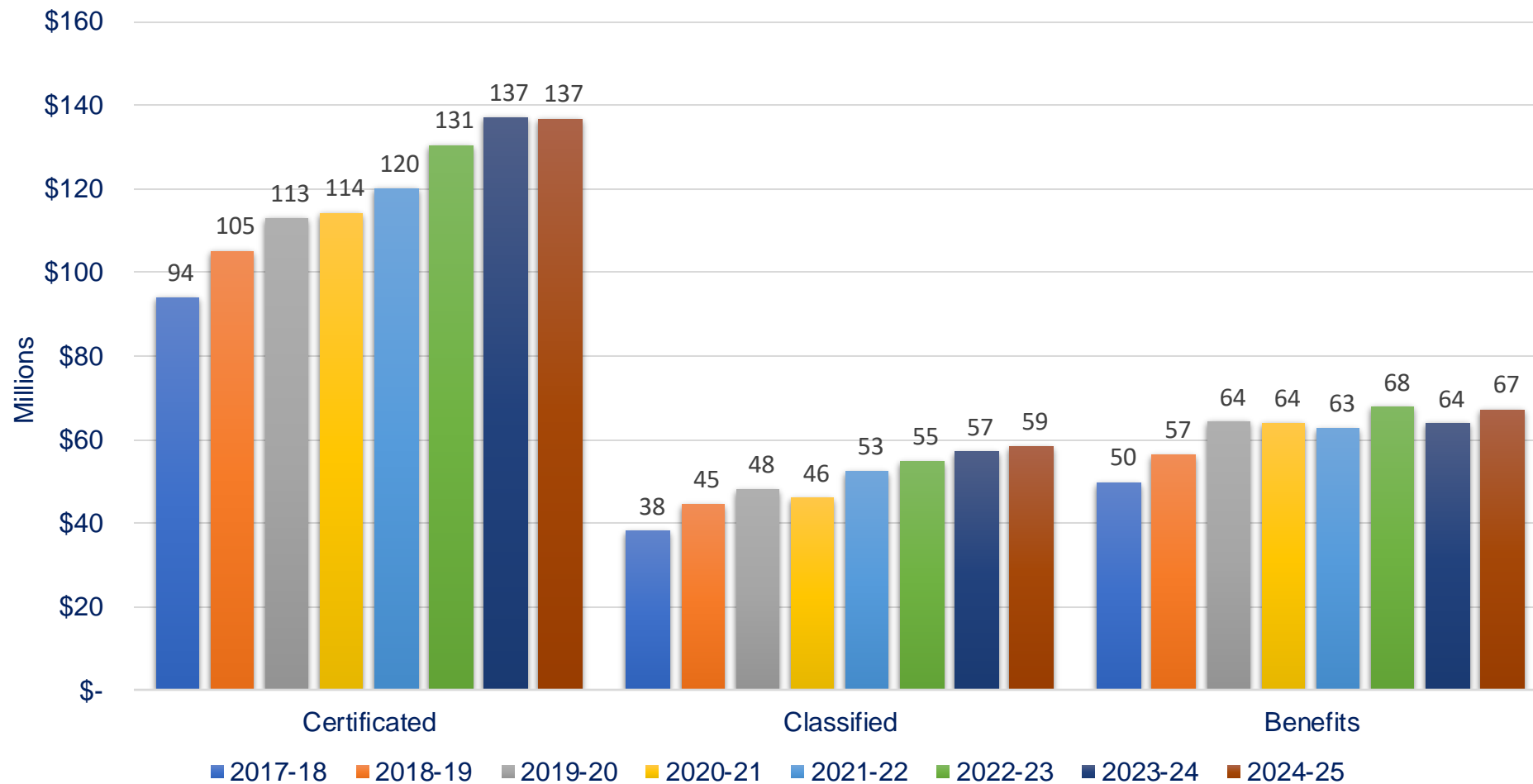
Revenue by classification since McCleary decision:

- Enrollment declines have kept unrestricted funds flat over the past eight years
- State, federal, and local restricted revenue enhancements have increased steadily over the same time

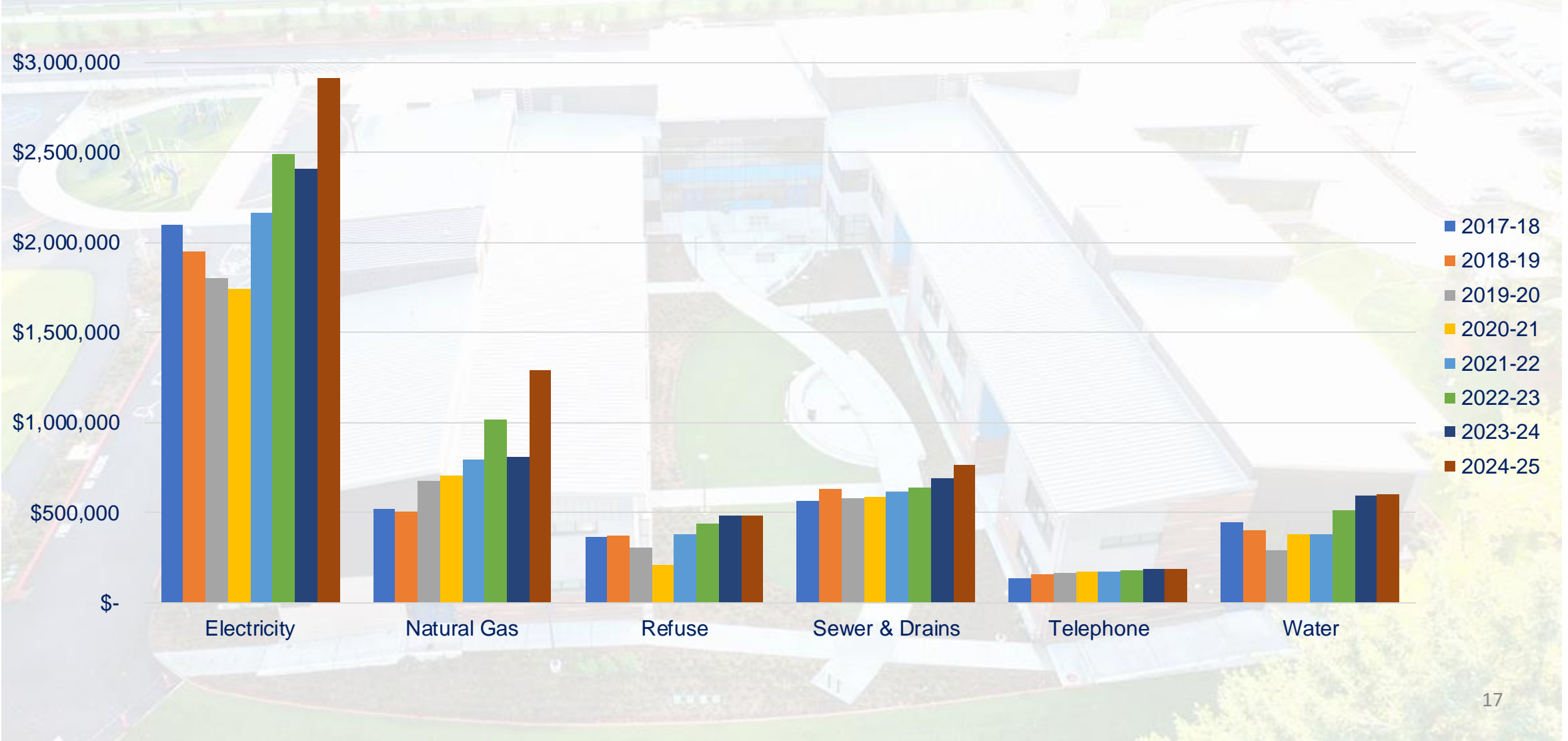


Historical Performance

Budget Spend for Staffing

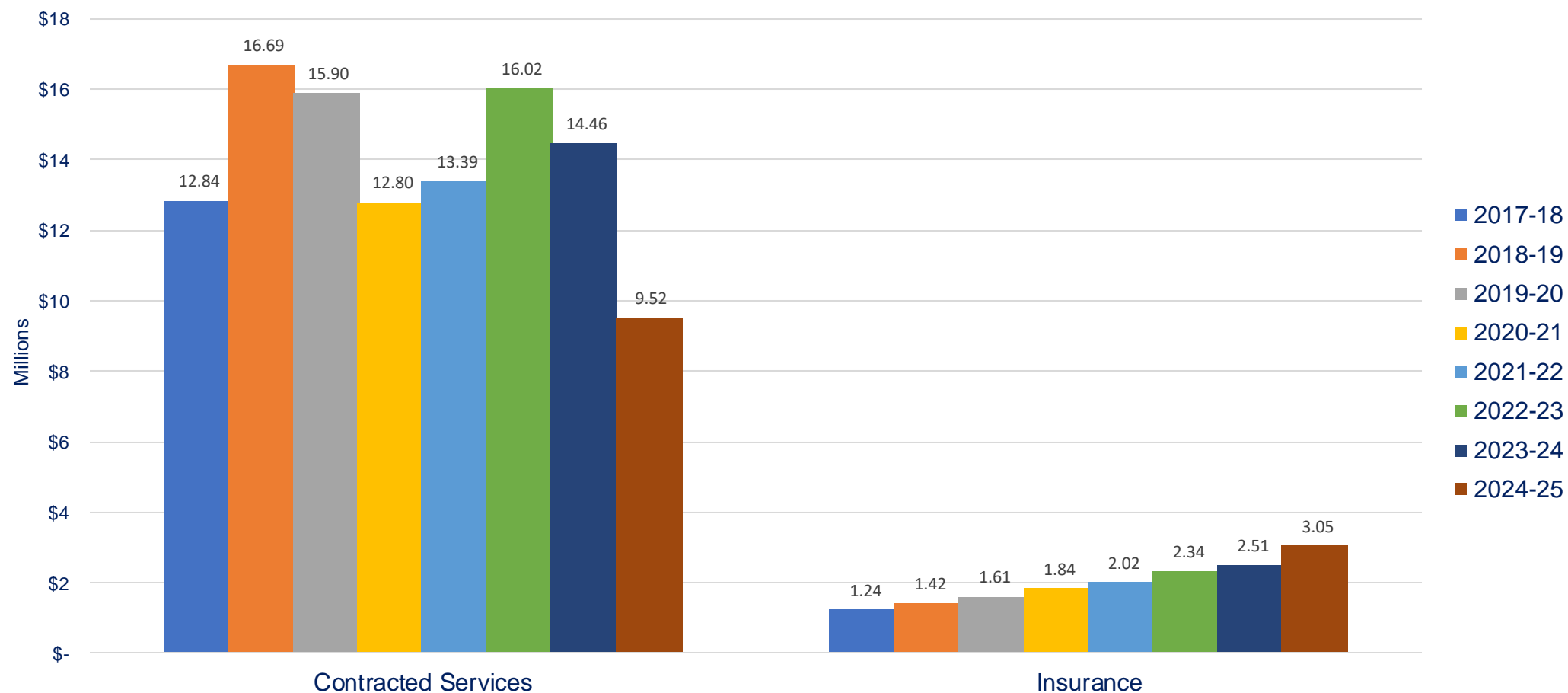


Historical Performance *Utilities*

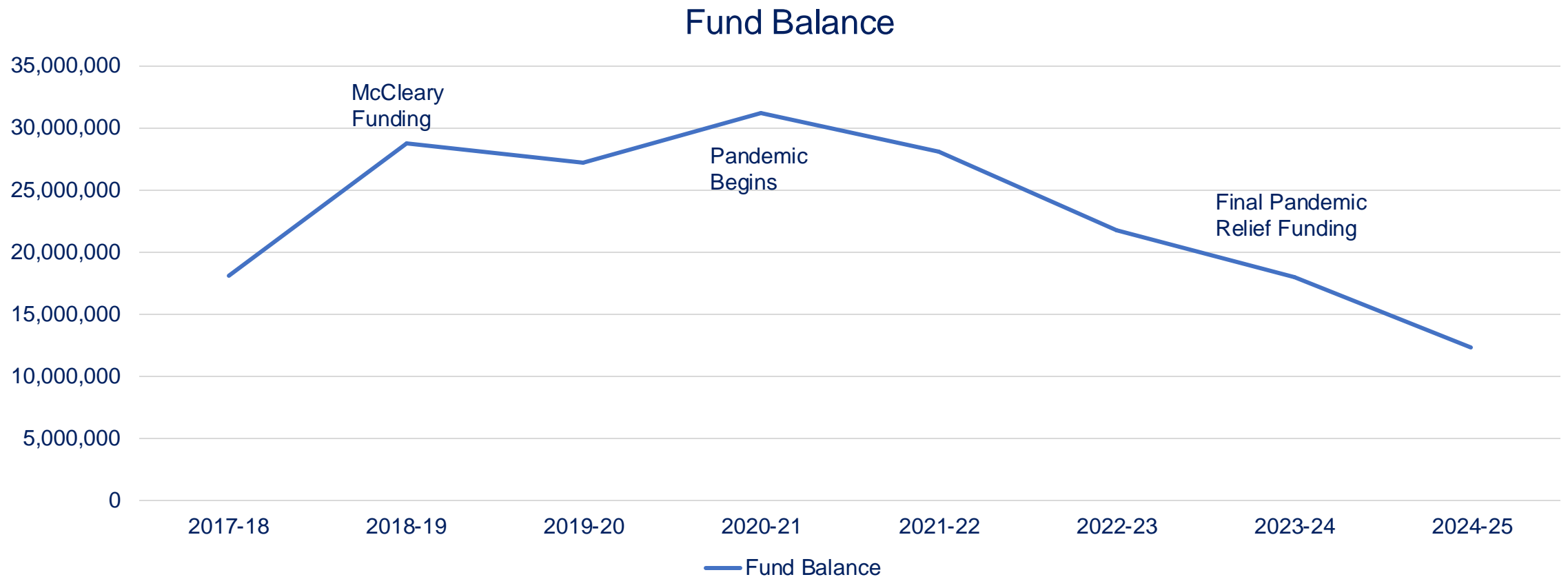


Historical Performance

Professional Services



Fund Balance Over Time



Budget Adjustments



How Have We Responded?

- Focus on Student Experience
- Attempted to make reductions as far away from the classroom as possible
- Worked with legislative representatives
- Saved for a rainy day, then invested rainy day funds to support our schools



Previous Budget Adjustments

- 2020-21
 - \$10.5M reduction – 4% of 19/20 budget expenditures
 - Equity Director/Budget
 - Reduction of Sped Cert/Classified
 - Custodial
 - Various MSOC reductions
- 2023-24
 - \$8.2M reduction – 3% of 22/23 budget expenditures
 - Numerous unfilled positions reduced
 - Sped clerical reductions
 - Transfer staff to grant funding or capital funding
 - Various MSOC reductions
- 2024-25
 - \$21M reduction – 7% of 23/24 budget expenditures
 - All remaining ESSER funded staff/initiatives reduced
 - Assistant Principals (Elem & Talley)
 - Chief of Schools, RA Manager
 - Elementary BIs
 - CIA staff
 - Human Resources & Business staff
 - Cert Staffing Adjustments (attrition)
 - Custodial
 - Various MSOC reductions

2025-26 Budget Planning

- Based on current year experience thus far, spending must slow and be below budget
- Enrollment projection for 2025-26 appears to indicate a decline of approximately 2%
- Due to fund balance now being low (at 4.08% unrestricted at year end) we will need to budget carefully and conservatively
- Reductions will continue until:
 - State funding model catches up
 - Enrollment increases
 - Our expenditure model is less than our revenue and the board directed end fund balance target is achieved

Fund Balance Projection Scenarios

Options	Fund Balance Without Adjustments	Adjustment Amounts to Meet Goals	Fund Balance After Adjustments	Unrestricted Fund Balance Percentage
1	\$ 740,000	\$ 25,077,000	\$ 25,817,000	7.00%
2	740,000	21,961,000	22,701,000	6.00%
3	740,000	18,844,000	19,584,000	5.00%
4	740,000	15,727,000	16,467,000	4.00%
5	740,000	12,610,000	13,350,000	3.00%
6	740,000	9,494,000	10,234,000	2.00%
7	740,000	6,377,000	7,117,000	1.00%
8	740,000	-	740,000	0.00%



Minimum to support
cash flow needs

Staff Recommendation

- Current financial position of the district and financial outlook suggests a \$15M budget adjustment to meet budget projections to maintain approximately 4% ending fund balance
- Reduce expenditures in the current year by limiting discretionary spending and strategically delaying or limiting new/replacement staffing
- Our early action to respond to this budget issue means we have limited performance data for the current year, so we will monitor and update as needed
- Additional reductions for restoring fund balance are recommended to be tempered over time



Board Discussion Target Setting

