Budget Planning

Financial planning for any fiscal year shall not deviate materially from the Board’s Ends policies, deviate from statutory requirements, risk fiscal jeopardy to the district, or fail to be derived from a multi-year plan.

**Interpretation:** I interpret this to mean that the district’s annual budget should be designed to reach the goals outlined by the board in policies E2, E3 and E4; that the budget should be developed, refined and disseminated in compliance with law; that annual expenditures, revenues and fund balance must combine to ensure ongoing fiscal stability for the district and that the budget development process consider the financial needs and obligations beyond one year.

**In compliance.** Evidence of compliance is provided below and in monitoring reports specific to the Board’s Ends Policies (E2, E3, E4), EL-1 (compliance with law) and in the formal budget presentations provided to the Board in July and August annually.

Accordingly, the Superintendent may not present to the Board a recommended budget which:

1. Is not consistent with the board’s established priorities;

   **Interpretation:** I interpret this to mean the district budget allocates sufficient expenditure capacity to accomplish the Board’s Ends policies and safeguard district assets.

   **In compliance.** The 2020-21 budget provides sufficient resources to operate the same programs as the past several years’ budgets, and continues to maintain support for all strategic student achievement initiatives directly linked to the Board’s Ends policies. In this way, the district’s budget reflects the Board’s established priorities.

   - As evidenced in previous years, there has been a significant cost to maintaining the district’s commitment to lower class size, staff professional development, and extended learning opportunities for students. The district has maintained its commitment to these initiatives, even though little additional funding was provided. During the 2019-20 school year, the State enacted compliance around K-3 class size and funding. The district hired additional K-3 staff to maximize its K-3 funding by meeting K-3 class size targets. The district has maintained these increased staffing levels going into the 2020-21 school year.

   - For the 2020-21 school year, the state will provide 3 days of professional development for BEA funded certificated staff. The district will provide these days to all certificated staff regardless of their funding source. In addition, substantial resources are allocated for professional development each year to ensure that staff receive high quality, ongoing training through workshops, professional learning community collaboration and curriculum work. This professional development work is well attended by UPSD staff.

   - The staffing ratio at CHS continues to support the Board’s commitment to a comprehensive student class schedule including a broad range of AP, Music, CTE, and World Language class offerings. Additional staffing is required to support generally lower enrollment in these classes. These and other efforts to expand opportunities for students to earn credits continues as students need additional options to meet more rigorous Core 24 requirements.

   - The district continues to support its rigorous schedule of curriculum and textbook adoptions. This initiative continues to be a high priority, and significant district resources are committed to the continued work in this area. Approximately $400K is budgeted annually, with increases occurring as needed when high cost curriculums are planned (e.g. Science). The district continues its dedication to curriculum development and the purchasing of required consumable materials (e.g.
workbooks) for English Language Arts and Mathematics at the primary and intermediate levels. This is an annual budget commitment of approximately $200K, and guarantees access to a rigorous guaranteed and viable curriculum to all students.

- The district continues to invest in its ability to conduct formative and summative assessments and track student test scores. In recent years, resources have been added (both personnel and technology) to enhance the quality of the district’s assessment system. The district will continue this process in the 2020-21 school year.

- Substantial funds have been committed to support online learning systems that have been necessary during the Covid19 pandemic. These funds have been used to purchase technology and pay for professional development that builds capacity for us to pursue the Board’s goals in a remote learning environment. Computer cameras, Chromebooks and hotspots are examples of the kinds of equipment needed by teachers and students to operate a quality remote learning system.

2. Is not in a comprehensive summary format understandable to the Board and community;

**Interpretation:** I interpret this to mean presenting the budget in a manner that is easily understood and requires a format that goes beyond the legally required OSPI F-195 and F-195F budget documents to achieve better clarity and accessibility for the Board, the staff and the public.

**In compliance.** We use multiple presentation ‘lenses’ to reflect revenues and expenditures of the district, including summary ‘lenses’ at a district and fund level, and detailed ‘lenses’ at the program, activity, and object level. We provide a user-friendly budget presentation to the board with charts for a visual comparison as well as financial matrices that reflect funding sources and uses together, indicating when local funds are needed to subsidize district program initiatives. We use non-technical language and visuals when possible to inform the Board on significant areas of concern or change. In recent years these have included changes to local levy funding in calendar year 2020 and the implementation of the statewide schools benefit system under the School Employees Benefits Board (SEBB). For 2020-21 this information included various fiscal risks associated with COVID-19 and operating schools in an on-line / remote learning environment (e.g. food service revenues, transportation revenues, and enrollment).

We remain responsive to requests to deconstruct complex budget information in different ways to improve transparency, enable better understanding of the District’s finances, and to support the Board in carrying out its fiscal oversight abilities.

3. Fails to adequately describe major budget initiatives and funding sources;

**Interpretation:** We interpret this to mean presenting the budget with sufficient detail for the Board to understand the individual programs offered and the related funding sources.

**In compliance.** The user-friendly budget includes spreadsheets that list every major program within the district. The spreadsheets also include a budget analysis that reflect funding sources and uses together, indicating when local funds subsidize those programs.

For the 2020-21 school year, due to the scope and potential impact of COVID-19 and operating school in an on-line / remote learning environment, the annual budget presentation included a focus on risks to program-specific funding for the 2020-21 school year and in future years.

This budget document is available on our district website (https://www.upsd83.org/departments/business_services/budget).
4. Fails to compare, for each major fund type and activity, the amount of actual expenditures for the most recently closed fiscal year, budgeted expenditures for the current fiscal year, and proposed budget expenditures for the next fiscal year.

**Interpretation:** I interpret this to mean the budget must include comparative data for actual expenditures of the previous year, the budget of the current year, and the proposed budget for next year.

**In compliance.** The official OSPI F-195 budget document shows a “three column” budget-to-budget and budget-to-actual comparison. This document includes information for all funds, and is shared electronically at the budget presentation. For the 2020-21 budget, the F-195 includes 2018-19 actual expenditures, 2019-20 adopted budget, and the 2020-21 proposed budget. The F-195F is a recent state requirement that began in the 2018-19 school year. For 2020-21 this document includes projected enrollment, revenues, expenditures, and fund balance for the 2020-21, 2021-22, 2022-23, and 2023-24 school years. This document shows the fiscal outlook for the district if our ‘worst-case’ scenario continues for several years without any mitigating actions by the district.

The OSPI required budget documents are available on the district website (https://www.upsd83.org/departments/business_services/budget).

5. Fails to disclose major budget development assumptions, including anticipated changes in state funding;

**Interpretation:** I interpret this to mean that formal budget presentations and informal communications concerning fiscal matters will include information about assumptions used to develop the budget.

**In compliance.** Each year the legislative budget session is carefully tracked, and ‘worst-case’ budget scenarios are constructed by taking the lowest revenue forecast available. Information about impacts to key budget assumptions (e.g. enrollment, salary increase costs, local tax income, local effort assistance funding, staffing levels, etc.) is presented to the Board throughout the year as information is known, and the final assumptions are accurately and fully reflected in budget presentations and in all budget documents.

For 2020-21, the Board was specifically updated on risk related to COVID-19 and the district starting the year in an on-line / remote learning environment. These risks included uncertainty towards future state funding as the state looks to balance its $8 billion shortfall, a reduction in our transportation funding due to a lack of student ridership while operating an on-line / remote learning environment and its impact on the legislative funding formula, risks to local funding related to goods for services (e.g. meals served, driver’s education, before/after school activities, athletics, etc.), and risks to our typically stable enrollment as families evaluate their children’s participation in on-line / remote learning opportunities.

6. Plans for the expenditure in any fiscal year of more funds than are conservatively projected to be received or appropriated during the year unless otherwise approved by the Board in a multi-year projection;

**Interpretation:** I interpret this to mean that when budgeted expenditures are greater than budgeted revenues, resulting in a budgeted use of fund balance, the Board must be adequately informed of the impact on this year as well as future years.

**In compliance.** Total revenue to total expenditure comparisons (and beginning and ending fund balances) are highlighted in all budget presentations and documents for the current year and future years, and for all funds. Use of fund balance is always reflected in budget documents and explicitly explained to the Board during budget presentations. If circumstances or the amount of fund balance
use changes during the year, the Board is updated with the new information. The district budgeted for the use of $2M in fund balance of the general fund for the 2020-21 school year. The actual use of this fund balance will be greatly impacted by the ongoing COVID-19 pandemic. This amount of fund balance use is within expectations, and sufficient fund balance exists in the general fund so as not to negatively impact our educational programming during the year. This use of fund balance continues into future years assuming 1) this ‘worst-case’ scenario becomes actual activity for current and future years, and 2) the district does not take any mitigating measures if necessary.

It should also be noted that fund balance was intentionally increased in recent years in preparation of the McCleary decision and subsequent legislative changes. While those decisions have mostly settled, due to the COVID-19 pandemic the state’s economic outlook has worsened significantly. Therefore, it is especially prudent for the district to continue to carry a healthy level of fund balance in future years to ensure it has sufficient resources to respond to changing conditions. Having that healthy level of fund balance has allowed the district to deliberately respond to the COVID-19 pandemic, by keeping staffing levels in core areas consistent with prior years, purchasing necessary personal protective equipment, and purchasing technology equipment necessary to transition to an on-line / remote learning environment.

The complete details of our revenues, expenditures, and fund balance for 2020-21 through 2023-24 are available in the budget presentation, F-195, and F-195F budget documents on the district website (https://www.upsd83.org/departments/business_services/budget).

7. Plans for the reduction, without approval of the Board, of the unassigned general fund balance for any fiscal year to less than 5.0 percent of total expenditures;

**Interpretation:** I interpret this to mean the district must maintain an unassigned fund balance of at least 5% of budgeted expenditures.

**In compliance.** For the 2020-21 school year, the ending unassigned fund balance is projected to be greater than 5% of the budgeted expenditures for the 2020-21 school year. In addition to the above requirement, District Policy 6022 requires at least an additional 2% be included in committed fund balance for economic stabilization based on actual expenditures from the most recently completed fiscal year; 2018-19. The 2020-21 budget plans for ending unassigned and committed fund balance to remain above both requirements.

8. Fails to provide adequate and reasonable budget support for Board development and other governance priorities, including the costs of fiscal audits, Board and committee meetings, Board memberships and district legal fees;

**Interpretation:** I interpret this to mean the budget must include sufficient funds to manage the governance activities of the district which includes board memberships, training, and administrative requirements like audits and legal fees.

**In compliance.** Ample budget allocations exist for all board support activities, including training (e.g. policy governance), memberships (e.g. WSSDA and NSBA), and travel. Additional budget is allocated for items such as audits, legal fees, and elections, as necessary. Board members have the obligation, via the President of the Board, to advise the Superintendent in a timely manner if plans for future Board development would involve expenditures in any given year that exceed the ‘usual’ budget for these activities.

9. Fails to take into consideration fiscal soundness in future years or ignores the building of organizational capabilities sufficient to achieve *Ends* in future years;
Interpretation: I interpret this to mean the budget must provide for financial sustainability over time, allowing the district to maintain programs and initiatives to accomplish the Board’s Ends policies.

In compliance. Beginning with the 2018-19 school year, the State required all districts to complete a four-year enrollment and budget projection. We utilized the same methods to create our four-year projection as we historically have with our one-year budget. These include a conservative approach to enrollment and revenue growth, and a detailed and accurate projection of expenditure growth (i.e. a ‘worst-case’ scenario).

Our projections indicate that the district will continue to spend down its fund balance if our ‘worst-case’ scenario becomes actual activity for future years, and that the district does not take any mitigating measures to reduce the rate of fund balance spend down. However our healthy fund balance allows us to carefully analyze and adjust spending over time instead of reacting to circumstances or ‘worst-case’ scenarios, as well as incorporate changes and new information around revenues and expenditures into budget plans for future years to ensure ongoing fiscal stability.

Note: Although multi-year budgets are difficult to project, we make every effort to be as accurate as possible. Future staffing targets, major program changes, negotiated changes, and other factors are included to the best of our knowledge. It is important to note that the further away the projection, the less reliable the information is. It will remain imperative that we watch current trends, funding, costs, etc. to ensure the financial stability of the district.

10. Fails to reflect anticipated changes in employee compensation including inflationary adjustments, step increases, and benefits.

Interpretation: I interpret this to mean the budget must include all known or anticipated changes in employee compensation and benefits.

In compliance. This is accomplished through our personnel software using a ‘roll-up’ method. We move all employees forward on step increases based on their union contract parameters. On the predictive side, negotiations with employee groups are grounded in the full understanding of budget impacts of any negotiated increases. State legislative salary and benefit impacts are closely tracked, and ‘worst-case’ scenarios are used for budget projections.

For 2020-21, our ‘worst-case’ scenario includes all known costs required, and our best projection of anticipated costs impacted, by the legislature, local negotiations, and as a result of the COVID-19 pandemic. We continually monitor the legislature to ensure that any new information is incorporated in a timely manner.

Adopted: June 12, 2019
Monitoring Method: Internal Report
Monitoring Frequency: Annually in September