

Budget Planning

EL-5

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 2022-23 budget provides sufficient resources to operate the core programs necessary to meet board goals, 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.

- Significant funding is directed 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. K-3 class sizes remain small enough to ensure eligibility for state class size reduction funding and these increased staffing levels will continue into the 2022-23 school year.
- State funding for the equivalent of 3 days of professional development for BEA funded certificated staff is supplemented by the district to ensure all certificated staff receive training 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 (PLC) collaboration and curriculum work. This professional development work is well attended by UPSD staff. Last year's professional development funds helped to support extensive training on multiple topics including equity, building background knowledge, special education and content-specific training. The 2022-23 budget continues to fund these and other priorities as they evolve across the district.
- 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.
- The district continues to support a rigorous schedule of curriculum and textbook adoptions. The curriculum adoption pace will be increased in response to delays in field testing and adoption processes caused by COVID-19 during the 2019-20 through 2021-22 school years, the need to supplement and adapt curriculum as part of the district's ongoing commitment to the race and equity initiatives, increased intervention curricular need and state required program changes in

various areas. 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 for all students.
- The district continues to invest in valuable formative and summative assessments. In recent years, resources have been added (both personnel and technology) to enhance the quality of the district's assessment system. Assessments were impacted during the COVID-19 years. We plan to revamp our stable of typical assessments in 2022-23 to better identify and support students in academic need and to comply with increasing state programmatic requirements. Resources are in place in our budget to ensure this can be done effectively.
- For 2022-23, substantial funds have been committed from our remaining ESSER allocations. The District was awarded about \$9M in federal funding to be spent between the 2019-20 and 2022-23 school years. The District has budgeted \$2M of these funds to be used during 2022-23 for the following purposes: additional counseling support at both intermediate schools (additional 0.4 FTE), Curtis Junior High (additional 1.0 FTE) and Curtis High School (additional 1.0 FTE) graduation support. The most significant investment of federal money is aimed at academic ends and learning recovery with the addition of academic intervention teachers in grades K-12 (10 FTE) and other supports.

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

Interpretation: *I interpret this to mean that the budget is presented in a manner that is easy to understand and in 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. The budget is available on the District website throughout the year and is shared publicly with the board and community at meetings in July (preliminary budget presentation) and August (final budget presentation) annually. Multiple presentation 'lenses' are used to explain the revenues and expenditures of the district. These 'lenses' include district and fund level summaries, as well as more detailed program, activity, and object level summaries. A user-friendly budget presentation is given to the board that includes both mathematical and visual representations of technical information and graphs/charts are used whenever possible to help the public and community understand the district's budget.

Changes to the budget, to district finances and/or to the budgeting process are highlighted and explained in these presentations and throughout the year, as needed. In recent years changes have included limits to local levy authority and the use of levy funding, the implementation of a new statewide schools benefit system, fiscal impacts of the COVID-19 pandemic, and the use of one-time federal relief funding.

For 2021-22, the board was also provided with information related to a combination of budget pressures and challenges including the continued decline in projected enrollment, unexpected increases in costs due to inflation, increasing labor costs, the phase-out of ESSER funds, the reduction of Local Effort Assistance brought on by property value increases, and the associated impact to district resources and fund balance due to these factors. Most importantly, the potential impact of these changes has been explained including the possibility that a large portion of the District's economic stabilization fund may be needed during the 2022-23 school year.

District staff are available to answer questions from the Board and/or community members concerning the district's budget or to explain 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, including risks to those initiatives and sources;

Interpretation: *I interpret this to mean that budget presentations must provide sufficient detail for the Board to understand the costs associated with key district programs, the funding sources in place to support these programs, and, as appropriate, potential risks to these costs and/or funding sources.*

In compliance. Budget information shared with the Board includes spreadsheets that list every major program within the district. The spreadsheets also include a budget analysis that reflects funding sources and uses together, indicating when local funds subsidize programs.

For the 2022-23 school year, due a continued decline in projected enrollment, the unexpected increase in costs due to inflation, the phase-out of ESSER funds, and the associated impact to district resources, fund balance, and potential use of a large portion of the District's economic stabilization fund during the 2022-23 school year, the annual budget presentation included a focus on overall fiscal stability to the District and potential impacts to staffing in future years. The presentation also included information about risks to program-specific funding and operations (e.g. food service) due to changes in law.

Attention is also given to legislative action requiring budget changes or posing challenges or risks to the district's finances. One example of this is House Bill 1660 (HB 1660) and its requirement that the district waive extracurricular fees for students who qualify for free or reduced priced meals. While not necessarily a district initiative, it is a new requirement with budget implications that have the potential to impact the Associated Students Body (ASB) fund. While the actual impacts of this bill are unknown, risks were shared with the board and public related to this new requirement. The most significant action taken by the legislature in the last session was related to the implementation of a "catch-up" factor in the annual calculation of IPD (the number used to identify annual revenue increases for funded positions). This decision by the legislature more than doubled the anticipated amount and significantly increased labor costs for all positions in the district.

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 that the budget must include comparative data for expenditures from the prior year, current year and those proposed in the upcoming 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 2022-23 budget, the F-195 includes 2020-21 actual expenditures, 2021-22 adopted budget, and the 2022-23 proposed budget. The F-195F is a recent state requirement that began in the 2018-19 school year. For 2022-23 this document includes projected enrollment, revenues, expenditures, and fund balance for the 2022-23, 2023-24, 2024-25, and 2025-26 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 new challenges and 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. Those assumptions will include potential changes and/or risks specifically related to state funding sources such as funding for basic education, local effort assistance and others.*

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 2022-23, the Board was specifically updated on risks related to the expiration of federal funding (e.g. ESSER), projected enrollment, loss of Local Effort Assistance funding, inflation, and the District’s potential use of the economic stabilization fund. Risks from prior years that continue to be monitored include uncertainty of specific program revenues (food service, transportation, and athletics), increased federal funding (CARES / ESSER / ARP), and risks to our enrollment as families evaluate their children’s participation in on-line or in-person 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 any planned use of fund balance must be approved by the Board.*

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. The district’s intention to use fund balance in the coming year is communicated to the board prior to formal adoption of the budget. The Board gives approval of such plans when passing the annual budget resolution in August. 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 \$1.8M in fund balance of the general fund for the 2022-23 school year and the board approved this through Resolution No. 847-08-10-22 on August 10, 2022. This amount of fund balance use is within expectations and our ‘worst-case’ scenario, and sufficient fund balance exists in the general fund so as not to negatively impact our educational programming during the year. This level of fund balance use, if realized, would result in the District utilizing a large portion of its Economic Stabilization Account.

The budgeted use of fund balance helps to ensure the district has sufficient resources to respond to changing conditions throughout the year. This was especially prudent during 2019-20, 2020-21, and 2021-22 as the district deliberately responded 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 2022-23 through 2025-26 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 2022-23 school year, the ending unassigned fund balance is projected to be greater than 5% of the budgeted expenditures for the 2022-23 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; 2020-21. The 2022-23 budget plans for ending unassigned fund balance to remain above the 5% requirement, but for ending committed fund balance to fall below the 2% requirement. The District will confirm and adjust the amount set-aside for economic stabilization once we complete our fiscal year-end procedures for 2022-23.

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. The State requires all districts to complete a four-year enrollment and budget projection. We utilize 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 informed 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 if the district does not take any mitigating measures to reduce the rate of fund balance spend down. However, our 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.

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. This was especially noteworthy during the 2021-22 and 2022-23 presentations, as the District has received substantial federal revenues that we anticipate will be fully expended by 2022-23. When developing plans to use this “one-time” federal funding, we also developed staffing adjustment plans for future years to reduce staffing by attrition as funding is no longer available. For example, the addition of multiple intervention teachers to address learning recovery is not financially sustainable after federal funds are exhausted. These teachers can be moved- as needed- into open positions created by retirements and resignations in future years.

It is also 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. The district calculates future labor costs 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 2022-23, our ‘worst-case’ scenario includes all known costs required, and our best projection of anticipated costs impacted by the legislature. Costs associated with local negotiations are included to the best of our knowledge. The District negotiated with two (2) of our local unions, University Place Education Association (UPEA) and University Place Principals’ Association (UPPA), this summer. Both negotiations were fully settled before budget adoption. Our other two unions, University Place Classified Association (UPCA) and University Place Office Professionals (UPOP) were still operating under a negotiated agreement from the summer of 2021.

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