

The Perfect Storm

February 6, 2023



Mukilteo
School District

Land Acknowledgement

We gather on the ancestral homelands of the Coast Salish Peoples, who have lived in the Salish Sea basin since time immemorial. We respect this place and honor the sacred spiritual connection to the land, water, and its people, past, present, and future ...



Mukilteo School District

Introductions

- **Dr. Alison Brynelson**, Superintendent
- **Patty Dowd**, Asst. Superintendent of Business, HR and Technology
- **Diane Bradford**, Director of Communications and Public Relations
- **Jon Poolman**, Director of Business Services



Purpose

Awareness of Mukilteo School District's financial position

- Introduction to school budget 101
 - Accounts
 - Revenues
 - Expenditures
- Current financial challenge
 - The Perfect Storm
 - Next steps



Budget 101 - district accounts

The district has five separate accounts called “funds”

- **General Fund (GF):** the fund used to run district operations
- **Capital Projects (CPF):** building additions and replacements, major building renovations, capital levy technology implementations
- **Associated Student Body (ASB):** revenues and expenditures for optional noncredit extracurricular activities run and led by students
- **Debt Service (DSF):** only used to pay for long-term debt associated with authorized bonds (2014/2020)
- **Transportation Vehicle (TVF):** purchase of yellow school buses

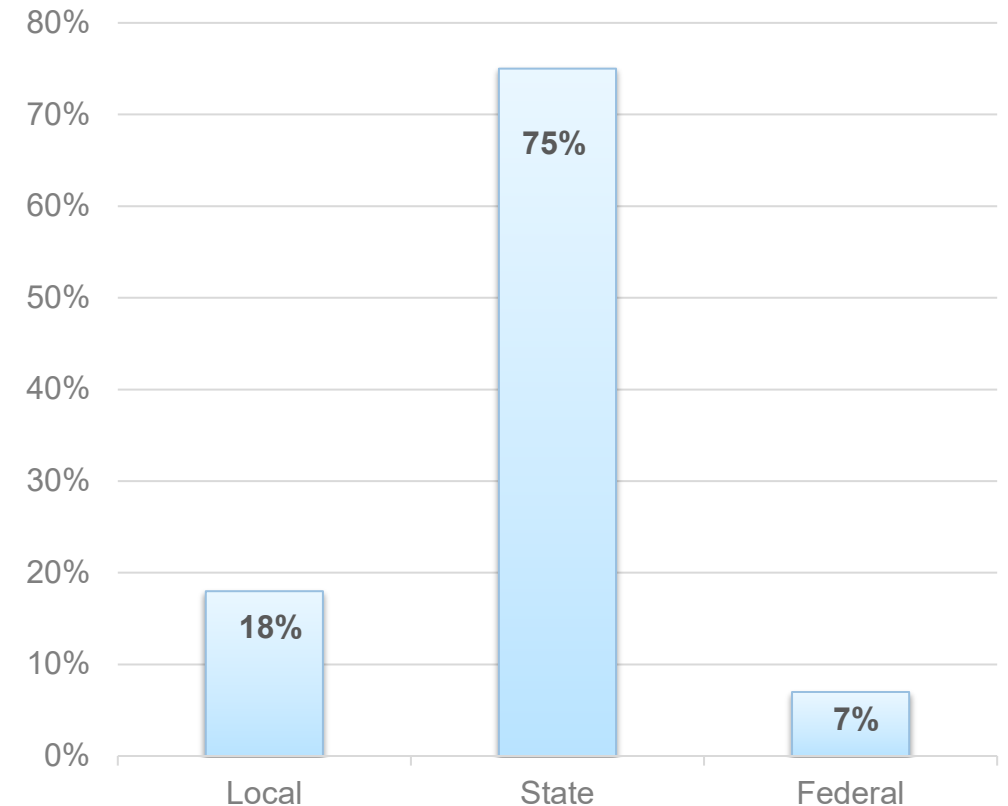


Budget 101 - sources of GF revenue

General Fund sources of revenue:

- **Local:** levies, facility rentals, damages fines, county grants
- **State:** general apportionment and specific state program funding
- **Federal:** federal programs with specific purposes

Revenue share by source



Budget 101 - restricted GF revenue

Programs with restricted funding (funds must be spent in the program):

- Special Education
- Career and Technical Education (CTE)
- Nutrition Services
- Transportation
- Learning Assistance Program (LAP)
- Transitional Bilingual Program (TBIP)
- Highly Capable (HiCap)
- Federal Title programs (Title I, Title II, Title III, Title IV)
- Grants

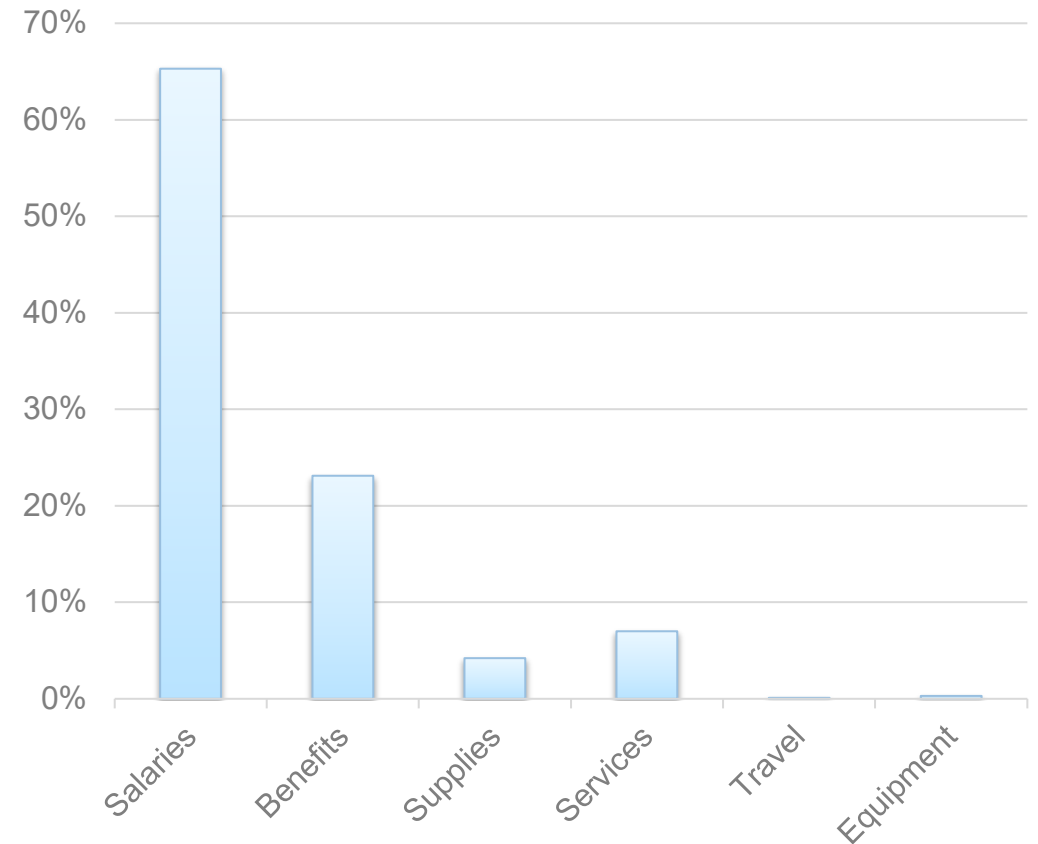


Budget 101 - how funds are spent

- **General Fund spending by category**

- Salaries: 65%
- Benefits: 23%
- Supplies: 4%
- Services: 7%
- Travel: 0.1%
- Equipment: 0.3%

Spending by expenditure category



Current financial challenges

The perfect storm

- All elements of the perfect storm are:
 - External revenue factors imposed on the district
 - Individually difficult, yet manageable
- Combined elements present major challenge
- Result when combined is a significant revenue shortfall



The perfect storm factors

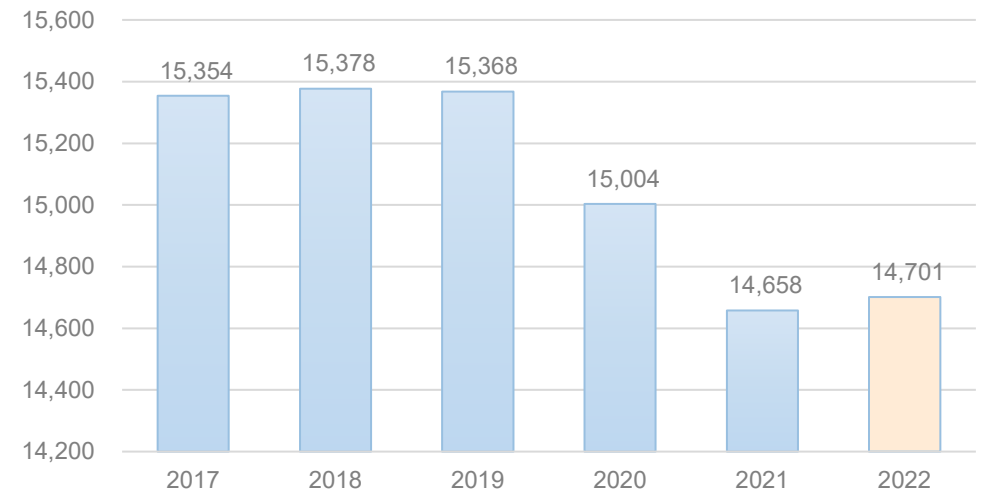
1. Reduced enrollment
2. Impact of McCleary case decision
3. Inadequate state funding for basic education, special education and initiatives approved by Legislature without funding attached
4. End of one-time federal funding



Reduced enrollment

- Over **600 students fewer** in 2022 than 2019- annual revenue loss of \$6.3m
- Mandated social distancing requirements
- Obligated to meet student needs
- Reduction in staff starting in 2022-23 school year
- Little to no enrollment growth predicted for 2023-24 school year

K-12 Annual Average FTE (AAFTE)
[November]



Impact of McCleary Case decision

- 2018 – Legislature changed how schools are funded
- One size fits all model
- Regionalization
 - Diminishing percentage of 2% per year
 - 24% in 2018-19
 - 18% in 2022-23
 - “Review and rebase” in 2023
- Restriction on district’s ability to collect local funds



Inadequate state funding

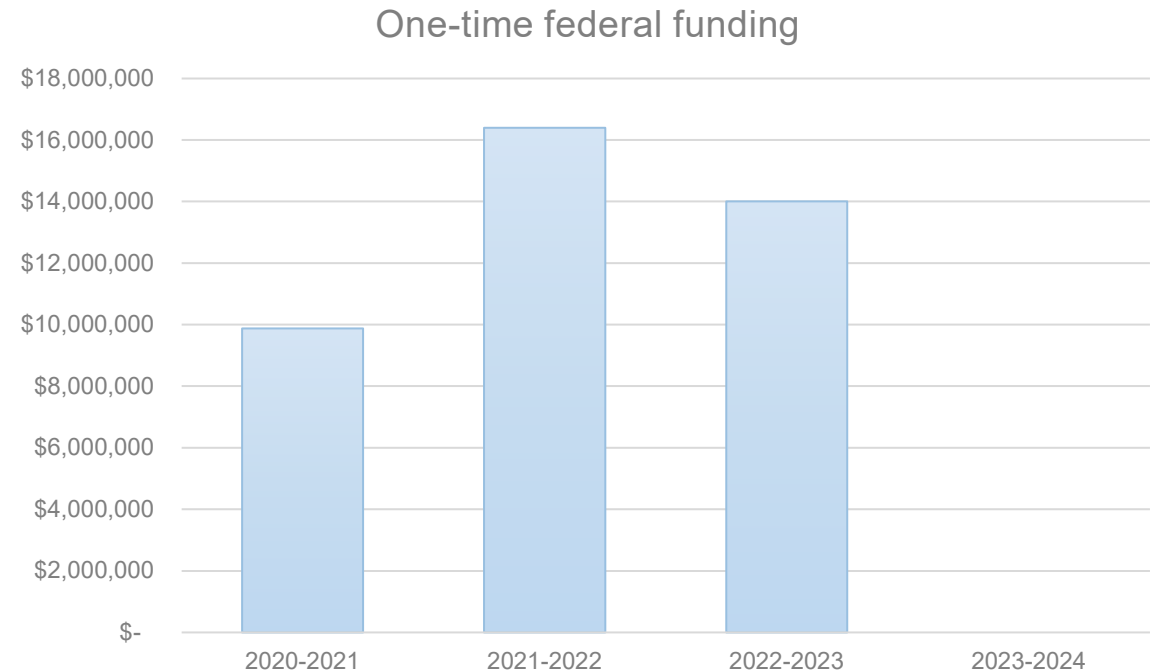
Funding model gaps remain

- Increased reliance on local funding for special education
 - **2018-19: \$2.0M or 8% of Special Education costs**
 - 2019-20: \$4.0M
 - 2020-21: \$6.0M
 - 2021-22: \$9.0M
 - **2022-23: \$13.0M or 28% of Special Education costs**
- Counselors, nurses and other critical areas
- Lack of funding for the Implicit Price Deflator (IPD)
- Marginal increases have not addressed the need



End of one-time federal funding

- Funds must be spent on mandated timeline
- **\$14.0M** revenue reduction in one-time funds for the 2023-24 school year
- Learning recovery is a long-term need



The bottom line

- Without significant legislative action, Mukilteo will be forced to reduce its budget, which means cuts to school programs and staff.
- For the 2023-24 school year, we need to reduce 6% to 8% of our expenditures to end with a 3% fund balance.
- Mukilteo School District is not alone. This is a statewide issue that many neighboring districts are facing as well in varying degrees.



What legislative action might cause this to change?

Current legislation:

- Implicit Price Deflator (IPD) formerly known as the cost of living increase (COLA)
- Regionalization
- Wage rebase
- Increased revenue allocations



How does the Strategic Plan lead us forward?

- We are committed to moving the work forward with the Strategic Plan.
- The Strategic Plan will guide all aspects of Mukilteo School District including budgetary decisions.
- We are committed to the students, families, community and staff and will not waver from this commitment.



Next steps

- Convene Budget Committee
- Send survey to families, students, staff and community
- Finish gathering current year's needs
- Continue gathering staff retirements and resignations
- Monitor legislative session which meets through April 24
- Share updates along the way



Questions and comments?

ThoughtExchange:

- Join by the QR scan code, website, or link in the Q and A box.
- Share one or more thoughts.
- Rate your level of agreement with others' thoughts.



Mukilteo School District