

Hosted by  KEA KENT
EDUCATION
ASSOCIATION

Welcome to the Community Budget Forum

Parents

El Centro De La Raza
**Kent Parents &
Community Coalition**
KSD Employee Unions
KSD School Board
KSD Administration

Community Members

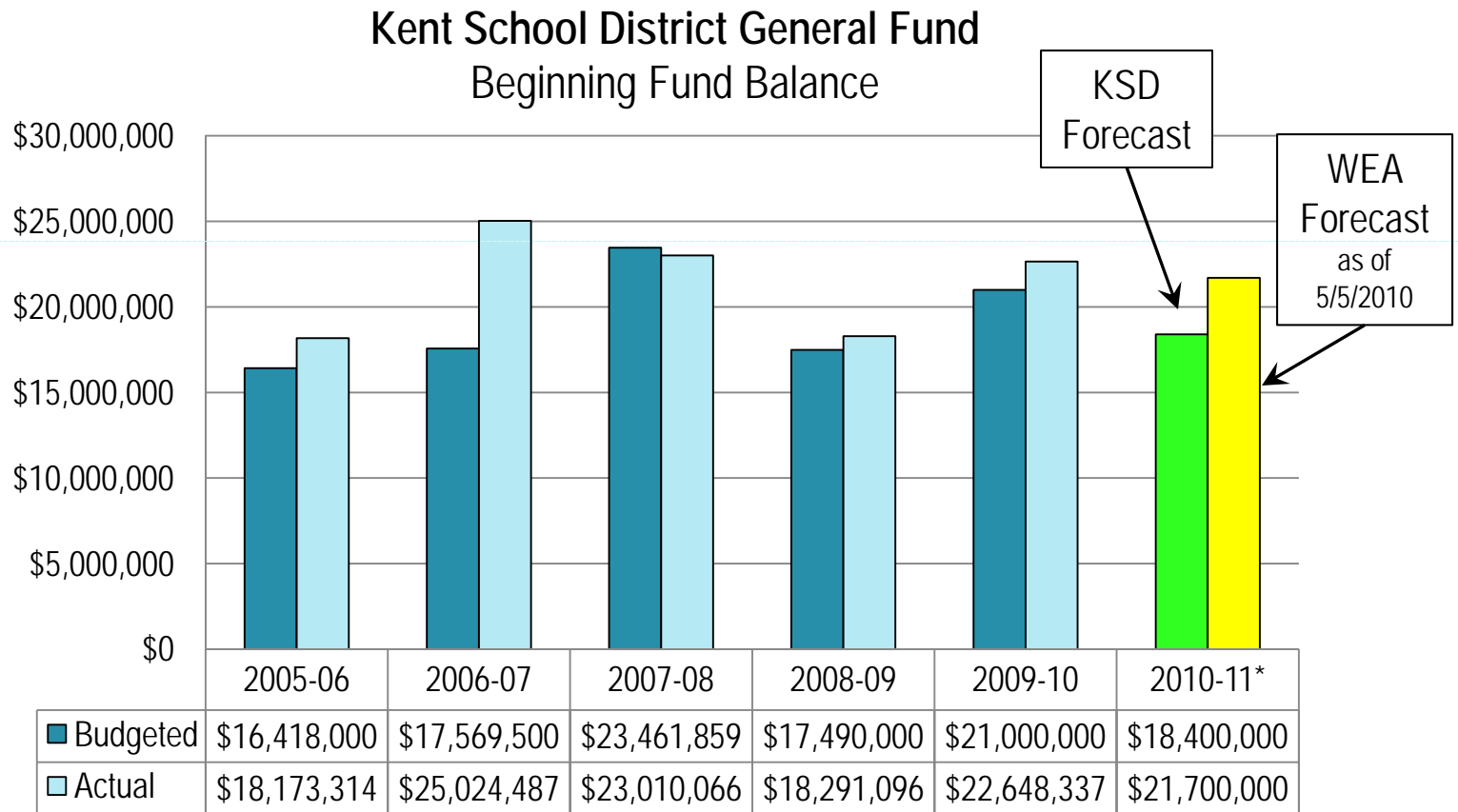
Legislators
Lucy Lopez Center
NAACP
PAID
PTSA
Stand for Children



Issues defined...

- What does the District's financial picture look like?
- Is it true that KSD is in the red?
- How big is KSD's "Rainy Day" Fund?
- Are KSD's spending priorities in the best interest of our kids?
- How does KSD's spending compare to other school districts in Washington?

The District has underestimated the actual beginning fund balance in three of the last five years.

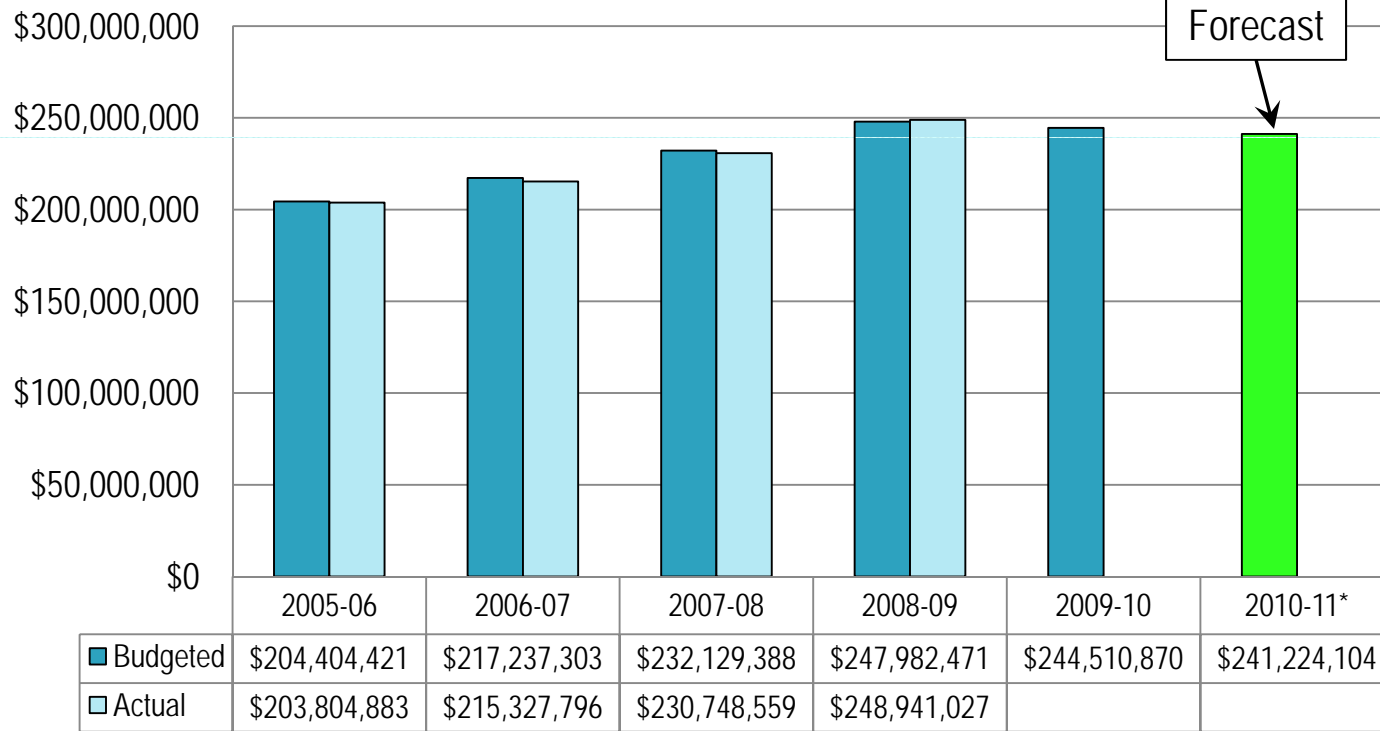


* Data for 2010-11 budget from KSD presentation entitled "Consequences of Fund Balance Draw Down" presented to the KSD Board on April 14, 2010. Data for 2010-11 "Actual" is not the District's actual beginning fund balance – it is the KEA forecast for the District's 2010-11 beginning fund balance.

Source: School District Annual Financial Statements (F196), Budgets (F195) and OSPI.

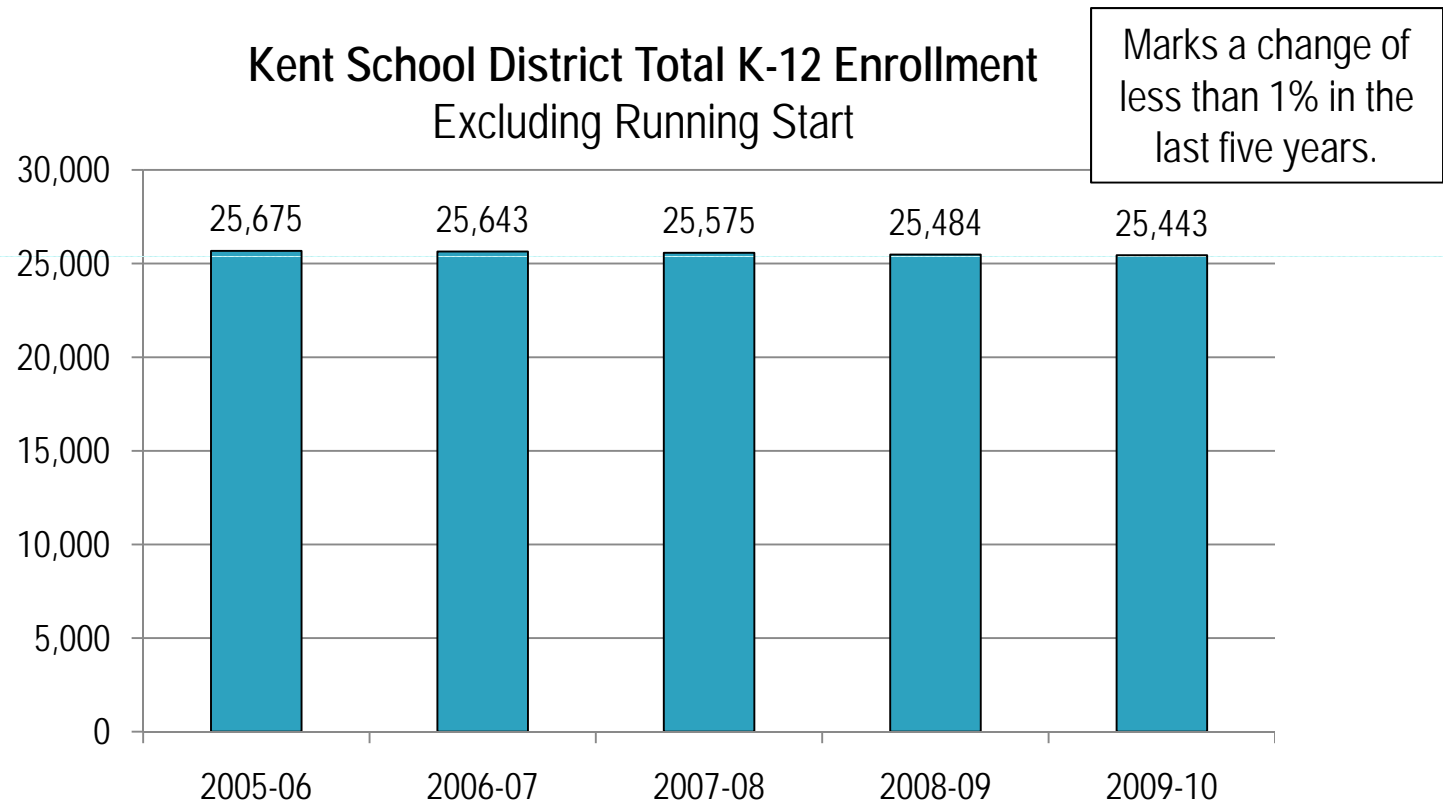
The District does an exceptional job of estimating revenue.

Kent School District General Fund
Total Revenues



* Data for 2010-11 budget from KSD presentation entitled "Consequences of Fund Balance Draw Down" presented to the KSD Board on April 14, 2010.
Source: School District Annual Financial Statements (F196), Budgets (F195) and OSPI.

Total K-12 enrollment excluding Running Start in Kent has changed very little in the last four years and remains largely unchanged this year.

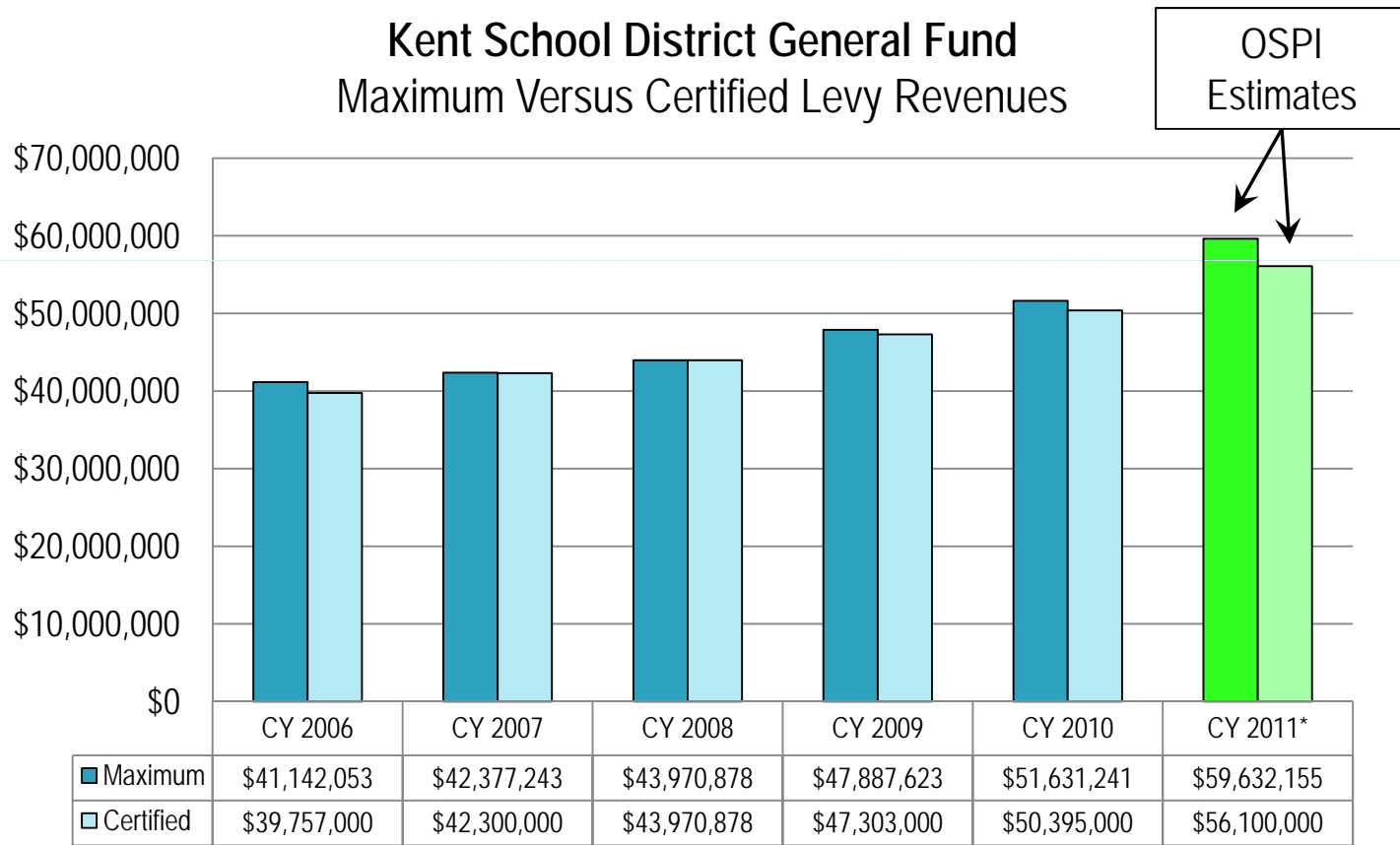


* Per OSPI budgeting guidelines, full-day kindergarten FTE enrollment (if any) will only be used in funding calculations applied to full-day kindergarten. As such, half of full-day Kindergarten enrollment is backed out of total enrollment excluding Running Start.

Source: School District Annual Budget (F195), OSPI Report 1191, Enrollment Reports 1251 and OSPI.

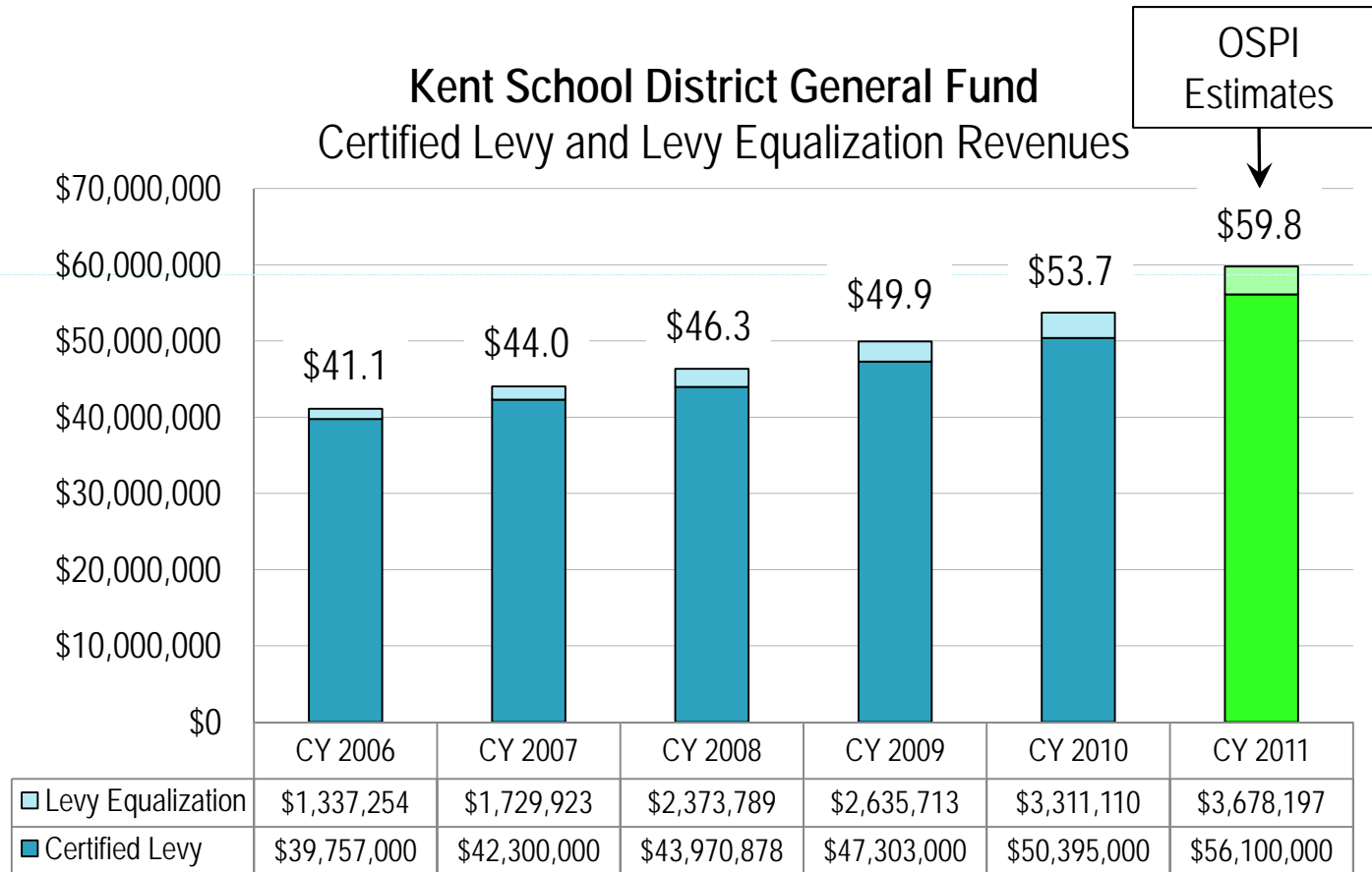
The District will collect \$5.7 million (11.3%) more in levy revenue than they will collect this year.

Kent School District General Fund
Maximum Versus Certified Levy Revenues



* Maximum 2011 authority based on OSPI's "Estimating 2011 Levy Authority and LEA" (<http://www.k12.wa.us/safs/MISC/BUDPREP10/2011LA.XLS>) posted 4/13/2010.
Source: School District Annual Reports 780 and OSPI.

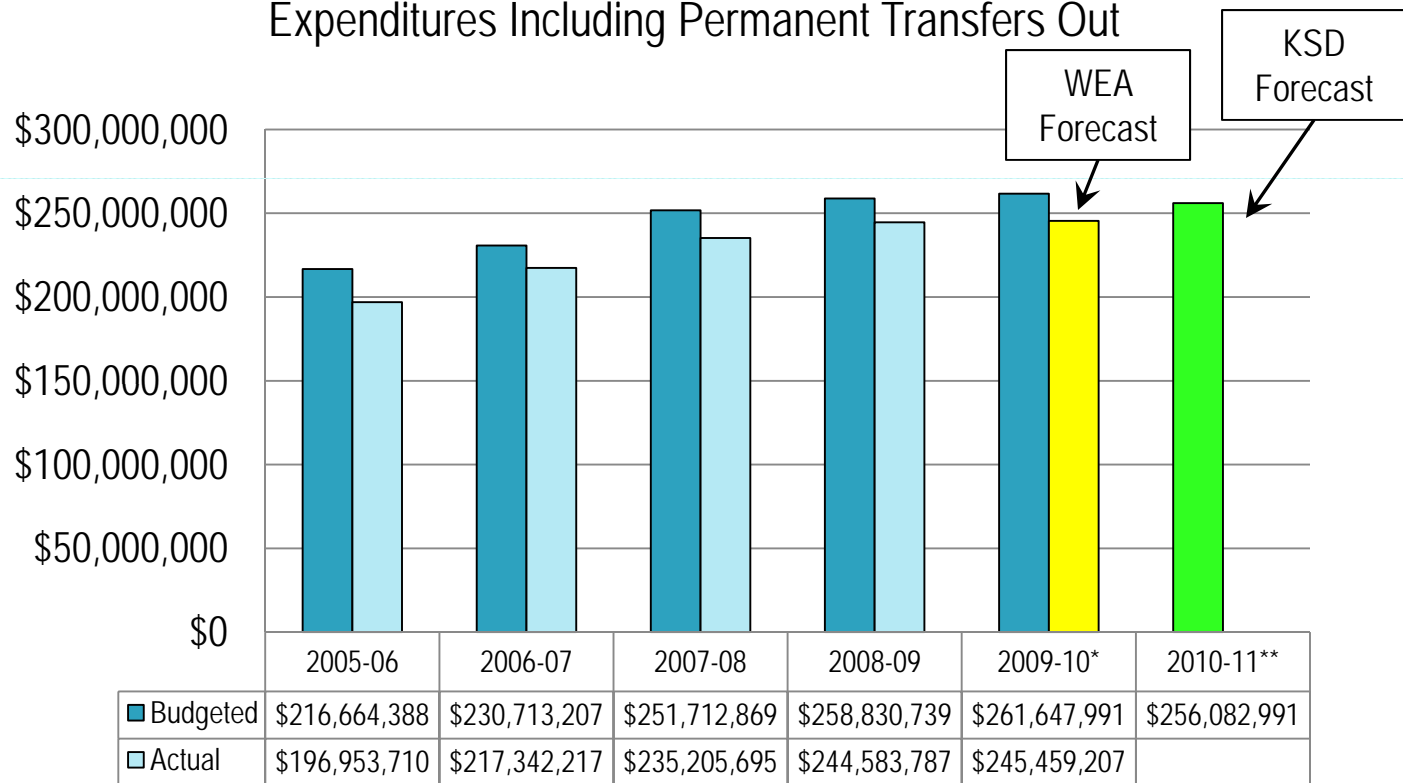
Revenue from local levies and equalization combined will grow more than 10% in 2011.



* Maximum 2011 authority based on OSPI's "Estimating 2011 Levy Authority and LEA" (<http://www.k12.wa.us/safs/MISC/BUDPREP10/2011LA.XLS>) posted 4/13/2010.
Source: School District Annual Reports 780 and OSPI.

The District inflates spending estimates.

Kent School District General Fund
Expenditures Including Permanent Transfers Out

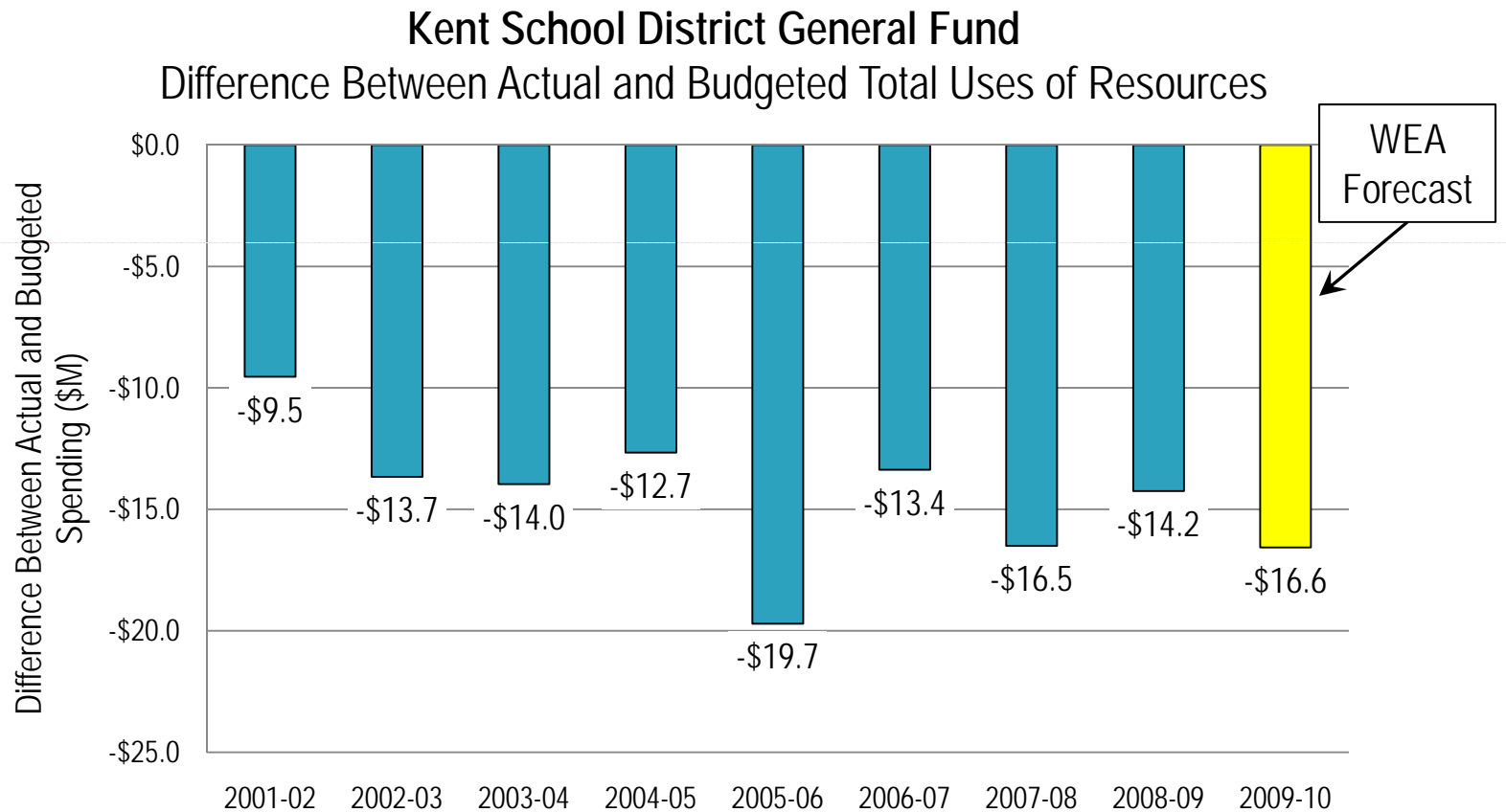


* WEA forecast of spending for 2009-10 uses total dollars spent through March 2010 plus average monthly spending year-to-date, multiplied by the 5 months left in 2009-10, then adjusted upward slightly (see monthly budget status data at http://www.kent.k12.wa.us/KSD/FI/Monthly_Financial_Statements/index.htm).

** Data for 2010-11 budget from KSD presentation entitled "Consequences of Fund Balance Draw Down" presented to the KSD Board on April 14, 2010.

Source: School District Annual Financial Statements (F196), Budgets (F195) and OSPI.

Not once in the last eight years has the District spent what they've budgeted to spend.



* WEA forecast of spending for 2009-10 uses total dollars spent through March 2010 plus average monthly spending year-to-date, multiplied by the 5 months left in 2009-10, then adjusted upward slightly (see monthly budget status data at http://www.kent.k12.wa.us/KSD/FI/Monthly_Financial_Statements/index.htm).

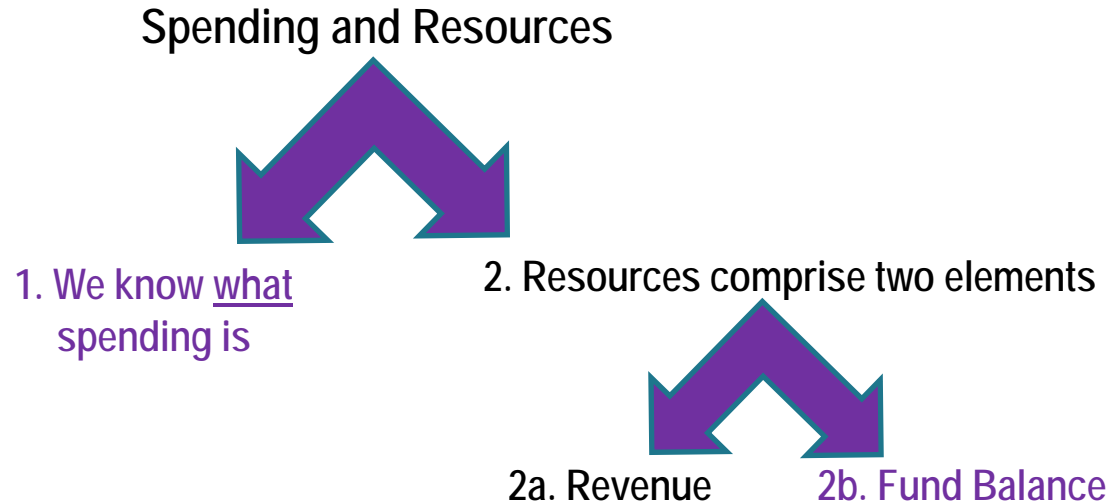
Source: School District Annual Reports 780 and OSPI.

So, is it true that KSD is in the red?

First, let's define a "deficit".

"Deficit" is a descriptive term for a budgetary position characterized by expenditures that exceed resources.

So there are two components used to determine a deficit position:



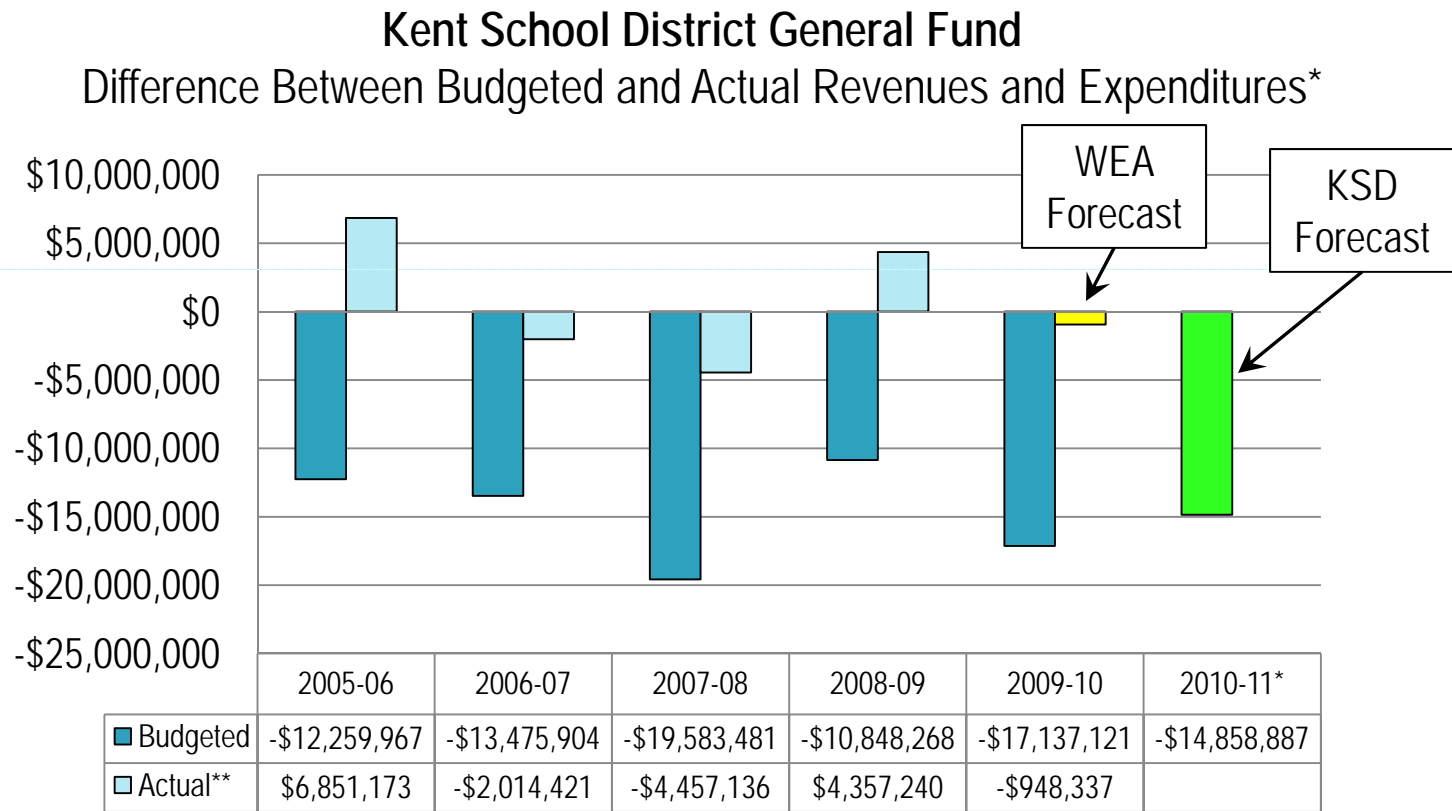


So, if the formula is so clear,...

How can the District and the Kent Education Association be so far apart in their view of the budget situation?

- Because the District's budget inflates the first part of the formula – spending – by as much as 9%.
- The District's budget consistently underestimates the ending fund balance (the District actually ends each year with between three and five times the budgeted level).
- It's only natural that a formula based on artificially inflated spending and artificially suppressed fund balances would lead the District to the inevitable conclusion: a deficit.

In the last five years, the District collected \$4.7 million more than they spent.



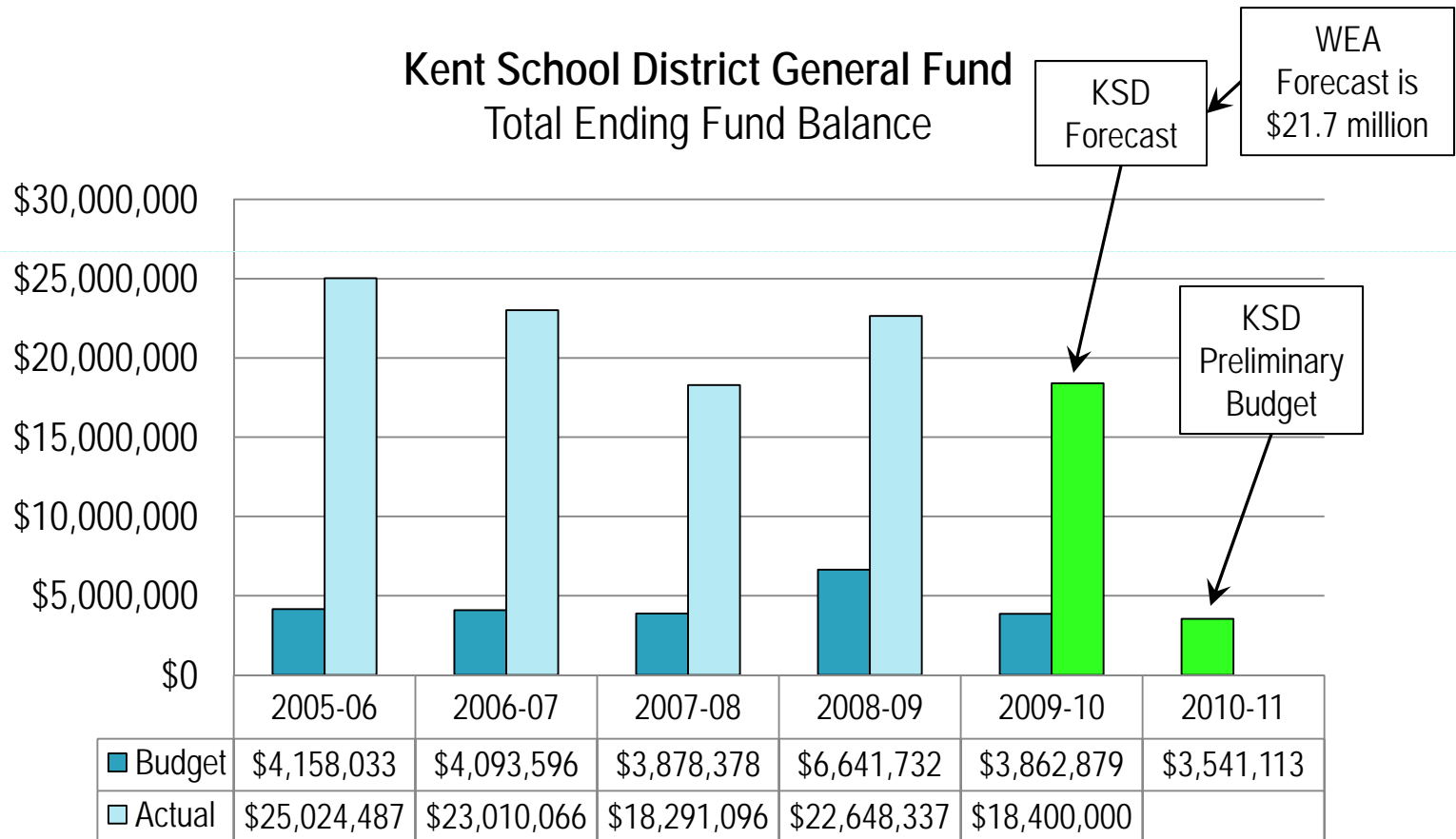
* Data include permanent transfers out. The 2010-11 "budget" figure was taken from KSD presentation entitled "Consequences of Fund Balance Draw Down" presented to the KSD Board on April 14, 2010.

** "Actual" for 2009-10 is a projection based on KEA proxy budget (2009-10 revenues equal to KSD budgeted revenues; expenditures at 93.3% of budget per district past practice, then adjusted upward slightly to account for actual spending to date in 2009-10).

Source: School District Annual Financial Statements (F196), Budgets (F195) and OSPI.

The District's own forecast is that they'll end this year with more than four times the budgeted level.

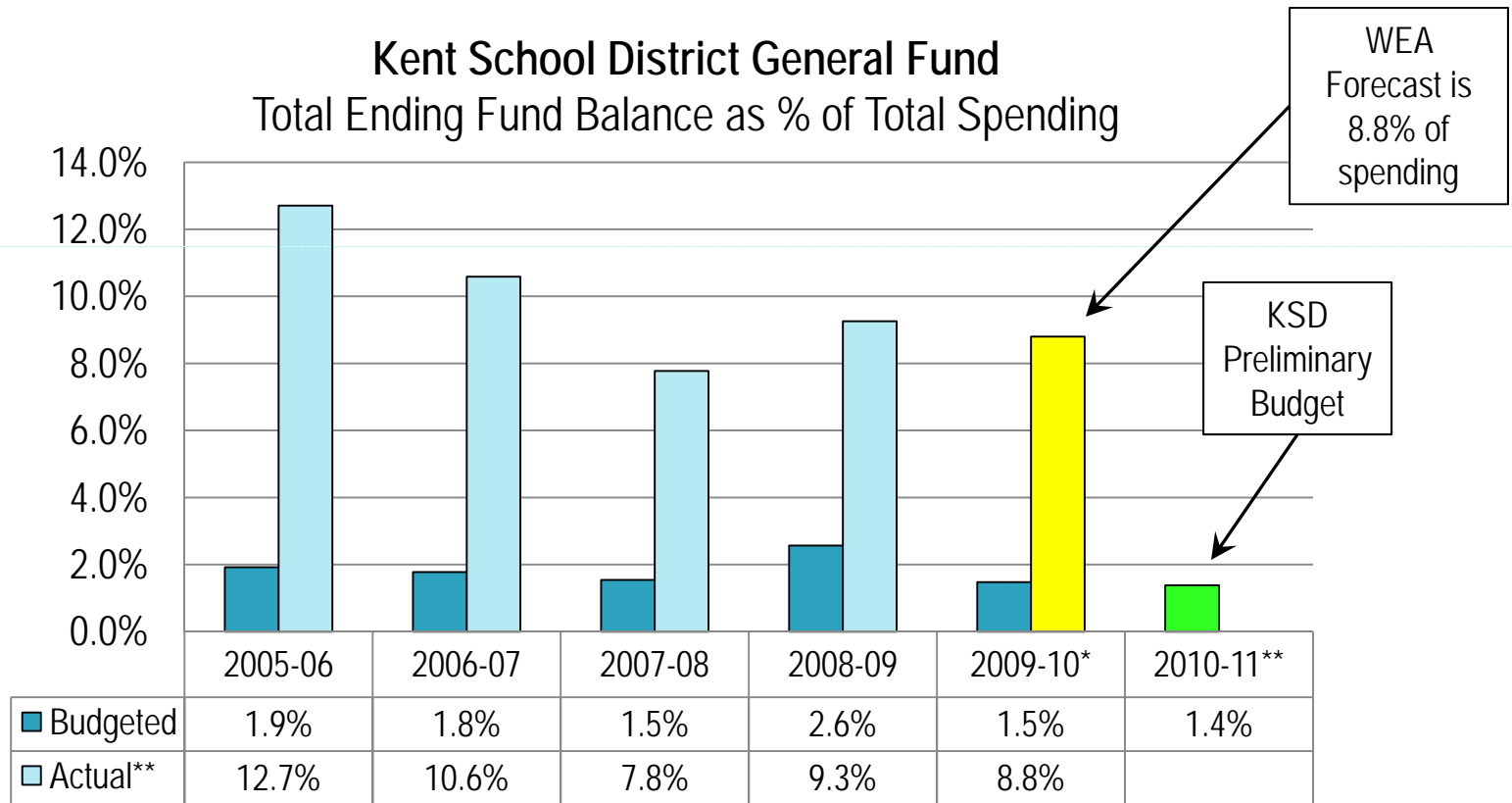
Kent School District General Fund
Total Ending Fund Balance



* The 2010-11 "budget" figure was taken from KSD presentation entitled "Consequences of Fund Balance Draw Down" presented to the KSD Board on April 14, 2010.

Source: School District Annual Financial Statements (F196), Budgets (F195) and OSPI.

The KSD fund balance is far higher than 5% of spending.



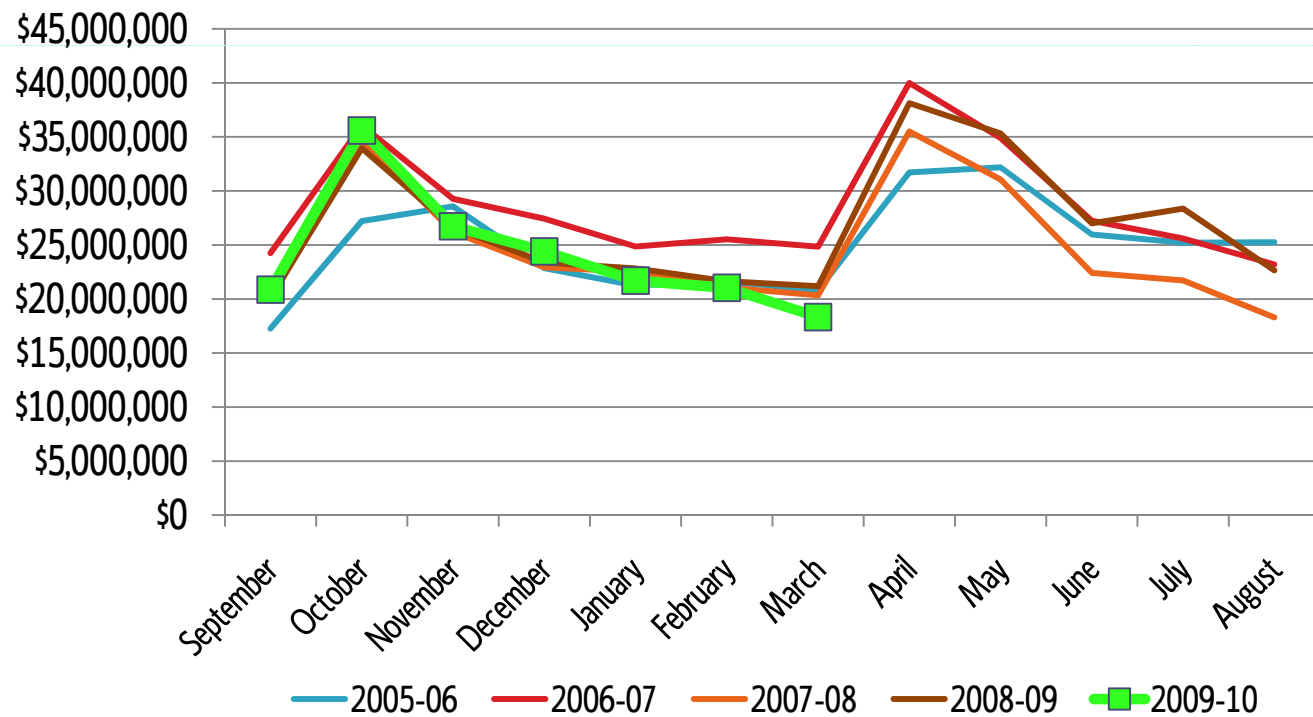
* 2009-10 percentage of spending represented by WEA forecast ending fund balance as a percentage of total spending based on WEA forecast fund balance and WEA forecast spending.

** The 2010-11 "budget" figure was taken from KSD presentation entitled "Consequences of Fund Balance Draw Down" presented to the KSD Board on April 14, 2010.

Source: School District Annual Financial Statements (F196), Budgets (F195) and OSPI.

The District is likely to end the year with \$21.7 million (8.3% of budgeted spending) in the ending fund balance.

Kent School District General Fund
Monthly Ending Fund Balances



Source: School District Monthly Budget Status Reports on a fund balance basis (Form F-198) , September 2005 to March 2010.

Funding from State and Local sources will increase in 2010-11.

- Thanks to the passage of SHB 2893, Kent will collect an additional \$4,529,150 in local levy revenue in 2010-11 compared to 2009-10.
- The District will also receive \$453,412 more in revenue from levy equalization next year.
- The State budget for 2010-11 reduced funding for Kent by \$3.8 million.
- The net revenue change for Kent in 2010-11 (inclusive of levy revenue and the State budget changes) is an increase of \$1.2 million next year compared to 2009-10.
- Although specifics are unknown at this point, it has been acknowledged by prominent business managers in Washington that, since the State reduced its support of public schools in Washington because Federal funds were being made available, the elimination of those funds will necessitate the State's increasing funding to bridge the gap.

Funding From Largest Sources (\$ Millions)			
	2009-10	2010-11	Change
Levy	\$49.0	\$53.5	\$4.5
Levy Equalization	\$3.1	\$3.6	\$0.5
State	<u>\$160.4</u>	<u>\$156.6</u>	<u>-\$3.8</u>
Total Funding	\$212.5	\$213.7	\$1.2

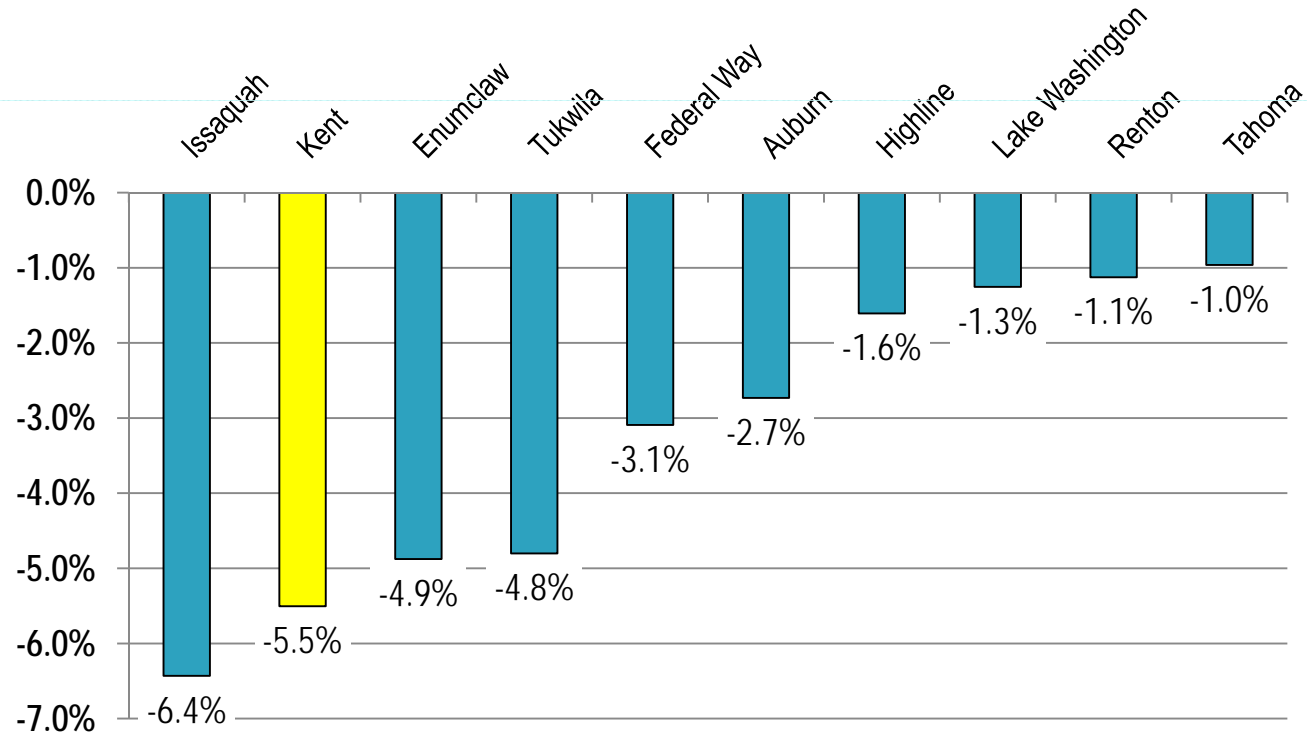


Now Let's Talk About Priorities!

- Does Kent budget for spending like everyone else does?
- How do Kent's revenues per pupil compare?
- Does Kent have more in the bank than other districts?
- How much does Kent spend per student on instruction?
- How do they compare on classroom spending?

Kent overstates spending in the budget.

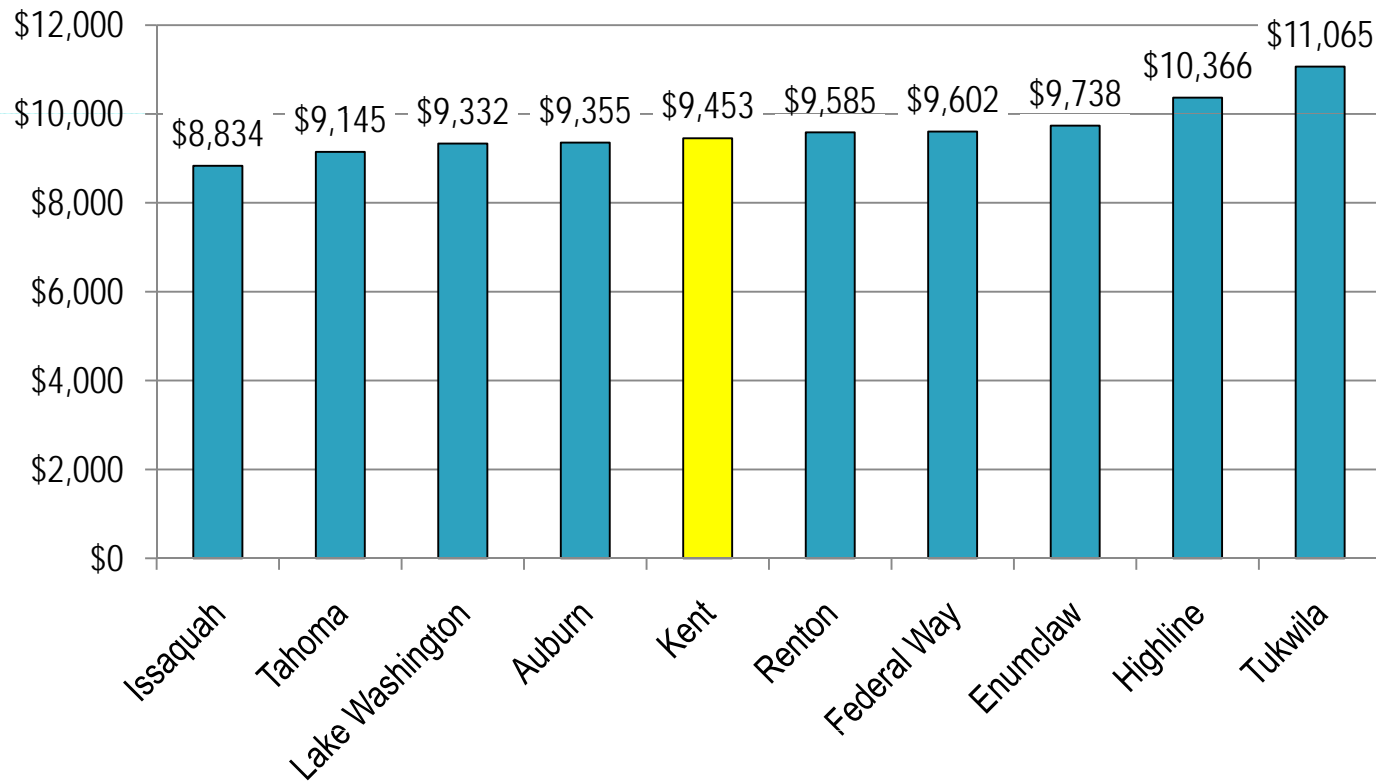
2008-09 Budgeted Compared to Actual Total General Fund Spending
Kent and 9 Neighboring Districts



Source: School District Annual Financial Statements (F196) and OSPI.

KSD is near the midpoint in revenue per pupil...

2008-09 General Fund Revenue Per Pupil
Kent and 9 Neighboring Districts



Source: OSPI School District & ESD Financial Reporting Summary, FY 2008-09 (accessed 5/4/2010 at <http://www.k12.wa.us/safs/PUB/FIN/0809/fs.asp>).

KSD has a much larger "rainy day" fund than other districts.

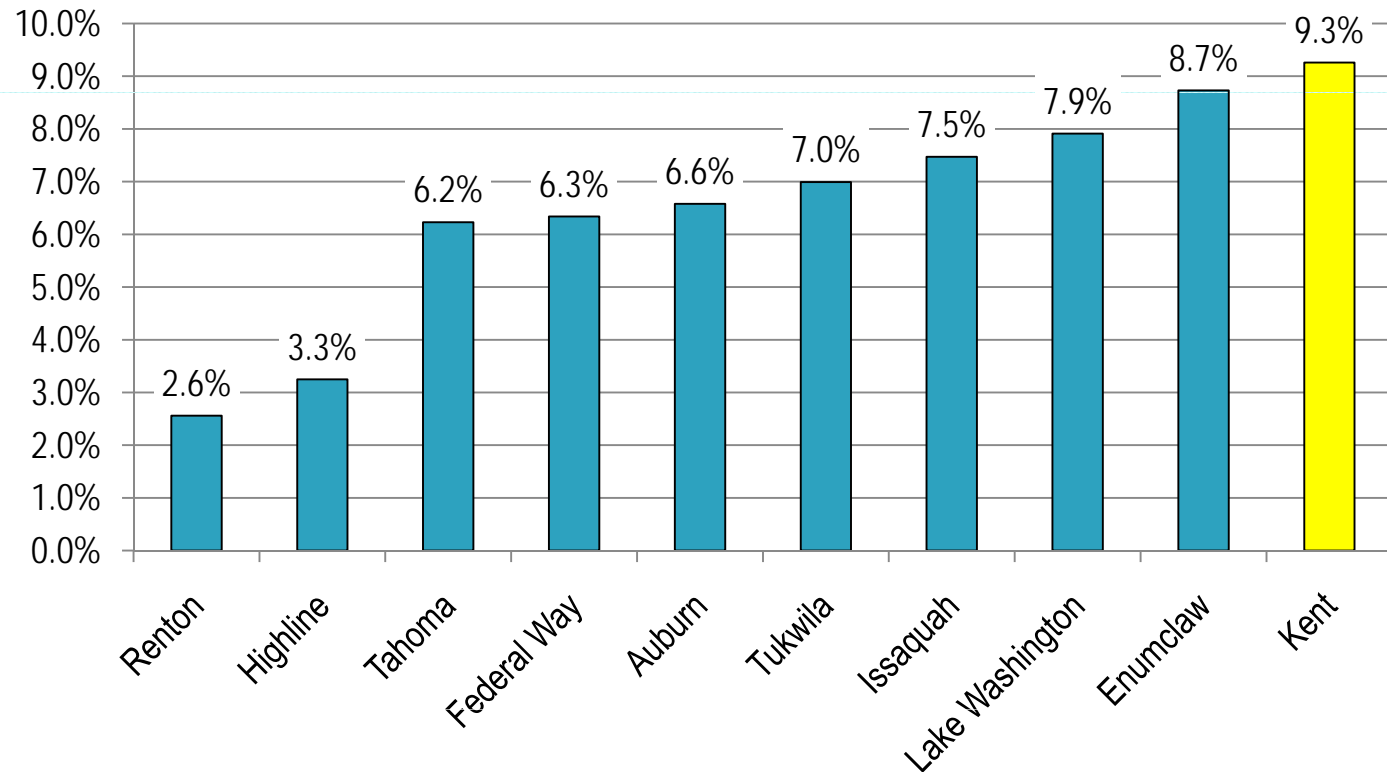
2008-09 General Fund Ending Fund Balance
Kent and 9 Neighboring Districts



Source: School District Annual Financial Statements (F196) and OSPI.

KSD has the highest ending fund balance as a percentage of spending.

2008-09 General Fund Ending Fund Balance as a % of Spending
Kent and 9 Neighboring Districts



Source: School District Annual Financial Statements (F196) and OSPI.

KSD has more money in the bank per pupil.

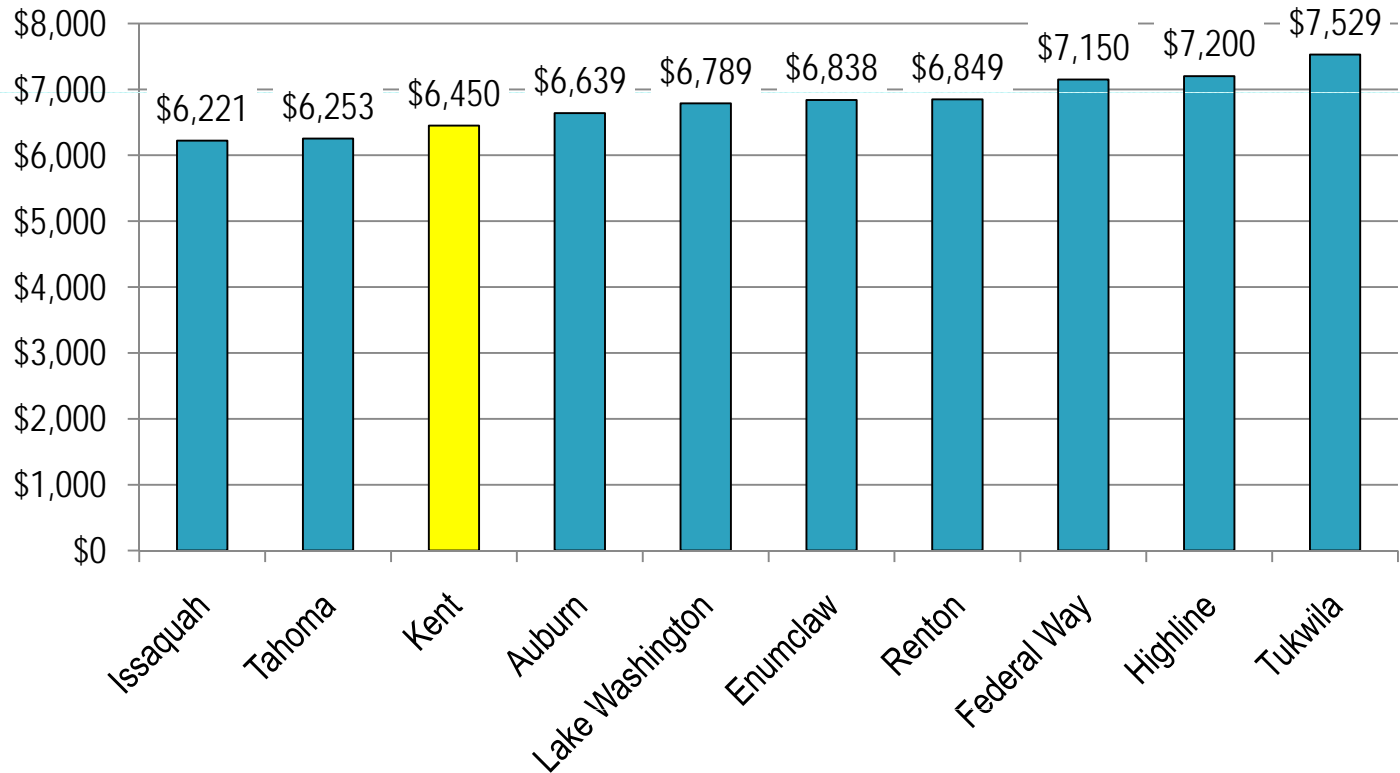
2008-09 School District General Fund Ending Fund Balance Per Pupil
Kent and 9 Neighboring Districts



Source: OSPI School District & ESD Financial Reporting Summary, FY 2008-09 (accessed 5/4/2010 at <http://www.k12.wa.us/safs/PUB/FIN/0809/fs.asp>).

KSD spends less per pupil on instructional activities.

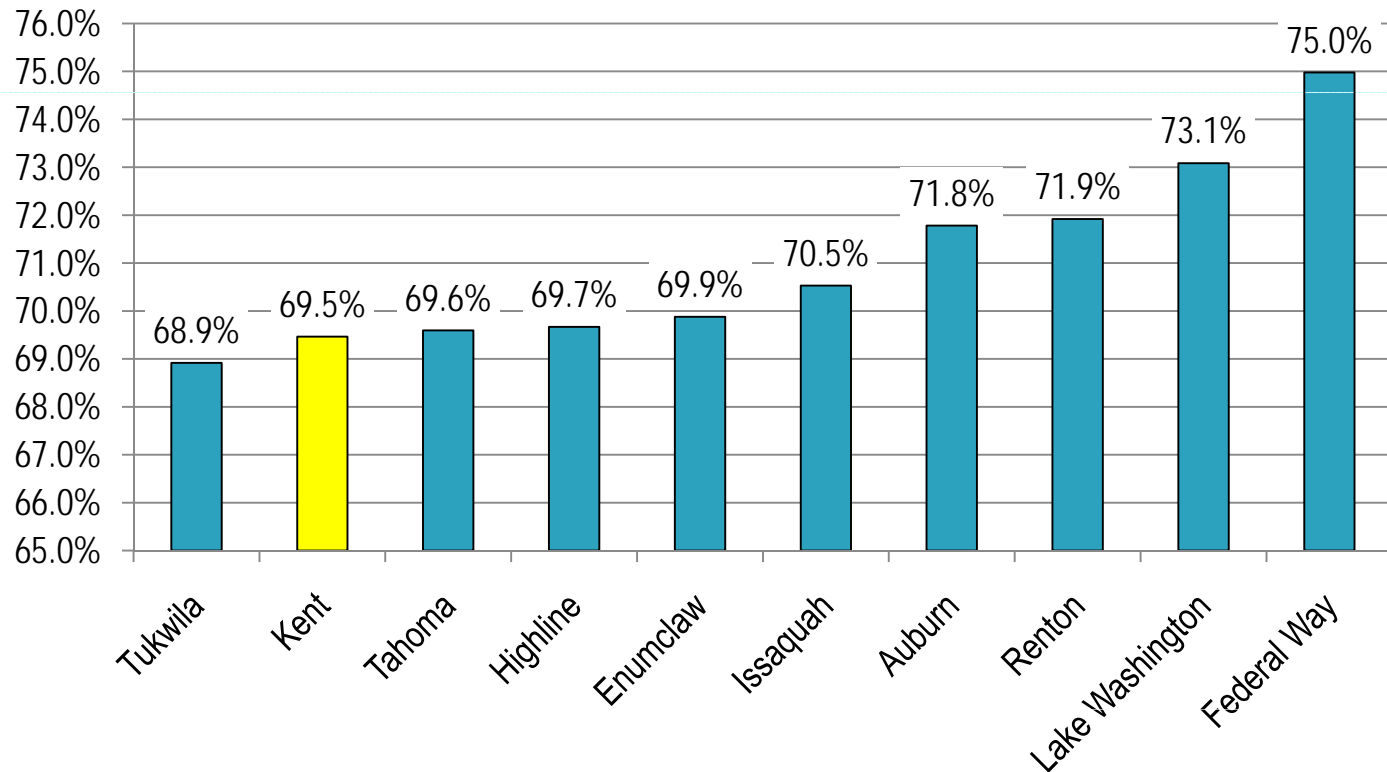
2008-09 General Fund Per Pupil Spending on Instruction
Kent and 9 Neighboring Districts



Source: OSPI School District & ESD Financial Reporting Summary, FY 2008-09 (accessed 5/4/2010 at <http://www.k12.wa.us/safs/PUB/FIN/0809/fs.asp>).

Other districts spend more of their total budget on instruction.

2008-09 Percent of Total General Fund Spending Devoted to Instruction
Kent and 9 Neighboring Districts



Source: OSPI School District & ESD Financial Reporting Summary, FY 2008-09 (accessed 5/4/2010 at <http://www.k12.wa.us/safs/PUB/FIN/0809/fs.asp>).



So What Does the Budget Overview Tell Us?

- Total K-12 enrollment excluding Running Start in Kent has changed very little in the last four years.
- The District significantly underestimates fund balances because they overestimate spending considerably.
- The result of the District's budgeting practices is that the District has ended the last four years with as much as six (and no less than three) times the budgeted ending fund balance.
- Revenue from local levies and levy equalization combined has grown and continues to grow consistently.
- Thanks in large part to the passage of SHB 2893, the District will be able to collect \$5.7 million (11.3%) more in local levy revenue next year compared to this year's collections.
- The District has chosen to do without \$3.3 million in revenue over the last five years.
- If KSD does not approach the voters this Fall, the District will be choosing to do without \$3.5 million in 2011.
- Kent's 2008-09 ending fund balance equivalent to 9.3% of spending was 3rd highest among the 9 districts in their size code.
- Based on this year's fund balances to date, the current indicates that the District will end the year with more than \$21.7 million in the ending fund balance. That amounts to 8.3% of budgeted spending, 8.8% of my forecasted spending level, and over five times the budgeted fund balance. That's far more than sufficient for a district of Kent's size.
- KSD's forecast (as of April) is that the ending fund balance will be four times the budgeted level this year!



And What Does the KSD Priority Analysis Tell Us?

- Only one of KSD's neighboring King County districts had a larger percentage difference between budgeted and actual spending.
- The 2008-09 difference between Kent's budgeted and actual spending amounted to more than \$14.2 million. That's the largest dollar difference among the neighboring districts...by far!
- KSD is near the midpoint in revenue per pupil, but KSD still manages to have a much larger "rainy day" fund than any other district in the group.
- KSD's ending fund balance as a percentage of total actual spending at the end of last year was the highest among the neighboring districts.
- That same amount also equates to more money in the bank per pupil than any of the other districts.
- KSD spends less per pupil on instructional activities than all but two of the neighboring districts, and only one of the neighboring districts spends less as a percentage of total spending on instructional activities.