

Washington State School Finance: A Primer

South Kitsap School District
Community Forum
March 28, 2018

Core Concepts

- **School Budget consolidates multiple revenue sources into a spending plan for purposes of each fund for the school fiscal year (September – August)**
 - *State fiscal year* is July–June
 - *Federal fiscal year* is October–September
 - *Local property taxes*—calendar year

Core Concepts

- **School Budget consolidates multiple revenue sources into a spending plan for purposes of each fund for the school fiscal year (September – August)**
 - *State fiscal year* is July–June
 - *Federal fiscal year* is October–September
 - *Local property taxes*—calendar year
- **Separate funds for budgeting and accounting (mandated by law)**
 - *General Fund*—overall operations for educational program and support services
 - *Capital Projects Fund*—building/remodeling school facilities, equipping schools and purchase of property
 - *Debt Service Fund*—collection of property taxes for GO bond interest and principle payments
 - *Transportation Vehicle Fund*—school bus purchases
 - *ASB Fund*—student body funds and activities operated by students

Core Concepts

- **School Budget consolidates multiple revenue sources into a spending plan for purposes of each fund for the school fiscal year (September – August)**
 - *State fiscal year* is July–June
 - *Federal fiscal year* is October–September
 - *Local property taxes*—calendar year
- **Separate funds for budgeting and accounting (mandated by law)**
 - *General Fund*—overall operations for educational program and support services
 - *Capital Projects Fund*—building/remodeling school facilities, equipping schools and purchase of property
 - *Debt Service Fund*—collection of property taxes for GO bond interest and principle payments
 - *Transportation Vehicle Fund*—school bus purchases
 - *ASB Fund*—student body funds and activities operated by students
- **All adopted annually by the school board**
- **Accounting requirements mandated by OSPI and State Auditor's Office**

General Fund Concepts

- **Revenue Sources for school districts (\$125.08 million)**
 - State of Washington (sales tax, property tax, B&O tax, etc.)
 - Basic Education
 - Categorical programs (e.g. special education, transportation, etc.)
 - Voter approved property tax (50% voter approval through ???)
 - Federal funds: limited purposes
 - Local funds from meal fees, investment income, rental of facilities, etc.

General Fund Concepts

- **Revenue Sources for school districts (\$125.08 million)**
 - State of Washington (sales tax, property tax, B&O tax, etc.)
 - Basic Education
 - Categorical programs (e.g. special education, transportation, etc.)
 - Voter approved property tax (50% voter approval through ???)
 - Federal funds: limited purposes
 - Local funds from meal fees, investment income, rental of facilities, etc.
- **Expenditure Structure of the Budget (\$130.58 million)**
 - Governed by a state accounting structure (OSPI and State Auditor's Office)
 - Programs—25 programs in South Kitsap
 - Basic Education
 - Special Education
 - Object of Expenditure (salaries, benefits, supplies, travel, contracts, etc.)
 - Activity (teaching, counseling, board of directors, business office, etc.)

General Fund Concepts

- **Revenue Sources for school districts (\$125.08 million)**
 - State of Washington (sales tax, property tax, B&O tax, etc.)
 - Basic Education
 - Categorical programs (e.g. special education, transportation, etc.)
 - Voter approved property tax (50% voter approval through ???)
 - Federal funds: limited purposes
 - Local funds from meal fees, investment income, rental of facilities, etc.
- **Expenditure Structure of the Budget (\$130.58 million)**
 - Governed by a state accounting structure (OSPI and State Auditor's Office)
 - Programs—25 programs in South Kitsap
 - Basic Education
 - Special Education
 - Object of Expenditure (salaries, benefits, supplies, travel, contracts, etc.)
 - Activity (teaching, counseling, board of directors, business office, etc.)
- **Difference between these two (\$5.5 million) is from Fund Balance**

Capital Projects Financing Sources

- **Capital Project Fund voter approved levy (no debt)**
 - Property tax collected for a fixed number of years: 6 year limit
 - Collected on a calendar year basis for number of years authorized by voters
 - Sometimes used as a Technology Levy

Capital Projects Financing Sources

- **Capital Project Fund voter approved levy (no debt)**
 - Property tax collected for a fixed number of years: 6 year limit
 - Collected on a calendar year basis for number of years authorized by voters
 - Sometimes used as a Technology Levy
- **Proceeds from a voter approved General Obligation Bond (debt)**
 - Bond sale net proceeds used to build buildings
 - Budgeted by project
 - Debt service payments (principle and interest) paid from a long term tax levy collected into the Debt Service Fund

Capital Projects Financing Sources

- **Capital Project Fund voter approved levy (no debt)**
 - Property tax collected for a fixed number of years: 6 year limit
 - Collected on a calendar year basis for number of years authorized by voters
 - Sometimes used as a Technology Levy
- **Proceeds from a voter approved General Obligation Bond (debt)**
 - Bond sale net proceeds used to build buildings
 - Budgeted by project
 - Debt service payments (principle and interest) paid from a long term tax levy collected into the Debt Service Fund
- **Transfer of funds from General Fund**
- **Developer paid fees**
- **State matching funds for approved construction projects**

Budget Management

- **Planning (started October 2017)**
 - Enrollment forecasting
 - Revenue estimating pending legislative action in Olympia
 - Expenditure assessment and forecast
 - Staffing is largest expense category
 - Negotiations with employee groups
 - Community and staff engagement in Spring

Budget Management

- **Planning (started October 2017)**

- Enrollment forecasting
- Revenue estimating pending legislative action in Olympia
- Expenditure assessment and forecast
 - Staffing is largest expense category
 - Negotiations with employee groups
- Community and staff engagement in Spring

- **Operating year (September 2018 through August 2019)**

- Compare actual enrollment to forecast (September and October especially)
- Manage monthly expenses—compare to estimates
- Monthly budget reports to the school board using accounting and budgeting system
- Adjust behavior as monitoring indicates appropriate

Budget Management

- **Planning (started October 2017)**

- Enrollment forecasting
- Revenue estimating pending legislative action in Olympia
- Expenditure assessment and forecast
 - Staffing is largest expense category
 - Negotiations with employee groups
- Community and staff engagement in Spring

- **Operating year (September 2018 through August 2019)**

- Compare actual enrollment to forecast (September and October especially)
- Manage monthly expenses—compare to estimates
- Monthly budget reports to the school board using accounting and budgeting system
- Adjust behavior as monitoring indicates appropriate

- **After the fiscal year ends (September 2019 through about April 2020)**

- Close the financial books; reconcile balance sheet
- Year end report to the school board about revenue and expenses
- Outside audit of the spending and business practices by the State Auditor's Office

Key Issues

- **Budget is a plan; actual behavior will vary based on implementation conditions and choices.**
 - *Board's adopted appropriation is the legal spending limit and must be reasonably supported by revenue and fund balance resources*

Key Issues

- **Budget is a plan; actual behavior will vary based on implementation conditions and choices.**
 - *Board's adopted appropriation is the legal spending limit and must be reasonably supported by revenue and fund balance resources*
- **Budgets are highly responsive to student enrollment which forms the basis for general revenue as well as special purposes revenue.**

Key Issues

- **Budget is a plan; actual behavior will vary based on implementation conditions and choices.**
 - *Board's adopted appropriation is the legal spending limit and must be reasonably supported by revenue and fund balance resources*
- **Budgets are highly responsive to student enrollment which forms the basis for general revenue as well as special purposes revenue.**
- **Budget management requires attention to many moving parts.**
 - *State economy and legislative activity*
 - *Federal policy issues*
 - *City/county zoning and residential patterns*
 - *Local voter support*

Key Issues

- **Budget is a plan; actual behavior will vary based on implementation conditions and choices.**
 - *Board's adopted appropriation is the legal spending limit and must be reasonably supported by revenue and fund balance resources*
- **Budgets are highly responsive to student enrollment which forms the basis for general revenue as well as special purposes revenue.**
- **Budget management requires attention to many moving parts.**
 - *State economy and legislative activity*
 - *Federal policy issues*
 - *City/county zoning and residential patterns*
 - *Local voter support*
- **Many allocations within the budget are driven by external legal mandates or regulations.**
 - *May not be able to use some funds for desired local programs as a result*

Key Issues

- **Budget is a plan; actual behavior will vary based on implementation conditions and choices.**
 - *Board's adopted appropriation is the legal spending limit and must be reasonably supported by revenue and fund balance resources*
- **Budgets are highly responsive to student enrollment which forms the basis for general revenue as well as special purposes revenue.**
- **Budget management requires attention to many moving parts.**
 - *State economy and legislative activity*
 - *Federal policy issues*
 - *City/county zoning and residential patterns*
 - *Local voter support*
- **Many allocations within the budget are driven by external legal mandates or regulations.**
 - *May not be able to use some funds for desired local programs as a result*
- **Regular public reporting to the school board is standard practice.**

Key Issues

- **Voter approval of property tax measures is governed by the State Constitution and state law**
 - ***Educational Program & Operations Levy and Capital Projects Levy or Technology Levy** require a 50% + 1 voter approval.*
 - ***General Obligation Bond** authorization requires a 60% + 1 voter approval and validation with sufficient number of voters based on the previous general election total.*

Key Issues

- **Voter approval of property tax measures is governed by the State Constitution and state law**
 - *Educational Program & Operations Levy and Capital Projects Levy or Technology Levy require a 50% + 1 voter approval.*
 - *General Obligation Bond authorization requires a 60% + 1 voter approval and validation with sufficient number of voters based on the previous general election total.*
- **School facilities require funding beyond the basic education and other general educational programs contained in the General Fund**
 - *Bonds are a prudent approach for long-term construction projects because the payment of the principal and interest is spread over 25 or 30 years consistent with long-term use of the buildings*
 - *Not a good approach for purchasing things that have a shorter useful life except to initially equip a new building*

Key Issues

- **Voter approval of property tax measures is governed by the State Constitution and state law**
 - *Educational Program & Operations Levy and Capital Projects Levy or Technology Levy require a 50% + 1 voter approval.*
 - *General Obligation Bond authorization requires a 60% + 1 voter approval and validation with sufficient number of voters based on the previous general election total.*
- **School facilities require funding beyond the basic education and other general educational programs contained in the General Fund**
 - *Bonds are a prudent approach for long-term construction projects because the payment of the principal and interest is spread over 25 or 30 years consistent with long-term use of the buildings*
 - *Not a good approach for purchasing things that have a shorter useful life except to initially equip a new building*
- **Levies are for learning, Bonds are for buildings**