



Northwest Educational Service District 189

Together We Can

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TO: Those Interested In K-12 Education
FROM: Dr. Jerry Jenkins, Superintendent
DATE: April, 2008
SUBJ: **Squeezing School District Budgets:** Impacts of COLA, Retirement, and PAS—As Enacted by the 2008 Legislature

In twenty-nine years I have never seen school district budgets stretched so tightly. Years ago it was considered fiscally irresponsible to 1) budget more than 80% of a school district's revenues for employee salaries/benefits, or 2) allow the unreserved General Fund balance to drop below 5-8% (depending on district size). Today it is not uncommon for school districts to find themselves with up to 85% of their budgets consumed by salaries/benefits, and/or General Fund reserves of 1-3%.

School districts cannot decrease many NERCs—utility bills, insurance premiums, transportation costs, special education costs, etc. As a result, critical but more discretionary expenditures are often delayed or eliminated—curriculum adoptions, library materials, staff development, etc. Districts are now cannibalizing programs and services to keep the schoolhouse doors open.

The National Center for Education Statistics indicates in **1993 Washington ranked 11th in its adjusted per student expenditure**. In **2005, Washington State had slid to a ranking of 44th** with a total per student expenditure of \$7,432, according to data presented in the *2008 Quality Counts* report. Moving Washington back into the 11th ranked position would require an additional \$2,553 per student or a total of \$2.46 billion dollars. Clearly, the entire state is facing a funding crisis in education that can only be addressed by leadership in our state legislature.

The 2008 Legislature's adopted budget will have a crippling effect on many school districts. Most significantly: 1) cost-of-living-allowances (COLAs) were provided, but only for "Basic Education" staff, leaving districts responsible for the remaining 35-45% of the staff; 2) increasing employer-required retirement fund contributions without funding; and 3) elimination of the Promoting Academic Success (PAS) funding. **The table on the backside presents a summary of impacts from just these three items on the NWESD region's school districts—presenting a squeeze of more than \$28.8 million across 35 districts.** While reviewing these data it is important to keep a couple points in mind:

Limited View of Negative Impacts: The table is not intended to present a total listing of all budgetary squeezes districts face; only COLAs, Retirement Contributions, and the loss of PAS funding. For example, this does not include resultant FICA and Medicare costs—which would add another \$1.2 million across the region.

This Year is Different: The legislature does not seem to recognize the difficulty districts face. Perhaps, in part, because districts have always seemed to be able to "pull a rabbit out of the hat" and not significantly cut program(s). For example,

- When the I-732 COLA initiative was passed, the legislature funded its COLA by reducing the retirement rates-- and districts were able to do the same.
- When the I-732 COLA was not funded with a retirement rate reduction, districts saw significant increases in I-728 revenues and were able to shift staff to I-728 in order to fund the increased local costs (and many districts were still seeing increased enrollment).
- Districts also did a good job of reducing costs that did not directly affect the classroom and dug deeply into fund balances. These reductions have been realized and there is little, if any, remaining "fat" to trim.
- Now districts are faced with a substantial increase both in salaries and benefits, declining (or level) I-728 revenue due to declining enrollment—with a percentage of I-728 increase that is less than 1/2 of the COLA.
- In simple terms, the legislature and enrollment growth had collectively provided districts the means to cover some of their local cost increases in the past.
- With so many districts at levy lid or unable to get voter approval for higher levies, there is little districts can do to substantially increase their revenue to cover costs this budget cycle. (Even if districts could raise additional levy funds it is too late to do so for 08-09.)
- New opportunities to cover the increased costs without now cutting deeply into instructional program(s) are not apparent.
- It appears some districts will staff grades 5-12 at lower than 46/1000 this next year to cover the costs for which they have received inadequate funding. (This is a sad way to have to pay for the mandated, yet not fully funded, cost increases.)
- Early indications are many districts are hoping to cover most of their staff reductions with attrition, but some RIFs are inevitable.
- Not all districts appear to have fully grasped the impact of these changes yet.

2008 Legislative Session-- District-by-District Impacts of COLA, Retirement, and PAS

		Salary Cost				Retirement Cost				Total COLA/Retirement		Funding Difference		Total COLA, Retirement, and PAS	
		State Funded		Local/Federal		State Funded		Local/Federal		State	Local/Federal	2007-08 vs 2008-09		Costs of 2008 Legislature-- Not Funded by the State	
CCDDD	District	Certificated	Classified	Certificated	Classified	Certificated	Classified	Certificated	Classified	Funded	Funded	PAS	LAP	District	Cost/Loss
		COLA Only	COLA Only	COLA Only	COLA Only	Incr on Current + COLA Incr	Incr on Current + COLA Incr	Incr on Current + COLA Incr	Incr on Current + COLA Incr	COLA/Ret	COLA/Ret				
15201	Oak Harbor	708,441	207,327	227,781	217,870			481,779	74,666	154,904	78,462	(122,294)	76,894	Oak Harbor	801,312
15204	Coupeville	172,993	41,542	49,510	43,778			102,986	14,961	29,475	15,766	(26,795)	14,751	Coupeville	165,324
15206	South Whidbey	297,990	57,544	92,522	78,084			177,400	26,049	55,081	35,346	(56,601)	16,107	South Whidbey	317,634
28010	Shaw	8,211	1,469	(521)	833			5,584	665	(354)	377	0	0	Shaw	334
28137	Orcas	87,787	16,169	25,701	25,144			52,262	7,319	15,300	11,382	(7,268)	6,401	Orcas	84,795
28144	Lopez	48,646	14,556	13,553	21,006			33,082	5,443	9,217	7,856	(7,684)	6,020	Lopez	59,316
28149	San Juan	134,271	30,465	39,213	48,408			79,934	11,344	23,344	18,025	(20,143)	12,264	San Juan	149,134
29011	Concrete	127,780	32,765	37,341	45,121			76,070	11,800	22,230	16,250	(25,792)	23,819	Concrete	146,734
29100	Burlington Edison	598,332	150,704	159,632	229,337			356,200	54,274	95,033	82,592	(86,395)	67,957	Burlington Edison	652,989
29101	Sedro Woolley	678,192	123,866	203,311	162,673			403,742	56,071	121,035	73,638	(161,584)	87,411	Sedro Woolley	722,241
29103	Anacortes	461,738	95,606	140,264	149,903			274,883	38,761	83,502	60,773	(76,692)	33,522	Anacortes	511,134
29311	La Conner	102,994	19,192	66,019	36,211			61,315	8,029	39,302	15,150	(15,524)	11,407	La Conner	172,206
29317	Conway	68,390	17,146	18,860	22,816			40,714	6,175	11,228	8,217	0	4,317	Conway	61,121
29320	Mt Vernon	944,154	215,915	205,555	380,185			562,075	77,758	122,372	136,918	(187,816)	259,962	Mt Vernon	1,032,846
31002	Everett	2,584,648	541,535	1,393,751	508,888			1,757,702	245,138	947,827	230,360	(493,272)	295,530	Everett	3,574,098
31004	Lake Stevens	1,053,580	227,775	428,856	347,551			627,218	94,974	255,307	144,916	(161,527)	79,023	Lake Stevens	1,338,158
31006	Mukilteo	1,924,894	532,393	785,279	626,287			1,309,033	191,733	534,033	225,547	(321,065)	249,988	Mukilteo	2,492,212
31015	Edmonds	2,734,837	775,039	1,101,014	1,198,227			1,820,119	279,118	732,759	431,522	(478,695)	285,805	Edmonds	3,942,217
31016	Arlington	816,503	181,887	253,082	184,901			486,082	76,486	150,665	77,753	(154,121)	56,344	Arlington	820,521
31025	Marysville	1,610,385	456,355	582,932	592,467			1,095,150	164,349	396,425	213,368	(361,252)	169,975	Marysville	2,146,444
31063	Index	9,405	4,424	2,990	2,697			5,599	1,691	1,780	1,031	0	1,235	Index	8,498
31103	Monroe	1,039,660	261,331	316,279	243,188			618,932	94,114	188,287	87,580	(187,849)	49,829	Monroe	1,023,183
31201	Snohomish	1,416,276	288,220	584,612	322,846			843,139	129,977	348,032	145,592	(200,897)	23,670	Snohomish	1,601,979
31306	Lakewood	357,122	96,037	142,358	139,951			212,602	34,586	84,749	50,401	(41,922)	32,858	Lakewood	459,381
31311	Sultan	315,435	87,218	139,938	121,921			187,785	31,410	83,308	43,908	(74,808)	28,605	Sultan	463,882
31330	Darrington	91,931	22,240	37,214	41,611			55,472	8,009	22,455	14,985	(14,864)	13,594	Darrington	131,129
31332	Granite Falls	326,043	68,078	122,277	48,273			194,100	29,754	72,794	21,098	(77,651)	31,427	Granite Falls	342,093
31401	Stanwood-Camano	786,146	208,054	287,650	228,884			468,009	74,927	171,244	82,429	(140,796)	46,870	Stanwood-Camano	911,002
37501	Bellingham	1,616,750	373,141	742,963	490,208			962,486	134,381	442,302	176,541	(206,289)	150,406	Bellingham	2,058,303
37502	Ferndale	787,588	206,124	328,350	236,032			468,868	74,232	195,474	85,003	(109,222)	109,769	Ferndale	954,081
37503	Blaine	335,182	65,891	99,213	101,753			199,541	29,827	59,063	46,061	(50,813)	55,034	Blaine	356,903
37504	Lynden	412,685	98,751	98,441	131,296			245,680	35,564	58,604	47,284	(56,218)	42,643	Lynden	391,843
37505	Meridian	251,464	64,016	66,491	79,331			149,702	23,054	39,583	28,570	(45,242)	28,519	Meridian	259,217
37506	Nooksack Valley	248,468	50,442	91,857	74,855			147,918	22,834	54,684	33,885	(44,050)	42,708	Nooksack Valley	299,331
37507	Mount Baker	338,767	93,152	130,065	108,303			201,675	33,547	77,430	39,004	(35,503)	69,569	Mount Baker	390,305
TOTAL		\$ 23,497,690	\$ 5,726,370	\$ 9,014,353	\$ 7,290,839	\$ 14,764,839	\$ 2,203,021	\$ 5,698,474	\$ 2,787,591	\$ 46,191,920	\$ 24,791,257	\$ (4,050,644)	\$ 2,484,233	Total	\$28,841,901

- Notes:**
- ◆ The state provided COLA percentages may not be increases provided by each district through collective bargaining (they could be lower or higher). These calculations are based upon the assumption of state provided COLAs being provided
 - ◆ The legislatively adopted *LEAP 2 Document*, located at <http://www.leap.wa.gov/leap/budget/leapdocs/2008C2.xls>, was used to determine the COLA increase for each district based upon the change in Certificated and Classified salaries from 07-08 to 08-09.
 - ◆ The OSPI web-provided *School District 2008 Cost of Living Analysis*, located at <http://www.k12.wa.us/SAFS/Misc/BudPrep08/COLA-web%20Spring%2008.xls>, provided the total budgeted salaries for 07/08, upon which the calculated COLAs were applied.
 - ◆ The OSPI web-provided *Pivot Tables - Estimated Impacts of Budgets on State Revenues by District*, located at <http://www.k12.wa.us/SAFS/Misc/BudPrep08/Pivot%2008%20Supp.xls>, provided the PAS and LAP funding impact data (see website for assumptions and disclaimers). Some have asserted increased LAP funding offsets the loss of PAS-- even though the LAP requirements are more onerous and the net NWESD-region effect is a loss greater than \$1.5 millior
 - ◆ Funding Summary Totals are 2007-2008 vs 2008-2009 Final, NOT 2008-2009 Projected.