

**District Strategic Financial Planning:**  
**Options for Board Consideration**

**Context:**

The national and regional economic recession and decline in state revenues has caused steep cuts in allocations to a wide array of state-funded programs, including K-12 education. Funding for voter approved initiatives such as I-728 student achievement and I-732 cost of living adjustments have been either eliminated or suspended, and funding for Gr. 4 staffing, teacher training, and specific educational programs has been cut.

**District Response:**

Between June 2008 and June 2009, the district reduced its operating budget by \$3.6 million. This spring, the district developed plans to address an additional budget gap of \$1 million, for a total reduction of **\$4.6 million** - almost 13% of the general fund. These reductions have resulted in significant cuts to the district's educational programs and services.

Budget recommendations for the 2010-11 school year were developed by the District Budget Advisory Committee and presented to the Board of Directors on April 29, 2010. Throughout the budget development process, the district has aligned its financial decisions with the values and priorities identified by students, staff, parents, and community members. The highest priority has been placed on preserving the quality of classroom instruction and enhancing educational opportunities for students.

**Recent Developments:** The district updated its Technology Plan in March. District committees have been discussing the role of technology in our educational programs and possible plans for a Capital Levy for Technology sometime next year. In recent weeks, the district received information about the potential impact of legislative changes made this April regarding local program and operations levies and levy lid limits. Since both of these issues could involve requests to voters within the next year, it seems prudent to discuss them simultaneously.

**Elements of District Strategic Financial Planning for 2010-11**

**A. Capital Levy for Technology**

Technology is an integral part of everyday life and is an essential component of any K-12 educational program. The four-year \$6.1 million Capital Levy for Technology approved by Bainbridge Island voters in 2006 provided the funds to replace aging equipment and infrastructure and provided students and staff with updated tools for instruction (teacher presentation stations), curriculum integration (science probeware, library research), and technology and media literacy (library and student computers); educational software and online resources; equipment for communication and operations; staff training and technical support; and infrastructure improvements.

The District Technology Advisory and Leadership Teams have updated the district's technology vision and goals and have been discussing plans for another Technology Levy. Many needs have already been identified:

- Much of the equipment purchased with 2006 Tech Levy funds will need to be replaced within the next 4 years.
- During recent years, the availability of web-based instructional resources and online courses and materials has dramatically increased, and teacher and student requests for access to these resources has increased exponentially.
- The district's technology infrastructure will need to be updated to increase capacity and bandwidth.
- State and national assessments are now offered online. The Office of the Superintendent of Public Instruction has indicated that computerized testing will become the norm. Intermediate and middle school students participated in the online state testing pilot, and the schools encountered significant challenges in having enough computers to accommodate the need.
- Our state, along with many other states, has increased its requirements for data gathering including student progress and achievement data, financial and personnel records and enrollment information. Costs for online data services continue to rise.
- The district continues to identify and implement strategies to increase operational efficiency. Technological tools (e.g. networked copiers, software for district operations, etc.) are important in helping to increase efficiency.

Key Considerations for the Board of Directors:

1. Amount: The Technology Advisory and Leadership teams have been considering the district's educational vision and the role of technology. They have also discussed future needs for technology equipment, training, technical support and infrastructure. While specific plans and proposals have not yet been developed, the board of directors will need to provide district staff and committees with direction regarding the scope of any future Tech Levy request. The current 4-year levy is \$1.525 million per year, for a total of \$6.1 million.
2. Timing: The 2006 Capital Levy for Technology expires at the end of 2010. Technology Advisory and Leadership groups have discussed the possible timing for another Tech Levy, and the initial plan was to consider a request in February 2011. However, if the board were to place a supplemental program and operations levy request on the November 2010 ballot, serious consideration should be given to placing both requests on the same ballot.

**B. Changes in Washington State Law: SHB 2893 – Local Levies and Levy Authority:**

In 1977 when the state assumed additional responsibility for funding K-12 education, school district maintenance and operation levy authority was limited by enactment of the "levy lid law." The Bainbridge Island School District's levy lid was set at 24.98% of its levy base – an amount that includes most of the state and federal revenues received by the district in the prior school year.

This spring, the legislature approved a temporary change in the "levy lid law." The following changes apply to levies to be collected in calendar years 2011 to 2017:

- The levy lid is increased by 4 percentage points for districts like Bainbridge Island that have a levy lid of 24% or higher.
- The Local Effort Assistance (LEA or levy equalization) for qualified districts is increased from 12 percent to 14 percent.
- The levy base continues to include amounts that the districts would have received under I-728 and I-732 if funding for these initiatives had not been reduced.
- The enhanced allocation for Gr. 4 is also included in districts' levy bases.
- School districts may return to voters in the middle of a levy cycle for additional levy authority.

We recently received confirmation that the new levy lid would increase the Bainbridge Island School District's maintenance and operations levy authority by an additional \$625,000 in 2011 and \$200,000 in 2012. The increased capacity in 2011 is largely due to the influx of federal stimulus and fiscal stabilization dollars and changes in the formula for calculating our district's levy base. The tapering off of that capacity in 2012 reflects the anticipated loss of federal stimulus and stabilization allocations.

#### Key Considerations for the Board of Directors:

1. Budget impact: A \$625,000 increase in operating funds would provide substantial support for preserving educational programs, maintaining class size, and retaining staff. It must be noted that any decision made by the Board of Directors regarding a possible request for a levy lid increase would not affect current budget recommendations for the upcoming school year. The benefits would only accrue beginning with the 2011-12 school year. While the potential benefits of such a levy lift are obvious, the Bainbridge Island community has already approved two requests for local funding for schools within the past year. If an additional request is to be made, the board may want to consider reducing other requests to keep school taxes stable. (See below)
2. Preliminary budget estimates for 2011-12: State economists are projecting stabilization of revenues. However, the Office of the Superintendent of Public Instruction has warned districts that pension rates will substantially increase in July 2011; and the loss of federal stimulus and stabilization in August 2011 will reduce the current level of allocations for special education and other federally funded programs. It is possible that school districts will be facing increased costs and additional reductions in revenues for K-12 education in the 2011-12 school year.
3. Timing: If the board were to consider placing a supplemental program and operations levy before the voters, the measure would need to be placed on the November 2010 ballot in order to collect the additional dollars in 2011.

#### Options for Board Consideration:

Assumption: During the past two years, the district's financial strategy has been based on the goal of "keeping taxes stable." Such a strategy could be accomplished in the following ways:

##### Option #1:

Tech Levy only: The current 4-year Capital Levy for Technology is \$1.525 million per year for a total of \$6.1 million. The district could just ask for a renewal of this levy.

**Option #2:**

P&O Levy Lift + Tech Levy: The Tech Levy request could be lowered for specific years, such that the combined request for additional Program and Operations Levy + Tech Levy would remain at \$1.525 million per year.

<u>Example:</u>	<u>P &amp; O Levy Lift</u>	<u>Tech Levy</u>	<u>TOTAL</u>
2011	\$625,000	\$900,000	\$1,525,000
2012	\$200,000	\$1,325,000	\$1,525,000
2013	-0-	\$1,525,000	\$1,525,000
2014	<u>-0-</u>	<u>\$1,525,000</u>	<u>\$1,525,000</u>
TOTAL	\$825,000	\$5,275,000	\$6,100,000

**Option #3:**

P&O Levy Lift in November, followed by a Tech Levy at a later date.