



MEMORANDUM

DATE: February 17, 2006
TO: Principals, Building Leadership Teams, Staff, and Parents
FROM: Steve Nielsen, Director of Finance
RE: **School-Based Planning Packet, 2006-2007**

Thank you for beginning the task of building your school budgets for next school year. For those familiar with the budget building process, you find some things the same, other allocations different for next year.

We still face a significant financial challenge. Even though our last three years' fiscal performance has been strong, our future revenue projections are lower than continued business as usual expenditures. Like neighboring school districts, we are confronted with the effect of inflation on costs without an equivalent increase in revenue. Therefore, we are working to develop a FY 2006-07 budget that closes an \$11 million financial gap while continuing to provide those services that are most essential to our students. The work requires that school allocations will be a greater percentage of general fund resources than in past years. The downside of this action means schools will receive fewer support services than currently provided by centrally funded budgets. The Superintendent's final budget package will be presented to the School Board in June and is scheduled for adoption in July.

Acknowledging your need to complete planning at the school level far in advance of budget adoption, the Board has provided direction on those components of the proposed 2006-07 budget that are most critical to maintaining the February 17 to March 16 schedule for school-based planning and budget development. Because the District's total budget is so tight and decision impacts potentially so great, the Board is continuing to review options regarding centrally provided services. As you receive your initial allocations for 2006-07, information on central services is limited, but you are receiving Weighted Student Formula funding and allocations for those grant funds that have been approved for distribution through the Office of Grants Services. Currently those include: Title I, LAP, I-728, and the Bill and Melinda Gates Foundation Transformation grants. The model for distributing Title I, LAP, and I-728 has changed for 2006-07. Grants unique to individual schools may also be different. (*Contact the Office of Grants Services for this information.*)

The Weighted Student Formula (WSF) continues in 2006-07 without significant change from 2005-06. Student weights, characteristics, and Foundation funding remain unchanged. Overall funding is inflated to cover growth in staff compensation, maintaining your current year buying power in both the Foundation and Weighted Student components of the allocation. WSF allocations for supplies remain at the same level as those provided for this current school year.

Even though we are containing reductions within central organizations as much as possible, we acknowledge that you will be developing your 2006-07 school plan, and budget, in a tight money environment. As a whole system, we are experiencing the pressure of significant economic constraints and heightened expectations for student performance.

To ensure we maximize our revenue opportunities and minimize costly surprises that compromise our ability to maintain services essential to our students, we will have to be very purposeful and strategic in developing, implementing, and monitoring our budget for 2006-07. This is vital at the school level and across our whole system of schools.

As you are aware, public school district revenue is driven primarily by enrollment, but it is also impacted significantly by maintaining compliance with a range of categorical requirements and minimum pupil/teacher ratios. Given how stretched our resources are, we must seek your assistance in addressing a system-wide issue that, if not addressed, carries negative consequences for District revenue. We simply cannot afford revenue losses due to non-compliance or failure to qualify for maximum formula-driven revenue. Therefore, please pay special attention to your class size ratios in light of state requirements for K-4 and 5-12 student teacher ratios and to staffing requirements of the SEA contract.

In 2006-07, to protect planned revenue, we will continue to be prescriptive as we develop our budget plans.

- For schools, this translates into a set of standard expectations around minimum pupil/teacher ratios, assignment of staff to specific fund sources, and careful adherence to requirements for appropriate use of grant funds.
- For central departments this translates into directed assignment of staff to specific fund sources, careful adherence to requirements for appropriate use of grant funds, and increased potential for redesigning budget reduction and grant fund use plans for 2006-07.

What should you anticipate in your planning, budget development, and staffing process for 2006-07? What technical support will be available? How will system-wide expectations be communicated? How will expectations specific to your school be communicated? What will the oversight and approval process look like? What will the enrollment and funding adjustment cycle look like?

- Education Directors will serve as key communicators regarding system-wide and school-specific expectations. With technical support from Budget, Enrollment

Planning, Grants, Human Resources, and central categorical program staff, the Education Directors will provide oversight and approval for schools' budget and staffing plans. The goal will be to provide coordinated information, early risk assessment, appropriate intervention strategies if required, and early budget and staffing validation.

- Schools will be required to set aside a reserve, equivalent to .5 FTE teacher, for potential enrollment losses. This shift from FY06 is to protect schools against staffing losses due to minor enrollment losses in the Fall.
- To ensure students are served and staffing is appropriate to address first semester peak enrollment, schools will be asked to work with their Education Director to develop a specific plan.
- Also included in the Green book is specific guidance on how to supplement your core program with grant funds, such as I-728, Title, and Gates. The use of these supplemental funds should specifically be used to target the students in need and to reduce disproportionality in student achievement.
- Key dates and process highlights:
 - February 16: Green and Blue Books are available on line. An email has been sent out with links to the books.
 - February 17: Each school receives the following documents:
 - Green Book (budget instructions)
 - WSF allocations (Blue Book data for individual school)
 - Historical budget and actual expenditure data for FY 2004-05
 - Budget Development tool that calculates minimum contractually required staffing based on your school's projected enrollment and mix of students. This will be emailed and is required to be submitted as your budget document.
 - Week of February 21st Budget analysts meet with principals. The purpose of the meeting is to review budget process changes, provide school-by-school guidance on contractually required staffing and other typical resource requirements, as well as answer budget questions.
 - February 17 through March 16th : As schools work with Building Leadership teams and communities, technical assistance will be made available from Budget, Grants, HR, and Student Services.
 - March 17th through March 24th: Review of technical budget and staffing plans will occur. This process will be significantly different from previous years in that transformation plans will already have been reviewed.

- During the technical review:
 - The Budget Office will ensure that contractual requirements and staffing ratios are met.
 - The Office of Grants Services will provide school-specific guidance regarding appropriate, allowable use of grant funds.
 - Staff from Student Services will provide guidance to ensure categorical program compliance.
 - Human Resources will review your staffing to validate personnel actions or catch the need for corrections early.

- In addition to the standard budgeting timeline, a system-wide enrollment review is planned for spring. If school enrollment is tracking significantly above or below projected and funded, principals will be notified. Funding and/or staffing adjustments will be implemented as necessary. Principals, Education Directors, Enrollment Planning, HR, Grants, and Budget Office staff will develop and implement adjustment plans cooperatively to minimize impact on students and staff and to ensure financial viability

- System-wide enrollment tracking will continue throughout the summer and into early fall. We anticipate an October WSF adjustment, consistent with past practice yet smaller in amount than past years. However, should individual schools experience significant variance from their projected/funded enrollment prior to October, again we will develop and implement adjustment plans, including moving staff as timely as possible.

I want to thank all of you for meeting this challenge and for collaboratively developing and submitting a strong staffing and budget plan directed at meeting the academic needs of all of our students.

Sincerely,

Steve Nielsen
Director of Finance