

Blaine County School District 5-Year Budget Shortfall: What We Know

Presented by the Finance Committee to the School Board on
December 7, 2017

Overview

- We've met 4 times so far, once with the school board and 3 times without
- We've asked a lot of questions and gotten a lot of answers
- We have enough information right now to come to one important conclusion:
 - While cuts to programs and staff may be part of the solution
 - And private fundraising may be part of the solution
 - The district will need to ask for one and maybe two property tax levies:
 1. a supplemental levy every 2 years
 2. another plant facilities levy when the current one runs out

What we know:

- Vast majority of property tax revenue for schools in Blaine County has been fixed since 2006 when the state funding formula changed
- As a result, school district revenue is basically fixed at \$51 million
- From 2012 to 2015, school district operating expenses exceeded revenues
- The school board used its reserves (savings) to cover the growth in expenses for those 4 years
- To balance the budget the last 2 years without further reducing reserves, the district has had to cut a total of \$2.5 million in expenses
- Expenses grow by about \$1.2 million annually due to inflation and increases in the established staff compensation schedules

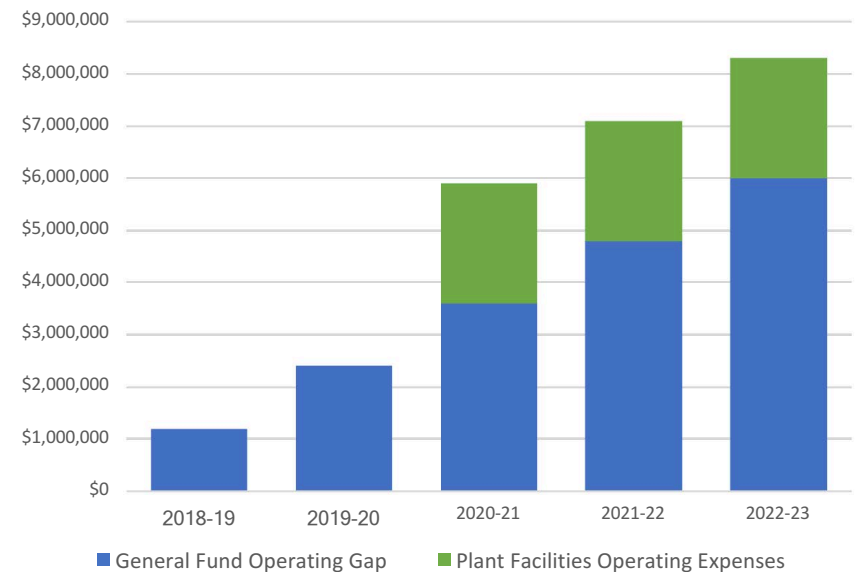
Savings shortage

- The Unassigned Fund Balance (official term for savings or reserves)
 - is used to cover cash flow issues during the year
 - is used to cover emergency expenses
 - affects the district's credit rating (larger balance means the district pays lower interest rates on any bonds issued)
- The Unassigned Fund Balance is currently down to only \$3.5 million
- Best practices and school board policy require an Unassigned Fund Balance of 18-20% of annual operating expenses, or about \$10 million by 2022

The Budget Gap

- Kevin Garrison, school board trustee and finance committee member, presented this estimate at our meeting
- Short \$1.2 million next year due to increases in expenses
- Increases roughly an additional \$1.2 million each year after that
- Plant facilities levy currently covers \$2.3 million per year in maintenance and technology expenses
- Plant facilities levy ends in 2020

BCSD 5-Year Estimated Budget Gap



	2018-19	2019-20	2020-21	2021-22	2022-23
General Fund Operating Gap	\$1,200,000	\$2,400,000	\$3,600,000	\$4,800,000	\$6,000,000
Plant Facilities Operating Expenses	\$0	\$0	\$2,300,000	\$2,300,000	\$2,300,000
Total Gap	\$1,200,000	\$2,400,000	\$5,900,000	\$7,100,000	\$8,300,000

The 5-year shortfall

- We originally thought of this as a \$1.2 million/year problem
- Kevin described this as an \$8 million dollar problem by 2022
- Our mandate is to provide the school board a long-term view of district finances
- For our schools to keep the current programs and staff for the next 5 years, the cumulative shortfall is actually the **SUM** of those numbers:

2018	2019	2020	2021	2022	5-Year Cumulative Shortfall
\$1.2	\$2.4	\$5.9	\$7.1	\$8.3	= \$25 million

Total shortfall is even bigger

- Over the next 5 years, just to maintain the current level of programs and staff, the district needs:
 - \$25 million to cover projected increases in operating expenses
 - + \$6.5 million to build up the Unassigned Fund Balance by 2022
 - = \$32 million total
- That's an average of \$6.4 million per year for the next 5 years

What's not included:

- Unexpected expenses
- Expenses for new or additional programs
- Revenues from the state usually increase around \$500,000 each year
- Note: The 2010 plant facilities levy included money to build an additional elementary school. The school wasn't needed, but the funds are needed for other expenses. If the district stops collecting the remaining \$12 million balance, the total shortfall would be even greater: \$44 million, or \$8.8 million/year

Can cuts solve the problem?

- Expected 2017 General Fund operating expenses are \$51 million
- 82% - \$42 million - is allocated to salaries and benefits
- Compensation for most staff can't be reduced from one year to the next, per Idaho statute, lacking a defined financial emergency
- The remaining \$9 million is used for other operating expenses
- \$6.4 million each year in cuts will have to come from the \$9 million, and will require reducing a LOT of programs and staff
- Cuts would severely impact or eliminate: small class sizes, athletics, AP classes, outdoor education, world languages, drama, debate, music, full day kindergarten, additional safety personnel, programs/staff for students with special needs, etc.

Levies have to be part of the solution

- Cuts seem prudent, but clearly the district can't "cut" its way out of the long-term revenue shortfall
- Passing levies will be critical
- Presumably the district will need a supplemental levy every 2 years for operating expenses and another 10-year plant facilities levy when this one runs out
- Voters need to understand what will happen to our schools if a supplemental levy doesn't pass

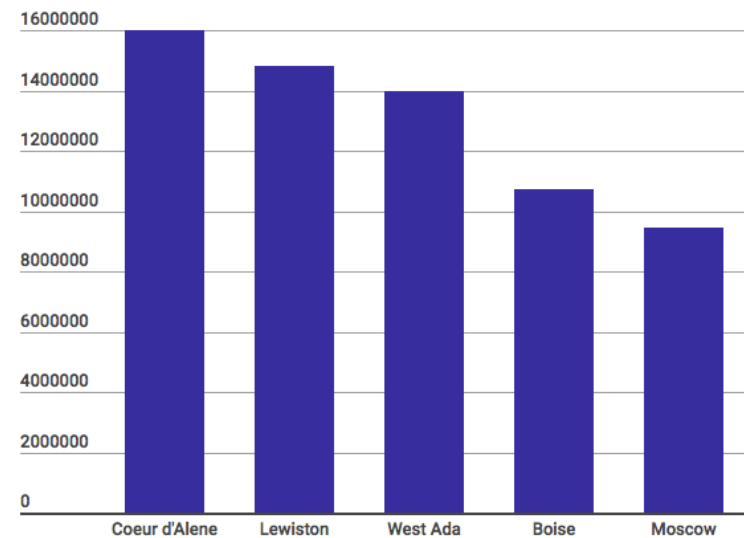
This is an Idaho problem

- In 2013, Idaho spent less per student than every state in the U.S. besides Utah
- School districts all over Idaho are using levies to fill that gap
- In 2017, 93 of 115 districts in Idaho collected 2-year supplemental levies (versus 60 ten years earlier)
- In 2017, the total collected through supplemental levies set an all-time high

<https://www.idahoednews.org/news/194-7-million-idahos-supplemental-levy-bill-keeps-rising/>

<https://www.deseretnews.com/article/865629944/Census-report-Utah-still-last-in-country-in-per-pupil-spending.html>

Supplemental levies, top 5



For the second straight year, Idaho's supplemental property tax levy bill has set an all-time record. Ninety-three of Idaho's 115 school districts will collect voter-approved levies exceeding \$194.7 million. Here are the largest levies on the books for 2017-18.

This is a U.S. problem

- 23 states currently provide less funding per student than before the recession in 2008
- 7 states have cut funding per student by 10% or more from 2008 to 2017
- As of 2017, Idaho's state funding per student is still 8.5% below 2008
- Why? State revenue slow to recover after recession, states cut spending rather than raise taxes, federal aid to states fell after 2011
- Local funding per student also fell at the same time in 27 states (see chart: total funding drop by state 2008-2014)

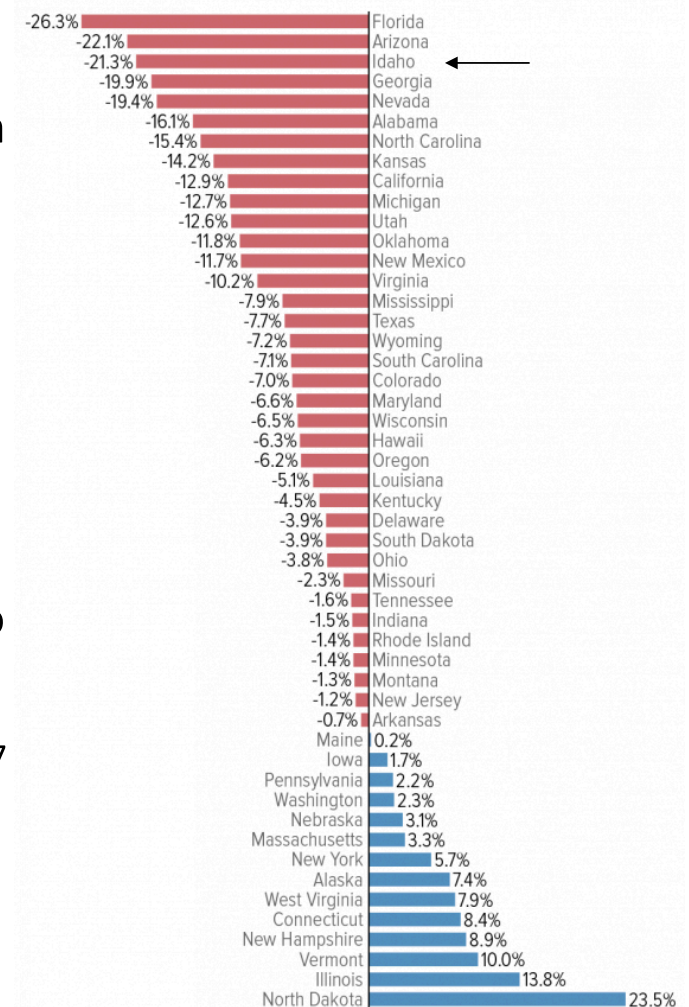
<https://www.cbpp.org/research/state-budget-and-tax/after-nearly-a-decade-school-investments-still-way-down-in-some-states>

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Presented by the Finance Committee

Combined State and Local School Funding Per Student Below 2008 Levels in Most States

Percent change, inflation adjusted, fiscal years 2008-2014



Time is critical

- It will take a lot of work to educate voters on the situation
- Running a levy on March 13, 2018 has advantages:
 - Only item on the ballot (primaries are in May this year)
 - Parents and teachers are engaged, middle of school year
 - If passes in March, teachers stay focused on students not cuts
 - If fails in March, can try again in May (budget must pass in June)
- School board has to vote by January to hold a March levy
- School board only has 2 meetings left: December and January

Risk of doing nothing or waiting too long

- The school board in 2007 knew that by spending down its reserves it would have to ask for a supplemental levy by 2011 or 2012
- Subsequent school boards have held off asking the public for more money until now
- Now is the time to act
- Idaho state code requires a balanced budget
- Not making a decision IS a decision to cut \$1.2 million next year
- Cutting next year will have a big impact on students AND doesn't address the rest of the \$32 million 5-year shortage
- There is time to discuss and address possible cuts, but we're running out of time for the board to decide to run a levy