

Seattle Public Schools

**The Superintendent's
Recommended Operating
Budget for Fiscal Year
2005-2006**



Presented to the
Seattle School District Board of
Directors

June 22, 2005



School Board Action Report

DATE: June 22, 2005
FROM: Superintendent Raj Manhas
STAFF PERSON: Steve Nielsen, Phone: 20017, snjieslen@seattleschools.org

TITLE AND BRIEF DESCRIPTION

FY 2006 General Fund Budget

For Introduction: June 22, 2005
For Action: July 6, 2005

BRIEF HISTORY

Each year the District adopts a General Fund Budget, covering expenditures during the next fiscal year for general educational programs and operations. During FY 2004-05, the total General Fund Budget was \$ \$443,666,649. This resolution covers expenditures during FY 2005-06 for the General Fund, Transportation Vehicle Fund and Associated Student Body Fund.

RECOMMENDED MOTION

I recommend approval of the following motion:

I move the adoption of Resolution 2005-10, adopting the 2005-06 General Fund, Transportation Vehicle Fund, and Associated Student Body Fund appropriations.

ISSUE

General Fund

The 2005-06 General Fund Budget is recommended at \$453,016,832. The General Fund Budget includes a total of \$238,406,397 for direct school expenditures; \$56,333,104 for instruction and instructional support for schools; \$106,967,780 for non-instructional support including transportation and nutrition services; \$18,579,645 in core administration; and \$32,729,906 in general obligations.

General Fund revenue is comprised of \$372.8 million in non-grant funds, \$67.2M in grant funds, and \$13.0M in grant capacity. The \$13.0 M capacity for potential grants is a place holder for potential spending in the event that new grants are received.

The Budget was built utilizing a variety of strategies around use of available resources: revenue increases including a levy base increase of \$2.6 million, cost reductions including a savings of \$2.0 million from a new bus contract, elimination of certain reserves, use of I-728 carry forward, and use of \$274K of undesignated unreserved funds.

All known costs are fully recognized through distributed budget authority or reserve. Total school budgets increased by \$7.3 million compared to the prior year, with an increase in non-grant resources of \$10.8 million being offset by a decrease in grant resources of \$3.5 million. As a result of increased staff costs, lower grant revenues and lower enrollment, school-based staffing decreased by 81.5 FTE. The budget includes salary improvement funds as approved by the State Legislature and provides a \$1.0 million contingency fund to address current unknowns. The Budget also includes unrestricted reserves of \$5.2M, or one and one half percent of total, non-grant resources.

Transportation Vehicle Fund

The Transportation Vehicle Fund Budget is recommended at \$0.

Associated Student Body Fund

The Associated Student Body Fund Budget is recommended at \$4,793,702

ANALYSIS

Options	Pros & Cons of Each	
<p>RECOMMENDATION: Approve the General Fund, ASB and Transportation Budget as proposed.</p>	<p><u>Pros:</u> Approval affirms budget capacity and necessary timing for implementation.</p> <p><u>Cons:</u> Non-approval requires reforming planned budget and may not align with contractual obligations.</p>	
<p>ALTERNATIVES</p> <p>1. Modify the General Fund, ASB or Transportation Budgets</p>	<p><u>Pros:</u> May address un-programmed needs.</p> <p><u>Cons:</u> May contribute to “ad hoc” non-prioritized spending decisions.</p>	
<p>2. Do not approve any General Fund, ASB or Transportation Budgets at this time.</p>	<p><u>Pros:</u> None</p> <p><u>Cons:</u> The District will cease all General Fund, ASB or Transportation related activities, suspend or terminate contracts and lay off staff effective August 31, 2005. Resuming work will be very expensive and result in overruns.</p>	

CONCLUSION

Approval of an Operating Fund budget is necessary in order to allow schools, educational support programs and administrative functions to continue operating. This resolution approves the recommended Operating Fund budget, as introduced to the Board on June 22, 2005.

TIMELINE FOR IMPLEMENTATION

Expenditures implementing this budget will occur during FY 2005-06.

SEATTLE SCHOOL DISTRICT NO. 1

RESOLUTION 2005-10

RESOLUTION 2005-10

WHEREAS, the Board of Directors of Seattle School District No. 1, in compliance with RCW 29A.505.050 and 28A.505.060, has held a hearing on the budget for September 1, 2005 to August 31, 2006;

WHEREAS, the Board of Directors has given due consideration and has fixed and determined the General Fund appropriation to be \$453,016,832;

WHEREAS, the Board of Directors has given due consideration and has fixed and determined the Transportation Vehicle Fund appropriation to be \$0;

WHEREAS, the Board of Directors has given due consideration and has fixed and determined the Associated Student Body Fund appropriation to be \$4,793,702;

NOW, THEREFORE BE IT RESOLVED that the above-referenced budgets for 2005 - 06 be adopted.

BE IT FURTHER RESOLVED that the secretary file copies of the adopted budget with the Puget Sound Service District No. 121 in accordance with RCW 28A.505.060.

Brita Butler-Wall, President

Dick Lilly, Member

Jan Kumasaka, Vice President

Sally Soriano, Member

Darlene Flynn, Member

Irene Stewart, Member

Mary Bass, Member

ATTEST: _____
Raj Manhas,
Secretary, Board of Directors
Seattle School District No. 1
King County, Washington



A Message From Superintendent Raj Manhas

This budget summary guides you through the 2005-2006 General Fund Budget of Seattle Public Schools. The district continues to make a concerted effort to share meaningful financial and budgetary information with the general public. It is our sincere intent to provide an effective tool for greater citizen involvement in the district's budget process.

During the final months of school year 2004-2005, it was clear that education supporters and residents of Seattle are interested in understanding school funding on a local, state, and federal level. At no time was this more evident than when I proposed school closures and student assignment changes as part of a plan to address an anticipated budget shortfall for the 2006-2007 school year.

It is important to note that as part of our effort to address past fiscal shortfalls and budgeting problems, we are working on long-term financial stability. As superintendent, I believe it is my primary responsibility to provide a high-quality education for every student by using resources efficiently and wisely. By taking a multi-year approach to our district budgeting, we are creating stability and predictability for our students, families, and staff. I was pleased to learn that the state auditor had no state audit findings for the district due to the excellent work of central and school staff.

In establishing the 2005-2006 General Fund Budget, all central departments and schools were asked to review expenditures and activities line by line. Expenditures were carefully examined in relationship to our core mission of helping every child reach high academic standards. Difficult choices were made in order to support the good work occurring in the classrooms as well as in our schools while closing a \$13 million budget gap. The budget was balanced by using \$2.9 million of District reserves and grant carry forward funds, an additional \$2.6 million in revenue through a levy base increase, saving of \$2.0 million from a new bus contract, and other funding increases and program cuts of approximately \$5.5 million.

In order to receive input and feedback regarding our budget reductions, staff presented a budget overview in four regions of our city as well as one specifically designed for our bilingual families. A budget-balancing tool was also launched on our district web site for additional participation.

Seattle Public Schools and the Seattle Education Association also implemented the first year of a five-year agreement. The agreement provides for pay increases aimed at bringing certificated teacher compensation to a competitive level compared with

surrounding districts. It also establishes a mutual commitment to provide stability in our most challenged schools, and to secure increased resources to support activities that enhance the ability of our staff members to serve students. These include targeted professional development opportunities, including training in cultural competence; assistance for instructional assistants to become certificated teachers; and support for a new level of parent and community engagement.

The revenue estimates and spending plans summarized are shown in much greater detail in the formal budget, Office of the Superintendent for Public Instruction form F-195. To access the F-195, please visit OSPI's web site at www.k12.wa.us and highlight the School Business/Grant pull-down tab and select Apportionment/Financial Services (This link should be available in the Fall of 2005).

Since this summary is intended as a citizen's aid to a better understanding of how public schools are operated, this document presents simplified financial information. This budget summary contains displays of enrollments, revenues and expenditures. If you would like additional information, please call Seattle Public Schools' Public Affairs and Communications Office at (206) 252-0200. We welcome your comments and suggestions.

Sincerely,

A handwritten signature in dark ink, reading "Raj Manhas". The signature is written in a cursive, flowing style.

Raj Manhas, Superintendent

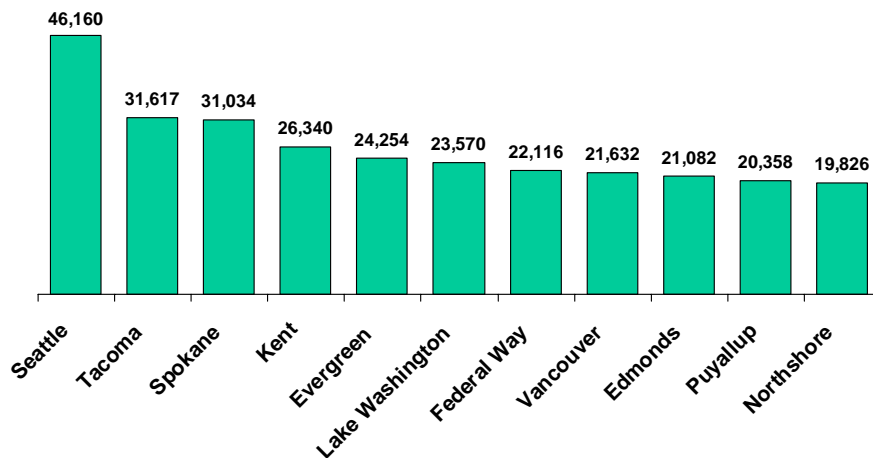
Who We Are

Our Students

Seattle Public Schools is the largest public school district in Washington State. Our student enrollment, expected to total approximately 46,000 in the 2005-06 school year, comprises around 5% of the K-12 public school enrollment in the state. We serve 76% of the K-12 students attending school in Seattle. Overall enrollment growth is declining slightly, with trends for 2006 indicating a slight enrollment decline. We serve a diverse student population, with many of our students eligible for and receiving specialized services.

Approximately 13% of our students, representing 80 different languages, receive transitional bilingual services. An average of 13% of our students receive special education services, and roughly 42% of our students qualify for free and reduced rate lunches. This forms the basis for other supplemental, specialized educational services.

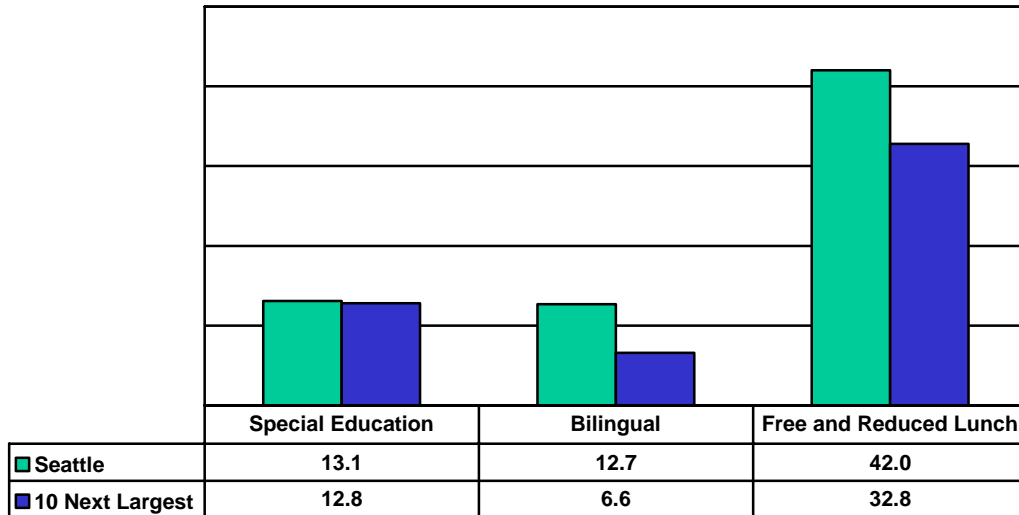
Washington's Largest School Districts' Enrollment
2003-04 Average Headcount



Source: OSPI Report 1251H

Enrollment Characteristics

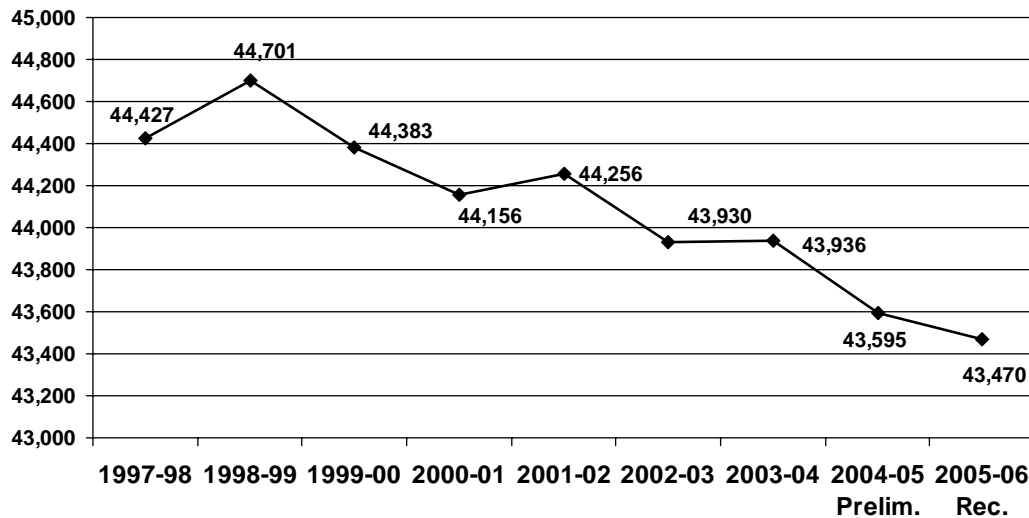
Percent of Total Students
2003-04



Source: OSPI final apportionment reports for the 03-04 school year

Seattle Public Schools

Average Annual K-12 FTE Enrollment



Source: OSPI Report 1251. Excludes Running Start and summer school

The Recommended Budget for 2005-06

The Fiscal Year 2005–2006 (FY05-06) Operating Budget is expected to increase by \$9.4 million over the adopted budget for the current year. Although resources have increased, related expenditures continue to increase at a faster pace, forcing the District to restructure current resources and cut, or eliminate, activities to fund cost increases in other areas.

Detail is provided in this document regarding major changes to the FY05-06 Operating Budget compared to the current year budget. The first section identifies major revenue changes and the second section discusses expenditure changes.

Included in the \$453 million budget recommendation is \$23.2 million of budget capacity; reserves not backed by dollars at this time. Since adoption of a recommended budget limits the total spending of the District to a set amount, (in this case \$453 million) it is necessary to build into the budget room for potential unknown revenues so they can be used. Without this capacity the District would need to request a budget extension (added spending authority) each time new funds were received. Since this process is both expensive and time consuming the District attempts to address it by adding capacity based on past needs and future predictions.

The \$23.2 million of current budget capacity includes the following: \$13.0 million of capacity for new grants or grant funding increases received after the budget is adopted, \$2.5 million to allow school's to carry into FY06 potential non-staff under spend from FY05, \$5.7 million of capacity for Self Help funds to allow schools and central departments to receive and expend funds collected in FY06, and \$2.0 million to allow schools and departments to carry into FY06 any unspent self help from FY05. None of these capacity funds are released for expenditures until final carry forwards are known or grant rewards are received.

Revenue

Seattle Public Schools receives funding from a variety of sources. Noted below are the five major resource categories; State, Local Levy, Federal, Other Revenue and Other Resources. Following the graphs on this page is a detailed explanation of each type of funding and major changes anticipated between FY04-05 and FY05-06.

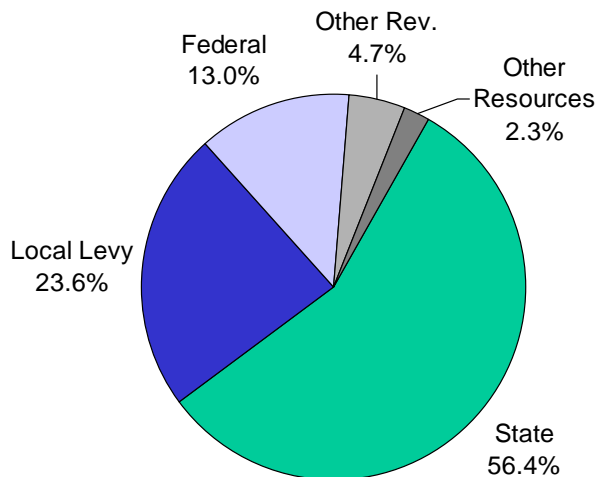
A Comparison of Resources by Type, FY04-05 and FY05-06

	2004-05	2005-06	
	Adopted	Recommended	Change
State	246.4	255.5	9.1
Local Levy	103.9	106.8	2.9
Federal	56.8	58.7	1.9
Other	26.8	21.3	-5.5
Total Revenue	433.9	442.3	8.4
Other Resources	9.7	10.7	1.0
Total Resources	443.6M	\$453.0M	9.4M

Resource Changes by Grant and Non-Grant Funds

	2004-05 Adopted	2005-06 Recommended	Change
Grant	82.6	80.2	-2.4
Non-Grant	360.1	372.8	11.7
Total	\$443.6M	\$453.0M	\$9.4M

Resources by Type FY05-06



FY05-06 Resources by Type (in millions)	
State	255.5
Local Levy	106.8
Federal	58.7
Other	21.3
Total Revenue	\$442.3
Other Resources	10.7
Total Resources	\$453.0

State funding provides the largest portion of District funds at 56.4% of total resources. This amount is broken down between State general purpose funding and State categorical funding and equates to an increase of \$9.1 million over FY04-05.

State general purpose funding, also known as apportionment, accounts for 43.2% of total District funds. Apportionment is calculated using the number of students attending our schools multiplied by a legislative funding formula. For FY05-06, State general apportionment is expected to increase \$5.5 million. The increase in funds is driven by increases for staff medical benefits, pension contributions, a 1.2% salary increase, and increases to cover higher education and experience levels of certificated staff. These increases are reduced by an anticipated enrollment decline of 263 students between the adopted budget for FY04-05 and FY05-06. Of this total, 139 is a decline in the FY04-05 fiscal year between projected and actual enrollment and 124 is an additional reduction anticipated in FY05-06.

State special purpose funds provide 13.2% of budgeted resources. These are state funds designated for programs such as special education, transitional bilingual, student transportation, learning assistance, student achievement, and education enhancements. Most of these revenues are given for a specific program and are not available for other purposes. State special purpose funds are up \$3.6 million, \$2.0 million of which is due to an increase in I-728 (Student Achievement) funding.

Local levy, which provides 23.6% of budgeted resources, is the second largest funding source for Seattle. These funds come from the local operating levy approved by Seattle voters to support general education, programs, and operations. The amount the District can collect from voters in levy elections is set by the legislature to a percentage of our state and federal revenues. Revenue from the operating levy is anticipated to increase by \$2.9 million in FY05-06 due to growth in the levy base (amount the levy collection is calculated on) and legislated formula changes.

Federal Funds comprise 13.0% of Seattle's resources. These monies fund programs such as Title I and Head Start. They also provide supplemental funding for special education programs and support free and reduced lunches in the food service program. These revenues may only be used for their specific program purpose. For FY05-06, Federal revenues are anticipated to increase due to an increase in the Individuals with Disabilities Education Act (IDEA) grant and an increase in the budget capacity set aside to program new grants as the awards are finalized. These increases are partially offset by the discontinuance of the \$1.0 million Safe Schools grant. More detail regarding these grants is discussed later in this document under the grant section.

Other Revenues are anticipated to decline by \$5.5 million in FY05-06. This is the smallest revenue source for Seattle and funds 4.7% of budgeted resources. Non-levy local funding is expected to decrease by \$3.5 million with increases in Food Services fees and investment income being more than offset by several grant decreases including: the discontinuance of the Gates Transformation allocation (\$1.4 million), a decrease in initial funding for the Sloan grant at T.T. Minor (\$1.0 million) and an initial decrease in the program budget for the City Families and Education Levy of an anticipated \$1 million.

Other Resources increase by \$1.0 million and account for 2.3% of district total resources for FY05-06. This category includes FY04-05 school balances to be carried forward to FY05-06 and the use of reserves to support ongoing programs. It also includes transfers between funds such as Capital and Debt Service.

Reserves set aside for carry-over of school balances decrease \$2.0 million as schools are spending a greater percent of their student allocations in the year in which they receive them instead of carrying them into the next year. Reserves are also down due to an anticipated reduction in carry-over of Gates and I-728 school-based grants in the amount of \$2.2 million.

Use of reserves to support general operations increase \$1.6 million for FY05-06 including the use of insurance demutualization proceeds to fund employee medical retiree subsidy costs.

Transfers to the Debt Service Fund will decrease by \$1.7 million in FY05-06 due to the final payment of the Stanford Center Series B bonds in December of 2004 combined with a management decision to fund payment of the energy retrofit bonds from Debt Service Fund resources instead of the Operating budget for FY05-06 through the final payment in December 2007. Discussion is still in process regarding the potential to fund the Stanford Center Series A bonds, an amount of \$1,690,238 in FY05-06, from the Capital Fund instead of the Operating Budget. A final decision is expected before the Capital and Debt Service Funds are adopted by the School Board. If it is decided that the Capital Fund will pay for the Series A bond payment in FY05-06, the funds set aside in the Operating Budget will be transferred to the Unreserved Fund Balance.

Notable Changes to Grants for the FY05-06 School Year

The following section highlights the most significant changes in grant revenue between the FY04-05 Adopted Budget and the grant revenue projections for the FY05-06 school year. In addition to funding changes, it is important to note that grants have “strings,” attaching the resources to specific programs and services. As grants go away, services and programs are cut. As grants increase, only those programs and services that qualify for proper use of grant funds benefit from the increase.

Grants account for almost 18% of total District resources. Grant revenue is spread across many of the above referenced funding sources, and as a result, this section repeats some of the above information.

Each year the District experiences changes in grant revenues from the prior year. Our Adopted Budget for FY04-05 contained a grant revenue projection of \$82.6 million. This included funding for over two hundred individual grant programs. For the FY05-06 school year we are projecting \$80.2 million in grant revenues, a reduction of approximately \$2.4 million.

Frequently, actual grant awards for continuing grants are not finalized until after adoption of the District’s Operating Budget. This is also true for new grants as the District applies for and receives grants throughout the school year. Because the Board sets the maximum spending level prior to the beginning of the year, the District must establish a “grant reserve” to ensure it has the capacity to accept increases in grant revenues. For the 2005-2006 school year the District has established a ‘grant reserve” of \$13.0 million to enable the District to accept new grants and increases to continuing grants above current revenue projections. As of the start of the year this reserve is not backed by any real funds.

1. Major Grants with a projected increase in funding

- We anticipate a 17.3% increase in funding under the State’s Learning Assistance Program (LAP) from \$3,145,820 to \$3,691,535. The increase results primarily from a change in the State’s LAP appropriation combined with a change in the State’s distribution formula to districts. For the next year, elementary schools will experience a slight decrease in their allocations; while middle and high schools will receive LAP funding designed to assist students to meet Adequate Yearly Progress (AYP) targets and graduate from high school. Next year will be the first year that secondary schools in Seattle will participate under this program.

- We project a 17.2% increase in funding under the State's I-728 Student Achievement Program from \$11,291,733 to \$13,234,898. These funds are generally used to reduce class size, provide extended-day and extended-year activities, and to provide professional development activities to certificated classroom teachers. Currently the District is considering options as to how the increase in funding will be distributed.
- We anticipate a 2.8% increase in the federal ESEA Title I Part A from \$12,171,791 to \$12,517,214. These funds are given to schools with high amounts of low-income students in grades 1-5 to assist them to meet AYP targets. A portion of these funds is retained centrally to meet various mandated, set-aside requirements under this program (i.e. equal expenditure per student for private schools, School Improvement, District Improvement and services for homeless children).
- We anticipate a 13.4% increase in funding under the federal IDEA Part B Flow-Through Grant (Special Education) from \$8,582,783 to \$9,735,758. These are federal funds that help support Special Education needs for Seattle students.

2. **Major Grants projected to end**

The following grants are at the end of their current funding cycle and will not be continued for the 2005-2006 school year:

- Bill and Melinda Gates Foundation School Transformation Program. Currently the District receives \$1.4 million under this grant. The grant provided funds to schools to support professional development activities directed at improving student academic performance.
- Safe School/Healthy Students Grant. Currently the District receives \$1.0 million annually under this program. The program provided counseling, Family Support Worker and Drug and Alcohol Intervention Specialist services to schools. A total of 2.0 FTE positions formerly funded on this grant are continued with non-grant funds.

3. **Major Grants restructured**

- This year is the last year for the current seven-year cycle of funding under the City's Family and Education Levy (FEL) Program. Voters approved a new Family Education Levy in September 2004. The 2004 FEL designates \$116.7 million over seven years to address the needs of Seattle's public school children and Seattle's youth and families. Under this new seven-year cycle of funding, some current FEL programs will not continue (Levy Administration; Middle School Health Education; Middle School After School Activities Program; and School Effectiveness) while other programs will continue for next year with modifications (Family Support Workers; Middle School Support Program; Health; and Family Involvement). District allocations under the FY05-06 FEL have not been finalized.

- participating schools with access to Vista and AmeriCorps Volunteers for the 2005-2006 school year rather than providing schools with a dollar allocation. For the current year, the District received \$151,000 to serve eight schools. Next year the District will receive Vista and AmeriCorps Volunteers to support eleven of our elementary schools.

Expenditures

Given the significant budget cuts that have occurred in the prior three years, there is limited flexibility to make further reductions for FY05-06. In addition, some of the reductions taken to balance the budget in previous years have not been sustainable. Both of these factors are reflected in this proposed budget. Central departments have taken additional reductions; however, these are offset by the addition of budget in areas where resources are needed to fund new items or to cover the cost of an essential person or program no longer funded by a grant.

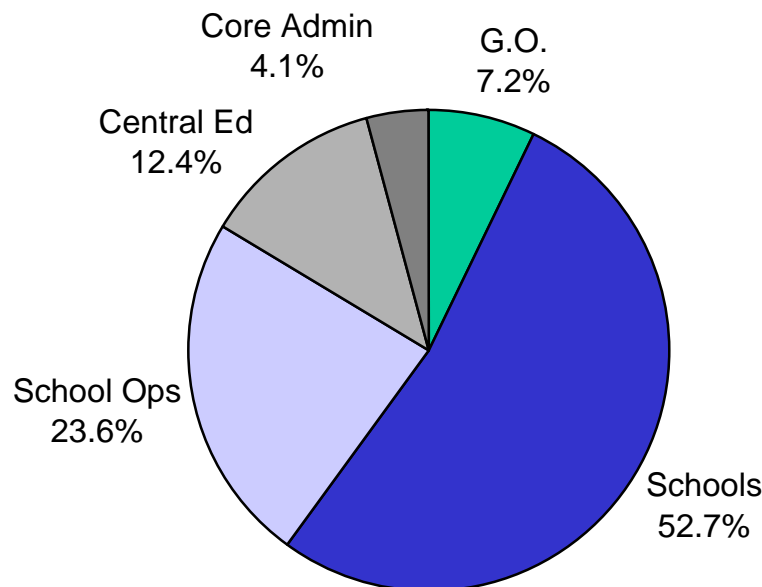
At a macro level, expenditure changes can be characterized as follows:

1. Planned school expenditures are up \$ 7.3 million.
 - Non-grant allocations increase \$10.8 million to reflect increased staffing costs.
 - Grant allocations decrease \$3.5 million, due to a reduction in school allocations of Title I, Learning Assistance Program, I-728 funded high school AA FTE “mitigation” funds and elimination of the Gates Transformation grant.
2. Planned central expenditures, which include grant capacity, are up \$2.0 million.
 - Department budgets decreased by \$2.3 million
 - General obligations (reserves) increased by \$4.3 million. Of this, \$3.0 million relates to grant capacity, which is not backed by revenue until new grants are received.

Expenditures by District Categories

For budget planning purposes, Seattle School District divides its operating expenditures into five distinct categories; Schools, School Operations, Central Education, Core Administration and General Obligations.

Budget by District Categories FY 2005-06



A Comparison of Budget (in millions), 2004-05 and 2005-06

	2004-2005			2005-06			Change		
	Grant	Non-Grant	Total	Grant	Non-Grant	Total	Grant	Non-Grant	Total
Schools	25.1	205.9	231.0	21.6	216.8	238.4	-3.5	10.9	7.4
School Operations	1.2	110.7	111.9	1.3	105.7	107.0	0.1	-5.0	-4.9
Central Education	26.9	27.9	54.8	25.0	31.3	56.3	-1.9	3.4	1.5
Core Admin	1.7	15.8	17.5	1.4	17.2	18.6	-0.3	1.4	1.1
General Obligations	27.6	0.8	28.4	31.0	1.7	32.7	3.4	0.9	4.3
Total	82.5	361.1	443.6	80.3	372.7	453.0	-2.2	11.6	9.4

Staffing Changes

Staffing reductions between the Adopted FY04-05 and Recommended FY05-06 General Fund Budget total 147.4 FTE. Of the total, 81.5 FTE or 55.3% are school-based positions and 65.9 FTE or 44.7% are centrally-based staff. Staffing is down 6.1% in School Operations, down 4.5% in Central Education, up 3.9% in Core Administration and down 2.3% in Schools.

School positions decreased 36.5 FTE due to decreases in funding for Title I, LAP and I-728. School positions declined an additional 45 positions due to the District not needing to deploy staff above the Weighted Student Formula (WSF) to meet the State K-4 staffing ratio as we did in FY05.

Staffing reductions of 38.8 FTE in School Operations are primarily due to the discontinuance of Building Designated Substitutes used to re-deploy resources as a result of collective bargaining. Central Education position reductions of 34.2 FTE are primarily due to suspension of the Family Support Worker program and Nurse positions as the funding cycle for the Families and Education Levy has ended. (Funds for these programs are held in reserves pending program negotiations for the new cycle.)

A Comparison of Staff, 2004-05 and 2005-06

	2004-2005			2005-06			Change		
	Grant	Non-Grant	Total	Grant	Non-Grant	Total	Grant	Non-Grant	Total
Schools	378.0	3,184.8	3,562.8	326.3	3,155.0	3,481.3	-51.6	-29.9	-81.5
School Operations	7.6	632.4	640.0	6.0	595.2	601.2	-1.6	-37.2	-38.8
Central Education	368.9	383.0	751.9	321.5	396.2	717.7	-47.4	13.2	-34.2
Core Admin	1.6	179.5	181.1	1.6	186.6	188.2	0.0	7.1	7.1
General Obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	756.1	4,379.7	5,135.8	655.5	4,333.0	4,988.5	-100.6	-46.7	-147.4

Detail of Expenditures by District Category

Schools

Seattle Public Schools allocates more than 52.7% of its funds to schools for site-based budget planning and management. School budgets include costs for school-based administrative staff such as principals, secretaries and registrars, instructional staff such as teachers and instructional assistants, and school support staff including librarians, counselors and nurses. School budgets also include funds for student supplies, instructional materials and school office costs such as postage and copier services. This area also includes district reserves, which are distributed to schools once actual enrollment and prior-year balances are known.

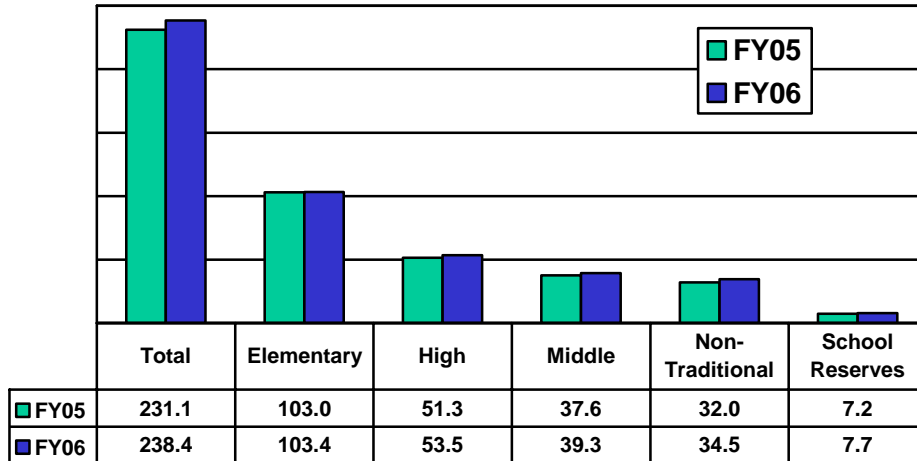
Schools' budgets increase \$7.4 million with the total budget at \$238.4 million. Of the total, 9.1% is grant funded and 90.9% is funded with non-grant resources.

The bulk of school allocations are distributed through the Weighted Student Formula (WSF). The WSF is a mechanism for allocating resources according to enrollment level and student characteristics at each school. Students with special needs such as those eligible for special education or bilingual services receive a greater level of funding. School staff receive a total allocation amount then use a site based decision-making process for determining staff positions and non-staff budgets at their schools. Schools have some choice in configuring their staffing and non-staff budgets, although after satisfying legislated, bargained and program staffing requirements, the amount of discretionary dollars is limited.

WSF funding increases for FY05-06 to cover a cost-of-living increase, higher medical and pension costs, and an increase in the amount paid as Time Responsibility Incentive (TRI). Because the WSF funding is inflated to cover these costs, schools are "held harmless" from the staff cost increases. However, supplies were held at the same dollar level and were not inflated, thus decreasing buying power for supplies at the school level.

School reserves include Weighted Student Formula funds totaling \$2.3 million, to be distributed to schools in October after actual student counts and characteristics at each school are known; \$2.9 million in K-4 reserves to be distributed as needed to ensure we meet our state required staffing ratios for these grades; and \$2.5 in school carry-over funds which will be distributed once current year-end balances are finalized.

Budget by School Type FY 2005-06



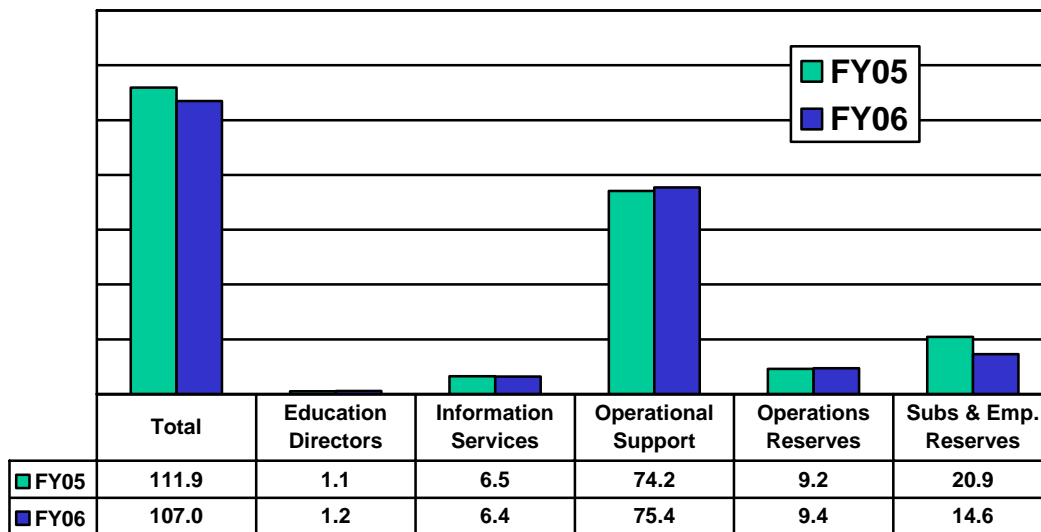
School Operations contains the next largest allocation at 23.6% of the budget. School Operations directly supports schools by providing transportation, custodial services, security, maintenance of buildings and grounds, and food services.

Overall, School Operations decreases \$4.9 million and 38.8 FTE. Key changes are:

- Per contract negotiations with the Seattle Education Association (SEA), Building Designated Substitutes are eliminated for a total reduction of \$2.8 million. These funds were redeployed to increase teacher compensation and to fund other negotiated service increases. See the Central Education section for a listing of some of the service delivery increases.
- The Substitutes on Contract (SOC) Pool is increased \$300,000 and the reserve for employee health leaves is decreased \$100,000 to align with projected costs. The SOC Pool is a reserve used to cover costs of teachers and other certificated employees who have an employment contract with the District but have not yet been placed in a position.
- The District went out for bid on transportation services for students resulting in a savings of \$2.0 million. The savings is somewhat offset by increases due to inflation and fuel costs of \$1.3 million. An assistant manager position in transportation was also eliminated, for a savings of \$77,000.
- An additional \$335,000 was added to utilities to cover anticipated inflation due to fuel costs and surface water tax increases.
- Savings of \$332,000 was realized by reducing an equipment reserve in Food Services to \$100,000. The reserve is used to purchase replacement equipment and provide repairs when needed.

School Operations reserves total \$9.4 million. They include \$5.8 million in budget capacity to transfer to schools and departments as they receive “self-help” donations or fees through the year, \$2.0 million is carry-forward of prior year “self-help” donations once actual amounts are finalized, \$.5 million is vocational education program reserves which may be distributed if enrollment is greater than projected. The remaining \$1.1 million is for Academic Summer school costs to be distributed in the summer, payment for teachers covering classes if substitutes are not available, and a reserve set aside in anticipation of school demand for internal services such as maintenance.

Budget for School Operations FY 2005-06



Central Education comprises 12.4% of the budget. Central Education with input from the community and approval from the Board, sets education policy and curriculum guidelines in order to meet academic achievement goals. Included here is support for instructional programs such as special education, bilingual education, compensatory education, vocational education and highly capable students as well as costs for instructional support services such as counseling and health services. Central Education also includes staff who are managed from central departments but work in the schools. These include Instrumental Music teachers, Special Education Instructional Assistants, Bilingual Instructional Assistants, Psychologists, and other staff providing specialized special education services.

Central Education costs increase \$1.5 million and staff decreases 34.2 FTE.

Grant changes include:

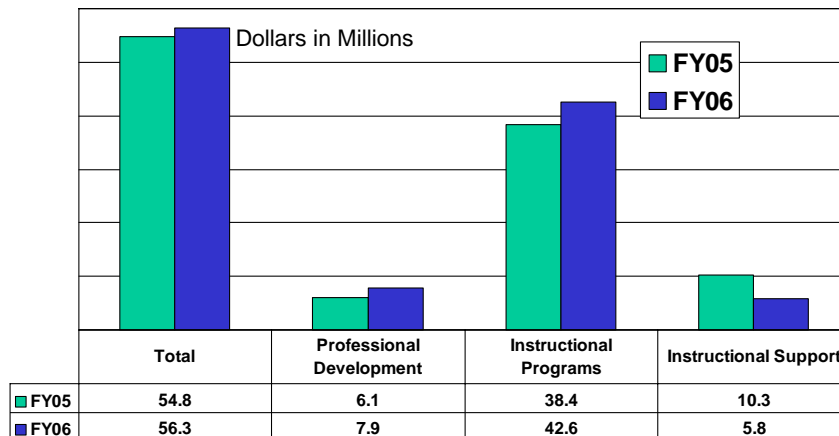
- The end of the funding cycle for the City’s Family and Education Levy (FEL) and City of Seattle support. (Negotiations are underway to structure the new FEL program for next year. Pending outcome of the negotiations, Family Support Worker and Nurse positions have been taken out of the budget. This results in a decrease of 55.3 FTE).

- Transfer of \$600,000 from the federally funded Individuals With Disabilities Education Act (IDEA) grant to fund some Special Education transportation in School Operations.

Many changes in Central Education are due to the recently bargained contract with the Seattle Education Association (SEA). Because of the District's financial situation, there were no new dollars allocated to contract items for the first two years of the contract. Together the SEA and District staff worked to re-examine priorities and redeploy existing funds to meet service needs and increase compensation for teachers. Highlights of the contract impacts on Central Education are:

- Increase the Special Education District Service Unit Fund (DSU) \$250,000 and the Bilingual DSU Fund \$50,000 bringing the total for these funds to \$700,000 for Special Education and \$300,000 for Bilingual. DSU funds are distributed to schools throughout the school year to meet unanticipated program needs in these areas.
- A total of \$250,000 to aid Bilingual Instructional Assistants in obtaining teaching certificates. An additional \$100,000 is set aside to increase the number of Bilingual Instructional Assistants.
- \$50,000 was added to the budget to compensate teacher extra-time in writing complex Special Education Instructional Education Plans (IEPs) for students needing these services.
- An increase in professional development funds of \$100,000 for paraprofessionals, administrative support staff and substitutes, bringing the total set aside for this to \$200,000.

Budget for Central Education FY05-06



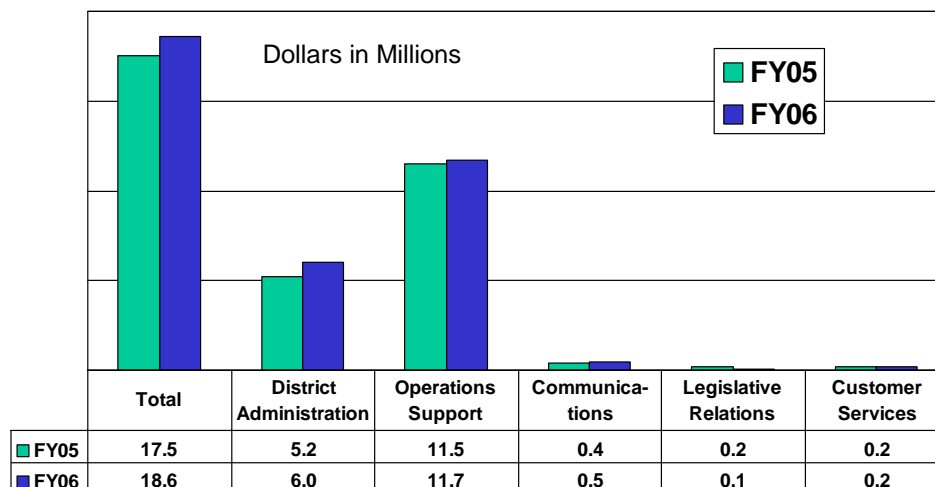
Core Administration is 4.1% of the budget and is comprised of the superintendent and school board, district communications, legislative support, finance and accounting operations, human resources, and payroll as well as purchasing and warehouse operations.

Core Administration increases \$1.1 million and 7.1 FTE.

Core Administration changes are:

- An addition of \$225,000 to cover election costs in choosing school board members in November 2005.
- An addition of \$210,000 of District Improvement funds to provide intervention services for schools that are struggling in achieving academic success.
- Reductions in many organizations result in decreased funds available for non-staff purchases. Service changes are being made to minimize costs, for example the Employee Benefit Handbook will now only be offered on the District web site to save copy costs.
- Staff positions eliminated include .5 FTE for the Director of Fiscal Integrity, a .5 FTE Assistant General Counsel, a .5 FTE Demographer, and a .6 FTE Senior Administrative Assistant for the Legislative Relations Department.
- Positions added since the FY04-05 adopted budget include 1 FTE Classification and Compensation Analyst, 1.25 FTE Enrollment and Planning Analysts, a Customer Service Administrative Assistant, a School Board Senior Administrative Assistant, a .5 FTE Investigator for Human Resource issues, a .85 Research and Evaluation Assistant, and an Injury Prevention Specialist. In addition, although funds for the Office for Equity and Race Relations were in the FY04-05 budget, the actual positions were not added until after adoption of the budget. As a result the 1.0 FTE Director of Race Relations and Equity as well as a .5 FTE assistant for the department appear to be an addition to the FY05-06 FTE count.

Budget for Core Administration FY05-06



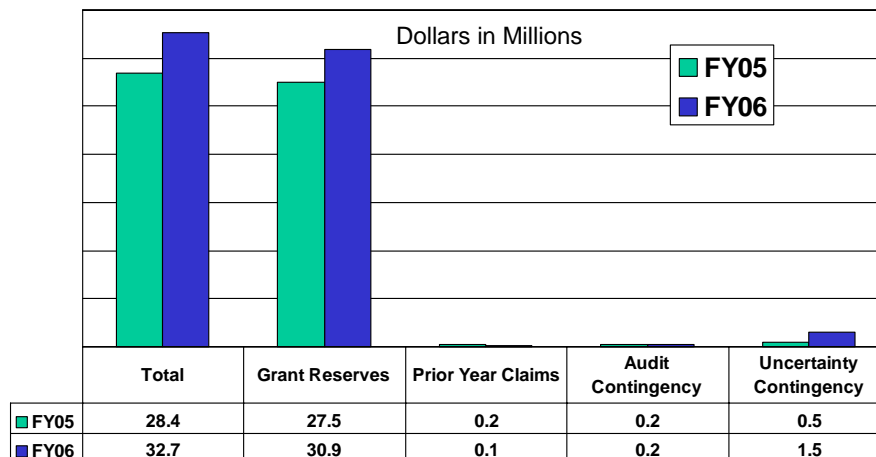
General Obligations is 7.2% of the budget. This contains reserves that will be distributed to schools and central organizations during the fiscal year, such as funds that are held centrally to cover costs that are district-wide in nature such as a pool to cover costs of employees on health leave. General Obligations also contains reserves for grants that are anticipated but not yet awarded.

General Obligations increases \$4.3 million.

Changes include:

- Grant Reserves increase \$3.3 million to enable the District to accept new grants and increases to continuing grants above current revenue projections.
- Uncertainty Contingency increased \$1.0 million. A set aside of \$480,000 is to establish a reserve for a proposed natural gas increase combined with other utility rate and consumption increases. An additional \$500,000 is added for District-wide unanticipated costs not included in the FY05-06 recommended budgets for schools and central organizations.

Budget for General Obligations FY05-06



Expenditures by Object

Expenditure objects identify the type of items purchased or nature of the services obtained. These categories are determined by state accounting rules.

By far the largest expenditure, or 84.2% of total budget, is for employee salaries and benefits. Certificated Salaries is compensation for our largest employee grouping. These are employees with teaching certificates, such as principals, teachers, librarians, counselors, nurses and curriculum specialists. Substitutes and extra pay such as stipends, extra time, and Time and Responsibility Incentive (TRI) payments are also included in this category. Classified Salaries is compensation for employees such as supervisory, professional, technical, secretarial, clerical, custodial, maintenance, food workers and others who do not have teaching certificates. Employee Benefits are the costs for benefits such as FICA, retirement, unemployment, industrial, and medical benefit insurance.

Supplies and Instructional Resources comprise 4.6% of the budget. These expenditures are for instructional materials such as textbooks, library books, workbooks, computer software and other computer related materials used in instruction, kits and packets used in place of textbooks, and audio and video tapes. Office, custodial, maintenance, duplicating, paper supplies, and minor office equipment are included.

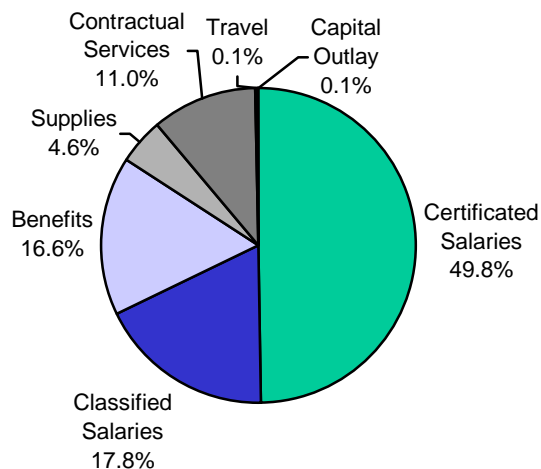
Contractual Services total 11.0%. This includes contracts for pupil transportation, utilities costs, and other payments for services rendered to the District.

Travel costs are only .1% of the District budget. These are expenditures for district-related travel including contractual services in connection with transporting staff from place to place, lodging and meals, and mileage allowances for use of privately owned vehicles.

Capital Outlay at .1% of the budget is comprised of all expenditures for capitalized equipment and improvements to facilities and grounds, which are considered minor repairs by state accounting rules and are not eligible for inclusion in the Capital Fund. Other eligible expenses are the purchase of instructional equipment, computers, furniture, vehicles, lunchroom and kitchen equipment, and communications equipment.

Projected expenditures for 2005-06 are shown below.

Budget by Major Object FY05-06



FY05-06 Budget by Object (in millions)	
Certificated Salaries	225.7
Classified Salaries	80.8
Benefits	75.3
Supplies	20.7
Contractual Services	49.6
Travel	0.3
Capital Outlay	0.6
Total Budget	\$453.0

2005-06 Recommended Budget Transportation Vehicle and Associated Student Body Funds

	Recommended Budget
Transportation Vehicle	\$0
Associated Student Body	\$4,793,702

Description of Funds

- **Associated Student Body (ASB)** accounts for funds raised by students to support extra-curricular activities. Each school student body organization prepares and submits, for School Board approval, a budget for the school year.
- **Transportation Vehicle Fund** is used for the purchase, major repair and rebuilding of school buses.

Highlights of Changes

The ASB Fund is established at \$4,793,702 for 2005-06. It increases by \$18,403 compared to \$4,775,299 in 2004-05. The increase provides for anticipated growth in school based fundraising and expenditures.

The Transportation Vehicle Fund is established at \$0 for 2005-06. There is no anticipated need for major vehicle expenditures as the Seattle Public Schools contracts for transportation services.