

Seattle Public Schools

**The Superintendent's
Recommended Operating
Budgets for Fiscal Year
2006-2007**



Presented to the
Seattle School District
Board of Directors
June 21, 2006



School Board Action Report

DATE: June 21, 2006
FROM: Superintendent Raj Manhas
STAFF PERSON: Steve Nielsen, Phone: 20017, snjieslen@seattleschools.org

TITLE AND BRIEF DESCRIPTION

FY 2007 Operating Budgets

For Introduction: June 21, 2006
For Action: July 5, 2006

BRIEF HISTORY

Each year the District adopts Operating budgets covering expenditures during the next fiscal year for general educational programs and operations. The Finance Committee has reviewed many aspects of the central operating budgets, including looking for operational efficiencies. The review included aligning academic priorities within expenditures and evaluating operation functions as they support academic needs. This resolution covers expenditures during FY 2006-07 for the General Fund, Debt Service Fund, Transportation Vehicle Fund, and Associated Student Body Fund.

RECOMMENDED MOTION

I recommend approval of the following motion:

I move the adoption of Resolution 2005/06-14, adopting the 2006-07 General Fund, Debt Service Fund, Transportation Vehicle Fund, and Associated Student Body Fund appropriations.

ISSUE

General Fund

The 2006-07 General Fund Budget is recommended at \$489,993,677. The General Fund Budget includes a total of \$296,966,726 for Teaching activities; \$27,829,387 for Principal's office activities; \$61,363,866 for Teaching Support; \$14,350,183 for Core Administration activities; and \$89,483,515 for Other Support activities.

General Fund revenue is comprised of \$402.7 million in non-grant funds, \$74.3M in grant funds, and \$13.0 million in grant capacity. The \$13.0 million capacity for grants is a placeholder for potential spending in the event that new grants are received. Expenditures will not be made against grant capacity unless actual revenue is received.

Transportation Vehicle Fund

The Transportation Vehicle Fund Budget is recommended at \$18,000. The budget is used for major repair to district owned buses.

Associated Student Body Fund

The Associated Student Body Fund Budget is recommended at \$5,239,623. The budget is used to support varied Associated Student Body activities.

Debt Service Fund

The Debt Service Fund Budget is recommended at \$2,948,006. This fund will be used to pay the Series A Bonds, Energy Retro Fit Loan, and Qualified Zone Academy Bonds.

ANALYSIS

Options	Pros & Cons of Each
<p>RECOMMENDATION: Approve the General Fund, ASB Fund, Debt Service Fund, and Transportation Fund Budgets as proposed.</p> <p>ALTERNATIVES</p> <p>1. Modify the General Fund, ASB Fund, Debt Service Fund, and Transportation Fund Budgets</p> <p>2. Do not approve any General Fund, ASB Fund, Debt Service Fund, or Transportation Fund budgets at this time.</p>	<p><u>Pros:</u> Approval affirms budget capacity and necessary timing for implementation.</p> <p><u>Cons:</u> Non-approval requires reforming planned budgets and may not align with contractual obligations.</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><u>Pros:</u> None</p> <p><u>Cons:</u> The District will cease all General Fund, ASB Fund, Debt Service Fund, and Transportation Fund related activities; suspend or terminate contracts and lay off staff effective August 31, 2006. Resuming work will be very expensive and result in overruns.</p>

CONCLUSION

Approval of the Operating budgets is necessary in order to allow schools, educational support programs and administrative functions to continue operating. This resolution approves the recommended Operating budgets, as introduced to the Board on June 21, 2006.

TIMELINE FOR IMPLEMENTATION

Expenditures implementing this budget will occur during FY 2006-07.

SEATTLE SCHOOL DISTRICT NO. 1

RESOLUTION 2005/06-14

RESOLUTION 2005/06-14

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, 2006 to August 31, 2007;

WHEREAS, the Board of Directors has given due consideration and has fixed and determined the General Fund appropriation to be \$489,993,678;

WHEREAS, the Board of Directors has given due consideration and has fixed and determined the Transportation Vehicle Fund appropriation to be \$18,000;

WHEREAS, the Board of Directors has given due consideration and has fixed and determined the Associated Student Body Fund appropriation to be \$5,239,623;

WHEREAS, the Board of Directors has given due consideration and has fixed and determined the Debt Service Fund appropriation to be \$2,948,006;

NOW, THEREFORE BE IT RESOLVED that the above-referenced Operating Budgets for 2006-07 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

Michael DeBell, Member

Cheryl Chow, 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 2006-2007 Operating Budgets 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.

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.

In July 2005, I appointed 14 outstanding citizens to the Community Advisory Committee for Investing in Educational Excellence (CACIEE) to provide recommendations on establishing short- and long-term fiscal stability in support of academic achievement. A Strategic Implementation Team is acting on items contained in the committee's final report, and ensuring that action steps align with the District's Five-Year Plan and Academic Action Plan. One of those action steps included consolidating or closing facilities due to excess capacity.

In January 2006, the School Board initiated a seven-month process to review school programs and facilities. The importance of shifting resources from excess facility capacity to academics was underscored by the CACIEE. A Community Advisory Committee for School Facilities and Programs was appointed in March. After significant public input facilities for consolidation and closure were identified. On June 2, I announced my recommendations based on this committee's work. The School Board will vote on the final recommendation on July 26.

Starting spring of 2006, the Learning & Teaching division began a significant reorganization designed to break down impediments to an integrated focus on student learning. This work emphasizes aligning operations with academics so that the needs of students drive the district. The resulting organization will be streamlined and more efficient in meeting the diverse needs of students. This reorganization is cost neutral, as it is being conducted using existing funds.

This summer, the district will begin implementing a major academic initiative to assist high school students in meeting the new WASL related graduation standards. This initiative, named Pathways, will include additional instructional periods in core content

classes, the infusion of WASL preparation strategies in all classes, tutoring in math and literacy, and in-class tutors. The district has also committed to providing each high school with building-based coordinated services and additional instructional coaching services. Coordinators will be responsible for case management of identified students including Individual Learning Plan development and monitoring as well as providing on-going communication concerning student progress to staff, students and parents. Pathways will be funded using Promoting Academic Success; the State's new remediation grant, I-728, the Learning Assistance Program grant and district non-grant dollars.

During 2005-06, for the first time the district successfully applied for State Safety Net reimbursement funds for high cost special education students. For the year the District will receive reimbursement for approximately \$1,000,000 in allowable costs. Moving into 2006-07, the district anticipates the total reimbursements to be between \$1,500,000 and \$2,000,000. These funds are used to partially offset the use of levy funds to provide needed services to special needs students.

In FY07, Seattle Public Schools and the Seattle Education Association are moving into the third 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 2006).

Since this summary is intended as a citizen's guide 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, appearing to read "Raj Manhas". The signature is fluid and cursive, with the first name "Raj" and last name "Manhas" clearly distinguishable.

Raj Manhas, Superintendent

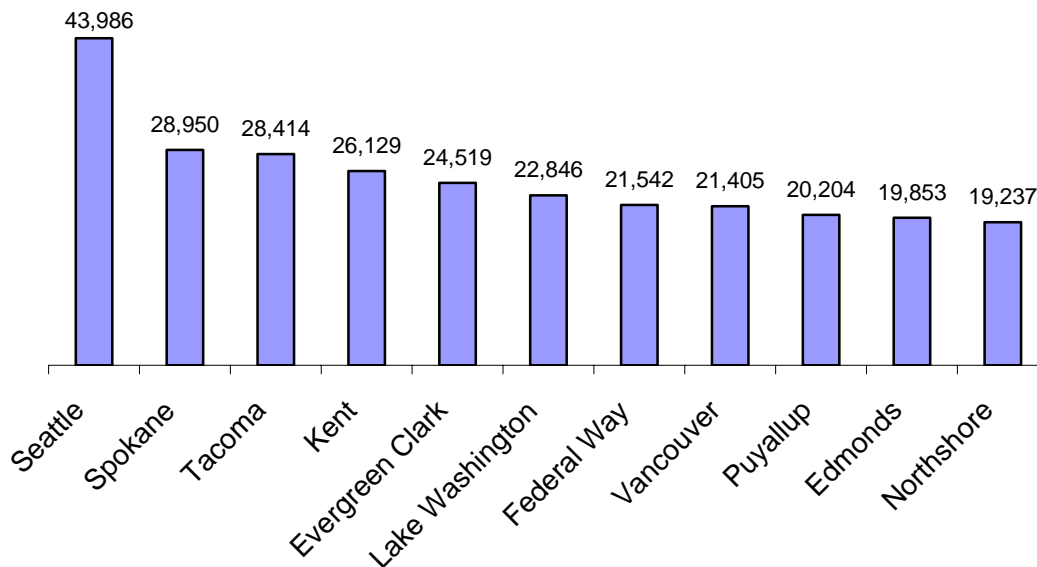
Who We Are

Our Students

Seattle Public Schools is the largest public school district in Washington State. Our student headcount, expected to total approximately 46,000 in the 2006-07 school year, comprises around 4% of the K-12 public school enrollment in the state. We serve 76% of the K-12 students attending school in Seattle. Overall enrollment 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 94 different languages, receive transitional bilingual services. An average of 13% of our students receive special education services, and about 42% of our students qualify for free and reduced rate lunches. This forms the basis for other supplemental, specialized educational services.

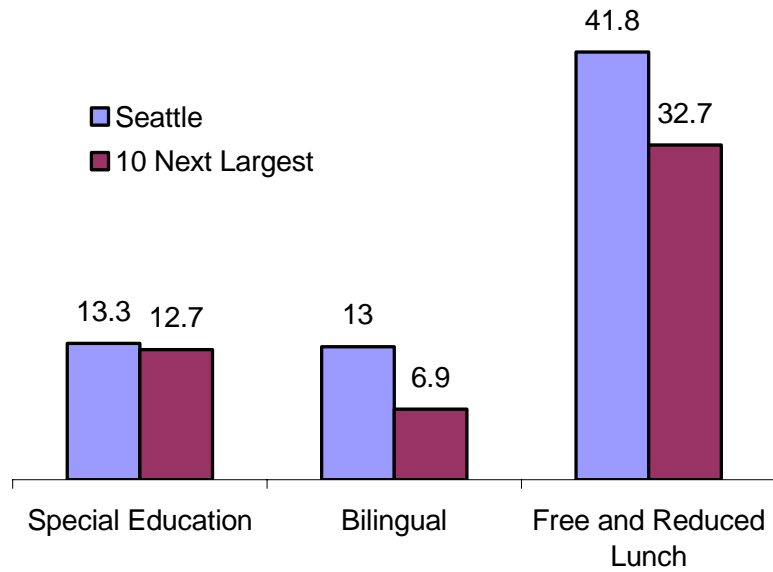
Washington's Largest School District
Average Annual K-12 FTE Enrollment



Source: OSPI Report FY 05-06 F-195

Enrollment Characteristics

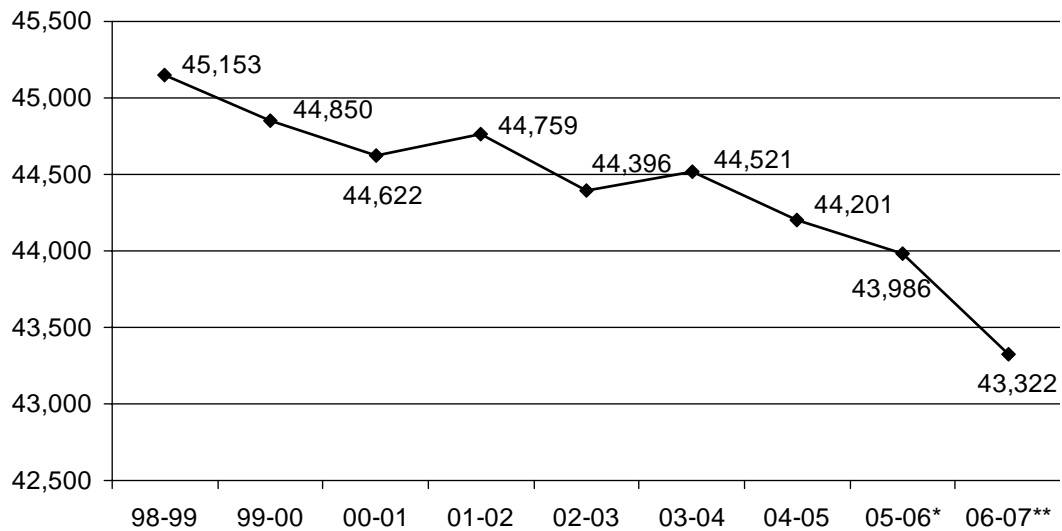
Percent of Total Students
2004-05



Source: OSPI final apportionment reports for the 04-05 school year

Seattle Public Schools

Average Annual K-12 FTE Enrollment



* Adopted Forecast

** Recommended Budget

Source: OSPI Report 1251

The Recommended General Fund Budget for 2006-07

Detail is provided in this document regarding major changes to the FY06-07 General Fund Budget compared to the current year budget. The first section identifies major revenue changes and the second section discusses expenditure changes.

Included in the \$490 million budget recommendation is \$26.7 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 \$490 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 \$26.7 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, \$2.0 million to allow schools to carry into FY07 potential non-staff under spend from FY06, \$6.7 million of capacity for Self Help funds to allow schools and central departments to receive and expend funds collected in FY07, and \$5.0 million to allow schools and departments to carry into FY07 any unspent Self Help from FY06. 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 FY05-06 and FY06-07.

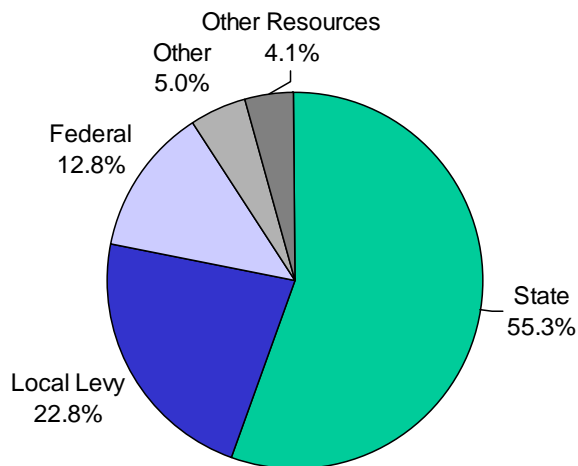
A Comparison of Resources by Type, FY05-06 and FY06-07

	FY05-06	FY06-07		
	Adopted	Recommended	\$ Change	% Change
State	255.5	271.3	15.8	6.2
Local Levy	106.8	111.7	4.9	4.6
Federal	58.7	62.6	3.9	6.6
Other	21.3	24.6	3.3	15.5
Total Revenue	442.3	470.2	27.9	6.3
Other Resources	10.7	19.8	9.1	85.0
Total Resources	453.0M	\$490.0M	37.0M	8.2

Resource Changes by Grant and Non-Grant Funds

	FY05-06	FY06-07		
	Adopted	Recommended	\$ Change	% Change
Grant	80.2	87.3	7.1	8.9
Non-Grant	372.8	402.7	29.9	8.0
Total	\$453.0M	\$490.0M	\$37.0M	8.2

Resources by Type FY06-07



FY06-07 Resources by Type (in millions)	
State	271.3
Local Levy	111.7
Federal	62.6
Other	24.6
Total Revenue	\$470.2
Other Resources	19.8
Total Resources	\$490.0

State Funding provides the largest portion of District funds at \$271.3 million or 55.3% of total resources. This amount is broken down between state general purpose funding and state special purpose funding and equates to an increase of \$15.8 million over FY05-06.

State general purpose funding, also known as apportionment, accounts for 41.7% or \$204.4 million of total District funds. Apportionment is calculated using the number of students attending our schools multiplied by a legislative funding formula. For FY06-07, state general apportionment is expected to increase \$8.6 million or 4.4%. The increase in funds is driven by increases for staff medical benefits, pension contributions, a 3.3% salary increase, and increases to cover higher education and experience levels of certificated staff. The amount is also reduced by an anticipated enrollment decline of 664 students or 1.5% between the adopted budget for FY05-06 and FY06-07. Of this total, 325 is due to an enrollment reporting change for students attending vocational education classes at Seattle Community College.

State special purpose funds provide \$66.9 million or 13.6% of budgeted resources. These are state funds designated for programs such as special education, transitional bilingual education, 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 \$7.2 million or 12%, \$3.2 million of which is due to an increase in I-728 (Student Achievement) funding, and \$1.0 million for the Promoting Academic Success program.

Local Levy, which provides \$111.7 million or 22.8% of budgeted resources, is the second largest funding source for Seattle Public Schools. 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 revenue levy base. Operating levy revenue is anticipated to increase by \$4.9 million or 4.6% in FY06-07 due to growth in the levy base, calculated as a percentage of the state and local revenue.

Federal Funds, provide \$62.6 million or 12.8% of Seattle Public School'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 rate lunches in the food service program. These revenues may only be used for their specific program purpose. For FY06-07, federal revenues are anticipated to increase for special education safety net, school food services, and other special purpose programs. More detail regarding these grants is discussed later in this document under the grant section.

Other Revenues, funding provides \$24.6 million or 5.0% of budgeted resources. Sources of this funding include investment earnings, food service fees, gifts and donations, fees for all day kindergarten and traffic education and the City Families and Education Levy. For FY06-07, Other Revenues is expected to increase by \$3.3 million.

Other Resources, increase by \$9.1 million and account for 4.1% of District total resources for FY06-07. This category includes FY05-06 school balances to be carried forward to FY06-07 and the use of reserves to support ongoing programs. It also includes transfers between funds such as Capital and Debt Service.

Significant changes to Other Resources include:

- A \$1.0 million increase in reserves used to allow carry-over of school balances. Total capacity for school and self-help carry-over in FY07 is set at \$7.0 million.
- Use of reserves from the insurance demutualization proceeds to fund employee medical retiree subsidy costs increase \$0.4 million. Total use of the Demutualization fund for FY07 is budgeted at \$2.1 million.
- Payments for the Stanford Center Series A bonds will be made by transferring the funding requirement to the Capital Fund from the General Fund. This increases Other Resources by \$1.7 million.
- Carry forward of the Academic Initiative Reserve balance and the Math Adoption funds from FY06 into FY07 increases reserves by \$3.0 million.
- Use of unreserved fund balance increases \$4.9 million for FY06-07. Total use of Unrestricted Unreserved Funds is \$5.2 million, compared to \$273,965 in FY05-06.
- Use of other Unreserved Funds decreased by \$1.8 million.

Notable Changes to Grants for the FY06-07 School Year

The following section highlights the most significant changes in grant revenue between the FY05-06 Adopted Budget and the grant revenue projections for the FY06-07 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 various District 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 FY05-06 contained a grant revenue projection of \$80.2 million. This included funding for over two hundred individual grant programs. For the FY06-07 school year we are projecting \$87.3 million in grant revenues, an increase of approximately \$7.1 million or 8.9%.

Frequently, actual grant awards for continuing grants are not finalized until after adoption of the District's Operating budgets. 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 2006-2007 school year the District has established a "grant reserve" of \$13.0 million. As of the start of the year this reserve is not backed by revenue.

1. Major Grants With Projected Increases in Funding

- We anticipate a 24.0% increase in funding under the state's I-728 Student Achievement Program. This amount is due to the initiative language that increases from \$300 per student FTE in FY05-06 to \$375 per student FTE for FY06-07. Based on our projected student count, this action adds \$3.2 million to our I-728 funds. In addition to this funding change, the District is planning to carryover \$2.0 million in designated I-728 FY05-06 funds into FY06-07. These two actions increase the I-728 budget from \$13.2 million in FY05-06 to \$18.4 million in FY06-07. 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. In FY06-07, \$2.0 million of the funding increase will be allocated to high schools to aid students in obtaining full schedules, including a 6-period day.
- We anticipate a 3.2% increase in the federal ESEA Title I Part A from \$12.5 million to \$12.9 million. These funds are given to schools with high numbers of low-income students in grades 1-5 to assist them to meet Adequate Yearly Progress (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).

2. Major Grants With a Projected Decrease in Funding

- We anticipate a decrease of less than \$0.1 million in funding for the federal IDEA Part B Flow-Through Grant (Special Education), projected at \$9.7 million for FY06-07. These are federal funds that help support Special Education needs of Seattle students.

- We anticipate a 5.4% decrease in funding under the state's Learning Assistance Program (LAP) from \$3.7 million to \$3.5 million. The decrease results primarily from a change in the District's enrollment, and percentage of students eligible for free or reduced rate lunches. The budget for FY06-07 includes \$0.1 million in designed carryover from the FY05-06 school year.
- We anticipate a major decrease of 90% in funding from \$1.2 million to \$0.1 million under the federal Reading First Program. The purpose of this grant is to ensure that all children read at grade level in English by the end of third grade. The grant funded Reading First Programs in seven schools during the FY05-06 school year. At this time we only anticipate one school being eligible for funding in FY06-07.

3. Grants Not Continued as of Budget Recommendation

The following grants are at the end of their funding cycle and will not be continued for the FY06-07 school year. If funding is received mid-year, programs may be reinstated after the budget is adopted.

- Seattle GEAR UP Grant. Currently the District receives \$1.9 million from this grant. The GEAR UP grant provided college readiness support in the form of tutoring, mentoring, college preparation strategies, and teacher professional development. GEAR UP served students in grades seventh through twelfth at ten participating schools.
- Smaller Learning Communities Grant. The District received a total of \$1.9 million during the last three-year program period under this program. The program supported the conversion of four of Seattle Public School's largest high schools into small learning communities.

4. Major Grants Significantly Restructured.

- FY05-06 year was the last year of the five-year Bill and Melinda Gates Foundation Grant, which provided \$25 million over the life of the program. Carry over of unspent funds will be available in FY06-07 for those schools that did not completely spend their allocation during the original grant period.
- The Sloan Project at T.T. Minor Elementary School will receive \$172,000 in funding from the New School Foundation for FY06-07 even though the original agreement between the District and the Foundation has ended. The amount of \$172,000 is a reduction of 71.4% from \$600,663 awarded to T.T. Minor the previous year.

5. New Grant

- Promoting Academic Success (PAS) is a one-time grant program provided by OSPI. The program will provide assistance for students who have not met standard on one or more WASL assessments taken during their 10th grade year in Reading, Writing, and/or Mathematics. The initial estimated allocation for Seattle Public Schools is \$1.0 million for FY06-07.

Expenditures

A Comparison of Budget (in millions), 2005-06 and 2006-07

District Major Activities	2005-2006 Adopted			2006-2007 Recommended			Change		
	Grant	Non-Grant	Total	Grant	Non-Grant	Total	Grant	Non-Grant	Total
Teaching	59.4	217.3	276.7	65.6	231.4	297.0	6.2	14.0	20.2
Teaching Support	19.2	35.9	55.1	19.9	41.5	61.4	0.7	5.6	6.3
Principal's Office	1.0	26.7	27.7	0.8	27.1	27.9	-0.3	0.4	0.1
Core Administration	0.0	10.7	10.7	0.4	13.9	14.3	0.4	3.2	3.6
Other Support	0.6	82.1	82.7	0.6	88.8	89.4	0.0	6.7	6.7
Total	80.2	372.8	453.0	87.3	402.7	490.0	7.0	29.9	37.0

* Numbers may not add due to rounding

The fiscal year, 2006–2007 (FY06-07) General Fund budget is expected to increase by \$37.0 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.

As identified in the above chart, expenditures have increased in all major activities, both grant and non-grant, with the exception of grants for the Principal's Office, which had a net decrease of almost \$300 thousand due in large part to the reduction in the Sloan Project grant.

In non-grant expenditures, the majority of increases are being driven by rising costs for salaries, employee benefits, and transportation. Aside from a few exceptions, noted throughout the remainder of this document, District activities have not increased. The cost of the activities has increased.

Although many grants will experience the same cost increases as non-grant activities, the effects are different. Unless noted otherwise, cost increases related to grants do not usually result in more District-wide expenditures. A more likely situation is the grant will lose buying power such as the Family and Education Levy funds, which must cut a .9 FTE nurse to cover the cost increases for the remaining staff.

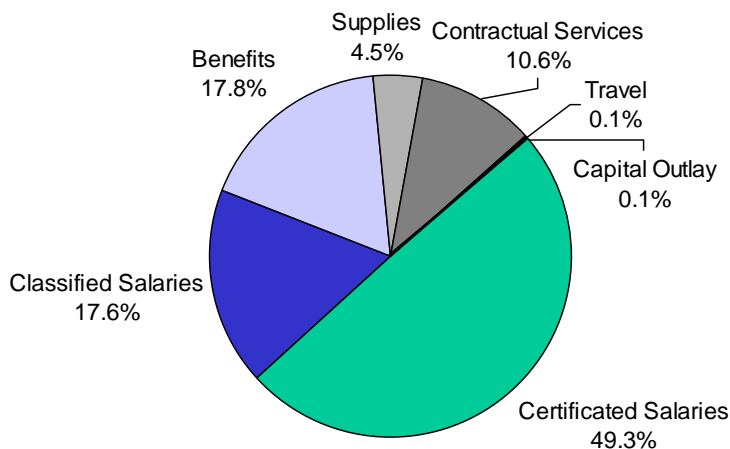
Major inflation drivers include:

- A 3.3% cost-of-living increase for school employees approved by the state legislature. *Cost increase \$8.7 million.*
- A 3.5% contractual pay increase for certificated employees as provided in the District's negotiated agreement with the Seattle Education Association. *Cost increase \$4.9 million.*
- A \$642 per person annual increase in medical premium coverage approved by the state legislature. *Cost increase \$3.2 million.*

- An increase in pension contributions of 1.8 to 2.0% per person (based on retirement categories) approved by the state legislature. *Cost increase \$5.0 million.*
- A contractual cost increase in bus services based on the national consumer price index. *Cost increase \$723,000.*
- An assumption of diesel fuel price increases. *Cost increase \$410,000.*

A view of Seattle's budget by expenditure objects will help explain how small increases can have such large costs. Expenditure objects identify the type of items purchased or nature of the services obtained. These categories are determined by state accounting rules.

Budget by Major Object



FY06-07 Budget by Object (in millions)	
Certificated Salaries	241.6
Classified Salaries	86.1
Benefits	87.3
Supplies	22.1
Contractual Services	51.9
Travel	0.4
Capital Outlay	0.6
Total Budget	\$490.0

By far the largest expenditure, or 84.7% 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 4.5% 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 videotapes. Office, custodial, maintenance, duplication, paper, supplies, and minor office equipment are included.

Contractual Services total 10.6%. This includes contracts for pupil transportation, utilities costs, and other payments for services rendered to the District.

Travel costs are only .1% of the 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.

In addition to the roughly \$23 million of cost increases generated by inflation, the remaining budget increase relates to \$13 million for one-time or new activities as well as a slight increase in budget capacity of \$1 million to allow for greater school carry-forward from FY06 to FY07. Major activities related to the \$13 million increase are discussed in further detail in the Expenditures by District Activity section.

Staffing Changes

Staffing increases between the Adopted FY05-06 and Recommended FY06-07 General Fund Budget total 83.4 FTE. Of these increases, 59.9 are related to grant activities and 23.5 to non-grant.

A Comparison of Staff, 2005-06 and 2006-07

	2005-2006 Adopted			2006-2007 Recommended			Change		
	Grant	Non-Grant	Total	Grant	Non-Grant	Total	Grant	Non-Grant	Total
Teaching	480.1	2,766.0	3,246.1	475.8	2,765.8	3,241.6	-4.3	-0.2	-4.6
Teaching Support	161.1	488.7	649.7	226.3	520.4	746.7	65.3	31.7	97.0
Principal's Office	14.3	369.3	383.5	10.8	346.1	356.8	-3.5	-23.2	-26.7
Core Administration	0.0	128.4	128.4	2.5	127.8	130.3	2.5	-0.6	1.9
Other Support	0.0	580.7	580.7	0.0	596.4	596.4	0.0	15.8	15.8
Total	655.5	4,333.0	4,988.5	715.4	4,356.5	5,071.9	59.9	23.5	83.4

* Numbers may not add due to rounding

Notable staff changes include:

- The Family and Education Levy funding was not finalized when the FY06 budget was adopted. As a result there is an increase of approximately 59 FTE related to family support workers and nurses, budgeted after adoption in FY 05-06 and continued in FY 06-07. This does not represent an increase in FTE over last year; it is only a function of the timing of the funding.
- Reclassifications of High School Data Registrars and Guidance and Counseling Attendance Specialists from the Principal's Office to Teaching Support to more accurately match state accounting guidelines. This did not result in a staffing change, just a reclassification of 28.7 FTE.
- The Seattle GEAR UP grant is not scheduled to continue; as a result, 13.3 positions were eliminated.
- High Schools added 23.3 FTE due to the I-728 grant funds provided for full funding of six-period.
- Ten Elementary schools were each provided one additional FTE from the K-4 reserve based on student WASL scores.
- Finalization of development activities related to the Electronic Student Information System (ESIS), resulted in the requirement to transfer 5.75 FTE support staff from the Capital Fund into the General Fund.
- The Superintendent's Strategic Implementation Team is a new function for the District. This adds 2.5 FTE to the FY 06-07 Budget.
- Two positions were added to the Office of Equity and Race Relations.
- Facilities added 1.0 FTE for a Resource Conservation Specialist and 1.0 FTE for an Assistant Manager for Transportation Services.
- Other staffing changes include departmental reorganizations, within current budgets, in order to address the academic plan and operational efficiencies.

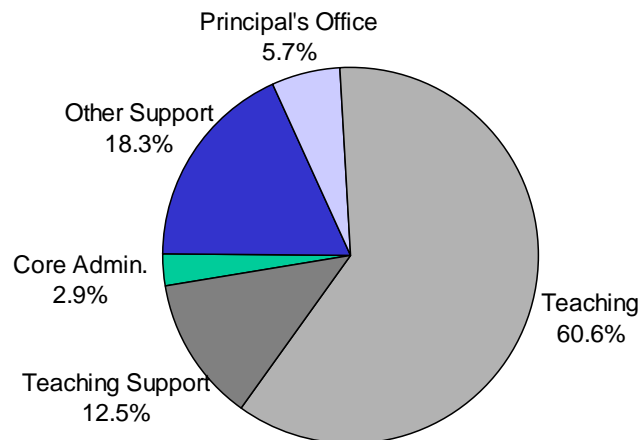
Expenditures by District Activities

For budget planning purposes, Seattle School District divides its operating expenditures into five distinct categories: Teaching, Principal's Office, Teaching Support, Core Administration, and Other Support activities.

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

- Teaching and Principal's Office increases by \$20.5 million.
- Teaching Support increases by \$6.3 million.
- Core Administration increases by \$3.6 million.
- Other Support activities increases by \$6.6 million

Budget by SPS Activity Group



Teaching and Principal's Office

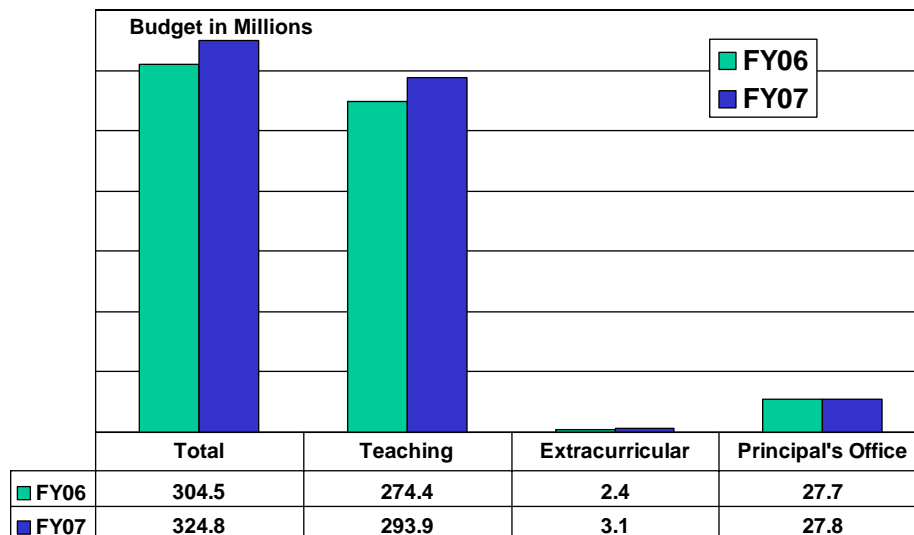
Teaching and Principal's Office expenditures include activities dealing directly with or aiding in the teaching of students or improving the quality of teaching, as well as the management and coordination of a school. Included are the costs of classroom teachers and aides, principals, secretarial and clerical staff at schools as well as supplies, teacher professional development, textbooks, and learning materials.

The budget for Teaching and Principal's Office activities for FY07 will be \$324.8 million dollars, an increase from the previous year of \$20.3 million. Of the total budget for this activity, 20.5% is grant funded and 79.5% is funded with non-grant resources.

Key changes to the Teaching and Principal's Office activities include:

- Cost of living, medical, and pension increases approved by the state legislature increase the cost of these activities by approximately \$10.2 million.
- A 3.5% contractual pay increase for certificated employees as provided in the District's negotiated agreement with the Seattle Education Association increases these costs by approximately \$4.3 million.
- Implementation of a major academic initiative to assist high school students in meeting the new WASL related graduation standards known as the "Pathways" program. This program overlaps into Teaching Support activities. Cost for Teaching and Principal's Office is approximately \$2.3 million.
- An increase in I-728 funds from the state, distributed to high schools to aid students in obtaining full schedules, including a six-period day is \$2.0 million.
- Funding for math textbook adoption was carried over from FY06 to FY07 equaling \$1.2million.

Teaching & Principal's Office



Teaching Support

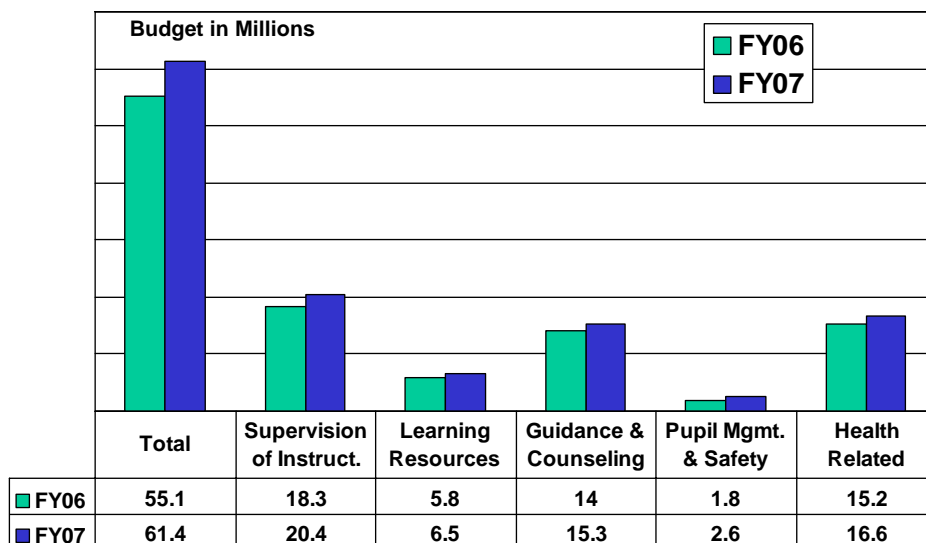
Teaching Support includes activities dealing directly with or aiding in the teaching of students or improving the quality of teaching. Costs of learning resource centers, teacher coaches, Star Mentors, student guidance, counseling, and health services are included here. Other activities include recording and maintaining student attendance records.

The budget for Teaching Support for FY07 is set at \$61.4 million, an increase of \$6.3 million over the previous fiscal year. Of the total budget for this activity, 32.4% is grant funded and 67.6% is funded with non-grant resources.

Key changes to the Teaching Support activities include:

- Cost of living, medical, and pension increases approved by the state legislature increase the cost of these activities by approximately \$3.2 million.
- A 3.5% contractual pay increase for certificated employees as provided in the District's negotiated agreement with the Seattle Education Association increases these costs by approximately \$600,000.
- Implementation of a major academic initiative to assist high school students in meeting the new WASL related graduation standards known as the "Pathways" program. This program overlaps into Teaching and Principal's Office. Cost for Teaching Support is budgeted at approximately \$1.2 million.

Teaching Support



Core Administration

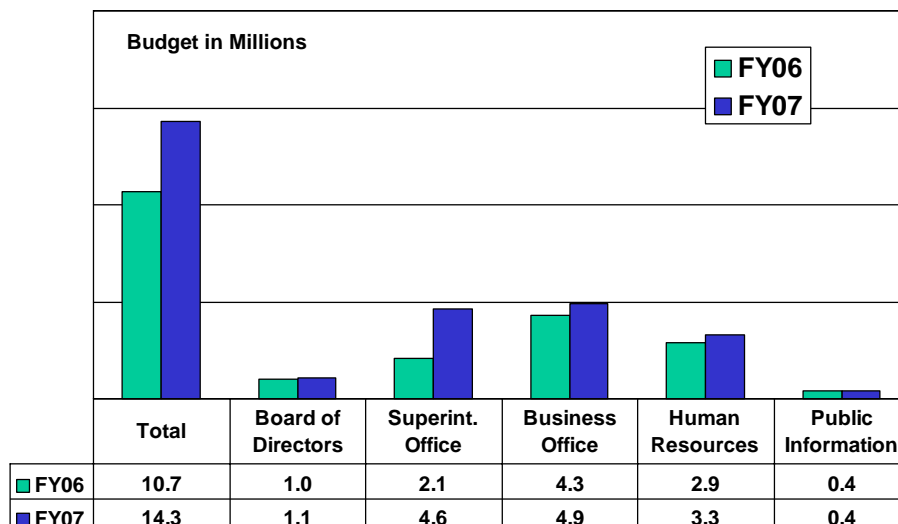
Core Administration consists of activities related to the district-wide administration and management of the District. Costs in this category include the Board of Directors, Superintendent, Financial and Accounting operations, Human Resources and Public Information.

The budget for Core Administration for FY07 is set at \$14.3 million, an increase of \$3.6 million over the previous fiscal year. Of the total budget for this activity, 3.0% is grant funded and 97.0% is funded with non-grant resources.

Key changes to the Core Administration activities include:

- Cost of living, medical, and pension increases approved by the state legislature increase the cost of these activities by approximately \$1.7 million.
- General Operating support for the Superintendent of \$376 thousand to assist in implementing the Community Advisory Committee for Investing in Education Excellence's (CACIEE) recommendations.
- Early estimate of one-time school closure and consolidation (based on closing 11 programs) increases these costs by \$825 thousand. Actual number of programs closed will not be known until after budget adoption so this amount may be adjusted.
- Additional resources for the Office of Equity and Race Relations, \$81 thousand.
- Implementation of a leadership and professional development fund for central staff - \$50 thousand.

Core Administration



Other Support

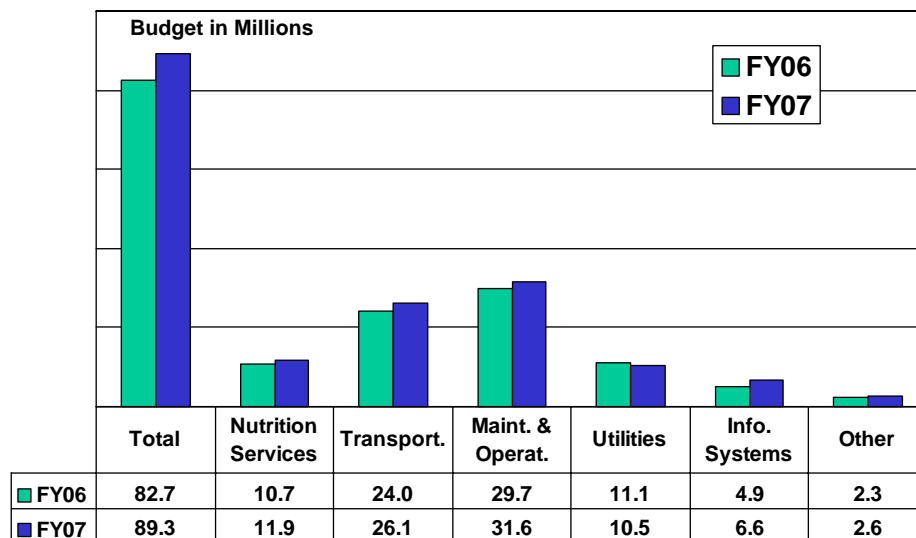
Other Support includes operating expenditures for food services, pupil transportation, the operation and maintenance of District facilities, building and student security, utilities, information services and warehouse functions.

The budget for Other Support for FY07 is set at \$89.3 million, an increase of \$6.6 million over the previous fiscal year. Of the total budget for this activity, 0.7% is grant funded and 99.3% is funded with non-grant resources.

Key changes to the Other Support activities include:

- Cost of living, medical, and pension increases approved by the state legislature increase the cost of these activities by approximately \$4.3 million.
- Finalization of development activities related to the Electronic Student Information System (ESIS), resulting in the requirement to transfer support staff from the Capital Fund into the General Fund. Cost increase for technology \$554 thousand.
- A contractual cost increase in bus services based on the national consumer price index. Cost increase \$723 thousand.
- An assumption of diesel fuel price increases. Cost increase \$410 thousand.
- Addition of an Assistant Manager for the Transportation department to support student services, increase of \$81 thousand.
- Addition of a Resource Conservation Specialist to aid in implementing the District wide policy change on utilities usage, increase of \$72 thousand.
- A cost savings related to a policy change on utilities usage District-wide of (\$503 thousand).

Other Support



**2006-07 Recommended Budget
Transportation Vehicle, Associated Student Body,
And Debt Service Funds**

	Recommended Budget
Transportation Vehicle	\$18,000
Associated Student Body	\$5,239,623
Debt Service	\$2,948,006

Description of Funds

- **Transportation Vehicle Fund** is used for the purchase of approved transportation equipment and major transportation equipment repairs.
- **Associated Student Body (ASB) Fund** 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.
- **Debt Service Fund** has been established to account for the payment of principal, interest and other expenditures related to the redemption of outstanding bonds.

Highlights of Changes

The Transportation Vehicle Fund is established at \$18,000 for 2006-07. This is an increase of \$18,000 from the 2005-06 budget of \$0. Budget capacity is being provided to this fund to allow for repairs of older District owned school buses if they should need them in FY07.

The ASB Fund is established at \$5,239,623 for 2006-07. This amount is based on fund raising estimates provided by individual schools of \$4,739,623. It also includes a District estimated additional capacity of \$500,000 to allow schools to exceed their estimates without forcing the District to file for a budget extension. The school-based amount is decreased by \$54,082 compared to \$4,793,705 in 2005-06. This decrease is partially due to a decline in secondary school student store sales.

For the 2006-07 fiscal year the Debt Service Fund will make principal and interest payments of \$1,773,006 on its outstanding Series A bonds, \$940,000 on the Energy Retro Fit Loan, and \$235,000 on the Qualified Zone Academy Bonds.