

Drivers of Olympia School District Financial Outlook for the 2023-24 School Year

In the 2023-24 school year the Olympia School District faces a financial gap between projected revenue and projected expenditures. At this time, the deficit is projected to be a maximum of \$11.5 million, but could be as low as \$9 million to \$10.3 million depending on Legislative negotiations. This is an early estimate; a more refined estimate will be available in mid-April 2023.

The gap between projected revenue and required expenditures is driven by several factors: 1) reduced revenue due to enrollment decline (\$9.9 million); 2) depletion of Elementary and Secondary Schools Recovery (ESSER) funds (\$6 million); 3) District efforts to front-fund inflationary increases for employees at actual projected inflation even though the state will likely address inflation at a lower rate (\$5 million); 4) requirements to keep up with actual inflation in the cost of insurance, utilities, curriculum, fuel and other costs (\$5 million); 5) continued gap in state and federal funding compared to the cost of services required by law for students with an Individualized Education Plan (\$9.8 million); and finally, 6) 2017 McCleary legislation that reduced Olympia School District levy revenue while increasing mandates and provide state funding that was inadequate to implement the mandates. Below is more detail on each factor.

Reduced Revenue due to Enrollment Decline

Between Fall 2019 and projected Fall 2023, Olympia School District enrollment will have declined by 738 students. The vast majority of the decline is at the elementary level, kindergarten through grade 3. Our kindergarten classes in Fall 2020, 2021, and 2022, have been 24%, 18%, and 23% lower than Fall 2019, respectively. The value of a reduction in 738 students, in the 2023-24 school year is about \$9.9 million. This includes nearly \$1 million in lost Enrichment Levy funding that voters have already approved, but we will not be able to collect.

Depletion of Elementary and Secondary School Recovery (ESSER) Funds

Olympia School District received \$17 million in ESSER I, II, and III funds. In the 2022-23 SY we are expending the final \$6.2 million, and these funds will be depleted by August 2023 and will not be available in the 2023-24 SY. Below is a table describing how funds are being expended in the current school year.

2022-23 SY		Category or Purpose
Budgeted	Percent	
\$72,000	1%	Additional support for students learning English.
\$137,000	2%	Additional elementary principal time/support.
\$190,000	3%	To address staff shortages, hire a full-time Bus Driver Trainer and Dispatcher and deploy 2 additional Custodians.
\$272,000	4%	Health Room Assistant time and a Director of Health Services ensure ongoing implementation of changing public health rules.
\$274,000	4%	Two additional Social Workers, and part-time Instructional Coach for Social Emotional Learning.
\$836,000	13%	Family Liaisons at elementary schools to help families access services to help their children and family recover from the pandemic.
\$1,213,000	19%	Lower class size and increase course options at middle and high school, and other high school supports.
\$1,324,000	21%	Instructional Coaches at elementary and middle schools to help teachers create and implement plans for student learning loss recovery.
\$182,000	3%	Temporary: Manage ESSER funds and seek grants to further enhance student recovery.
\$1,754,000	28%	Temporary: Replace lost revenue due to enrollment decline to keep staff and teachers in schools.
\$6,254,000	100%	Total Funds Budgeted in the 2022-23 School Year

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State and Federal Funds are Inadequate; Do Not Fully Fund Special Education Services for Eligible Students

In the current school year, the District levy covers \$9.8 million of the costs to serve students with special needs. These services are required by law but dramatically underfund. About \$2.4 million of the underfunding results from the state capping the number of students that will be funded. Olympia cannot and would not turn students away for these services; a cap is untenable.

2017 Legislation to Fully Fund Schools Disadvantaged Olympia School District

When the McCleary legislation was enacted in 2017, and then phased in over time, Olympia's funding was destabilized. The legislation reduced Olympia's levy funding – funding that voters had already approved. If the levies had been left alone, Olympia would collect an additional \$10 million this year. Then, new state funding came with requirements that were underfunded, which made the loss of levy funding even more detrimental. Further, Olympia has historically received extra state funding to cover the cost of having a very experienced and well-educated faculty – which is naturally more expensive on a career ladder. This funding, called Staff Mix funding, was eliminated and replaced with an experience factor that provided much less funding to cover the same cost. Finally, Olympia's neighbors received regionalization funding (initially 6% higher funding and now 3% higher funding). Olympia competes to attract and retain great staff, and this became more difficult given the higher resources next door.

Front-Funding Inflationary Increases for Employees; State Funding Typically Lags Actual Inflation

In the current school year, the District is expending over \$5 million more than state funding to provide employees with inflationary increases.

Inflation on Materials, Supplies and Operating Costs

The District is expending nearly \$5 million more on materials, curriculum, insurance, utilities and fuel than the state funds. As inflation continues at a higher-than-historical rate, these unfunded costs are an even greater strain.

Next Steps

Olympia School District Board of Directors will likely enact a Reduced Educational Plan resolution in mid-April. As the deficit is refined with the latest information from the State Legislature, and once we know staff retirements or resignations, this will inform the Board's next steps.

The Board will hold two community forums on Monday, April 10, 3-5 p.m. and 6-8 p.m. on Zoom. The Board will discuss the budget reduction options, and take written questions and comments via the Q&A function on the Zoom.