
Ferndale School District General Fund Budget Overview

Prepared for the Ferndale Education Association
Updated April 29, 2009

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WEA Research

Where Does the Data come from?

OSPI* provides WEA with electronic databases that include official financial, staffing and enrollment data for each of Washington's 295 school districts.

- Enrollment Report (OSPI 1251)
- Budget (OSPI F-195)
- Annual Financial Statement (OSPI F-196)
- Personnel Reports (OSPI 1801CERT, 1801CLAS)
- Apportionment and Staffing Reports (OSPI 1191, 1191E, 1159)
- And more!

*Office of Superintendent of Public Instruction.

Pupil Enrollment

FTE K-12 Enrollment (Excluding Running Start)

- Enrollment is a major driver of revenue to the District and Ferndale’s recent trend of a slow but steady decrease in pupil enrollment may be changing this year.
- The District’s Budget projected enrollment at 4,853.00 fte for 2008-09. Actual annual enrollment through April 2009 is 4,958.23 fte* which is 2.2% or 105 fte above budget.
- With enrollment above the budgeted level, that portion of the state Basic Education apportionment that is determined by enrollment will be above budget as well.

School year	Actual K-12 FTE Pupil Enrollment	Percent Change from Prior Year
2004-05	5,004.18	
2005-06	4,940.79	-1.3%
2006-07	4,943.41	0.1%
2007-08	4,911.55	-0.6%
2008-09 Budget	4,853.00	-1.2%
2008-09 Actual (8 of 9 count mos.)*	4,958.23	1.0%

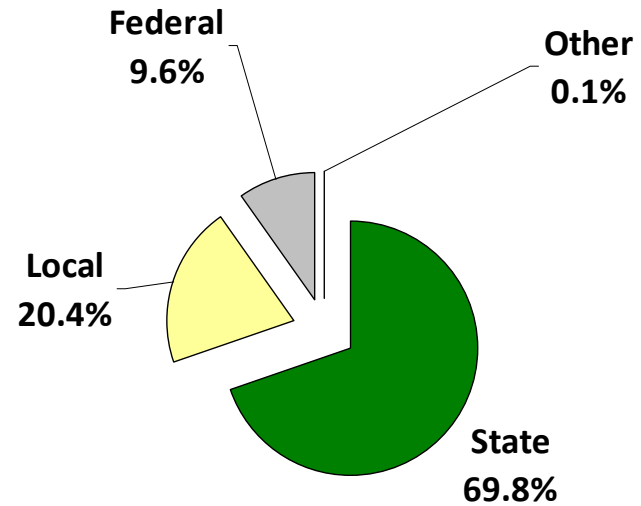
* Per OSPI budgeting guidelines, the Full-day Kindergarten FTE enrollment will only be used in funding calculations applied to full-day kindergarten. As such, full-day K enrollment is backed out of total enrollment excluding Running Start above.

Source: Ferndale School District Budget (F195) and Reports 1251, Monthly Enrollment Report.

Overview of District Finances: GENERAL FUND

Sources of revenue
Beginning reserve
Revenue
Local levy funds
Expenditures
Ending reserve

Where does the money come from?



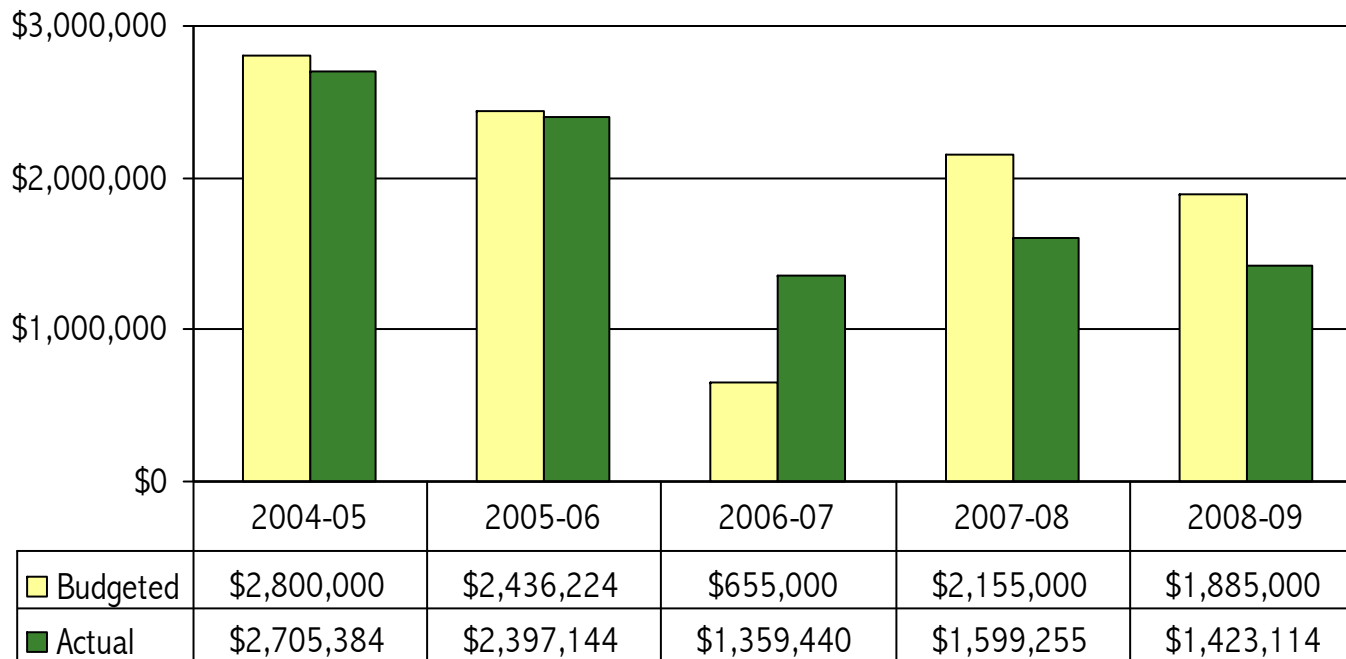
2007-08	School Year Actual General Fund	
Sources of Revenue	<u>Percent</u>	<u>\$ in Millions</u>
State	69.8%	\$32.72
Local	20.4%	\$9.57
Federal	9.6%	\$4.50
Other	0.1%	\$0.05
Total*	100.0%	\$46.85

*Percentage shown may not equal 100% due to rounding.

Sources: F196 Annual Financial Statement and OSPI Financial Reports

With the exception of 2006-07, the District overestimates the beginning fund balance – they begin each year with less than they budget. The beginning fund balance has decreased in the recent past. The District began the 2008-09 school year with \$461,886 less than budgeted.

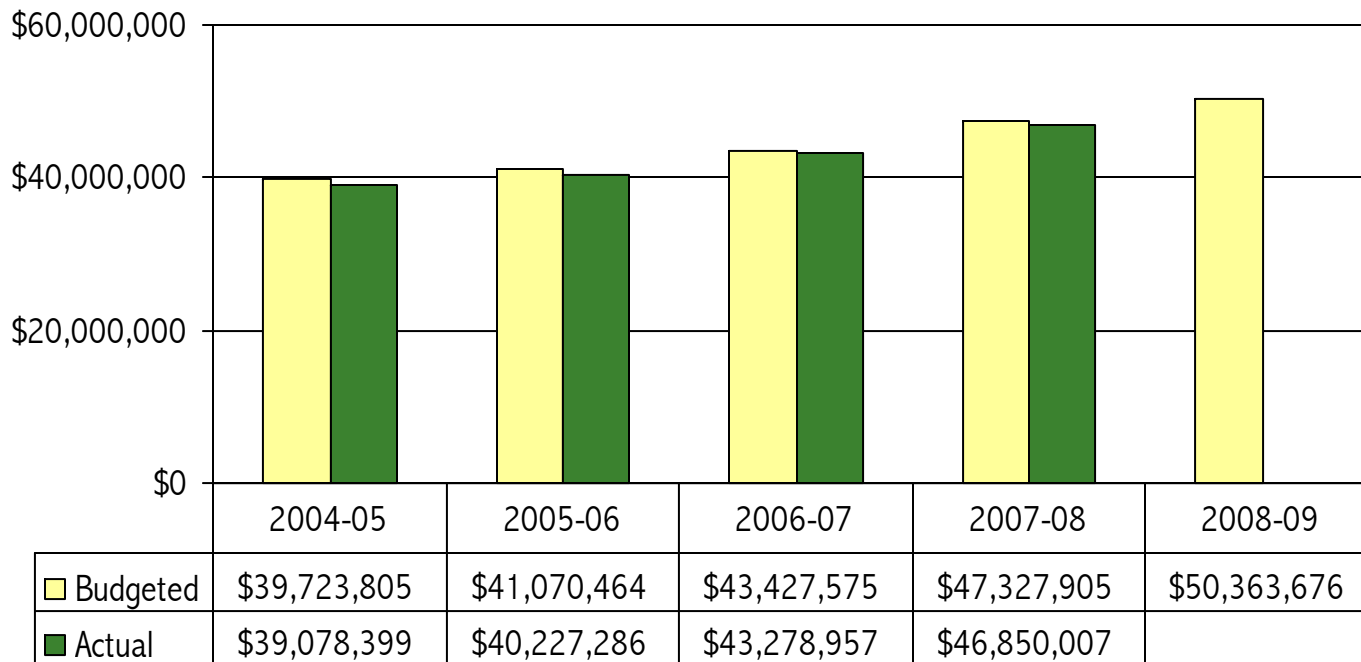
Ferndale School District General Fund Actual and Budgeted Beginning Reserve



Source: Ferndale School District Annual Financial Statements (F196), Budget (F195) and OSPI.

The District tends to overestimate revenues – on average the District has received 1.2% less than budget for revenues. For 2008-09 the District budgeted revenues at \$50.4 million, an increase of 7.5% compared to actual 2007-08 revenues.

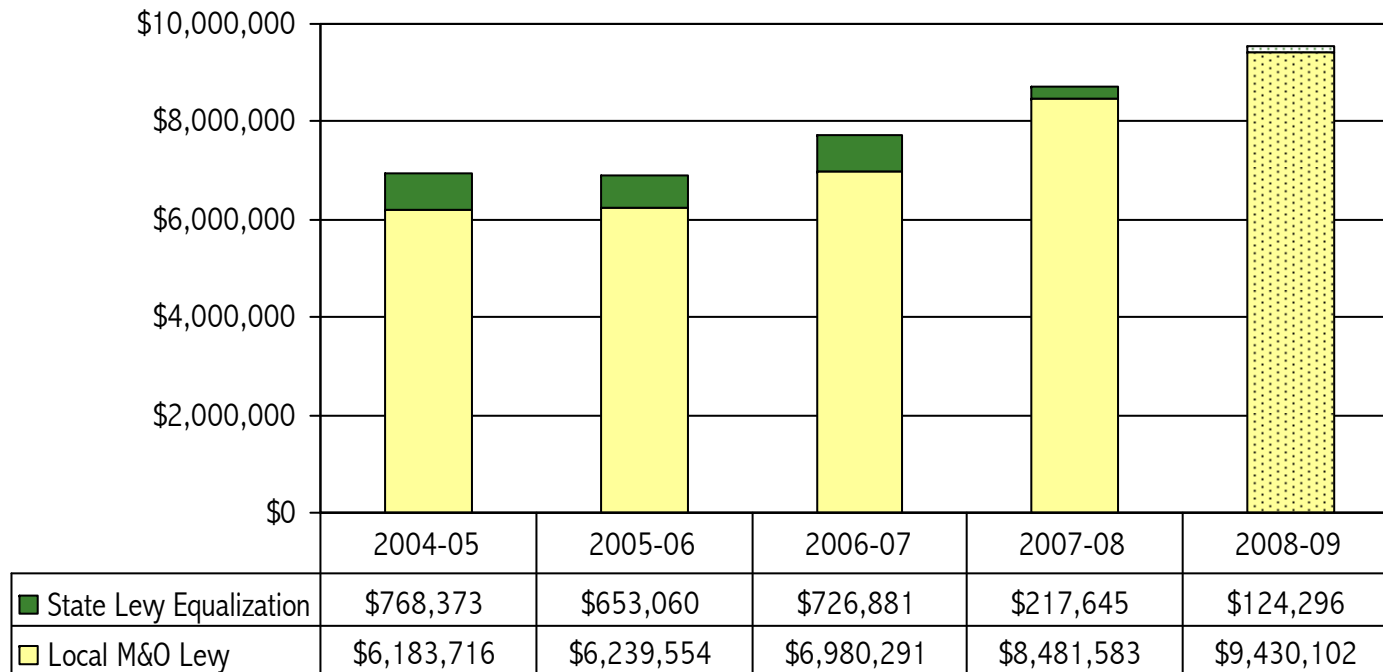
Ferndale School District General Fund General Fund Revenues



Source: Ferndale School District Annual Financial Statements (F196), Budget (F195) and OSPI.

For 2008-09, Local Levy and Equalization dollars are budgeted at \$9.5 million, an increase of 9.8% from 2007-08. The District has passed M & O levies in increasing dollar amounts for collection through calendar year 2010.

Ferndale School District Local Levy and State Levy Equalization Funds



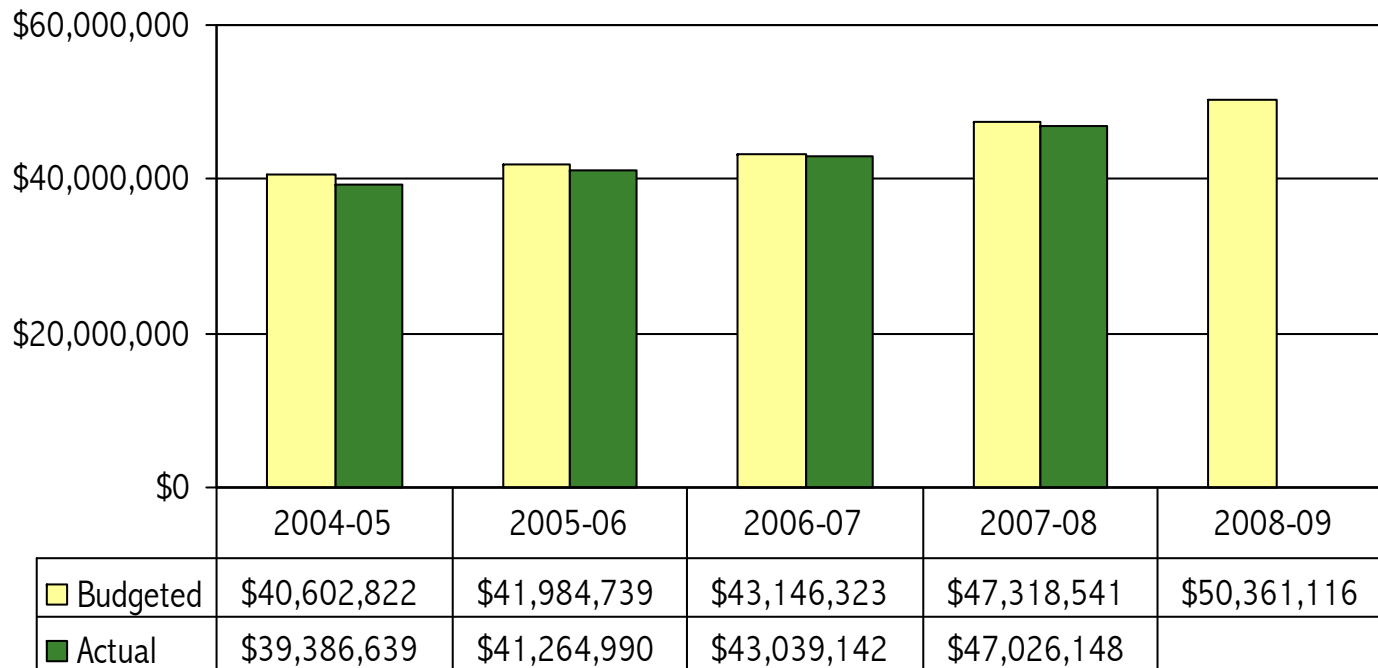
Sources: Ferndale School District Annual Financial Statements (F196) - Revenue accounts 1100 (Local Taxes) and 3300 (Local Effort Assistance) and OSPI Financial Reports.

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WEA Research - Ferndale Budget Analysis

Overall, the District tends to overestimate spending – they spend less than they budget to spend. From 2004-05 to 2007-08, the District spent an average of 1.3% less than budget. The District budgeted for spending to increase 7.1%, to \$50.4 million, in 2008-09 compared to actual 2007-08 spending.

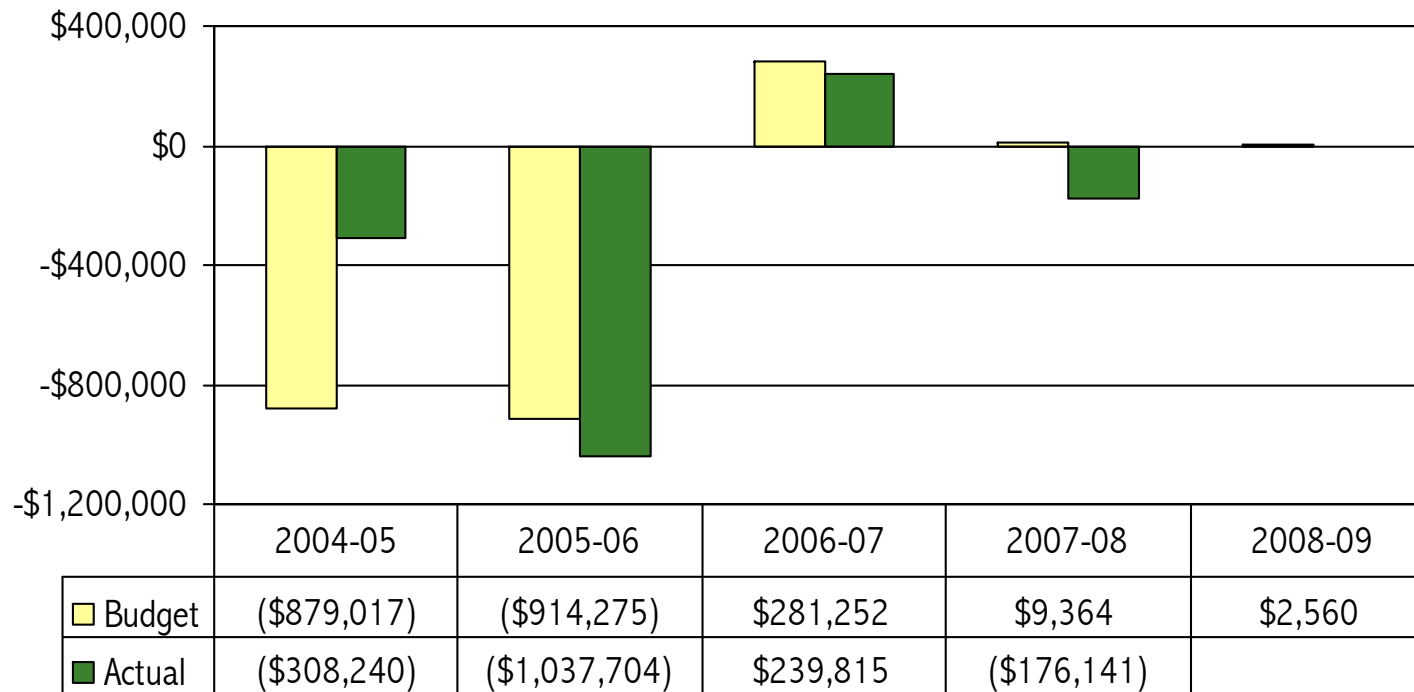
Ferndale School District General Fund Expenditures Including Permanent Transfers Out of the General Fund



Source: Ferndale School District Annual Financial Statements (F196), Budget (F195) and OSPI.

This next chart shows the simple reason why the District's reserves declined in the recent past, they spent down their reserve to some extent when actual revenue fell short of actual expenditures by a combined total of nearly \$1.3 million from 2004-05 to 2007-08. This year's Budget assumes that revenue will be \$2,560 greater than spending.

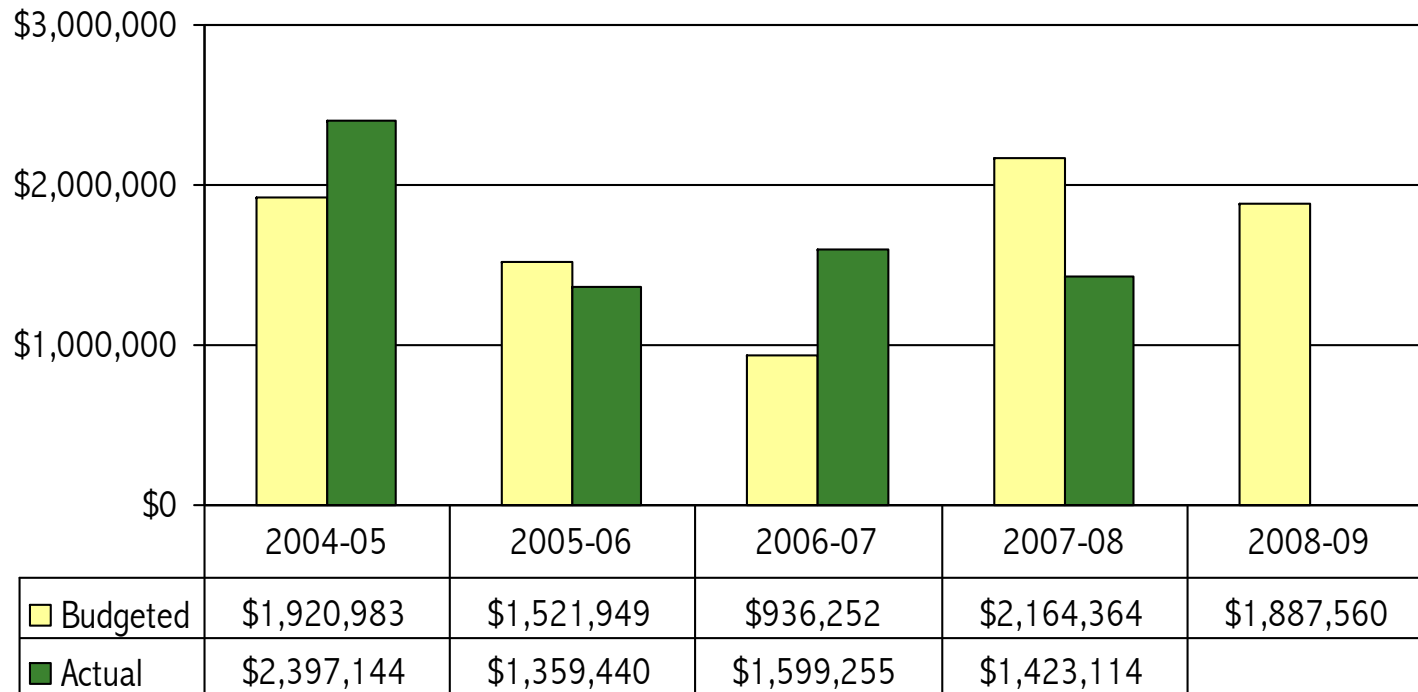
**Ferndale School District General Fund
Historical Difference Between Revenues and Spending**



Source: Ferndale School District Annual Financial Statements (F196), Budget (F195) and OSPI.

The District has spent down their reserve to some extent – from a four year high of \$2.4 million in 2004-05 to \$1.4 million by the end of 2007-08. The District is budgeting to end the 2008-09 school year with nearly \$1.9 million in reserve.

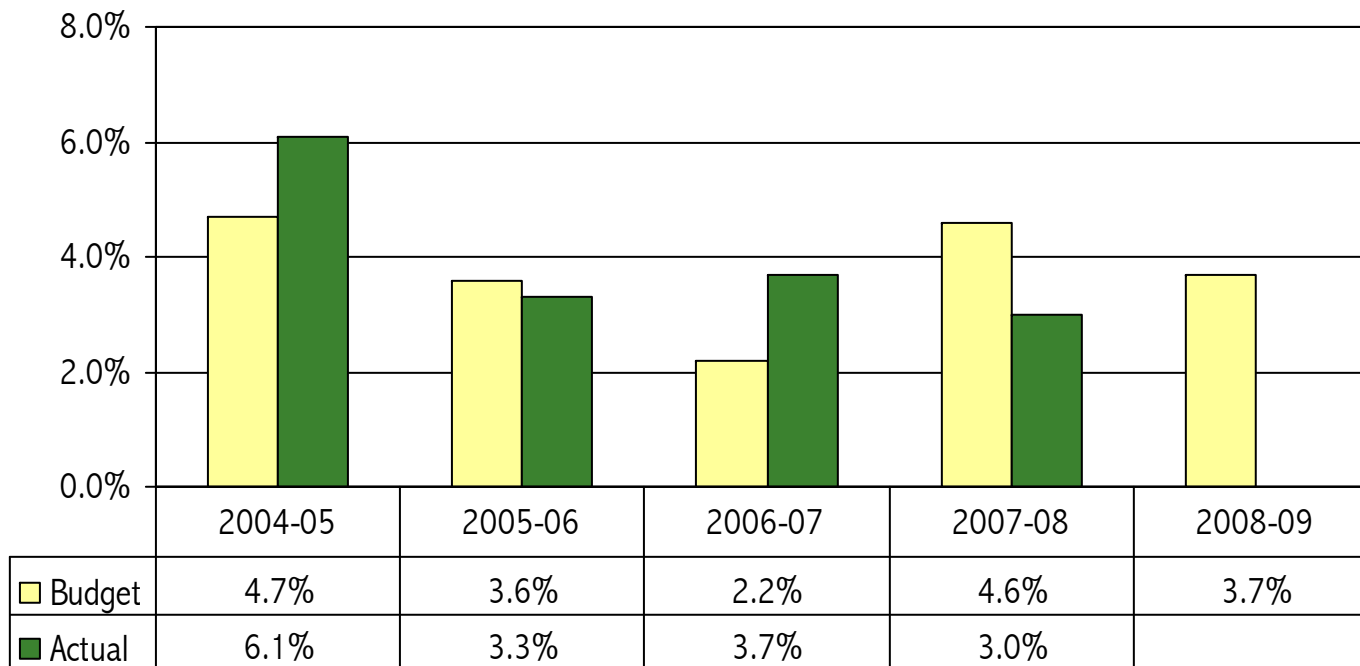
Ferndale School District General Fund Budgeted versus Actual Ending Reserve



Source: Ferndale School District Annual Financial Statements (F196), Budget (F195) and OSPI.

The District's total actual expenditures were \$47.0 million in 2007-08, making the actual ending reserve – \$1.4 million – equal to 3.0% of total actual expenditures. While below the relative size of the reserve in 2004-05, this percentage is adequate but in no way excessive for a district this size.

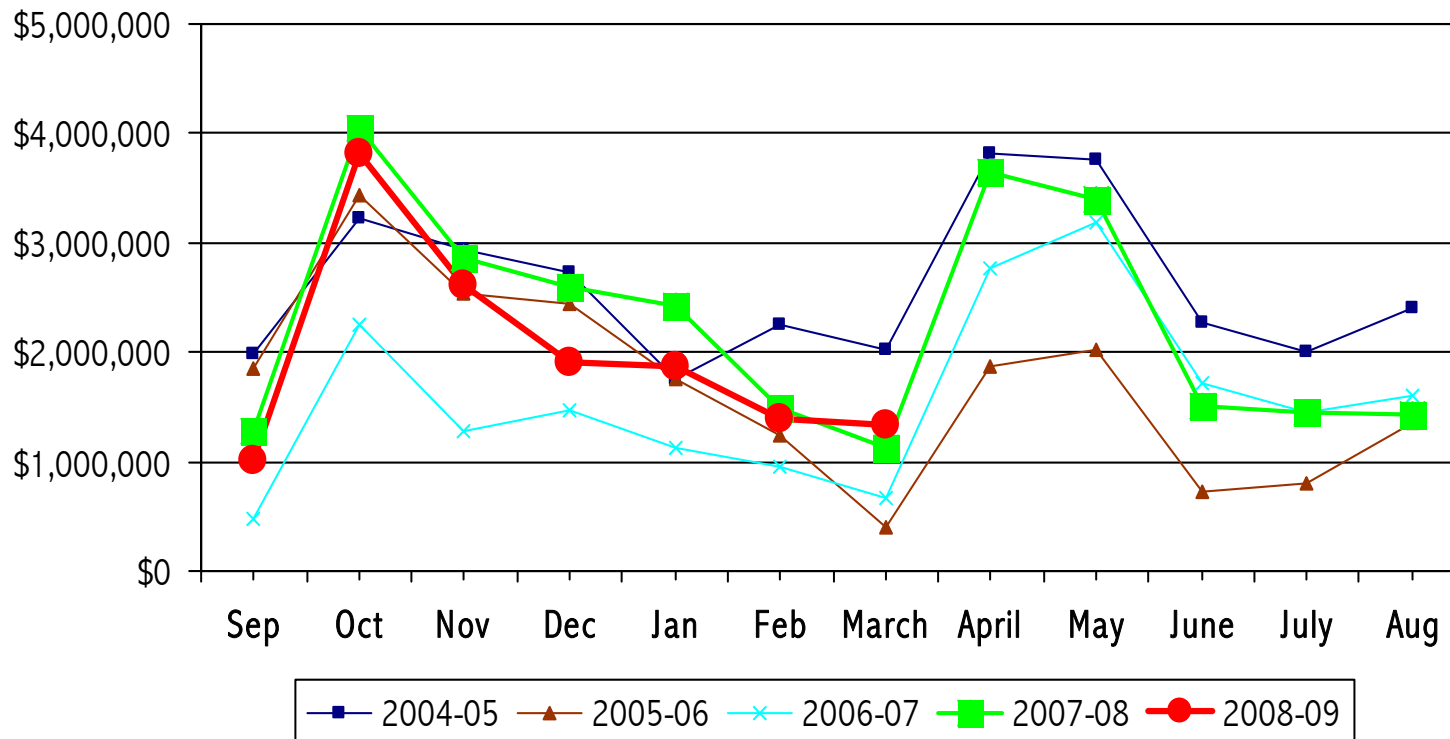
Ferndale School District General Fund Ending Reserve as a Percentage of Total Spending



Source: Ferndale School District Annual Financial Statements (F196), Budget (F195) and OSPI.

Seven months into the 2008-09 school year, the monthly ending reserve pattern is similar to last year's level but in slightly lower dollar amounts. The March 2009 balance "jumped" above last year's level.

Ferndale School District General Fund
Monthly Ending Fund Balances - Fund Balance



Source: Ferndale School District Monthly Ending Fund Balance Reports.

Staffing and Apportionment

Certificated and Classified Staffing and Salaries

	Certificated*	Classified
2008-09 Budget (F-195)	329.156	203.982
2008-09 Reported (1801)	<u>349.862</u>	<u>195.472</u>
FTE Staff Greater (Less Than) Budget	20.706	-8.510
TIMES Average Cost of 1.0 FTE (1801)	<u>\$81,920</u>	<u>\$50,844</u>
Increased/(Reduced) Staffing Cost	\$1,696,236	-\$432,682
Combined Cost/Savings	\$1,263,553	

- In their January 2009 personnel report, the District reported employing 20.706 more fte certificated* and 8.510 fewer fte classified staff than the number included in their F195 Budget.
- If the District maintains these staffing levels through the end of the year, the District could realize a net cost of nearly \$1.3 million due to higher than budgeted staffing costs.
- I recommend that the Association request a list of actual annualized FTE for both certificated and classified staff employed during the 2008-09 school year to ensure that this cost is “real”.

*Reported Certificated staff include both administrative and instructional staff.

Source: Ferndale School District Budget (F195) Reports 1801CERT and 1801CLAS and OSPI.

Certificated Instructional Staff Salaries

Budgeted vs. Actual Certificated Instructional Staff Average Salary

The District's reported average salary for certificated instructional staff (CIS) is 3.5% higher than the average salary used to estimate revenues in the current year budget. The average CIS salary is a driver in the Basic and Special Education funding formulas. This means that Ferndale's revenue from the portion of the Basic Education funding formula driven by the CIS average salary should be higher than the amount budgeted and their expenditures will be higher as well. It's basically a 'wash' in terms of funding for CIS regular contract salaries.

More About the District's Budget Related to CIS Salaries

In addition to the relationship between the funded and allowed average salary mentioned above, another important point concerns how the District budgets for CIS salaries for their regular contract work. When the District built this year's F195 Budget they estimated a lower average salary on the revenue side of the equation than the average salary they estimated on for expenditures.

Since the state's formula provides that the funded average salary for regular contract pay is also the maximum that can be paid, it seems logical that a District would use the same average salary estimate in their budget for both revenues and expenditures. Not all districts do that and my quick calculation shows that Ferndale did not either. It looks like this year's Budget may include a 'pad' of about \$729,000 because different assumptions were used on the revenue side than on the expenditures¹.

¹This is for average salary not the total salary pool. The state does control the average salary that can be paid to CIS but does not limit the number of CIS a district can hire from local or other funding sources.

General Apportionment Details for 2008-09

General Apportionment Funding

Based primarily on the higher-than-budgeted certificated instructional staff average salary and the higher-than-budgeted K-12 enrollment, the District is slated to receive about \$1.2 million *more* State General Purpose Apportionment than was budgeted.

Remember though that one reason revenue is up is because the allowed and funded average salary is higher than anticipated. This increase in revenue will be partially offset by higher-than-budgeted expenditures for certificated instructional staff salaries.

Full Day Kindergarten

The State's 2007-09 budget provides funding for full day kindergarten for an estimated twenty-percent of the state enrollment based on highest poverty and approved applications. Ferndale is slated to receive \$258,634 in funding for a full day kindergarten program.

Math & Science Professional Development

The State's 2007-09 Budget also provides Ferndale \$104,379 for additional professional development opportunities to further the implementation of math and science courses that add new rigor to the school's course offerings.

Source: Ferndale School District Report 1191, General Apportionment detail and OSPI.

Special Program Funding for 2008-09

Vocational Education Equipment Replacement

The Legislature continued funding for Vocational Equipment Replacement based on vocational and skills center enrollment at the rate of \$75 per vocational student. As a result, the District is slated to receive \$21,090 in additional funding for replacement of vocational equipment.

Library Funding

The District is slated to receive \$20,089 in additional funding for their library program. The primary intent of these funds is to augment current funding for librarian programs provided through basic education and other existing funding mechanisms.

Source: Ferndale School District Report 1191, General Apportionment detail and OSPI.

Expenditures by Activity Groups

Teaching
Teaching Support
Other Support
Unit Administration
Central Administration

Activities included in each activity group are shown below. The “instructional program” includes Teaching and Teaching Support and “administration” includes Unit and Central Administration.

Teaching

Teaching
Extracurricular
Payments to Other School Districts

Unit Administration

Principal’s Office

Teaching Support

Learning Resources
Guidance and Counseling
Pupil Management & Safety
Health Services

Central Administration

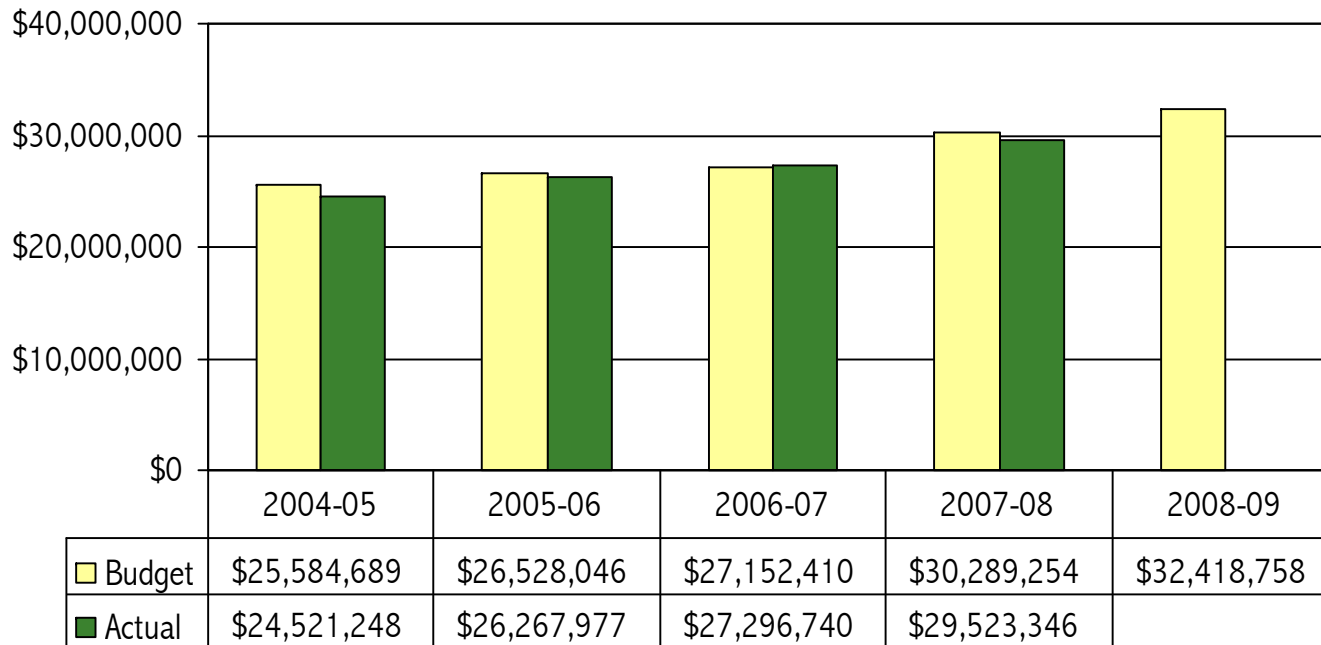
School Board & Superintendent’s Office
Business Office
Human Resources
Public Relations
Supervision (of Instruction, Nutrition,
Transportation & Building)

Other Support

Food, Warehousing & Distribution
Operations & Maintenance
Insurance & Utilities
Building Security
Information Systems
Motor Pool
Printing

Overall, the District tends to overestimate spending for Teaching activities. The District budgeted for spending for this activity group to increase 9.8% in 2008-09 compared to actual 2007-08 spending.

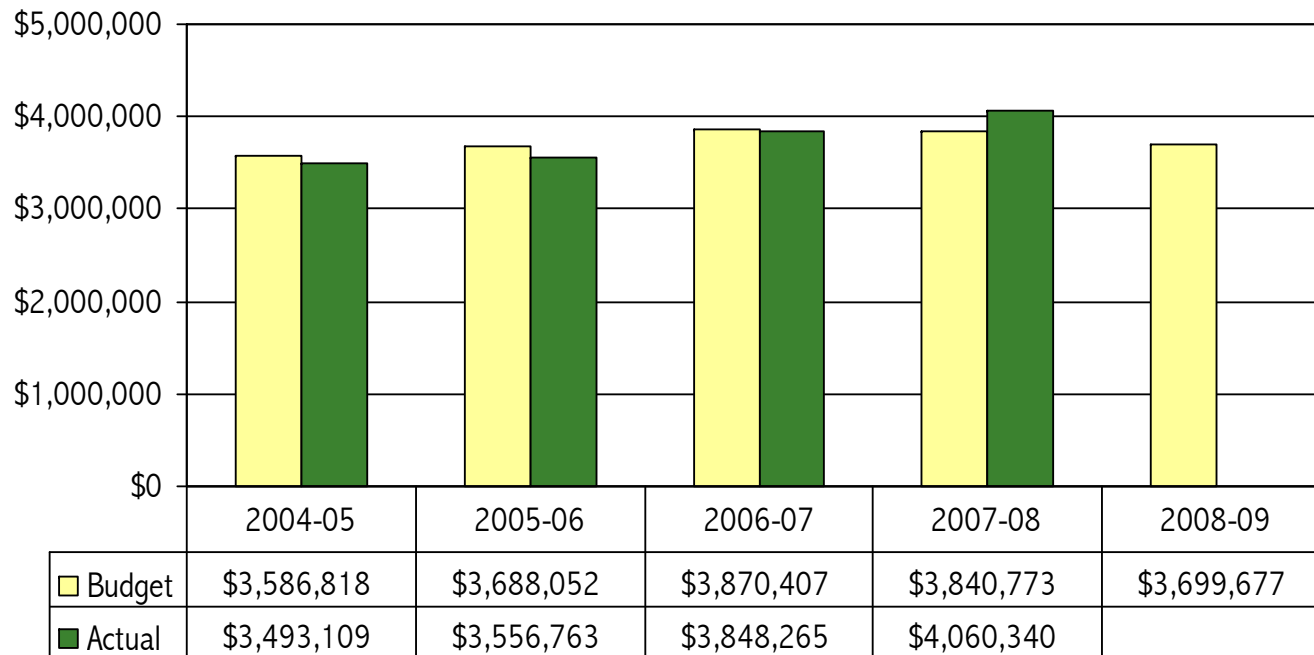
Ferndale School District General Fund Expenditures on Teaching Activities



Source: Ferndale School District Annual Financial Statements (F196), Budget (F195) and OSPI.

Spending for Teaching Support has fluctuated above and below the budgeted level. The District budgeted for spending in this area to decrease 8.9% in 2008-09 compared to actual 2007-08 spending.

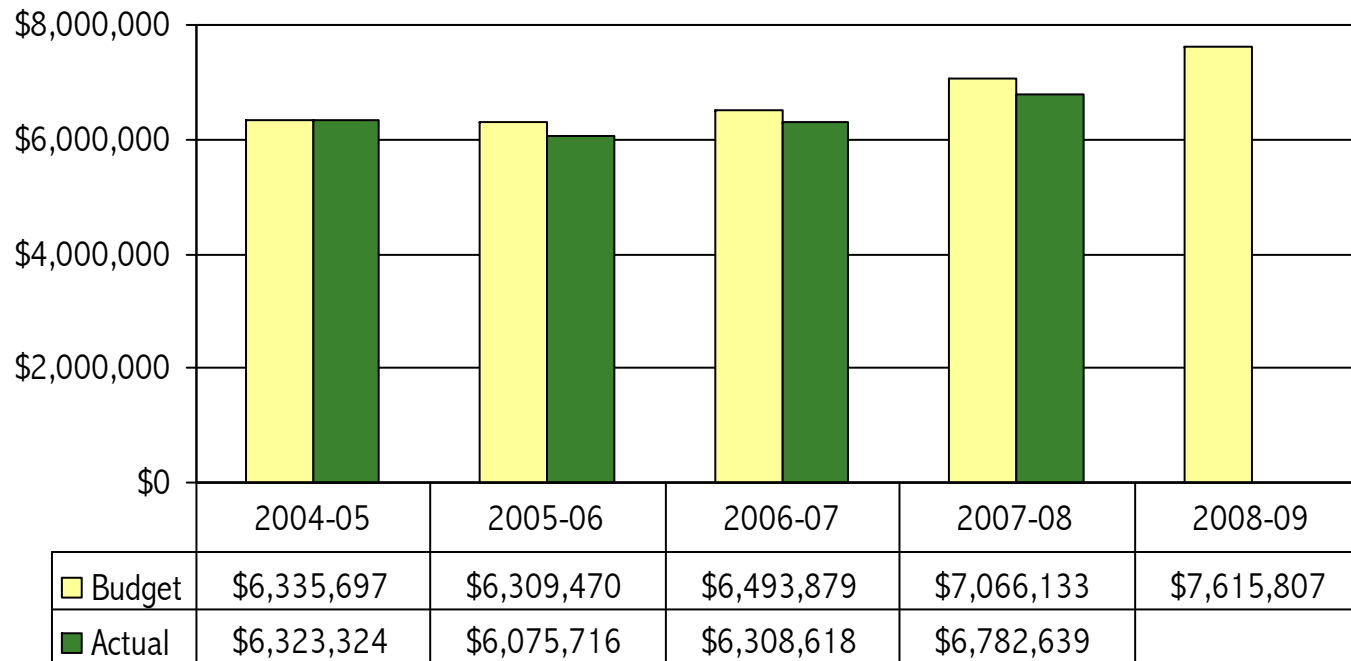
Ferndale School District General Fund Expenditures on Teaching Support Activities



Source: Ferndale School District Annual Financial Statements (F196), Budget (F195) and OSPI.

Spending in the area of Other Support averaged 2.7% below the budgeted level. The District budgeted for spending in this area to increase 12.3% in 2008-09 compared to actual 2007-08 spending.

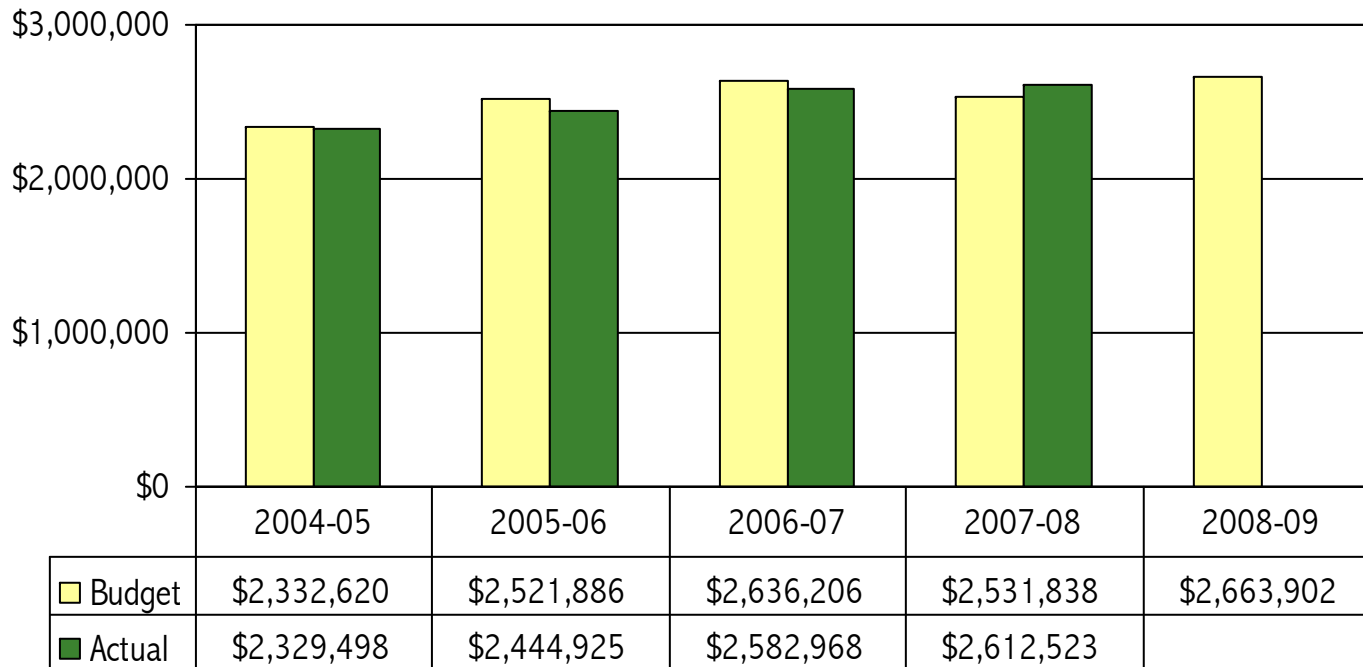
Ferndale School District General Fund Expenditures on Other Support Activities



Source: Ferndale School District Annual Financial Statements (F196), Budget (F195) and OSPI.

District spending for Unit Administration (a.k.a. 'principals' office) has averaged 0.5% below the budgeted amount. The District budgeted for spending in this area to increase 2.0% in 2008-09 compared to actual 2007-08 spending.

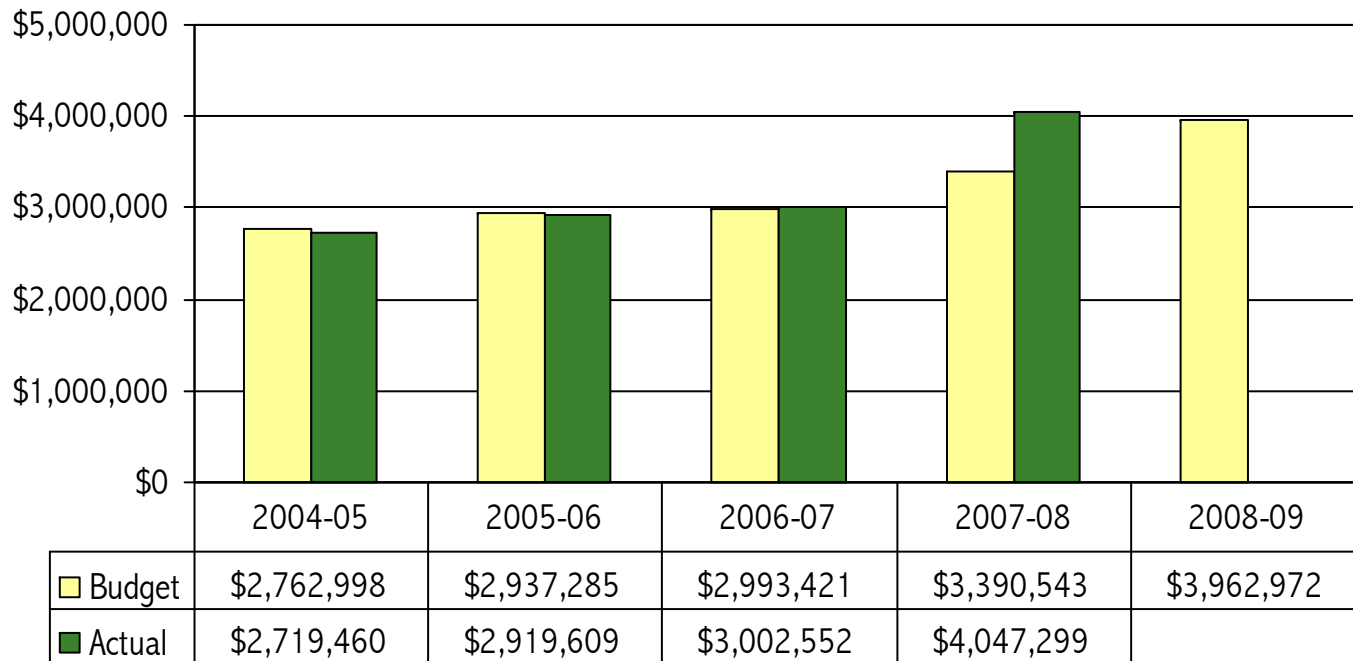
Ferndale School District General Fund Expenditures on Unit Administration Activities



Source: Ferndale School District Annual Financial Statements (F196), Budget (F195) and OSPI.

For the period 2004-05 to 2007-08, the District spent more than budget for Central Administration, an average of 5.0% more. The District budgeted for spending for this activity group to decrease 2.1% in 2008-09 compared to actual 2007-08 spending.

Ferndale School District General Fund Expenditures on Central Administration Activities



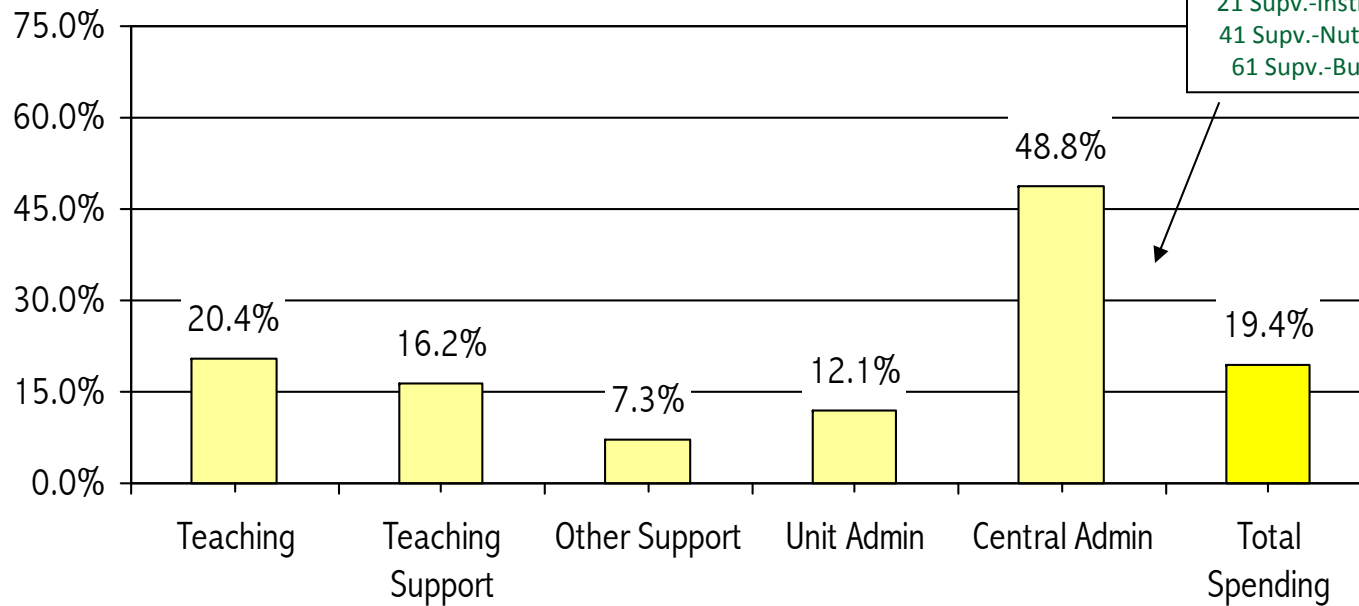
Source: Ferndale School District Annual Financial Statements (F196), Budget (F195) and OSPI.

And what about the District's
spending priorities?

What does the District's history tell us?

When we compare actual spending in 2007-08 to 2004-05, spending for Central Administration gained in overall priority by increasing by the highest percentage.

Ferndale School District General Fund 2004-05 to 2007-08 Actual Growth by Activity Group



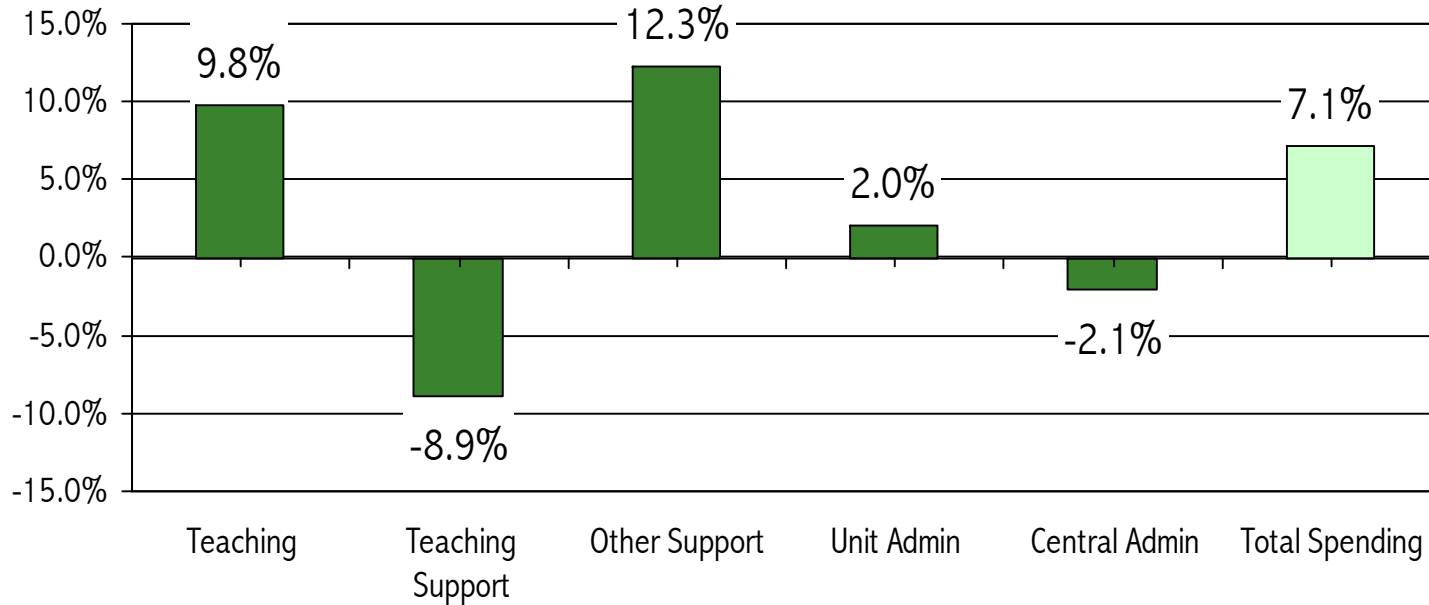
When looking at the detail, comparing the growth in Central Administration spending from 2004-05 to 2007-08, the largest increases are for activity codes:

- 13 Business -- \$179,592 (43.1%)
- 21 Supv.-Instruction -- \$265,966 (26.2%)
- 41 Supv.-Nutrition -- \$562,179 (242.8%)
- 61 Supv.-Building -- \$107,467 (63.2%)

Source: Ferndale School District Annual Financial Statements (F196), Budget (F195) and OSPI.

This year, the priority for growth in the District's 2008-09 Budget is Other Support followed by Teaching activities. Spending for Teaching Support and Central Administration are budgeted to decrease in 2008-09 compared to 2007-08 actual.

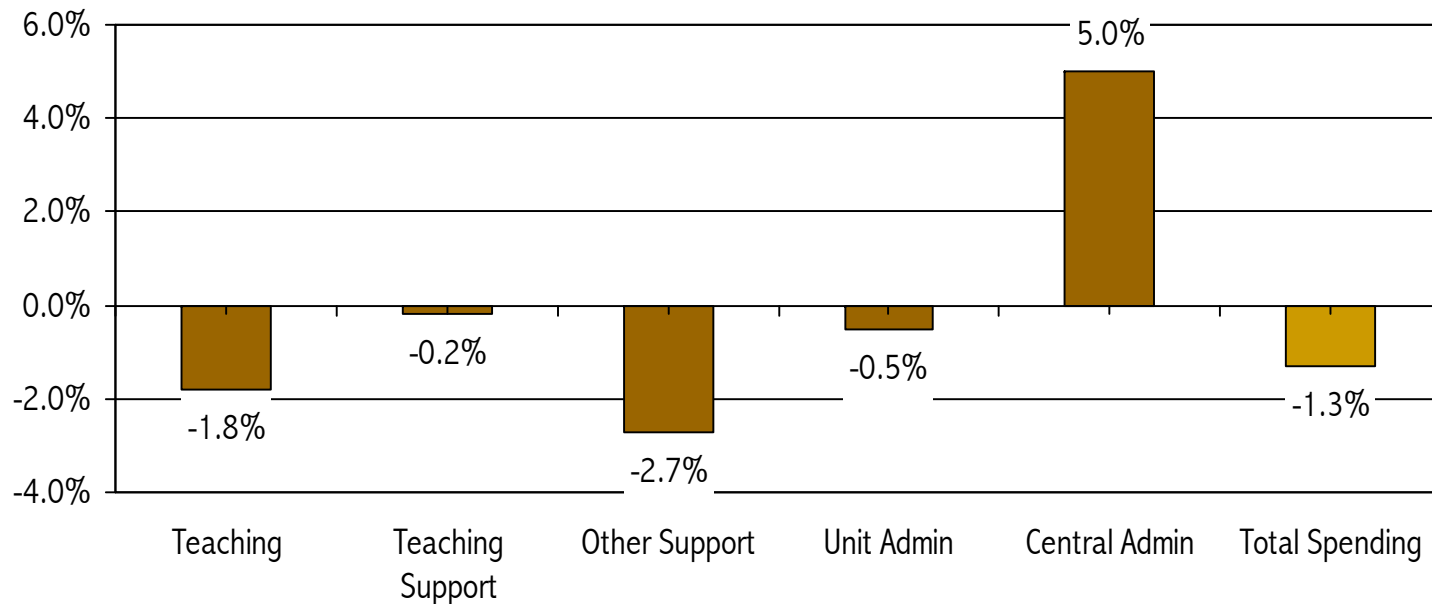
Ferndale School District General Fund
2007-08 Actual to 2008-09 Budgeted Growth
by Activity Group



Source: Ferndale School District Annual Financial Statements (F196), Budget (F195) and OSPI.

Although using the District's history as a predictive tool ... the chart below shows that, for the period 2004-05 to 2007-08, the District spent, on average, close to the amount budget for Teaching Support and more than budget for Central Administration.

Ferndale School District General Fund
2004-05 to 2007-08 Actual Spending Above/Below Budget
by Activity Group



Source: Ferndale School District Annual Financial Statements (F196), Budget (F195) and OSPI.

In summary and additional comments ...

- The District has spent down their reserve to some extent, from a 4-year high of \$2.4 million in 2004-05 to \$1.4 million by the end of 2007-08. The simple reason for the decrease is that spending has been greater than revenue in the recent past.
- The 2007-08 actual ending reserve – \$1,423,114 – is equal to 3.0% of total actual expenditures. While below the relative size of the reserve in 2004-05, this percentage is adequate but in no way excessive for a district this size.
- An analysis of spending on activity groups within the budget shows that from 2004-05 to 2007-08, Ferndale spent close to the amount budgeted, on average, Teaching Support (0.2% less) and Unit Administration (0.5% more) while spending less than budget for Teaching (1.8% less) and Other Support (2.7% less). Spending for Central Administration averaged 5.0% **more** than budgeted.
- Increases in priority for spending on Central Administration comes at a price. When we compare actual spending in 2007-08 to that in 2004-05 we learn that spending for Central Administration was a sizeable 48.8% higher.

In summary and additional comments ...

- Compare that to actual spending for Teaching which was 20.4% higher, Teaching Support which was 16.2% higher, Unit Administration which was 12.1% higher and Other Support which was 7.3% higher in 2007-08 than in 2004-05. Obviously you will want to discuss this major shift in priorities with the District, especially since, at the same time they have spent down their reserve to some extent.
- This year, the District is budgeting for spending on activity group Other Support to be the top priority – growing faster than spending in any other area.
- This year's enrollment, through April 2009, is above – 2.2% or 105 fte – this year's budgeted level. The portion of this year's Basic Education apportionment that is determined by enrollment will be above the budgeted level.
- The District reports employing more fte certificated and fewer fte classified staff than budgeted. If these staffing levels remain through the end of the year, the District could realize a **net cost** of nearly \$1.3 million in staffing in 2008-09 compared to the amount budgeted by the District. I recommend that the Association request a list of actual annualized FTE for both certificated and classified staff employed during the 2008-09 school year to ensure that this cost is “real”.

In summary and additional comments ...

- Based primarily on the higher-than-budgeted certificated instructional staff average salary and the higher-than-budgeted K-12 enrollment, the District is slated to receive about \$1.2 million **more** State General Purpose Apportionment than was budgeted.
- The District has passed M and O levies in increasing amounts for collection through calendar year 2010. This gives the District a measure of financial stability. The voter-approved M and O levy amounts are set at \$10.2 million in 2009 and \$11.2 million in 2010. The District is slightly above full levy capacity in 2009 and will have to “rollback” the amount of money it can collect in local levy revenues. We won’t know the if there is a ‘gap’ for 2010 until OSPI calculates the maximum levy authority at a later date.

An open, frank and very thorough discussion is needed about the relative priority of the programs and services provided by the District, the shift in priority to administrative activities in recent years, and specific spending priorities for current and new revenues. The Association can work with the District to meet the critical needs of their students and staff and at the same time improve their financial health.