

White Pine County School District

FY2017 Budget Information and Discussion

April 12, 2016

In order to adjust to a significant migration of students from the school district to charter schools and declining local revenue primarily from net proceeds of minerals, the District has had to significantly alter its FY2016 budget and is in the process making significant budget cuts again in the FY2017 tentative budget. The District has cut approximately \$1.2 million from its budget in FY2016 and anticipates cutting an additional \$1 million in FY2017. Expenditures have shrunk from \$13,968,082 in FY2014 to approximately \$11,746,527 in the tentative FY2017 budget. In order to spend within the diminished revenue, the District has had to entertain the possibility of school closures, elimination of athletic and co-curricular programs, elimination of vocational programs and further reduction of support services and administration.

Fund the Base!

When speaking with legislators it is important to convey the significance of funding the base or increasing the per pupil allotment. In FY2017, the increase in funding is expected to be \$49 per student (from \$7,799 to \$7,848). Based on student enrollment of 1,200 students, we can expect an increase of approximately \$58,800. This falls well short of funding a simple inflation index of 3%. Three percent inflation on a \$12 million dollar budget is approximately \$360,000 which would require an increase of \$300 per student. Inflation on health insurance alone is expected to be approximately 8% or \$112,000. The \$49 increase in funding will only cover about half of the inflation on one budget category.

This nominal increase in base funding comes at a time when the Nevada Legislature increased categorical, or grant, funding by approximately \$1,000 per student. This was well intentioned; however, not practical in many rural areas and not available in some instances. It is impractical because programs and services funded through categorical funds have a life cycle of 2 years and have to be reauthorized by a subsequent legislative body in order to continue. This presents a difficult situation in many rural areas that have difficulty recruiting and retaining staff for perpetual funding sources. If we can only make a guarantee of two years, it makes it even more difficult to recruit employees and have them move to rural areas for a guarantee of only two years of employment. If the school district applies for and receives funding and then are unable to find employees willing to relocate for a two years, the school district may have to send money back to the state and risk criticism for not spending the funds. It is difficult for legislators to understand this dynamic to request additional funding while returning funding we were unable to spend.

If the categorical funding is not reauthorized, the only option for the employee is to move again. Even if the funding is reauthorized, it is only reauthorized for another two years so there would never be a long-term commitment for employment like there would be if the funding was included in our base funding (a.k.a. per pupil funding) which is a perpetual funding source. In metropolitan areas such as Reno and Las Vegas, employees hired under a two year contract can find employment elsewhere in the school district or with other employers if the funding is not reauthorized. In addition, none of the programs and services funded through these categorical funds can become long-term, sustainable programs if they are at risk of expiring every two years.

It is also impractical to heap so many new grant funded programs on smaller rural administrative offices that have limited human resources to apply for and manage additional grant funded programs. For each grant, regardless of the size, there is a certain amount of paperwork, authorizations, budgets, reports and audits that must be performed. This creates additional administrative burden without financial assistance or additional staff to assist with the increased workload.

In addition to being impractical, **some of the funding simply is not available because not all schools or districts qualify for all of the categories of funding.** In Nevada, one size does not fit all. For example, approximately \$70 million was appropriated for Charter Harbor Master, Victory and GATE programs that White Pine will not be able to apply for. There are approximately 418,000 students in Nevada so an appropriation of \$70 million represents approximately \$127 per student. This means that select schools will receive funding but not all schools will benefit. **Despite their good intentions, categorical funds can actually create inequitable funding.**

Student Enrollment

Approximately 152.2 students have migrated from the White Pine County School District to Charter Schools. This has also caused a migration of approximately \$1.4 million in funding associated with these students over the past two years. This loss of revenue, combined with inflation, decrease of net proceeds of minerals and nominal increase in base funding has significantly, adversely impacted the District's ability to offer programs and services.

In order to adapt to the financial impact of the first wave of charter school enrollment and decrease in local funding, the **District was forced to cut approximately \$1.2 million in order to balance its FY2016 budget. Additional cuts were postponed because the State increased base funding (per pupil funding) by approximately \$423 per student. Unfortunately, this increase in funding was wiped away when the State changed the method for counting students.**

When the District prepared the FY2016 budget, **there was a hold harmless provision that allowed the District to receive funding based on the highest enrollment among the current year and prior two year's.** In order to extend to the second year of the hold harmless, enrollment had to decrease by 5% or more. Our hold harmless enrollment which is the enrollment that we used to build our FY2016 budget was 1,303.4 students. Because of the severity of the drop in enrollment, the District qualified for the two year hold harmless provision. Enrollment decreased by 78.2 students or 5.6%. It is important to understand that these hold harmless provisions were enacted by prior legislators to give school districts time to adapt to changes in financial condition associated with declining enrollment in order to reduce the ripple affect to curriculum, schedules, personnel, programs and services, etc. caused by fluctuating enrollment. After the District prepared and submitted its final FY2016 budget and the dust settled from the Legislative session, we discovered that **the hold harmless provision was eliminated and an average daily enrollment system implemented. This meant our student count went from 1,303.4 to 1,212.4 without warning. The decrease of 91 students, or 7%, and decrease in excess of \$700,000 was going to be immediate and could not be deferred another year.** In order to mitigate this impact and balance its FY2016 budget that had already been finalized, the District has chosen to essentially exhaust its fund balance and cut its budget further in FY2017. Budget cuts so close to the beginning of a school year are disruptive and destructive. **It was the District's hope to bridge the financial loss through FY2017 with its fund balance until the next legislative session; however, the loss of hold harmless advanced the budget decisions a year early. The district had hoped to defer budget cuts to the legislative session and seek an increase in base funding that could be accomplished by transferring funds from categorical funding to the base or through additional State revenue if available.**