

School District Finance Update

Basic Education Finance Task Force

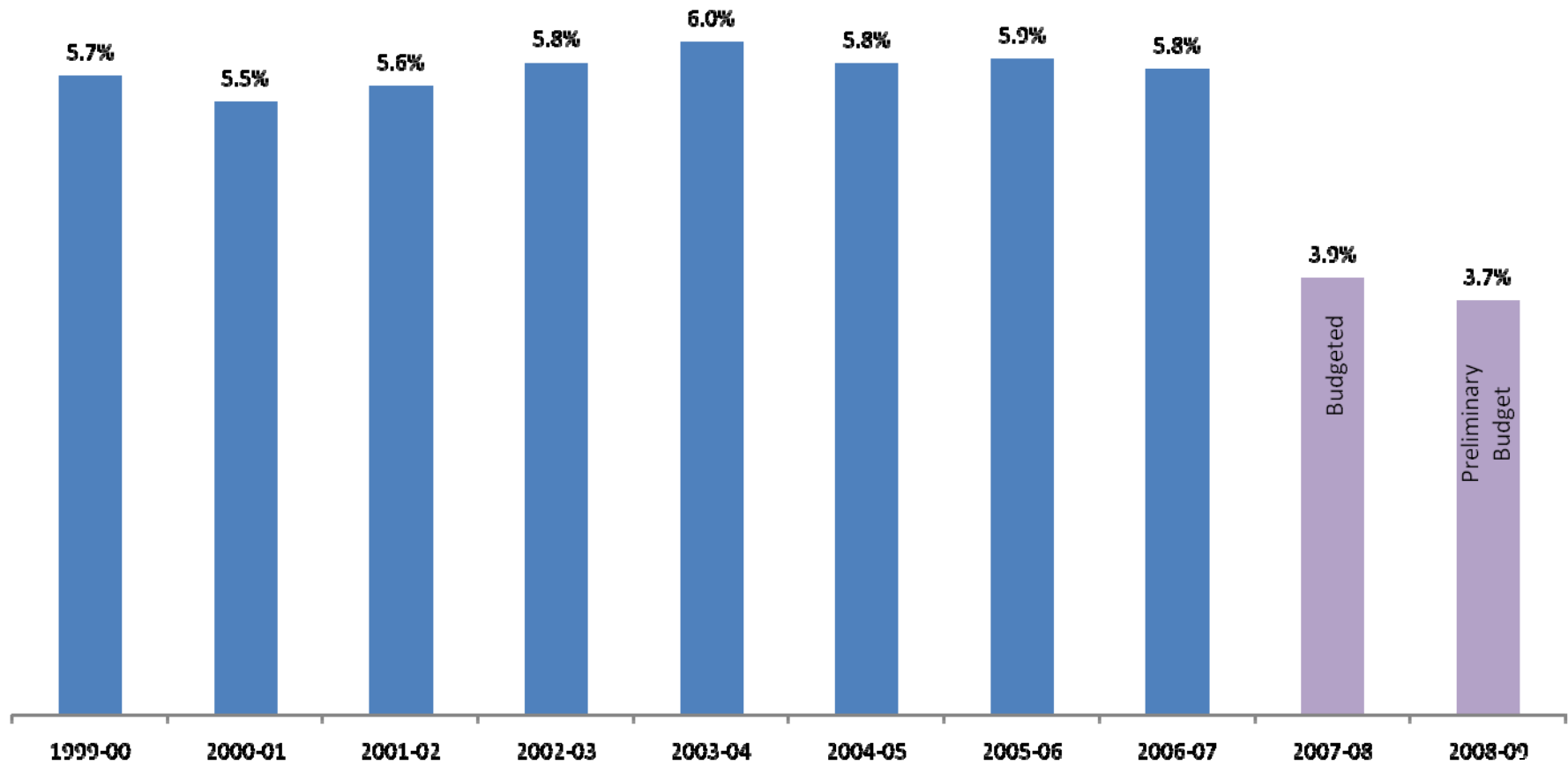
September 15, 2008

Accounting and Personnel Data Available Today

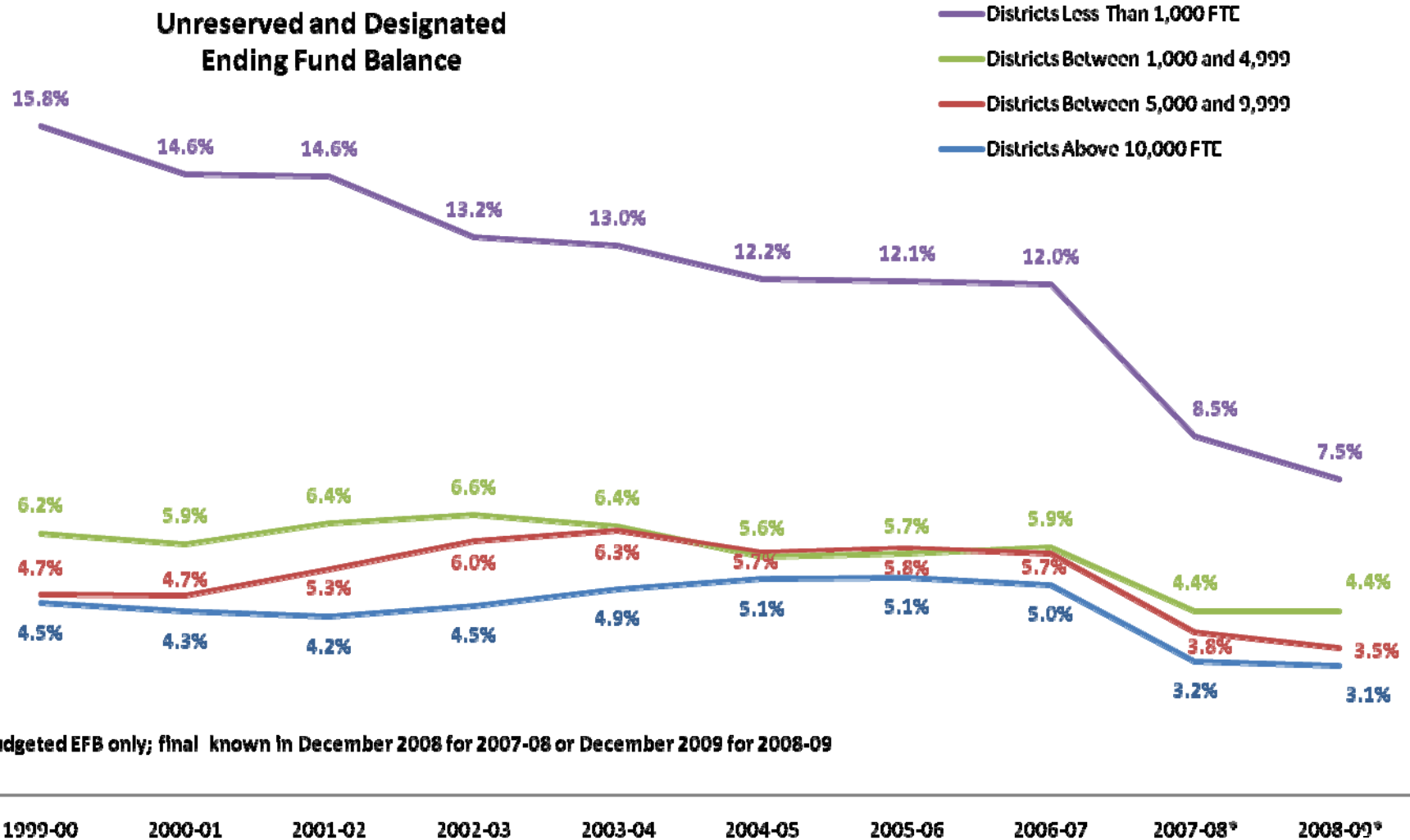
- Budgeted 2007-08 school year accounting and personnel data
 - Final in early December
- Preliminary Budget 2008-09 school year
 - Final Budgets September 15
 - In December, OSPI will use final 2007-08 Ending FB to update 2008-09 Beginning FB and recalculate 2008-09 EFB
 - Identify districts w/ apparent negative EFB
 - These districts asked to resubmit balanced budget
 - If cannot balance w/o budgeting receivables, Binding Conditions process begins

Statewide Average Ending Fund Balance Held Steady

**Ending Fund Balance as Percent of Operating Budget
(Unreserved and Designated)**

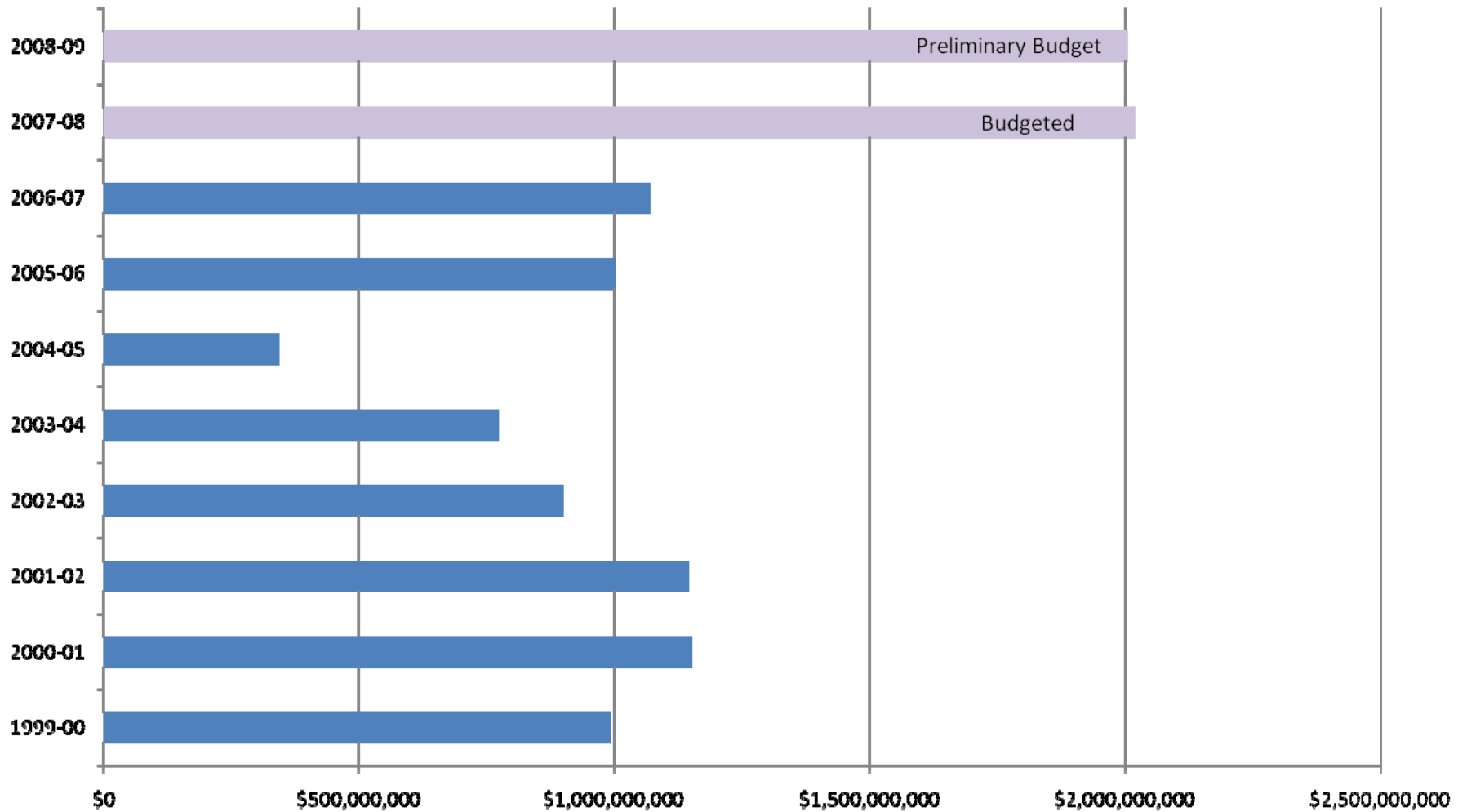


Largest Change for Smallest School Districts



Operating Fund Value of Districts with Less than 2% EFB Steady but High

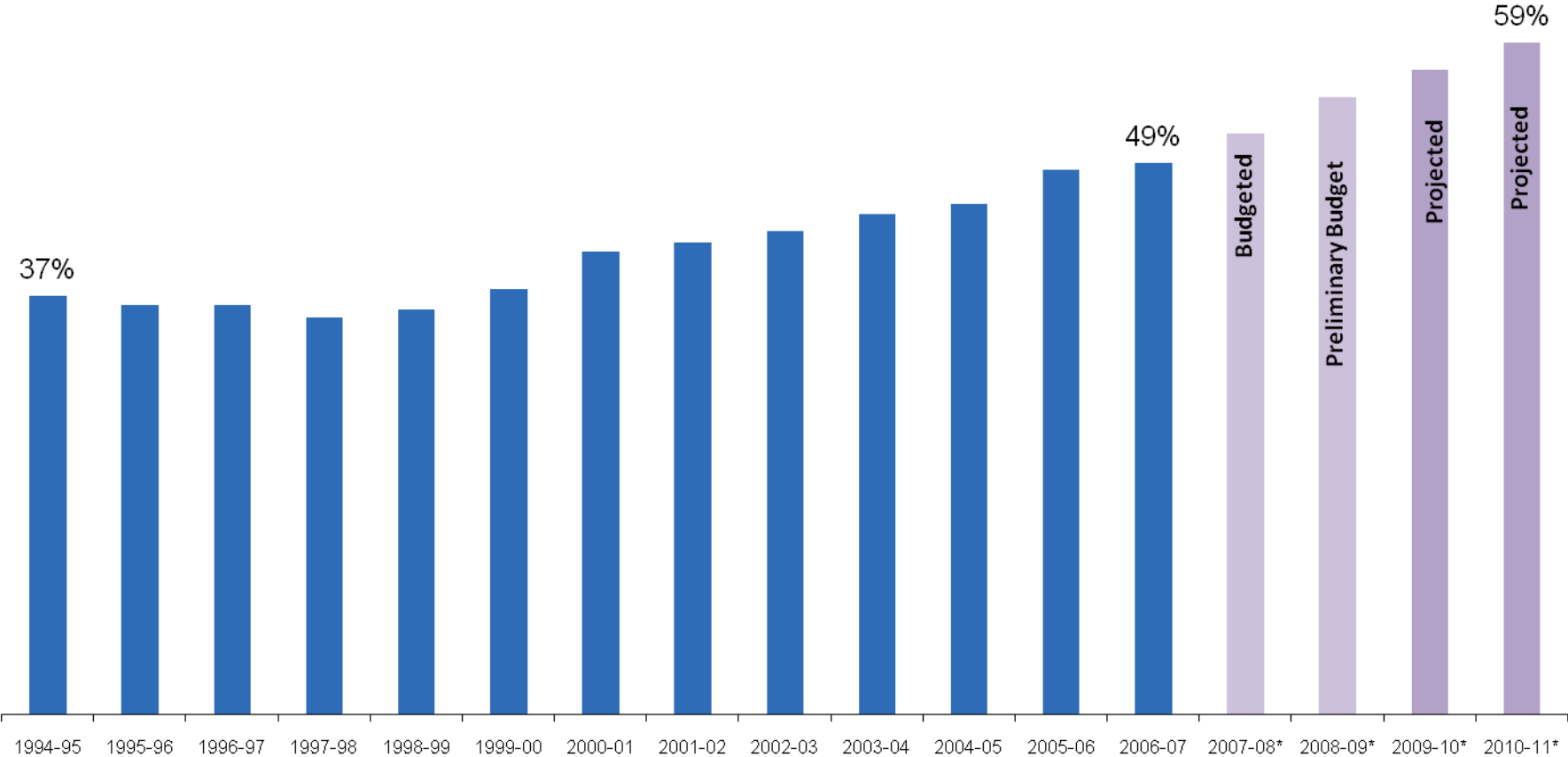
Operating Value of Districts with Less Than 2% Ending Fund Balance (Unreserved and Designated)



Utility Costs Outpace NERC Allocation Growth

Utilities Expenditures as a Percentage of Non-Employee Related Cost (NERC) Allocations

Statewide Average; Basic and Vocational Education Only

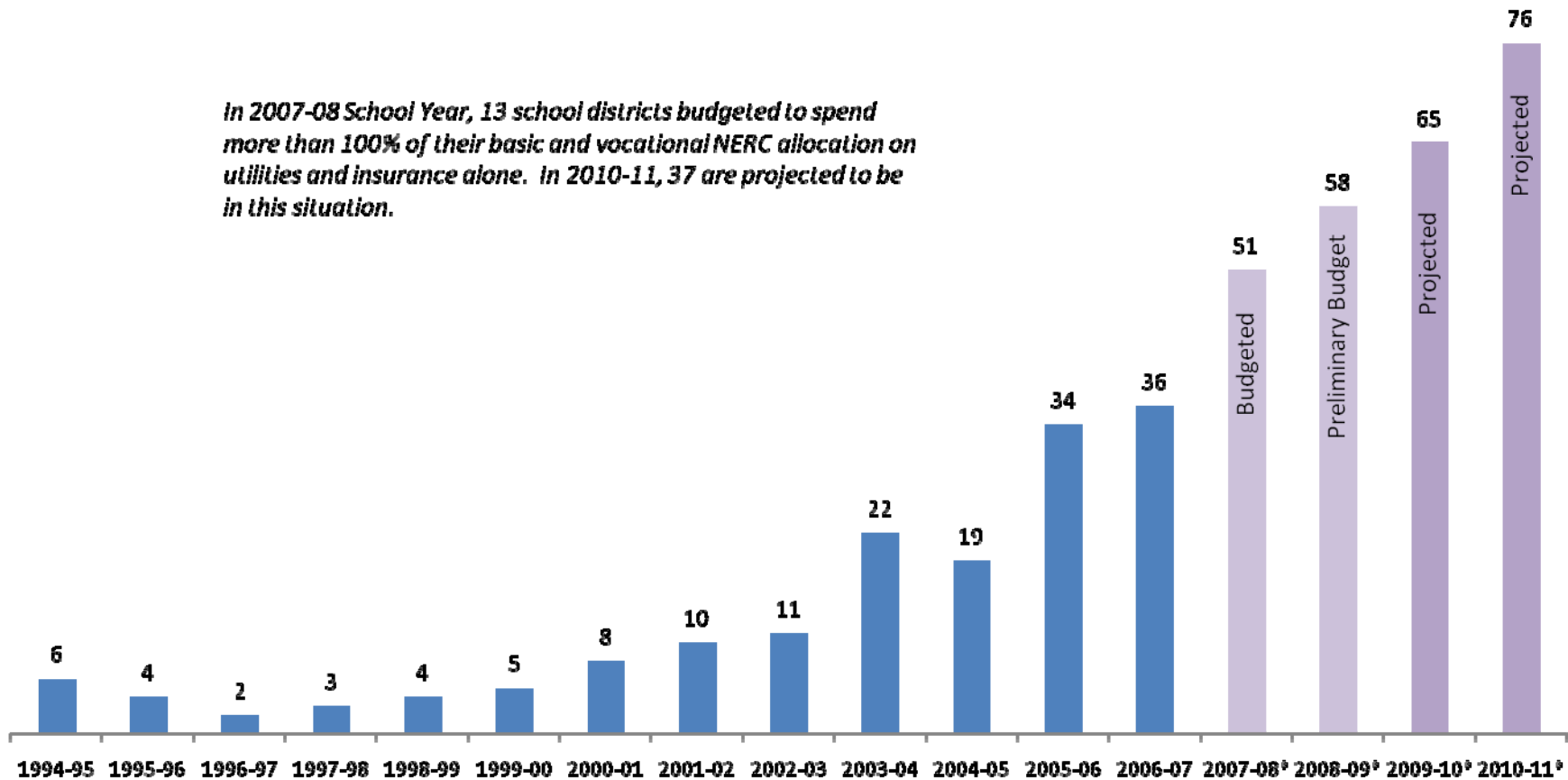


* Percentage based on budgeted or projected expenditures and allocations.

Utilities and Insurance Combined Exceed 80% of NERC Allocation for Growing Number of Districts

Number of School Districts that Expend More than 80% of their Basic and Vocational Education Non-Employee Related Cost (NERC) Allocation on Utilities and Insurance

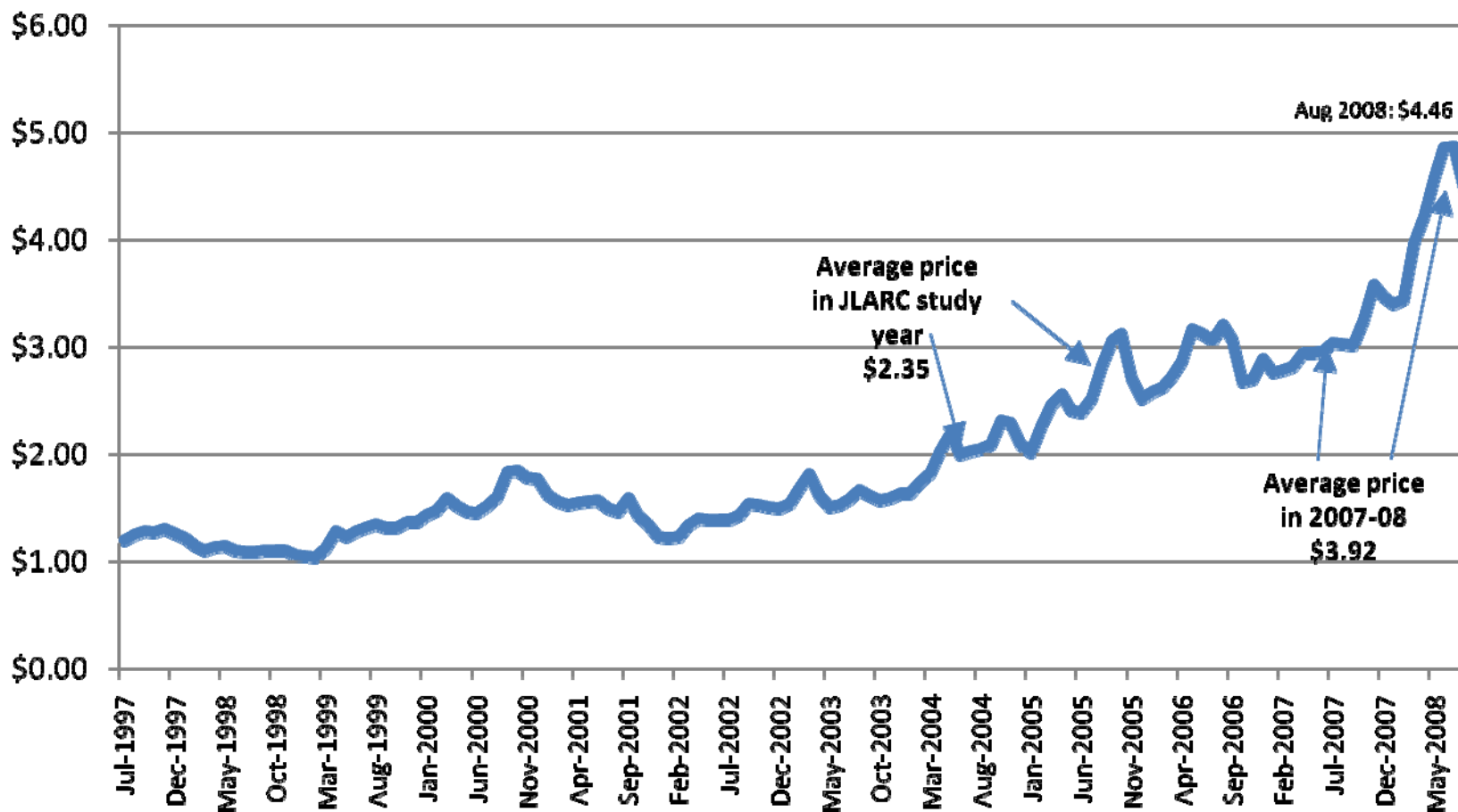
In 2007-08 School Year, 13 school districts budgeted to spend more than 100% of their basic and vocational NERC allocation on utilities and insurance alone. In 2010-11, 37 are projected to be in this situation.



[§] Percentage based on budgeted and projected expenditures and allocations.

Diesel \$ per Gallon up 48% Over Sept 2007 Price

West Coast Monthly Average Retail Price per Gallon of Diesel

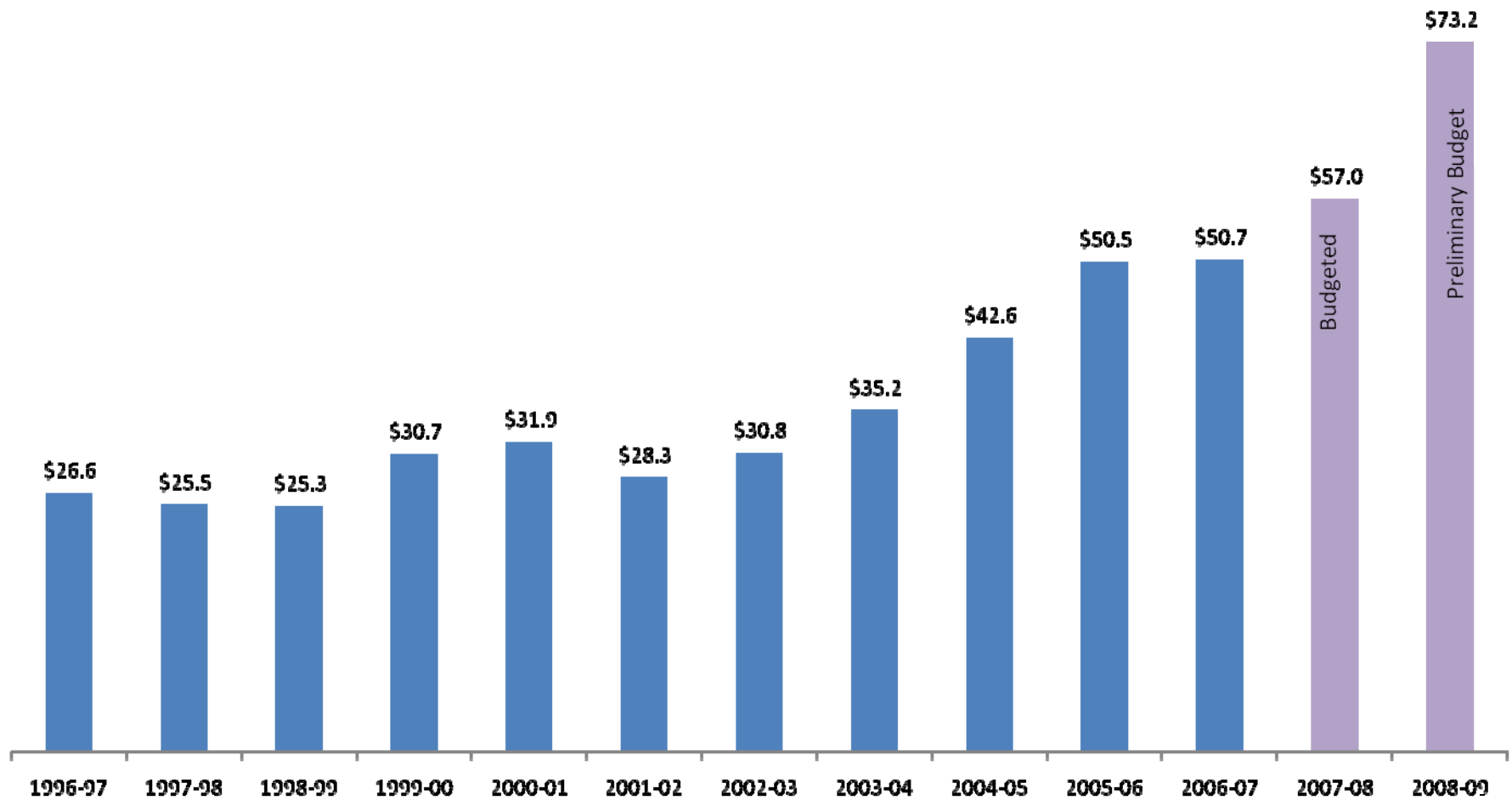


Source: US Energy Information Administration

Note: "West Coast" data excludes California

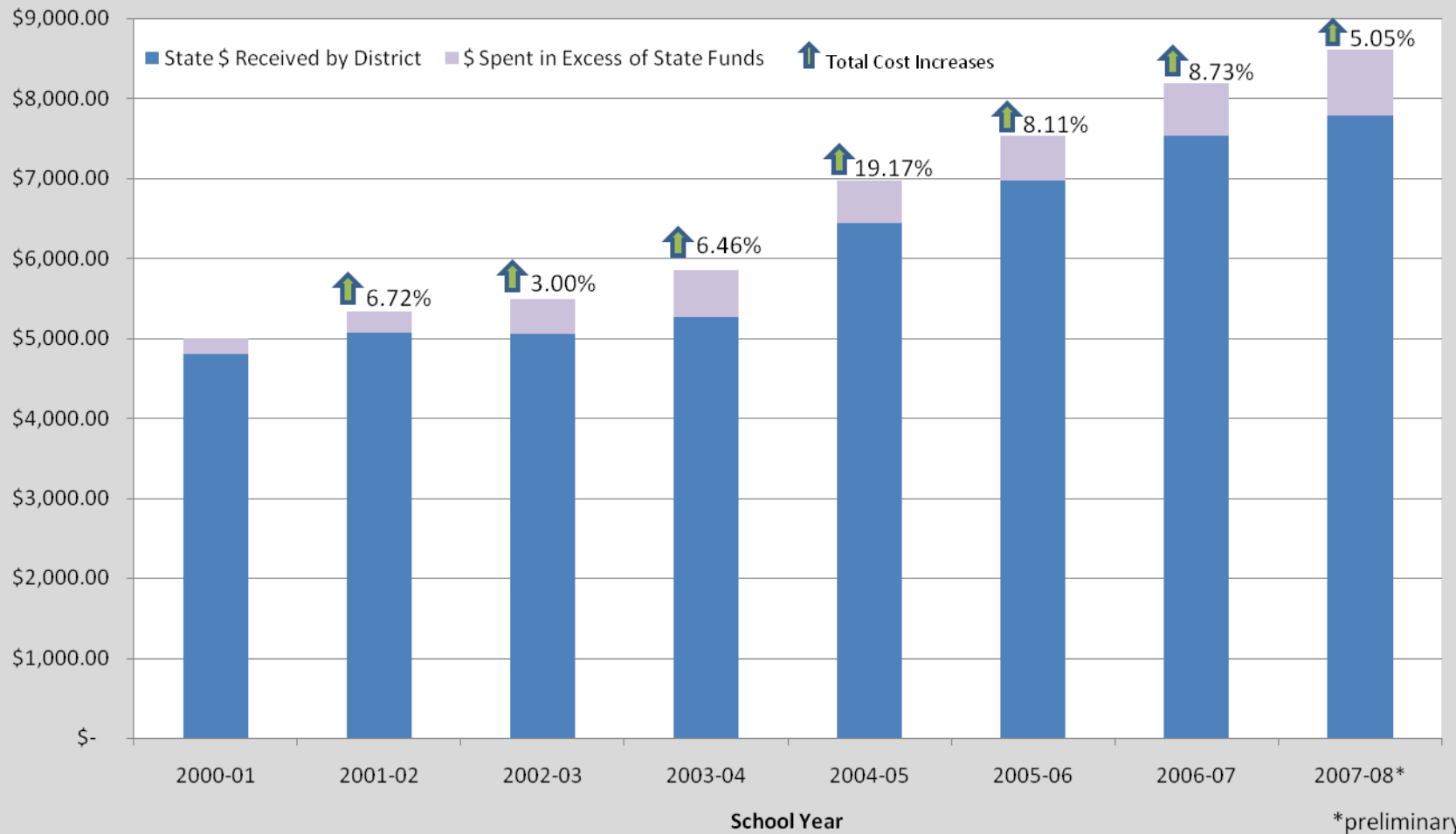
Districts Budgeted 28% More for Fuel in 2008-09

Estimated Fuel Expenditures in Pupil Transportation Program, by School Year



Health Benefit Costs Increase Rapidly

Annualized Insurance Benefits: Districts Spend More Than the State Funds



Summary

- District Ending Fund Balances still low but did not drop
- Roughly 600 staff positions eliminated statewide (equivalent to 1 school district serving 4,000 students)
- 7 districts on Binding Conditions (BC) (1 may exit)
- At least 5 districts carefully watching for possible BC
- \$2 Billion operating value for districts 2% or less EFB
- May calculation of 2009-10 SY was bleak
 - COLA (CPI) is up (2/08 3.4% projected; 9/08 5.0% projected); retirement rates up slightly over May
 - Utilities increasing faster than IPD/NERC
 - Fuel, little relief anticipated
 - December is next point for 2009-10 projection