

# Setting the Stage for the FY24 Budget Process

Presented by:

Mark Mathers, Chief Financial Officer

Jeff Bozzo, Budget Director



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# Agenda

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# What is a Budget?

- A financial plan that establishes the maximum amount of expenditures for the District, by fund, for the fiscal year
  - NRS 354.492. “Budget” means a plan of financial operation embodying an estimate of proposed expenditures and expenses for a given period and the proposed means of financing them.
  - A local agency cannot increase budgeted appropriations during the year except when there are “available resources” it can augment.
- A policy document that expresses the priorities of the District in dollar terms
  - Rather than look at the budget as simply last year’s budget plus known expenses (i.e., an incremental budget), a governing body should assess whether the budget reflects its priorities.

# Impacts of Pupil Centered Funding Plan & State Revenues on FY24 Budget Process



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# Pupil Centered Funding Plan (PCFP)

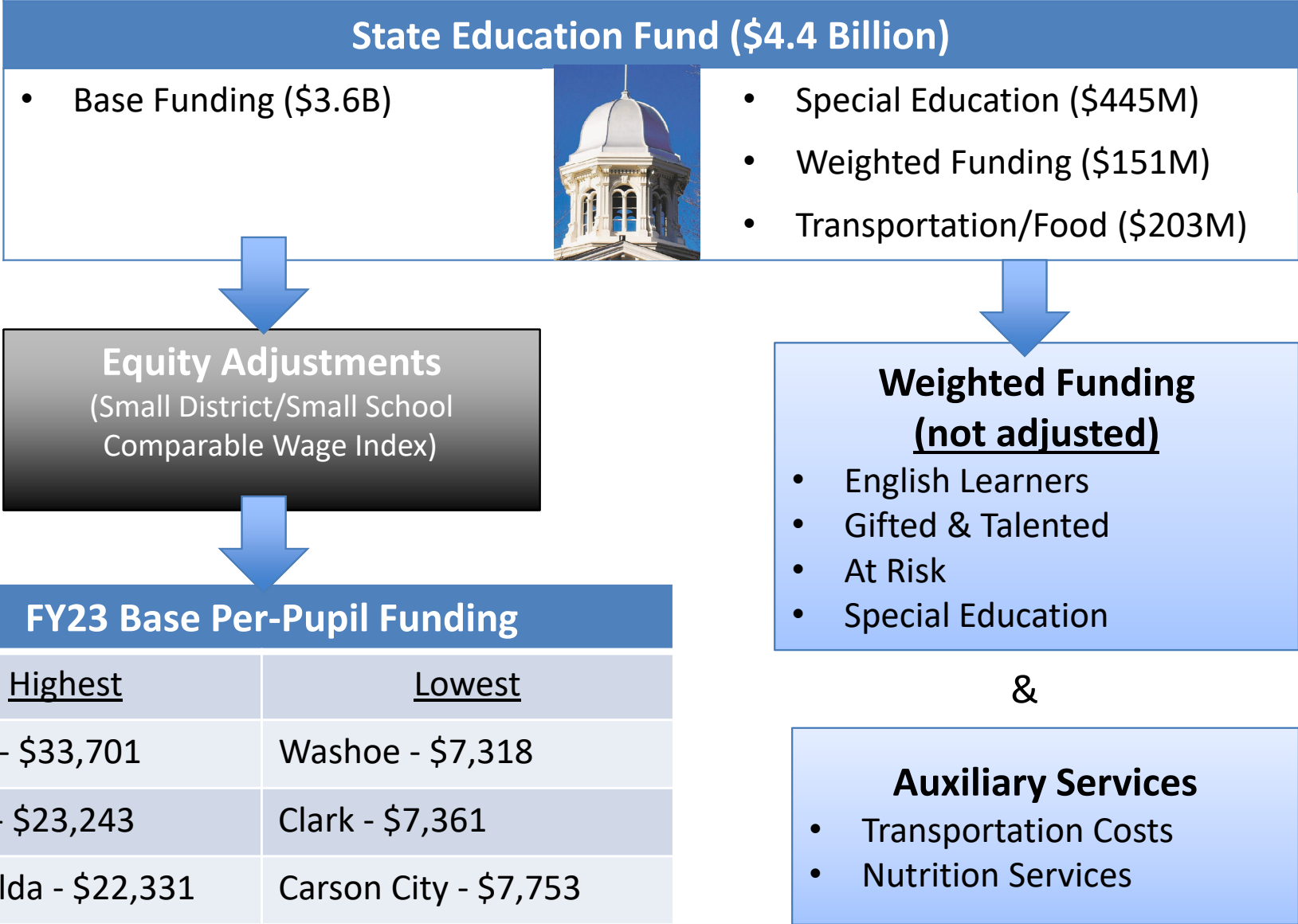
## Nevada Plan (old)

- Cost-based – budgets were built on districts' actual costs two years prior
- State added funding for costs increases like inflation, step increases, COLA (once in a decade), etc.
- Amount of State General Fund support was a policy decision
- Separate categorical grants for EL, GT and At-Risk

## Pupil Centered Funding Plan

- Revenue-based – based on projected State Edu. Fund revenues + State Gen. Fund
- Totally formula-driven and not based on cost drivers
- Amount of State General Fund support is also formula-driven, based on Economic Forum's projected growth rate of General Fund revenues
- Stable, separate funding for EL, GT and At-Risk

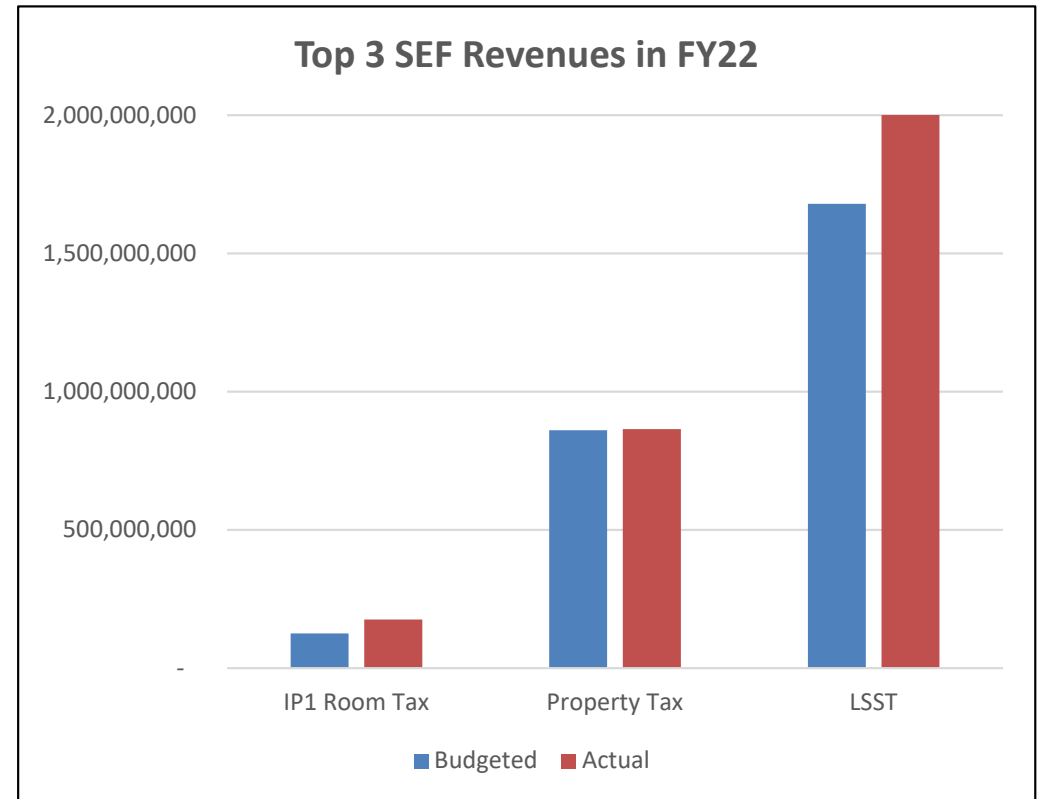
# Diagram of Funding under PCFP



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# State Education Fund (SEF) Revenues

- FY22 SEF revenues totaled \$4.9 billion vs. \$4.4 billion budgeted.
  - \$388M increase in LSST
- For context, the increase of \$487 million represents a 13.5% increase over base per-pupil funding of \$3.6 billion.
- What Happens in FY23?
  - So far LSST is up 6.3% YOY (just two months reported)
  - A mild recession could dampen growth (e.g., 2001). A deep recession can produce negative growth.



## 2023-25 State Budget

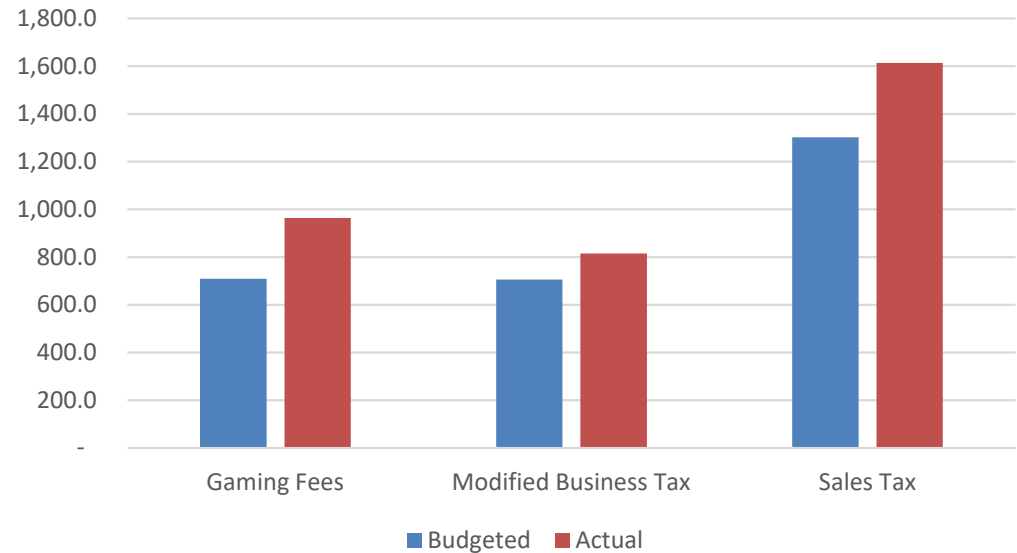
How much of this growth will the State budget versus holding it in the Education Stabilization Account?



# State General Fund (GF) Revenues

- FY22 State GF revenues exceeded budgeted revenues by \$1.013 billion.
- Gaming fees (+311M) and Sales Taxes (+255M) showed the largest increases.
- What happens in FY23?
  - With just several months in, revenues are up \$89 mil. over budget
  - Sales Tax is up 6.9% YOY.
  - Mild, severe or no recession?

Top 3 State Gen Fund Revenues in FY22 (Partial)



## 2023-25 State Budget

- Will the K-12 budget receive any of the extra \$1 billion in revenues?
- Will the State Gen Fund transfer for next biennium be based on actual State General Fund revenues this biennium or what was budgeted?





# Significant Policy Decisions on How State Builds the K-12 Education Budget

## Will State Adhere to Concepts of SB 543 (2019)?

- State General Fund Support to K-12 = State General Fund revenue growth?

## What Budget Assumptions will State Use?

- Inflation Assumptions
- Assumptions for State Education Fund Revenues, both in FY23 and next biennium

## What Will State Do with Tremendous Revenue Growth this Biennium?

- Does K-12 Receive Any of the State's Extra General Fund Revenues (> \$1 billion in FY22)?
- How Does State Budget the Extra State Education Fund Revenues (> \$450 million in FY22)?

## Base Funding for all Students versus Weighted Funding

# Initial Thoughts on FY24 Budget Process



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# Knowns and Unknowns Going into FY24

## Knowns (relatively)

- WCSD's Non-Personnel Costs
- Certain Personnel Costs
  - Health insurance, costs of step increases, current number of positions
- Better view on staffing plan for next school year
- Other Funds
  - Long-term Debt
  - Insurance Costs

## Unknowns

- State Revenues / Economy / State K-12 Budget
- District Labor Costs
  - All but one collective bargaining agreement expires on 6/30/23
  - PERS Rates (no longer covered by State)
- Strategic Plan
- Inflationary Impacts
- Enrollment

# Budget Process with So Many Unknowns

## State Budget

- Monitoring of State K-12 Budget
- Legislative Advocacy

## Budget Process

- Department Budget Meetings
- Development of Critical Needs
- Superintendent's Entry Plan
- Management Reviews
- Adjustments to ESSER Funding can affect General Fund

## Modeling

- Enrollment / Inflation / Labor Costs
- Use of 4-year Financial Plan
- Course of Economy

# Budget Key Milestone Dates

Date	Action/Presentation
11/22/22	Discussion of Budget Process and Presentation of 4-Year Financial Plan
12/10/22	State Economic Forum revenue estimates due
1/24/23	“Budget 101” presentation to Board
2/28/23	Review/Analysis of Governor’s Recommended Budget and K-12 Funding
4/11/23	Tentative Budget (due on April 15)
5/10/23	State Economic Forum revised revenue estimates – this is the trigger point for when the State starts to seriously finalize the State budget
5/23/23	Final Budget (due on June 8)
6/5/23	End of legislative session
6/13/23 or 6/27/23	Amended Budget – due within 30 days of end of session (7/5/23)



# FY24 Budget Outlook

- Magnitude of Next K-12 Budget Can't be Overstated
  - Will intentions of new funding formula be delivered on?
  - Will State appropriate the massive extra SEF revenues seen in FY22?
  - How much State General Fund revenues will K-12 receive?
- Looking Forward
  - New strategic plan will lay out policy priorities for future years
  - Competing trends – possible higher per-pupil revenue versus falling enrollment – will complicate budget decision-making
  - A recession between now and the end of the 2023 session could derail historic growth in FY22
- **Tentative Conclusion:** Hold off on major budget changes until session ends but address critical needs



# Feedback?



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# 4-Year Financial Plan Introduction



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# Purpose

- Board Policy 3110 (13)(k)
  - *Long Range Financial Planning – Staff shall prepare long-range revenue and expenditure forecasts (at least three years) as part of the budget process and will consider these forecasts during budget development in order to address the District’s future financial position.*
- Centered around the District’s General Fund budget
- To show long-term impact of known factors such as:
  - Declining enrollment due to the enrollment bubble
  - Employee step increases (typically 2% increase each year)
  - Fixed costs for new schools
- To show long-term impact of unknown factors such as:
  - Per-pupil amounts based on State revenues
  - Economic scenarios like a high-growth economy or a recession
  - Inflation rates

# Benefits of Long-Range Financial Planning

- Allows for strategic planning of budget decisions under different financial and economic scenarios
  - Better alignment of budget and strategic planning efforts
- Allows us to see past the next fiscal year and consider long-term trends
  - An example is the enrollment bubble, where we need to plan for enrollment decreases
- Helps to diagnose potential risks and causes of fiscal distress
- Allows us to proactively address these issues
- WHAT IT IS NOT: It's not a prediction of what life will look like.



# Major Variables in the Model

- Enrollment
  - The model can isolate the impact of various enrollment scenarios like flat or declining enrollment
- Economic Growth
  - One of several economic growth scenarios can be selected, which then impacts the level of state revenues and our per-pupil amount
    - Scenarios include Baseline, Stagflation, Recession, and High Growth
- Inflation
  - One of several inflation scenarios can be selected, which then impacts the rate of expenditure increases
    - Scenarios include Baseline, Stagflation, Recession, and High Growth
- New Schools
  - Fixed cost increases are added in future years when new schools are set to open

# Major Variables (Continued)

- Salaries and Benefits
  - Cost of Living Adjustments (COLA's) - we can choose to tie COLA's to inflation assumptions or not, for purposes of modeling
  - Pension rates (PERS) – based on historical rate changes (increases)
  - Potentially other benefit changes like health insurance
- State Education Fund Revenues
  - As discussed previously, State Education Fund (SEF) revenues in FY22 greatly exceeded budgeted revenues.
  - What will the State budget for the next biennium?
  - Once we see the Governor's Recommended Budget, we will plug the FY24 and FY25 State revenues into the model.

# Summary of Economic Scenarios

- Various economic and inflation scenarios are modeled.
- For each scenario, different figures can be input to see changes “on the fly”.
- Examples of scenarios we will present at a future budget work session:

General Inflation	FY23	FY24	FY25	FY26	FY27
Baseline	2.00%	2.00%	2.00%	2.00%	2.00%
Stagflation	0.00%	7.50%	7.50%	5.00%	5.00%
Recession	2.00%	2.00%	2.00%	2.00%	2.00%
High Growth	2.00%	2.00%	2.00%	2.00%	2.00%

Economic Growth	FY23	FY24	FY25	FY26	FY27
Baseline	5.00%	5.00%	5.00%	5.00%	5.00%
Stagflation	0.00%	0.00%	0.00%	0.00%	0.00%
Recession (Minor)	0.00%	-5.00%	-5.00%	2.50%	5.00%
Recession (Major)	0.00%	-10.00%	-10.00%	2.00%	5.00%
High Growth	7.50%	7.50%	7.50%	7.50%	7.50%



# Next Steps



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# Next Steps

- FY23: we will continue to track State Education Fund revenues and of course monitor the economy
- November-December 2022: Economic Forum
- January 2023: Governor's Recommended Budget will be released
  - This will tell us how State has chosen to use additional revenues generated in FY22 and first quarter of FY23
  - Base Per-Pupil Funding vs. Weighted Funding vs. Stabilization Acct.
  - Did the State follow the intentions of SB 543 regarding the State's General Fund commitment (tied to Economic Forum) and funding increases for per-pupil funding (enrollment + inflation)?
  - Was the State realistic about inflation?



February-June 2023: Legislative Session

# Use of 4-year Financial Plan

- The 4-year Financial Plan allows us to model costs and trends past just next fiscal year (FY24) or next biennium
- We will update the model for the Governor's Recommended Budget and other developments like enrollment
- Future Costs
  - An annual cycle of budgeting forces the District to adjust the budget down each year for relatively known items like enrollment decreases
  - Multi-year forecasting and budgeting allows us to prepare for these events and not spend resources we won't necessarily have past the current fiscal years
- Allows us to model different economic scenarios and plan for downturns by modeling the impact on our fund balance