

## **Coeur d'Alene Financial Concerns Caused by State Funding**

*This document was prepared to summarize our financial concerns that are caused by state funding decisions in the current fiscal year. It was shared with Governor Little's Chief of Staff during the Governor's visit to our District this week.*

- **A change to enrollment based funding is critical for CDA Schools.** The District budgeted in the Spring when there was a confidence that we were nearing the end of the pandemic, and COVID would no longer cause an abnormal increase in absences. Now, with extraordinarily high absence rates through the fall, the District is projecting 25 support units below an already deeply reduced number that was budgeted. This is after the formula applies its protection calculation and will mean an additional shortfall of \$2.6M that was not budgeted. If the state continues to stay in the attendance based formula, all of ESSER II and III funding must go towards balancing the operational budget, and the District cannot use any of these funds for any critically needed HVAC and technology costs.
- **ESSER funds cannot be relied upon to fund more state cuts.** Coeur d'Alene Schools have already earmarked 86% of the general use ESSER funds to maintain stability of operations over the next 3 years and to pay for unfunded cost increases to see our District through the already difficult funding environment. The remaining 14% are earmarked for critically needed infrastructure maintenance, specifically HVAC and technology. There is a much greater need for infrastructure spending, but state reductions through the PESF freeze and the steep and unprotected funding reductions from loss of students prevents the District from allocating funds for these infrastructure needs. ESSER funds have already been earmarked, so we ask the legislature to stop considering these funds as a backup plan for Districts to offset even more cuts to schools.
- **The PESF freeze is hurting our District.** Districts are unaware of how much to budget for the PESF freeze, so they cannot move forward with ESSER funded infrastructure projects. This PESF cut is on top of a sharp drop in student-driven funding, and absorbing cost increases due to the labor market. It is adding to CDA Schools' difficult financial situation. It makes up \$1.15M of our \$6.1M operational shortfall that is funded through ESSER.
- **There have been comments by legislators that Districts have large balances of unspent ESSER funds still allocated in the state system.** This is not because we do not have use for the funds, our District has budgeted every dollar. There is a lag in drawing down the funds because these are reimbursement based grants and require additional administrative work to complete draw downs.

### **Additional Stats, details, etc.**

- ★ 7.2% of the CDA Schools general operations budget is currently being backfilled by ESSER funds. This means 36% of the combined total of ESSER II and ESSER III funding being spent just to maintain operations for one year. The cause is the PESF freeze, skyrocketing wages in Coeur d'Alene, and a sharp loss in enrollment where we don't know if students will suddenly return.
  - When Districts lose enrollment, they typically would reduce staff and programming to balance the budget without much of an impact to remaining students.
    - Swift cuts are not wise in a pandemic where families can change their mind and return at any moment, and the District must legally and immediately accommodate returning students.
    - In a situation like we are in, it's important to gradually reduce staffing and programming so you don't experience a situation where you have unsafe conditions and classrooms become so crowded that there is a loss of quality instruction.
  - Each year, we have cost increases in an attempt to pay competitive wages. We must try to stay competitive being close to the Washington border. Pre-COVID, the state revenues have consistently increased each year to help us retain staff. We are no longer seeing increases in funding above pre-COVID levels, but we still have to offer some increases to recruit and retain. This worsens the financial picture for our District.

### **PESF Freeze**

- ★ The state legislature has indicated that ESSER funds are the District's fallback to pay for the PESF freeze and the reversion to attendance based funding. The PESF freeze will cost the District an estimated \$1.1M in lost funding, but could be more. We ask that the legislature remove the PESF freeze for the current year, as the ESSER funds could be better spent on infrastructure like technology systems and HVAC repairs/replacements. This would save taxpayers in CDA on future bond levies.

### **Enrollment Based Funding is Critical**

- ★ We ask that the legislature approve enrollment based funding for the current school year.

- The District budgeted in the Spring when there was a confidence that we were nearing the end of the pandemic, and COVID would no longer cause an increase in absences. Now, with extraordinarily high absence rates, the District is projecting 25 support units far below budget. This is after the formula applies its protection calculation. This is an additional shortfall of \$2.6M that was not budgeted.
- Not changing from attendance based funding to enrollment based funding would mean we must use 51% of our one time ESSER II and III funding in the current year, just to maintain operations. This would mean we have to reallocate funding previously earmarked for desperately needed HVAC repairs and technology infrastructure.