

## **Frequently Asked Questions about the Spring 2018 Budget Deficit:**

### **Why would CCSD make cuts if they do not plan to pay the arbitration won by CCEA? Doesn't this prove that CCSD has the money to pay the arbitration?**

We anticipate it could take as long as a year to receive a decision on CCSD's motion to vacate the arbitration decision. So why are we making the reductions now?

- First, we legally have to present a balanced budget to the state that accounts for all possible debts. Due to the requirement to incur the increases in payroll costs in the current budget, we must reduce other expenditures to meet the legal requirement to have a balanced budget.
- Second, we are working to be proactive in case we lose our motion to vacate the arbitrator's decision – it's fiscally prudent to plan for all scenarios.

In the case we do win the decision, we will review the financial needs of the district at that point in time and utilize the funds to meet those needs, which could include items such as pay increases for all employees or additional funds in school strategic budgets.

### **Why did the District decide to push the cost of teacher salary increases to schools?**

The district reorganization, required by Assembly Bill 469, requires the district to create school budgets that house school costs. Schools "purchase" the staff at the sites, and their costs increase when employee costs increase in general.

Increased employee costs are absorbed by the school or department where the employee works. This was first done in the fall of 2017, when the district lost an arbitration decision, and a similar process is being followed with increased employee costs incurred in the spring of 2018.

### **What is the legal justification for CCSD fighting the arbitration?**

CCSD has asked the District Court to vacate and set aside the arbitration decision on the contract with the Clark County Education Association (CCEA). The Trustees made the decision to go to court for two reasons:

1. The arbitration decision fails to comply with state law that protects school districts' ending fund balances, which are the districts' only reserve in case of unexpected budget emergencies (NAC 354.660). The Trustees take their responsibility to employees seriously, and do not want to put the district in a situation where it is unable to meet its payroll or other expenses.
2. The Teacher Health Trust (THT) is in financial shambles, with multiple teachers being turned over to collections – or even having their wages garnished – because the THT is

failing to pay its bills. Multiple lawsuits have been filed against the THT, and it has been reported to CCSD that some health care providers are declining to provide medical services to THT members. The arbitration decision would require CCSD to pay for an additional \$20 million to the THT in the next two years, which is not in the best interest of our teachers in the long term.

### **What are the consequences of having a low ending fund balance?**

Having a low ending fund balance is like having no savings account to cover any future increases in costs. This also means that we will have risks related to increased interest rates with our bonds, which are what we use to build and maintain schools, essentially reducing the purchasing power of those dollars.

It also means the state has put us on a watch list for possible financial problems.

Ultimately, we could end up in a situation where we do not have money to pay for bills such as payroll or electricity.

### **How does the shift of attrition savings being pushed to the school level factor into the District's future ability to pay for arbitration losses or lower-than-expected revenue returns at the end of the year?**

One of the biggest financial impacts of the district reorganization, or Assembly Bill 469, is the requirement to push anticipated savings realized from unfilled positions at schools into school strategic budgets. The District has previously utilized these anticipated savings to fund personnel, as well supplies and programs within schools and central services budgets.

In order to comply with AB 469, CCSD has budgeted money in the 2018-19 budget to provide schools with funds saved from unfilled positions. We currently estimate that amount to be roughly \$30 million, but we will not know until the end of the 2018-19 school year, once we know for sure the positions for that year have not been filled.

### **How much of the District's budget is spent on salaries? What impact does this have when budget cuts must be made?**

About 88 percent of the overall budget is spent on salaries and benefits. Due to the fact that salaries are incurred throughout the year, the timing of when the cuts are made is critical in determining the amount of savings that are realized for those cuts.

It's important to note that CCSD has several major categories of funding, but only unassigned general funds can be spent on most salaries – which is by far our largest expense. Please watch this Finance Friday to learn more about the different categories of CCSD's funding – and what we can and cannot use for employee salaries:

<https://www.youtube.com/watch?v=l6si2wQZiB4&list=PLotfXIJUeAr72wlfC3ymld5ll8wwnGhfD&index=2&t=1s>.

**How much money is spent in central services? What departments and functions are included in this? What are the largest costs for the District outside of salaries?**

About 12 percent of our unrestricted general operating fund revenues is spent on central services that are not directly in schools.

The departments included in this 12 percent include: Human Resources, Payroll, Finance, the School Associate Superintendents required by law, Internal Audit, Affirmative Action, Communications, Zoning and Demographics, Technology, Legal, Maintenance and Facilities, School Police who are not directly working in schools, all Transportation costs except for bus drivers, etc.

**What would it take at this point in time to stop budget cuts for the next school year?**

The Board is scheduled to approve the final budget at their special budget meeting on Monday, May 21. At this point, after [cutting more than \\$771 million from our budget since 2008](#), we have made the least painful cuts – so more budget cuts unfortunately mean cuts to programs and employees that serve students.

**When the District agreed on the current salary schedule, how were they able to initially cover the costs? Why didn't the District budget for salary increases?**

There is a misconception that the District had agreed to a salary schedule for 2017-18. This is not true. The actual contract which governs the pay for employees is an annual contract. We told the union we did not have funds for salary increases in 2017-18 last spring, and we have been going through a lengthy arbitration process with them, as required by law.

On August 1, 2017, we sent an email to teachers letting them know we were unable to afford a salary increase. You can read it here: <http://ccsd.net/employees/resources/pdf/update-080117.pdf>.

**How many cuts have been made to CCSD's budget over the last decade?**

CCSD has [cut more than \\$771 million from our budget since 2008](#).

**What is property tax abatement? How much property tax revenue is lost annually due to abatement?**

We estimate the impact of the property tax cap for the 2019 budget to be about \$186 million for the General Operating Fund and \$129 million in the debt/capital funds.

## **How much money has the state added to categorical funding over the last decade?**

The state has increased categorical funding by more than \$500 million under Governor Sandoval's term, and we are grateful for those funds.

Categorical funds are targeted toward student achievement and we see their impact in areas such as our increased graduation rates, increased test scores, increased Advanced Placement participation, etc. However, we cannot use those categorical, earmarked funds directly toward employee raises.

Please watch this Finance Friday to learn more about the different "categories" of CCSD's funding – and what we can and cannot use for employee salaries:

<https://www.youtube.com/watch?v=l6si2wQZiB4&list=PLotfXIJUeAr72wlfC3ymld5ll8wwnGhfD&index=2&t=1s>.

## **Did marijuana tax revenue go to fund education?**

Marijuana tax dollars are an additional source of revenue for the State to fund education, and these tax dollars do not necessarily directly increase the funding for education. This is another reason why we need to change the way we fund education in Nevada -- not only the funding formula, but also to increase the actual amount of money that goes into education.

You can learn more about how those funds have been utilized by watching this Finance Friday: <https://youtu.be/2FjnJDH6c48>.

## **What is the IP1 tax and why isn't it going to education?**

This is a room tax that was passed by voters for schools, though, again, do not necessarily directly increase the funding for education. This is another reason why we need to change the way we fund education in Nevada -- not only the funding formula, but also to increase the actual amount of money that goes into education.

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## **Did the legislature give the District \$34.1 million in increased funding during the last legislative session? If the funding received by the state increased, where did all this money go?**

The state of Nevada has provided approximately \$34 million in additional funding for the 2018-19 school year, funding that is greatly needed and appreciated. However, the list below of rising costs provides an understanding of why the additional \$34 million provided to the district is not enough to keep up with the rising costs of existing programs the district incurs and also provide payroll increases for employees.

- \$8.4 million to hire new staff members for the four new elementary schools opening in August 2018
- \$5 million for other costs to open the new schools, such as transportation, maintenance, landscaping, and other support staff services
- \$14 million for additional staffing to serve our growing Special Education student population
- \$1.3 million to increase the number of School Police officers and supplies
- \$3 million for the estimated increase in utilities
- \$800,000 for increases in fuel for school buses and other district vehicles
- \$600,000 in increases in school supplies
- \$500,000 of other anticipated increases

**Why does CCEA feel that the District is over-budgeting supplies by \$27.1 million?**

CCEA is stating that the District budgeted \$27.1 million more for supplies in 2017-18 than in 2016-17. This money actually currently sits in school strategic budgets – these are funds that schools saved for major expenses such as textbook purchases and other programs for students.

It would not be financially prudent to take this one-shot money from schools to pay for ongoing employee expenses.

It's unfortunate that the union is putting out misinformation instead of working with CCSD to fix the base funding formula. You can watch us set the record straight here: <https://www.youtube.com/watch?v=TtKLE0YsM44&feature=youtu.be>.

**Where is the \$41.5 million dollars that CCEA estimates from salary attrition going? What is the accuracy of this statement?**

Each year, CCSD assumes that it will not be able to fill every position. Historically, we have used those anticipated savings to pay for programs and employee salaries.

These anticipated savings for the 2017-18 school year have already been spent on programs and employee salaries – it does not exist.

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**How much flexibility do schools have with their budgets when it comes to losing personnel?**

Schools can make most on-site personnel decisions.

**Why is CCSD saying they might need to use school carry forward funds for the 2018-19 school year?**

CCSD said they do not intend to use carry forward funds at this time, but if the financial situation of the District becomes worse, the carry forward funds would be one of the options the District looks at to maintain financial stability.