



Board Staff Report
Fund Balance
December 2, 2019



Objectives

- Explain revenue and expense variables
- Update the status of the budget gap for current year
- Next steps

The Flow of Revenue & Expenses

- Our goal is to provide additional insight into the mechanics of school finance.
- Similar to any large organization, there are two overarching themes which impact cash-flow:

Revenue and Expenses

- We forecast revenue primarily on student enrollment and property taxes.
- We forecast expenses primarily based on hiring trends and previous years of underspend.

The Flow of Revenue & Expenses

- When building the budget for the current year, we are using available data from spring of the previous year.
- Although there may be trends we can account for, there are also unexpected activities and situations that impact the budget. Therefore, we can't predict with 100% accuracy.
- As the year progresses, we track and update these events and, in the spring of the each year, submit a mid-year adjustment to account for many of these changes.

Budget Gap Status for Current Year

How are we progressing?

For context, our preliminary FY19 budget indicated we'd spend about \$8million of the fund balance

2018-2019

used ~\$4 million from our fund balance.

2019-2020

Forecast to use \$13-\$17 million from our fund balance.

2020-2021

prevent a deficit of \$20 million.

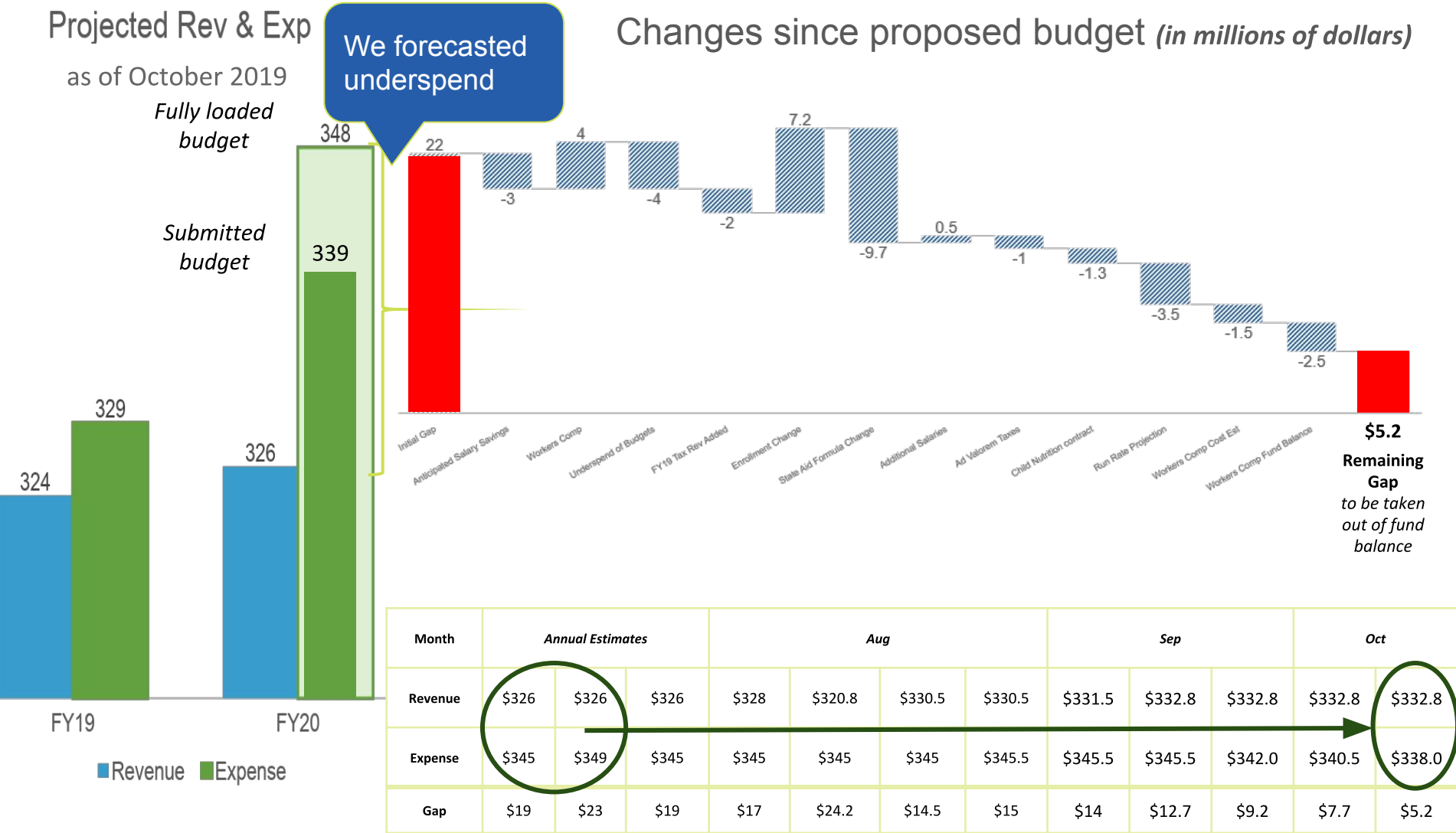
Similar to previous years, once the school year starts we begin to assess our trends. We normally don't talk about this until Spring, but as part of our continued efforts to promote (school) fiscal literacy, we want to start our discussions earlier in the year

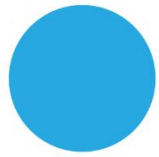
Updated Nature of FY20 Budget Gap

Projected Rev & Exp
as of October 2019

We forecasted underspend

Changes since proposed budget (in millions of dollars)





Budget Gap Status as of October 2019

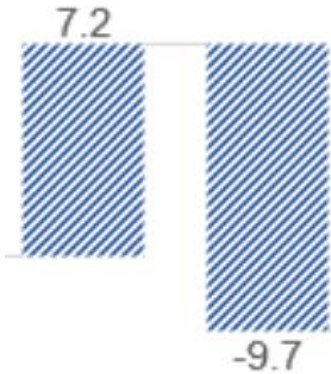
- The initial forecast from spring projected use of approximately \$22 million.
- We anticipated approximately \$9 million of underspend in the preliminary budget, which brought us to the low range target of \$13 million from the fund balance.
- So, why are we currently trending to \$5 million? Where is the other \$8 million in projected lower spending coming from?
 1. Revenues = approximately \$7 million more in revenue primarily in one-time changes to how workers' comp is funded and timing of taxes

As an example, we have to forecast what percent of folks will pay their taxes, sometime we collect more than projected
 2. Expenses = underspend of approximately another \$1 million

But there is more to the story...



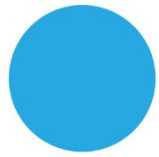
Budget Gap Status as of October 2019



- This year we lost approximately \$7.2 million in revenue due to enrollment decline.
- The legislature increased funding to education which resulted in about \$9.7 million in additional revenue
 - Resulting in a net gain of \$2.5 million
- However, after accounting for certified salary increases (and certified standard cost of living adjustments), totaling closer to \$4 million, the net gain of \$2.5 million will be more than erased.

Enrollment Change
State Aid Formula Change

The negative \$9.7million on this slide represent additional revenue, while the positive \$7.2 represents a decline



Budget Gap Status as of October 2019



- Another factor to the forecast indicating a possible lower use of the fund balance is underspend.
- Currently we anticipate spending about \$6.5 million less than budgeted.
- This is unfortunately due to vacancies in critical positions making it an unfortunate and unsustainable budget impact.
- These are vacancies of important team members we need as school clerks, teaching assistants, bus drivers, custodians, etc.

The negative number indicates additional revenue (it's counted against the use of the fund balance).



Budget Gap Status as of October 2019

- In summary, current trend data is mixed news.
- Although our low range estimate was approximately \$13 million, it is good that we are trending to use less of our fund balance than anticipated.
- The bad news is:
 - We are not fully hired and have unmet needs.
 - We continue to anticipate use of the fund balance.
 - If our teams were fully staffed, we would actually be spending closer to \$8 to \$10 million of the fund balance even with the new revenue.
- As we collect more trend data, we will present a mid-year budget adjustment in the spring.
- The through line with the Shape Our Future work is to approach this news as *not more revenue to spend, but less “debt” to incur.*



DISCUSSION