

# TULSA PUBLIC SCHOOLS

## 2022-2023 Preliminary Budget - June 6, 2022





# Fiscal Year 2022-2023 Preliminary Budget

- Update on current fiscal year 2021-22 budget
- Summary of new fiscal year 2022-23 preliminary budget.
  - A closer look at the new fiscal year 2022-23 General Fund
  - Overview of federal recovery fund investments.

*More at [www.tulsaschools.org/recoveryfunds](http://www.tulsaschools.org/recoveryfunds)*



# Our Budget Reflects Our Values

**Core Values:** Our core values guide how we work and interact with each other at every level of the organization. We embrace and embody these values every day:

- **Equity:** All children deserve the opportunity to develop their full academic and social potential. Our diversity is a community treasure, and we must foster an inclusive environment by examining biases and resolving unfair practices.
- **Character:** We are honest, trustworthy and have high standards of behavior. We do the right thing even when it is hard. While we do not always agree, we treat one another with kindness and respect.
- **Excellence:** We work hard together and expect a lot of one another because high standards produce exemplary knowledge, skills, abilities and mindsets.
- **Team:** We care for one another, support the personal and professional development of one another, and work together to improve our community
- **Joy:** Joy at school and at work makes us more productive, because when we create, innovate and imagine, our motivation grows. We want to ensure that everyone knows the excitement that comes from working deeply on a problem, task or concept and experiencing breakthrough moments.



# Tulsa Public Schools Budget Timeline

## February - April

- District initiates budget planning for upcoming year
- Board approves Budget Amendment for current year

## April - May

- Legislature passes bills to appropriate funds for next year
- District assessing site and school budget requests along with staffing plan for next year

## December - January

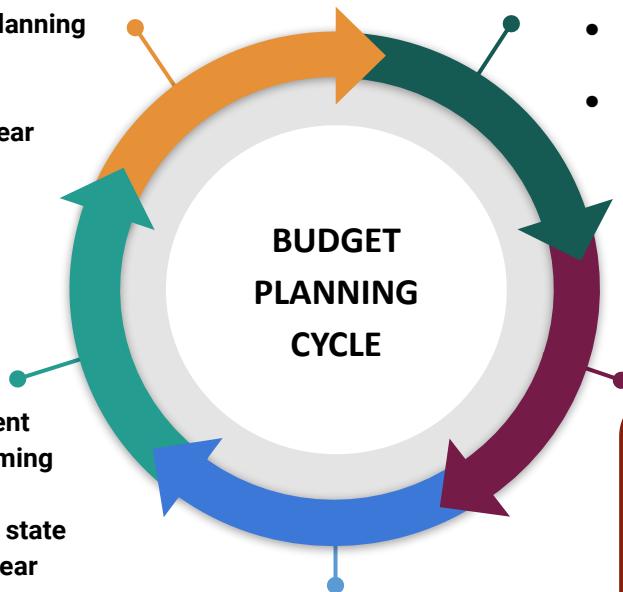
- District Assesses Enrollment and WADM trend for upcoming year
- District receives mid-year state aid allocation for current year

## September - October

- District Assesses Enrollment and WADM trend for current year

## June

- Board approves Preliminary Budget for coming year
- Budget includes estimated actuals for current year





## Current Fiscal Year 2022 Update



# FY22 Budget Update

- In April, we submitted a mid-year amendment to account for many of these changes in accordance with the School District Budget Act of Oklahoma.
- We expect FY22 budget to close close to the levels reflected in the mid year amendment.
- As we work through the last few weeks of this fiscal year, we may still encounter supply or delivery issues.



# FY22 Budget Recap

Category	Mid-Year Amendment	Projected Actual Year End	What is driving any difference?
<b>General Fund</b>			
<i>Revenue</i>	\$406,386,443	\$405,280,884	
<i>Expenses</i>	\$360,000,000	\$353,942,989	<ul style="list-style-type: none"><li>• Shifted some facilities expenses to Building Fund to prepare for FY23.</li><li>• Higher vacancies than expected and reduced spending in other areas.</li></ul>
<b>Building Fund</b>			
<i>Revenue</i>	\$21,447,842	\$22,786,142	
<i>Expenses</i>	\$20,447,842	\$17,377,428	<ul style="list-style-type: none"><li>• Built reserve to cover increased cost for some projects in FY23.</li></ul>
<b>Child Nutrition Fund</b>			
<i>Revenue</i>	\$26,431,446	\$27,572,395	
<i>Expenses</i>	\$25,631,446	\$24,500,000	<ul style="list-style-type: none"><li>• Higher vacancies than expected.</li></ul>

FY22 budget trending to close as reflected in the mid year amendment.

We have continued to prepare for FY23.

The year is not yet done, and we may still encounter supply or delivery issues.



# FY22 Budget Update

- Thanks to Tulsans approving the 2015 and 2021 bonds, we are able to generate savings through the investments made in LED project, HVAC investments, and fuel efficient buses.
  - Energy savings by LED conversion - approx. **\$250,000** per year
  - Fuel savings by replacing with CNG buses - approx. **\$30,000** per year
  - The new HVAC units that we are replacing are more energy efficient. It has allowed us to operate them with dehumidification (which is resulting in a much better learning environment) without increasing costs.
- These investments will help us during anticipated higher energy costs in FY23.





# Fiscal Year 2023 Preliminary Budget (school year 22-23)





# Fiscal Year 2023 Preliminary Budget

- 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.
  - Some expenses change often every year for a variety of reasons. For example, vacant positions throughout the year can generate unanticipated savings and lower expenses.
- When building the budget for the current year, we are using available data from spring of the previous year, as well as information that grounds what we expect for next year.
- FY23 is the first year HB2078 is in effect, which means we have no confirmed enrollment numbers to anchor our state aid estimate (in prior years, we could have used the highest from the last 2 years).
- As the year progresses, we track and update various events and, in the spring of each year, submit a mid-year amendment to account for many of these changes.



# Fiscal Year 2023 Preliminary Budget

We have built several assumptions into the FY23 budget grounded on current data and projections for next year. Those assumptions include:

- Estimates for inflation (for example: an estimated 5% increase for utilities and a 50% increase for fuel costs).
- Expected increase in staffing fill rates.
- Estimated student enrollment (*FY23 state aid amount will be based on final FY22 enrollment number or FY23 October 1 count*).
- No new money through the state aid formula for day-to-day operations or inflationary costs (based on the proposed state budget for schools - HB4465 and SB1040).
- Changes to the school staffing plan and resources aligned to Board priorities, including recruitment and retention incentives.
- Using approximately \$17 million of the fund balance - roughly equal to the amount we saved this year, keeping our fund balance level.
- Leveraging fund balance and/or stimulus dollars if expenses are higher than anticipated (for example, we fill more vacancies than anticipated, inflation rates increase, or revenue decreases)



# Economic and Budget Outlook for FY23

## Overall Economic Outlook

- **COVID Recovery Economy:**
  - *Economic activity is returning to normal levels, which should have a positive impact on both income and oil prices. These are the primary drivers of State revenue.*
  - *Lower unemployment and labor shortages are expected to continue.*
- **State Revenue:** *State general revenue nearly 20% above projections for this fiscal year.*
- **Property Taxes:** *We are expecting some growth in property taxes for this upcoming year.*
- **Inflation:** *Higher inflation driven by oil prices and supply chain bottlenecks are expected.*

## FY23 Budget Outlook

- **State Education Budget:** *The Oklahoma legislation submitted a flat FY23 budget for education.*
- **Enrollment:**
  - *Enrollment increased in FY22 and efforts to continue the trend for next year are in place.*
  - *HB2078 takes effect in FY23 (SY22-23) which will introduce uncertainty to expected revenues.*
- **Expenses:** *Higher costs of goods are expected next year due to higher inflation and supply chain disruptions.*
- **Vacancies:** *We anticipate lingering staff shortages through at least the 2023-2024 school year.*
- **Federal Recovery Funds:** *TPS is anticipating a balance of ~\$108M in federal recovery funding to invest in FY23 and through September 2024. These funds will continue to be used to prevent, prepare for, respond to, or recover from COVID.*



# FY23 Preliminary Budget Summary

- For FY23, we are proposing a budget of \$653,501,209 and estimated revenue of \$690,691,008, including federal recovery funds and bond issuances during FY23.
- In constructing our FY23 budget, we have focused on three priorities:
  - Ensure funding for the initiatives that support advancing board goals;
  - Continue to invest in student learning recovery from the pandemic and social-emotional supports through our summer programming and extended-learning initiatives;
  - Prepare for impact of rising costs due to inflation while maintaining fiscal sustainability and supporting strategic priorities.

In FY23, we believe it is essential that we launch critical work to achieve board goals over the next five years, and that we continue to focus on re-engaging and supporting our students post-pandemic.



# FY23 Preliminary Budget Summary – REVENUE

**Estimated total revenue of \$690,691,008, including federal recovery dollars and 2021 bond.**

- FY23 revenue estimates include a flat state education budget, and a State aid decrease due to changes to the funding formula.
- Revenue from property taxes is expected to increase as valuations are expected to grow.
- A portion of federal recovery dollars will be leveraged in FY23 to invest in our students and schools to support important (and allowable) enrichment and extended learning programs, strategic planning investments, and air quality improvements.
- This budget includes issuing \$62M from the 2021 bond authorization.



# FY23 Preliminary Budget – REVENUE

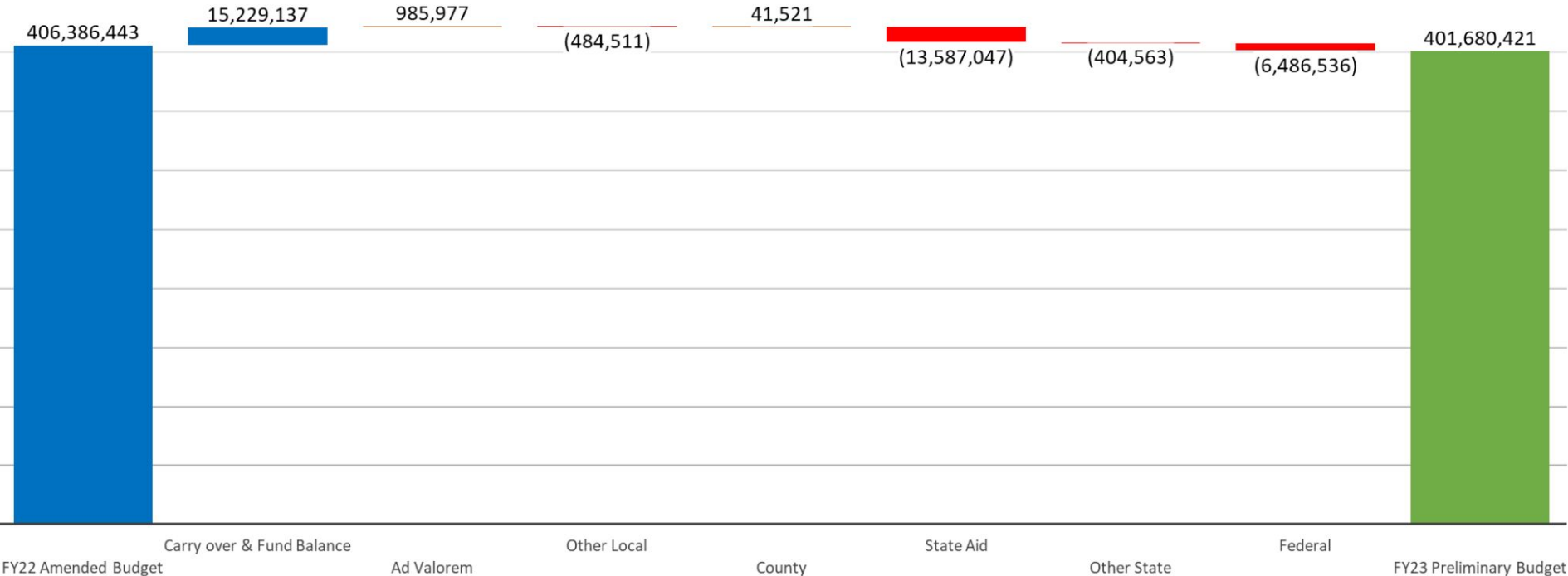
Fund	Amended FY 22	Preliminary FY 23	Change Amended FY 22 vs Prelim 23
General Fund	\$ 406,386,443	\$ 401,680,421	\$(4,706,022)
Building Fund	21,447,842	22,145,486	697,644
Child Nutrition Fund	26,431,446	30,942,290	4,510,844
Capital Improvement Fund (Bond)	119,302,393	80,071,960	(39,230,433)
Debt Service Fund	151,430,597	152,991,681	1,561,084
Worker's Comp	<u>3,259,170</u>	<u>2,859,170</u>	<u>(400,000)</u>
Total	\$ 728,257,891	\$ 690,691,008	\$(37,566,883)



# FY23 Preliminary Budget Summary – REVENUE

■ Increase ■ Decrease ■ Total

## FY 22 Amended to FY 23 Preliminary Revenue Changes







# FY23 Preliminary Budget Summary – EXPENSES

## **Proposed total budget of \$653,501,209**

- Before factoring in federal recovery-funded investments, our proposed operating budget is approximately \$592M.
  - The proposed budget accounts for higher costs for some supplies and contracts, increase in staffing fill rates, and investments on school staffing plan and resources to support advancing Board goals.
  - Examples of expected cost increases: \$512K for transportation gas/natural gas, \$220K for utilities, \$127K for disposal services, approx. \$600K for property insurances, etc.
- We expect our Child Nutrition program to be back at normal levels of meal service and to be completely self-funded.
- The plan is to invest approximately \$62M of the allocated federal recovery dollars in FY23 on our priorities to support students through summer programming and expanded learning during the school year, on air quality, and on other investments such as recruitment and retention incentives.



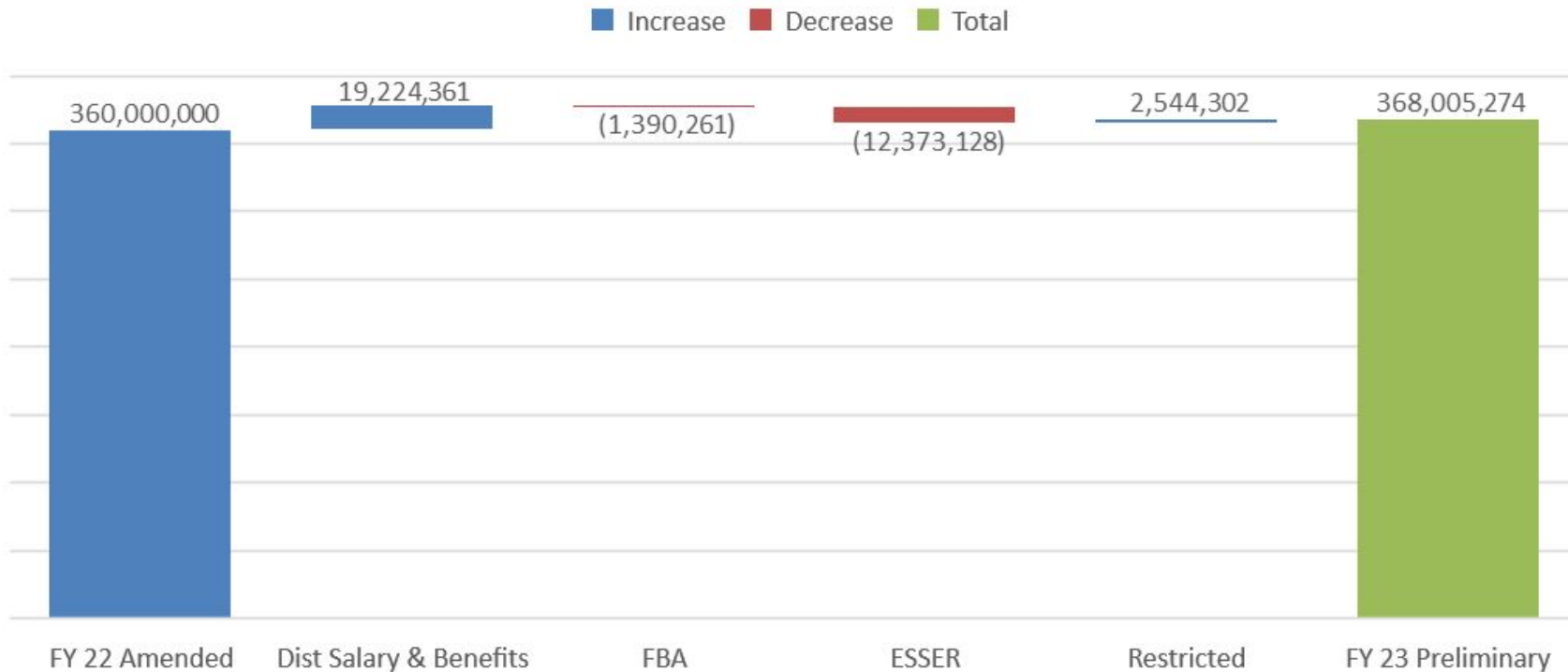
# FY23 Preliminary Budget – EXPENSES

Fund	Amended FY 22	Preliminary FY 23	Change Amended FY 22 vs Prelim 23
General Fund	\$ 360,000,000	\$ 368,005,274	\$ 8,005,274
Building Fund	20,447,842	19,740,004	(707,838)
Child Nutrition Fund	25,631,446	29,942,290	4,310,844
Capital Improvements (Bond)	119,302,393	80,071,960	(39,230,433)
Debt Service Fund	151,430,597	152,991,681	1,561,084
Worker's Comp	<u>3,259,170</u>	<u>2,750,000</u>	<u>(509,170)</u>
Total	\$ 680,071,448	\$ 653,501,209	\$ (26,570,239)



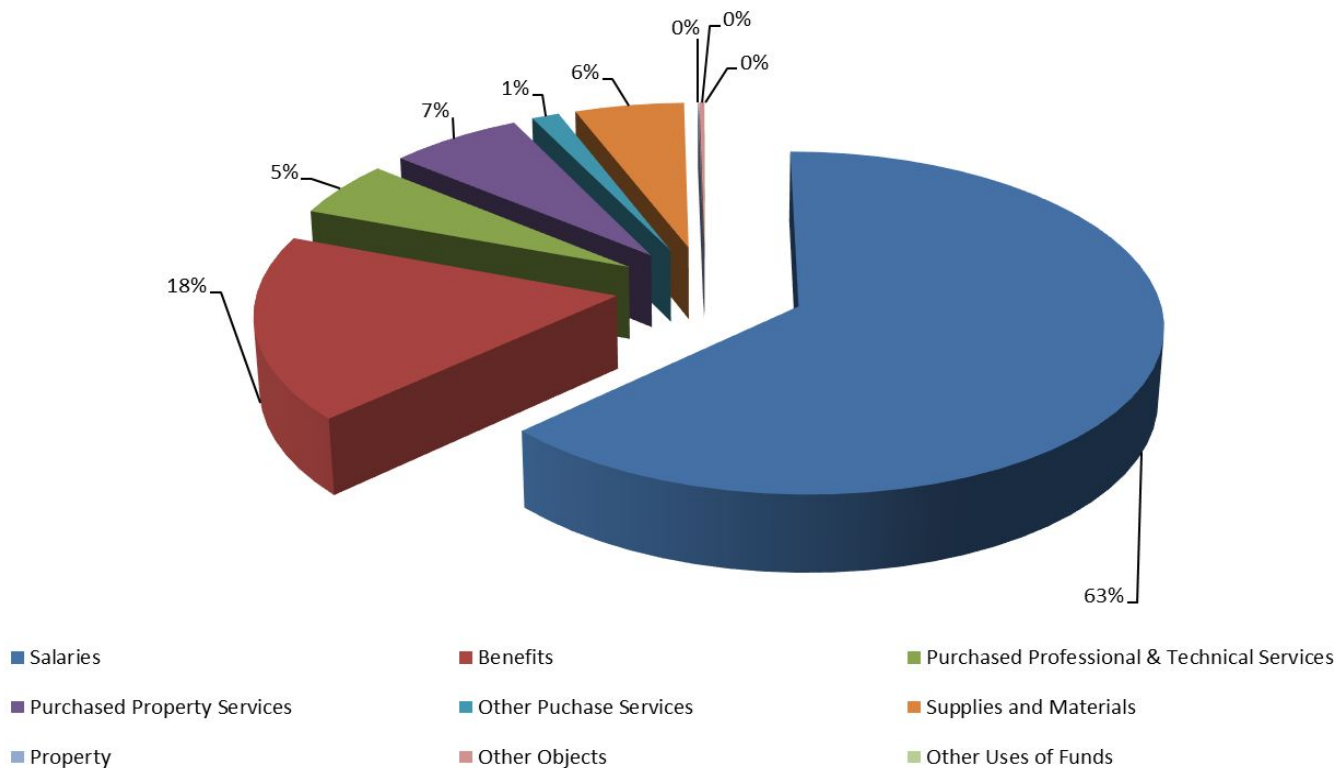
# FY23 Preliminary Budget Summary – EXPENSES

FY 22 Amended to FY 23 Preliminary Expenditure Changes





# FY23 general fund expenditures by category





# Our FY23 budget supports our district goals



The percentage of graduates earning post-secondary credits and qualifying credentials will increase from x% in May 2022 to y% by May 2027.



The percentage of 6-8 students who are eligible for free/reduced lunch who are at/above the 50th percentile indicating grade-level proficiency in reading on MAP will increase from 26% in May 2021 to 40% by May 2027.



The percentage of K-5 students who are eligible for free/reduced lunch who are at/above the 50th percentile indicating grade-level proficiency in reading on MAP will increase from 23% in May 2021 to 40% by May 2027.



# FY23 Resources Aligned to Board Priorities

Approximately 77% of our FY23 general fund budget ensures that we provide the resources needed in the classroom to advance the key work to achieve the Board goals and guardrails, including:

- Teachers and librarians
- Instructional support personnel
- Social workers and nurses
- Counselors and deans
- Psychologists, speech pathologists, and physical therapists
- Parent facilitators

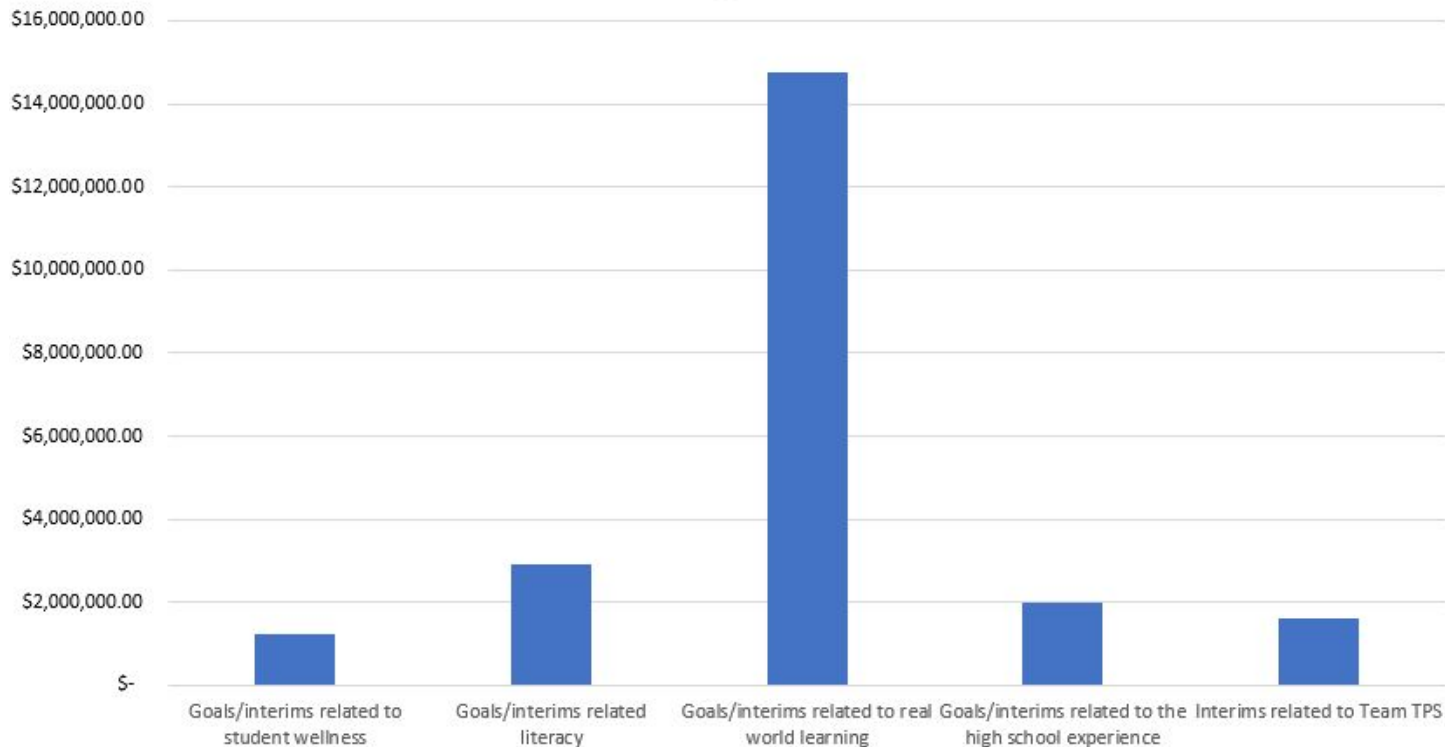
As well as resources to ensure students have the right conditions for learning, such as:

- School leaders
- Custodians and utilities
- Transportation



# FY23 Resources Aligned to Board Priorities

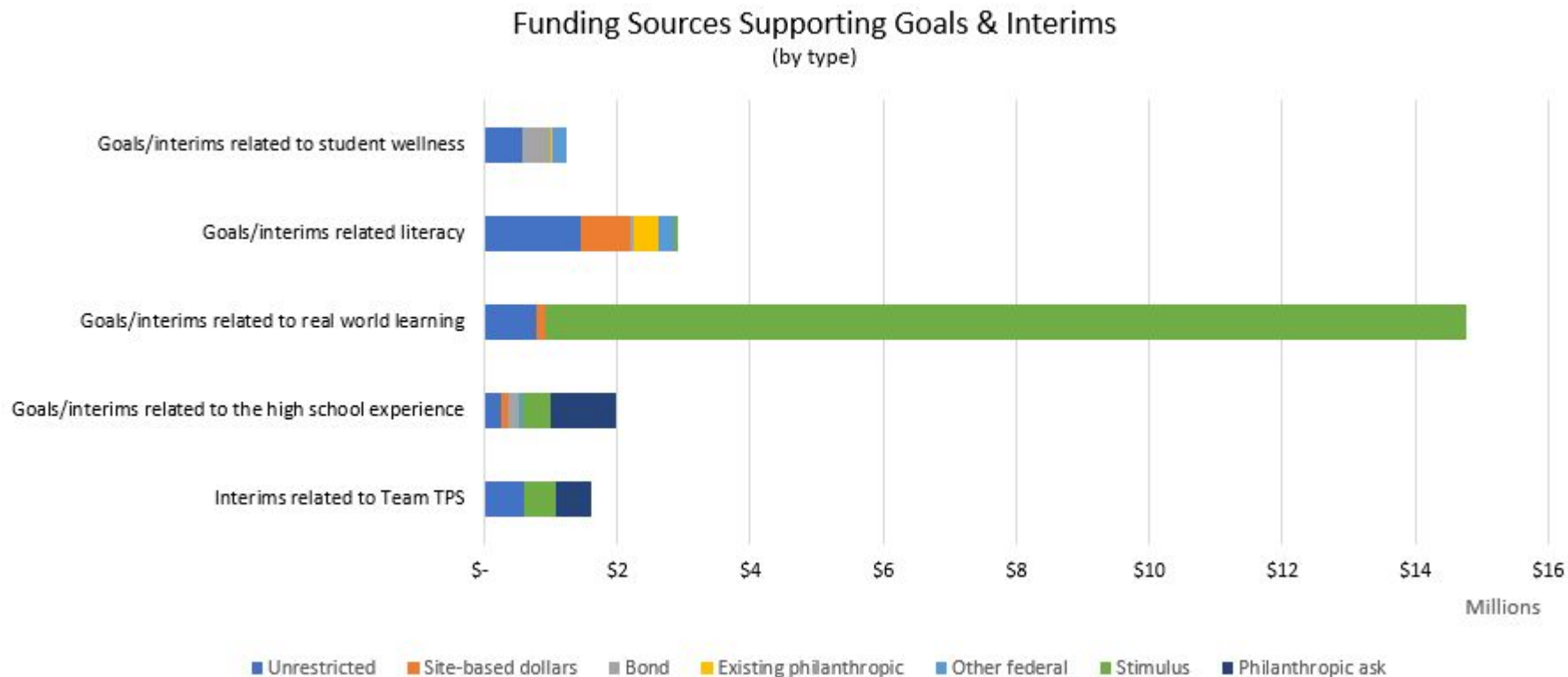
Total Investment by Goals and Interims



We are investing many resources - people, time, and money - across the measurement priorities set by the board to launch and support strategies and initiatives.



# FY23 Resources Aligned to Board Priorities







# Federal Recovery Funding

- We have been allocated 3 rounds of federal recovery funds since March of 2020. These funds are reimbursed by the state after submission of claims that meet the ESSER investment criteria established by the federal government.
- Federal recovery expenditures have 3 levels of accountability for legal compliance with the grant:
  - Tulsa Public Schools staff review
  - Oklahoma State Department of Education review
  - External independent auditors
- Per federal guidance, all of these funds must be used to "prevent, prepare for, respond to, or recover from Coronavirus."

Round of recovery funds	Amount and date	Current status
CARES/ESSER I - March 2020	~\$16.6M available through 9/30/22	This funding is already allocated and will be fully spent by fall of 2022.
ESSER II - December 2020	~\$58M available through 9/30/23	We have plans to spend the funds in alignment with allowable recovery fund uses and our needs.
ESSER III - March 2021	~\$131M available through 9/30/24	We have plans to spend these funds to support our strategic plan and other needs.



# Federal Recovery Funding

Our investments are generating a positive impact on students and supports for families. Some highlights are:

- **July 2021 Ready. Set. Summer!**
  - 10,824 students enrolled attended for a weighted average of 16.2 days in July 2021
  - Small but statistically significant increases in reading MAP (.4 percentage points) and math MAP (.6 percentage points) scores
  - Positive effects for attendance for students of color
  - Statistically significant impact on student's returning to school the following year (we expect to retain 6% more of the students who attended as a direct result of their participation)
- **High-dosage tutoring provided by FEV tutor**
  - 61,107 hours of services provided from September through May 15th
  - 7,108 students scheduled for sessions
- **Incentives for employee retention and continuity of service to stabilize operations**
  - \$500 retention incentive
  - \$500 continuity of learning incentive
  - \$1000 certified/\$750 support second semester retention incentive
  - \$750 continuity of service incentive



# Federal Recovery Funding

So far, our investments have generated a positive impact on students and supports for families. Some highlights are:

- Maintained staffing levels at school sites above the staffing plan during the 2021-2022 school year; provided additional staff such as interventionists, counselors, and social workers
  - 43 positions assigned to elementary schools
  - 103 positions assigned to secondary schools
  - 21 social services positions district-wide
  - 192 After Learning positions at elementary schools
- Tulsa Virtual Academy - stood up virtual school to support students & families.
  - 1,085 students enrolled in 2021-2022



# Federal Recovery Funding

While we are still finalizing some FY23 plans, we have plans to invest stimulus dollars in the priority areas identified by the board. This includes:

- Supporting rich literacy that provides a lifetime of opportunity
- Making Tulsa as a city of learning and opportunity
- Creating a rich, personalized, and real-world ready high school experience
- Recruiting, retaining, and supporting a skilled team that reflects our community and is deeply valued for their contributions



# The Road Ahead: Looking Beyond FY23

As we look ahead beyond FY23, it is imperative that we understand the factors with the greatest impact on our fiscal outlook:

## Potential Upsides

- Impact of economic recovery on State Aid and Ad Valorem
- Possible increase in federal infrastructure
- Enrollment growth
- Reduction in cost of goods and services

## Risks & Challenges

- Enrollment decline
- State funding levels
- Sustained impact of inflation on cost structure
- Local workforce and staffing shortages
- Stimulus funding will end early Fall 2024

As our fiscal outlook becomes more clear in the coming months, we will be mapping out the necessary *structural* changes that help us maintain fiscal sustainability, with a deep focus on preserving resources that directly impact the student experience and outcomes through achieving board goals.



## Discussion

