BUDGET MEMORANDUM

DATE: July 26, 2019

TO: Mr. Timothy P. Egnor, Superintendent
Mr. Carl Persis, Chairman
Mrs. Ida D. Wright, Vice-Chairman
Mr. Ruben Colón
Mrs. Linda Cuthbert
Ms. Jamie M. Haynes

FROM: Debra Muller, Chief Financial Officer Debra Muller
Financial Services

SUBJECT: **FY20 Tentative Budget Summary**

The tentative budget for FY20 of $995.0 million (compared to $868.5 million in FY19) represents a 14.6% increase. The general operating category of the Florida Education Finance Program (FEFP) had an increase of $14.0 million, due mostly to increases in Base Student Allocation (BSA), Best and Brightest Teacher/Principal allocation and Turnaround School Supplement, offset by a decrease in Digital Learning and Funding Compression allocations. Revenue increases were mostly attributable to increases in property values and state funding.

The State Legislature once again focused its attention on school safety, but less additional funding was provided as compared to FY19. The Safe Schools and Mental Health Allocations provided for an increase in FEFP of just $0.5 million. School funding continues to be directed to provide safe school officers on every school campus, develop early warning systems, add mental health crisis teams and fortify school buildings.

The Legislature increased funding for the Best and Brightest Teachers and Principals Bonus program by $50.5 million statewide. The program was moved from a non-FEFP line item into the FEFP, which appears as if districts received a large increase in FEFP. This program, however, consists of pass-through funds for teacher recruitment, retention and recognition based on evaluations and increasing student scores; and principals who have increased student scores over the prior 3 years. Volusia received $5.9 million for FY20 (an increase of $1.5 million over FY19).

The Turnaround School Supplemental Services allocation is a new categorical program within the FEFP that replaced the Schools of Hope Program awards for traditional public schools. This allocation provides funding to schools in, or exiting, turnaround status. Schools receive $500 per FTE or as otherwise provided in the General Appropriations Act. Four of Volusia's school are eligible for this funding.

The Legislature increased the Base Student Allocation (BSA) by $75.07 per student to $4,279.49 from $4,204.42. Funding to allow for increasing costs such as salaries, benefits, fuel, electricity and other contractual expenditures continue to lag significantly behind inflation-adjusted costs.

The application of the District Cost Differential (DCD) of 0.9654, a slight increase from 0.9643, continues to have a crippling effect on overall FEFP revenue. This year's DCD application resulted in a loss of $10 million as of the second calculation. The cumulative loss to the district since 2004 in the application of this formula based on a dollar for dollar value has been more than $160 million and continues to be the highest cumulative amount of any district in the state.

The Legislature continued to reduce Required Local Effort (RLE) allowing for increased property values due to new construction only. RLE decreased from 4.026 mills to 3.819 mills resulting in a Total RLE increase of $3,989,117; an increase in the Discretionary Local Assessment of $2,227,729 is due to the increase in School Taxable Value.

The Legislature provided $3.7 million in Funding Compression Allocation for FY20, which is a decrease of $691,374 from FY19. For districts that received less than the state average per student in 2018-19, this allocation was equivalent to 25% of the difference between the state average and the district average.

The FY20 FEFP second calculation represented a total increase of $14 million over FY19. Enrollment from FY19 to FY20 is projected at a slight decrease of 131.93 FTE. We continue to analyze our student growth prediction models to avoid significant loss of FEFP.

The capital projects and five-year work program are found on pages 12-20 of the booklet. Special Revenue (Federal) funds are on pages 21-22. The capital projects budget increased due to the Board's decision to bond for several major projects to be funded by Half Cent Sales Tax revenue. The favorable construction climate and historically low interest rates on borrowing are the major factors influencing the Board's decision. Federal funds remained fairly consistent with the prior year. All other funds and related data appear throughout the booklet and will be referred to at the board presentation on July 30, 2019.

The District is unable to balance the budget without $9.6 million in non-recurring fund balance, due to an operating deficit. In addition, $6.4 million in employee raises are budgeted based on multi-year union contracts negotiated in FY19. Expenditure increases resulted from additional ESE staffing; expanded school-based support, focusing particularly on priority schools, wall-to-wall academies and Cambridge AICE program expansion; FRS retirement contribution rate increases; increased health insurance contributions; charter school expansion and other contractual increases; earmarked categorical aid; additional maintenance and transportation support positions. These expenditure increases are mitigated through additional FEFP revenue, salary lapse and teacher retirement savings. The capital maintenance transfer has a budget-neutral effect.

The FY20 tentative budget represents a commitment to the District's focus of increasing academic achievement of all students through effective instruction, rigorous curriculum, and multiple pathways for students to meet their individual needs; as well as mental wellness and school safety; and on increasing employee salaries. Finally, Volusia County shows signs of steady growth, favorable financial forecasts and indicators, however the financial health of the District remains tied to State Legislative priorities and the FEFP.

What is unknown at this point is the possible effect of Title I allocations, student FTE as compared to projections based on FTE survey data, which may result in the recalculation of the ESE Guaranteed Allocation and other allocations.