



BUDGET MEMORANDUM

DATE: September 11, 2018

TO: Mr. James T. Russell, Superintendent
Mrs. Linda Cuthbert, Chairman
Dr. John Hill, Vice-Chairman
Mrs. Melody Johnson
Mr. Carl Persis
Mrs. Ida D. Wright

FROM: Debra Muller, Chief Financial Officer
Financial Services

SUBJECT: FY19 Final Budget Summary

The final budget for FY19 of \$868.5 million (compared to \$842.7 million in FY18) represents a 3% increase. The general operating category of the Florida Education Finance Program (FEFP) had an increase of \$3.0 million, due mostly to increases in Safe Schools, Mental Health and Funding Compression allocations. Revenue increases were mostly attributable to increases in FTE from FY18 to FY19, property values and state funding.

On February 14, 2018 a mass shooting at Parkland High School in Broward County, Florida focused the Governor's and Legislature's attention on school safety. After marches on the Capital by Parkland students, school funding was redirected to mandate armed marshals on every school campus, developing early warning systems, mental health crisis teams, and fortifying school buildings. The Safe Schools and Mental Health Allocations (new) provided for an increase in the FEFP of \$3.6 million. The mandates attributable to these programs are only partially funded and must be implemented at the beginning of the 2018-19 school year, placing a huge burden on school districts.

While districts across Florida agree with the need for these programs, the Legislature did not provide funds for increasing costs such as salaries, benefits, fuel, electricity and other contractual expenditures. When factoring inflation in, the State continues to fall short of funding schools at pre-recession levels. The Base Student Allocation (BSA) increased just \$0.47 per student, to \$4,204.42 from \$4,203.95 and is more than \$800 less per student than what is needed when factoring inflation in.

The application of the District Cost Differential (DCD) of 0.9643, a slight increase from 0.9617, 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 \$150 million and continues to be the highest of any district in the state.

The Legislature decreased the Required Local Effort (RLE) to eliminate tax increases resulting from increased property values. They allowed for the growth in new construction but decreased the RLE from 4.264 mills to 4.026 resulting in a total RLE increase of \$3,989,117, and an increase in the Discretionary Local Assessment of \$2,227,729 due to the increase in School Taxable Value.

The Legislature also provided \$4.4 million in a non-recurring Funding Compression Allocation, for districts that received less than the state average per student in 2017-18. This allocation was equivalent to 25% of the difference between the state average and the district average.

The FY19 FEFP second calculation represented a total increase of \$12.7 million over FY18. Additionally, during FY18 the district FEFP was pro-rated by \$44,237. Fortunately, this was not a significant proration. However, because FY18 enrollment was over-projected, actual FEFP revenue was \$7.3 million less than budgeted revenue. We received a decrease of \$4.2 million on the 3rd Calculation but recouped \$0.8 million back in the 4th Calculation. The 4th Calculation included approximately 150 FTE students that were 2017 hurricane refugees from Puerto Rico, U.S. Virgin Islands and south Florida. We continue to analyze our student growth prediction models to avoid another significant loss of FEFP in FY19, however the hurricane refugee students are an uncertainty for enrollment.

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 decreased due to the Board's decision to budget significant major projects using Half Cent Sales Tax revenue on a pay as you go basis. This decision pushed larger projects out approximately 2 to 3 years. Federal funds remained 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 September 11, 2018.

The District is unable to balance the budget without the use of \$3.2 million non-recurring fund balance, due to an operating deficit. In addition, \$6.8 million is budgeted in employee raises. Expenditure increases resulted from additional staffing to meet modest student enrollment growth; the school guardian program, mental health program, expanded school-based support, focusing particularly on priority schools, middle school redesign, wall-to-wall academies, and expanded regional digital teacher coaches; FRS retirement contribution rate increases; charter school enrollment expansion and other contractual increases; software to support security and upgraded technology; earmarked categorical aid; and additional maintenance and technology support positions. These expenditure increases are mitigated through additional revenue from FEFP, additional savings from the renegotiation of the SRD contract, salary lapse, FICA, and terminal leave. The capital maintenance transfer has a budget-neutral effect.

The FY19 final budget represents a commitment to the District's focus on budgeting for employee raises, building a culture for learning, making the instructional shifts, personalized learning to increase student academic achievement, mental wellness and school safety. Finally, due to continued improved local economic conditions, Volusia County continues steady growth, shows favorable financial forecasts and indicators but the financial health of the District remains tied to the whims of the State and the FEFP.

Student membership as compared to projections is favorable at the twenty-day count and exceeds the projection by 195 FTE, which may result in additional base funding and other allocations, based on October student membership survey data. This is great news after FTE fell short of projections the last two fiscal years, resulting in FEFP losses.

DM/dv