ATLANTA PUBLIC SCHOOLS BUDGET AND FINANCE ADVISORY COMMITTEE MINUTES

January 21, 2016

PURPOSE

The Superintendent has established the Budget and Finance Advisory Committee (BFAC) for the purpose of providing guidance and counsel on matters of budget and finance as may be determined by the district administration. The Committee is comprised of representatives from the community, charter schools, principals, at-large, and central office.

Agenda

1. Calendar and Timeline
2. School Resource Allocation Plan
3. Governor's State of the State Address
4. Revenue Forecast, FY2017-FY2021
5. Specific Cost Considerations, FY2017-FY2021
6. Multi-Year Expenditure Considerations
7. Current Budget Year Recap
8. FY17 Budget Parameters
9. What's Next and Final Comments

Committee Members in Attendance

- **Community** - Youlanda Carr, Tammy Dixon, Felecia Josey, Mark Rebillot, Toni Terry, Gary McCarthy
- **At-Large** - Marshall Norseng, Cynthia Mickelbury
- **Principals** – Robin Robins, Buck Greene,
- **Central Office** – Robert Morales(CFO), Lisa Bracken, Panya Yarber-King, Olufemi Aina, Eugene Herrington, Evangeline Britt, Shaquita Barnes, Elwood Duckworth,, Kelly Redman, Raynise Smith, Nicole Lawson

DISCUSSION

The meeting started with a word of welcome by Robert Morales (CFO), as host of the meeting. Each member was provided a copy of the presentation to follow during the meeting. Lisa Bracken discussed the purpose of the Budget and Finance Advisory Committee and notes that the presentation will be very similar to the Budget Committee saw this afternoon. Mrs. Bracken then gave an overview of the agenda and budget calendar. The FY2017 budget will be presented to the Budget Commission on February 18th, 2016.

Mrs. Bracken then proceeded to discuss the FY2017 School Resource Allocation Plan. She explained that these formulas allow us to budget with clear methodology. We can also use these plans to substantiate Title-1 reporting and to determine comparability. Historically, teacher headcount was used to show that schools were receiving comparable resources. However, as we move forward with the Charter Systems, schools will have additional flexibility and teacher headcount will not be a valid measurement. Mrs. Bracken emphasized the fact that these allocation plans include non-personnel items and are a funding formula, not a staffing formula. Mrs. Bracken then opened the floor for questions regarding the School Allocation Plans.

> Q) I do not see a per pupil formula for positions such as social workers and school nurses. Are support staff positions discretionary?
>
> *A) The total number for these types of positions is calculated at the district level. Program managers then allocate support staff among the schools, which allows for flexibility. Additional positions can be requested through the budget process.*
>
> Q) What is the total FY17 funding for signature programming and clusters?
>
> *A) The FY17 allocations have yet to be finalized. We have to consider the different types of needs for each type of signature program. For example, STEM programming may require more upfront cost than an IB program.*
>
> Q) Is enrollment reflecting the current number of students or has it been projected for FY17?
>
> *A) Enrollment has been forecasted for FY17 by our demographer. However, this will not impact signature programming allocations, because they are not calculated on a per pupil basis.*
>
> Q) Where is the budget for Title-I Family Engagement?

A) The Budget Office will confirm that we have budgeted for this item.

Q) Why does the language for signature programming and cluster funding still state that it is calculated on a per pupil basis?

A) The Budget Office will change that language to reflect the new budget process and allocation methodology once it has been determined. Thank you for bringing that to our attention.

Mrs. Bracken then discussed Governor Deal's State of the State address, and its direct impact on Atlanta Public Schools. Mrs. Bracken stated that the State is providing approximately $300 million for Education, in the form of a restoration of austerity cuts. She explained that the Governor would like districts to increase teacher pay, although the State's salary scale for teachers did not change. Mrs. Bracken explained that a salary increase has been included in the FY2017 budget as part of the pay parity plan. Mrs. Bracken pointed out that health care for non-certified employees will increase due to State legislation. There will be a $100 increase per employee per month starting January 2017. This equates to a $2.5 million increase in benefits expense.

Q) Does this cost estimate account for employees who opt out?

A) Yes. Mr. Morales states that we expect an 80% adoption rate.

Q) Can we explore other healthcare options?

A) Mr. Morales notes that APS has to use the State health plan. There is not option to opt out. There is pressure and concern across all Georgia districts as to how to handle healthcare for non-certified employees.

Q) What is the district's total annual healthcare expense?

A) The district has previously considered not covering people who work less than 30 hours. For some employees, such as bus drivers, the healthcare expenses can be greater than their salary. However, many of these employees are working with APS due to the fact that we provide this benefit.

Q) What is the district's monthly expense for a certified vs. a non-certified employee?

A)

Certified monthly rate per employee for FY2016 = $945

Classified monthly rate per employee for FY2016 = $746

Mrs. Bracken moves on to discuss revenue. The Millage rate has not changed since 2008. The State is currently considering a bill that would allow for a senior tax exemption. Mr. Morales notes that a senior tax exemption would cost APS $18-$23 million a year. Mrs. Bracken notes that we have increased our property tax growth projection from 3% to 5%. Charter buy-back and field trips have also been added to revenue assumptions.

Q) Are grants included in these slides?

A) No, these slides reflect only general funds.

Mrs. Bracken provides an overview of operating expenses. Overall, expenses are growing faster than revenue. The charter schools are continuing to scale up as they add additional classrooms. She emphasizes the fact that unfunded pension obligations will continue to grow to around $75 million in FY2030. Mrs. Bracken then shows the current state of the multi-year plan. There has been progress with the addition of projections for large, strategic items. She expects to have a full multi-year plan by the end of this budget cycle. She notes that this plan will allow us to be proactive as we move forward. As expenditures for required obligations increase, such as maintenance of effort for federal funds and TRS, we have fewer resources to spend on operations.

Mrs. Bracken then discussed the budget parameters regarding expenditures set forth by the Board. Some of the highlights include $25 million for the turn-around initiative, $12 million for signature programming and the expectation of increased Pre-K teacher salaries through State funding. As APS transitions to having our own police force, the total safety and security expenses are projected to be around $10 million.

Q) How does this compare to using Atlanta Police?

A) The expense is projected to be comparable. Any increase is for one-time, startup expenses.

At the conclusion of Mrs. Bracken's presentation, she opened the floor for questions.

Q) How did we build to the School Allocation Plan totals?

A) Mrs. Bracken notes that when she came on board in the fall, she started the process to establish a new allocation method. However, the funding formula still needs work, because there was not enough time this year to fix everything. Mrs. Bracken points out that the current allocation plan can create large disparities on a per pupil bases. However, making additional changes to the allocation plan methodology will be a long-term effort and there may be winners and losers. She plans to work with the BFAC and an internal working group over the summer to further investigate other school allocation models, including student weighted formulas.

Q) How does a per pupil allocation solve the need to have needs based funding?

A) Mrs. Bracken states that the per pupil methodology she is referring to would be student weighted. We would add student characteristics to the formula in order to address needs. The State is also moving towards this type of allocation method. Moving to this type of calculation will have many challenges. Mrs. Bracken notes that we will have to decide what type of characteristics are weighted for and what our "base" student looks like.

Q) Who makes the decisions about weighting?

A) Mrs. Bracken emphasizes that we will need significant buy-in among stakeholders. She plans on starting the conversation this summer. We also need to consider how this type of change could impact operational costs.

Q) How do we true-up allocations when actual enrollment is different than the projection?

A) Mrs. Bracken notes that our demographer forecasted enrollment for FY17. However, we will level personnel and non-personnel allocation when we have actual enrollment numbers.

Q) How do we handle QBE for small schools with no State code? Does QBE still apply to schools with less than 400 students?

A) Mrs. Bracken states that the State codes do not determine how QBE is allocated by the district. APS takes the total QBE funding as well as local revenues and then allocates to schools with our allocation plans.

Q) Have you run models for kindergarten classroom size changes?

A) Mrs. Bracken states that she has put together a model and reviewed the impact that changing class size by one student would have on teacher salaries.

	FY2017 funding class size	Lowering funding class size by 1	Difference
KINDG TEACHER	174.00	183.00	9.00
CORE TEACHER (1-3) 1	170.00	172.00	2.00
CORE TEACHER (1-3) 2	171.00	177.00	6.00
CORE TEACHER (1-3) 3	169.00	172.00	3.00
CORE TEACHER (4-5) 4	143.00	150.00	7.00
CORE TEACHER (4-5) 5	139.00	143.00	4.00
CORE TEACHER 6-8	263.50	271.50	8.00
CORE TEACHER 9-12	459.00	472.00	13.00
Art	49.60	50.60	1.00
Music	49.60	50.60	1.00
PE	58.40	58.40	-
ES Extended Core	24.80	25.30	0.50
Total	**1,870.90**	**1,925.40**	**54.50**
Total Cost			**$ 4,578,000**

Q) Parents are concerned about safety coverage as we move away from using Atlanta Police. How will security be allocated by school?

A) Leadership for this initiative is being hired and they will determine the structure of the APS police force. The following link has been provided for additional information: http://youtu.be/wjxLdKTqLQ8

Q) How can we expect the budget for security to be flat when the plan is not finalized?

A) The FY2017 budget is the estimate provided from operations.

Q) Won't APS officers still have to work with Atlanta police? Stakeholders are concerned, because there is no official plan.

A) *The following link has been provided for additional information:* http://youtu.be/wjxLdKTqLQ8

Q) We have seen money slated for one project, such as a school remodel, get spent on something else. How definitive is the use of SPLOST money?

A) Mrs. Bracken notes that SPLOST budgets, as with all our budgets, are a projection and subject to change. We will be working on a proposal for the next SPLOST soon.

Q) A lot of schools need additional tech support. How do we build that into our school budget requests?

A) As the clusters come up with their strategic plans, IT plans to work with schools to plan budget needs.

Q) How can we provide 3-5 year signature program plan when we do not know what our budgets will be?

A) Mrs. Bracken states that we have to start the planning process, so that we have an idea of what the necessary budget will be in future years. She recommends creating a needs based budget and then prioritizing based on available allocations.

Additional Materials

In this 90-second video, GBPI Deputy Director of Policy Tim Sweeney details highlights of Gov. Nathan Deal's proposed 2017 budget from the state Capitol as a week of budget hearings come to a close.

Video Overview of the Governor's Proposed 2017 Budget

Conclusion

The current year budget was recapped and the budget parameters were discussed. The committee was able to obtain a clear understanding of the long term revenue forecast and cost considerations. The meeting was ended successfully with members expecting follow up answers on a few questions.

Next Meeting – February 11th, 2016

We look forward to working with you and your support in our efforts to improve community involvement and transparency in the District's budget process.

Thank you.