

Budget and Finance Advisory Committee

FY2019 Budget Development
October 19, 2017

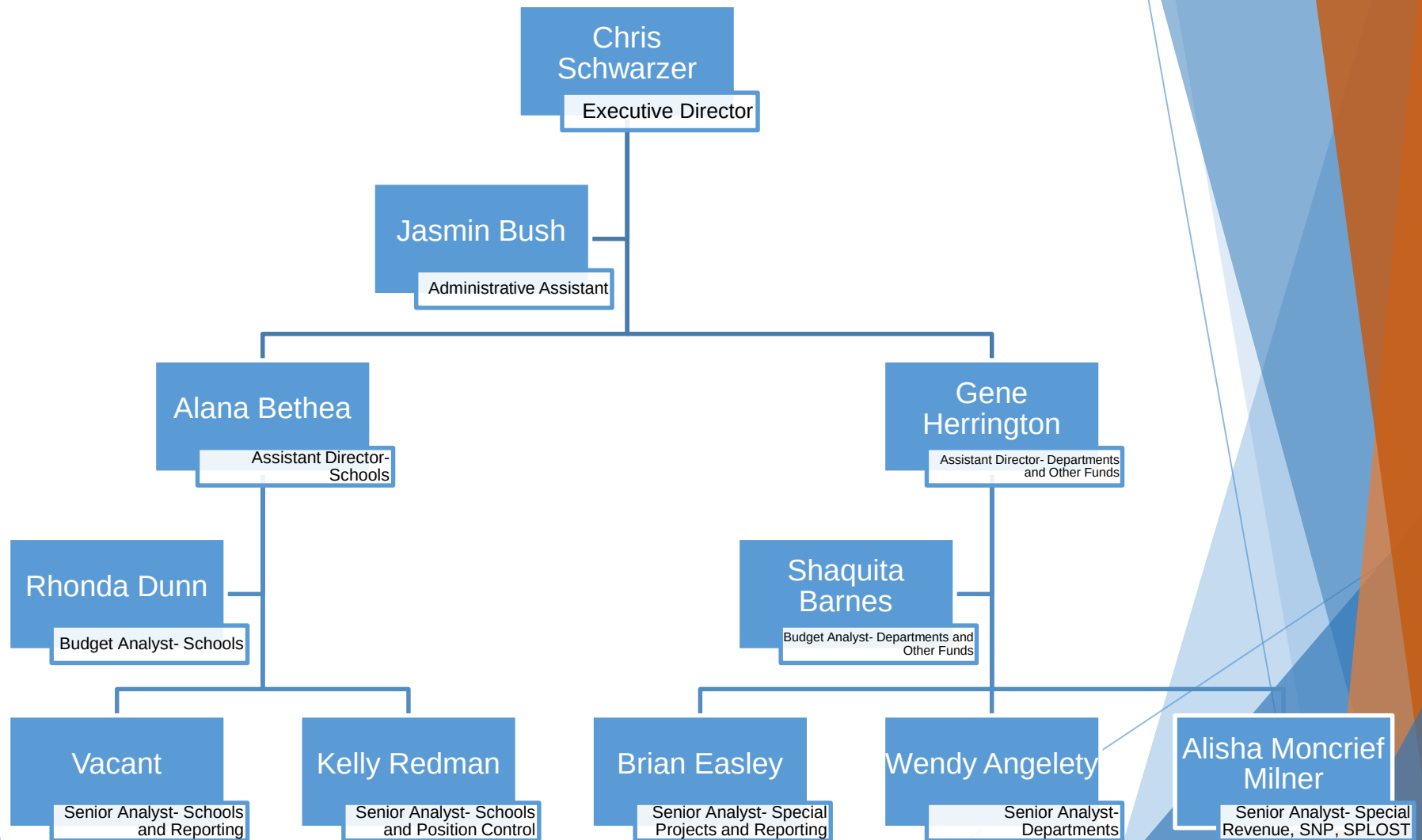


Agenda

- 1) Introductions
- 2) FY2019 Resource and Expenditure Parameters
- 3) Current FY2019 Assumptions
- 4) Student Success Funding Model

Introductions

APS Budget Department

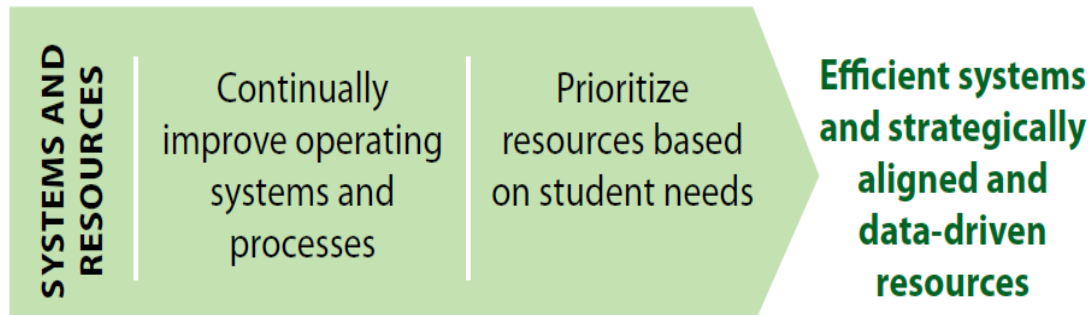


Draft FY2019 Development Schedule

Date	Board Budget Commission	Other
✓ September 21, 2017	✓ 1:30 PM	✓ Millage Hearing and Adoption 6:00 PM
October 19, 2017	3:00 PM	BFAC 6:00 PM
November 16, 2017	3:00 PM	BFAC 6:00 PM
January 18, 2018	3:00 PM	BFAC 6:00 PM
February 15, 2018	3:00 PM	BFAC 6:00 PM
March 15, 2018	3:00 PM	BFAC 6:00 PM
April 19, 2018	3:00 PM	BFAC 6:00 PM
May 17, 2018	3:00 PM	

Purpose

- Review the parameters that guide budget development, including revenue assumptions, fund balance targets, and expenditure goals
- Identify process and presentation recommendations that provide transparency in linking goals, outcomes and district spending plans
- Develop monitoring procedures that hold the district accountable for executing the budget plan



Expectations

1. Liaison to the community regarding the budget development process
2. Provide community perspective to the budget office
3. Advise on publicly available budget dashboards, data and other support material
4. What are yours?

FY2019 Resource and Expenditure Parameters

Guiding Principles for Revenue Consideration

Guiding Principles under which the Board will consider using a millage rate increase in order to advance the organization's mission and vision:

- ▶ If the budget contemplates significant investments in strategic priorities above current operational costs
- ▶ If the Board can identify that the District is making continuous improvement toward using all available resources (*including special revenue, partnerships, SPLOST, and general funds*) in a more efficient and effective manner
- ▶ If the budget proposals support the District's transformational strategy
- ▶ If mandatory expenses (pension, MOE, healthcare, etc.) increased to a point where they were significantly impeding on the ability to accomplish the District's mission and vision
- ▶ If the Board believed that not raising the millage rate would impede the District's ability to deliver on promises to stakeholders (signature programs, turn-around, whole-child development, to address equity)
- ▶ If unfunded mandates emerge from the General Assembly
- ▶ If there is significant loss of long-standing revenue streams
- ▶ If the increase will not inhibit the economic stability of local neighborhoods

Guiding Principles for Revenue Consideration

The Board will consider utilizing the amount of fund balance above 7.5% of prior years budgeted expenditures under the following conditions:

- ▶ To fund one-time expenditures that are nonrecurring in nature and which will not require additional future expense outlays for maintenance, additional staffing or other recurring expenditures
- ▶ To pilot new programs or to fund other short-term priorities of the Board
- ▶ To meet emergencies and unexpected expenses throughout the year

FY2019 Resource Parameters

Last revised September 21, 2017

1. The District will implement the expenditure parameters using the current millage rate or the Board's Guiding Principles for Revenue Consideration to support the mission and vision.
2. The District will continue to identify grant generating opportunities, assess the required millage rate, and/or seek additional business, philanthropic and community partnerships in an effort to support the ongoing transformation of APS.
3. The District will maintain a fund balance between 7.5% and the statutory limit of 15% projected expenditures.
4. The District will analyze and explore all funding sources including grants and special revenue to maximize resources and supplement the general fund.
5. The District, with support and collaboration from other stakeholders, will continue to identify and encourage grant generating opportunities, especially through our Partnerships Office.
6. The District will identify and sunset ineffective programs to redirect human resources and funding where possible.

Guiding Principles for FY2019 Expenditure Parameters

- ▶ Depth vs. Breadth with unfavorable revenue projections and increasing mandatory costs, a focus should be on making deeper investments in specific parameters instead of distributing funds over too many disparate priorities
- ▶ Budget parameters should be in alignment with the District mission, vision, strategic plan, and with the charter system operating model

Our Theory of Change

Flexibility & autonomy are means to an end, not ends themselves...

If we...

Build the capacity of school-based leadership teams and empower them...



Then...

They will make decisions that best meet the needs of their unique school communities...



So that...

We will be positioned to achieve our mission of ensuring our kids graduate ready for college & careers.

Schools must look and feel different as a result of flexibility & autonomy if we expect the strategy to produce different outcomes for students

FY2019 Expenditure Parameters

Last revised September 21, 2017

1. The District will allocate resources pursuant to the District's definition of equity.
2. The District will continue investing in the Turnaround Strategy, providing additional support and interventions for schools that have been chronically struggling on the state accountability metric (in support of the District's mission that every student will graduate ready for college and career, and the vision of being a high-performing school District).
3. The District will recruit, develop, retain, and promote high-quality staff by investing in a robust talent strategy that includes a multi-year compensation model, pipeline development work, professional development, and coaching and career pathways (in support of the Talent component in the District's Strategic Plan).
4. The District will continue implementing its charter system operating model and core components of signature programming, cluster and flexibility funds, investments in a College and Career Academy, and a community engagement strategy (in support of the District's mission that every student will graduate ready for college and career, and the vision of engaged families).
5. The District will fund pension obligations in accordance with State statute and actuarial standards.
6. In support of the charter system model, the District will modify the current school allotment plan to increase transparency, equity, innovation, and autonomy with accountability so that Principals and local GoTeams can make decisions aligned with their specific needs with a focus on:
 - ▶ investments in Pre-K through 3rd grade to ensure all students are reading by the end of 3rd grade.
 - ▶ whole-child development, including positive behavior supports, arts and athletics.
 - ▶ leadership development.
 - ▶ access to quality Early Childhood Education.

Current FY2019 Assumptions

Revenue Assumptions

➤ State: State funding unknowns

- Will austerity be restored, will there be modifications to state formulas; assumes continued but slowing growth mostly offset by increases to the Local Fair Share; approximately 2% annually

➤ Local:

- Assumes continued conservative growth based on historical trend for the out years of less than 3%
- Unknown legislative impacts to revenue including potential caps, potential exemptions
- Fulton County Commission and Board of Assessors possible phase in of frozen 2017 tax assessments; impact unknown

➤ Other:

- Assumes limited growth related to continued buyback of services from partner and charter schools

Expenditure Assumptions

- Neighborhood school enrollment flattening districtwide but pockets of growth and decline
- Charter schools will continue to scale-up, receive a portion of all new revenue, and receive increasing enrollment
- Unfunded Pension increases will continue based on the approved actuarial payment plan; 3% increase annually
- CRCT Remediation will continue to decline as students matriculate
- Continued support of turnaround strategy and additional partner school
- Student Success Funding Formula
 - Special Education will continue to grow but at a slower pace as many “correcting” adjustments have been made in previous year budgets
 - Signature Programming will still be supported and continue to increase as schools move from early to intermediate to advanced stages of implementation
 - Charter System flexibility investments will continue and likely increase as the administration reviews current allotment formulas and makes recommendations to ensure increased equity, transparency, and autonomy
- Compensation Strategy includes the cost equivalent of a 2% COLA in each out year and a continued scaling of TRS (4% in FY2019 and 2% in each out year)
- Employer contribution for health care costs (currently \$945PP/PM; increase for FY2018 was \$1.3 million) = Assumes 5% increases to rate in the out years
- General Administration budgets remain flat with a CPI adjustment on some non-personnel line items

Long-term Scenario For Discussion Purposes Only

As approved June 5th,
2017

Revenue	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Local	\$514,761,145	\$545,545,423	\$560,258,289	\$575,439,608	\$591,102,624	\$608,012,216
State	\$193,807,265	\$197,539,352	\$201,283,395	\$205,309,063	\$209,415,244	\$213,603,549
Other	\$24,796,192	\$13,493,197	\$9,718,012	\$9,259,008	\$9,301,233	\$9,344,725
Transfer	\$0	\$12,340,424	\$11,106,382	\$9,995,743	\$8,996,169	\$8,096,552
Fund Balance*	\$27,913,487	\$8,449,099				
Total Resources	\$761,278,088	\$777,367,495	\$782,366,078	\$800,003,423	\$818,815,271	\$839,057,043
Expenditures	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Instruction	\$475,758,051	\$484,284,880	\$509,810,626	\$535,426,510	\$561,570,654	\$588,928,892
Pupil Services	\$43,946,783	\$42,354,111	\$43,233,523	\$44,473,785	\$45,339,930	\$46,714,363
Staff Services	\$43,400,793	\$59,047,348	\$60,335,105	\$62,329,035	\$63,749,867	\$65,971,519
Federal Grant Admin	\$2,888	\$2,870	\$2,927	\$2,986	\$3,046	\$3,107
School Admin	\$45,267,371	\$39,810,758	\$40,621,529	\$41,778,699	\$42,971,173	\$44,707,016
General Admin	\$38,800,899	\$35,631,362	\$36,762,956	\$37,851,006	\$39,003,544	\$40,226,167
Maintenance And Operations	\$80,480,776	\$80,442,123	\$81,862,745	\$83,984,469	\$85,877,603	\$88,186,246
Transportation	\$29,992,884	\$31,906,574	\$32,550,048	\$33,626,227	\$34,767,869	\$35,977,151
SNP	\$376,521	\$376,521	\$384,051	\$391,732	\$399,567	\$407,558
Other Outlay	\$2,451,123	\$2,710,948	\$2,738,057	\$2,765,438	\$2,793,092	\$2,821,023
Debt	\$800,000	\$800,000	\$808,000	\$816,080	\$824,241	\$832,483
Total	\$761,278,088	\$777,367,495	\$809,109,568	\$843,445,968	\$877,300,585	\$914,775,527
Funding Gap	(\$0)	(\$0)	(\$26,743,490)	(\$43,442,545)	(\$58,485,314)	(\$75,718,484)

Potential Strategies: Long-term Solutions

People

- ▶ Contract Days
- ▶ Non-instructional staff
- ▶ COLA / Step
- ▶ Stipends and Supplements
- ▶ Furlough Days

Mandatory

- Transportation Rethink
- Pension Rethink
- State Health Rethink
- School Nutrition Rethink

Other Assets

- Property
- Valuable Assets Rethink
- Use of Fund Balance

Parameters

- Turnaround
- Signature Funds
- Flex and Cluster Funds
- Positive Behavior Supports
- Fine Arts
- Athletics
- Decentralization of central office budgets

Political

- Raise the Millage
- School Changes (closures, consolidations, redistricting, etc.)
- School Austerity

School Allotment and Student Success Funding Formula

Student Success Funding Formula

- ▶ Rethink of school allotments to increase equity, transparency, and Principal and GoTeam Empowerment

The Challenge:

We need a new kind of system—one that starts with student needs and allocates scarce resources like talent, time, and technology to meet those needs in a sustainable way. A host of forces make now the moment for transformation: greater focus on teacher effectiveness, more rigorous standards, better assessment data, and the explosion of technology. Continued budget pressures mean that we cannot try to do more with less; we must reinvent. We must make the most of the resources we have.



Education Resource Strategies (ERS)

The Vision

Education Resource Strategies (ERS) is a non-profit organization dedicated to transforming how urban school systems organize resources—people, time, technology, and money—so that every school succeeds for every student.

ERS Experience

Worked hand-in-hand with nearly 30 school systems nationwide, including 16 of the 100 largest urban districts, on topics such as teacher compensation and career path, funding equity, school design, central office support, and budget development.

STARTING FROM:		MOVING TO:
STANDARDS	Inconsistent standards that don't prepare kids to think critically, creatively, or collaboratively.	Rigorous, college-and-career-ready standards with effective curricula, instructional strategies, and assessments to achieve them.
TEACHING	Isolated job, limited opportunities for growth or teaming, and career and compensation paths unconnected to performance or contribution.	Selective hiring, development, and strategic assignment to schools and teams. Career path and compensation enable growth and reward contribution.
SCHOOL DESIGN	A one-size-fits-all learning environment with rigid schedules and class sizes that don't accommodate different learning needs.	Schools with restructured teams and schedules; personalized learning and support that responds to student needs and promotes instructional collaboration.
LEADERSHIP	Limited autonomy, flexibility and support that do little to develop and promote strong leadership.	Leadership roles with clear goals, accountability and career paths, and the flexibility and support to achieve results.
SCHOOL SUPPORT	Central office focused on compliance and oversight rather than productive partnerships with schools.	A central office that serves as a strategy partner, leveraging data to increase efficiency and identify best practices.
FUNDING	Wide funding variances across schools, even after adjusting for differences in student needs.	Systems that allocate resources—people, time, and money—equitably, according to student and school needs.
PARTNERS	Schools struggling to provide the full range of social, emotional, health, and other services.	Partnering with families, community institutions, youth service organizations, and online instructors to serve students' needs.

A good allotment model should...

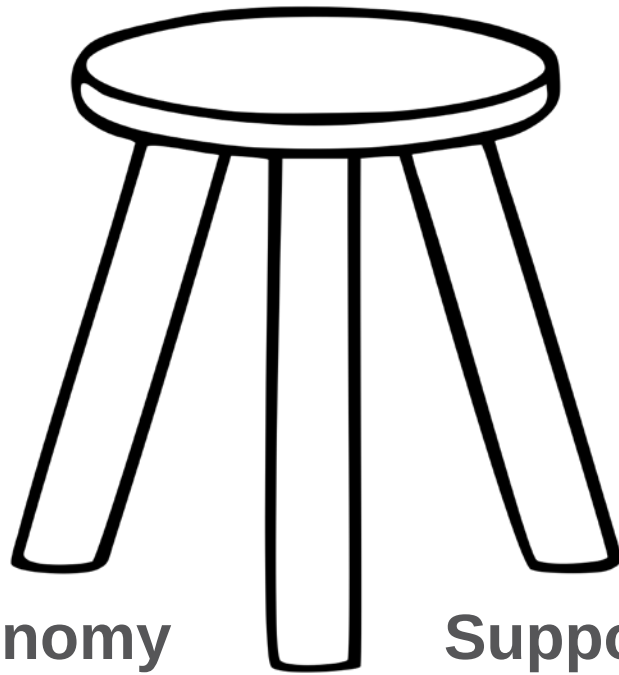
ERS Principles for Effective School Budgeting

Principle	Description
Student-focused	Provides resources based on students, not on buildings, adults, or programs
Equitable	Allocates similar funding levels to students with similar characteristics, regardless of which school they attend
Transparent	Easily understood by all stakeholders
Differentiated	Allocates resources through a comprehensive framework that is based on student needs
Predictable	School allocation process is predictable and is structured to minimize school-level disruption
Empowering	Empowers school-based decision-making to effectively use resources
Aligned with district strategy	Supports the district's multiyear strategic plan

Key Considerations

- Equity vs. Stability
- School Empowerment vs. District Strategy

Successful implementation requires a multi-faceted approach to school empowerment



Autonomy

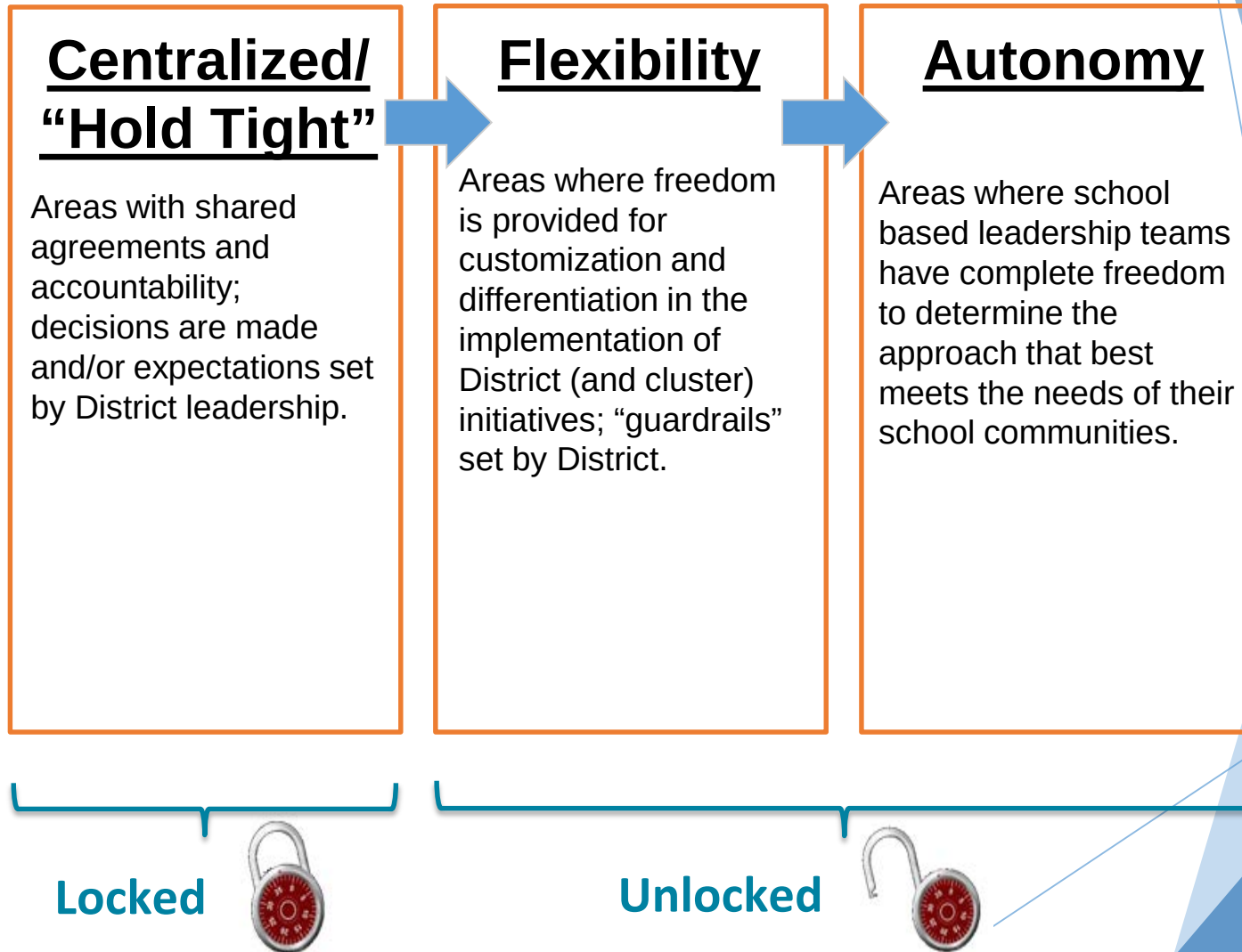
Accountability

Support

School empowerment comes from deliberate alignment of autonomy, accountability & support.

Past efforts nationally to improve outcomes through greater autonomy have failed because of inadequate or misaligned approaches to accountability & support

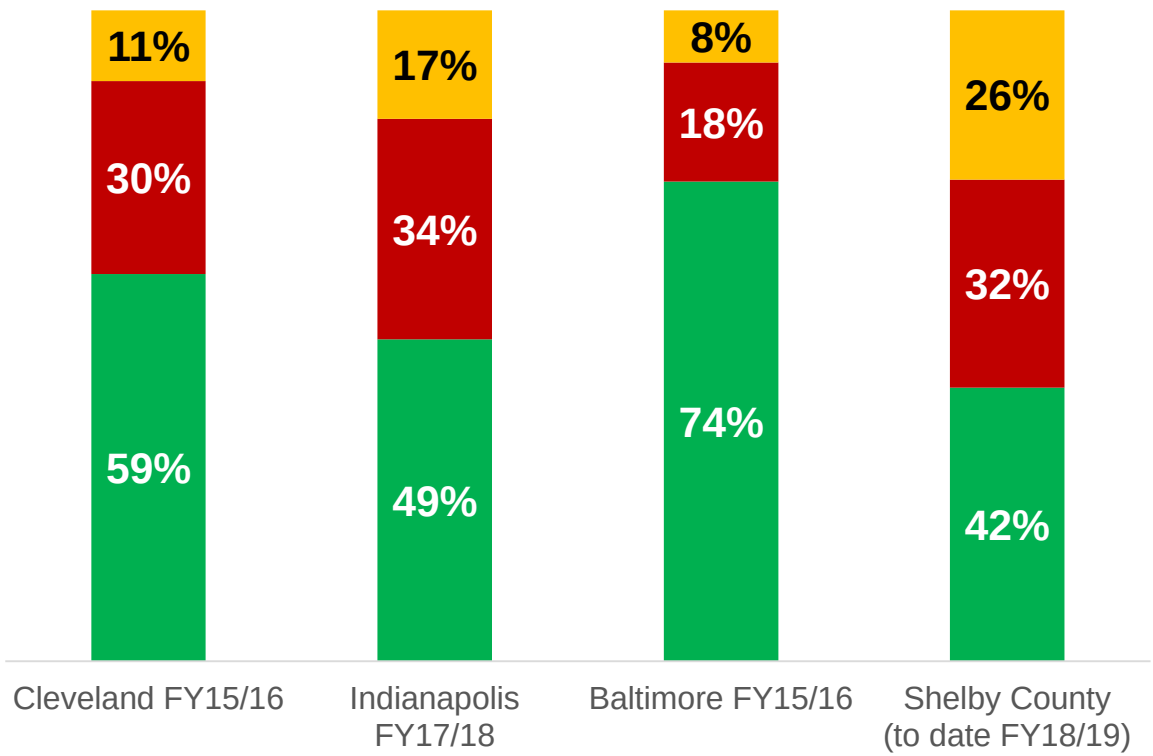
Defining Flexibility and Autonomy



District comparisons can help APS benchmark how much is typically unlocked and locked

% of School Based Resources*
Locked/Unlocked

■ Unlocked ■ Locked ■ Special Funds



Most districts unlock **between 50-70% of their school-based funds** to incorporate into the funding formula.

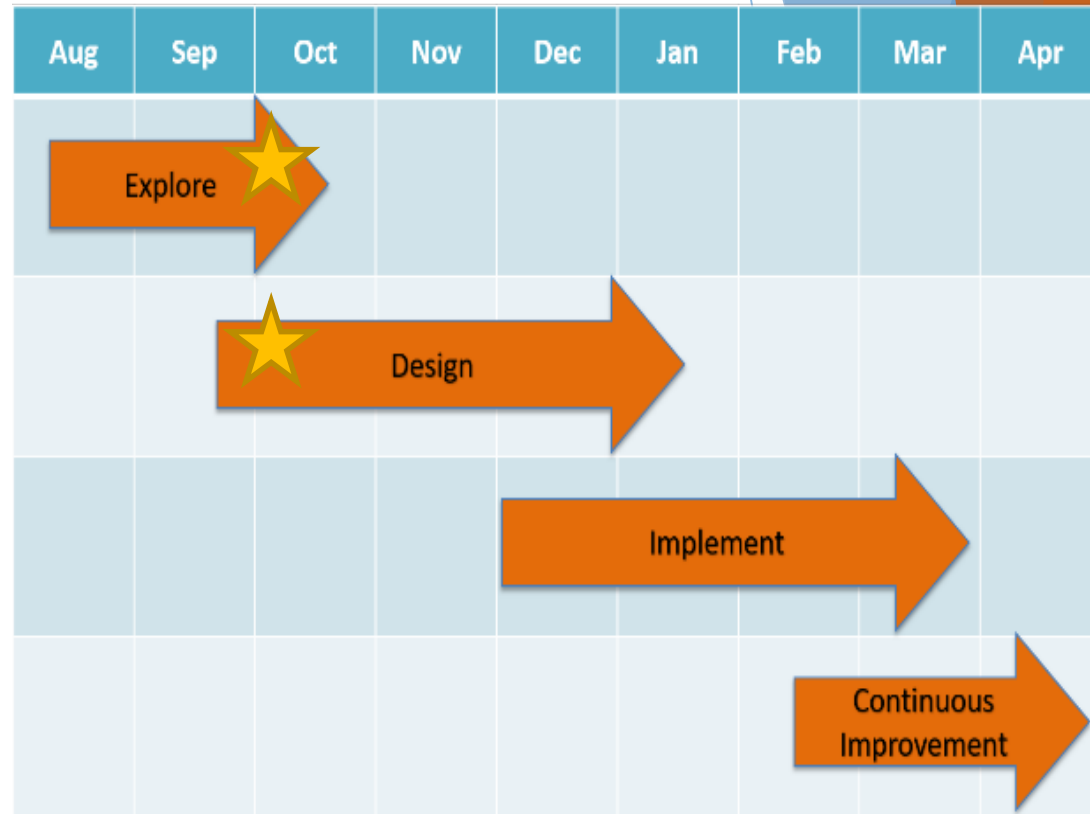
Remember, the more dollars that are unlocked, **the more flexibility and transparency- but also responsibility-** principals will have over resources at their School.

Taskforce and Timeline

Taskforce includes 32 members

- 7 from Academics
- 4 from Accountability & Info Systems
- 1 from IT
- 1 from Turnaround
- 2 from HR
- 2 from Operations
- 2 from Office of Engagement
- 6 elementary Principals
- 4 middle Principals
- 3 high Principals

Associate Superintendents
Senior Cabinet
Expanded Cabinet



Wrap-Up and Next Steps

- ▶ Recruit BFAC members
- ▶ Board Meeting
 - ▶ November 13th
- ▶ Budget Commission
 - ▶ November 16th
- ▶ BFAC: Next Meeting
 - ▶ November 16th

Appendix

FY2019 Resource Parameters: Mark-Up

DRAFT as of September 21, 2017

1. The District will implement the expenditure parameters using the current millage rate [or the Board's Guiding Principles for Revenue Consideration](#) to support the mission and vision.
2. The District will continue to identify grant generating opportunities, assess the required millage rate, and/or seek additional business, philanthropic and community partnerships in an effort to support the [ongoing transformation of APS](#) ~~following transformational parameters:~~
 - ~~• Make investments in Pre-K through 3rd grade to ensure all students are reading by the end of 3rd grade.~~
 - ~~• Focus on whole-child development, including positive behavior supports, arts, and athletics.~~
 - ~~• Create a comprehensive leadership development program.~~
 - ~~• Significantly expand access to quality Early Childhood Education.~~
3. The District will maintain a fund balance between 7.5% and the statutory limit of 15% projected expenditures.
4. The District will [analyze and explore all funding sources including grants and special revenue to maximize resources and supplement the general fund](#) ~~increase federal and state special revenue and redirect from general fund expenditures where possible.~~
- ~~5. The District will conduct a review of contracts and eliminate or renegotiate where appropriate.~~
6. The District, with support and collaboration from other stakeholders, will continue to identify and encourage grant generating opportunities, especially through our Partnerships Office.
7. The District will identify and sunset ineffective programs to redirect human resources and funding where possible.

FY2019 Expenditure Parameters: Mark-Up

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3. The District will recruit, develop, retain, and promote high-quality staff by ~~developing and implementing a multi-year compensation model~~ investing in a robust talent strategy that includes a multi-year compensation model, pipeline development work, professional development, and coaching and career pathways.
4. The District will continue implementing its charter system operating model and core components of signature programming, cluster and flexibility funds, ~~school flexibility dollars,~~ investments in a College and Career Academy, and a community engagement strategy.
5. The District will fund pension obligations in accordance with State statute and actuarial standards.
6. In support of the charter system model, the District will modify the current school allotment plan to increase transparency, equity, and autonomy with accountability so that Principals and local GoTeams can make decisions aligned with their specific needs with a focus on:
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 - ▶ whole-child development, including positive behavior supports, arts and athletics.
 - ▶ leadership development.
 - ▶ access to quality Early Childhood Education.
- ~~7. Per resource parameter #2, with additional public funding and/or partnership resources, the District will make investments in Pre-K through 3rd grade to ensure all students are reading by the end of 3rd grade.~~
- ~~8. Per resource parameter #2, with additional public funding and/or partnership resources, the District will focus on whole-child development, including positive behavior supports, arts and athletics.~~
- ~~9. Per resource parameter #2, with additional public funding and/or partnership resources, the District will create a comprehensive leadership development program.~~
- ~~10. Per resource parameter #2, with additional public funding and/or partnership resources, the District and its partners will significantly expand access to quality Early Childhood Education.~~