BUDGET PRIMER /20

Fiscal Year 2020

PREPARED BY
Department of Budget Services
Atlanta Public Schools

ATLANTA PUBLIC SCHOOLS

TABLE OF CONTENTS

Executive Summary 3
About Atlanta Public Schools 4
Highlights 8
Strategic Plan 11
About the Budget Process 16
Current Budget Recap 21
FY2019 Efficiency Star Rating 26
Economic Context 27
Expenditure Assumptions (Mandatory costs) 31
Innovations and Strategy 33
FY2020 Development 35

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EXECUTIVE SUMMARY

As Atlanta Public Schools begins the process of developing the FY2020 budget proposal, we believe it is important to provide context and narrative to our community that may provide insight into why certain budgetary decisions are made. It is our hope that this FY2020 Budget Primer will serve that purpose. Within this document, we will provide a brief overview of our current budget and we will walk through the factors, as we currently know them to be, that will impact both our revenue and expenditures assumptions against the backdrop of all the great work that is happening through these resources across the district.

Within this document we will discuss the state, federal, and local economic context that impacts our budgeted revenue projections. However, we will also highlight where APS is doing more to maximize these funding sources, or at the very least minimize our losses, through tax allocation districts (TADs), abatements, and other legislation. Even with our interventions, however, we project very modest revenue growth that will mostly be offset by ever increasing mandatory costs.

The largest increases in the APS budget continue to be in the areas of salary and benefits. This primer will layout the current compensation landscape for neighboring school districts and discuss how APS compares. We will also discuss the governor's proposed $3,000 teacher pay increase and potential impacts of that proposal on our budget and the employees of APS. Pensions both through the city and the state's Teacher Retirement System (TRS) continue to increase, but, at least for TRS, at a much slower pace than the current budget year. Our charter and partner schools continue to support a greater percentage of our total student population, which means continued scaling down of our central office administrative budgets. Other large investments were made through our Student Success Funding (SSF) model to increase the school allocations and also to allow Principals and GoTeams more access to dollars previously budgeted within the central office, increasing site-based autonomy and flexibility.

The FY2020 budget primer does not just discuss the dollar and cents, however. Within the document we will outline the districts strategic plan, guiding principles for revenue and expenditures, budget parameters for FY2020, and other innovative resource strategies that better align dollars to need. This document highlights the flexibilities and autonomies available through the charter system strategy including our innovative funding model, consolidation of funds, and turnaround investments.

Finally, this primer will provide the reader with a timeline and step-by-step process for the development of the FY2020 budget so that the community can follow along as we learn more about revenue assumptions, solidify expenditures recommendations, and begin the inevitable conversations around closing any potential funding gap. Although the picture of the FY2020 budget appears, at least for now, to be less challenging than the past few years, we still anticipate some tough conversations around priorities, trade-offs, and reallocations of funds that ensures that we are maximizing the usage of a finite pool of resources to ensure that every student graduates ready for college and career.

Best,

Lisa Bracken

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ABOUT ATLANTA PUBLIC SCHOOLS

Atlanta Public Schools' journey of transformation is gaining ground with improvements in graduation rates and performance data, yet a significant achievement gap still exists. We are living the mission with students graduating ready for college and career. APS has seen progress with key yard markers such as Georgia Milestones (where 57 schools achieved gains when averaged across all subject areas), CCRPI (52 schools "beat the odds" by scoring better than statistically expected) and our growing graduation rates (currently 77%, a new high for the district).

Established in 1872, Atlanta Public Schools (APS) is one of the oldest and largest school districts in the state of Georgia. APS is home to countless notable alumni, including civil-rights activists, entertainers, national elected officials, professional athletes, renowned scientists and engineers.

APS is the sixth largest school district in the state of Georgia, serving approximately 51,368 students. The district is organized into nine K-12 clusters with 89 schools, 18 charter schools and two citywide single-gender academies, where students are offered rigorous instructional programs that foster success in school and life. There are 93 learning sites and programs.

As of July 1, 2016, Atlanta Public Schools officially became a Charter System. This new contract, or "charter," with the state allows more decisions to be made at the school level by principals, educators, parents and community members, all of whom are closer to students and their school needs. This freedom and flexibility from many state education laws and regulations comes with increased accountability for student achievement.

Measureable Outcomes

- Graduation rates – the number of students in 9th grade cohort who graduate within four years of their enrollment in 9th grade.
- College readiness- the number of graduates who meet or exceed a combination of exit level exams, SAT, and ACT criteria.
- Postsecondary enrollment-the number of seniors who enrolled in a four-year or two-year college university or in a technical school within the first year after graduating
- Performance in AP courses-the number of students with AP test scores of 3, 4 or 5.
- District and campus accountability ratings-based on the district rating (i.e., Acceptable), the number of schools achieving Adequate Yearly Progress (AYP), and the number of Acceptable, Recognized, and Exemplary schools.

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ATLANTA PUBLIC SCHOOLS
2018 - 2019 FASTFACTS
3,991 TOTAL TEACHERS
CHARTER: 1,032
NON-CHARTER: 2,959
89 SCHOOLS
4 PROGRAMS
61 NEIGHBORHOOD SCHOOLS
5 PARTNER SCHOOLS
18 CHARTER SCHOOLS
2 CITY-WIDE SINGLE GENDER ACADEMIES
3 ALTERNATIVE SCHOOLS
72 TITLE I SCHOOLS
2,356 CLASS OF 2018 GRADUATES
$143M
IN ACADEMIC AND ATHLETIC SCHOLARSHIPS OFFERED TO CLASS OF 2018
289 BUS ROUTES TRANSPORT 28,000 STUDENTS
TWENTY-ONE THOUSAND TWO HUNDRED FIFTEEN MILES PER DAY
3,100,000 TOTAL MILES PER YEAR
PROJECTED K-12 STUDENT ENROLLMENT
51,368
CHARTER: 9,376 TRADITIONAL: 41,992
75.7% OF STUDENTS ARE ELIGIBLE FOR FREE OR REDUCED PRICE LUNCH
OUR DIVERSITY
73.8% AFRICAN-AMERICAN
15.5% CAUCASIAN
7.2% HISPANIC
2.2% MULTI-RACIAL
1.3% OTHER

APS Cluster Model

Atlanta Public Schools is organized into nine high school clusters that consist of a high school fed by middle and elementary schools. The cluster model ensures continuity for students from kindergarten through grade twelve.

Each cluster is led by a cluster planning team to improve the quality of its neighborhood schools. These teams include teachers, administrators, support staff, students, parents and community members. The cluster model allows APS to provide more support, opportunity and equity, and creates strategies that increase student performance.

Cluster & Academic Leaders

David Jernigan
Deputy Superintendent | 4 0 4 -802-2875

Dr. Olivine Roberts
Assistant Superintendent of Schools & Academics
404-802-2790

Tammie Workman
Assistant Superintendent of Student Services
404.802.2686

Dr. Danielle S. Battle
Associate Superintendent of Schools (K-8)
Clusters: Mays, South Atlanta

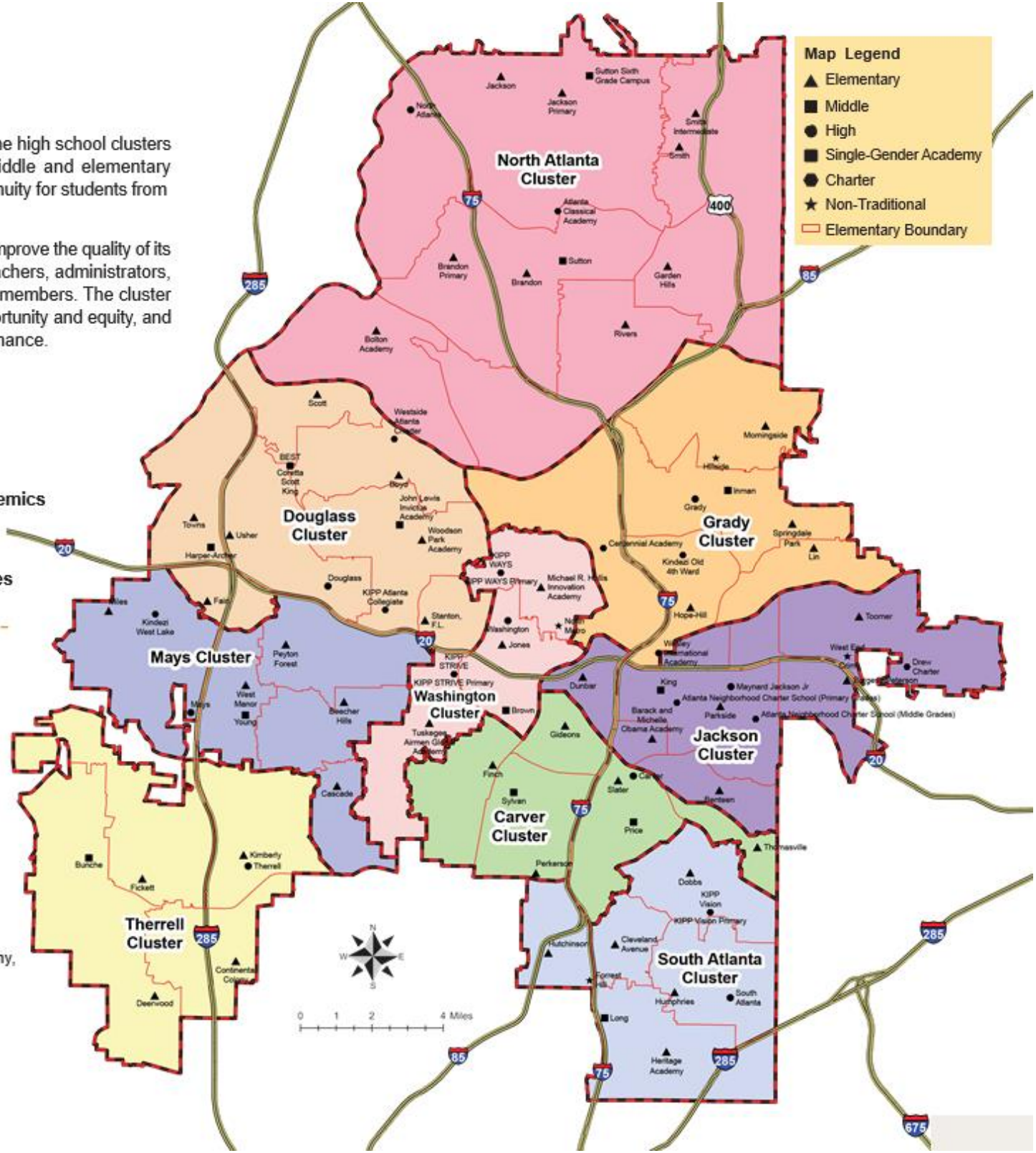
Gayle Burnett
Executive Director of Office of Innovation
All charter schools

Yolonda Brown
Associate Superintendent of Schools (K-8)
Clusters: Carver, Grady, Washington

Dr. Emily Massey
Associate Superintendent of Schools (K-8)
Clusters: Douglass, Jackson

Dr. Dan Sims
Associate Superintendent of Schools
All high schools including B.E.S.T. and CSK
Special programs including Crim, Forrest Hill Academy, West End Academy

Tommy Usher
Associate Superintendent of Schools (K-8)
Clusters: North Atlanta, Therrell



Charter System Operating Model and APS Cluster Planning

As of July 1, 2016, APS officially became a Charter System. This new contract, or "charter," with the state allows more decisions to be made at the school level by principals, educators, parents and community members, all of whom are closer to students and their school needs. This freedom and flexibility from many state education laws and regulations comes with increased accountability for student achievement.

Aligned with its Charter System operating model, APS engaged the community in a planning process that led to the creation of Cluster Plans that highlight instructional programming across schools within a cluster, pre-K through high school, and define the future direction for each cluster. This allows our schools and clusters the flexibility and autonomy to use what they know works best for their students while adhering to district and state guidelines.

One focus of the Cluster Plans is the identification and implementation of a signature program. This signature program focuses on the vertical and horizontal alignment of academic programs for schools and neighborhoods. These programs will provide rigor, structure, focus and accountability across the cluster. The programs chosen include:

International Baccalaureate (IB)

- IB programs aim to develop inquisitive, knowledgeable and compassionate young people who help to create a better and more peaceful world through intercultural understanding and respect.
- *Participating clusters:* Jackson, Mays, North Atlanta and Therrell.

STEM

- This integrated curriculum coordinates the teaching of Science, Technology, Engineering and Mathematics through problem solving, discovery and exploratory project/problem-based learning.
- *Participating clusters:* Douglass, South Atlanta, Washington, B.E.S.T. Academy and Coretta Scott King YWLA.

College & Career Prep

- This College and Career Preparatory curriculum is based on the essential skills, knowledge and dispositions that children need to succeed as citizens and workers in today's world.
- *Participating clusters:* Carver and Grady.

The district's new operating model led to the creation of GO Teams – school-based governance bodies comprised of parents, educators and community members – to assist with decision-making at the school and cluster levels.

APS Neighborhood Schools Cluster Feeder Patterns

High	Middle	Elementary
Carver, Carver Early College	Price Sylvan Hills	Gideons Finch Perkerson Slater Thomasville Heights
Douglass	Harper-Archer John Lewis Invictus Academy	Boyd Fain Scott F.L. Stanton Towns Usher-Collier Heights Woodson Park
Grady	Inman	Hope-Hill Mary Lin Morningside Springdale Park
Jackson	King	Benteen Burgess-Peterson Academy Dunbar Barack & Michelle Obama Academy Parkside F.A. Toomer
Mays	Young	Beecher Hills Cascade Miles Peyton Forest West Manor
N. Atlanta	Sutton	Bolton Academy Brandon/Brandon Primary Garden Hills Jackson/Jackson Primary E. Rivers Smith/Smith Primary
S. Atlanta	Long	Cleveland Avenue Dobbs Heritage Academy Humphries Hutchinson
Therrell	Bunche	Continental Colony Deerwood Academy Fickett Kimberly
Washington	Brown	Hollis Innovation Academy M. Agnes Jones Tuskegee Airmen Global Academy

HIGHLIGHTS

School district budgets are not just about dollars and cents. They are about how well the district allocates its limited resources to the benefit of student achievement and outcomes. Therefore, a budget cannot just outline revenues and expenditures, it has to set out the direction for the district. In the case of APS, budgets are about increasing instructional quality and efficiency while assuring the district reaches the mission to graduate every child so they are prepared for college and career.

The fiscal year 2020 general fund budget will not only outline the APS revenue and expenditure plan for school year 2019-2020, but will also be based on a student-focused funding model that provides resources based on student attributes. This model called Student Success Funding (SSF) empowers school-based decision-making to effectively use resources that align with the Charter System Strategy.

In times of increasing budget pressure and limited resources, it is important to think creatively about different funding sources. As a result, in 2015, APS established the Office of Partnerships and Development which works to bridge the gap where general funds fall short with external resources. The Office has brought in more than $60 million in cash, in-kind donations and grants. The office has also established over 275 new partnerships that include meaningful relationships with almost two dozen Fortune 500 companies headquartered right here in Atlanta. We encourage you to contact the Office of Partnerships and Development at 404-802-2812 for technical assistance and thought partnership with grant seeking, donations, and corporate and philanthropic relations.

As the District continues operating under the charter system, APS remains committed to the multi- year budget strategy that features the following:

- Continue to deepen the content knowledge of teachers and administrators
- Reducing general administration and central administration costs to redirect resources to schools and to support strategic priorities
- Leveraging all new revenue options
- Providing flexibility and autonomy at the school level for principals to develop staffing plans and invest resources in alignment with the District's academic standards of service

Due to the increases in mandatory costs, we anticipate the budget will continue to grow.

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We will continue to fund our strategic priorities, including the Turnaround Strategy, Signature Programs and School Flexibility while focusing on operational efficiencies to assure successful achievement of the District's vision and mission.

As the district prepares for FY2020 and looks to FY2021 and beyond, we are positioning to take on challenges we are likely to encounter. Student success is our top priority, and our students and programs are seeing initial movement and are making headlines for improvements. Some of our most recent successes include:

- The school system achieved its highest gains to-date in the percentage of students who scored proficient and above on all subjects on the 2018 Georgia Milestones End-of-Grade assessments (English Language Arts, Mathematics, Science, and Social Studies) and the District narrowed the performance gap with the State on all four End-of-Grade subjects.
- APS achieved year-over-year gains in the percentage of students scoring proficient and above on 18 of 24 (75%) End-of-Grade and End-of-Course assessments compared to gains in just over half (52%) in the previous year, and the District has seen longitudinal gains in the six End-of-Course subjects it has administered since the 2015 baseline year.
- The number of engaged employees increased significantly in 2018 (40%) compared to 2016 (29%), accounting for the largest year-over-year increase that APS has seen since this work began in 2014.
- Through the District's social and emotional learning initiative and its restorative practice efforts, the number of student arrests is down by 34% and student suspension rates have decreased overall.
- For the first time in seven years, APS is no longer disproportionate for the over suspension of African-American students with disabilities.
- The District increased the number of Career Technical and Agricultural Education (CTAE) pathway completers from 876 in 2017 to 1,083 in 2018 with 70.4% of the students earning an industry credential.
- APS' college-going rate has continued to increase, climbing seven percentage points from 2016 to 2017, and 60% of the 2017 on time graduate cohort were enrolled in two or four-year institutions.
- Morningside Elementary is a National Blue Ribbon School as well as a Green Ribbon School
- Relay Graduate School for Education and Rensselaerville Institute are working with APS to develop teachers and leaders of excellence

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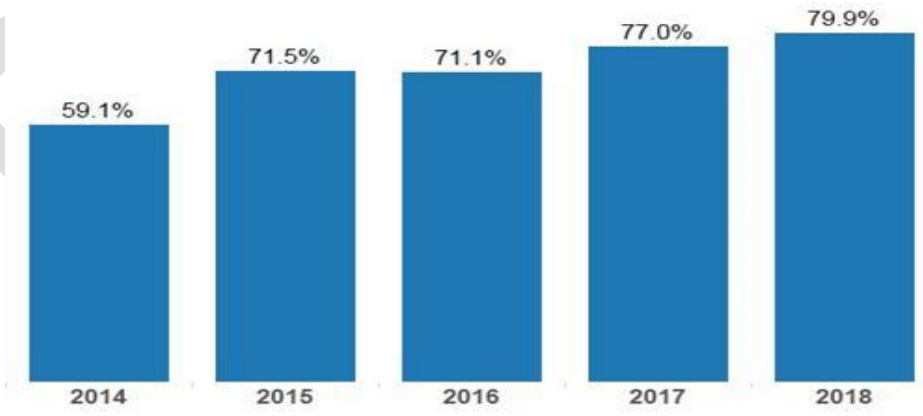
- During the National School Walkout Day when more than 16,000 APS students made their voices heard regarding violence in schools. Their stories were captured in media throughout the nation
- A new $1 million partnership with Delta Airlines in South Atlanta High School focused on student literacy in South Atlanta Cluster
- APS partnered with Vision 2 Learn to provide screenings, eye exams and glasses for every elementary school student in need
- Fall 2018, Atlanta Virtual Academy will launch a full-time online learning option for grades 9-12. Students enrolled in this program are provided total flexibility and choice around their learning with 24/7 access to their courses
- The class of 2018 earned more than $143 million in scholarships and that number is still growing. Seniors took over 3,400 AP/IB/Dual Enrollment courses, increasing the number of credits earned in AP/IB/Dual Enrollment courses
- On the 2017 Georgia Milestones, 57 schools, or about two thirds of our schools, achieved gains when averaged across subject areas which is 17 more schools than the prior year

Atlanta Public Schools (APS) has achieved its highest graduation rate to date at 79.9 percent, according to 2018 graduation data released by the Georgia Department of Education. This represents a 2.9 percentage point gain over 2017. Since 2014, the District's rate has increased by 20.8 percentage points from 59.1 percent in 2014 to 79.9 percent in 2018. Further, the results show that APS cut the gap with the state in half from 3.6 percentage points in 2017 to 1.7 percentage points in 2018. The state's 2018 graduation rate is 81.6 percent.

Atlanta Public Schools Cohort Graduation Rates



STRATEGIC PLAN

This district planning process includes strategic planning and detailed cluster planning to drive the implementation of an operating model to support the future direction of our school system.

STRATEGIC PLANNING

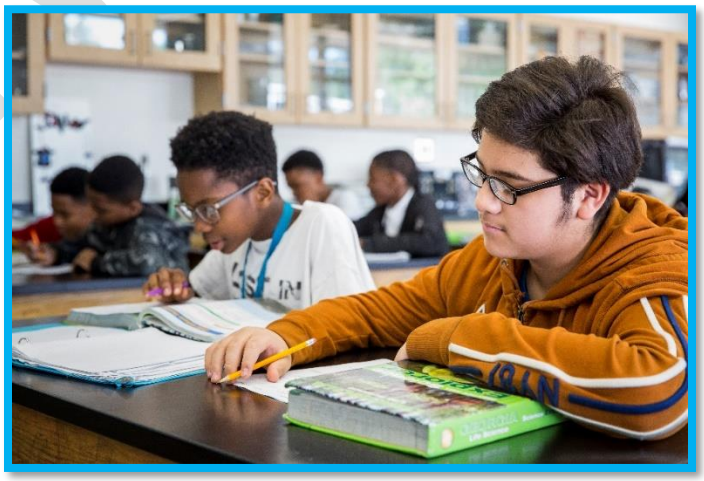
The vision of Atlanta Public Schools is to be a high performing school district where students love to learn, educators inspire, families engage and the community trusts the system. The district has built on the previous strategic plan and laid the foundation for this vision with the development of the 2015-2020 "Strong Students, Strong Schools, Strong Staff, Strong System" strategic plan. This plan reflects our focus on strengths as a district. The strategic planning process involved the Atlanta Board of Education, district and school staff, students and community stakeholders. Feedback was gathered from across the district through town halls and neighborhood meetings, parent advocacy groups, small focus group discussions, school site visits, surveys and principal and administrative meetings.

OPERATING MODEL

The district complied with State of Georgia law that requires a school system to select an operating model by June 2015. After completing vision, mission and strategic planning while also exploring the merits of the available state operating models, the Atlanta Board of Education determined that the Charter System model was the best fit for APS. The Charter System model provides opportunities for flexibility as well as shared governance and best aligns with the needs of all students across our diverse school system. Our plans for innovation, accountability and distributed leadership are a strong match with the Charter System model. The school system uses the strategic and cluster plans along with community input as we continue to roll-out and realize the various operating model designs and applications outlined within the strategic plan.

NEXT STEPS

All of these plans are considered in our budget process, by outlining key budget priorities and financial needs to ensure that the implementation of these plans are possible in the upcoming fiscal years. We will communicate and share the high-level plan across the organization with our stakeholders with the intent of ensuring alignment to the district's strategy.



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Strategic Goals
2015-2020

The strategic goals provide guidance for APS leadership in the development of policies and regulations, objectives, strategies and initiatives to achieve the vision.

The following pages communicate APS' five year strategy and translate the strategy map into action. Each page highlights the strategic goals, objectives and initiatives we will pursue to close the gap between current and desired performance. All components work together to achieve our strategic vision.

ACADEMIC PROGRAM ...

Our students will be well-rounded individuals who possess the necessary academic skills and knowledge and are excited about learning.

TALENT MANAGEMENT ...

We will retain an energized and inspired team of employees who are capable of advancing ever-increasing levels of achievement for students of all backgrounds.

SYSTEMS AND RESOURCES ...

We will improve efficiency (productivity, cost, etc.) while also making decisions (including resource allocations) that are grounded in a strategic academic direction and data.

CULTURE ...

We will build trust with the community, and we will have engaged stakeholders *(employees, students, parents, community members, partners, etc.)* who are invested in the mission and vision and who support the creation of student-centered learning communities.

TURNAROUND STRATEGY

APS must demonstrate its commitment and capability to turnaround our lowest performing schools, not only to maintain local control of our schools but most importantly to provide the high quality education all kids in Atlanta deserve. APS, with the support of the Boston Consulting Group, used community and educator input and external research to develop an aggressive, targeted, research-based strategy for turning around APS's lowest performing schools. Heading into its fourth year of implementation, the Turnaround Strategy continues to refine academic and non-academic initiatives focusing on high-quality instruction, additional time for student learning, building teacher and leader capacity, additional wrap-around support and potential school structure and operating changes. Support is provided in tiers (Targeted, Intervention and Foundational) with the targeted group of schools receiving the most supports.

The Turnaround Strategy for FY2019 was approximately $43 million. We will also be transitioning Woodson Park Academy to one of our partners which will be represented in the FY2020 turnaround budget. APS will continue to support the turnaround and positive results in the district's lowest performing schools.

SIGNATURE PROGRAMS

Signature programming is a core component of our charter system strategy and funds are allocated based on grade span and phase of implementation. Cluster planning was set in place to provide flexibility and autonomy at the cluster level for schools to invest resources in alignment with the District's academic standards of service. It specifically addresses each clusters academic programming needs and support for signature programming. These programs work to ensure college and workplace readiness for all students thus complementing the district's mission statement.

The College and Career Readiness signature program has emphasis on critical thinking, communication, collaboration, creativity and citizenship. Students will have multiple opportunities to engage in accelerated learning via the Early College Initiative (Carver cluster) and the Advanced Placement curriculum (Grady cluster). Students may earn college credit during high school and graduate with distinction as advanced academic pathway completers. STE(A)M education is defined as an integrated curriculum (as opposed to science, technology, engineering, and mathematics taught in isolation) that is driven by problem solving, discovery, exploratory project/problem-based learning, and student-centered development of ideas and solutions.

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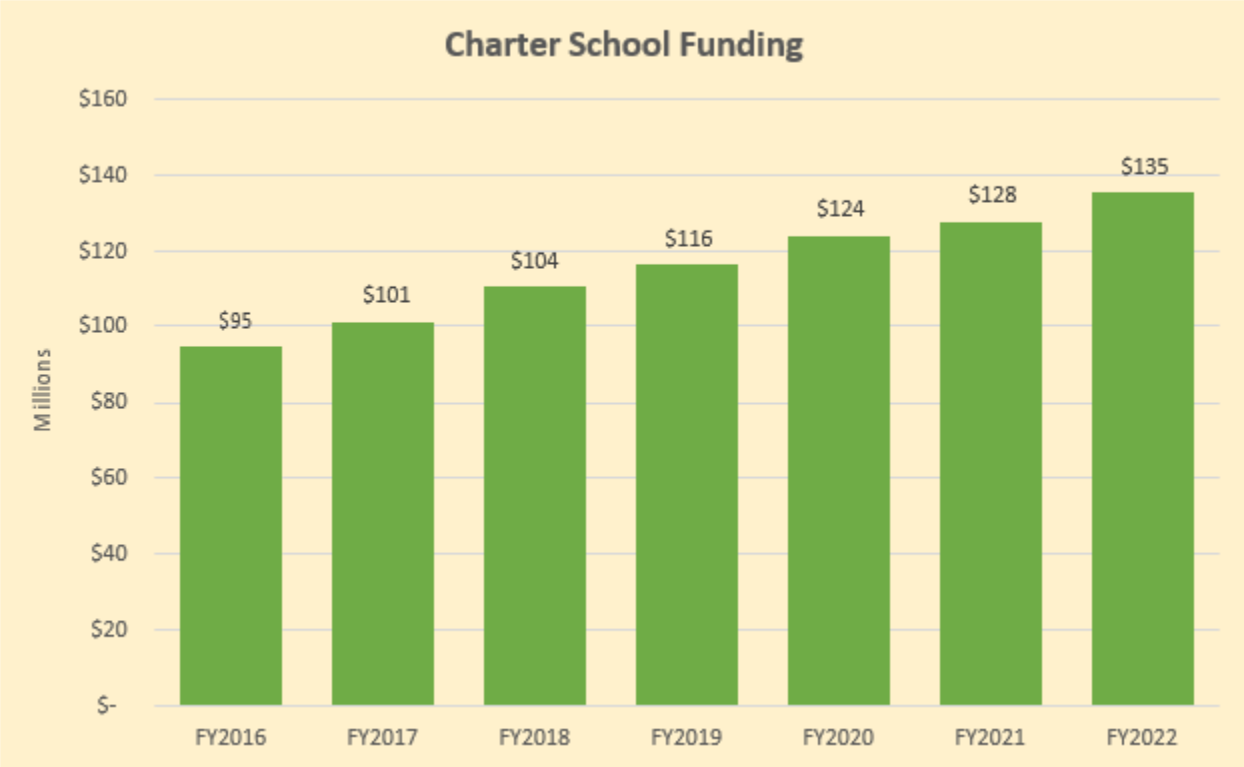
The International Baccalaureate (IB) Program offers a K-12 continuum of international education that emphasizes and prepares students for 21st century careers; and focuses on preparing students for success in higher education and to be active participants in a global society. Students begin learning a second language at age 7. IB offers four programs including the Primary Years Program (K-5), Middle Years Program (6-10), Diploma Program (11-12) and Career-Related Program (11-12). Signature Programs for FY19 are $11.6 million.

CHARTER SCHOOL SCALING

As the local tax digest grows and as existing charter schools complete their grade-level build out, expenditures related to charter school scaling will continue to grow. Charters also receive a portion of local revenue and fund balance.



RESOURCE RETHINK

As APS continues to focus on driving change, the finance team has invested in a "Resource Rethink". What this means is we are being more strategic about what we are spending while ensuring we are great stewards of public funds.

Tax allocation districts (TADs) and Tax abatements are two tax incentives we have been focusing on in order to maximize our incoming revenue streams. TADs are intended to spark development

in areas of a city that are otherwise economically depressed or blighted, and would not be developed "but for" the designation of a TAD (commonly referred to as the "but for" test). When the board of APS agrees to participate in a TAD, they are agreeing that any new taxes generated by the development within the area will not come back to APS, instead those dollars will be reinvested into the TAD to pay off the debt. Since 1999, APS has contributed $434 million in taxes generated from our millage to redevelopment in the city.

In 2019, the Atlanta Board of Education approved an intergovernmental agreement (IGA) with the City of Atlanta and a resolution related to the Westside Tax Allocation District that would create the most comprehensive reform of Tax Allocation Districts (TADs) in the decades-long history Atlanta Public Schools (APS) has been involved in them.

The IGA also would reduce APS' exposure in TADs, distributes the impact of the APS increment more evenly over the lives of the TADs, limits exposure of the APS tax digest to be no more than 10% of collectable digest in any given year (based on current assumptions) and relieves immediate pressure on the APS budget by $10 million. The agreement also provides a net gain of between $130 million and $180 million to APS over the life of the TADs.

Tax abatements are economic development tools that provide a time-limited reduction of property taxes for new development projects. They are intended to spur growth in targeted areas. For the city of Atlanta, tax abatements are authorized by Invest Atlanta and the Development Authority of Fulton County (DAFC). The APS concern for abatement of property tax revenue is when developments are within TADs, undermining the financial stability of those TADs and/or they do not pass the "but for" test. These developments would have occurred at full tax value without the tax incentive. For FY2017, tax revenues were reduced by $12.1 for just one year. The Superintendent has also gained a seat on the Development Authority of Fulton County where tax abatements are granted reducing revenue for the school system. For FY2018 abatements equaled approximately $13.6 million, a 12% increase in just one year.

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ABOUT THE BUDGET PROCESS

Planning

The planning activities include identifying and prioritizing educational needs and forecasting available resources to meet those needs. This segment requires intensive involvement of central office, instructional, and operational staff year round.

Preparation

Tentative budgets from the school level are based on the projected enrollment associated with the 40th day enrollment reports submitted to the Georgia Department of Education, instructional plans, estimated resources, contractual requirements, and anticipated inflationary issues. Forecasting available resources and requested appropriations will indicate whether the District's initial budget will suffer a shortfall or pledge undesignated reserves. All organizational units prepare their budgets during the fall and winter months of each year.

Analysis and Review

The budget requests for the central departments are developed with the support and analysis provided by the Budget Services Department. The requests are reviewed for completeness, accuracy and for compliance with established budget assumptions. The school budgets are consolidated with the program budgets into one file for reporting purposes. These various reports are then submitted, as the General Fund Draft Budget, to the Senior Cabinet for review and revision. The Board Budget Commission and the Budget and Finance Advisory Committee (BFAC) meet regularly throughout the budget development process to review budget requests and to provide guidance for the budget process.

Adoption and Approval

In the latter part of the development process, a district-wide consolidated budget is drafted. This tentative budget reflects the results of an internal review of the budget requests conducted by the Superintendent, Chief Financial Officer, and Budget Executive Director. By law, the Board of Education shall hold at least one public hearing to receive public input on the proposed budget. After the budget hearing, changes can be made that reflect public input. Budget adoption at the next legislative meeting of the School Board is the final step.

Implementation

The fiscal year of Atlanta Public Schools begins July 1 and ends on June 30. Atlanta Public Schools has an encumbrance driven accounting system that does not allow overspending of non- salary. The Human Resources Department works closely with the Budget Department in monitoring position control. Daily reviews and modifications of individual budgets ensure that the school district is on target with projected spending.

Review and Assessment

The budget is an important management tool for all stakeholders, to include: taxpayers, the School Board, the administration, school level managers and teachers. Monitoring of staffing and

expenditures enables Budget Center Managers to keep track of how well their programs are being implemented and the rate at which funds are being expended. The rate of expenditures is important for cash flow purposes to ensure that the District always has available assets to sustain daily operations. The success of the budgeting process depends on many individuals throughout the school system fulfilling their duties and responsibilities in a timely and appropriate manner.

Fiscal Responsibility

As custodians of public funds, our purpose and commitment is to manage those funds with honesty and integrity in order to ensure that the district continues to function smoothly, and to build and maintain public trust. In order to meet these criteria, budgets have been formulated using clear and precise directions to others in the construction of their budgets.

BUDGET PROCESS OVERVIEW

1. State Allocations- Funding Formulas are determined

2. School Allotment Guidelines- Developed with collaboration of SSF taskforce and based on Budget Commission discussions

3. Principal Proposal- Principals align their strategic plans and new year earnings in an effort to maximize viability

4. GoTeam Input & Approval- Assist in the decision making process of maximizing the educational opportunities of students and aligning resources to strategy

5. Regional Public Meetings- Regional public meetings are held to discuss the new fiscal year budget for tentative adoption

6. Public Hearings- Two Public hearings are held in alignment with both tentative Final budget adoption so that the Board can receive Public input prior to taking action on the proposed budget

7. Tentative Adoption- Superintendent presents the new Fiscal Year Budget to the Board of Education

8. Final Adoption- The budget is presented to the Board of Education for the final adoption

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9. Preliminary Appraisal- The tax commissioner provides the preliminary appraisal values

10. Tax Millage Rates- The first read of millage rates are given and public meetings are held

BFAC AND BUDGET COMMISSION

The Superintendent established the Budget and Finance Advisory Committee (BFAC) to provide guidance and counsel on matters of budget and finance and to increase communication with the public, staff, and School Board, to provide for greater citizen involvement. The BFAC meets monthly with the Executive Budget Director of Budget and/or Chief Financial Officer, working alongside staff and others to develop tools and methodologies on how to best improve the district's budgeting process. The administration has been responsive to BFAC's recommendations for greater cohesion and clarity. The district's budget development has become an integrated process that aligns resource allocation with goals and priorities established through the development of a well-defined curriculum, and a well-conceived and executed strategic planning process.

APS also has a Budget Commission comprised of the chairperson of the Board, a member of the Board appointed by the Chairperson of the Board to serve as the Chairperson of the Commission and two other members of the Board. Each year, the Chairperson and other members of the Board are nominated by the Board Chairperson and confirmed by the members of the Board. Along with the Board, the Superintendent and the Chief Financial Officer serves as ex-officio members of the Budget Commission.

The responsibilities of the Budget Commission include preparing the anticipated revenues for the school system and to allocate a sum sufficient to provide for debt service, including a sinking fund and interest on bond indebtedness, and any other appropriations required by law. The Commission also adjusts the anticipated revenues in the event the income of the school system is increased or decreased as well as hold public hearings.

Prior to the final adoption, Budget Commission meetings are held to gain consensus on revenue assumptions, budget parameters and appropriation levels.

In May, the Superintendent presents the tentative budget to the Board, the public and the media. The tentative budget provides a first glance of the investment plan for the upcoming school year. It evolves as the budget process advances and presents opportunities for input from key stakeholders including parents, students, citizens and staff. Also in May, the district holds interactive meetings with the community and staff regarding the tentative budget to receive additional input to be incorporated before the numbers are finalized. Subsequently, the Superintendent presents the recommended budget to the Board, public, and media. Traditionally, the Board conducts multiple public hearing on the proposed budget and millage rate and then adopts the budget and tax rate in the month of June.

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TIMELINE/CALENDARS

BOARD BUDGET COMMISSION	DATE
Budget Development timeline, draft resource and expenditure parameters	9.20.2018
Finalize FY2020 parameters, review multi-year assumptions	10.18.2018
Review revenue and expenditures assumptions, align on SSF recommendations	11.15.2018
Local revenue (Fulton County Tax Assessor and Fulton County Tax Commissioner	1.31.2019
Draft Budget primer, legislative update, preliminary "gap" discussion, preliminary compensation strategy	2.28.2019
Compensation Strategy, Legislative Update, Closing the gap	3.21.2019
Non-general fund budget presentations, recommendation for tentative budget	4.18.2019
Recommendation for final budget	5.16.2019

BFAC MEETING	DATE
Introduction of members, Purpose of BFAC, Discuss ground rules	10.18.2018
Review of SSF Formula, How schools earn allotments	11.9.2018
Prototype school budget templates, Show how GoTeams and Principals make decisions	1.10.2019
Joint Meeting with Budget Commission	2.28.2019
Review consolidated school information	3.14.2019
Review Budget Commission Actions	4.11.2019
Review Tentative Budget	5.9.2019

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FY2019 BUDGET HIGHLIGHTS

FY2019 Expenditure Parameter	Comments
1. The District will allocate resources pursuant to the District's definition of equity.	For the FY2019 budget, APS implemented a new school allocation model called Student Success Funding (SSF) with a specific focus on ensuring a more equitable distribution of funds, with a particular emphasis on poverty. Approximately **$256m** was distributed to schools through this model, representing about 67% of all school funding.
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).	Nearly **$45.6m** has been invested in the Turnaround Strategy for the FY2019 school year. This is a 24% increase from FY2018 and includes the addition of Carver High School as a partner school.
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).	The FY2019 tentative budget invests in a **$12m** compensation strategy, as detailed in the March Budget Commission meeting. This compensation strategy includes both a step increase and a 1% salary increase for all eligible employees.
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).	Schools earned both cluster (**$3m**) and flexibility funds (**$9m**) through the Student Success Funding (SSF) model for FY2019. Schools also saw an increased investment of **$1m** for signature programs, bringing the total to **$11.1m**.
5. The District will fund pension obligations in accordance with State statute and actuarial standards.	The district will continue to fund the annual 3% increase of pension obligations in FY2019, adding an additional **$1.6m** and totaling over **$55m**.
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:	Through the new SSF model, an additional **$9m** was decentralized to the school budgets for the purchase of textbooks and substitutes. These dollars allow for increased innovation and flexibilities at the school level.
7. Investments in Pre-K through 3rd grade to ensure all students are reading by the end of 3rd grade.	The new SSF model supplements the per pupil allocation at grade levels K through 3 to ensure a **$20.7m is** targeted in support of this parameter.
8. Whole-child development, including positive behavior supports, arts and athletics.	Additional **$250,000** to complete the refresh of all remaining high school weight rooms; **$250,000** picked up by general fund to ensure continued support of the

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	Cultural Experience Program (field trips to various venues around the city, previously funded through special revenue); continued funding of districtwide SEL and PBS initiatives.
9. Leadership development.	Continued **$800,000** investment in fully developing out the leadership development initiative; Budget supports refined leadership development strategy including Relay partnership; development of Teacher Leader, Aspiring AP, and Aspiring Principal programs; training for new School Business Managers; and leadership development of existing principals and assistant principals.
10. Access to quality Early Childhood Education.	An additional **$350,000** is invested in the FY2019 budget in support of ensuring all APS Pre-K teachers are certified and paid on the APS teacher salary scale.

CURRENT BUDGET RECAP

FY2019 BUDGET BY FUNCTION

	FY2018 Adopted			FY2019 Preliminary			
	Budget	**% of Exp**	**Per Pupil**	**Budget**	**% of Exp**	**Per Pupil**	**Change**
Instruction[1]	$490,393,118	63.08%	$9,644	$526,372,279	64.31%	$10,252	$35,979,161
Pupil Services[2]	$41,327,188	5.32%	$813	$46,296,941	5.66%	$902	$4,969,752
Staff Services[3]	$56,993,501	7.33%	$1,121	$50,855,788	6.21%	$990	($6,137,713)
Federal Grant Admin[4]	$2,870	0.00%	$0	$2,870	0.00%	$0	$0
School Admin[5]	$37,756,912	4.86%	$743	$40,775,334	4.98%	$794	$3,018,422
General Admin[6]	$35,631,362	4.58%	$701	$37,405,193	4.57%	$729	$1,773,830
Maintenance & Ops[7]	$79,833,041	10.27%	$1,570	$80,342,826	9.82%	$1,565	$509,785
Transportation[8]	$31,492,359	4.05%	$619	$31,942,366	3.90%	$622	$450,007
School Nutrition	$378,872	0.05%	$7	$378,942	0.05%	$7	$71
Other Outlay[9]	$2,758,273	0.35%	$54	$2,896,084	0.35%	$56	$137,811
Debt[10]	$800,000	0.10%	$16	$1,166,742	0.14%	$23	$366,742
Total	**$777,367,495**	**100.00%**	**$15,288**	**$818,435,364**	**100.00%**	**$15,940**	**$41,067,869**

1. Increase to charters, partners, TRS, and average teacher salary.
2. School-based investments in wrap-around services (non-instructional paras, parent liaison, SST Interventionist)
3. Fewer schools purchasing Instructional Coaches, restructuring of Extended Learning Program in Turnaround
4. Estimates pending special revenue templates
5. Schools purchasing Business Manager, Bookkeeper, etc.
6. Increase in TRS and salaries, Increase in Operational Technology
7. Increase to salaries and benefits
8. Increase to salaries, fuel
9. Transfer to Early Learning for increased supplement for teachers' salaries
10. Morningside annex

FY2019 BUDGET BY OBJECT

	FY2018 Adopted			FY2019 Preliminary			
	Budget	**% of Exp**	**Per Pupil**	**Budget**	**% of Exp**	**Per Pupil**	**Change**
Salaries[1]	$340,380,341	43.79%	$6,694	$346,440,591	42.33%	$6,747	$6,060,249
Other Salaries[2]	$18,423,666	2.37%	$362	$16,872,704	2.06%	$329	($1,550,962)
Employee Benefits[3]	$170,232,761	21.90%	$3,348	$187,208,278	22.87%	$3,646	$16,975,517
Operating Transfer to Non-General Fund[4]	$2,710,948	0.35%	$53	$2,896,084	0.35%	$56	$185,136
Other Purchased Services[5]	$119,132,702	15.33%	$2,343	$132,517,003	16.19%	$2,581	$13,384,300
Supplies[6]	$51,063,314	6.57%	$1,004	$48,829,283	5.97%	$951	($2,234,031)
Purchased Pro and Tech Services[7]	$52,222,244	6.72%	$1,027	$61,376,689	7.50%	$1,195	$9,154,445
Purchased Property Services[8]	$19,475,254	2.51%	$383	$19,059,688	2.33%	$371	($415,566)
Other Objects	$3,111,093	0.40%	$61	$3,177,262	0.39%	$62	$66,169
Property	$615,173	0.08%	$12	$57,783	0.01%	$1	($557,390)
Total	**$777,367,495**	**100.00%**	**$15,288**	**$818,435,364**	**100.00%**	**$15,940**	**$41,067,868**

1. Increase in salaries partially offset by Carver moving from traditional to partner school
2. Restructuring of Extended Learning Program in Turnaround
3. Increase to TRS, unfunded pension, state health, and workers compensation
4. Increasing transfer to Early Learning for pre-K teachers' salaries
5. Increase to charter schools
6. Restructuring of Extended Learning Program in Turnaround, push-out of textbooks
7. Increase to partner schools
8. Budget cuts in facility services and information services

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FY2019 CENTRAL SUPPORTS IMPACT

Historical Trend- Function

	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Original Budget	FY2019 Proposed
Instruction	49.11%	48.93%	61.91%	62.92%	63.96%	65.35%	63.63%	63.08%	64.31%
Pupil Services	3.46%	3.34%	3.24%	3.26%	3.73%	4.09%	5.47%	5.32%	5.66%
Staff Services	4.53%	3.65%	3.16%	2.98%	3.77%	3.99%	4.88%	7.33%	6.21%
School Admin	5.10%	5.16%	7.04%	7.04%	6.59%	6.01%	5.67%	4.86%	4.98%
General Admin	16.17%	11.19%	6.84%	6.76%	6.35%	5.29%	4.57%	4.58%	4.57%
Transportation	2.48%	4.26%	3.54%	4.07%	4.14%	4.00%	4.20%	4.05%	3.90%
Maintenance and Operations	10.19%	15.89%	12.63%	12.26%	11.00%	10.69%	10.93%	10.27%	9.82%
Other	8.97%	7.58%	1.64%	0.70%	0.45%	0.59%	0.67%	0.51%	0.54%

Since FY2011 the amount of general fund dollars directly tied to instruction has increased from 49.11% to 64.31% in the current proposed budget. Over that same period of time, funds spent on general administration have declined from 16.17% of the total budget to 4.57% in the proposed FY2019 budget.

Historical Trend: Direct Spend to Schools

	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual	FY2018 Original	FY2019 Proposed
CLL	$234	$235	$226	$210	$223	$231	$250	$244	$240
Schools	$382	$361	$351	$386	$428	$460	$487	$533	$578
Total	$616	$596	$577	$596	$651	$692	$736	$777	$818
CLL	38%	39%	39%	35%	34%	33%	34%	31%	29%
Schools	62%	61%	61%	65%	66%	67%	66%	69%	71%

Since FY2011 the amount of general fund dollars accounted for at the specific school sites has gone from 62% of the total to 71% in the proposed general fund budget for FY2019.

FY2019 EXPENDITURES

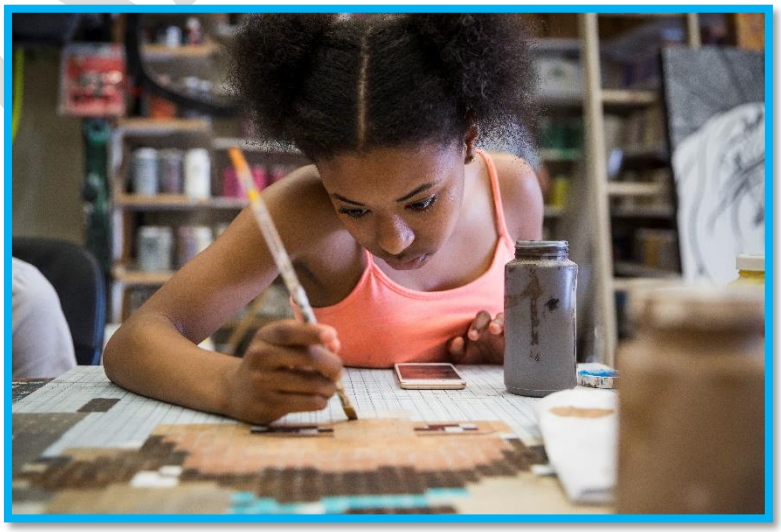
At APS we adopt and manage our general fund budget by function. This is in alignment with state reporting of school budgets and allows for comparison among school districts. A function is a broad category that attempts to categorize expenditures that are directly related to student instruction, general administration, transportation, etc. A detailed explanation of each function can be found below.

Instruction – Instruction includes activities dealing with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location such as a home or hospital, and in other learning situations such as those involving co-curricular activities.

Pupil Services – Activities designed to assess and improve the well-being of students and to supplement the teaching process. Activities include guidance, counseling, testing, attendance, social work, health services, etc. Also include supplemental payments for additional duties such as coaching or supervising extracurricular activities.

Staff Services – Activities which are designed primarily for assisting instructional staff in planning, developing and evaluating the process of providing challenging learning experiences for students. These activities include curriculum development, techniques of instruction, child development and understanding, staff training and professional development. Activities concerned with directing, managing and operating educational media centers. Included are school libraries, audio-visual services and educational television.

School Administrative Services – Activities concerned with overall administrative responsibility for school operations. Included are activities of principals, assistant principals, full time department chairpersons and clerical staff.



Maintenance and Operations – Activities concerned with keeping the physical plant open, comfortable, and safe for use, and keeping the grounds, buildings, and equipment in effective working condition and state of repair. This includes the activities of maintaining safety in buildings, on the grounds, and in the vicinity of schools. Property insurance expenditures are recorded in this function. General Administrative Services – Activities concerned with establishing and administering policy for operating the Local Units of Authority (LUA). These include the activities of the members of the Board of Education. Local activities in interpretation of the laws and statutes and general liability situations are charged here, as are

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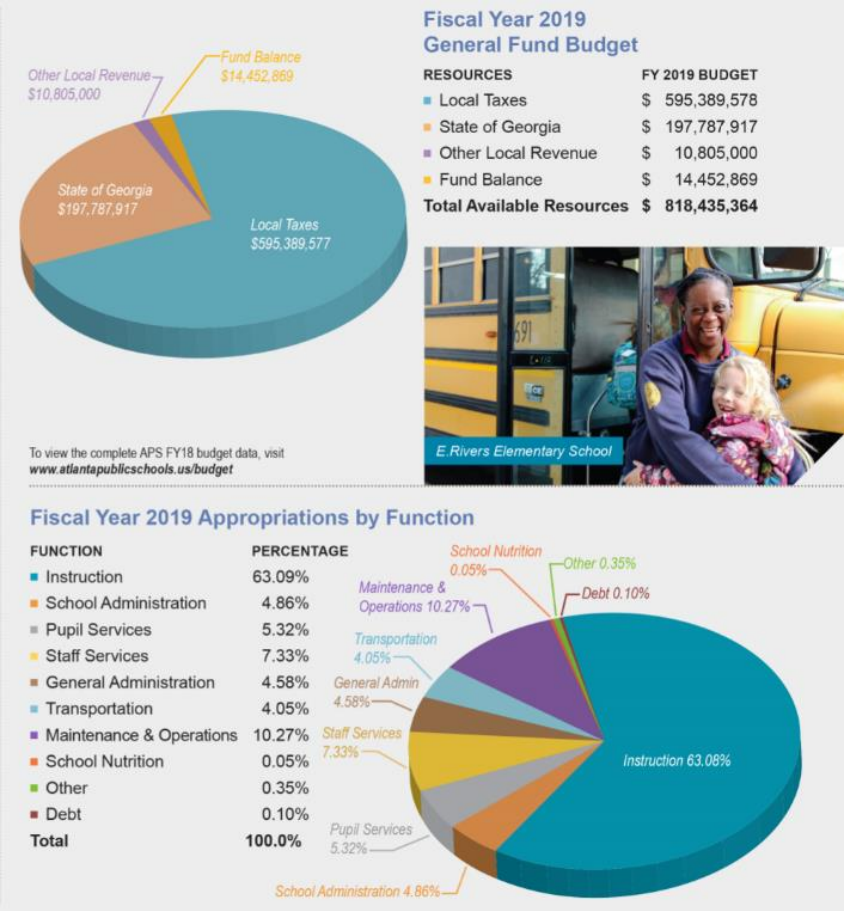
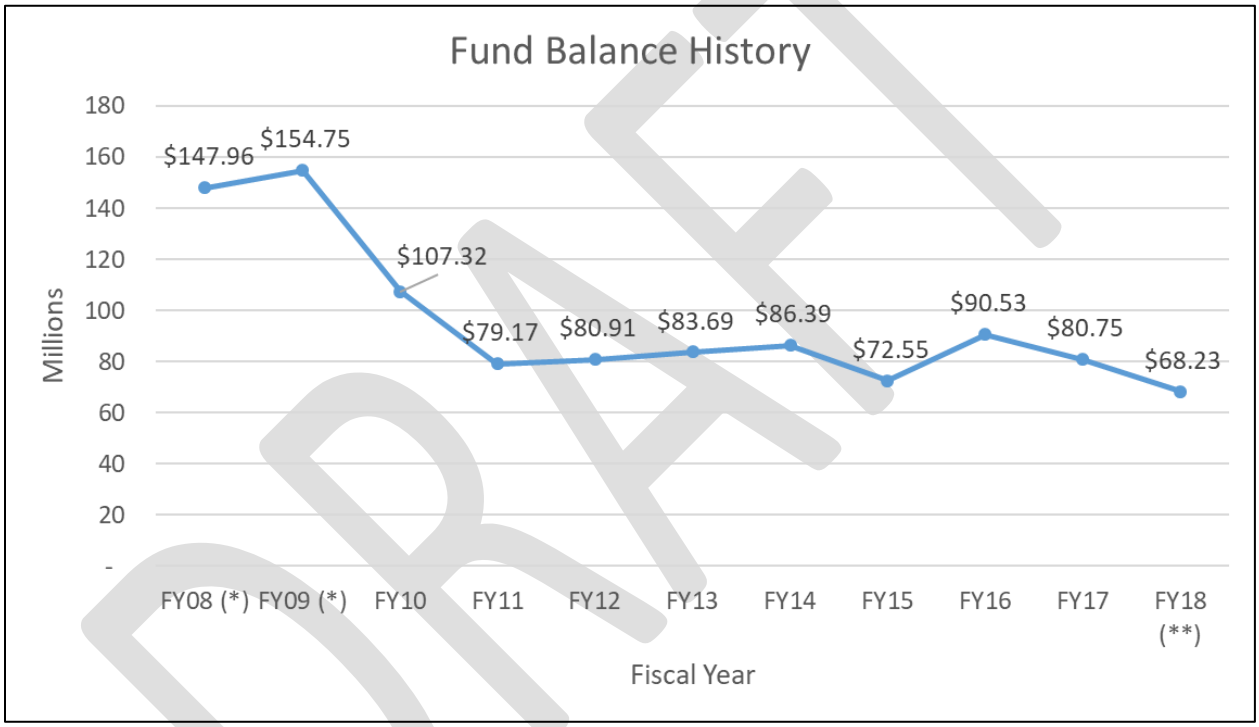
the activities of external auditors. Also recorded here are activities performed by the superintendent, administrative support personnel and deputy, associate, or assistant superintendent having overall administrative responsibility. Activities concerned with the fiscal operation of the LUA, including budgeting, financial and property accounting, payroll, inventory control, internal auditing and managing funds. Also included are purchasing, warehouse and distribution operations, and printing, publishing and duplicating operations. Central Office activities other than general administration and business services. Included are personnel services, data processing services, strategic planning including research, development and evaluation on a system-wide bases and public relations activities, such as writing, editing and other preparation necessary to disseminate information to students, staff and the general public. All other support services not properly classified elsewhere in the 2000 series.



Transportation Services – Activities concerned with the conveyance of students to and from school and trips to school activities. These activities include supervision of student transportation, vehicle operation, servicing and maintenance, bus monitoring and traffic direction. Transportation insurance expenditures are charged to this function.

FUND BALANCE UPDATE

- In FY2009, the General Fund, Fund Balance topped out at 157.9 million or 24.2% of that year's budgeted expenditures. In more recent year's fund balance has hovered between 9-14% of expenditures. For reference, the GFOA recommends as best practice to maintain two months-worth of expenditures within the fund balance, or 16.7%
- APS has a long-standing practice of maintaining a fund balance above 7.5% of revenue, but below the statutorily required cap of 15%
- The Fund Balance is equal to assets less liabilities for the calendar year and does not represent the cash on hand at any given time
- With an approved budget of $818 million, the reserve range is between $61 and $123 million



FY2019 EFFICIENCY STAR RATING

APS is committed to providing its students with a quality education that will prepare them for college and career opportunities. At the same time, the district is mindful of its fiduciary responsibility to the tax payers of Atlanta and the state of Georgia.

The Georgia Department of Education released the 2018 Financial Efficiency Star Ratings (FESR) for schools and school districts in Georgia. The goal of the FESR is to provide a comparison of district spending per student with overall academic performance, specifically the College and Career Ready Performance Index (CCRPI). Atlanta Public Schools FESR for FY2019 is 1.5 stars on a scale of 5 stars.

While APS respects the attempt to measure the district's proficiency in educating students in

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as cost-effective a manner as possible, a number of unique factors and challenges must be taken into consideration:

- A large proportion of our students are in high-need and high-cost categories, including special education, ESOL and high poverty. APS is committed to providing additional services to meet the needs of these students.
- APS maintains low-population neighborhood schools, due to urban traffic constraints and community needs. Low-population schools may yield greater per pupil expenditures as they are unable to take advantage of economies of scale.
- APS has a large unfunded pension liability, with an annually increasing obligation until 2030. The severity of this financial strain is unique to APS.
- Atlanta has one of the highest costs of living in the state of Georgia, which impacts salary requirements needed to attract and retain quality employees.

Per pupil expenditures in APS have been and will continue to be driven by efforts to increase student achievement, and the results of the most recent CCRPI – which continue to improve with two-thirds (56) of schools, 23 more than 2016, showing gains on the 2017 CCRPI – indicate that while the district still has a long way to go, it continues to move in the right direction.

As such, the district expects to continue making significant investments to improve student achievement. For the FY2019 school year, the district is investing $43 million in its turnaround strategy for low-performing schools. APS will remain committed to providing our students with a high-quality educational experience, while implementing a fiscally responsible approach that minimizes the impact on tax payers and makes efficient use of public dollars.

ECONOMIC CONTEXT

FEDERAL

President Trump's FY2020 budget proposal was delayed as a result of the partial government shutdown, which left many workers from the White House Office of Management and Budget furloughed. Appropriators expect spending levels for 2020 to be similar to current levels. President Trump mentioned he will propose an across-the-board 5 percent cut in non-defense spending.

To fund the government, Congress must pass appropriations bills before the fiscal year begins on October 1. If Congress does not do so, it creates continuing resolutions to keep government departments operational. In 2018, it passed five out of 12 total appropriations bills.

When appropriation bills were not passed on December 21, 2018, parts of the government that did not receive funding were shut down. Although parts of the government were shut down for a few weeks, Congress passed a bill funding the Department of Education back in September 2018, and President Trump signed the legislation. That ensures that major education programs, like

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Title I and IDEA, are funded through September 2019. In January 2019, 800,000 federal workers did not receive a paycheck, to assist APS allowed furloughed workers to apply for positions as substitute teachers. [9]

As our Human Resources team led by Skye Duckett, Chief Human Resources Officer, and our Deputy General Counsel, Laurance Warco, looked at the effect of the shutdown on our own employees, we found that among our more than 6,000 full-time and 1,500 part-time colleagues, as many as 500 would be directly impacted by the shutdown through the employment of their spouse, partner or household member in a federal agency that is closed due to the partial government shutdown.

As a district with a mission that starts "with a caring culture," APS had to assist. Working with Atlanta Partners for Education, APS announced a new district initiative that identified ways in which employees could help our own. A goal was set to raise $25,000 for the Atlanta Partners for Education to assist employees with necessities during this time.

APS Nutrition Department does not expect any reductions in the FY20 federal reimbursements for school meals. We anticipate that USDA will publish the reimbursement rates for school year 2019-20 in July 2019. Typically there is an increase in the range of 3-8 cents to the current rate which is 3.39 for lunch or the rate could remain the same as the previous year.

While the uncertainty of a federal shutdown remains a concern, APS has been compliant in the federal guidance for fund balance retention. Which recommends the retention of a 3 month fund balance for Food Services operation expenditures by local school districts, to ensure continued meal services without use of District general funds if there is a delay in the distribution of federal reimbursements.

STATE

Governor Brian Kemp's budget proposal for year 2020 allocates $10.6 billion to Georgia's public schools, a nearly $660 million increase above the current funding. Almost three-fourths of the increase is directed to raise pay for the state's 115,000 teachers and certified school employees. Student enrollment growth and increased funding for charter schools make up the bulk of the remaining additional dollars. Although Georgia's mechanism for financing public schools will be fully funded, individual school districts will continue to face significant financial stress. Matching pay increases for teacher and school staff positions not funded through state allotment will also strain local budgets. [2]

The budget for 2020 will continue fully funding the QBE formula. To meet the state's financial obligations during the Great Recession, legislators made significant changes to QBE that resulted in less money for public schools. During the 16 years of so-called austerity cuts from 2003 to 2018, public school districts received $9 billion[1] less in state funding than QBE calculated was needed to provide "an adequate public education" as required by the Georgia Constitution.[2] Governor Kemp's inclusion of $483 million for certified teacher and employee pay increases is a welcome addition for a workforce that is ranked near the bottom for wage competitiveness in the nation.[5] The total amount requested is sufficient for 132,911 positions.[6] Georgia allotted for 115,379 teachers through QBE in 2019, as well as 16,919 other positions such as school psychologists and media center specialists. Districts are free to hire additional teachers with money earned through local taxes. If the General Assembly passes the pay raises in the governor's budget, districts will feel pressure to use local funding to increase the pay of those employees not financed through QBE.

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Notable 2020 changes to the State of Georgia Education Budget

- Funding in the proposed 2020 budget for the Georgia Department of Education will increase about $659 million, or 6.6 percent, from the original FY2019 amount.
- Most of the additional funds, $483 million, are directed to increase the base salary schedule for certified teachers and certified employees by $3,000. The amount will cover the raises and employer contribution to the Teacher's Retirement System of Georgia for 133,000 employees. Currently the funding formula allots for just over 115,000 teachers.
- A proposed boost of about $134 million covers student enrollment growth and routine adjustments in teachers' salaries through the Quality Basic Education (QBE) formula, the state's method for calculating K-12 funding.
- Funding reductions are proposed for new math and science teachers $1.5 million, and $110,468 for school nurses.
- The State Charter Schools Commission supplement is set to increase $46.3 million due to the changes enacted in House Bill 787.

[1] Georgia Budget & Policy Institute. (2018). *Georgia Budget Primer 2019*. Retrieved from:https://cdn.gbpi.org/wp-content/uploads/2018/07/Georgia-Budget-Primer-2019.pdf
[2] Ga. Const. Art. 8, § 1
[3] Johnson, C.D. (2012). *Bill Analysis: House Bill 824.* Georgia Budget and Policy Institute.
[4] Suggs, C. (2018). Overview: 2019 Fiscal Year Budget for K-12 Education. Retrieved from: https://gbpi.org/2018/overview-2019-georgia-budget-k-12-education/#_edn2
[5] Baker, B., Farrie, D. Johnson, M., Luhm, T., and Sciarra, D. (2017). Is school funding fair? A national report card. Education Law Center. Retrieved from: http://www.edlawcenter.org/assets/files/pdfs/publications/ National_Report_Card_2017.pdf
[6] Based on GBPI analysis of QBE allotment sheets.
[7] Based on GBPI analysis of DECAL funding for lead and assistant teaching positions. Retrieved from: http://decal.ga.gov/documents/attachments/2018-2019%20RateChart.pdf
[9] https://thehill.com/policy/finance/427523-trumps-2020-budget-delayed-by-shutdown

LOCAL

Local revenue represents almost 70% of overall funding for the District. APS relies heavily on an ad valorem property tax levied on most all properties in the District. This generally would be considered a
stable source of revenue, but in recent years, it has not been stable for the school system.

The Great Recession of 2008 created a never before seen dip in overall property values which took years to recover from. Despite the economic recovery, the assessed value of properties in the Fulton County portion of Atlanta did not keep up with market over that decade. In calendar year 2017 a massive revaluation of properties in Fulton County led to protests by taxpayers, which then led the Fulton County Board of Commissioners (BOC) (not the Board of Tax Assessors (BTA) which actually sets property values) to use a law from the 1800s to freeze values in 2017 at the 2016 values.

This action by the BOC resulted in a dramatic drop in expected revenues and a delay in collecting what revenues were to be received. The digest, the value of all properties in the county, was rejected by the State Department of Revenue due to the BOC action, meaning the temporarily tax collection order (TCO) had to be issued to allow the Tax Commissioner to issue tax bills.

In calendar year 2018, the Fulton County Property Appraiser's Office again reassessed properties with a dramatic increase closer to market rates. There was no action by the BOC as litigation over their previous action was ongoing. The State Department of Revenue rejected this digest again, because of the high number of appeals. This ruling resulted in a second straight year where a temporary tax collection order was needed.

Not only are digest values creating issues with the stability of local revenue, but economic development actions are also eroding the tax base. The District is taking a more active role in determining if proposed economic incentives are beneficial for the school system and its child.

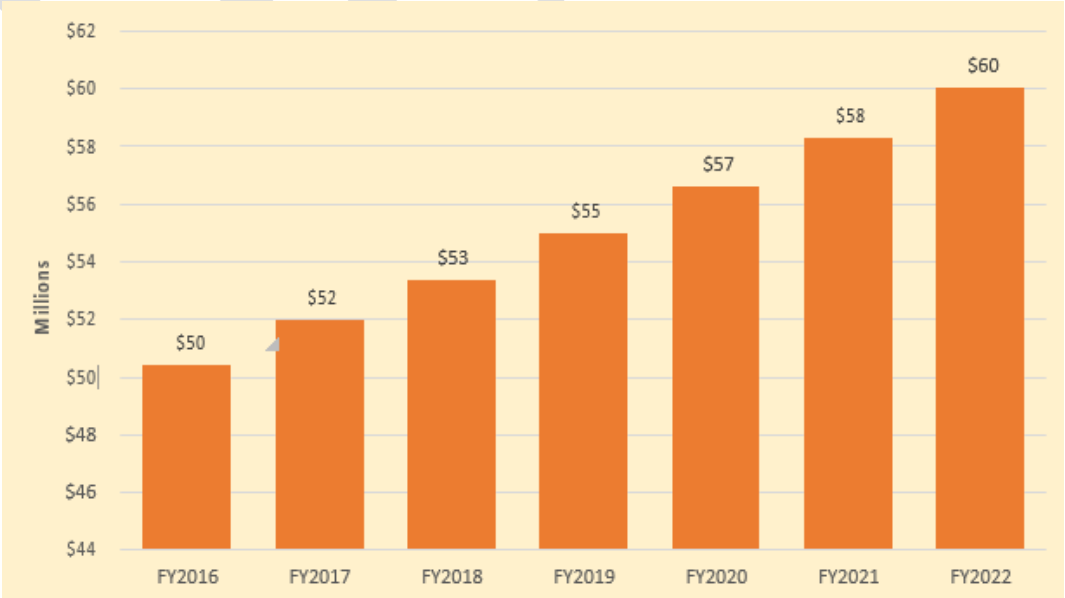
EXPENDITURE ASSUMPTIONS (MANDATORY COSTS)

PENSION

In the 1970's, significant underfunding occurred when the teachers in City Plan moved to the Teacher Retirement System (TRS). TRS required that the transfer of the teachers to their system be "fully funded". As a result, a substantial amount of the pension assets were transferred to TRS and, at that point, APS's share of the City Pension Plan was woefully underfunded. Since at least 2002, APS has made payments ranging from $39-$55 million on an annual basis and the annual required payments will escalate significantly over the next several years, topping out at $77 million in the year 2030.

The pension liability payments for FY2019 are currently coming out of the General Fund and the annual payment represents 7% of total general fund spending. The current annual payments are approximately $1,033 per student and the payment amounts could go as high as approximately $1,400 per student in future years. As such, these amounts cannot be spent for educational purposes. This is a tough issue and impacts the core mission of APS as it reduces the amount of funds available to educate students.

Atlanta City Pension



TEACHER RETIREMENT SYSTEM

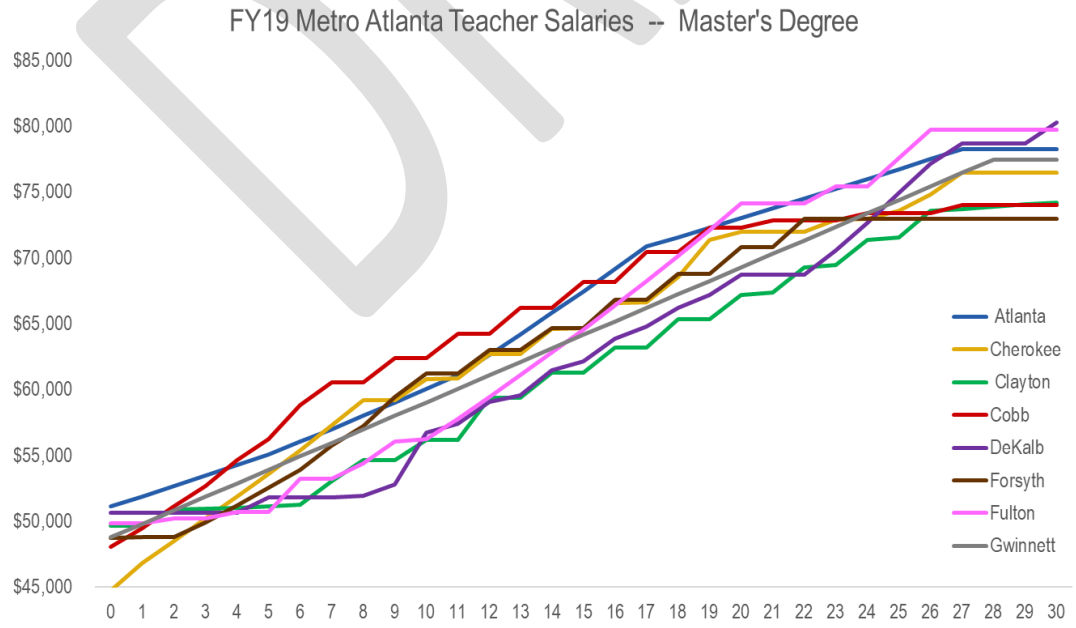
The Teacher Retirement System's board voted to increase the "employer," or government, contribution rate to the fund by from 20.90 to 21.14 percent, much smaller than last year's amount. Which increased from 16.8 to 20.90 a 24% increase in one year. In FY2011, the government paid 9.74 percent of payroll into the TRS. That rate will be 21.14 percent in FY2020, which begins July 1, 2019. State APS anticipates an approximate increase of $1 million. APS Compensation and Benefits are approximately 65% of General Fund total expenses and we began this budget projection with a step increase built in. The district's contribution to TRS has been steadily increasing:

FY16 14.3%
FY17 14.3%
FY18 16.8%
FY19 20.9%
FY20 21.14%

Increase in the enrollment (staff increase) or an increase in salaries will increase TRS and Health Benefit Expenditures.

COMPENSATION

Compensation is a core component of the district's talent management strategy. As part of the budget planning process, the Office of Human Resources provides recommendations for investments in compensation strategies that support the recruitment, development and retention of a highly talented workforce. Compensation recommendations are made based upon: market competitiveness, inflation and living wage; strategies to improve identified recruitment and retention issues; legislative and external factors; position reclassification adjustments; and annual review of specific employee groups on a rotating schedule.



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INNOVATIONS AND STRATEGY

STUDENT SUCCESS FUNDING MODEL (SSF)

School district leaders face a number of challenges when determining how to allocate limited resources. Shifting demographics, complex student needs, and uncertain tax base growth require school districts to think of innovative approaches to allocate resources. In this context, APS worked to develop a school funding formula that will maximize transparency, provide autonomy & flexibility to schools and ensure equity for all students; Student Success Funding (SSF).

Goals of a good school allotment formula

A good school allotment formula allows APS to allocate funds in a way that better meets the specific needs of students, allows for principal and GoTeam innovation, and can be easily understood by stakeholders.

Equity - The previous APS funding model posed equity challenges in a few different ways.

- Similar sized schools got very different allocations due to enrollment thresholds. Very differently sized schools got identical allocations in some cases.
- Different populations with different needs received similar allotments. For example, a school with high mobility may need more clerks than a similarly sized school without that issue.
- Student Success Funding (SSF) smoothly scaled with student enrollment and allocated similar resources to students with similar characteristics, regardless of which school they attend.

Autonomy & Flexibility - The previous APS funding formula limited the perception of school autonomy by distributing resources to schools in the form of staff and dollars designated for specific purposes. As a charter system, APS is in an excellent position to provide autonomy & flexibility to schools through our school allotment formula. Ideally, leaders in each school should have the opportunity to manage resources as they best see fit in order to drive student achievement. The establishment of GoTeams and strengthened school governance provides the foundation upon which principals can leverage flexibility & autonomy to meet the unique needs of their school.

Transparency - APS is dedicated to providing transparency to the community and engaging stakeholders at every step of the budget process. We have done this through our current school allotment guidelines and our Budget and Financial Advisory Committee (BFAC). However, Student Success Funding will provide additional clarity and better understanding for how and why dollars are allocated.

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Comparing Funding Models

Transitioning to a new model will put APS's school allotment formula in alignment with our strategic objectives, expand school autonomy & flexibility, and alleviate enrollment pressure points in the previous formula. As part of the current strategic plan, we are committed to improving efficiency and resource allocation in a manner grounded in strategic academic direction and data. A revised funding model will help APS prioritize resources based on student needs, meeting one of our key strategic objectives.

CONSOLIDATION OF FUNDS

As a charter district, Atlanta Public Schools has opted to participate in the GaDOE Consolidation of Funds Pilot. The purpose of consolidating funds is to help a Schoolwide program school effectively design and implement a comprehensive plan to upgrade the entire educational program in the school based on the school's needs identified through its comprehensive needs assessment. Consolidation of funds means that Schoolwide School treats the funds it is consolidating as a single "pool" of funds and funds from the contributing programs lose their identity –but not all the benefits and the school uses funds from this consolidated schoolwide (SW) pool to support any activity of the SW Plan.

Federal, state, and local funds in specific Title I schools that operate school wide programs are fully consolidated.

Benefits of Consolidation

Flexibility - Once funds are consolidated, the federal funds lose their identity as federal funds, and expenditures of those funds are no longer limited to the federal requirements for the individual programs.

Allow ability - A school wide program that consolidates federal program funds is not required to meet most statutory or regulatory requirements of the program applicable at the school level, but must meet the intent and purposes of that program to ensure that the needs of the intended beneficiaries are met.

Time and Effort - A school wide school that consolidates federal, state, and local funds is not required to keep any time and effort documentation on employees paid out of the consolidated pool of funds, unless otherwise required by the state and local district.

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FY2020 DEVELOPMENT

FISCAL YEAR 2020 GENERAL FUND BUDGET DEVELOPMENT		
Item	Item Description	Dates
1	Board Budget Commission Meeting	September 20, 2018
2	Board Meeting	October 1, 2018
3	Board Budget Commission Meeting	October 18, 2018
4	Budget and Finance Advisory Committee (BFAC)	October 18, 2018
5	Boarding Meeting	November 5, 2018
6	Budget and Finance Advisory Committee (BFAC)	November 8, 2018
7	Board Budget Commission Meeting	November 15, 2018
8	Board Meeting	December 3, 2018
9	Board Meeting	January 7, 2019
10	Budget and Finance Advisory Committee (BFAC)	January 10, 2019
11	Governor's State of the State Address and Education Budget (OMB)	January 15, 2019
12	Board Budget Commission Meeting	January 31, 2019
13	Board Meeting	February 4, 2019
14	Board Budget Commission Meeting; Budget Primer and Budget and Finance Advisory Committee (BFAC)	February 28, 2019
15	Board Meeting	March 4, 2019
16	Budget and Finance Advisory Committee (BFAC)	March 14, 2019
17	Board Budget Commission Meeting	March 21, 2019
18	Board Meeting	April 4, 2019
19	Budget and Finance Advisory Committee (BFAC)	April 11, 2019
20	Board Meeting; (Tentative adoption)	May 6, 2019
21	First public budget hearing for Fiscal Year 2020 Budget	May 6, 2019
22	Conduct regional public meeting for Fiscal Year 2020 Budget	TBD May
23	Conduct regional public meeting for Fiscal Year 2020 Budget	TBD May
24	Board Budget Commission Meeting	May 16, 2019
25	Budget and Finance Advisory Committee (BFAC)	May 9, 2019

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26	Conduct regional public meeting for Fiscal Year 2020 General Fund	TBD May
27	Conduct regional public meeting for Fiscal Year 2020 General Fund	TBD May
28	Board Meeting; (Final Adoption)	June 3, 2019
29	Second public budget hearing for Fiscal Year 2020 Budget	June 3, 2019
30	Advertise and publish notice of tax rate and budget	TBD July
31	Advertise the first and second public hearings for the tax Millage rates	TBD July
32	Advertise the tax digest for the five year history Fiscal Years, 2014-2019	TBD July
33	Advertise the third public hearings for the tax Millage rates (if	TBD July
34	Deadline for millage rates to be delivered to Fulton County Tax	TBD July
35	Final adoption of the tax Millage rates for Fiscal Year 2020)may require a called Board meeting (public hearings depending on the county's	TBD July
36	Hold the first and second public hearings on the tax Millage rates	TBD July
37	Hold the first and second public hearings on the tax Millage rates (if Necessary).	TBD July
38	Tax assessor provides final appraisal values to the District	TBD July

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BUDGET PARAMETERS

Budget parameters guide budget development, including revenue assumptions, fund balance targets, and expenditure goals; identifies process and presentation recommendations that provide transparency in linking goals, outcomes and district spending plans; and develops monitoring procedures that hold the district accountable for executing the budget plan.

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:

1. If the budget contemplates significant investments in strategic priorities above current operational costs.
2. 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.
3. If the budget proposals support the district's transformational strategy.
4. 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.
5. If the Board believed that not raising the millage rate would impede the district's ability to deliver on promises to stakeholders (signature programs, Turnaround, whole-child development, to address equity).
6. If unfunded mandates emerge from the General Assembly.
7. If there is significant loss of long-standing revenue streams.
8. If the increase will not inhibit the economic stability of local neighborhoods

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

RESOURCE PARAMETERS

1. The District will implement the expenditure parameters using the current millage rate or will set a new millage rate using the Board's Guiding Principles for Revenue Consideration to support the mission and vision of the District.
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.

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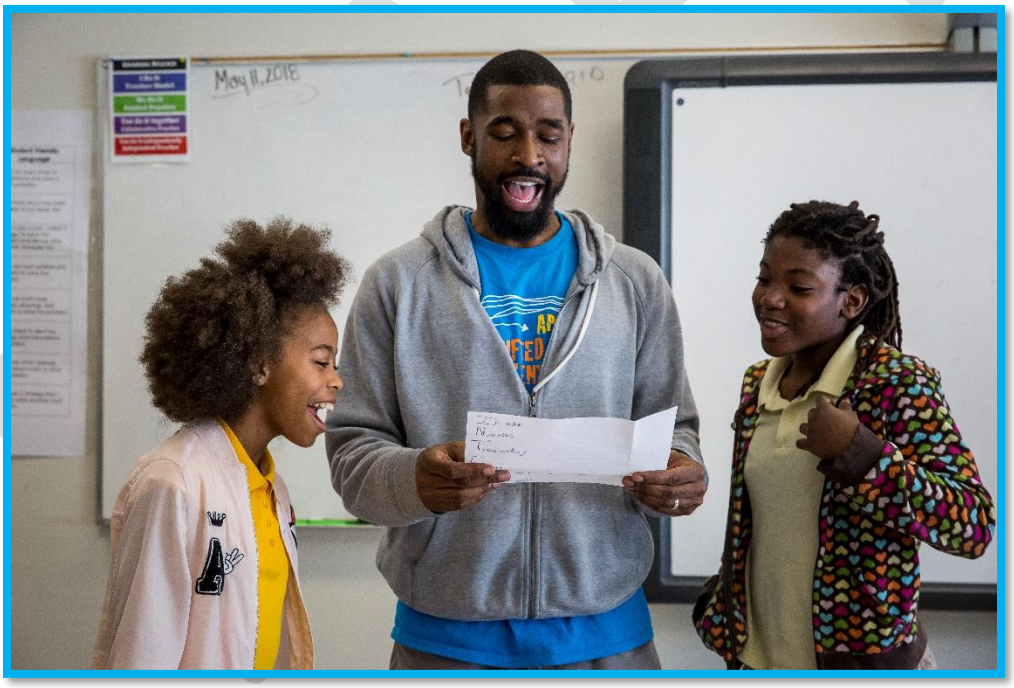
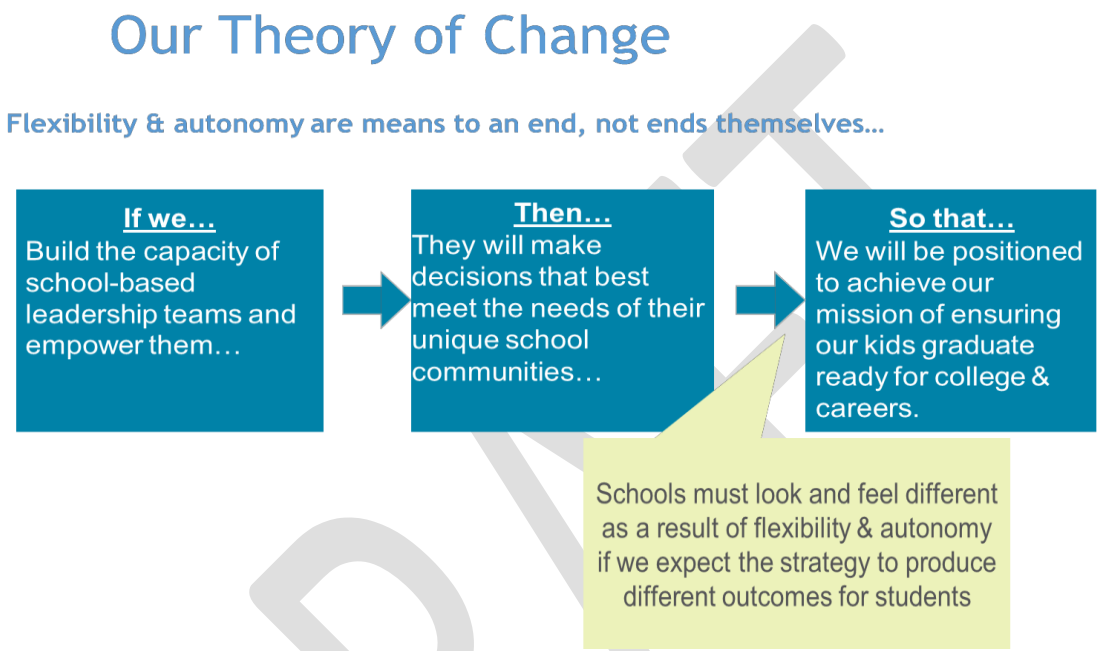
4. The District will analyze and explore all funding sources including grants and special revenue to maximize resources and supplement the general fund.
5. The District, with support and collaboration from other stakeholders, will continue to identify and encourage grant generating opportunities, especially through our Partnerships Office.
6. The District will identify and sunset ineffective programs to redirect human resources and funding where possible
7. **NEW:** The District will pursue oversight and input on all extended or new Tax Allocation Districts (TADs) and will work to maximize the benefit to the district of all current TADs.
8. **NEW:** The District will advocate for all proposed abatements to present publicly a cost analysis, not just for the project as a whole, but also for each governmental body that is affected by the abatement.]
9. **NEW:** The District will support that the City and the District will continue to have coterminous boundaries.



GUIDING PRINCIPLES FOR 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



EXPENDITURE PARAMETERS

1. The District will allocate resources pursuant to the District's definition of equity through the Student Success Formula (SSF).
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 (through SSF), 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) through a coherent Districtwide academic system.

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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 continue funding through SSF a plan to increase transparency distributing funding equitably to drive innovation and autonomy with accountability so that Principals and local GoTeams can make decisions aligned with their specific needs with a focus on:
    a. Investments in Pre-K through 3rd grade to ensure all students are reading by the end of 3rd grade.
    b. Whole-child development, including positive behavior supports, arts and athletics.
    c. Leadership development.
    d. Access to quality Early Childhood Education.
7. NEW: In support of the Facilities Master Planning process, the District will realize the impact of facility upgrades, expansions, and improvements on the General Fund and will support the necessary allocation of funds that adequately maintain the ongoing operational costs (i.e. custodial services and preventative maintenance).
8. NEW: The District will recognize the value of citizen input and communications by investing in an adaptable communication and engagement system.