



School Board Workshop # 3 – June 16, 2020

Planning for the FY 2020-21 Budget

Prepared by Financial Management

Workshop Agenda

- Closing out FY 2019-20
- COVID-19 Economic Update
- Budget Development Assumptions
- FY 2020-21 Legislative Budget
- FY 2020-21 FEFP Revenue & Anticipated Cost Increases
- FY 2020-21 Reductions, Savings, & Budget Balancing
- Reopening Schools Financial Implications
- Nonrecurring Resources
- Discussion on Capital Fund Budget
- Budget Adoption Timeline
- Questions



Closing Out FY 2019-20

As we continue to close out FY 2019-20, the following is work in progress:

- Reduction in salary costs as a result of shift to distance learning and the related cost avoidance
- Freeze on all non-essential spending (currently 123 positions)
- Review of discretionary spending vendor contracts
- Closing out unliquidated purchase orders
- Utilities cost savings
- Increase Fund Balance to carry forward one-time resources to help cushion against a mid-year holdback from the State



COVID-19: Economic Update

- ▶ Treacherous Investment Environment
- ▶ Pandemic Risk Less Concerning than Economic and Political Risks
- ▶ Size and Speed of Stimulus Increases Uncertainty
- ▶ Economic Fundamentals Remain Significantly Challenged
- ▶ Increasing Leverage is Unsustainable
- ▶ Volatility Will Continue



Source: Government Finance Officers Association

COVID-19: Economic Update

- As of April, school districts nationally furloughed or laid off nearly half a million employees as reported by the Center on Budget and Policy Priorities. In comparison to the Great Recession, it has happened in one month.
- Learning Policy Institute estimates that if states slash education spending by 15%, schools could be forced to eliminate more than 300,000 teaching positions — almost 10% of the national K-12 teacher workforce. In comparison the U.S. lost roughly 120,000 teachers between 2008 and 2010.
- As of May 2020, the national unemployment rate was 13.3% or 21 million jobs, well above its 10% peak during the Great Recession.
- Sales tax is 77.3% of the State's general revenue. Sales tax collection in April was \$773 million below the State's estimate.



Budget Development Assumptions as of June 16, 2020

- The Governor will sign the budget presented to him by the legislature.
- We need to prepare for a potential mid-year holdback through temporary spending moratorium in specific areas.
- We will receive a minimum of \$42.8M under Phase I of the Cares Act that would be earmarked for cost increases specifically for new costs related to any reopening model the Board approves. These dollars are likely non-recurring.
- The cost avoidance benefit to fund balance during FY 2019-20 school year is non-recurring and would potentially provide similar one-time cost support.



2020-21 Legislative Budget for Broward

(in Millions)	2019-20 4th Calc	2020-21 Legislative Budget	Inc/(Decr)
State Funding:			
Class Size Reduction	\$303	\$303	\$0
Categoricals	270	279	9
Best & Brightest	27	-	(27)
Teacher Salary Increase Allocation	-	47	47
Net State FEFP	489	504	15
Total State Funding	\$1,089	\$1,133	\$44
Local Funding	953	963	10
Total Revenue	\$2,042	\$2,096	\$54
2020-21 Legislative Budget as compared to 2019-20, 4th Calc			2.64%



Note: the 2020-21 Legislative Budget did not change, however, a proration to appropriation in 2019-20 increased by \$1.1 million.

2020-21 Legislative Budget Categoricals (Broward)

(in Thousands)	2019-20 4th Calc	2020-21 Legislative Budget	Inc/(Decr)
Mental Health Assistance	\$6,527	\$8,830	\$2,303
ESE Guaranteed Allocation	102,976	105,727	2,751
Supplemental Academic Inst.	59,297	59,479	182
Safe Schools	16,059	15,976	(83)
Reading Allocation	11,738	11,613	(125)
Digital Classrooms	428	166	(262)
Instructional Materials	21,173	21,345	172
Student Transportation	33,050	33,293	243
Turnaround Supplemental Services	1,376	1,383	7
Lottery & School Recognition	14,010	14,007	(3)
Other Categoricals *	3,847	6,859	3,012
Total Categoricals	\$270,481	\$278,678	\$8,197



* Other Categoricals include, DJJ Supplemental Allocation, Funding Compression Allocation, Teachers Classroom Supply Assistance, and Proration to Appropriation.

FY 2020-21 Anticipated Cost Increases

	\$ In Millions
FRS Increase (based on proposed rates, awaiting final legislative decision)	(\$23.0)
Charter Schools Growth UFTE 1,110 Net Of Cost Avoidance	(4.0)
Family Empowerment Scholarship Growth UFTE 655	(5.0)
Cost of Increase in Property & Casualty Insurance (8%) *	(1.6)
Costs for re-opening (Financial Impact not yet determined)	?
Potential Cost Increases	(\$33.6)
Increase in Maintenance Transfer from Capital	1.6
Net Potential Cost Increases	(\$32.0)



* The \$1.6M in insurance increase is to be absorbed by Maintenance Transfer.

FY 2020-21 FEFP Revenue & Anticipated Cost Increases

	\$ In Millions
Total Revenue Increase, net of Charter Schools' Share *	\$5.8
Potential Cost Increases	(32.0)
FEFP Revenue & Cost Increases	(\$26.2)



* Excludes the Teacher Salary Increase Allocation categorical of \$47M, and charter schools' share of \$1.2M (calculation $\$54M - \$47M \times 83\%$)

FY 2020-21 Budget Reductions, Savings, and Paused Items

District	(in Millions)
Divisional Budget Reductions, including elimination of positions	\$4.0
Overtime Reduction	3.0
Professional Development funded by Grants	2.0
Districtwide Travel Restriction	3.0
Maximize Allowable Transfer from Capital & Food Services	10.0
Reduction in Professional Services Budget	.5
Financial Benefit of Paused Items *	3.7
Total Budget Reductions, Savings & Paused Items	\$26.2



* These items are paused for one year and will result in a cost increase in developing the FY 2020-21 budget.

SY20-21 Re-Entry Investments

Category	Key Design Variables	Cost Drivers and Other Considerations
Instructional Delivery	<ul style="list-style-type: none"> - Percent of students in person each day - Percent of students opting out (fully remote) - Target group sizes (in-person & virtual) - School-based vs. shared staffing models 	<ul style="list-style-type: none"> - Staffing model (instructional and support staff) - Number of staff reporting in person - Facilities constraints
Academic Recovery	<ul style="list-style-type: none"> - Percent of students receiving additional time and/or attention 	<ul style="list-style-type: none"> - Staffing level/time - Ability to repurpose existing roles or use external providers
Social-Emotional Needs	<ul style="list-style-type: none"> - Student support model (e.g. how embedded in the school day, adoption of new curriculum, staff roles) 	<ul style="list-style-type: none"> - Staffing level/time - Ability to repurpose existing roles or use external providers
Professional Development	<ul style="list-style-type: none"> - Built into school day vs. additional time 	<ul style="list-style-type: none"> - Need sufficient time to support teachers in new way of working
Transportation	<ul style="list-style-type: none"> - % of students in person each day that need transportation 	<ul style="list-style-type: none"> - Increased mileage and labor due to reduced capacity (drivers, fuel, maintenance) - Options to reduce need - e.g. opting out, limiting eligibility
Health & Safety	<ul style="list-style-type: none"> - % of students and staff in person 	<ul style="list-style-type: none"> - Staffing (custodians, nurses) - Supplies & equipment
Technology	<ul style="list-style-type: none"> - % of students needing access 	<ul style="list-style-type: none"> - Devices & connectivity - Staffing (help desk)



Source: ERS-Aspen Institute, CFO Strategy Network

Nonrecurring Resources to be Allocated

	(in Millions)
CARES Act Funding	\$42.8
Fund Balance Cost Avoidance	30.0
Total Nonrecurring Resources to be Allocated	\$72.8



Open Items that will Impact Budgets

- Continue the process of determining cost increases and aligning resources to our new normal and our re-opening.
- Continue to monitor changes and shifts in FTE, including charter schools, an expected shift to virtual and the FES scholarship program.
- Continue to compile a list of paused items as we begin the FY 2020-21 school year.
- Likely to experience a mid-year holdback.



Capital Budget 2020-21

District Educational Facilities Plan FY21 (DEFP)

Capital Budget Update:

- Lowered property value growth rates for anticipated economic impacts of the Coronavirus recession
 - *Coronavirus reduction shown at May Workshop*
 - *The June 1 Broward County Property Appraiser's (BCPA) update is slightly higher*
 - *Final BCPA certified estimate coming in July*
- State appropriations for security upgrades is approximately:
 - ≈ \$3.3 million for District schools
 - ≈ \$600 thousand for charter schools

Other Considerations:

The update also maintains funding for other annual capital costs such as debt service, maintenance, capital funded salaries and leases approved in last year's Adopted DEFP for the technology refresh program and to replace school bus and white fleet vehicles, the 2nd year of the e-rate funding, and the FY21 State security grant for school hardening.



Capital Budget Revenue Update FY21

(in thousands)

Revenue & Financing Source	Total DEFP FY21	
Local Capital Millage	\$326,331	①
Local Revenue (land, impact fees, misc.)	24,655	
Technology Refresh Lease	16,570	
New/Replacement Bus & White Fleet Lease	14,414	
State Safety (School Hardening Grant)	4,032	
State PECO Charter Schools (flow-thru)	25,050	
State Capital Outlay & Debt Service (CO&DS - motor vehicle license revenue)	8,600	
Federal BABs Tax Subsidies	2,711	
New Revenue Sub-Total	\$422,363	
Funding Available from Unallocated Capital Reserve (as of 6/23/20)	76,860	②
Total Revenue	\$499,223	

1) Property value growth estimate revised for BCPA estimate \approx 4.37% over FY20 Budget

- 2) Reduced for impact of:
- \$344k FY20 raises to facilities/capital salaries
 - \$1.28M DNS/DHCP "EE" item on 6/23/20
 - \$650k Kronos clocks "EE" item on 6/23/20



Capital Budget Appropriations Update FY21

(in thousands)

Appropriations Category	Total DEFP FY21	
COPs Debt	\$159,665	①
Equipment & Building Leases	25,706	②
Technology Equipment	16,570	
New/Replacement Buses	10,861	
New/Replacement White Fleet	3,553	
Safety Projects – State Hardening Grant	4,032	
Facilities Capital Salaries	17,548	
Quality Assurance	200	
Capital Transfer to General Fund	99,430	③
SMART Program	53,185	
SMART Program Reserve	16,615	
Charter Schools – State PECO	25,050	
Charter Schools – Local Millage	0	
Magnet/Innovative Programs Equip.	653	
E-rate Security Cameras & Infrastructure <i>(completion of FY20 E-rate program)</i>	5,706	
Sub-Total	\$438,774	
<i>Balance = Unallocated Reserve at Adoption</i>	<i>\$60,449</i>	
Total Appropriations	\$499,223	

- 1) Updated to reflect final closing amounts for the new 2020A COPs
- 2) Updated to include actual lease payments from new FY20 equipment leases
(Vehicles & Technology)
- 3) Increased \$1M per year to include annual security camera maintenance

5-Year Capital Budget Revenue Update FY21-FY25

(in thousands)

Revenue & Financing Sources	FY21	FY22	FY23	FY24	FY25	5-Year Total
Local Capital Millage	\$326,331	\$334,815	\$347,226	\$359,587	\$371,957	\$1,739,916
Local Revenue (land, impact Fees, misc.)	24,655	11,155	10,155	10,155	10,155	66,275
Technology Refresh Lease	16,570	16,570	16,570	16,570	16,570	82,850
New/Replacement Bus & White Fleet Lease	14,414	14,629	14,849	15,072	15,298	74,262
General Obligation Bond	0	14,312	0	0	0	14,312
State Safety (School Hardening Grant)	4,032	0	0	0	0	4,032
State PECO Maintenance	0	2,200	2,200	2,200	2,200	8,800
State PECO Charter Schools (flow-thru)	25,050	14,994	14,440	14,408	14,434	83,326
State Capital Outlay & Debt Service (CO&DS - motor vehicle license revenue)	8,600	8,600	9,000	9,000	9,500	44,700
Federal BABs Tax Subsidies	2,711	2,711	2,711	2,711	2,711	13,555
New Revenue Sub-Total	\$422,363	\$419,986	\$417,151	\$429,703	\$442,825	\$2,132,028
Funding Available from Unallocated Capital Reserve (as of 5/19/20)	76,860					76,860
Revenue Total	\$499,223					\$2,208,888



5-Year Capital Budget Appropriations Update FY21-FY25

(in thousands)

Appropriation Category	FY21	FY22	FY23	FY24	FY25	5-Year Total
COPs Debt	\$159,665	\$159,695	\$159,646	\$159,646	\$159,648	\$798,300
Equipment & Bldg. Leases	25,706	29,150	34,362	38,995	40,698	168,911
Technology Equipment	16,570	16,570	16,570	16,570	16,570	82,850
New/Replacement Buses	10,861	11,023	11,189	11,357	11,584	56,014
New/Replacement White Fleet	3,553	3,606	3,660	3,715	3,789	18,323
Safety Projects – State Hardening Grant	4,032	0	0	0	0	4,032
Facilities Capital Salaries	17,548	17,548	17,548	17,548	17,548	87,740
Quality Assurance	200	200	200	200	200	1,000
Capital Transfer to General Fund	99,430	99,430	99,430	99,430	99,430	497,150
SMART Program	53,185	14,312	0	0	0	67,497
SMART Program Reserve	16,615	0	0	0	0	16,615
Charter Schools – State PECO	25,050	14,994	14,440	14,408	14,434	83,326
Charter Schools – Local Millage	0	16,667	20,383	24,099	27,935	89,084
Magnet/Innovative Programs Equip.	653	653	653	653	653	3,265
E-rate Security Cameras & Infrastructure	5,706	0	0	0	0	5,706
Appropriations Sub-Total	\$438,774	\$383,848	\$378,081	\$386,621	\$392,489	\$1,979,813
Unallocated Reserve	\$60,449	\$36,138	\$39,070	\$43,082	\$50,336	\$229,075
Appropriations Total	\$499,223	\$419,986	\$417,151	\$429,703	\$442,825	\$2,208,888

New Capital Funding Recommendations

(in thousands)

Item	FY21
Information Technology	
Student Info System (SIS)	\$ 3,000
Radio Coverage (Public Safety)	250
E-rate Network Infrastructure (20% match from E-rate program)	1,100
Avaya VOIP Upgrade (\$896k per year for 3-years - FY21 will replace 12 sites of 39 that remain on legacy phone systems)	896
Total IT	\$ 5,246

Item	FY21
Portfolio Services	
Covered Walkway	\$ 510
Tequesta Trace Middle	
Total Portfolio Services	\$ 510
BECON	
School-based tower safety inspections and repairs	\$ 180
Upgrade VC endpoints in schools to continue and expand distance (3-yrs at \$650k per year)	650
Total BECON	\$ 830
GRAND TOTAL	\$ 6,586



Capital Budget Reserves Update FY21

(in thousands)

Description	FY20		FY21 New Appropriation	Projected Total at FY21 Budget Adoption (Current Balance + FY21)
	7/1/19 Beginning Balance	Current Balance *		
SMART Program Reserve	\$59,398	\$162,571	\$16,615	\$179,186
Unallocated Reserve				
- Beginning/Current Balance	40,842	76,860		
- Used for FY21 Budget			(16,411)	
- FY21 Beginning Balance				60,449
Total Capital Budget Reserves	\$100,240	\$239,431	\$204	\$239,635

* The current reserve balance includes the impact of recent construction awards through May 19, 2020 (SMART Reserve Memo dated May 18, 2020 without the impact of JJ-13 which was not approved) and will be impacted further by awards on June 23, 2020. Unallocated Reserves are reduced for the impact of the FY20 raises on capital funds, and June 23 IT "EE" items for Kronos clocks and DNS/DHCP network upgrade.

- Over the next 4-years there is an estimated \$89.1 million set aside for charter school millage sharing; if the State fully funds charter school capital outlay these dollars will move to the capital reserves.
- In the outer years of the Adopted DEFP, there is an additional estimated \$168.6 million projected available unallocated reserves.

Budget Adoption Timeline Fiscal Year 2020-21

February 11, 2020	1 st Budget Workshop
May 12, 2020	2 nd Budget Workshop
June 16, 2020	3 rd Budget Workshop
July 21, 2020	Approve the advertisement of the Tentative District Budget and Millage Levy
July 21, 2020	Tentative DEFP #1 at School Board Meeting (Tuesday)
July 24, 2020	Advertisement of the Tentative District Budget and Millage Levy
July 28, 2020	1 st Public Budget Hearing, after 5:00 p.m. (Tuesday)
September 1, 2020	Final DEFP #2 Adoption at School Board Meeting, after 5:00 p.m.
September 9, 2020	Final Public Budget Hearing, after 5:00 p.m.



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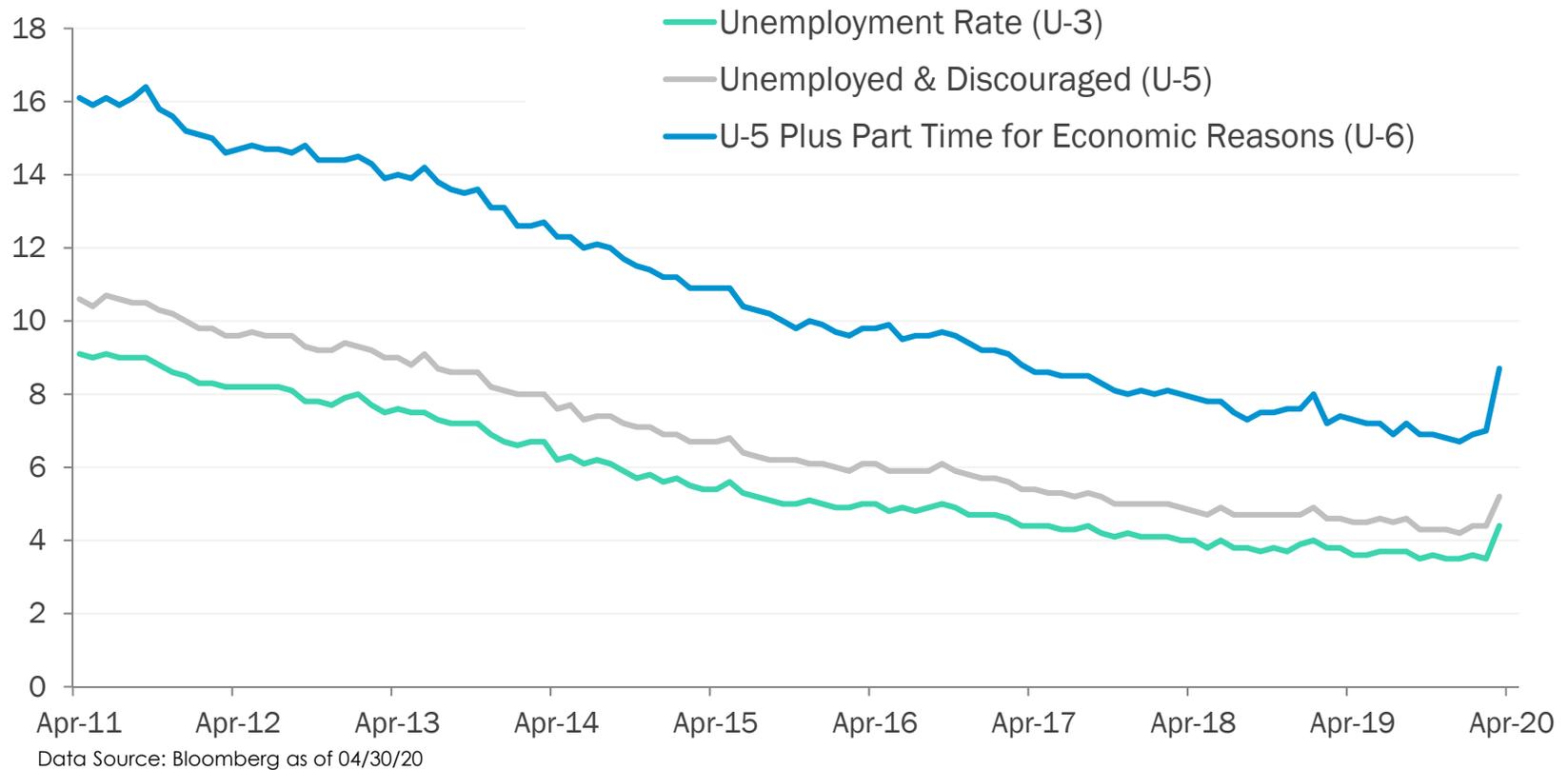
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COVID-19: Economic Update

Measures of Unemployment



Source: Government Finance Officers Association

COVID-19: Economic Update

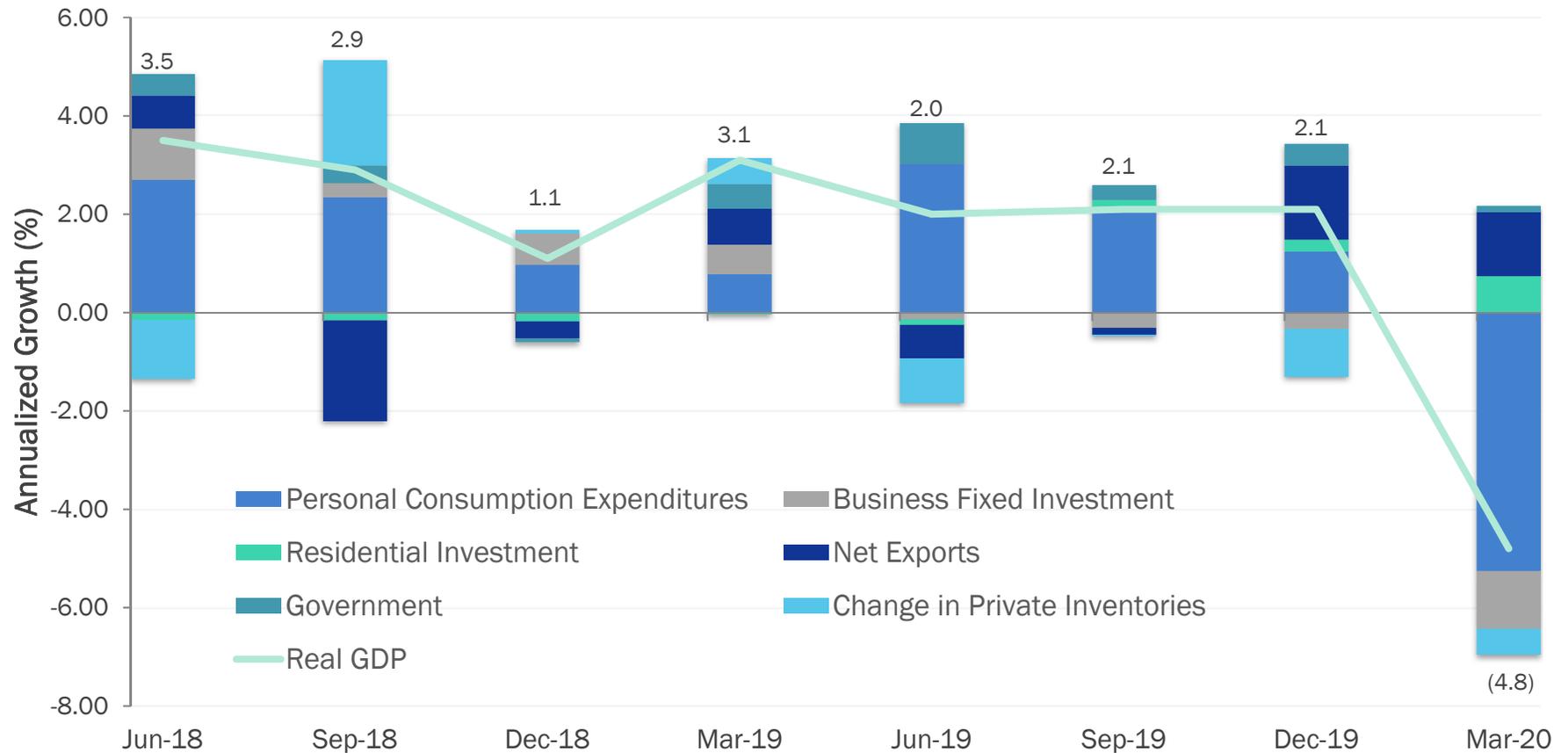
Consumer Confidence



Source: Government Finance Officers Association

COVID-19: Economic Update

Contributions to % Change in Real GDP



Source: Government Finance Officers Association

COVID-19: Economic Update

U.S. Recessions in History

Peak	Trough	Length	Previous Expansion	GDP Decline	Stock Market Decline*	Unemployment Rate Increase	Federal Funds Rate Decline§
Apr 1960	Feb 1961	10 mos	24	-1.3%		1.5%	-1.30
Dec 1969	Nov 1970	11 mos	11	-1.3%	-32.1%	2.4%	-3.37
Nov 1973	Mar 1975	16 mos	36	-3.1%	-41.2%	3.8%	-4.49
Jan 1980	Jul 1980	6 mos	58	-2.2%	-13.4%	1.5%	-4.79
Jul 1981	Nov 1982	16 mos	12	-2.6%	-15.5%	3.6%	-9.84
Jul 1990	Mar 1991	8 mos	92	-1.4%	-15.6%	1.3%	-2.03
Mar 2001	Nov 2001	8 mos	120	-0.4%	-20.3%	1.3%	-3.89
Dec 2007	Jun 2009	18 mos	73	-4.0%	-41.1%	4.5%	-4.03

*S&P 500 reflects percentage change from the peak before the recession till the trough during the recession. §Discount rate in 1960 and 1970 recessions.
Data Sources: NBER, BEA, BLS, Federal Reserve, and S&P Global estimates for 2020 recession.



Source: Government Finance Officers Association

COVID-19: Economic Update

Meeting Greater Needs

Responding to this challenge will require investment in several areas



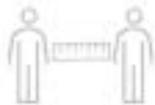
Assessing student learning & social-emotional needs



Providing extra time, staff & programming for education recovery



Providing social-emotional support



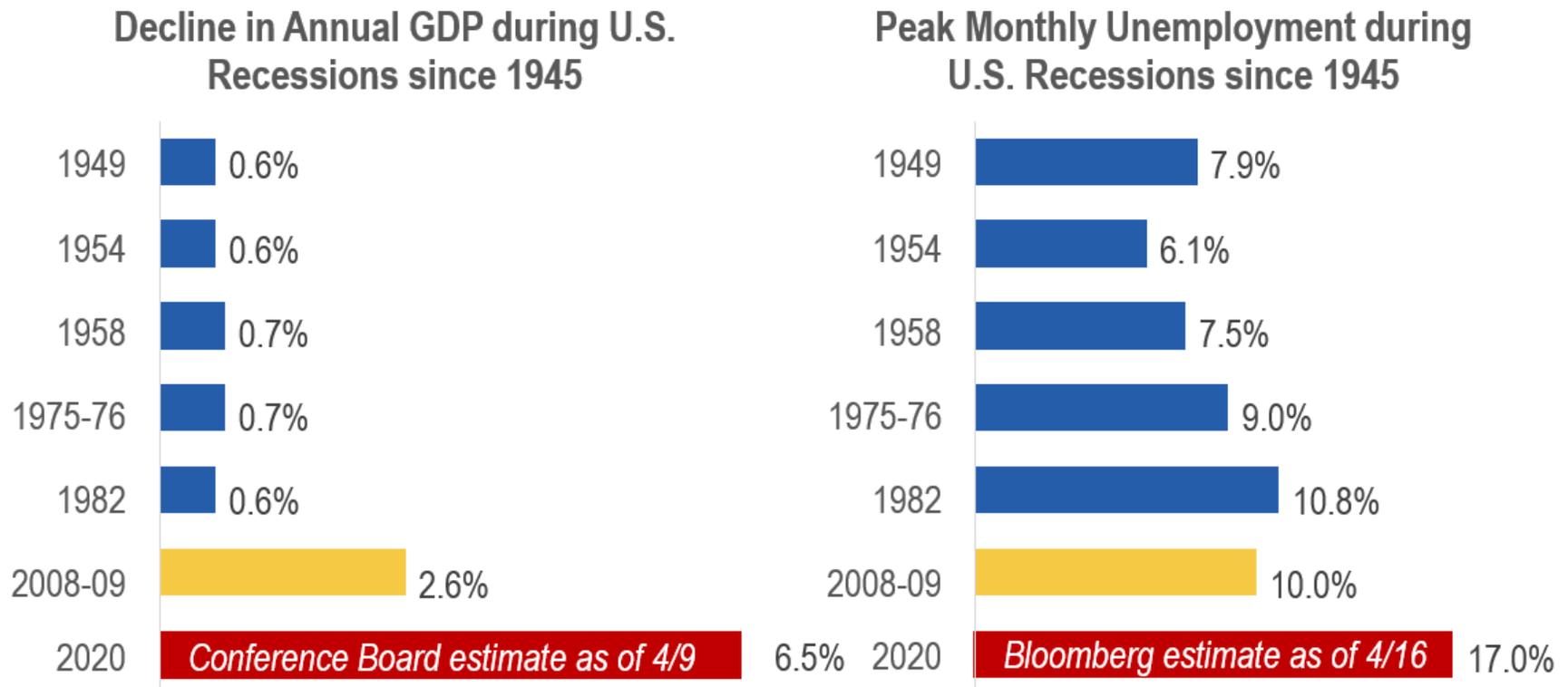
Social distancing imperatives



Source: Aspen Institute, Educational Resource Strategies (ERS)

COVID-19: Economic Update

Economists predict the pandemic is driving an economic decline significantly larger than the Great Recession...



Source: Aspen Institute, Educational Resource Strategies (ERS)

COVID-19: Economic Update

- A Moody's Analytics report released on April 14, 2020, indicates the impact to state budgets nationwide will be as high as \$353B, and reserves to offset are \$181B.
- Florida's General Fund is likely to see a 25% impact, which falls between \$8B and \$10B.
- Florida's Rainy Day Fund \$4B.
- Impact to K-20 Education will be approximately \$2.6B.
- Currently, the Federal Government has allocated \$13B nationwide via the CARES Act. SBBC's share is \$42.8M excluding the allocation to charter and private schools.
- During the Great Recession of 2008, under ARRA and Education Job's Fund, the Federal Government allocated \$110B.



COVID-19: Economic Update

- The S&P Global Ratings economists project U.S. GDP to contract 5.2% this year and consumer spending to drop 5.5%. The outlook for the retail and restaurant sectors has deteriorated further.
- The U.S. Congressional Budget Office projects that the widespread shutdowns and closures to fight the coronavirus pandemic will push the U.S. economy to contract an annualized 37.7% in the second quarter.

