

Budget Update

Staff Association

October 21, 2019

Mike Burke, Chief Financial Officer

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PALM BEACH COUNTY SCHOOLS
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Budget Update

- Contrary to public opinion, FY20 State Education Budget increase was only modestly improved from prior years.
 - *State \$75 increase to BSA equates to \$12.75 mil. for SDPBC (or 1.20% raise).*
 - *Reported 3% increase in per student funding was inaccurate and deceptive.*
 - *True increase after adjusting for Best & Brightest transfer was 1.81%.*
 - *After adjusting for categoricals, increase falls to 1.58%.*
 - *In order to ensure compliance with SB 7030, District is covering cost (est. \$5 mil.) of Charter School Security coverage for FY20 only.*



Let's take a closer look at the FEFP budget and the impact to Palm Beach

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		2018-19 Fourth 4/24/2019	2019-20 Second 7/19/2019	Conference Increase (Decrease)
1	K-12 Unweighted FTE's	190,176.60	190,923.36	746.76
2	K-12 Weighted FTE's (Funded) Prevalence	211,955.07 1.115	213,449.97 1.118	1,494.90 0.00
3	State Base Student Alloc (BSA)	\$4,204.42	\$4,279.49	\$75.07
4	District Cost Differential (DCD)	1.0430	1.0426	(0.00)
5	Palm Beach County Schools BSA	\$4,385.21	\$4,461.80	\$76.59

FEFP DETAIL:

6	WTD FTE x BSA x DCD*	\$929,467,505	\$952,370,281	\$22,902,776
7	ESE Guarantee	71,897,659	72,089,664	192,005
8	Supplemental Academic Instruction	42,622,024	42,812,463	190,439
9	Reading Instruction	8,792,668	8,764,629	(28,039)
10	Safe Schools	10,335,176	11,612,316	1,277,140
11	DJJ Supplement	246,117	263,745	17,628
12	Instructional Materials	14,858,093	15,123,621	265,528
13	Transportation	26,984,595	27,113,301	128,706
14	Digital Classrooms Allocation	2,891,367	377,141	(2,514,226)
15	Teacher Classroom Supply Assistance	3,706,897	3,678,029	(28,868)
16	Federally Connected Student Supplement	23,144	24,400	1,256
17	Turnaround Supplemental Services Allocation	-	1,982,874	1,982,874
18	Mental Health Assistance Allocation	4,310,966	4,698,949	387,983
19	Best and Brightest Allocation	-	19,828,473	19,828,473
20	Gross State and Local FEFP	\$1,116,136,211	\$1,160,739,886	\$44,603,675
21	Less: Required Local Effort Taxes	(781,846,422)	(792,839,313)	(10,992,891)
22	Gross State FEFP	\$334,289,789.00	\$367,900,573.39	\$33,610,784.39

State Categorical Programs

23	Class Size Reduction	219,985,144	220,360,782	375,638
24	Disc. Lottery/School Recognition	12,324,768	12,322,493	(2,275)
25	Total State Categorical Funding	\$232,309,912	\$232,683,275	373,363
26	Total State Funding	\$566,599,701	\$600,583,848	\$33,984,147

Not a true increase... Best & Brightest was previously funded outside of FEFP

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	2018-19 Fourth 4/24/2019	2019-20 Second 7/19/2019	Conference Increase (Decrease)
Local Funding			
27	Palm Beach County Tax Roll	200,498,118,260	211,329,141,240 10,831,022,980 5.40%
28	Required Local Effort (RLE)	781,846,422	792,839,313 10,992,891
29	Discretionary Funds from 0.748 Mills (Basic)	143,973,689	151,751,230 7,777,541
30	Total Local Funding	\$925,820,111	\$944,590,542 \$18,770,431
31	TOTAL FUNDING	\$1,492,419,812	\$1,545,174,391 \$52,754,579
Enrollment Breakdown			
32	District Operated Schools	169,856	170,208 352
33	Charter Schools	20,321	20,716 395
34	Total Unweighted FTE	190,177	190,923 747
	Charter School % of Enrollment	10.7%	10.9%
35	Charter School FEFP Pass Through	156,279,219	164,303,433 8,024,214
36	NET DISTRICT FUNDING	\$1,336,140,593	\$1,380,870,958 \$44,730,365

Funding per Unweighted FTE with Best & Brightest	\$7,847.55	\$8,093.17	\$245.62 3.13%
Funding per Unweighted FTE excluding Best & Brightest	\$7,847.55	\$7,989.31	\$141.76 1.81%
Funding per Unweighted FTE excluding Best & Brightest, Safe Schools, Mental Health and Turnaround	\$7,770.53	\$7,893.49	\$122.96 1.58%

Reported increase

Actual increase

Adj. increase

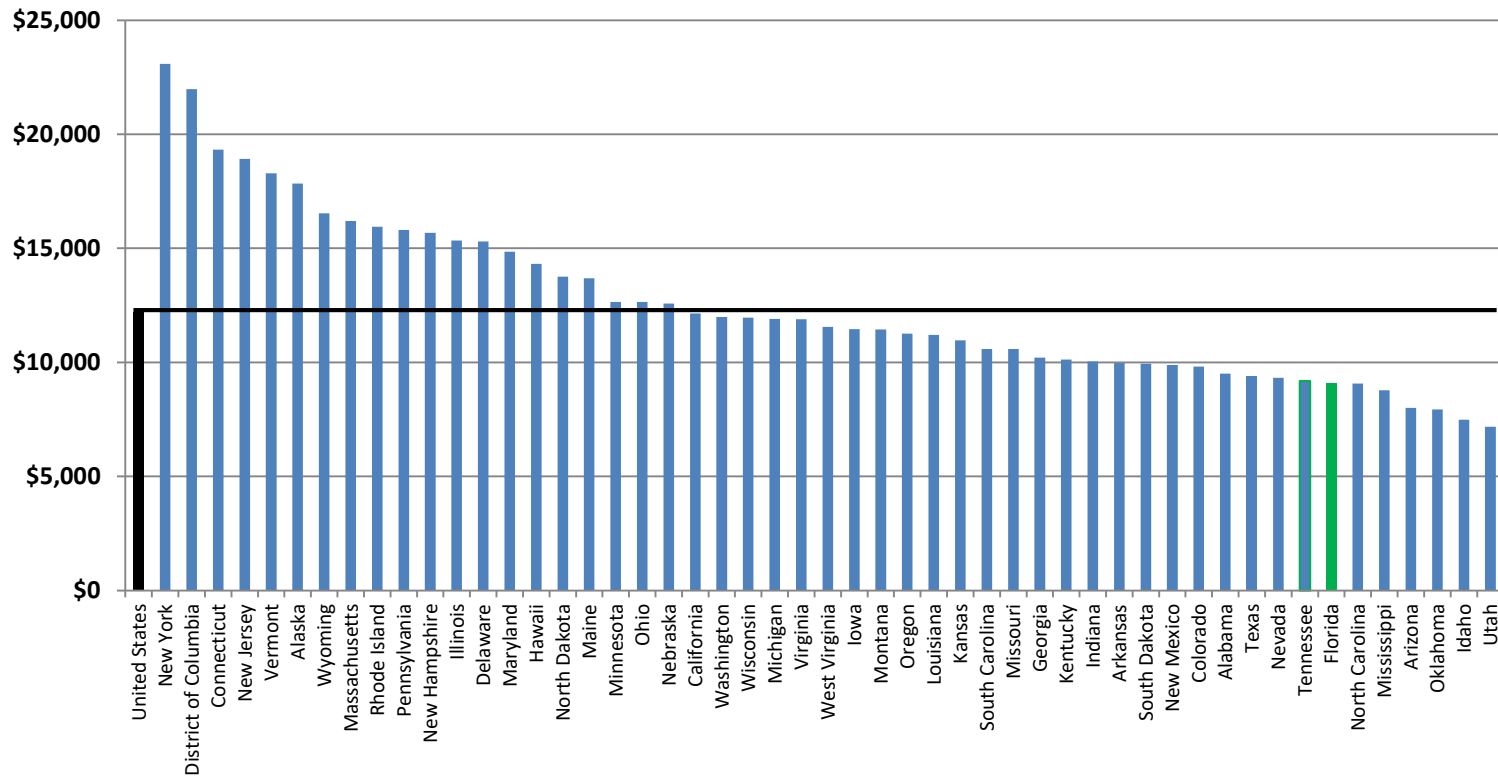
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Florida's K-12 Education Spending Now Ranks 45th in U.S.

Public School Expenditures per Student by State (FY17)



- ❖ Florida has fallen from its rank of 36th in FY07 to 42nd in FY15, 44th in FY16 and 45th in FY17.
- ❖ Florida's K-12 total spending of \$9,075 trails the national average of \$12,201 by 26% or \$3,125 per student.
- ❖ *This equates to \$531 million per year in Palm Beach County based on enrollment in District schools of 170,000 students.*

Note: Florida will likely continue to fall due to recent Legislative policy to Roll Back RLE every year. For past two years, Legislature increased RLE by value of new construction only which helps somewhat.



Economic Outlook – *Mostly Cloudy with Strong Chance of Recession*

- Several indicators point towards a possible recession in the near future:
 - As of July 2019, the nation's gross domestic product (GDP) has been growing for the last 121 consecutive months, the metric used to measure periods of sustained economic growth. That surpasses the 120-month expansion from 1991 to 2001 and represents the longest run in US history.
 - Recent inversion and flattening of yield curve. “Inverted Yield Curve” which occurs when interests rates on short-term bonds are higher than interest rates paid by long-term bonds often seen as a sign of looming recession.
 - 53% of finance chiefs believe the U.S. will be in an economic recession by the third quarter of 2020, and 67% predict a recession by the end of 2020 (Source: Duke University CFO Global Business Outlook Survey as of Q32019).
 - Recessions can vary greatly in strength or severity and duration. Most economists do not expect the next recession to rival the Great Recession that started in Dec. 2007.
- State Board of Education FY21 LBR only seeks a 1.12% increase in per student funding.
- EDR Financial Outlook forecasts insufficient revenue to meet state budget demands in the second and third year (FY22 & FY23) of planning horizon. Cannot rule out potential state education budget cuts.
- Governor DeSantis and Commissioner Corcoran's plans for a “massive” teacher raise in FY21 remain a mystery. Unclear where money will come from - Commissioner Corcoran asked to “develop a proposal within existing funding levels.”



Health Insurance – No Employee Premium Increase, Again!

- **Coalition Bargaining** – Recently reached Tentative Agreement on Health Insurance for 2020. Highlights include:
 - No premium increases (*this marks 7 & 8 years without employee premium increase*)
 - New employee health clinic (*Summer of 2020 Opening TBA*) with \$10 co-pay
 - Change to Healthy Rewards program to allow employees with spouse or domestic partners to qualify for discount independently (i.e. \$300 each). In the past, both people had to meet requirements to receive \$600 discount. Applies to 2021 discount.
 - Changing to Humana Dental Program in January 2020. Lower premiums and improved plan. Need to check on your dentist to see if they will be in network. Process to nominate dentists to join Humana network.



Dental Enhanced Services

All Plans Offer Lower Premiums

MANAGED CARE PLANS

- Reduced Fees for Many Covered Services
- Additional Covered Procedures
- Three Cleanings per Year
- Four Periodontal Maintenance Cleanings

PPO PLANS

- No Waiting Period for Major Work
- High Option Plan Covers Adult Ortho
- Extended Max Benefits
- Four Periodontal Maintenance Cleanings
- Three Cleanings Per Year

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5 Year Comparison of Average Recurring Salary Increase by Employee Group

(For Past 4 Years, All Employees Have Received 3% or More)

Year	CTA	SEIU	AESOP	PBA	Misc.	Conf.	School Admin	Staff Admin
2014-15	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
2015-16	3.20%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
2016-17	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
2017-18	3.00% (a)	3.00%	3.00%	5.00% (b)	3.00%	3.00%	3.00%	3.00%
2018-19	3.00% (a)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
5 Yr. Total	14.20%	14.00%	14.00%	16.00%	14.00%	14.00%	14.00%	14.00%

Effective Jan. 1 2015

(a) In addition, CTA received \$1.5 million or 0.22% to expand Best & Brightest bonuses to add'l CTA employees.

(b) PBA settlement included a one year suspension of School Police Performance Pay and Attendance Pay supplements.



Current Cost of 1% Salary Increase – Approx. \$10.7 mil. to G/F

The School District of Palm Beach County, Florida
 1% Increase on Base Pay: Filled and Vacant Positions
 As of September 20, 2019

Union	Union Descr	FTE	Fund 1000	Fund 1020	Fund 1021	Fund 7920	Benefits (FICA/FRS)	Total Fund 1000,1020,1021,7920	Capital Maintenance	Other Funds	Benefits (FICA/FRS)	Total Cap Maint & Other Funds	Total of All Funds	Vacancy Adj %	Grand Total by Union
01T	CTA	13,605.1	\$ 6,196,224	\$ 476,151	\$ 30,296	\$ -	\$ 1,229,940	\$ 7,932,611	\$ -	\$ 291,674	\$ 53,522	\$ 345,196	\$ 8,277,807	2%	\$ 8,112,250
02A	AESOP	2,124.3	403,047	2,211	10,074	6,914	77,482	499,727	27,701	80,430	19,842	127,973	627,700	1%	621,423
04B	FPSU (B)	3,546.3	521,597	230	-	-	95,755	617,583	92,007	204,074	54,331	350,412	967,994	1%	958,314
04D	FPSU (D)	1,006.7	83,989	2,414	-	-	15,855	102,258	-	141,569	25,978	167,546	269,804	1%	267,106
04F	FPSU (F)	511.0	70,411	-	-	-	12,920	83,331	46,386	66,103	20,642	133,131	216,463	1%	214,298
06R	Police	336.0	2,568	928	1,039	159,825	30,160	194,519	-	-	-	-	194,519	1%	192,574
Subtotal		21,129.3	7,277,835	481,934	41,409		1,462,113	9,430,029	166,094	783,849	174,315	1,124,258	10,554,287		10,365,966
Non-Bargaining Unit Staff															
03X	Board	8.0	5,770				1,059	6,829	-	-	-	-	6,829	1%	6,761
05I	Asst Prin	378.0	266,870				48,971	315,841	-	23,382	4,291	27,672	343,513	1%	340,078
05P	Principals	186.0	191,917				35,217	227,134	-	1,064	195	1,259	228,393	0%	228,393
08C	Conf Secy	250.0	109,446				20,083	129,530	805	4,755	1,020	6,580	136,110	1%	134,749
08M	Misc	1,041.1	104,177				19,117	123,294	20,635	262,687	51,990	335,311	458,605	1%	454,019
08S	Staff	929.0	364,041				66,802	430,843	140,480	281,372	77,410	499,263	930,106	1%	920,805
Subtotal NBU		2,792.1	1,042,222				191,248	1,233,469	161,920	573,260	134,906	870,086	2,103,555		2,084,803
Grand Total		23,921.46	\$ 8,320,057				\$ 1,653,360	\$ 10,663,499	\$ 328,014	\$ 1,357,109	\$ 309,220	\$ 1,994,344	\$ 12,657,842		\$ 12,450,770



Please Note: SDPBC unrestricted funding per student increased \$119 or 1.58% for FY20.

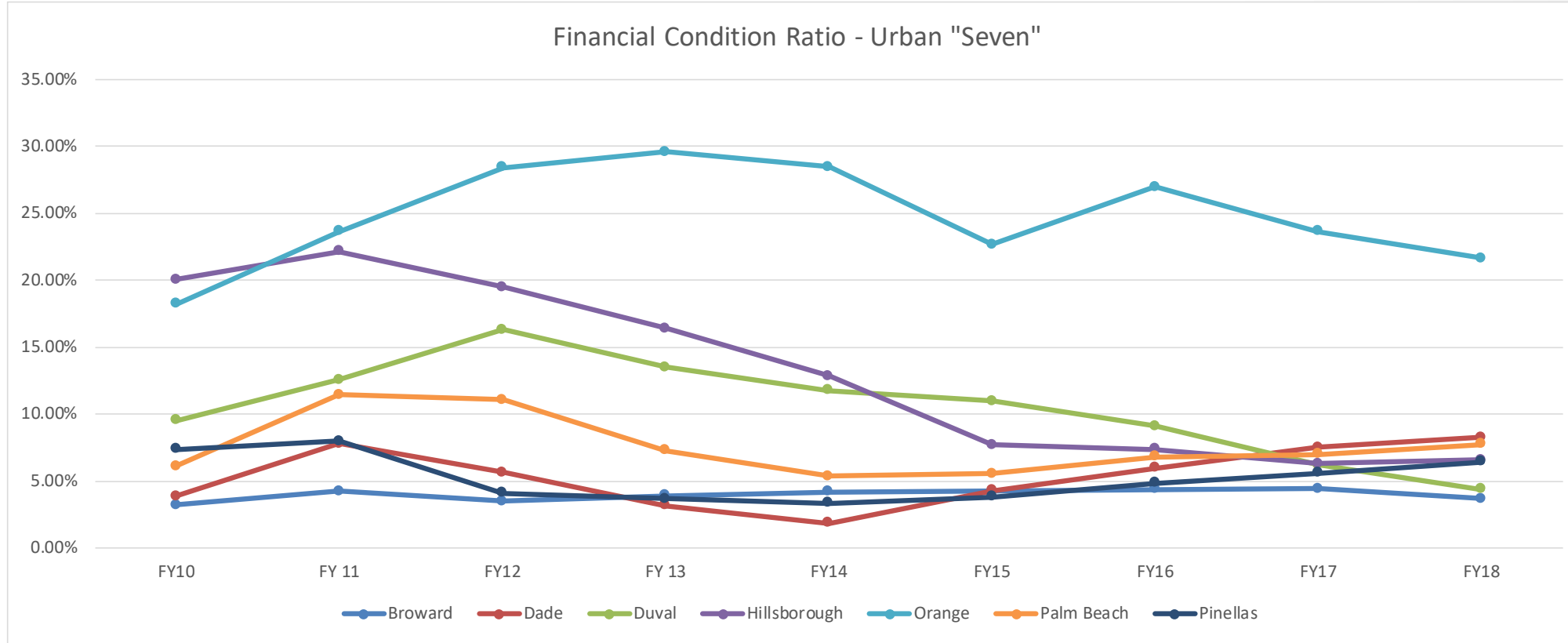
School District FY20 Salary Reserve

- FY20 Adopted Budget includes a **\$25 million salary reserve**.
- This reserve will fund a 2.5% salary settlement for all employees:

	Annual Cost of 1% G/F	Fiscal Yr. Impact	FY20 Financial Impact @ 2.50%	FY21 Financial Impact
CTA	\$7,932,611	\$7,932,611	\$19,831,526	
NBU	690,495	690,495	1,726,238	
SBA	542,974	542,974	1,357,436	
SEIU	803,172	401,586	1,003,965	1,003,965
AESOP	499,727	249,864	624,660	624,660
PBA	194,519	97,260	243,150	243,150
	\$10,663,499	\$9,914,790	\$24,786,975	\$1,871,775



Financial Condition Ratio (Fund Balance) Comparison



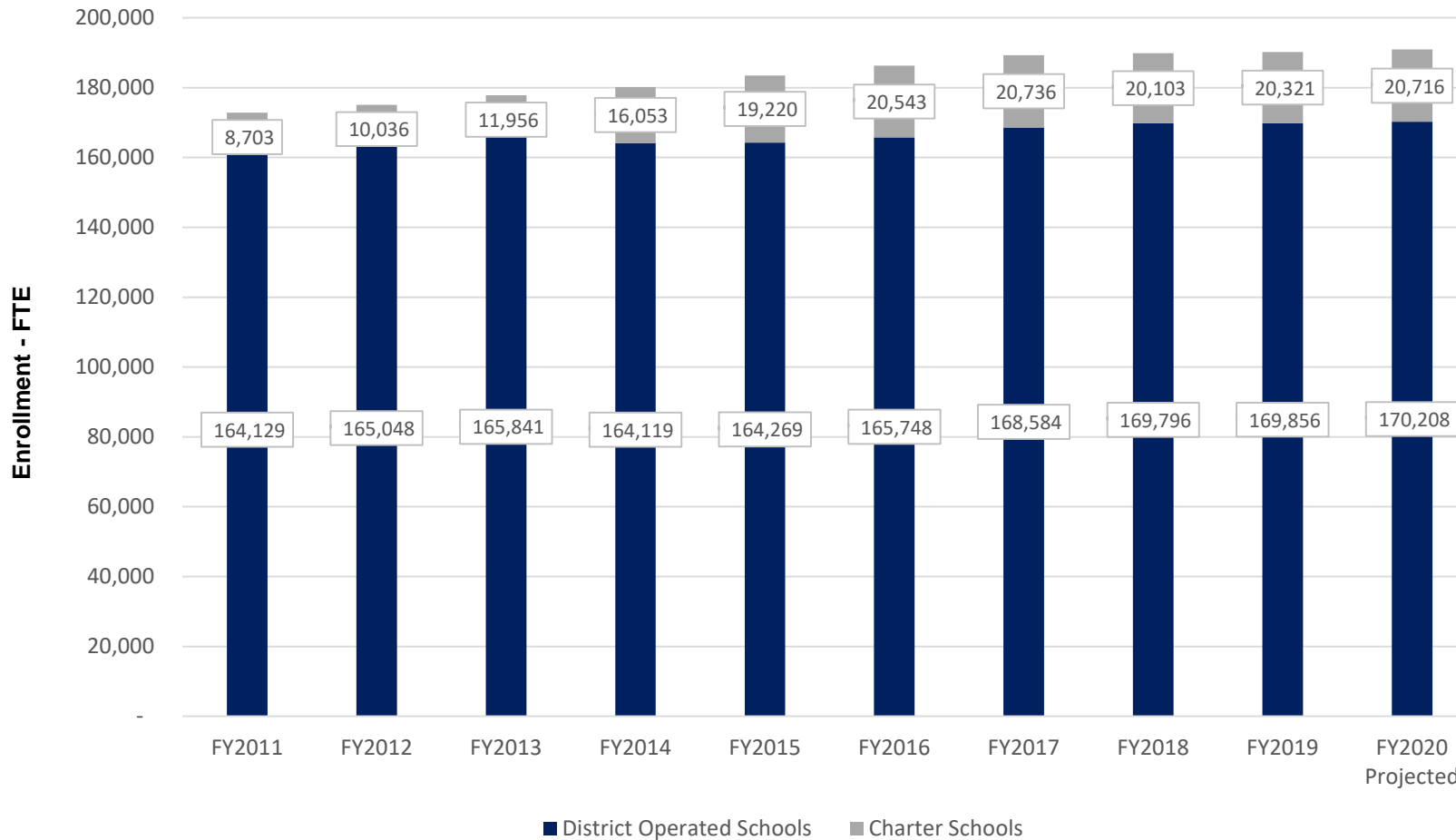
- Salary settlements represent the biggest budgetary decision and can have multi-year implications.
- FCR spiked in FY11 due to ARRA funds.

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FY20 Charter School Set aside \$169.4 million



Considerations in projecting charter school enrollment:

- New schools
 - South Tech Success
 - Olympus
 - Somerset Arts
 - SLAM high school
- Closures



FY20 Bargaining is Underway

- **CTA** – Next bargaining session scheduled for November 5. District made best offer of 3% average salary increase (3.25% HE) - CTA rejected offer and we will have to see if they counter. Previous CTA proposal reflected 4.12% average salary increase (4.5% HE).
- **SEIU, AESOP, and PBA** on calendar year contract schedule (Jan. to Dec.)
- **Staff Association** (miscellaneous, confidentials, district admin.), and **SBA** (School Based Administrators) on fiscal year schedule, same as teachers.
- *Note: Should we reach an agreement with CTA, it will have to be Board approved and ratified by CTA membership, then processed by HR/Payroll (takes time).*



Discussion

