



# School Board Budget Hearing

June 16, 2020



# DPS FY 21 Proposed Budget

# DPS FY 21 Proposed Budget

|   | FY 2019<br>Audited Actuals | FY 2020<br>Proposed<br>Budget<br>Amendment #1 | FY 2021<br>Proposed Budget | Variance from<br>Proposed FY20<br>Budget<br>Amendment #1 |
|---|----------------------------|---|----------------------------|--|
| <b>Revenue:</b>   |                            |   |                            |  |
| Local Sources   | \$ 68,869,427              | \$ 69,050,171                                 | \$ 65,597,663              | \$ (3,452,509)   |
| State Sources   | 5,366,901                  | 4,077,871                                     | 3,873,977                  | (203,894)  |
| <b>Total Revenue</b>  | <b>74,236,328</b>          | <b>73,128,042</b>                             | <b>69,471,640</b>          | <b>(3,656,402)</b>                                       |
| <b>Expenditures:</b>  |                            |   |                            |  |
| <b>Support Services</b>   |                            |   |                            |  |
| Instruction   |                            |   |                            |  |
| Support Services  | 145,430                    | 90,000  | 90,000                     |  |
| <b>Total Support Services</b>   | <b>145,430</b>             | <b>90,000</b>                                 | <b>90,000</b>              | <b>-</b>   |
| <b>Debt Service</b>   |                            |   |                            |  |
| Stabilization Bonds   | 46,298,766                 | 37,303,182                                    | 37,216,450                 | (86,732)   |
| MPSERS  | 2,000,000                  | 6,000,000                                     | 6,000,000                  | -  |
| Emergency Loan Debt Service   | 1,965,000                  | 1,965,000                                     | 1,965,000                  | -  |
| Supplemental MPSERS Payments  | 4,503,076                  | 19,291,589                                    | 19,380,000                 | 88,411   |
| <b>Total Debt Service</b>   | <b>54,766,842</b>          | <b>64,559,771</b>                             | <b>64,561,450</b>          | <b>1,679</b>   |
| <b>Total Expenditures</b>   | <b>54,912,272</b>          | <b>64,649,771</b>                             | <b>64,651,450</b>          | <b>1,679</b>   |
| <b>Total Expenditures and Other<br/>Sources/(Uses)</b>                              | <b>61,840,365</b>          | <b>64,649,771</b>                             | <b>64,651,450</b>          | <b>1,679</b>   |
| <b>Excess (deficiency) of Revenue Over/<br/>(Under) Expenditures and Other Uses</b> | <b>12,395,963</b>          | <b>8,478,271</b>                              | <b>4,820,190</b>           | <b>(3,658,081)</b>                                       |
| <b>Beginning Fund Balance</b>   | <b>5,049,270</b>           | <b>17,445,233</b>                             | <b>25,923,504</b>          |  |
| <b>Ending Fund Balance</b>  | <b>\$ 17,445,233</b>       | <b>\$ 25,923,504</b>                          | <b>\$ 30,743,694</b>       |  |

DPS FY 21 General Fund Budget through the year ending June 30, 2021.

- ✓ Due to the COVID-19 Pandemic and resulting forecasted revenue reductions, DPS is projecting a 5% reduction in FY21 property tax collections. With this forecasted reduction, DPS still expects to be able to meet its debt obligations.
- ✓ Support Services include expenses for audit and staff expenses associated with administration of DPS.
- ✓ Debt service expense includes both interest and principal for the Stabilization Bonds, MPSERS and Emergency Loan repayment. Payments are based on established schedules.
- ✓ Additional operating debt payments will be made as funds are available to pay down outstanding MPSERS debt more rapidly.

# DPSCD FY 21 Proposed Budget – General Fund

# State Budget Updates

The COVID-19 pandemic and resulting Shelter in Place orders have resulted in a significant economic downturn for Michigan. In a May report, the State is estimating a \$1.3 billion budget shortfall in the School Aid Fund for FY 21 and FY 22 when compared to FY 19 funding.

This forecast in revenue reduction will translate into budget cuts for K-12 schools, as schools are funded through a combination of sales tax, income tax, property tax and other collections including the lottery.

- FY 20: The Treasurer is projecting a cut to current year funding of \$700/student (\$35.2M). This reduction is included in FY 20 Budget Amendment #2.
- FY 21: The legislature indicated a reduction of up to 25% from the current funding of \$8,142/student. The Treasury is projecting a 10% reduction or \$814/student (\$41.0M). This is in line with the District's proposed budget.
- FY 22: School funding is expected to remain 10% (\$41.0M) below pre-COVID-19 levels, with a return to pre-pandemic funding levels in FY 23.

The budget projections are based on some key assumptions:

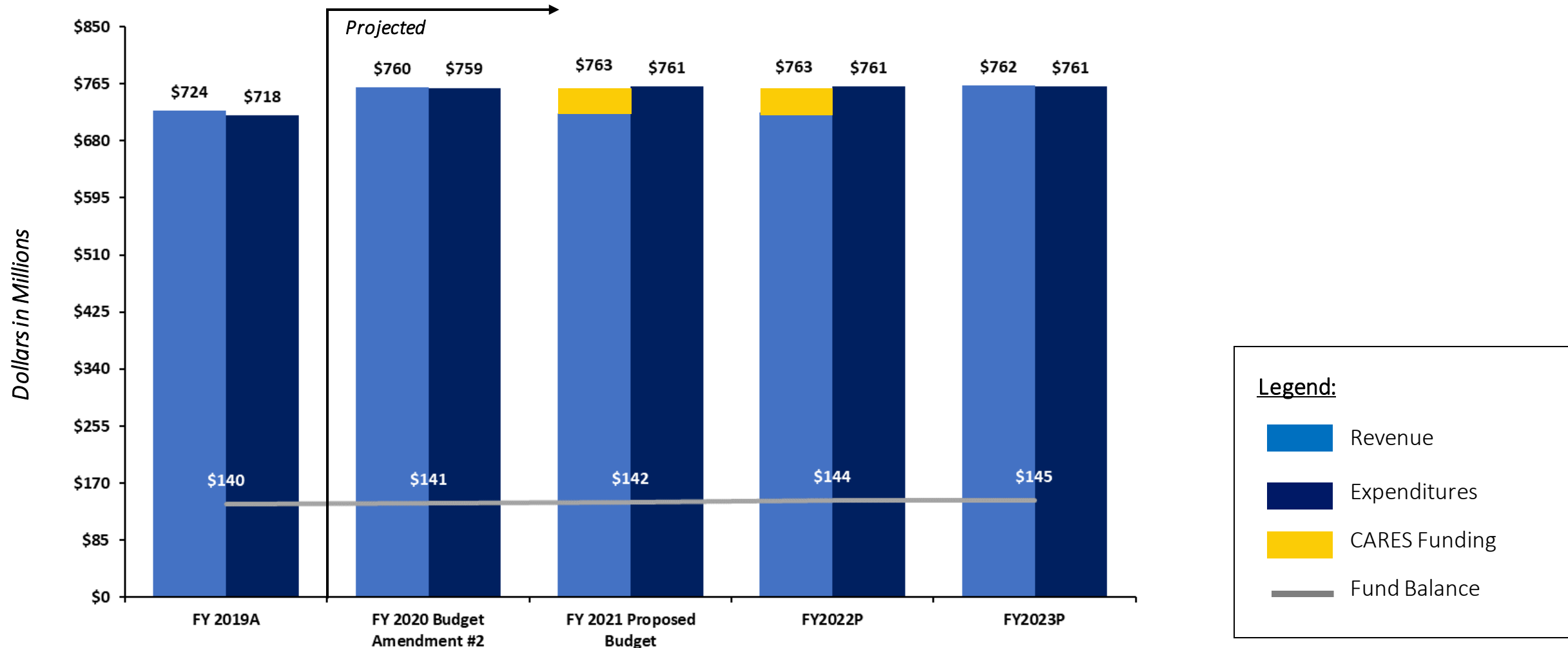
- The "Shelter in Place" order is lifted, students return in the fall for in-person instruction and there are no further significant disruptions to the economy or enrollment. (Downside)
- There is no federal stimulus funding which backfills the state's revenue shortfall. (Upside)

# 3 Year Budget Projection Assumptions

| Assumption                       | Projection methodology  |
|----------------------------------|---|
| <b>Revenues:</b>                 |   |
| Enrollment (FTE)                 | <ul style="list-style-type: none"> <li>Proposed FY 2020 enrollment is held constant at current Fall and Spring 2020 Counts.</li> </ul>  |
| Foundation allowance (State Aid) | <ul style="list-style-type: none"> <li>The District is projecting a cut in per-pupil funding of \$700/student in FY 2020 (~\$35.2M) and a cut of \$814/student in FY 2021 and FY 2022 (~\$41M). Funding returns to pre-cut levels in FY 2023.</li> </ul>  |
| Enhancement millage              | <ul style="list-style-type: none"> <li>Enhancement millage (\$372 / pupil) is reduced by 5% in FY 21 and then held constant through FY 2022 (last year authorized).</li> <li>Enhancement millage is reduced by \$90 / pupil in FY 2023 to account for revenue shared with Charter Schools. ~\$4.5M</li> </ul>   |
| All other revenue                | <ul style="list-style-type: none"> <li>State and federal revenues are held constant.</li> <li>CARES Act funding is split over FY 21 (\$43M) and FY 22 (\$42M).</li> </ul>   |
| <b>Expenditures:</b>             |   |
| Personnel (FTE)                  | <ul style="list-style-type: none"> <li>Budget continues to fully fund school staffing model and all central office positions.</li> </ul>  |
| Wages                            | <ul style="list-style-type: none"> <li>Budget includes increase in teacher salaries to \$51K. All other position salaries are held constant at FY 20 levels through FY 23. Any increases would be one-time bonuses, recognition in the future would be based on 1) enrollment at or above 19-20 fall level 2) passage of Nov enhancement millage 3) reestablishing 19-20 per pupil amount by state pre-COVID</li> </ul> |
| Benefits                         | <ul style="list-style-type: none"> <li>HDLV benefits are projected to increase ~10% in FY 21 and then consistent with estimated industry growth expectations.</li> <li>All other benefits (pension, payroll taxes and workers comp.) are maintained at current levels, as a percentage of payroll.</li> </ul>   |
| Non-personnel costs              | <ul style="list-style-type: none"> <li>Non-personnel costs include Facilities, IT, Supplies and Services, and other discretionary expenditures</li> <li>Costs are assumed to grow at the rate of enrollment, plus an inflation factor (1 - 2% / year).</li> </ul>   |

# DPSCD Preliminary 3 Year Projected Budget

Based on preliminary assumptions and estimates from the State's Revenue Estimating Conference in mid-May, DPSCD is projecting a balanced budget through FY 2023. The model assumes the Enhancement Millage is renewed in FY 2023, and the per pupil funding is expected to return to pre-COVID-19 levels in FY 2023.



# FY 21 Proposed Budget Summary

The FY 21 proposed budget is balanced while protecting core school-based programming. The proposed budget:

- ✓ Anticipates a 10% reduction (\$43M) in overall state funding while assuming enrollment remains steady for Fall 2020;
- ✓ Includes a projected \$3M contingency, maintains the 10% reserve and projects a \$140M fund balance;
- ✓ Maintains all school-based positions and programs;
- ✓ Does not include any position reductions, salary reductions ,or furloughs;
- ✓ Includes an anticipated 10% increase in healthcare costs;
- ✓ Includes \$43M in CARES Act funding, with an additional \$42M available to address continued budget deficits in FY 22.

**In order to address the projected reduction in funding, the following cuts are proposed:**

- ✓ No recurring salary increases, negotiated one-time bonuses only; recognized in the future if 1) enrollment maintains at 19-20 levels 2) November enhancement millage passes 3) state per pupil restored to 19-20 pre-COVID level;
- ✓ A ten (10) percent reduction in central office discretionary spending;
- ✓ Reductions for District Office funding for in-person training, staff travel, conferences, and student field trips;
- ✓ Reductions to Central Office positions;
- ✓ Strategically shift Operations (facilities and maintenance) reoccurring expenses to one-time projects based on need.



# CARES Act Funding

The Federal Government allocated the District an additional \$85M in one-time funding (CARES Act) to respond to the COVID-19 pandemic. The funds may be used to support eligible programs, respond to the COVID-19 pandemic and maintain operations.

In response to projected state cuts in school funding in FY 21 and FY 22, the District will include \$43M in CARES Act funding in the FY 21 budget and reserve \$42M for the FY 22 budget.

The FY 21 CARES Act funding will:

- ✓ Procure Personal Protective Equipment (PPE), body temperature testing equipment, and cover costs associated with additional deep cleaning;
- ✓ Expansion of student technology and cover costs for student internet connectivity;
- ✓ Expand District capacity to provide remote learning through Learning Management Systems additional curriculum, and training to staff to implement new systems;
- ✓ Fund Wrap Around Services (Social Workers and Counselors) to provide social and emotional support to students and families during this time;
- ✓ Fund the hiring of additional literacy and math teachers to reduce class sizes beyond school allocation.

# School Staff Allocations

| Position                                      | Allocation  |
|---|---|
| Assistant Principal*                          | Minimum of 1 per school   |
| Dean of Culture                               | <ul style="list-style-type: none"> <li>All Partnership schools: 1</li> <li>Schools with enrollment &gt;350: 1</li> </ul>                                |
| Master Teacher                                | <ul style="list-style-type: none"> <li>Elementary, Middle, K8s &lt;350 students: 2</li> <li>K8s &gt;350 students: 4</li> <li>High Schools: 2</li> </ul> |
| Core Teachers*                                | K-3: 1:25<br>4-5: 1:30<br>6-12: 1:35  |
| Prep Teachers                                 | 1 Prep Teacher per 5 classrooms (All Schools)   |
| Guidance Counselor                            | K8s: 1 per 500 students<br>HS: 1 per 400 students   |
| College Transition Advisors                   | HS: 1 per school  |
| Attendance Agent & School Culture Facilitator | 1 per school  |
| Academic Interventionist                      | Grades 2 – 8: 1 per 150 students<br>Grades 9-12: 1 per 400 students   |
| ParaEducators                                 | Grades K-1: 1 per 2 teachers  |
| Clerical*                                     | Minimum of 2 per school   |

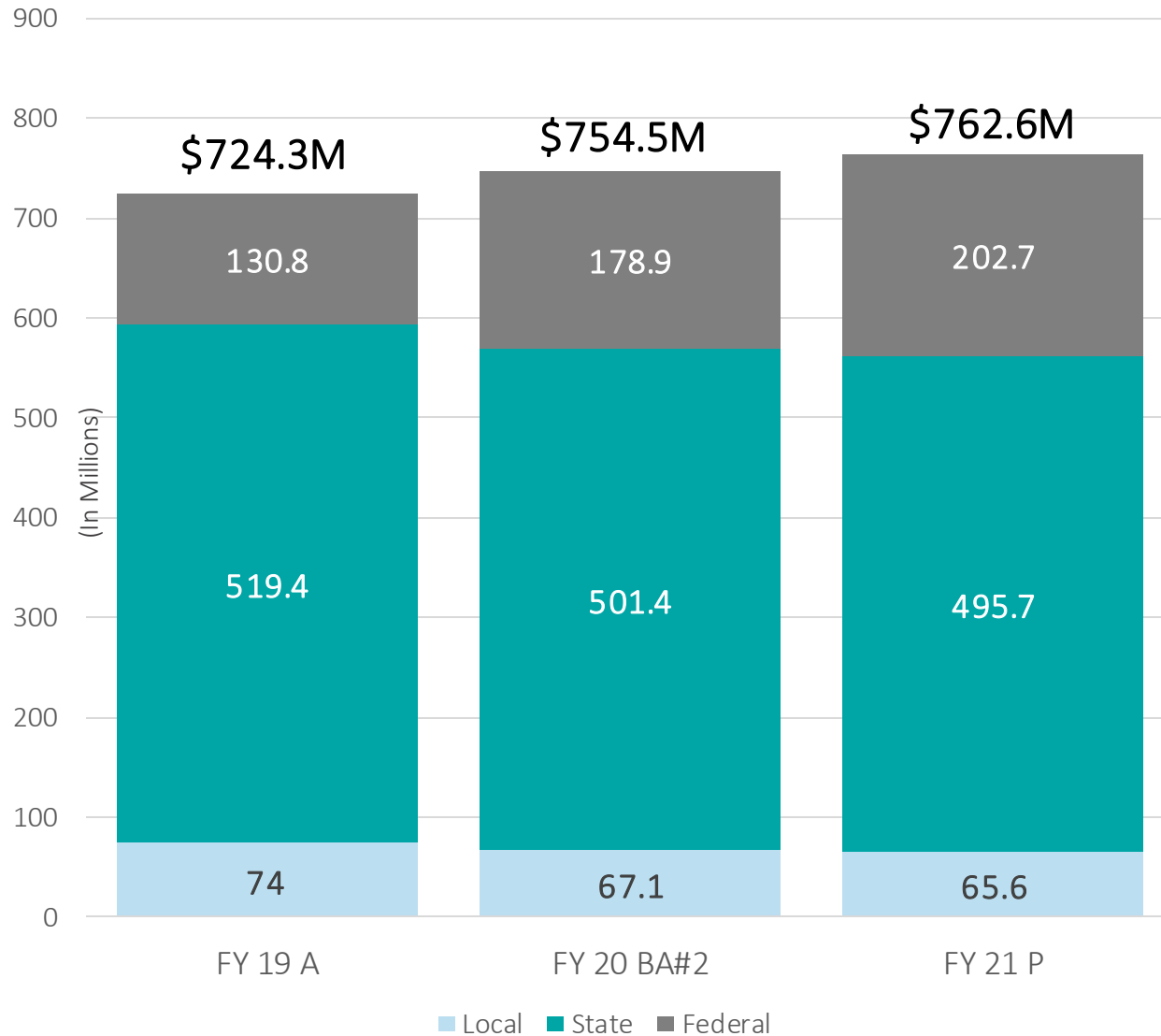
## No significant changes to the staff model

- ✓ Allocations are based on school type, grade levels and enrollment
- ✓ School enrollment is based on Spring Count data
- ✓ Title I funding is based on eligible student counts
- ✓ Includes allocation adjustments for school program changes and moves (King, Southeastern, DIA, etc.)

## Teacher Allocation

- ✓ Maintains student – teacher allocations – with supplemental CARES funding to reduce class size
- ✓ Maintains Art, Music & Gym teachers at all schools

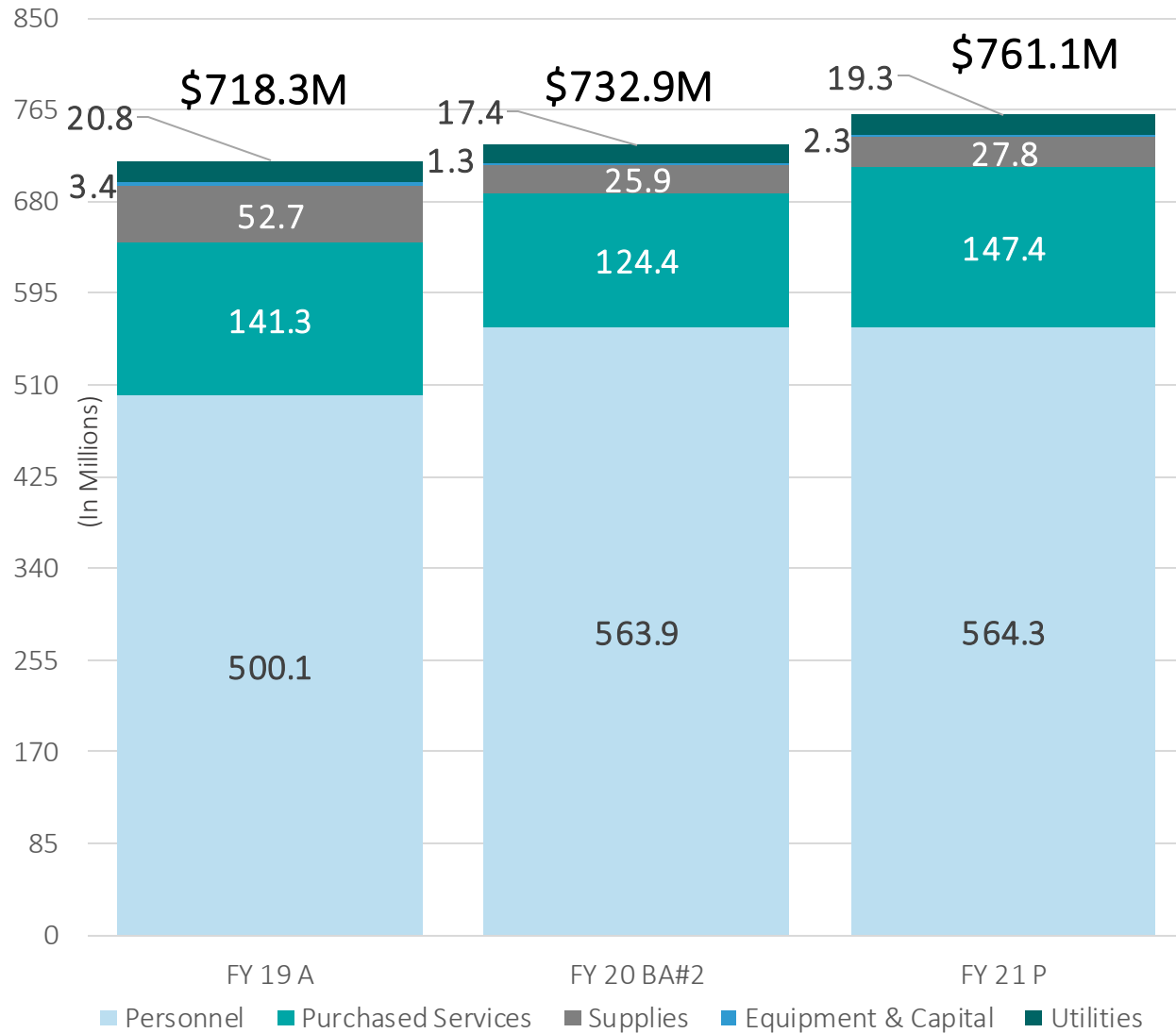
# FY 21 Revenue



The state is projecting a 10 – 25% decrease in funding. The proposed budget includes a ~10% decrease in general fund revenue.

- \$814 reduction in the per student Foundation Allowance ~ (\$41M)
- A projected 5% reduction in the Wayne County Enhancement Millage tax collections ~(\$1M)
- No change in Act 18 funding (District Center-Based programs)
- Student enrollment remains constant
- Federal sources includes ~\$43M in CARES funding allocated to FY 21

# FY 21 Expenses



The budget protects funding for staffing, student services and expanding services to protect students and staff from COVID-19.

### Personnel:

- No reduction in filled positions, employee salaries or furloughs
- Central Office positions are strategically removed

Purchased Services: A 10% reduction in Central Office discretionary spending, reduction in staff travel, conferences and student field trips. An increase in services related to distance learning funded through CARES.

Supplies: Include both reductions in general spending and additions for purchase of PPE through Cares Act funding

Utilities: Expenses are projected to remain constant

# Further Budget Modifications Timeline

The District is required by state law to adopt an FY 21 budget by June 30. The Board can amend that budget throughout the year as additional information is available.

- ✓ The state's fiscal year begins on October 1. Therefore, the legislature and Governor can delay until September 30 to approve budget.
- ✓ Fall Count Window begins on October 7<sup>th</sup> and final audited numbers are not available until November.
- ✓ The District will monitor Governor and Legislature budget proposals and prepare a budget amendment for early fall if there are additional reductions.

**In the event of further reductions (up to 25%) in state funding and no supplemental federal funding to offset the reductions the District will consider the following reductions:**

- ✓ One-time transfer from the Fund Balance;
- ✓ Utilize the FY 22 CARES Act funding in FY 21;
- ✓ Up to a 50% reduction in school discretionary funding and an additional 30% reduction in central office discretionary spending;
- ✓ Reduce school and district level positions;
- ✓ Staff layoffs, furloughs or potential salary reductions.

# FY 2021 Revenues and Expenditures Comparison

DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT  
GENERAL FUND  
FY 2021 DRAFT BUDGET FOR THE YEAR ENDING JUNE 30, 2021

|                               | FY 2019<br>Audited Actuals | FY 2020 Proposed<br>Budget Amendment<br>#2 | FY 2021 Proposed<br>Budget | Variance from FY<br>20 BA #2 |
|-------------------------------|----------------------------|--|----------------------------|------------------------------|
| <b>Revenue:</b>               |                            |  |                            |                              |
| Local Sources                 | \$ 74,069,365              | \$ 66,525,840                              | \$ 64,066,612              | \$ (2,459,228)               |
| State Sources                 | 519,494,195                | 501,450,433                                | 495,741,786                | (5,708,646)                  |
| Federal Sources               | 130,779,965                | 186,557,044                                | 202,760,866                | 16,203,822                   |
| <b>Total Revenue</b>          | <b>724,343,525</b>         | <b>754,533,316</b>                         | <b>762,569,264</b>         | <b>8,035,948</b>             |
| <b>Expenditures:</b>          |                            |  |                            |                              |
| Instruction                   | 375,019,602                | 388,773,265                                | 389,690,235                | 916,970                      |
| Support Services              |                            |  |                            |                              |
| Pupil Services                | 67,821,786                 | 81,159,431                                 | 83,135,226                 | 1,975,795                    |
| Instructional Staff Support   | 41,530,227                 | 45,993,513                                 | 49,942,682                 | 3,949,169                    |
| General Administration        | 5,201,194                  | 5,162,705                                  | 7,882,355                  | 2,719,650                    |
| School Administration         | 47,157,627                 | 47,449,137                                 | 47,749,371                 | 300,234                      |
| Business Office               | 10,999,653                 | 14,843,994                                 | 12,682,677                 | (2,161,317)                  |
| Operations & Maintenance      | 94,293,371                 | 76,185,840                                 | 90,446,807                 | 14,260,967                   |
| Transportation                | 35,358,139                 | 28,161,733                                 | 37,336,081                 | 9,174,348                    |
| Central Support Service       | 34,519,996                 | 40,794,207                                 | 35,898,976                 | (4,895,231)                  |
| Other Support Service         | 2,928,297                  | 1,236,299                                  | 3,064,455                  | 1,828,156                    |
| Total Support Services        | 339,810,290                | 340,986,859                                | 368,138,630                | 27,151,771                   |
| Community Service             | 3,395,888                  | 3,126,006                                  | 3,232,277                  | 106,271                      |
| <b>Total Support Services</b> | <b>718,225,780</b>         | <b>732,886,130</b>                         | <b>761,061,142</b>         | <b>28,175,012</b>            |

# FY 2021 Revenues and Expenditures Comparison

DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT  
GENERAL FUND  
FY 2021 DRAFT BUDGET FOR THE YEAR ENDING JUNE 30, 2021

|   | FY 2019<br>Audited Actuals | FY 2020 Proposed<br>Budget Amendment<br>#2 | FY 2021 Proposed<br>Budget | Variance from FY<br>20 BA #2 |
|---|----------------------------|--|----------------------------|------------------------------|
| <b>Excess of Revenue over Expenditures</b>  | 6,117,745                  | 21,647,186                                 | 1,508,122                  |                              |
| <b>Other Financial Sources/(Uses)</b>       |                            |  |                            |                              |
| Proceeds from sale of capital assets        | 1,445,670                  | 2,886,251                                  | -                          |                              |
| Transfers in                                | 1,580,445                  | 1,500,000                                  | 1,500,000                  | -                            |
| Transfers out                               | (17,621,381)               | (25,315,000)                               | -                          | 25,315,000                   |
| <b>Total Other Financial Sources/(Uses)</b> | <b>(14,595,266)</b>        | <b>(20,928,749)</b>                        | <b>1,500,000</b>           | <b>25,315,000</b>            |
| Special Items - Payment from DPS            | 6,941,837                  |  |                            |                              |
| <b>Net Change in Fund Balance</b>           | <b>(1,535,684)</b>         | <b>718,437</b>                             | <b>3,008,122</b>           | <b>2,289,685</b>             |
| <b>Beginning Fund Balance</b>               | <b>141,035,229</b>         | <b>141,035,229</b>                         | <b>141,753,666</b>         |                              |
| <b>Ending Fund Balance</b>                  | <b>\$ 139,499,545</b>      | <b>\$ 141,753,666</b>                      | <b>\$ 144,761,788</b>      |                              |

# **DPSCD FY 21 Proposed Budget – Food Service Fund**



# FY 21 Food Service Budget Revenues and Expenditures Comparison

DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT  
FOOD SERVICE FUND  
FY 2021 PROPOSED BUDGET

|   | FY 2019 Actuals      | Proposed FY20<br>Budget<br>Amendment #1 | Proposed FY21<br>Budget | Variance from<br>FY20 BA #1 |
|---|----------------------|---|-------------------------|-----------------------------|
| <b>Revenue:</b>   |                      |   |                         |                             |
| Local sources   | \$ 423,863           | \$ 850,000                              | \$ 830,000              | \$ (20,000)                 |
| <b>Total local sources</b>  | <b>423,863</b>       | <b>850,000</b>                          | <b>830,000</b>          | <b>(20,000)</b>             |
| State sources   | 2,813,908            | 1,472,492                               | 1,295,000               | (177,492)                   |
| Federal sources   | 41,927,073           | 31,000,000                              | 44,921,670              | 13,921,670                  |
| <b>Total Revenue</b>  | <b>45,164,844</b>    | <b>33,322,492</b>                       | <b>47,046,670</b>       | <b>13,724,178</b>           |
| <b>Expenditures</b>   |                      |   |                         |                             |
| Support Services  |                      |   |                         |                             |
| Salaries Personnel  | 14,586,556           | 15,500,000                              | 16,338,656              | 838,656                     |
| Purchased Services  | 686,703              | 3,717,500                               | 3,760,742               | 43,242                      |
| Supplies  | 24,411,251           | 20,000,000                              | 27,992,500              | 7,992,500                   |
| Equipment & Capital   | 1,630,816            | 3,500,000                               | 1,503,000               | (1,997,000)                 |
| <b>Total Expenditures</b>   | <b>41,315,326</b>    | <b>42,717,500</b>                       | <b>49,594,898</b>       | <b>6,877,398</b>            |
| <b>Excess (deficiency) of Revenue Over<br/>(Under) Expenditures</b> | <b>3,849,518.00</b>  | <b>(9,395,008)</b>                      | <b>(2,548,228)</b>      | <b>6,846,780</b>            |
| <b>Other Sources (Uses)</b>   |                      |   |                         |                             |
| Transfers in  | 2,000.00             | -                                       | -                       |                             |
| Transfers out   | (1,580,445)          | (1,500,000)                             | (1,500,000)             | -                           |
| <b>Total Sources (Uses)</b>   | <b>(1,578,445)</b>   | <b>(1,500,000)</b>                      | <b>(1,500,000)</b>      | <b>-</b>                    |
| <b>Total Other Financial Sources (Uses)</b>                         | <b>(1,578,445)</b>   | <b>(1,500,000)</b>                      | <b>(1,500,000)</b>      | <b>-</b>                    |
| Beginning Fund Balance  | 22,120,635           | 24,391,708                              | 13,496,700              | (10,895,008)                |
| <b>Ending Fund Balance</b>  | <b>\$ 24,391,708</b> | <b>\$ 13,496,700</b>                    | <b>\$ 9,448,472</b>     | <b>\$ (4,048,228)</b>       |

## FY 21 Budget Takeaways

### Revenue

- ✓ Revenue is expected to increase to pre COVID-19 levels based on a resumption of in-person instruction at District campuses.

### Expenses

- ✓ Student enrollment is expected to remain constant from FY20 levels.
- ✓ Personnel expenses are expected to increased based on the addition of more resources to serve students to maintain and adhere to social distancing requirements.
- ✓ The District will continue to make one-time purchases for the purchase and installation of Equipment & Capital consistent with continued implementation of the Food Surplus Spend Down plan approved by MDE.
- ✓ The fund balance is targeted to be 3 months of average expenditures, or between \$7M to \$10M.

# **DPSCD FY 21 Proposed Budget – School Activity Account Fund**

# FY 21 School Activity Account Revenues and Expenditures Comparison

DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT  
STUDENT ACTIVITIES FUND  
FY 2021 DRAFT BUDGET FOR THE YEAR ENDING JUNE 30, 2021

|  | FY 2020<br><u>Proposed Budget</u> | FY 2021<br><u>Proposed Budget</u> | Variance from<br><u>FY 20</u> |
|--|-----------------------------------|-----------------------------------|-------------------------------|
| <b>Revenue:</b>                            |                                   |                                   |                               |
| Local Sources                              | \$ 2,500,000                      | \$ 3,000,000                      | \$ 500,000                    |
| <b>Total Revenue</b>                       | <u>2,500,000</u>                  | <u>3,000,000</u>                  | <u>500,000</u>                |
| <b>Expenditures:</b>                       |                                   |                                   |                               |
| Community Service                          | <u>2,500,000</u>                  | <u>3,000,000</u>                  | <u>500,000</u>                |
| <b>Total Support Services</b>              | <u>2,500,000</u>                  | <u>3,000,000</u>                  | <u>500,000</u>                |
| <b>Excess of Revenue over Expenditures</b> | -                                 | -                                 |                               |
| <b>Beginning Fund Balance</b>              | 1,666,433                         | 1,666,433                         |                               |
| <b>Ending Fund Balance</b>                 | <u>\$ 1,666,433</u>               | <u>\$ 1,666,433</u>               |                               |

## FY 21 Budget Takeaways

### Revenue

- ✓ Revenue consist of school fundraisers, student activity fees, and donations less than 10k.
- ✓ Revenue decrease expected due to assumption of continued social distancing and less fundraising receipts

### Expenses

- ✓ Expenditures consist of field trips, student events, and fundraiser expenses.
- ✓ Expense decrease expected due to assumption of continued social distancing and less field trips and other school events