

DMPS Des Moines Public Schools

Board Work Session

School Finance 101

February 2013

Thomas Harper, CFO



Think. Learn. **Grow.**

www.dmschools.org

Guiding Principle #1

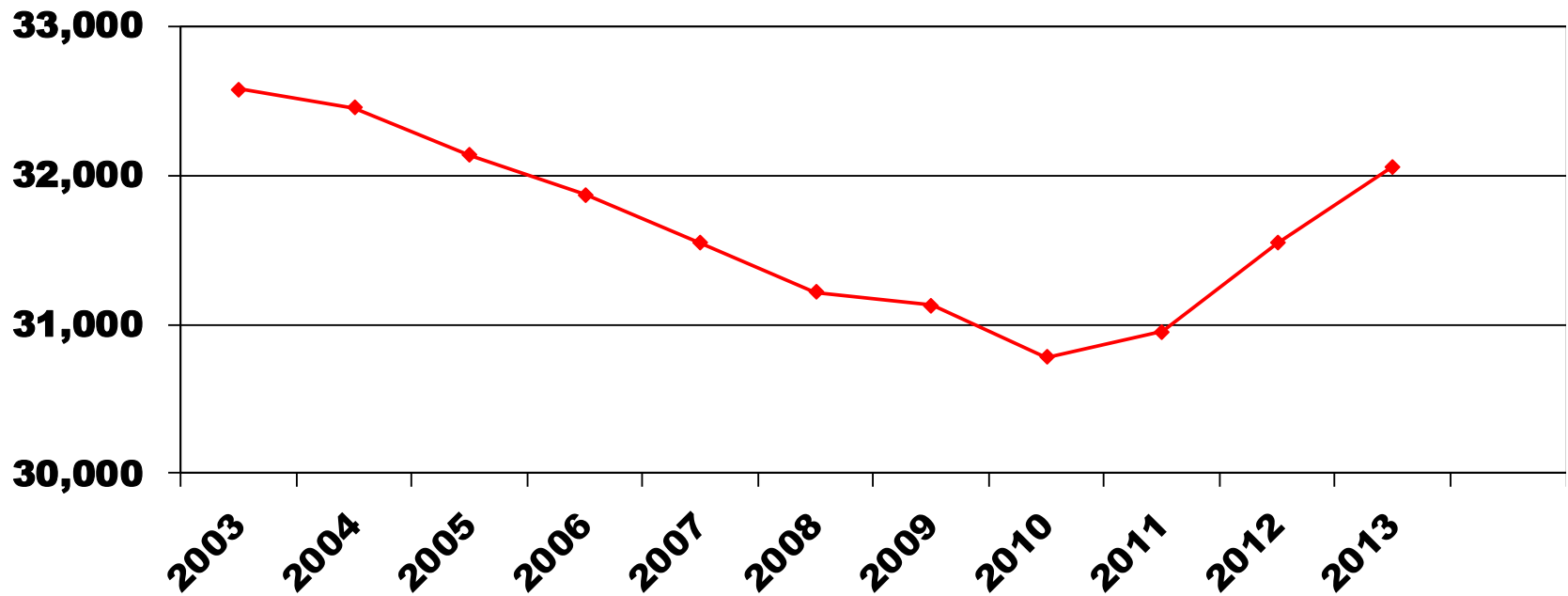
Enrollment

Iowa school finance is based on the number of students in the district

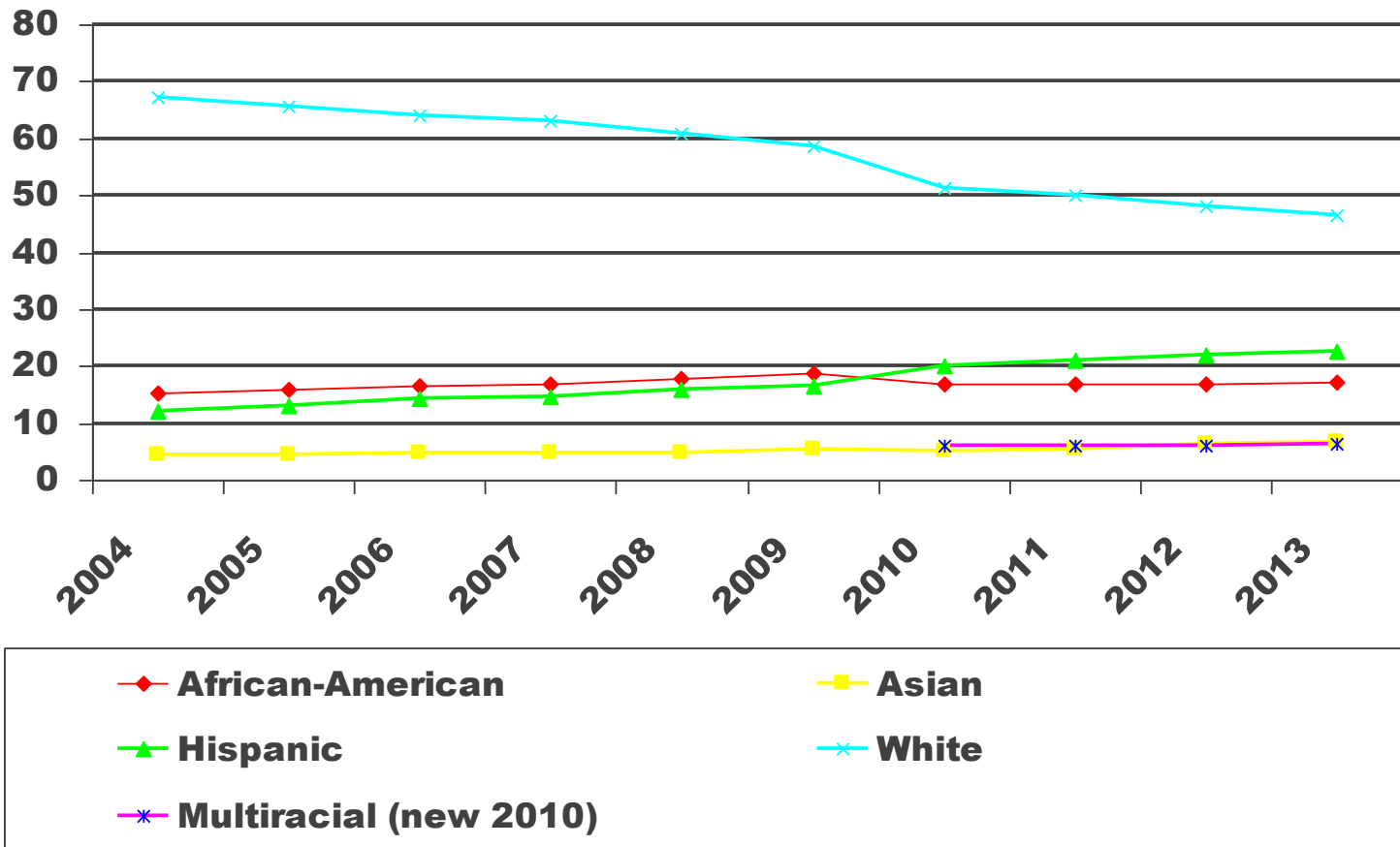
Total state foundation aid funding is based on a cost per student multiplied by the number of students (enrollment)

State law prohibits the district from raising as much local funding as desired, in order to maintain equity in educational financing across all school districts

Certified Enrollment Trend

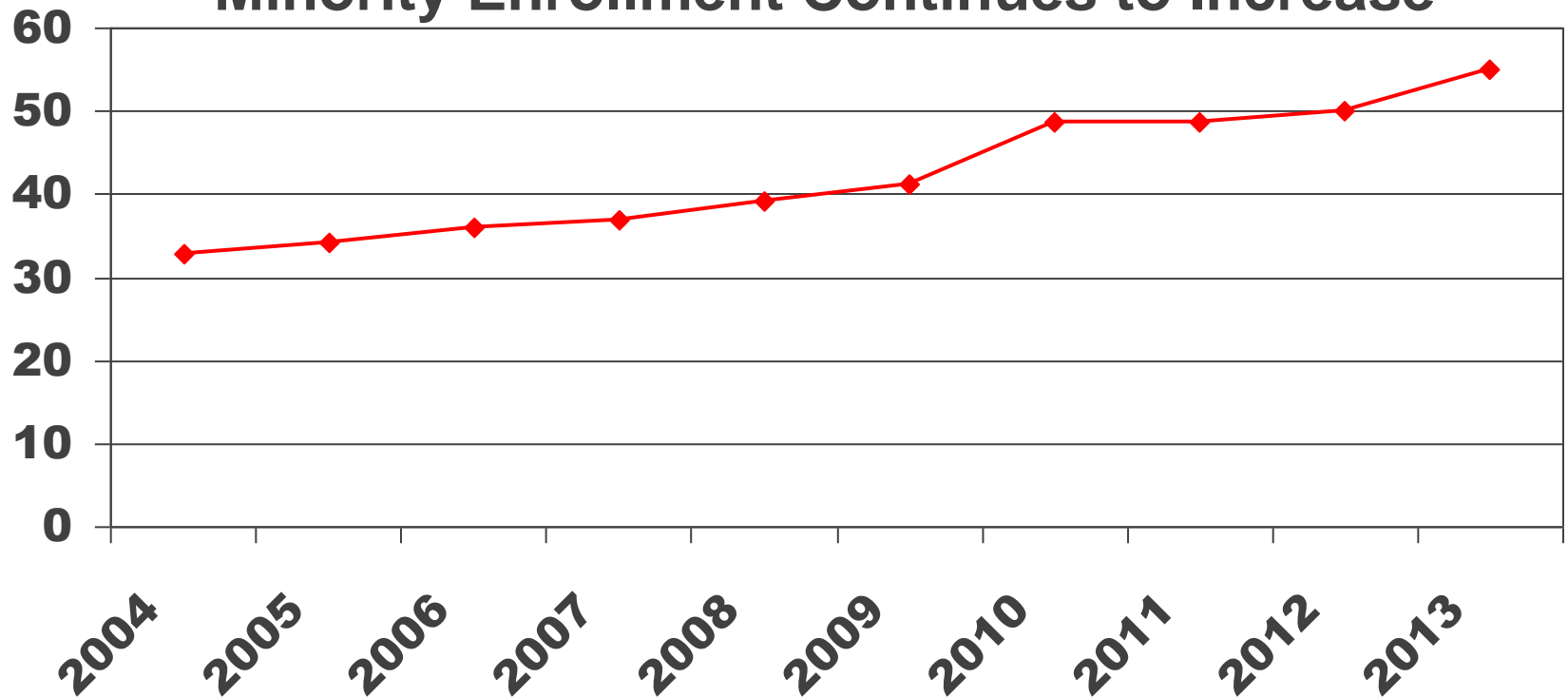


Enrollment Trends by Ethnic Group



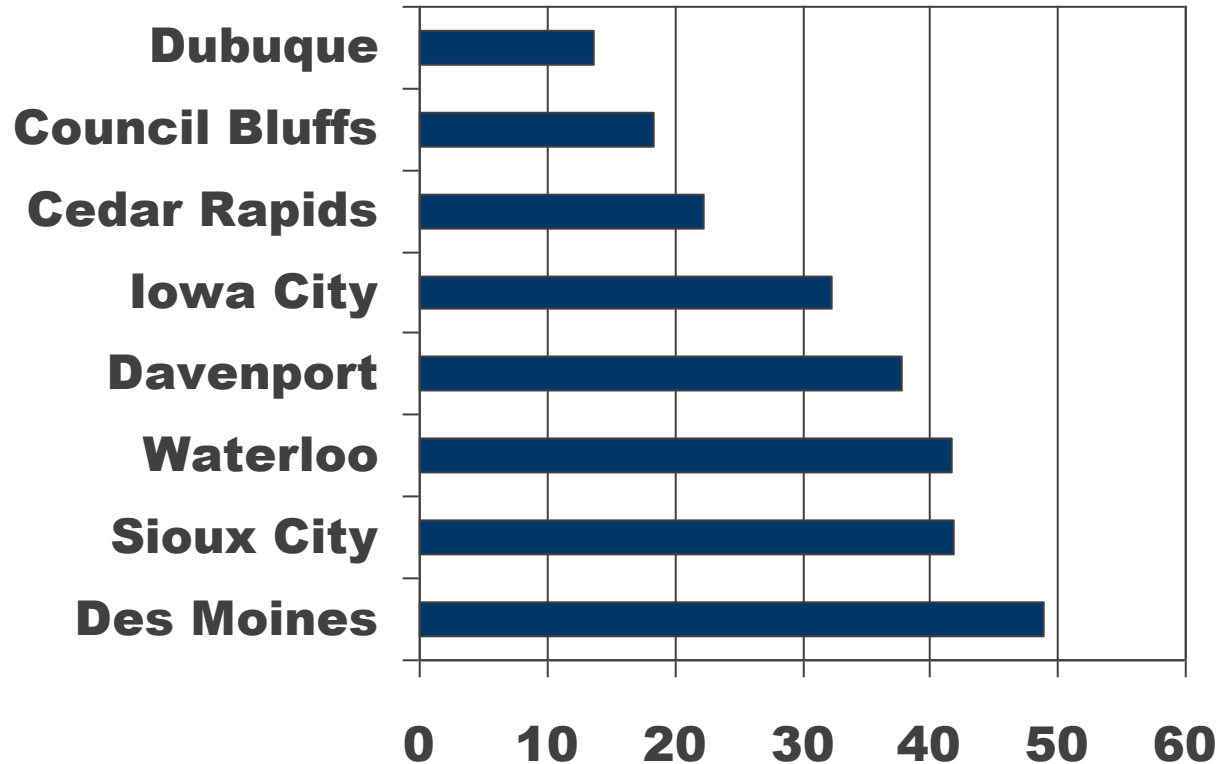
Minority Enrollment

Minority Enrollment Continues to Increase



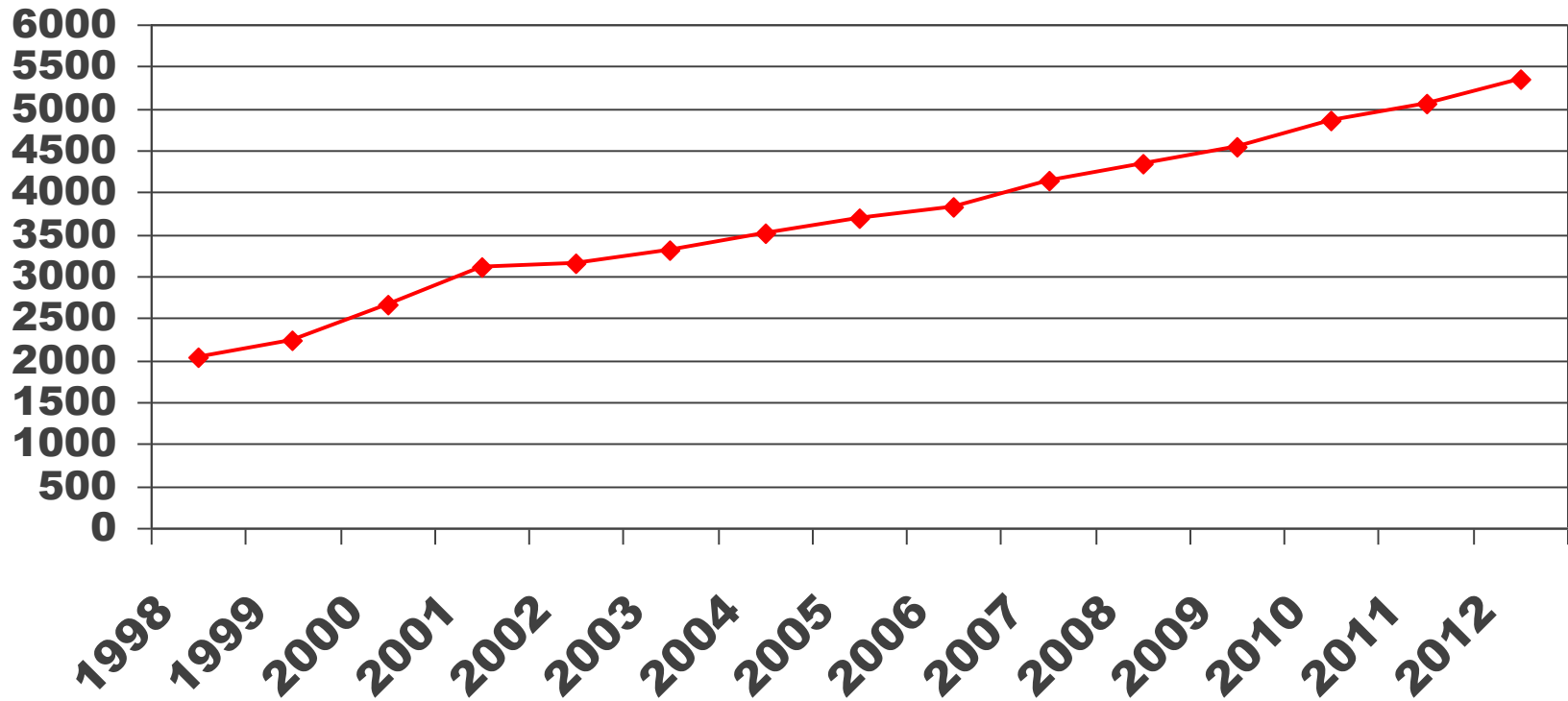
Urban Education Network (UEN) Schools

FY 2012: Des Moines Has Largest Minority Percent



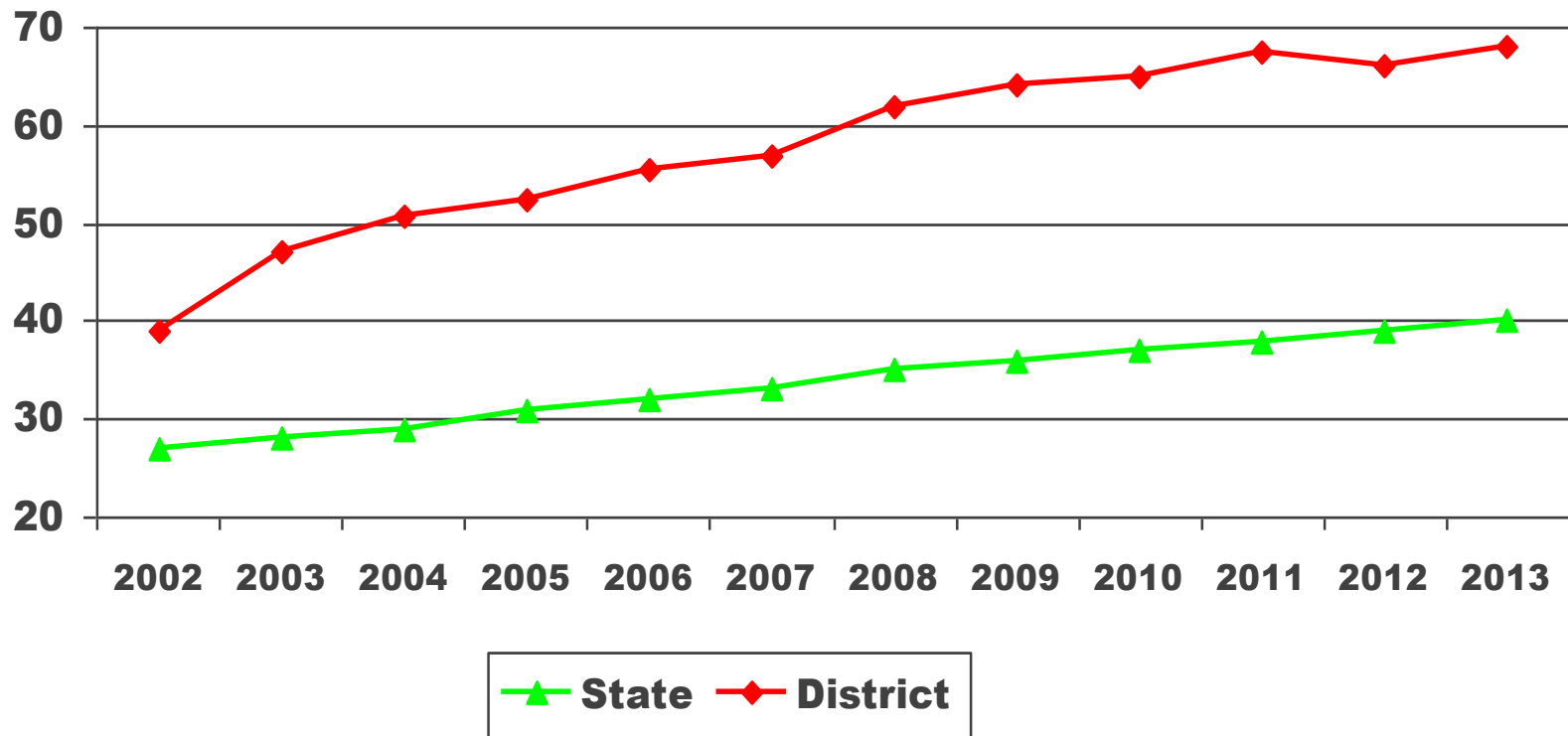
English Language Learners Enrollment (ELL)

ELL Enrollment Continues to Increase



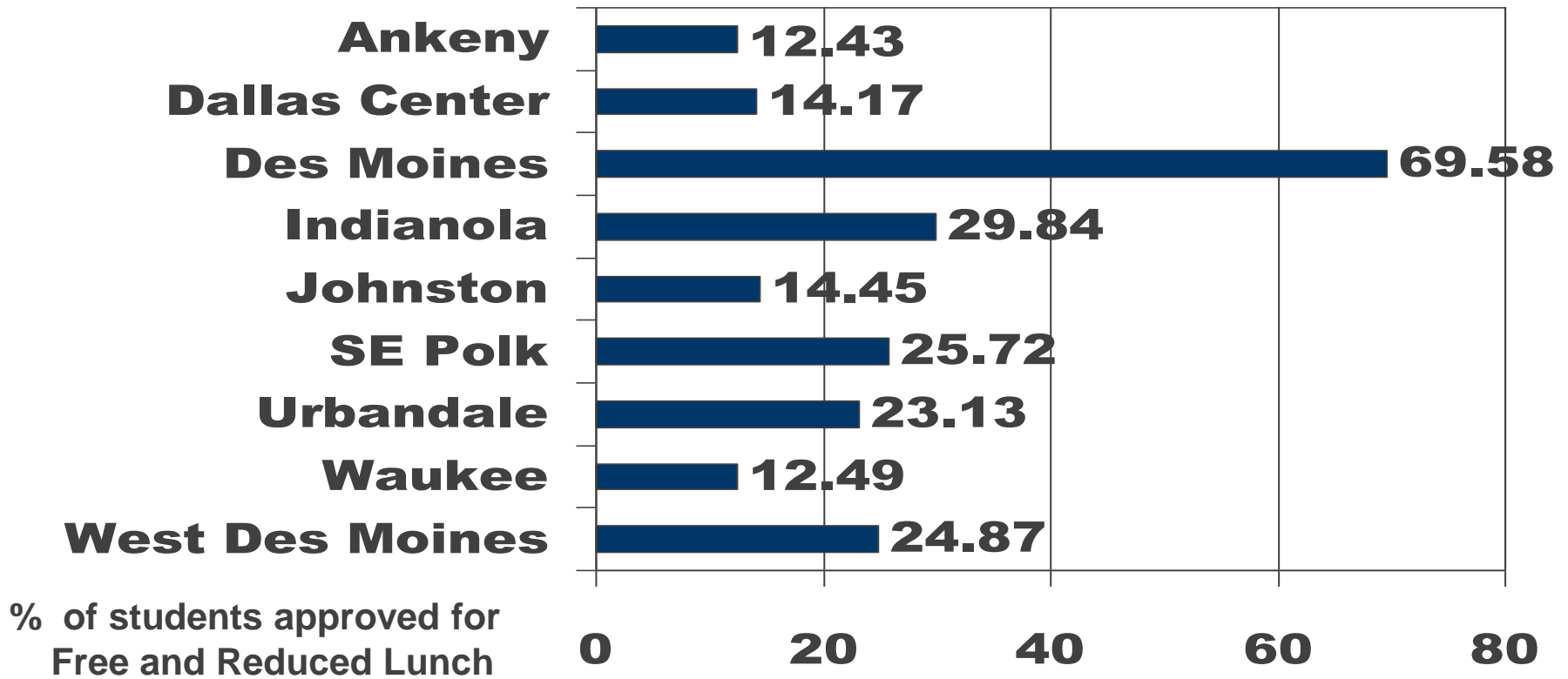
State vs. District Poverty Measurement

Free & Reduced Lunch Eligibility Increases Each Year



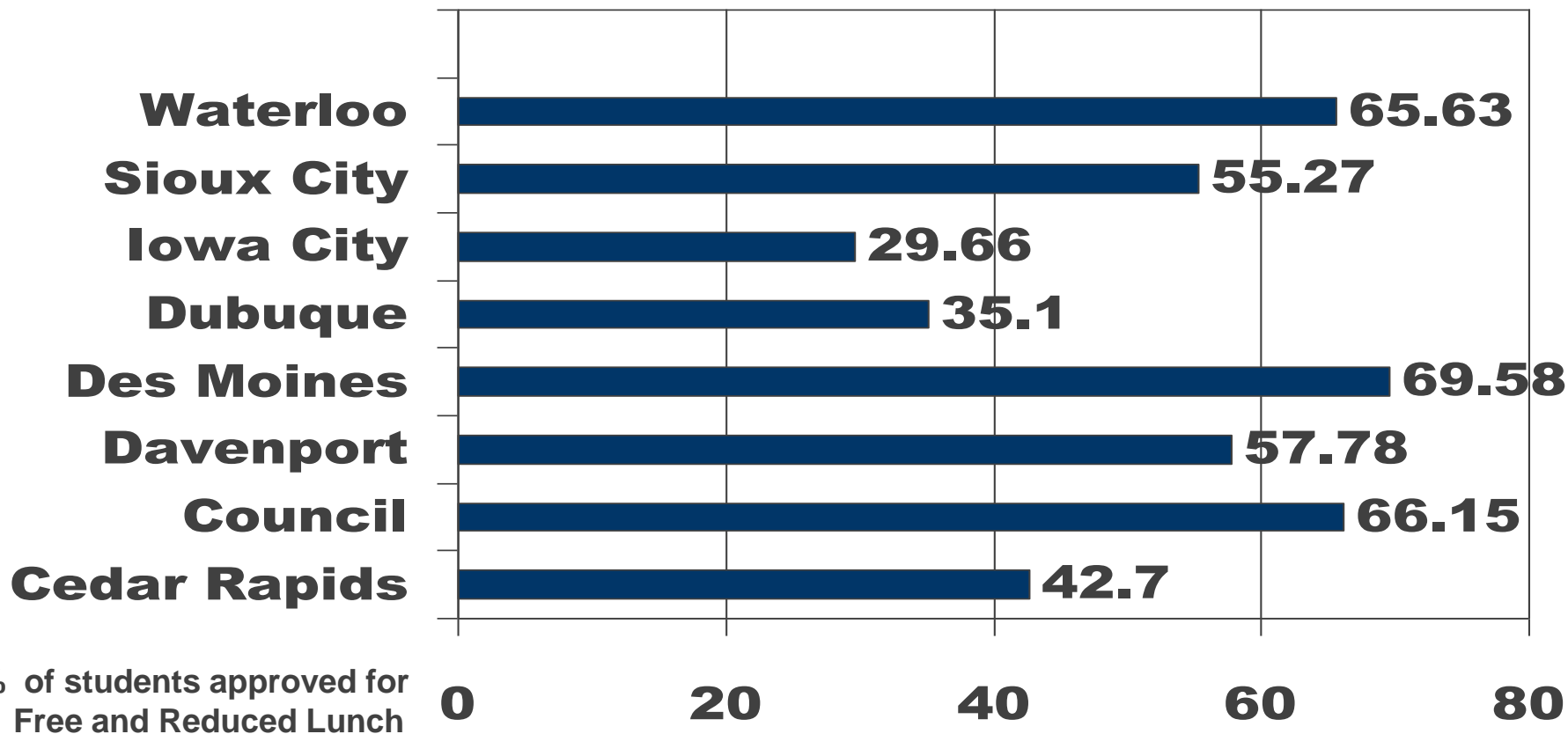
Metro Area vs. District Poverty Measurement

Des Moines Poverty Percentage is More Than Double
Suburban Neighbors

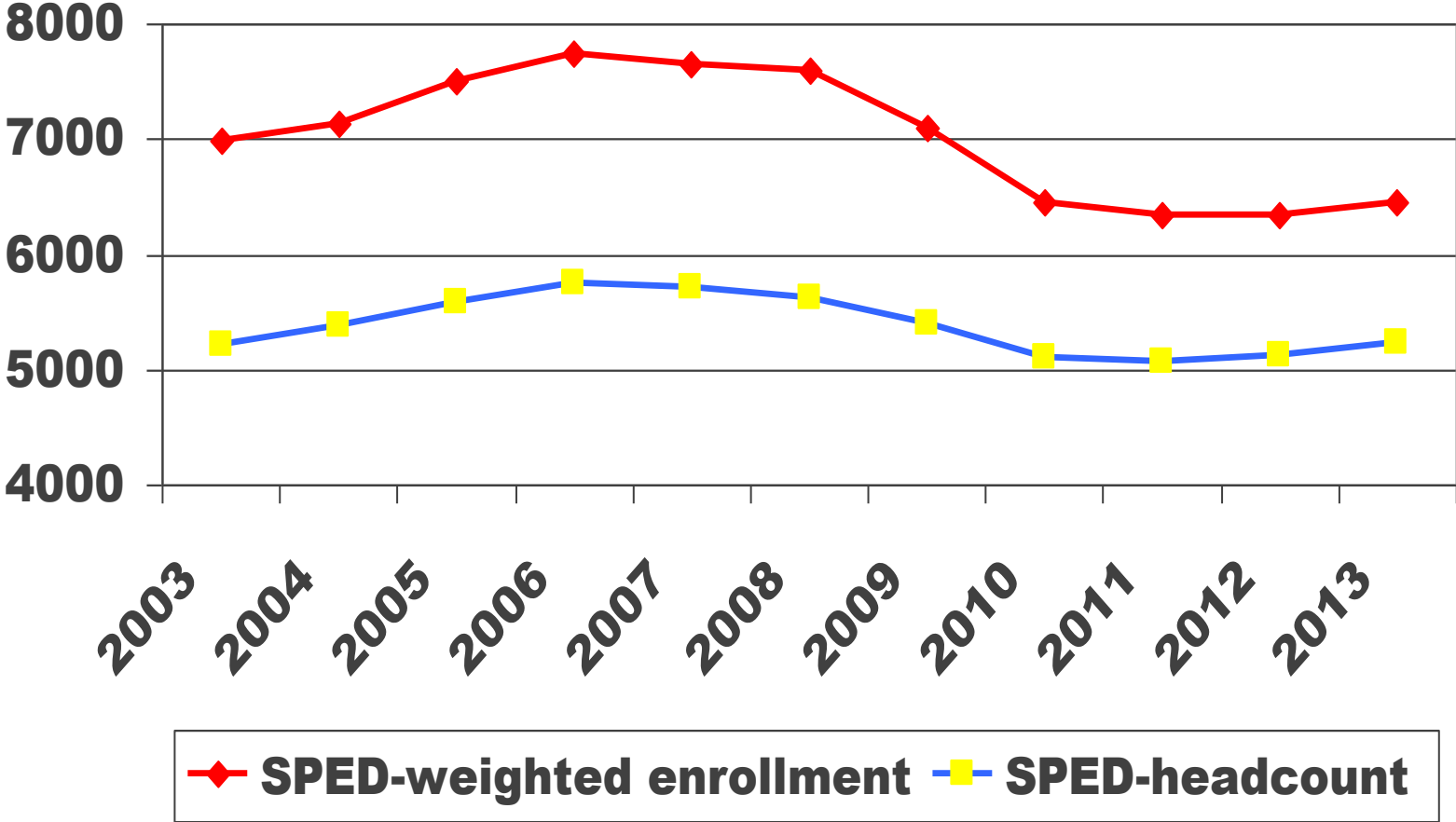


UEN Districts vs. District Poverty Measurement

Des Moines Poverty Percentage is 69.58%

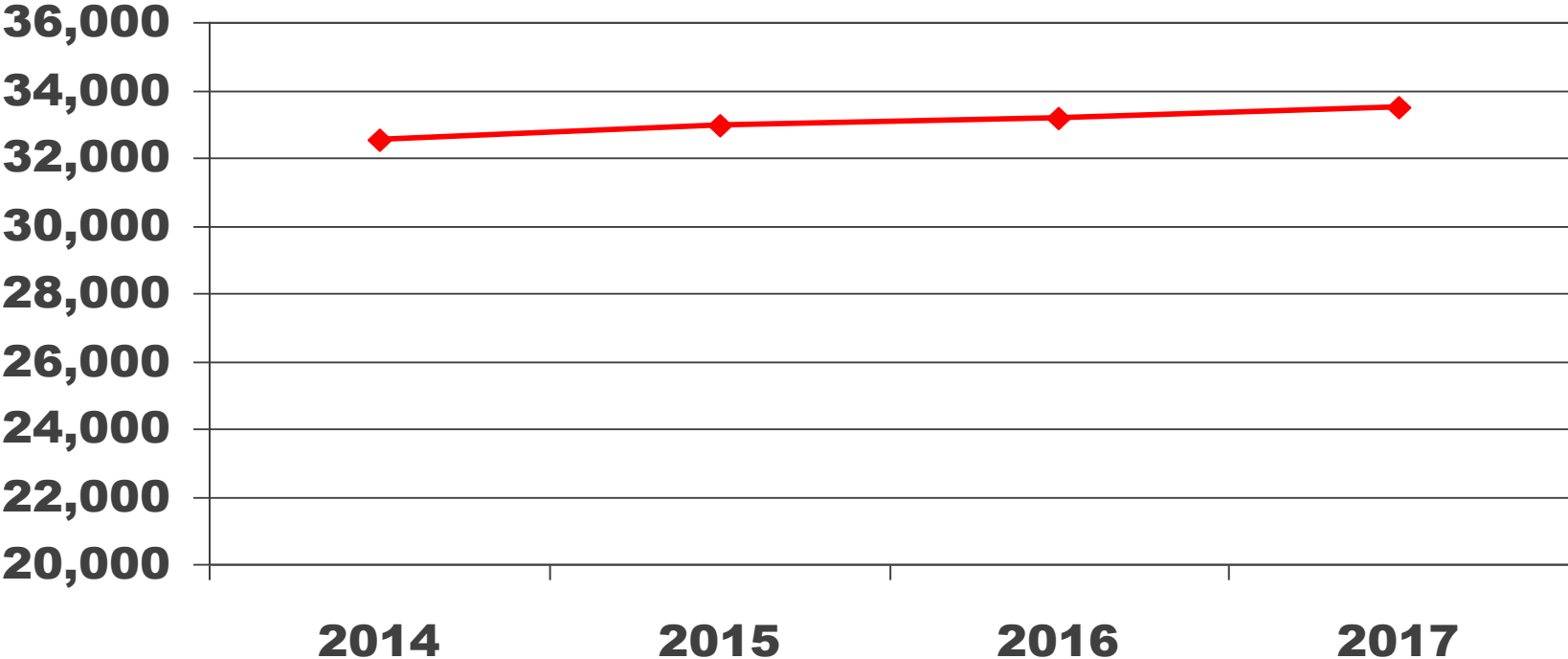


District Special Education (SPED)



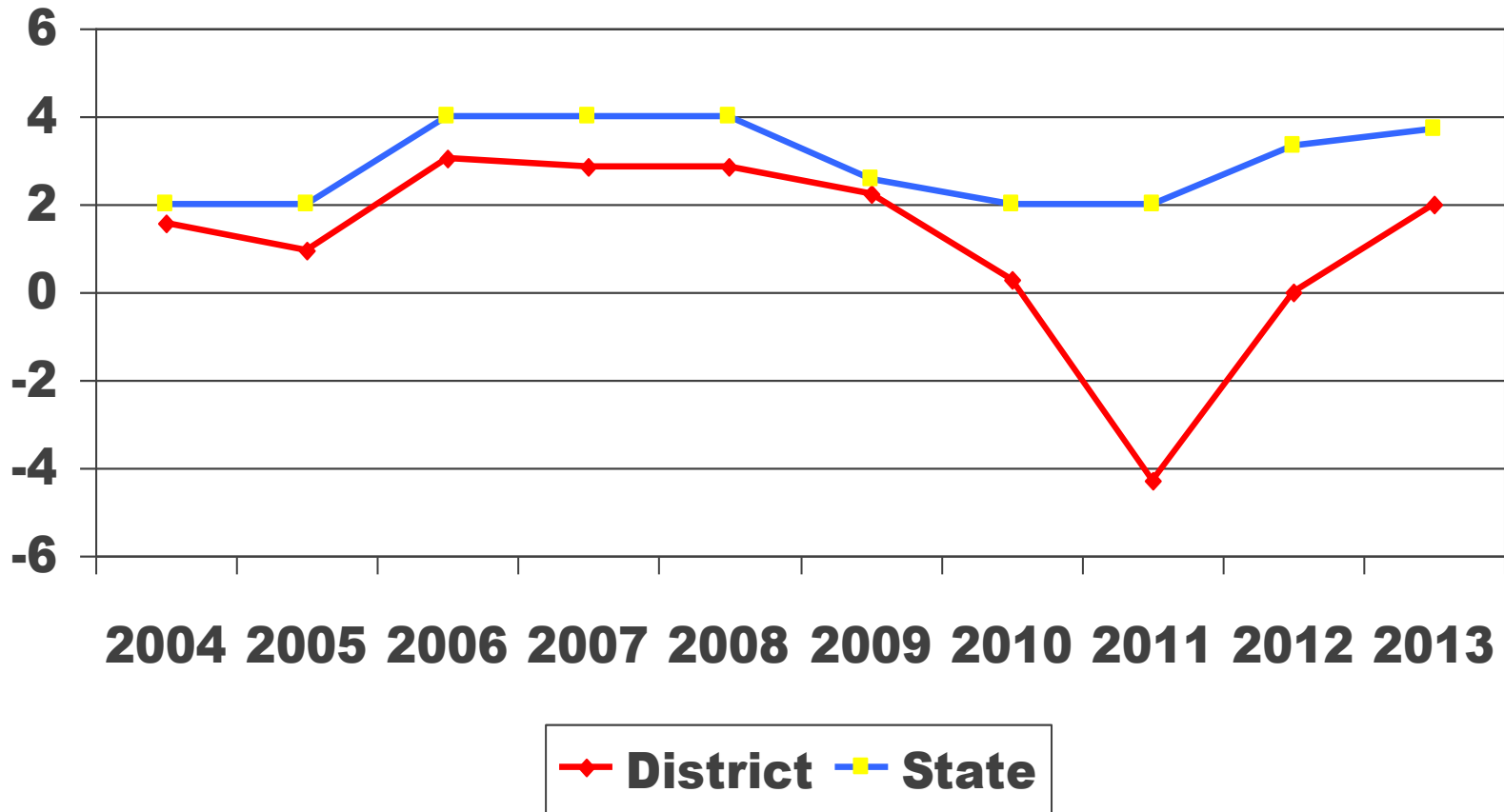
District Enrollment - Future

DE Projected Enrollment: Increase Through Next 4 Years



Allowable Growth (AG)

District AG is Less Than State AG



Guiding Principle #2

Taxes

Tax rate is primarily set by the school foundation aid formula

Limited ability for school boards to increase or decrease taxes

Taxes

General Fund – FY 2013

<u>Type</u>	<u>Authority</u>	<u>Rate</u>	<u>Total</u>	<u>Maximum</u>	<u>Exp. Date</u>
Regular	Code	\$9.93	\$63.6m	School Foundation Aid Formula	NA
Instructional Support	Voted	\$1.94	\$12.4m	10% cost At max	2016
Dropout Prevention	Board	\$1.48	\$ 9.5m	At max	Annual
Cash Reserve	Board	\$2.35	\$15.1m	20% Expense	Annual

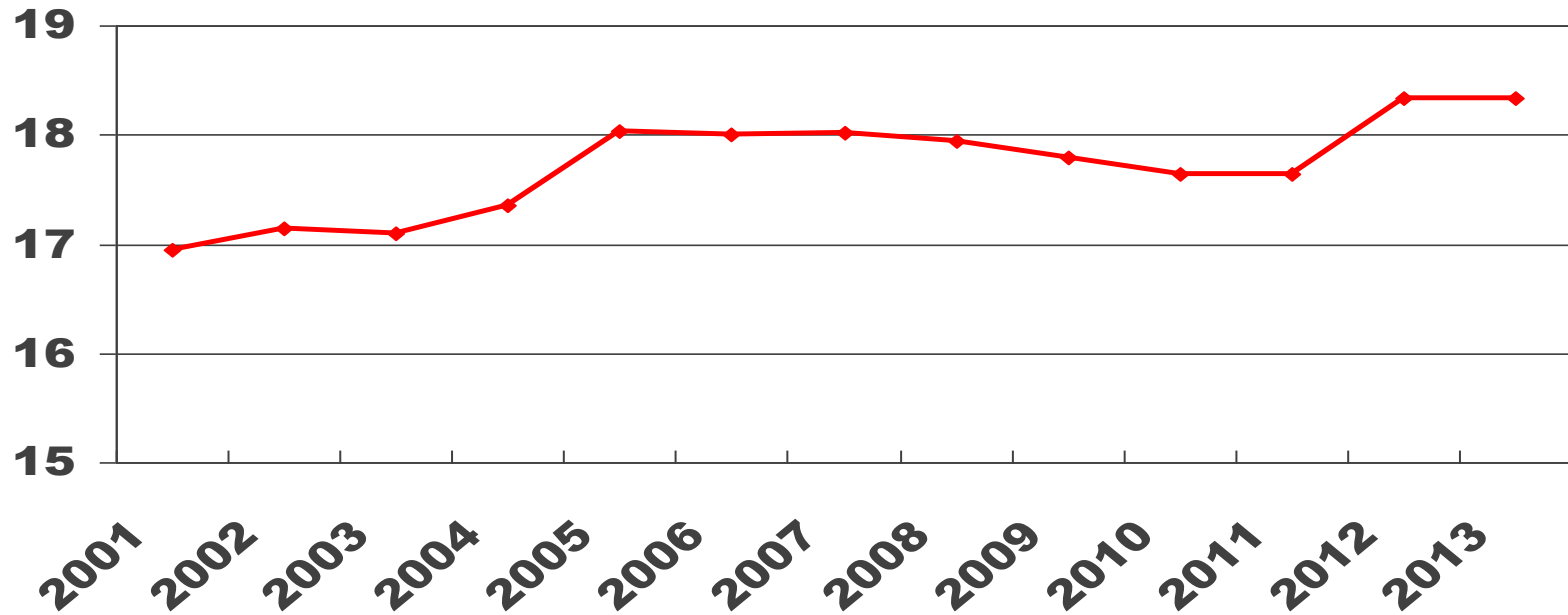
Taxes

Other Funds – FY 2013

<u>Type</u>	<u>Authority</u>	<u>Rate</u>	<u>Total</u>	<u>Maximum</u>	<u>Exp. Date</u>
Management	Board	1.55	\$ 9.9m	NA	Annual
PPEL (Property, Plant & Equipment Levy)	Voted	0.63	\$ 4.5m	\$1.34	2021
	Board	0.33	\$ 2.4m	At max	Annual
PERL (Public Ed. & Recreation Levy)	Voted	0.135	\$ 0.9m	At max	NA
DEBT	Voted	-0-	\$ -0-	NA	NA
Sales Tax (Statewide Penny)	Voted Revenue Purpose Statement	.01	\$26.0m (estimate)	NA	2029

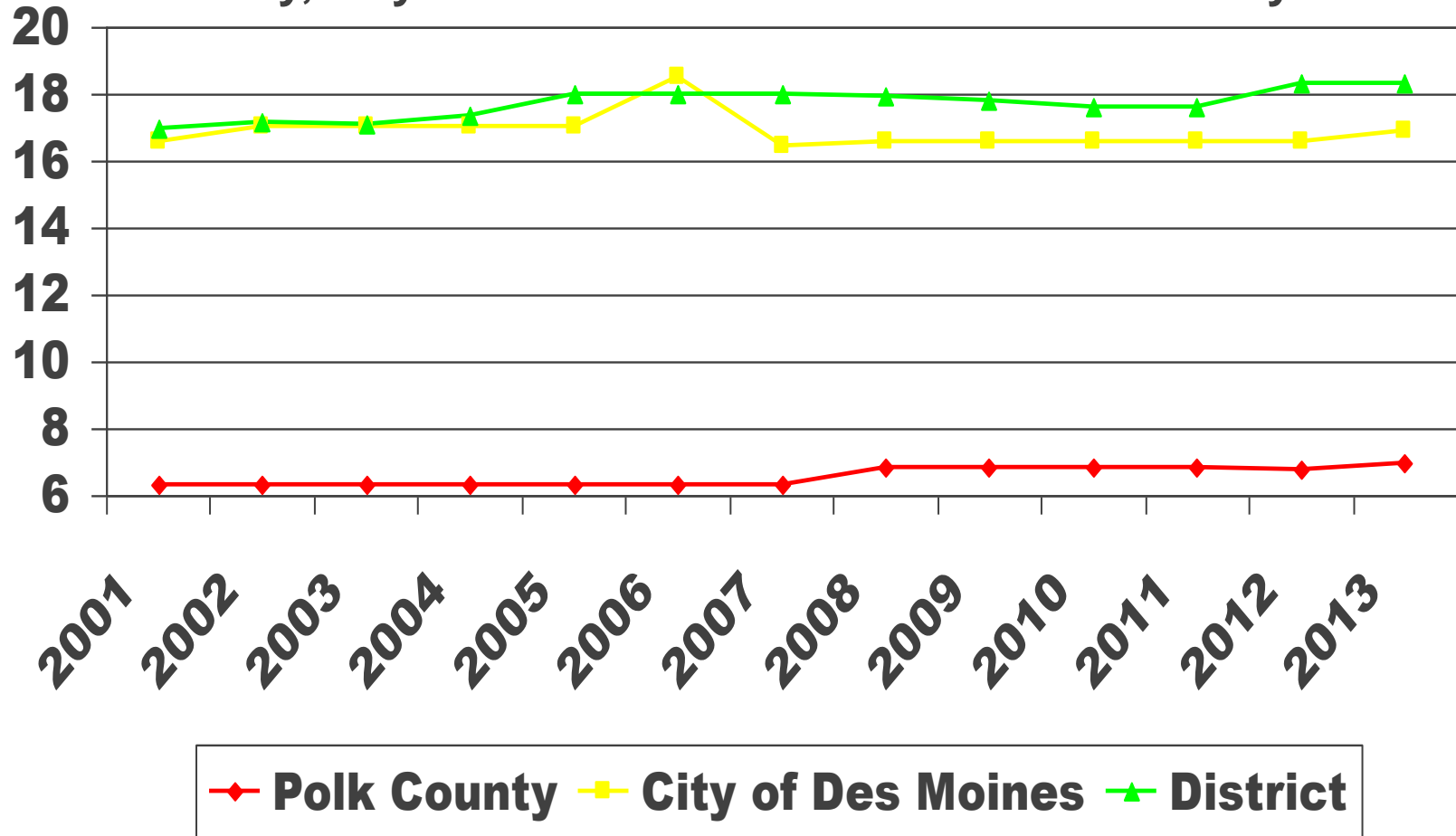
District Overall Tax Rate

District Tax Rate Remains Steady Over Past Several Years

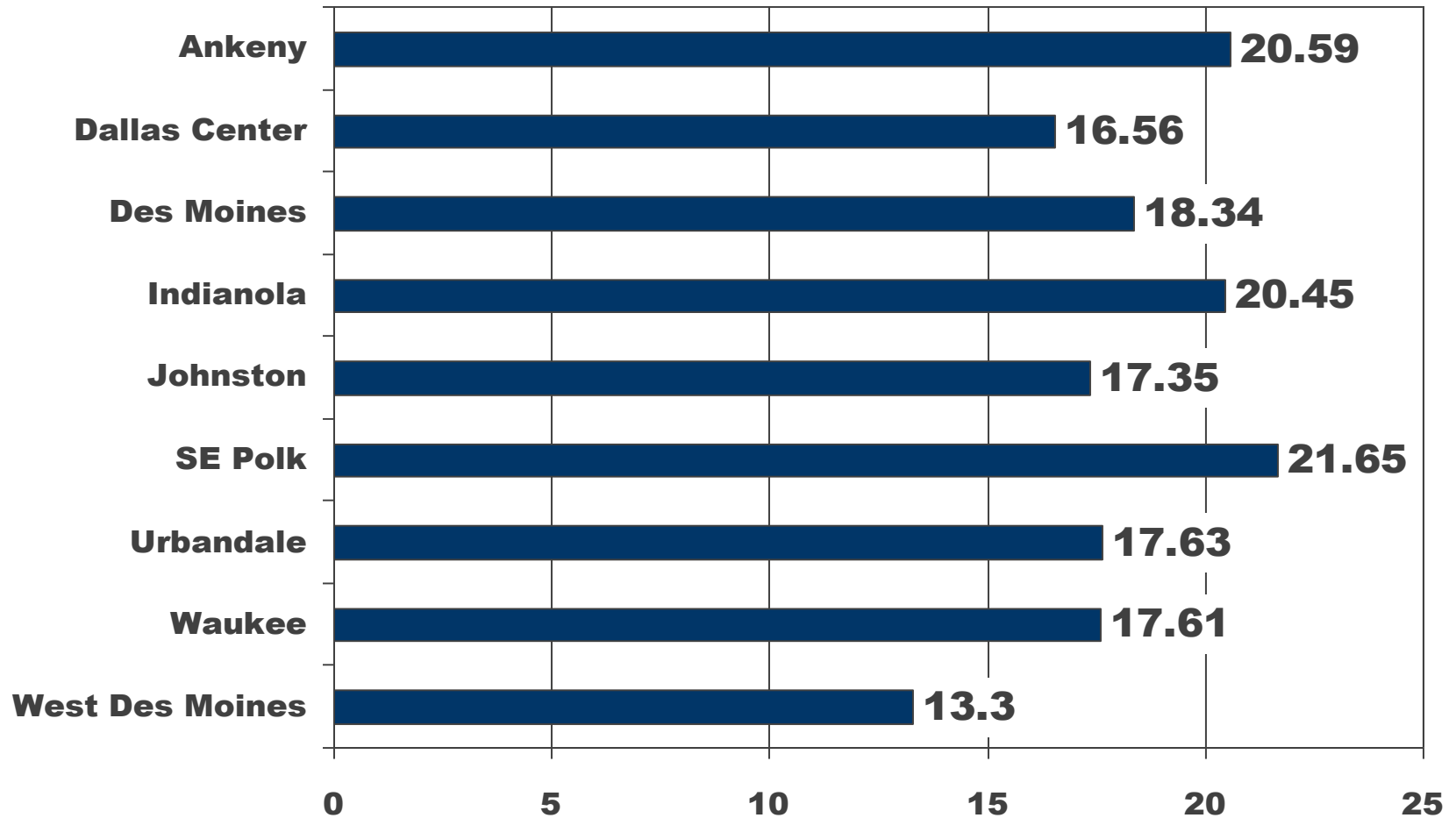


Comparison to County and City

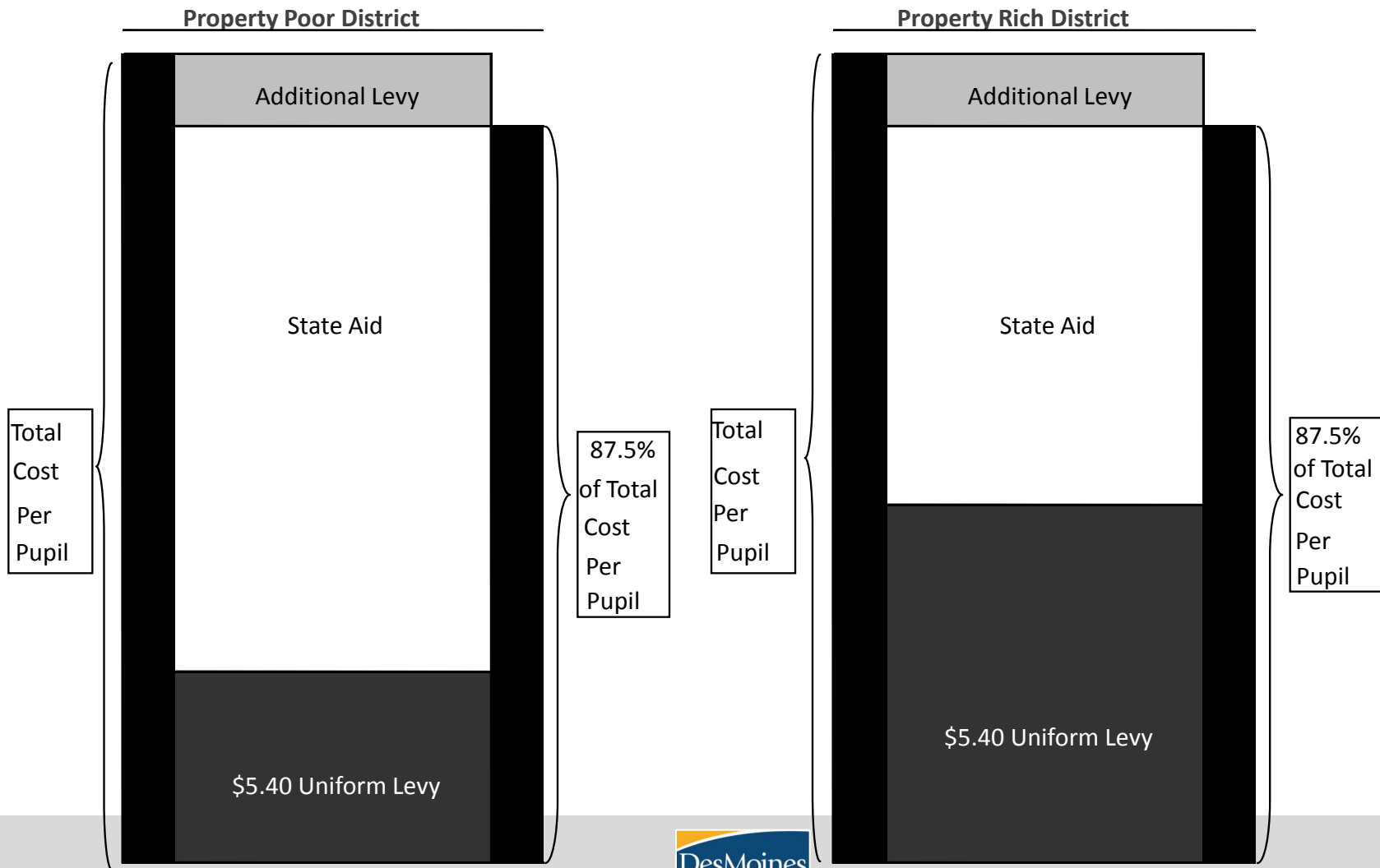
County, City and District Tax Rates Remain Steady



Metro Area vs. District Tax Rates FY 2013



Comparison Between Districts



Property Tax Relief (PTER)

<u>Fiscal Year</u>	<u>Tax Relief Provided By State Appropriation</u>	<u>Reduction in Tax Rate</u>
2009	\$2,874,666	<\$0.49>
2010	\$3,983,199	<\$0.66>
2011	\$7,465,022	<\$1.17>
2012	\$5,309,733	<\$.81>
2013	\$7,284,378	(1.13)
2014 (est.)	\$8,627,377	(1.32)

FY 2013 Tax Rate

No Change from FY 2012

FY 2013 Tax Rate

18.34 (per millage)

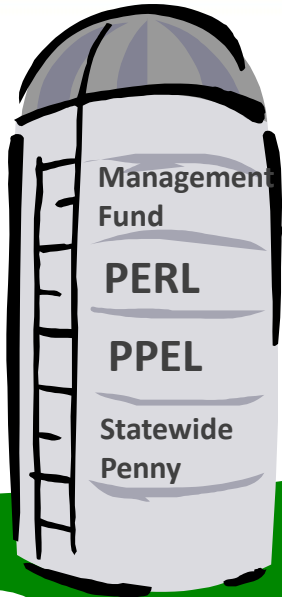
Guiding Principle #3

Funding Silos

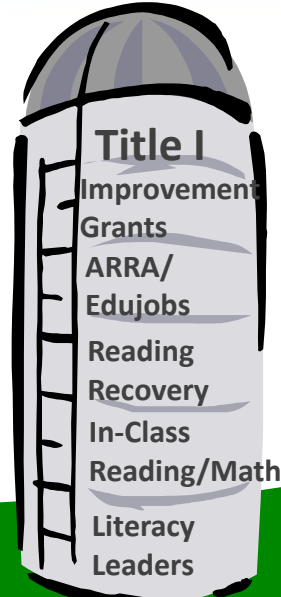
- **Certain funds must be spent on certain things, it is all about how the donor / grantor decides how funds can be spent**
- ***For Example* - Cannot use federal grants to hire more “lead” teachers in the classroom (supplement, not supplant principle)**
- ***For Example* - Cannot use construction funds (state-wide penny) to hire more teachers (general fund)**
- ***For Example* - Reading staff paid from federal funds does not help remedy a state across-the-board reduction**

DMPS Funding Silo Examples

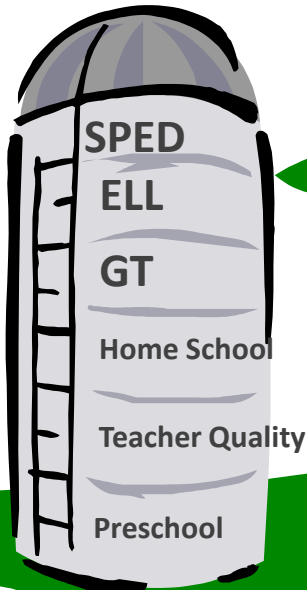
Taxes



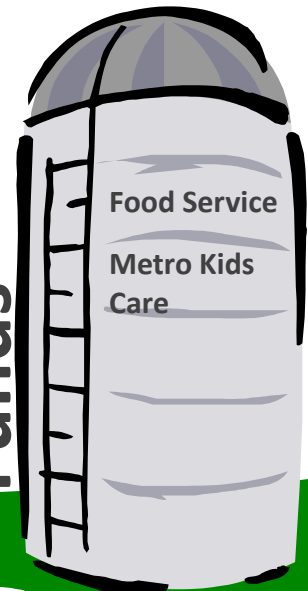
Federal



State



Enterprise
Funds



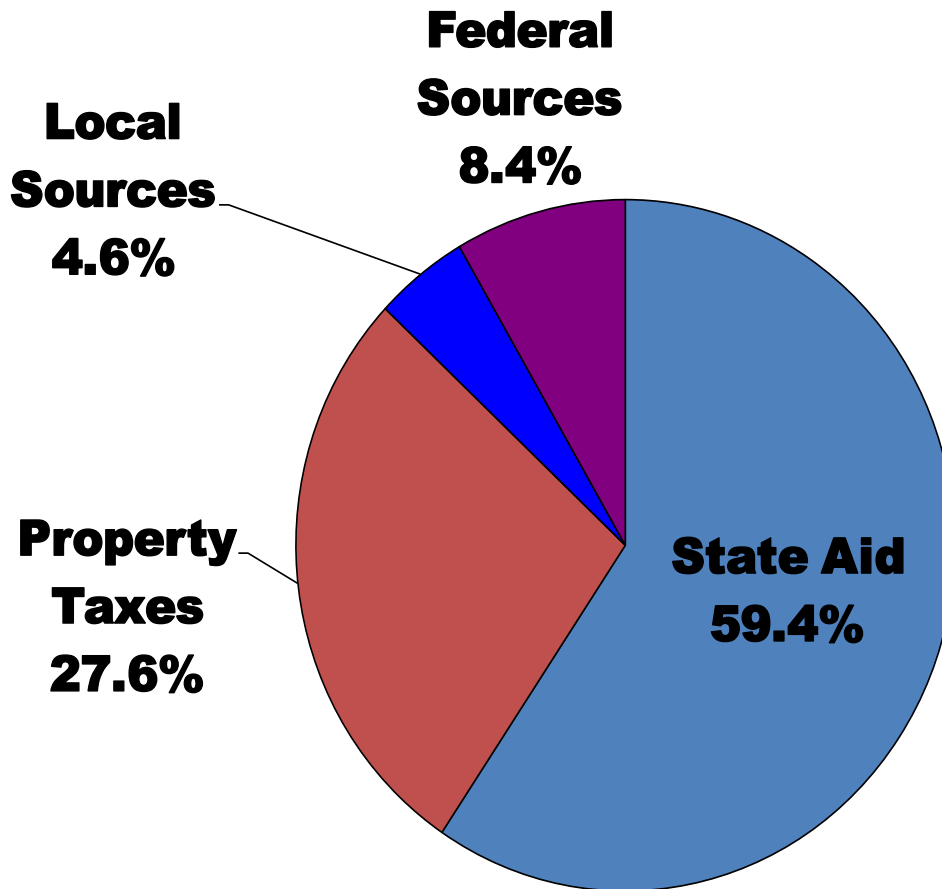
DMPS Funding Silo Examples

- All money, except state foundation aid (which goes into the general fund), comes with strings attached
 - Money can't be moved from one silo to another silo to pay for something for which it wasn't originally intended
- More than 84% of DMPS budget goes to staff compensation (salaries & benefits)
- State silo examples includes:
 - Special education, English Language Learner, gifted/talented funding
 - Funds to pay for home school instruction
 - Teacher quality money
 - Preschool funding
- Federal silo examples includes:
 - Title I funds
 - School Improvement Grants
 - Money for reading recovery & in-class reading/math instructors
 - ARRA; Edujobs
 - Money to pay for Literacy Leaders

DMPS Funding Silo Examples

- Tax silo examples includes:
 - Management fund: property & liability insurance; worker's compensation money; early retirement funding
 - Public Education & Equipment Levy (PERL): pays for things like playground equipment purchases
 - Physical Plant & Equipment Levy (PPEL): purchases items like school buses, technology, school repairs and maintenance
 - Statewide penny: pays for infrastructure improvements and major repairs
- Enterprise fund silo examples includes:
 - Services/Programs that are self-funded (money collected through the service goes to pay to operate the service)
 - Food service
 - Metro Kids Care

Where Funding Comes From



State Foundation Aid

Sources of funding:

- State Aid
- Property Taxes

Components:

- Regular Program
- SPED
- ELL
- At-Risk
- Home school
- Preschool
- Teacher Salary Supplement
- Professional Development
- Iowa Core Curriculum

Federal Funding

Guiding Principles & Trends

- ✓ **Supplement, not supplant**
- ✓ **Focus on poverty**
- ✓ **Competitive, not allocation**
- ✓ **Individual schools, not state or other school districts**
- ✓ **Increased regulation (strings), not flexibility**
- ✓ **Increased accountability-quarterly, not annual reporting**
- ✓ **Focus on outcomes, not inputs**

Federal Funds – ARRA / Edujobs

<u>ARRA</u> (American Recovery Act & Reinvestment Act of 2009)	<u>Millions</u>	<u>USE</u>	<u>Must spend by:</u>
State budget stabilization funding	\$21.4	Replacement funding	9/30/2011
Special Education	\$8.7	SPED only	9/30/2011
Title I	\$6.5	Math / Literacy supplemental services	9/30/2011
Various (E2T2; Homeless) Technology	\$0.5	Transportation	9/30/2011
Edujobs	\$6.7	Replacement funding	9/30/2012
School Improvement Grants	\$13.3	Persistently Low Achieving Schools (PLAS)	9/30/2013

Guiding Principle #4

Compensation

- Schools are labor intensive
- 84% of General Fund (operating fund) expenditures are for compensation
- Reductions will impact staffing levels
- There is a difference between “position” and “personnel”

Components Compensation

Salary

- Base Pay
- Steps
- Longevity

Teacher Salary Supplement

Health Insurance

Payroll taxes

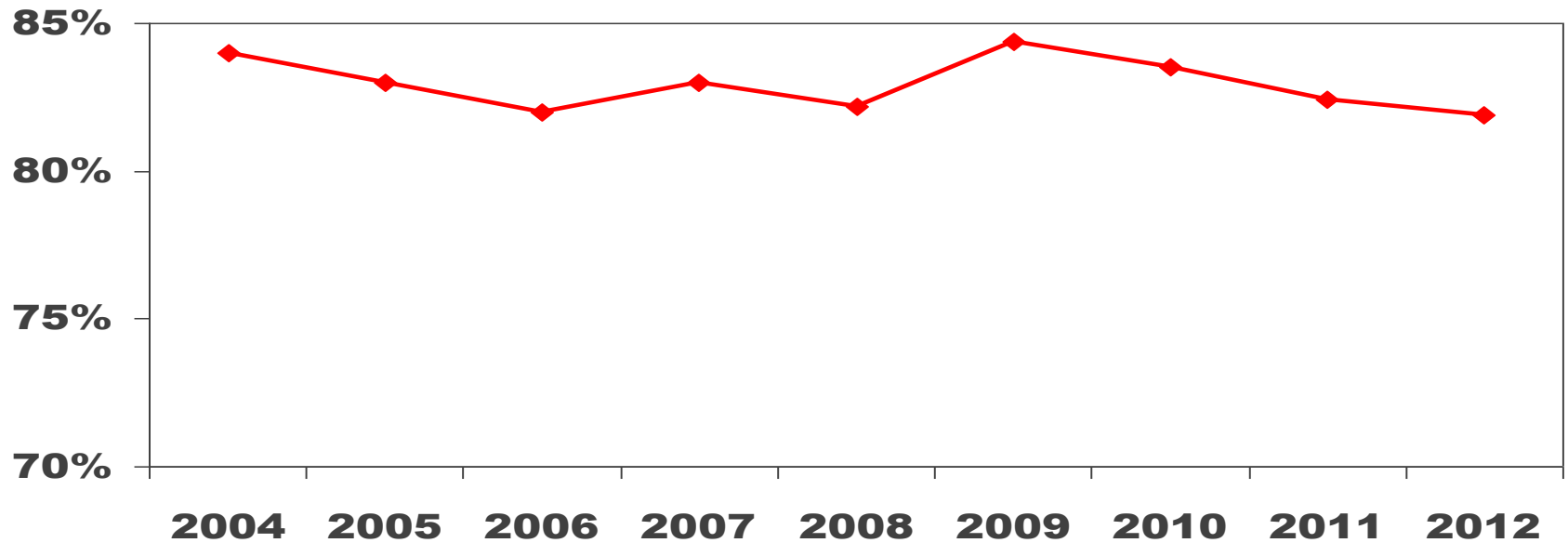
Retirement – IPERS or DMTRS

Dental / Vision

LT Disability

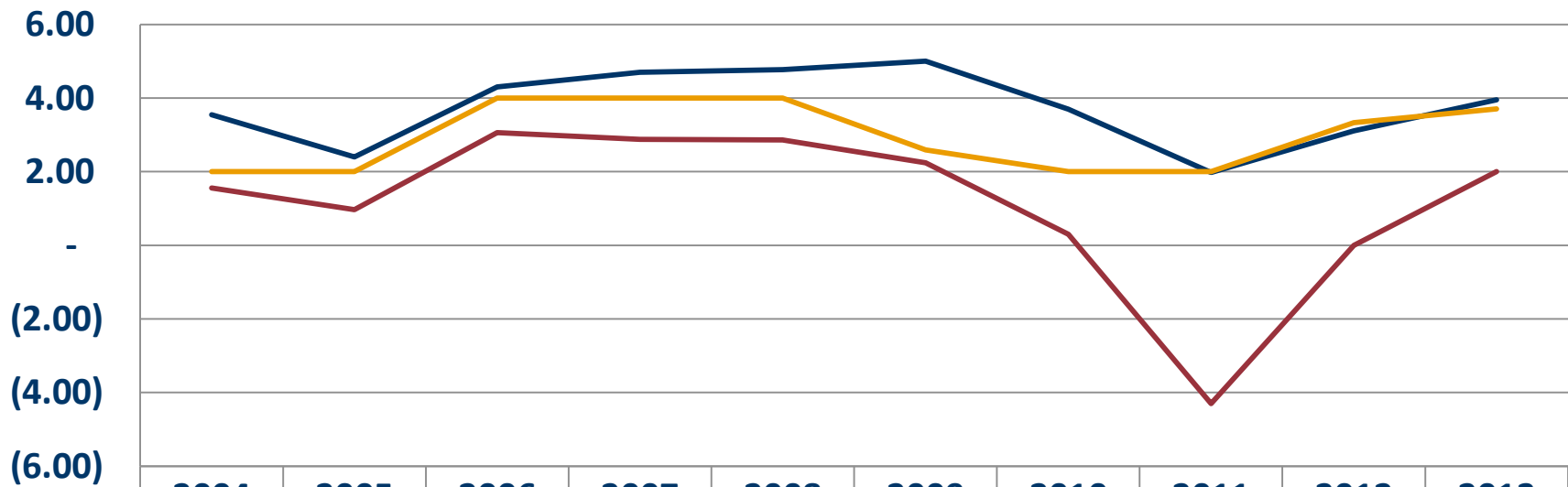
Percentage of Compensation to Total General Fund Expenditures

Compensation Percentage Remains Steady



Compensation Negotiations History

Teacher Settlements Have Been Higher Than District and State Allowable Growth



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
— DMEA	3.55	2.40	4.30	4.70	4.77	5.00	3.70	1.98	3.11	3.95
— State AG	2.00	2.00	4.00	4.00	4.00	2.59	2.00	2.00	3.33	3.71
— District AG	1.56	0.97	3.06	2.88	2.86	2.24	0.30	(4.30)	-	2.00

Staffing Trends

	<u>2002</u>	<u>2013</u>	<u>% Change</u>
Teachers	2738	2687	<1.9>
Associates	603	519	<13.9>
Specialists, Clerical & Paraprofessionals	473	509	7.8
Operations	900	816	<u><9.3></u>
Administrators	<u>140</u>	<u>123</u>	<u><12.1></u>
Total	4,854	4,654	<4.1>
Enrollment	32,345	32,062	<.9>

What Makes up Remaining 16% of General Fund Expenditures?

Tuition out (funding follows the child)

Textbooks, educational materials

Utilities

General maintenance and supplies

Phone system

Repairs and maintenance

Transportation costs

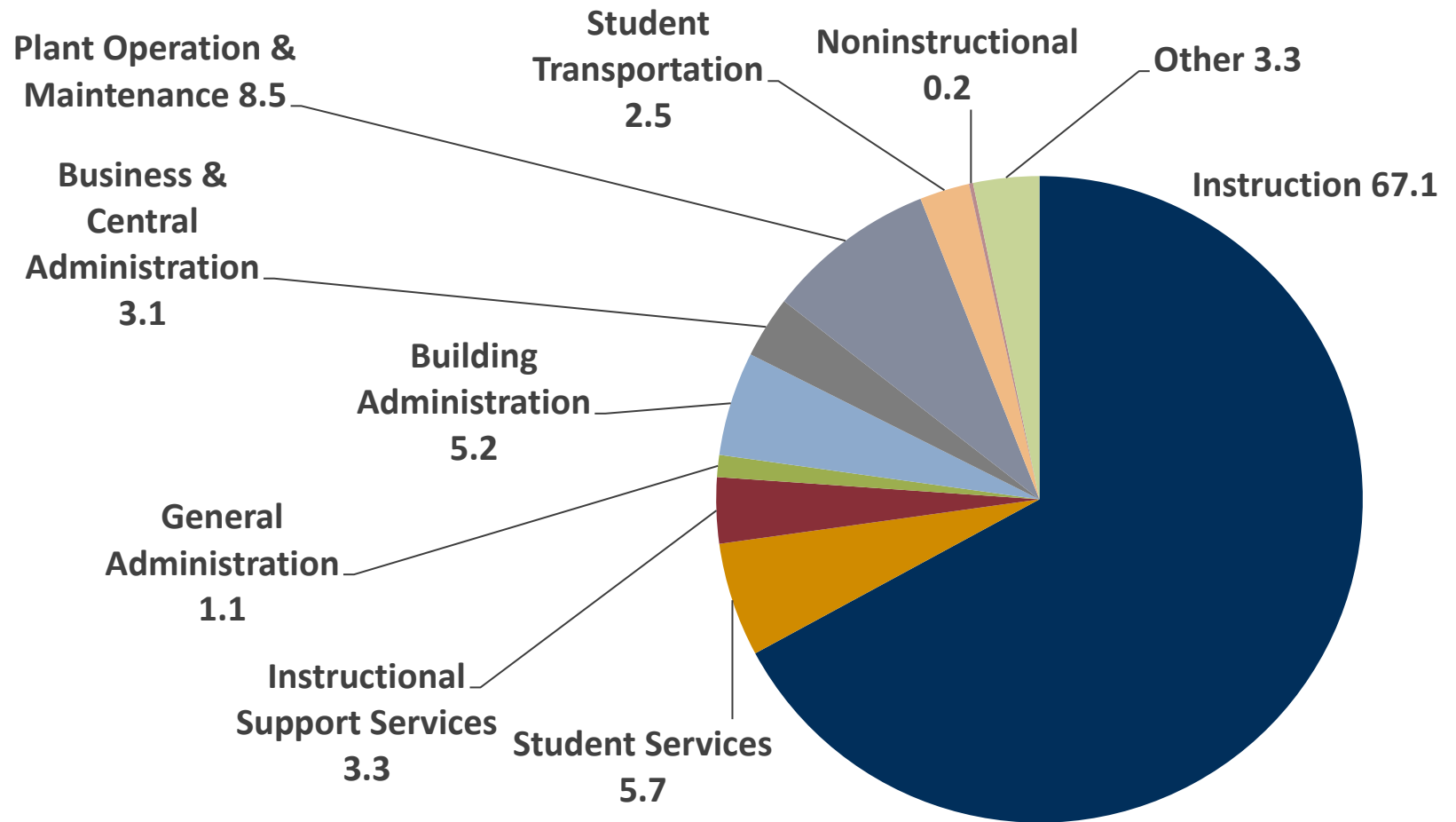
Printing

Guiding Principle #5

Balanced Budget

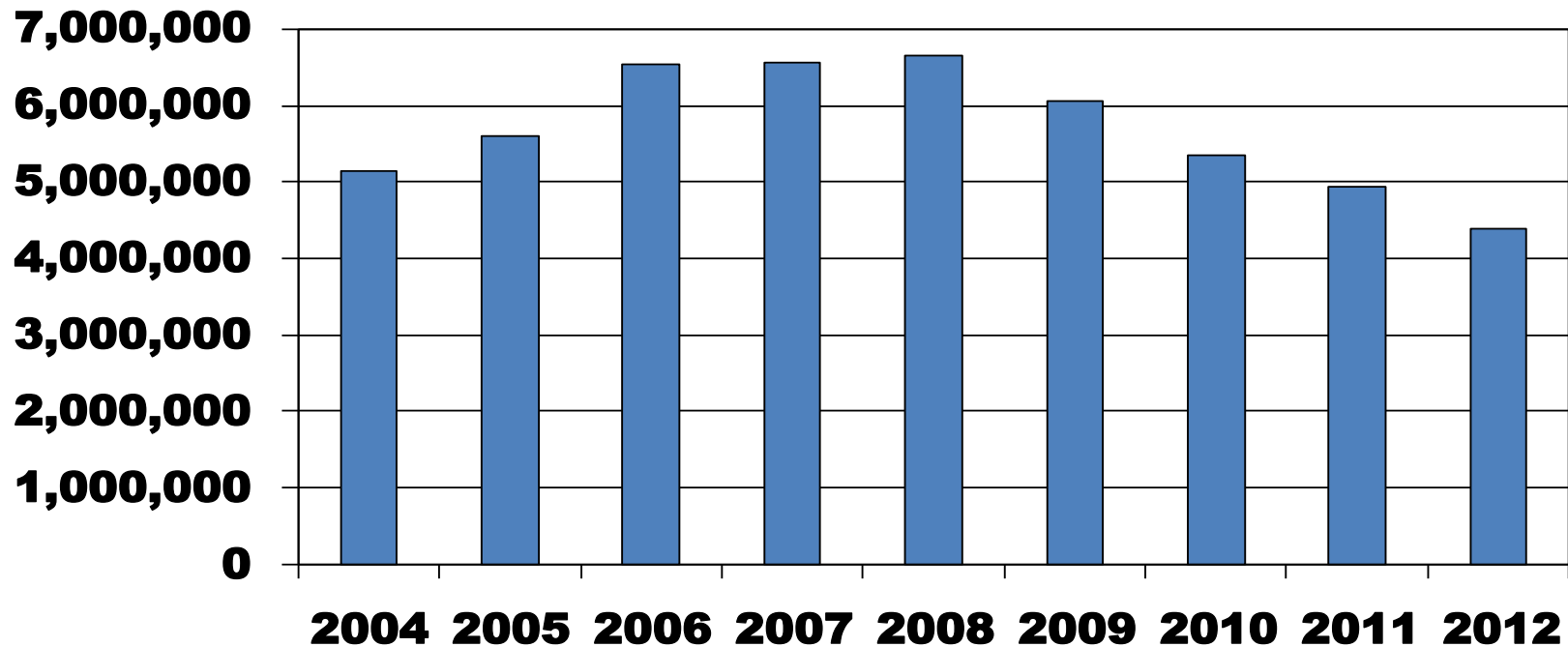
- **Resources must cover expenditures**
- **By law, state must always have a balanced budget**
- **By law, school districts must always have a balanced budget**

Where Do Funds Go? General Fund



Utilities Costs

Utilities Costs Have Been Controlled Due to Energy Savings Initiatives



FY 2013 Landscape

MANAGEMENT LIMITATIONS 2.5:

Financial Planning and Budgeting

Financial planning for any fiscal year or the remaining part of any fiscal year may not deviate materially from the Board's Ends priorities, risk financial jeopardy. Accordingly, the Superintendent shall not present a budget that:

Falls below a 8% solvency ratio for the General Fund.

Falls below a 10% unspent spending ratio for the General Fund.

Creates a situation or condition described as unacceptable in the "Financial Conditions and Activities."

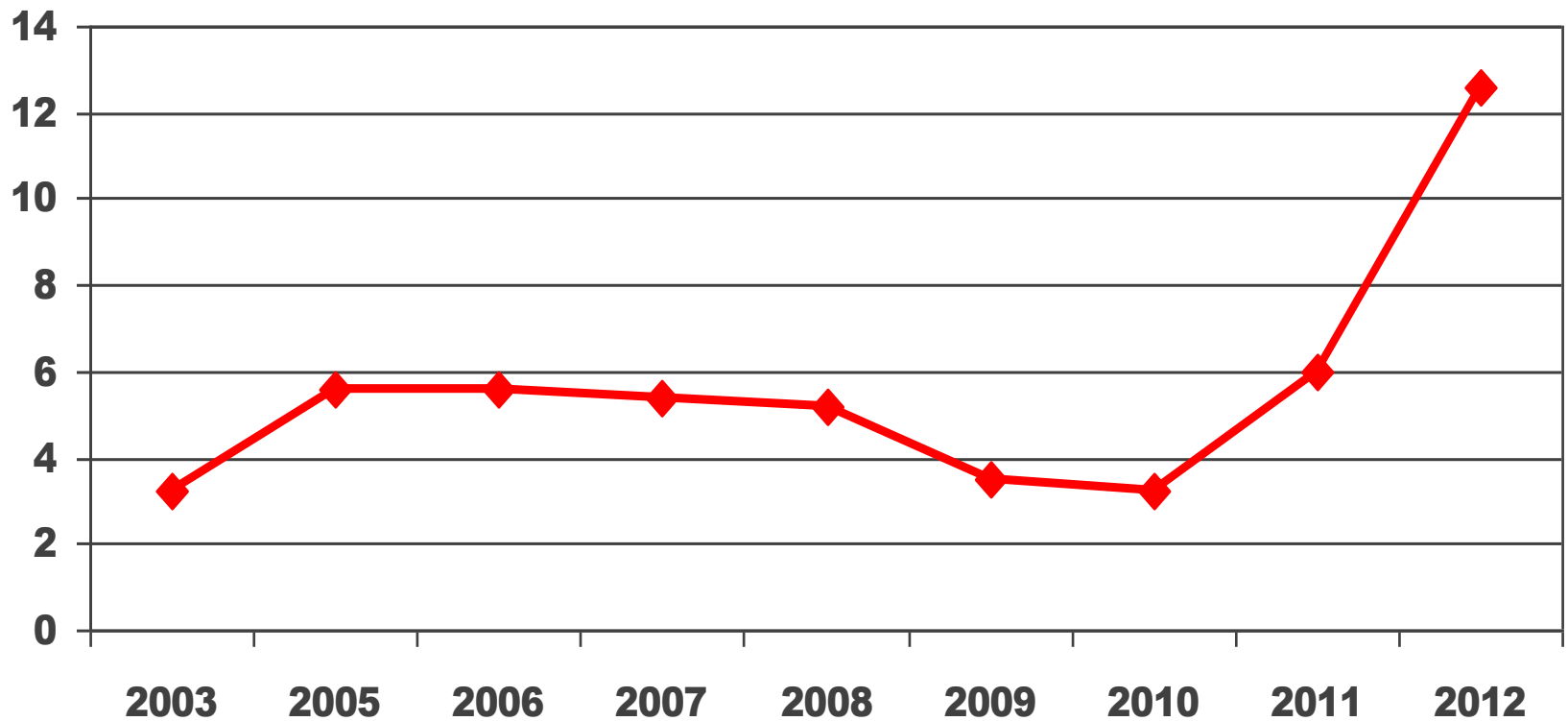
Omits credible projections of revenues and expenses and disclosure or planning assumptions.

Plans the expenditure of much more funds than are projected to be received in any fiscal year.

Provides less funding for Board activities during the year than is set forth in the Governance Budget.

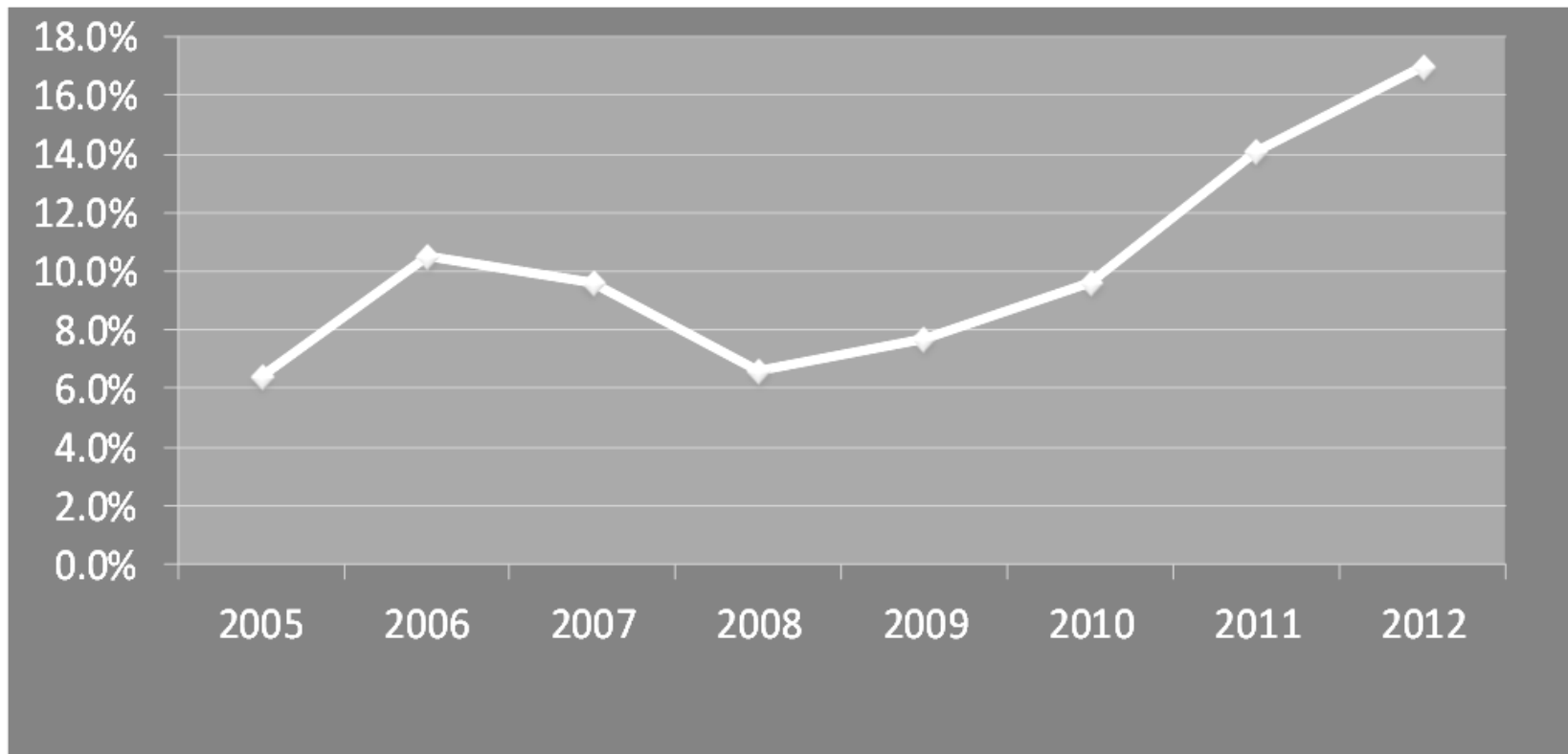
FY 2012 Landscape

Solvency Ratio



Unspent Spending Authority (USB) (Unspent Balance)

Unspent Spending Ratio is Greater Than 10%



FY 2014 Landscape

Unknowns

Allowable Growth

Amount of state foundation aid

Federal funding

Amount same or less than prior year

Negotiations

Impact on district budget

Tax Rate

Property tax relief

Other Legislative action

Unfunded mandates
Educational Reform
Sequestration

Next Step

Next Board Work Session:

February 11, 2013

5:15 pm

Conference room 6A