

# Forest Charter School

---

Budget Narrative and Assumptions  
2016–2017 Adopted Budget  
Date: May 18, 2016

## **Summary**

Governor Jerry Brown released his May Revise on May 13, 2016. This process is the final update to economic assumptions and revenue estimates prior to the required June approval and implementation of the 2016-2017 budget.

The May Revise reflects the Governor's concern of an inevitable recession and shows his reluctance to approve any new programs that will increase state spending. The budget includes an increase to the Proposition 98 school funding guarantee of \$288 million from the January budget projection. Key elements for Forest Charter School include the following:

- **Local Control Funding Formula:** Increased the "Gap" rate in the Local Control Funding Formula (LCFF) by \$154 million from the January budget proposal. This increase will bring the LCFF to almost 96% of full implementation.
- **One-Time Block Grants:** Increases the per-pupil block grants by \$134.8 million from the January proposal. This adjustment to our revenue will be reflected in our 1<sup>st</sup> Interim budget.
- **Teacher Workforce Grants:** Provides \$12.5 million for grants to address the current teacher shortage. These competitive grant programs would be administered by the Commission on Teacher Credentialing (CTC) and support a four year program for new teacher credentialing.

Forest Charter School will continue to budget thoughtfully and responsibly, with input from our County Office of Education, our Governing Board and our staff.

**Overview of Local Control Funding Formula (LCFF) and what it means:**

Implemented in 2012-2013 by Governor Brown, the intent of the Local Control Funding Formula (LCFF) is to increase flexibility and accountability at the local level so those closest to the students can make the decisions and ensure that student needs drive the allocation of resources.

The basic design of the LCFF has been to eliminate most categorical programs and fund schools based on student demographics. Beginning last year, the LCFF provided a base 'per-student rate' (per grade level span) with additional funding for Supplemental and Concentration grants for high need students.

The *Supplemental grant* is funding which is generated by each student who is identified as an English Learner (EL), or who is eligible for free or reduced price meals (FRPM), or who is a foster youth.

The *Concentration grant* provides an additional 50 percent for each pupil exceeding 55 percent eligible as high needs. Charter schools are eligible for a concentration grant, however their eligibility is capped at the average FRPM rate of the district in which the school is physically located, rather than the actual FRPM percent of the charter school. A charter school that has Learning Centers in more than one school district cannot exceed the percentage of unduplicated pupils of the school district with the highest percentage.

The Local Control Funding Formula is committed to making up the cuts and lost COLA for schools by 2021. It is important to remember that the goal of the LCFF is to return school funding back to the 2007-2008 funding levels. With the approval of the May Revise, the Local Control Funding Formula will be almost 96% of full implementation.

So, what does this mean to FCS?

- In 2015-2016, the GAP Funding Rate was 51.97% and allocated \$583,327 in additional funds to move us towards our 'Target Rate'. In the 2016-2017 State budget, schools are scheduled to receive a GAP Funding Rate of 49.08%, which equates to \$284,058 for FCS.
- As part of the funding received, \$393,998 is generated as *supplemental funds* used to support our FRPM population.

- FCS is currently at 45.72% FRPM and EL and the 'district with the highest percentage' in which we have a Learning Center is at 44.38%. Therefore, FCS does not qualify for any concentration grant funding, even though we were eligible for Supplemental.

**Overview of Local Control and Accountability (LCAP) and what it means:**

The LCAP is an important component of the Local Control Funding Formula as it integrates input from stakeholders in collaboration with the school's action plan to formulate annual goals for all pupils, with specific actions to address state and local priorities. The LCAP focuses on the actual services provided to students plus accountability for the results achieved through increased and improved services.

Based on stakeholder input and our current action plan, FCS developed a 3 year Local Control and Accountably Plan that set annual goals for all students with specific goals for our FRPM population. The LCAP establishes two part-time intervention specialists for both English Language Arts and Math who will support all students and identifies additional resources to support tutoring, curriculum and other resources for our FRPM population. FCS is implementing various tools to establish viable benchmarks for our students. The current LCAP can be found on the FCS website at [www.forestcharter.com](http://www.forestcharter.com)

**Education Protection Account (EPA)**

The Education Protection Account (EPA) provides schools with general purpose State aid funding pursuant to Proposition 30, approved by voters November 6, 2012. The EPA is a component of the schools general purpose entitlement and totals approximately 21% of general purpose funding.

- As outlined in Proposition 30, EPA monies are collected through taxes throughout the year and paid to schools on a quarterly basis.
- The FCS governing board is required to make the spending determinations with respect to monies received from the EPA in open session of a public meeting. These spending determinations are posted on our website at <http://www.forestcharter.com>.

- FCS estimates \$1,025,111 in EPA Funding for the 2016-2017 school year, based on an enrollment projection of 750 students.
- Unless extended by voters, the .25% sales tax increase will expire in the 2016-2017 school year and the personal income tax increase to high earners will expire in the 2018-19 school year. A Proposition 30 extension is scheduled to be one of 18 proposed measures for California voters to consider in November. This is the highest number of propositions on the ballot since 2001.

### **Common Core State Standards (CCSS) – California State Standards**

The Common Core State Standards is an initiative that established a single set of educational standards for grades K-12. The goal is to provide a consistent and clear set of shared goals and expectations for the knowledge and skills students need at each grade level to be prepared to graduate college and career ready. CCSS has replaced the NCLB standards and is voluntarily adopted by states.

- California adopted the Common Core State Standards in 2010 (they are now simply called the California State Standards)
- Currently, there are only 3 states who have NOT adopted the Common Core State Standards, 1 state who only adopted ELA and 3 states who have withdrawn.

### **Independent Study/Homeschool Demographics**

FCS has been analyzing our student demographics, identifying 20% of our student population to be Independent Study/Homeschool and residing primarily in the Auburn area, 50.36% of which are grades 9 - 12. In addition, 56% of our ST's hold IS/Homeschool students on their current student roster.

### **California State Teacher's Retirement System (CalSTRS)**

The teacher's retirement system was projected to run out of money by 2046, however, steps are in place to completely fund CalSTRS by 2045. Of the unfunded \$74.4 billion shortfall, \$47 billion will be funded by employers, \$20 billion by the State and \$8 billion by employees. The employer contribution rate is projected to increase from 8.88% to 19.1% over seven years. For the 16-17 school year, the employer STRS rate is 12.58%, approximately \$54,000 increase over last year. This was not addressed in the State's

DCarter/FCS

budget and, ultimately, will consume approximately 25% of the planned growth in LCFE funding at full implementation. The FCS Governing Board will be looking closely at options to offset the increase cost to the school's budget.

### **California Clean Energy Jobs Act (Proposition 39)**

Proposition 39 was implemented to complete eligible projects that create jobs in California by improving energy efficiency and expanding clean energy generation. FCS has received \$163,152 in Prop 39 funds over the last three years and, working with PG&E and HY Architect, Inc. has submitted an Energy Plan to the State for approval. This plan is anticipated to replace the current HVAC system and provide energy efficient lighting at the Nevada City Learning Center.

### **Educators Effectiveness Grant**

The Educators Effectiveness Grant (EEG) may be used to support the professional development of certificated teachers, administrators, and paraprofessional educators. FCS has developed and adopted a plan delineating how the funds will be spent and can be viewed on our website at [www.forestcharter.com](http://www.forestcharter.com). Expenditures must be spent by 2018 and are subject to audit review. FCS received \$58,954 in EEG funding in the 2015-2016 school year. The Adopted budget reflects the expense only.

### **Adopted Budget in Summary**

Through the successful expansion of the Truckee cooperatives and an anticipated increase of Homeschool/Independent Study students in the Auburn area, the Adopted Budget is based on a total enrollment of 750 students.

Our Adopted Budget reflects the following:

#### ***1. Student Support:***

- Increase the Full Time Equivalent (FTE) by .4 for two classified staff positions in the Truckee and Nevada City Learning Centers, making each position full time.
- Increase the Truckee assistant director position to a .9 FTE and .1 FTE for College and Career

- Shift in responsibilities to provide administrative support in the Auburn/Forest Hill area. This position will be .4 FTE assistant director and .6 FTE ST responsibilities
- Rental of up to two office spaces in the Auburn area to provide Learning Center support. This space will allow ST's to meet with families, hold SSTs, IEPs, tutor, etc.
- Implement a schoolwide seven (7) year curriculum rotation for our core curriculum used in Block Classes and Co-op's
- Implement a schoolwide technology replacement program to provide students with the latest technology in chromebooks
- Continue to purposefully spend a portion of our ending fund balance to enhance student opportunities
- Continued implementation of an Intervention Specialist for ELA and Math support for all students with a concentration on our unduplicated low income population

## ***2. Employee Support:***

- Provide professional development for teachers and administrators in accordance with a locally developed plan to utilize the Educators Effectiveness Grant funds of \$58,954
- Implement a schoolwide PPO health benefit plan with a Health Savings Account (HSA) in an effort to provide the best possible health care option at an affordable cost to all benefit eligible employees
- Increase CalSTRS employer contribution rate to 12.58%

## ***3. Schoolwide Support***

- Continue to hold a separate Special Education Reserve

### **Multi-Year Projection**

In our Multi-Year Projection and Budget Summary, revenues shown are *current year revenue only*, and do not include carryover funding from prior years. As we move forward and schools begin to meet and maintain their LCFF Target Rate, our Multi-Year Projections will be based on a more consistent revenue projection. Our Adopted multi-year projection identifies the following key points:

- In 2016-2017
  - Enrollment growth to 750
  - LCFF revenue based on School Services projections and LCFF Calculator
  - EPA Funding of \$1,025,111
  - New One-Time Block Grant funding of \$150,853
  - Additional CA Clean Energy (Prop. 39) funds of \$54,384
  - No COLA increase
  - New lease to implement an Auburn Learning Center
  - Increase in the employer contribution to CalSTRS from 10.73% to 12.58%
  - Implementation of a 7-year curriculum rotation for our block classes and co-op's
  - Implementation of a technology replacement program to keep our chromebooks updated
  - Vacant classified position to provide support for school at full enrollment capacity
  - Deficit spending at year-end of (\$5,387) due to the Educator Effectiveness Grant budgeted as 'expenditures only'.
  - Planned spending of ending fund balance
  - Ending Fund Balance includes an 'Additional Reserves' of \$800,000 and a Capital Expense reserve of \$300,000
  
- In 2017-2018
  - Consistent student enrollment
  - LCFF revenue based on School Services projections and LCFF Calculator
  - Increase in the employer contribution to CalSTRS from 12.58% to 14.43%
  - A balanced budget at year end
  - Capital Expense maintained at \$300,000
  - Ending Fund Balance includes an 'Additional Reserve' of \$800,000
  
- In 2018-2019
  - Consistent student enrollment
  - LCFF revenue based on School Services projections and LCFF Calculator
  - Increase in the employer contribution to CalSTRS from 14.43% to 16.258%
  - Deficit spending at year-end of (\$29,343) due to STRS cost increases

- Deficit spending at year end of -\$15,550 due to increased STRS/PERS costs
- Capital Expense maintained at \$300,000
- Ending Fund Balance includes a 'Additional Reserve' of \$800,000

### **The Future of the FCS Ending Fund Balance....**

For the last 6 years, we have identified, clarified and reviewed, on a monthly basis, the difference between the school Ending Fund Balance and Cash Flow.

Throughout the school year, the Charter Council will be looking at how to best incorporate these funds back into the working budget by defining one-time expenses that will enrich our program and support our students and teachers, such as:

- A continued contribution to Health Savings Accounts for all benefit eligible employees
- Re-evaluate the FCS salary schedule for all employees to remain competitive in the job market and attract and retain personnel
- Purchase of student curriculum and materials
- A long term Capital Expense account to purchase school facility

### **Audit Regulation Updates**

Charter Schools are required to go through an annual audit conducted by an outside firm to review the fiscal procedures and contemporaneous records of attendance compliance as outlined in the State Audit Guide. This year, annual audits will include the following:

- The LCAP and its process will be subject to an audit, which verifies whether or not the funds provided through apportionment have been spent in accordance with the requirements
- The Education Effectiveness Grant will be part of the school's audit to ensure that we are in spending accordingly and as outlined in our locally developed and Board approved plan.
- The California Clean Energy Jobs Act (Proposition 39) will be audited to determine if the expenditures were consistent with the plan and do not exceed the planning fund award
- The audit will verify the school's Education Protection Account Plan (EPA) to ensure that funds were spent in accordance with EPA requirements
- The audit will ensure that data collection procedures for our unduplicated pupil count complies with Ed Code 42238.01(a)

**Enrollment**

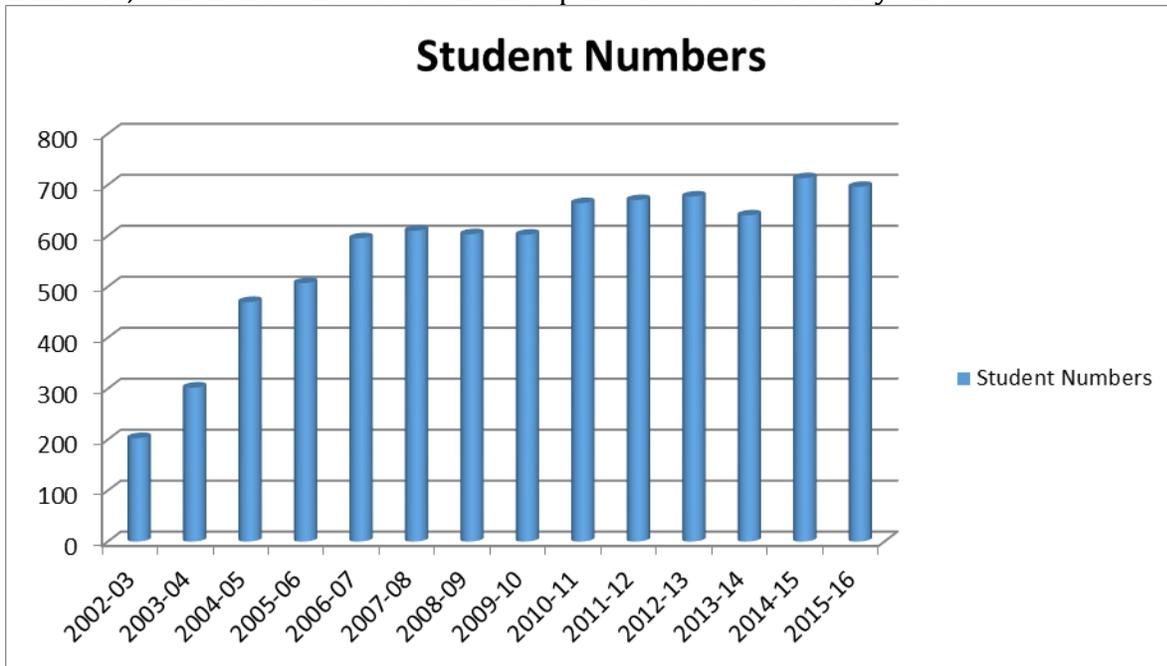
The California Basic Education Data System (CBEDS) is an annual data collection, administered every October by all public schools, to collect information on student and staff demographics.

As displayed in the following enrollment graphs, our current CBEDS enrollment count in 2015-2016 is 23 students lower than at the same time last year.

Assembly Bill 1994 (AB 1994) requires Independent Study schools to hold the majority of their enrolled students in the county in which they are sponsored. Based on the current enrollment, 73% of enrolled students reside in Nevada County, meeting our mandated 51% In-County restrictions.

**Enrollment History:**

The enrollment numbers displayed in the following graphs are based on the schools CBEDS numbers, which are collected at the first part of October of each year.



**Enrollment by Grade:**

<b><u>Enrollment by Grade</u></b>	07/08 CBEDS	08/09 CBEDS	09/10 CBEDS	10/11 CBEDS	11/12 CBEDS	12/13 CBEDS	13/14 CBEDS	14/15 CBEDS	15/16 CBEDS
K	24	24	18	17	23	23	17	31	31
1	29	24	28	22	19	22	21	23	27
2	21	30	23	28	24	19	24	24	27
3	34	20	29	28	28	33	24	28	33
4	27	30	26	40	34	28	28	29	36
5	32	45	42	36	43	41	35	34	36
6	30	29	39	47	44	50	48	48	49
7	59	44	32	56	59	48	60	53	54
8	39	63	42	64	71	70	51	75	62
9	49	46	61	53	61	69	53	61	67
10	88	56	82	87	75	73	86	91	58
11	92	93	87	94	100	94	80	131	93
12	93	91	79	92	89	107	103	85	123
<b>Total Enrollment</b>	<b>617</b>	<b>595</b>	<b>588</b>	<b>664</b>	<b>670</b>	<b>677</b>	<b>640</b>	<b>713</b>	<b>696</b>

**Senate Bill 740 (SB 740)**

California Senate Bill 740 (SB 740) was passed in October 2001 to strengthen the oversight of non-classroom based schools and implement funding cutbacks for schools that failed to meet spending standards. Since the bill was passed, non-classroom based schools have increased both instructional spending and spending on certificated staff salaries as a proportion of revenues. In order to receive 100% funding, a non-classroom based school must meet the following criteria:

1. At least 80 percent of total revenues must be spent on instruction and related expenses, which includes certificated staff salaries and benefits *and*
2. At least 40 percent of the above mentioned revenues must be spent on certificated staff salaries and benefits *and*
3. The overall pupil-teacher ratio must be 25:1 or lower

In February 2014, FCS received a 3 year 100% Funding Determination, which aligns to our charter renewal date. Our funding determination was based on the following information:

Certificated Staff Costs	60.57%
Expenditures on Instruction (+) allowable Facilities Costs	82.08%
Pupil to Teacher Ratio	25:1

- **Lottery Revenue**
  - Unrestricted = \$140 per prior year ADA
  - Restricted = \$ 41 per prior year ADA

### **Projected 2016-2017 Expenditures**

- Instructional Budgets to support personalized student learning:
  - Home School Students: \$2000/year for grades K – 12 (1<sup>st</sup> semester)
  - Block Class Students: \$500/year for all grades
  - Co-op Students: Annual budget pooled within co-op/all grades
- Certificated Staffing:
  - 1 FTE Director
  - 2.3 FTE Assistant Director (Truckee, Nevada City and Auburn/Foresthill)
  - 1 FTE Academic Dean
  - 34.8 FTE Supervising Teachers
  - 1.1 FTE College and Career Advisor (Truckee and Nevada City)
  - .6 FTE K-6 Math and ELA Intervention Specialist
  - .2 FTE 7-12 Math Intervention Specialist
  - Substitute teachers
  - Stipends: Department Heads, Mentor Teachers, Masters Degree, K-8 Block Class Coordinator, Learning Center Coordinator, County Academic Tournament Coordinator
  - Block Class Instructors (Budget based on historical trend)

### Classified Staffing:

- 1 7.5hr per day Business Director/Supervisor @ 210 work days (exempt position)
- 10 FTE 7.5hr per day Support Staff @ 210 work days
- Block Class Instructors (Budget based on historical trend)
- 1 FTE Vacant

### **Payroll Costs:**

STRS	12.58%	PERS	13.05%
Medicare	1.45%	Social Security	6.20%
Unemployment	0.05%	Workers Comp	1.35%

### **Health Benefits:**

DCarter/FCS

FCS offers a High Deductible PPO Health Plan with a Health Saving Account to all eligible employees.

- FCS implemented a 'tiered' benefit cap structure, providing a cap based on family demographics:

<b>PLAN</b>	<b>PER EMPLOYEE CAP</b>	<b>EMPLOYEE COST/MO</b>	<b>PLAN COST</b>
Employee Only	\$4,562.28	\$34.2	\$4,972.92
Employee with child(ren)	\$8,212.08	\$61.59	\$8,951.16
Employee plus spouse	\$7,637.04	\$275.28	\$10,940.40
Employee plus family	\$10,543.20	\$406.07	\$15,416.04

- Cash-In-Lieu is no longer offered to new employees and continues to decrease by \$1000 per year to existing employees. However, qualified employees currently have the option to hold at \$1000 Cash-In-Lieu.
- Dental and Vision Care are offered as voluntary plan options

**Oversite and Business Services:**

- Cost of 1% County Oversight = \$ 58,194
- Cost of 4% Business Services = \$252,915

**Special Education:**

- Special Education continues to be a shared expense between the members of the Nevada County Charter Services Authority (NCCSA) offering a very efficient model for the delivery of special education services to our students.
- The FCS special education annual encroachment projected in our Adopted Budget for the 2016-2017 school year is \$353,100
- FCS will receive \$249,897 in SELPA funding for 2016-2017 and an estimated \$38,574 in Mental Health dollars
- Total projected special education costs = \$641,571; a 12% increase over 2015-2016
- Health & Safety Aides: Cost to school = \$58,988 (Not always tied to a student IEP)

**Cash Flow**

We will continue to monitor and provide the council with monthly reports of our cash flow.