

Forest Charter School

Budget Narrative and Assumptions
2018–2019 Adopted Budget
Date: May 16, 2018

Summary

Governor Jerry Brown released his May Revise on May 11, 2018 with a focus on economic stability and his commitment to boost the state’s budget reserves. This process is the final update to economic assumptions and revenue estimates prior to the required June approval and implementation of the 2018–2019 budget.

The May Revise reflects the Governor’s continued theme of fiscal prudence and his concern of an inevitable recession within the next 3 years. Key elements for Forest Charter School include the following:

- **Local Control Funding Formula:** Fully funding and implementing the Local Control Funding Formula (LCFF), and eliminating the ‘gap’ funding process two years ahead of schedule. In 2018-2019 FCS will receive \$323,633 to restore funding to the 2007-2008 pre-recession levels.
- **Discretionary Funds:** Proposes a per-pupil one-time discretionary funding of just over \$286 million, which would equate to \$213,176 in additional funding for FCS.
- **COLA:** Increased funds for the cost-of-living adjustment (COLA) for the Local Control Funding Formula. If the budget is approved, the COLA will increase from the 2.51% estimated in January to 2.71%. We will reflect this increase in our 1st Interim budget.

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.

Anticipating that the Governor's May Revise is approved in June, the Local Control Funding Formula will be fully funded in 2018-2019, two years ahead of the original commitment to fully fund school's 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.

So, what does this mean to FCS?

- FCS will receive \$323,633 to be fully funded under LCFF
- As part of the total funding received, \$532,542 is estimated to be generated as *supplemental funds* principally directed to support our FRPM population.

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 develops a 3 year Local Control and Accountably Plan that set annual goals for all students with specific goals for our Free and Reduced Priced Meals (FRPM) population. The LCAP continues to maintain a part-time intervention specialist 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 and the hiring of a part-time counselor to support students emotional needs. The current LCAP can be found on the FCS website at 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. In 2016 voters approved extending the personal tax increase to support education through 2030. The EPA is a component of the schools general purpose entitlement.

- 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 \$954,634 in EPA Funding for the 2018-2019 school year, based on an enrollment projection of 760 students.

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 18.13% over seven years. For the 18-19 school year, the employer STRS rate is 16.28%, approximately \$57,469 increase over last year. The FCS continues to monitor the fiscal impact on 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 \$265,000 in Prop 39 funds over the last four years and, working with PG&E and HY Architect, Inc. has an approved Energy Plan on file with the State. This plan is anticipated to replace the current HVAC system and provide energy efficient lighting at the Nevada City Learning Center. The Adopted budget reflects the expense only. Funds must be spent by June 30th, 2019 or returned to the State.

College Readiness Grant

The College Readiness Grant was established for the purpose of providing California's high school students, primarily unduplicated pupils, additional support to increase the number who enroll at institutions of higher education and complete an undergraduate degree within four years. Schools were required to develop a plan describing how funds will increase or improve services for unduplicated pupils to ensure college readiness and be able to measure the impact of the funds received.

Forest Charter School received \$75,000 and will have approximately \$53,000 remaining to be spent by June 2019. The Adopted Budget reflects the expense only. The College Readiness Plan can be viewed on our website at forestcharter.com.

Adopted Budget in Summary

The Adopted Budget reflects a net decrease of (\$241,632), which is comprised of the following components:

- | | |
|-----------------------------------|------------------|
| • Energy Plan expense only: | \$120,000 |
| • College Readiness expense only: | <u>\$ 53,500</u> |
| ○ TOTAL | \$173,500 |

The remaining net decrease of \$68,132 is a reflection of our Special Education encroachment increase of \$122,620.

Our Adopted Budget reflects the following:

1. Student Support:

- Hire a part-time councilor to support the emotional needs of our students
- Increase the Truckee Assistant Director position to a 1.0 FTE
- Continued implementation of the schools College Readiness Plan which is principally directed to support our unduplicated student population obtain an undergraduate degree
- Maintain a schoolwide seven (7) year curriculum rotation for our core curriculum used in Block Classes and Co-op's
- Maintain a schoolwide technology replacement program to provide students in grades 6 - 12 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:

- Implement a 2.5% raise to all employees on end of month and supplemental payroll.
- Implementation of PublicSchoolWorks to provide current staff and student safety trainings
- Provide First Aid/CPR training to all staff as part of our ongoing safety plan
- Continue to 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 16.28%
- New hire of a part-time Business Director Assistant to support the implementation of the school budget and special projects

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 2018-2019
 - Enrollment growth to 760
 - LCFF revenue based on School Services projections and LCFF Calculator
 - EPA Funding of \$954,634
 - New One-Time Block Grant funding of \$213,176
 - COLA increase of 2.51%
 - A raise of 2.5% to all end of month and supplemental employees
 - New hire of part-time counselor

- Increase in the employer contribution to CalSTRS from 14.43% to 16.28%
 - Continued implementation of a 7-year curriculum rotation for our block classes and co-op's
 - Ongoing implementation of a technology replacement program to keep our chromebooks updated
 - Deficit spending at year-end of (\$243,227) due primarily to the College Readiness Grant and Energy Plan funds budgeted as 'expenditures only' plus increase in Special Education encroachment.
 - Planned spending of ending fund balance
 - Ending Fund Balance includes an 'Additional Reserves' of \$695,857, a Capital Expense reserve of \$600,000 and a STRS/PERS reserve of \$60,000
- In 2019-2020
 - Enrollment consistent at 760
 - LCFF revenue based on School Services projections and LCFF Calculator
 - Increase in the employer contribution to CalSTRS from 16.28% to 18.13%
 - Balanced budget at year end
 - Capital Expense maintained at \$600,000
 - Ending Fund Balance includes an 'Additional Reserve' of \$800,000 and a STRS/PERS reserve of \$65,000
- In 2020-2021
 - Enrollment growth to 765
 - LCFF revenue based on School Services projections and LCFF Calculator
 - Increase in the employer contribution to CalSTRS from 18.13% to 19.10%
 - Balanced budget at year end
 - Capital Expense maintained at \$600,000
 - Ending Fund Balance includes an 'Additional Reserve' of \$800,000 and a STRS/PERS reserve of \$65,000

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

For the last 8 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
- Remodel of our special education room in Nevada City to better serve our growing special Education population
- Possible maintenance project at the Foresthill Learning Center
- 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 and supplemental funding 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 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)
- The SB 740 Funding Determination will be audited to ensure that FCS meets all regulated requirements

Enrollment

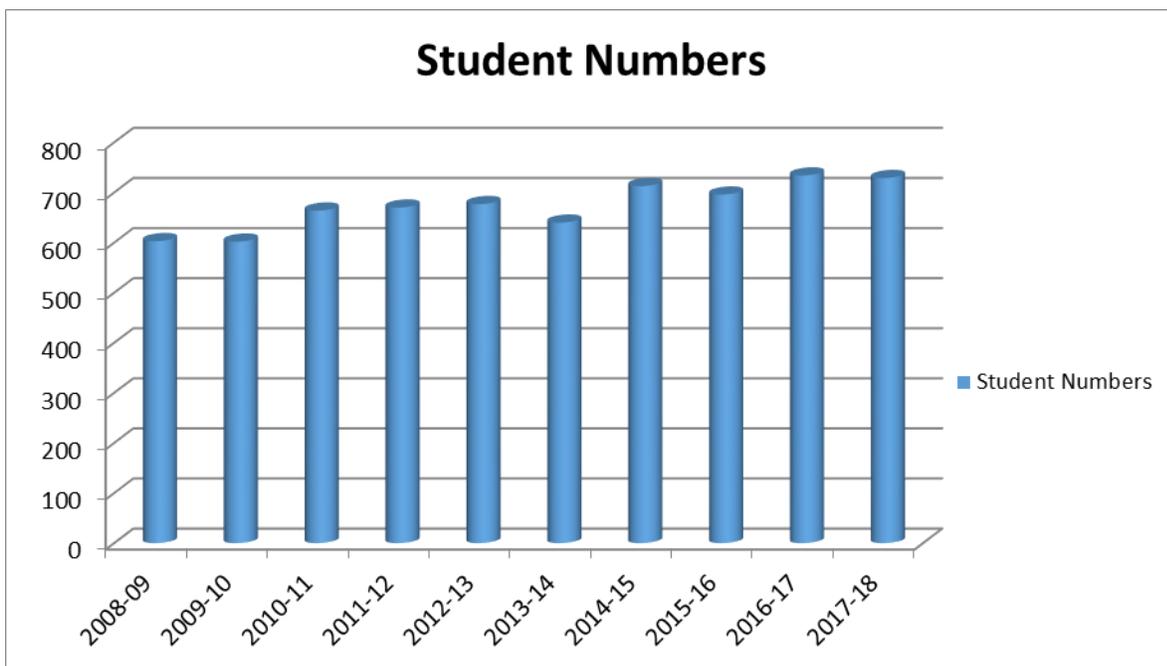
The California Basic Education Data System (CBEDS) is an annual data collection, administered every October by all public schools, to collect information on student and staff demographics.

As displayed in the following enrollment graphs, our current CBEDS enrollment count in 2017-2018 is consistent with the prior 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. Although our October number is slightly lower than last year, our total enrollment grew to 750 by February and is currently 756 for the 18-19 school year.



DCarter/FCS

Enrollment by Grade:

<u>Enrollment by Grade</u>	08/09 CBEDS	09/10 CBEDS	10/11 CBEDS	11/12 CBEDS	12/13 CBEDS	13/14 CBEDS	14/15 CBEDS	15/16 CBEDS	16/17 CBEDS	17/18 CBEDS
K	24	18	17	23	23	17	31	31	28	29
1	24	28	22	19	22	21	23	27	27	29
2	30	23	28	24	19	24	24	27	30	35
3	20	29	28	28	33	24	28	33	36	32
4	30	26	40	34	28	28	29	36	40	40
5	45	42	36	43	41	35	34	36	43	55
6	29	39	47	44	50	48	48	49	66	54
7	44	32	56	59	48	60	53	54	69	74
8	63	42	64	71	70	51	75	62	79	77
9	46	61	53	61	69	53	61	67	54	70
10	56	82	87	75	73	86	91	58	85	68
11	93	87	94	100	94	80	131	93	71	85
12	91	79	92	89	107	103	85	123	103	81
Total Enrollment	595	588	664	670	677	640	713	696	731	729

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 October 2016, FCS received a 4 year 100% Funding Determination. Our funding determination was based on the following information:

Certificated Staff Costs	51.43%
Expenditures on Instruction (+) allowable Facilities Costs	87.73%
Pupil to Teacher Ratio	20:1

- **Lottery Revenue**
 - Unrestricted = \$146 per prior year ADA
 - Restricted = \$ 48 per prior year ADA

Projected 2018-2019 Expenditures

- Instructional Budgets to support personalized student learning:
 - Home School Students: \$2000/year for grades K – 12
 - Block Class Students: \$500/year for all grades
 - Co-op Students: Annual budget pooled within co-op/all grades
- Certificated Staffing:
 - 1 FTE Director
 - 2.6 FTE Assistant Director (Truckee, Nevada City and Auburn/Foresthill)
 - 1 FTE Academic Dean
 - 34.4 FTE Supervising Teachers
 - 1.0 FTE College and Career Advisor (Nevada City)
 - .6 FTE Math and ELA Intervention Specialist
 - Substitute teachers
 - Stipends: Department Heads, Mentor Teachers, Masters Degree, K-8 Block Class Coordinator, Resource 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
- .6 Vacant Position
- Block Class Instructors (Budget based on historical trend)

Payroll Costs:

STRS	16.28%	PERS	18.062%
Medicare	1.45%	Social Security	6.20%
Unemployment	0.05%	Workers Comp	1.02%

Health Benefits:

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:

PLAN	PER EMPLOYEE CAP	EMPLOYEE COST/MO	PLAN COST
Employee Only	\$4,562.28	\$58.69	\$5,266.28
Employee with child(ren)	\$7,637.04	\$153.52	\$9,479.24
Employee plus spouse	\$8,212.00	\$281.16	\$11,585.92
Employee plus family	\$10,543.20	\$481.89	\$16,325.68

- Dental and Vision Care are offered as voluntary plan options

Oversite and Business Services:

- Cost of 1% County Oversight = \$ 67,369
- Cost of 4% Business Services = \$278,824

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 2018-2019 school year is \$633,146
- FCS will receive \$266,494 in SELPA funding for 2018-2019 and an estimated \$38,679 in Mental Health dollars
- Total projected special education costs = \$938,956; a 14% increase over 2017-2018
- Health & Safety Aides: Cost to school = \$43,500 (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.

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