BUDGET ADVISORY COMMITTEE

May 8, 2020
AGENDA

I. Committee Context
   I. Purpose
   II. Timeline
   III. Cadence
   IV. Q/A

II. Committee Culture
   I. Relationship Building
   II. Hopes/Dreams/Fears

III. Ways of Working
   I. Values
   II. Agreements for the Committee
   III. Virtual Norms

IV. Budget context
   I. Current economic and state budget context
   II. Overview of DPS budget

V. Budget options
   I. Initial options discussed on April 16
   II. Additional options received from community and employees
COMMITTEE CONTEXT
<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Building</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jennifer Bacon</td>
<td>Board of Education</td>
<td>District 4</td>
</tr>
<tr>
<td>Scott Baldermann</td>
<td>Board of Education</td>
<td>District 1</td>
</tr>
<tr>
<td>Angela Cobian</td>
<td>Board of Education, Budget Advisory Committee Co-Chair</td>
<td>District 2</td>
</tr>
<tr>
<td>Alise Kermisch</td>
<td>DAC, Budget Advisory Committee Co-Chair, DPS Parent</td>
<td>Steck</td>
</tr>
<tr>
<td>Matthew Annan</td>
<td>Student</td>
<td>KIPP NE Denver Leadership Academy</td>
</tr>
<tr>
<td>Andrew Schwartz</td>
<td>Student</td>
<td>George Washington High School</td>
</tr>
<tr>
<td>Carlos Cantor</td>
<td>Young Alumni</td>
<td>Godsman/Kunsmiller/Morey</td>
</tr>
<tr>
<td>Manuel Aragon</td>
<td>Parent</td>
<td>Colfax Elementary and Lake MS</td>
</tr>
<tr>
<td>Christy Lee</td>
<td>Parent</td>
<td>Bromwell</td>
</tr>
<tr>
<td>Bobby Thomas</td>
<td>Principal</td>
<td>South High School</td>
</tr>
<tr>
<td>Tiffany Gardner</td>
<td>Senior Program Initiatives Manager, Engagement and Equity</td>
<td>Emily Griffith</td>
</tr>
<tr>
<td>Lynne Valencia</td>
<td>Teacher</td>
<td>Thomas Jefferson HS</td>
</tr>
<tr>
<td>Tracy Young</td>
<td>Manager, Food Service</td>
<td>Lake MS</td>
</tr>
<tr>
<td>Chuck Carpenter</td>
<td>Executive Director, Finance, DPS Parent</td>
<td>Emily Griffith, William Roberts E-8</td>
</tr>
<tr>
<td>Jim Carpenter</td>
<td>Chief Financial Officer</td>
<td>Emily Griffith</td>
</tr>
<tr>
<td>Mark Ferrandino</td>
<td>Deputy Superintendent of Operations, DPS Parent</td>
<td>Emily Griffith, DCIS Fairmont</td>
</tr>
</tbody>
</table>
BAC Purpose

The BAC will function as an **advisory committee** to the board, providing **community and staff perspective** around budget topics that will lead to **recommendations to the board**.

**Broader Community**

Shares public comment and ideas submitted through the DPS website and through BAC

**Budget Advisory Committee**

Shares ideas, reviews options, evaluates options, and makes recommendations

**Denver Board of Education**

Reviews proposed budget with BAC recommendations on May 21, must adopt a budget by end of June.

The **board has final decision making responsibility** for the annual district budget and provides guidance on how DPS staff implement the budget.
**BUDGET TIMELINE AND PROCESS**

Budget Approval Timeline for the FY20-21

- Uncertainties in State Revenue will be clarified by the Updated Legislative Council Forecast on May 12th
- Final School Finance Act & corresponding Total Program Funding for DPS projected to be finalized by the end of May
- Resulting impacts to DPS budgets can be adjusted by the Adopted Budget in late June or during the Amended Budget process in January 2021
Weekly Meetings
• May 8: Introductions, community agreements, context and initial review of options.
• May 15: Review and continue to solicit options, consider evaluation framework
• May 22: Review options, agree on evaluation framework
• May 29: Initial evaluation of options and high level scenarios
• June 5: Complete evaluation of options and recommendations

BAC recommendations to be provided to Board of Education for their June 8 work session.

Finance Office Hours: If you have questions or ideas about DPS or state finances that you would like to talk through outside of the committee, Chuck Carpenter and Jim Carpenter will have a standing block of time on Tuesdays from 11:00-12:00. Invitations will be sent to the group with a Google meet link each week.

Submitting budget ideas: Information about the BAC and a form to submit budget ideas can be found at https://www.dpsk12.org/20-21-budget/
Questions/Answers
From Survey

- Since this is an advisory committee; how much weight do the decisions that we make weigh on the actual decision making process?
- How much influence does this committee have over the final budget?

**Community Led, District Supported**

- Being in the space of connecting virtually, what norms will be in place around this process? Is this something we will create collectively?

**We will do this today!**

- What is the outcome of this committee?

**Prepare recommendations for BOE on budget options and elements of potential budget scenarios to address likely budget gaps**

- What is the format of these meetings? Open discussion, discuss certain items only, divide and conquer, etc.)

*Format: Shared learning, Breakout discussions, Whole group discussions*
Questions Continued
What are the BAC tasks?

- Develop a **Common Understanding** of the Budget context

- **Collect** a broad spectrum of budget options from community and committee

- **Analysis** of budget options, **trade offs**, and **values** implicit in options

- Identify preferred **options** and **scenarios**

- Prepare **recommendations** to the Board of Education
COMMITTEE CULTURE
1-2-4-ALL

● 1: Silent Read Hopes, Dreams, and Fears - 3 min

● 2: Pairs: What were your top takeaways? - 5 min

● Groups of 4: What did we have in common? Where did we differ? - 5 min

● All: Closing Takeaways - 7 min
HOPES/DREAMS

I hope that we can collaborate to identify the least bad option for funding DPS in the future. I dream that we find a way to do that while minimizing the impact on students.

That we can work together to understand the size and scope of the problem and come up with agreed upon solutions that make the district financially sustainable while protecting the impact on students, and minimizing layoffs.

My hope is that we can come up with a budget that is equitable and keeps students first.

I intend to represent the best interests of educators and students through this committee, as well as ensuring that the tax dollars of the people of Colorado and Denver are spent and accounted for wisely.

My hope and dream related to the Budget Advisory Committee is that we are able to shift this initiative from a mere challenge to finding creative solutions that wastes neither money nor our people. This is an opportunity to provide space for curiosity that can bring us to solutions that we could not have imagined.

That we will cultivate and evaluate many ideas on how to reshape the DPS budget. That we will use this as an opportunity to consider the delivery of our product, education, could be reinvented and redesigned. That this process will be open and transparent, and while we might not always agree, that we will all work diligently to make recommendations that will be in the best interest of as many groups as possible.
HOPES

My hope is to have a set of options that a diverse group of stakeholders can agree on as the best way forward in a challenging budget situation.

My hope is to keep as much money and resources in the classroom and where students need it.

My hope and dream related to the BAC is that this diverse group is able to leverage their collective intelligence and relationships to issue thoughtful and strategic recommendations to the Board. My hope is that these recommendations are perceived as challenging and credible by the broader community.

My hope and dream related to Budget Advisory Committee is to successfully collaborate with everyone to come up with a solid solution and therefore minimizing the impact of having to work with a tighter budget.

My dream and Hope is that we, as a committee, can be able to come to agreement on the things that stand out and need more funding without leaving out any other issues that are affecting our community.

My hope is this committee makes bold recommendations and prioritizes the foundational needs of students, especially those most impacted by COVID-19 and the economic downtown. My hope is we end competition and the market-driven model in DPS. This will not only free up funding, but allow administrators and instructional staff to dedicate more time and energy to students in need.

That budget decisions made have the least impact on the students and communities that need additional budget. Also, that central office personnel are looked at before school based reductions.
We dig into positions and try to micro manage every aspect of the district. And focus on small issues while missing the big picture.

My fear is that we will make decisions that directly impact positions that impact positions that work directly with students.

I am fearless when I am advocating for the students and educators of Denver.

My fear related to the Budget Advisory Committee is creating win/lose solutions as opposed to win-for-all solutions.

That people will try to limit conversation about ideas before they have really been vetted; that politics and special interests will try to interfere with the process; that people will latch on to and harbor old trauma and try to impose it on a new process. People or groups who don't perceive they are getting what they want will attack people on the committee trying to re-shape the focus.

That we will focus on items that are too small to have a significant impact or that are more appropriately management items and not strategy and governance.

Students will lose services and teacher cuts.

My fear is that group members will solely focus on their individual constituencies instead of the broader community, and create a culture of “winners” and “losers,” when really everyone is going to be impacted and no one is going to win. My other fear is that the recommendations will not be taken seriously by the board or the broader community.
Fears

My fear related to the Budget Advisory Committee is that budget cuts will negatively impact students (directly or indirectly) by further regressing any improvements or advancements that were to be made. The future should still be a priority.

I do not have a very huge fear related feeling as of now but I do dread the thought of not being able to reach as many people as we can as a Committee due to the fact that either the budget was not sufficient enough or other things took priority over that of issues people in the community actually felt need to be addressed.

My biggest fear is the committee is influenced and pre-determined by the finance team of the central office. This committee must be community driven. The role of the finance team should be to answer questions, provide data transparently and implement the findings of this committee and ultimately the Board.

I also fear the committee will be too timid making necessary cuts knowing we can fall back on reserves.

Not getting the necessary information or resources to make informed recommendations.
Meeting Will Resume Shortly

The Committee is in breakout groups and the meeting will resume shortly
1-2-4-ALL

1: Silent Read Hopes, Dreams, and Fears
3 min

2: Pairs: What were your top takeaways?
5 min

Groups of 4: What did we have in common? Where did we differ?
5 min

All: Closing Takeaways
7 min
Meeting Will Resume Shortly

The Committee is in breakout groups and the meeting will resume shortly
Convergence and Divergence

- Least impact to students
- Collaborate
- Identify options
COMMITTEE VALUES AND
WAYS OF WORKING
Values: From the Pre Survey
Values: For how we work together

● Equity
● Respect
● Open Mindedness
● Honesty
● Community Building
● Student Support/First
● Open Communication/Transparency
● Curiosity
● Creativity
● Integrity
Suggested Working Agreements

- Seek to Understand: Ask Questions
- Practice Deep Listening: Listen before responding
- Discuss ideas, not people
- Work Diligently: all of us put forth our best effort to meet our charge within our timeline
- Commitment to open dialogue
- Step Forward, Step Back: monitor your airtime to be inclusive of the diversity of our perspectives and committee
- Permission to be flexible in decision making—we may change our minds the more information we get
- 24/72 hour rule

Clarifications? Have we forgotten anything?

*Clarifying Questions? Edits? Agreements?*
Virtual Agreements
Zoom Zoom Zoom

● Keep your camera on
● Mute yourself when you are not speaking
● Unmute yourself when you are speaking
● When slides aren’t projected, keep gallery view so we can see each other
● Raise your hand in your camera so facilitators can call on you and acknowledge your desire to share and contribute to the group
● Commit to active listening of all participants comments, and self regulate other technology

Clarifications? Have we forgotten anything?
SCHOOL FUNDING OVERVIEW
Amendment 23 and the Colorado School Finance Act outlines the Total Program Funding formula used to determine a per-pupil funding level for each school district:

- The Total Program Funding includes a base amount plus additional factors that vary by district and compensate for financial differences among districts such as cost of living, size of the district, and personnel costs.
- In addition to these factors, additional funding is allocated for At-Risk and Online pupil counts.

**Per Pupil Base**
- Equal funding per pupil across all districts, increases annually by inflation.

**Factors and At-Risk / Online**
- Adjusts the Base per Pupil Funding by the following categories:
  - Cost of Living
  - Size of District
  - Personnel costs
  - At-Risk Pupils
  - Online & Ascent Pupils

**Total Per Pupil Program Funding for each District (PPR)**
- Total funding for each district is determined by multiplying its PPR times its Funded Pupil Count.
Local taxes from residential and commercial properties generates $860 million in revenue for DPS – a little more than half of DPS budgeted revenue.

State Per Student Funding is a combination of School Finance Act local property taxes, state equalization, and specific ownership taxes.

Federal revenue is a combination of major grants like Title I, IDEA, and USDA Food Reimbursement.
THE BUDGET STABILIZATION FACTOR HAS FURTHER REDUCED PER PUPIL FUNDING

- The Governor’s Proposed Budget for FY20-21 includes a statewide education increase by reducing the Budget Stabilization Factor* from ~$572M in FY19-20 to $520M in FY20-21 ($52M statewide/ $5M for DPS)

- Despite this reduction to the Budget Stabilization Factor, DPS PPR remains $660 below the PPR designated by the School Finance Act, which is ~$60M in FY19-20 for DPS

- Over $820M in student funding has been withheld from DPS alone as a result of the Budget Stabilization since its introduction

*The Budget Stabilization Factor (formerly known as the “Negative Factor”) was introduced in FY10-11 to balance the State budget after the Great Recession
The reduction in DPS Revenue primarily affects the General Fund. The BAC will primarily focus on the General Fund

- Grants Special Revenue Fund – Philanthropic and Federal Grants
  - Grants are provided for a specific use. There is likely no impact to current grants, however, future grants revenue will likely be impacted

- Bond Redemption Fund – Long Term Obligations for DPS Bonds. DPS has a dedicated Mill Levy stream to cover the obligation

- Building Fund – Direct Capital Expenses Funded Through Bonds. The revenue in this fund has already been received, and the projects planned will be completed on the Construction schedule

- Capital Reserve Fund – Direct Capital Expenses Typically Funded with General Funds and Local Revenue. Proposed “Budget Options” could have impacts on this fund – but only by reducing the General Fund contribution to Capital Reserve.

- Food Service Fund – Food and Nutrition Services (FNS) operations; FNS long term operations may be impacted by decisions related to the start of school

- Private Purpose Trust Fund and Government Permanent Fund
FY21 BUDGET OUTLOOK
GOAL #1 Great Schools in Every Neighborhood

**WILL NOT HELP REVENUE: STATE BUDGET**

### National and Colorado Economic Outlook

**What happens when you pause the economy?**

**Federal:**
- 30M Americans are unemployed or furloughed as of the first week of May 2020
- Federal Lawmakers passed a $2 trillion federal stimulus (CARES Act); additional stimulus is uncertain

**State:**
- Colorado State revenue was forecasted to decline by $800 in the last week of March and updated to a forecast of $2B or more short by the first week of April; **New state forecast May 12th**
- State funding is primarily driven by income taxes and sales taxes, which are hardest hit by COVID-19

### What do we know? What do we not know?

**Unknown:**
- School Funding Formula Revenue: How much funding will we get per pupil?
  - CDE: “At this point in time (April 10, 2020), we do not have any reliable estimates for the Total Program for FY 2020-21. Economic projections continue to evolve.”
- Enrollment & FRL: How will the COVID-19 affect core budgetary assumptions like where our students live and the economic status of those students
- Amount and nature of additional, future Federal Stimulus & use of additional funds

**Highly Confident:**
- The DPS Financial Plan from outlined during 2020 Financial State of the District will need material adjustments. Revenue will be materially lower, and expenses will need to be adjusted. A best case scenario would be 2019-20 funding levels, but revenues could drop further.
- DPS will need to consider how much to access reserves during this period
- Some Federal Stimulus from the CARES Act will come directly to DPS
January (Pre COVID-19) Projections assumed 1.9% CPI and $5.2M BS Factor Buy-down

Depending on the speed and size of the recovery, the cuts from the state could have permanent impacts on the district’s revenue

At this point in time, we do not have any reliable estimates for FY20-21 Total Program Revenue, economic projections at the State continue to evolve

Assumes no additional reductions, with CPI applied to the funding formula in FY21-22 and beyond

*Reductions implemented through increasing the Budget Stabilization Factor
# Major Budget Drivers

<table>
<thead>
<tr>
<th>Major Budget Drivers</th>
<th>Assumptions</th>
<th>Knowns / Unknowns</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unknown State Revenue: Flat to 5% Reduction</strong></td>
<td>$20M - $60M Reduction from Jan 2020 State of the District</td>
<td>State income and sales tax provide most of the state revenue which funds School Finance Act Total Program</td>
</tr>
<tr>
<td><strong>Expenses: Planned Compensation Increase Forecasted in Jan 2020 State of the District</strong></td>
<td>$26M</td>
<td>COLA for employees, Steps for Teachers &amp; Minimum Wage increases were assumed in Jan; prior to the state's budget contraction</td>
</tr>
<tr>
<td><strong>Enrollment</strong></td>
<td>95k</td>
<td>Home prices, unemployment, birth rates, private school dis-enrollment are likely to vary greater than other years &amp; may impact enrollment</td>
</tr>
<tr>
<td><strong>At Risk</strong></td>
<td>SY 2019-20: 54%</td>
<td>Unemployment &amp; other economic impacts may change the district's At Risk trajectory which has declined in recent years</td>
</tr>
</tbody>
</table>

*At Risk is free lunch for the state’s School Finance Act calculation*
5-YEAR FORECAST
Assuming Flat Funding to 2019-20

FLAT FUNDING IS LIKELY BEST CASE FY2020-21 SCENARIO

<table>
<thead>
<tr>
<th></th>
<th>FY20-21</th>
<th>FY21-22</th>
<th>FY22-23</th>
<th>FY23-24</th>
<th>FY24-25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>$1,127,217</td>
<td>$1,144,860</td>
<td>$1,160,856</td>
<td>$1,177,092</td>
<td>$1,195,395</td>
</tr>
<tr>
<td>Total Expense</td>
<td>$1,157,407</td>
<td>$1,172,170</td>
<td>$1,187,950</td>
<td>$1,204,933</td>
<td>$1,222,915</td>
</tr>
<tr>
<td>Net Change in Fund Balance</td>
<td>($30,190)</td>
<td>($27,310)</td>
<td>($27,094)</td>
<td>($27,841)</td>
<td>($27,521)</td>
</tr>
<tr>
<td>Total Fund Balance</td>
<td>$75,338</td>
<td>$48,028</td>
<td>$20,933</td>
<td>($6,908)</td>
<td>($34,429)</td>
</tr>
<tr>
<td>Fund Balance remaining to 10% of Revenue</td>
<td>($37,384)</td>
<td>($66,458)</td>
<td>($95,152)</td>
<td>($124,617)</td>
<td>($153,968)</td>
</tr>
</tbody>
</table>

Assuming no change to current expenditure plan or additional revenue, total fund balance is negative after FY23-24

CARES Act Revenue planned to offset incremental COVID-19 expenditures in 2019-20

Assumptions
• Flat funding to FY19-20 with funding reduction implemented through increasing the BS Factor
• No change to compensation agreements or additional operational efficiencies. Assumes compensation continues to grow.
• Enrollment & FRL projections consistent with previous forecasts
  • Both Enrollment & FRL may be impacted but the extent to which and direction is unknown
• Future CARES Act revenue and COVID-19 related expenditures expected to largely offset
• No additional revenue from passage of a Mill Levy
• No buy-down of BS Factor in future years

*Reduction implemented through increasing the Budget Stabilization Factor
5-YEAR FORECAST
Assuming 5% Funding Decrease to FY19-20

5% Funding Decrease FY20-21 Projection

<table>
<thead>
<tr>
<th></th>
<th>FY20-21</th>
<th>FY21-22</th>
<th>FY22-23</th>
<th>FY23-24</th>
<th>FY24-25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>$1,084,504</td>
<td>$1,102,146</td>
<td>$1,118,142</td>
<td>$1,134,378</td>
<td>$1,152,681</td>
</tr>
<tr>
<td>Total Expense</td>
<td>$1,157,407</td>
<td>$1,172,170</td>
<td>$1,187,950</td>
<td>$1,204,933</td>
<td>$1,222,915</td>
</tr>
<tr>
<td>Net Change in Fund Balance</td>
<td>$(72,904)</td>
<td>$(70,024)</td>
<td>$(69,808)</td>
<td>$(70,555)</td>
<td>$(70,235)</td>
</tr>
<tr>
<td>Total Fund Balance</td>
<td>$32,624</td>
<td>$(37,399)</td>
<td>$(107,208)</td>
<td>$(177,762)</td>
<td>$(247,997)</td>
</tr>
<tr>
<td>Fund Balance remaining to 10% of Revenue</td>
<td>$(75,826)</td>
<td>$(147,614)</td>
<td>$(219,022)</td>
<td>$(291,200)</td>
<td>$(363,265)</td>
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</tbody>
</table>

• Expense reductions are required if DPS faces a 5% revenue reduction

• To be illustrative of the impact of a 5% revenue change, the 5 year forecast presented on this slide shows a hypothetical ending fund balance picture assuming 5% revenue reduction, but no expense changes

Assumptions
• Assuming 5% decrease in funding to FY19-20, resulting in a reduction of $42M vs. FY19-20*
• No change to compensation agreements or additional operational efficiencies
• Enrollment & Free and Reduced Lunch (FRL) projections consistent with previous forecasts
  • Both Enrollment & FRL may be impacted but the extent to which and direction is unknown
• Future CARES Act revenue and COVID-19 related expenditures expected to largely offset
• No additional revenue from passage of a Mill Levy

*Reduction implemented through increasing the Budget Stabilization Factor
# SUMMARY TOTAL DPS BUDGETS BY DIVISION

<table>
<thead>
<tr>
<th>DPS Budgets By Division</th>
<th>Budget (in Millions)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Budgets</td>
<td>$830.3</td>
<td>72.9%</td>
</tr>
<tr>
<td>DPS Managed Schools</td>
<td>$606.0</td>
<td>53.2%</td>
</tr>
<tr>
<td>Charter and Contract Schools</td>
<td>$224.3</td>
<td>19.7%</td>
</tr>
<tr>
<td>Deputy Superintendent Operations</td>
<td>$177.0</td>
<td>15.5%</td>
</tr>
<tr>
<td>Deputy Superintendent Academics</td>
<td>$52.6</td>
<td>4.6%</td>
</tr>
<tr>
<td>Deputy Superintendent Equity</td>
<td>$41.7</td>
<td>3.7%</td>
</tr>
<tr>
<td>Deputy Superintendent Schools</td>
<td>$23.9</td>
<td>2.1%</td>
</tr>
<tr>
<td>All Others*</td>
<td>$13.1</td>
<td>1.2%</td>
</tr>
<tr>
<td><strong>Subtotal Operating Budgets</strong></td>
<td><strong>$1,138.7</strong></td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td><strong>Reserves &amp; Non-Operating</strong></td>
<td><strong>$70.0</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total Budgets</strong></td>
<td><strong>$1,208.6</strong></td>
<td></td>
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*Detailed on Subsequent Slides

- Over 70% of all expenses are directly in school budgets
- Deputy Superintendent for Operations includes expenses for Charter Schools in DPS facilities which are reimbursed through fees charged
- Deputy Superintendent of Schools Division includes $9M of ECE Community Sites
- Reserves and Non-Operating Budgets are not part of the general operating funds in the district
- DPS Budget Transparency Guide: [https://drive.google.com/file/d/13VL7Dek72CfRp7vCvvF7JflQgLKi5K1_k/view](https://drive.google.com/file/d/13VL7Dek72CfRp7vCvvF7JflQgLKi5K1_k/view)
Most DPS expenses are directly related to compensation (salaries, extra pay, overtime, employer paid pension, health care)

Supplies include non-salary items in school budgets & textbooks

Highly fixed costs are centrally managed costs that

Payments to Charter Schools are excluded from the summary

Charter school use of funds is similar in percent for compensation
Detailed budget information in the format below provided to committee members & posted on the Financial Transparency website for Divisions and Departments.

**CABINET: DEPUTY SUPERINTENDENT EQUITY**

### General Fund

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<tbody>
<tr>
<td>Employee Salaries</td>
<td>$25,801,750</td>
<td>400.15</td>
<td>$27,738,665</td>
<td>402.45</td>
<td>$1,936,915</td>
<td>2.30</td>
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<tr>
<td>Administrators Salaries</td>
<td>$2,539,430</td>
<td>28.30</td>
<td>$58,496</td>
<td>-</td>
<td>$2,480,934</td>
<td>(28.30)</td>
</tr>
<tr>
<td>Professional – Instructional Salaries</td>
<td>$16,957,723</td>
<td>251.45</td>
<td>$18,759,316</td>
<td>254.45</td>
<td>$1,801,593</td>
<td>3.00</td>
</tr>
<tr>
<td>Professional - Others Salaries</td>
<td>$4,262,804</td>
<td>68.60</td>
<td>$6,805,505</td>
<td>96.20</td>
<td>$2,542,701</td>
<td>27.60</td>
</tr>
<tr>
<td>Faraproxessional Salaries</td>
<td>$1,208,581</td>
<td>35.40</td>
<td>$1,266,190</td>
<td>35.40</td>
<td>$57,609</td>
<td>-</td>
</tr>
<tr>
<td>Office/Administrative Support Salaries</td>
<td>$770,212</td>
<td>15.40</td>
<td>$765,941</td>
<td>15.40</td>
<td>$15,729</td>
<td>-</td>
</tr>
<tr>
<td>Crafts, Trades and Services Salaries</td>
<td>$63,000</td>
<td>1.00</td>
<td>$63,217</td>
<td>1.00</td>
<td>$217</td>
<td>-</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>$6,936,247</td>
<td>-</td>
<td>$7,326,034</td>
<td>-</td>
<td>$389,787</td>
<td>-</td>
</tr>
<tr>
<td>Purchased Services</td>
<td>$3,563,637</td>
<td>-</td>
<td>$3,396,324</td>
<td>-</td>
<td>$(167,313)</td>
<td>-</td>
</tr>
<tr>
<td>Supplies and Materials</td>
<td>$1,463,483</td>
<td>-</td>
<td>$1,512,322</td>
<td>-</td>
<td>$48,839</td>
<td>-</td>
</tr>
<tr>
<td>Property</td>
<td>$180,000</td>
<td>-</td>
<td>$180,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Expense and Reserves</td>
<td>$2,819,756</td>
<td>-</td>
<td>$1,519,756</td>
<td>-</td>
<td>$(1,300,000)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>$40,764,873</strong></td>
<td>400.15</td>
<td><strong>$41,673,101</strong></td>
<td>402.45</td>
<td><strong>$908,228</strong></td>
<td><strong>2.30</strong></td>
</tr>
</tbody>
</table>

**Note:** Schedules with Multiple Department Numbers represent an Organizational Roll Up Unit - the compilation of many Departments shown together.

**Department Numbers:** 2541, 2550, 2580, 4631, 4650, 4660, 5110, 5210, 5220, 5230, 5310, 5311, 6170, 7150, 7151, 7153
How to read the detailed schedules:

- **Total District ($1.1B)**
  - General Fund

- **Cabinet**
  - Operations: $177M

- **Division**
  - Facilities: $77M

- **Department**
  - Utilities: $19M

Individual departments dollar and FTE budgets are counted in their Division **AND** Cabinet roll up summaries.

Department numbers are noted in the schedules.
FY21 BUDGET LEVERS
OPTIONS FOR CONSIDERATION

HTTPS://WWW.DPSK12.ORG/20-21-BUDGET/
BUDGET OPTIONS
Soliciting Budget Options from the Community

How to add options for the committee to review? We will continue soliciting budget options through the May 15 Budget Advisory Committee meeting.

https://www.dpsk12.org/20-21-budget/

The website above is open and all ideas are welcome for helping DPS consider the best options for solving the financial impacts of COVID-19 health crisis.
POTENTIAL OPTIONS TO ADDRESS FINANCIAL SHORTFALL: There are a number of options to address the budget gap, all of which encompass trade-offs. Options are generally in four categories:

- Compensation (including furloughs)
- Operational efficiencies
- Shifting capital expenditures
- Revenue (Mill Levy Override)

Spending reserves and dropping the **DPS Reserves target to 7% of revenue** for two to three years is an option. **Reserves could only be used in the short term** and would then need to be gradually built back up to the 10% level. This will require addressing structural budget deficits and building in additional future investments to reserves.
WHAT HAS ALREADY BEEN DONE?
In 2019 and 2020 actions have been taken with budget impacts

Both through a re-organization of Central Administration in 2019 and recognizing the emerging challenging budget situation in 2020, a number of actions have been taken to address budget challenges.

• Re-organization of Central Administration in 2019
• Hiring freeze in April 2020
• Purchasing freeze in April 2020
REALIGNMENT CHANGES BY CABINET

Adopted Budget Savings

- **Academics ($8.54M)**
  - (129.57) FTE Reductions
  - 27.50 FTE Adds
  - (102.07) FTE Net Change

- **Schools $0.27M**
  - (47.50) FTE Reductions
  - 57.00 FTE Adds
  - 9.50 FTE Net Change

- **Communications ($0.61M)**
  - (6.75) FTE Reductions
  - 0.00 FTE Adds
  - (6.75) FTE Net Change

- **Equity & Engagement $0.01M**
  - (9.61) FTE Reductions
  - 13.00 FTE Adds
  - 3.39 FTE Net Change

- **Impact ($0.66M)**
  - (18.00) FTE Reductions
  - 9.00 FTE Adds
  - (9.00) FTE Net Change

- **Operations ($1.00M)**
  - (10.50) FTE Reductions
  - 1.00 FTE Adds
  - (9.50) FTE Net Change

- **Chief of Staff ($0.29M)**
  - (4.00) FTE Reductions
  - 1.00 FTE Adds
  - (3.00) FTE Net Change

- **Non-Salary Changes ($6.95M)**

- **Total Changes ($17.77M)**
  - (226.93) FTE Reductions
  - 109.50 FTE Adds
  - (117.43) FTE Net Change
What are the key figures you’ve heard about in the re-organization?

265 RIF letters for non-school employees
- Vacant positions reduced
- Positions reduced but not accounted for in estimates or adopted budget numbers (grants ending; temp employees)
- Positions added based on the new structure design
- Existing vacant positions still needed to be filled after the realignment

150 Net people/positions reduced from the organization and accounted for in adopted budget changes
- Difference between people/positions and FTE
- FTE funding in grants with no corresponding general fund FTE reduction

117.43 General Fund FTE reductions totaling $17.7M when including non-salary reductions
Budgetary Decisions will necessarily impact critical stakeholders and reflect our values. Values and trade-offs reflected in budget levers include:

- **Students First**: Limiting impacts on students to the greatest degree possible in
  - Academics
  - Personal Relationships
  - Physical and Mental Health

- **Equity**: Keeping equity at the forefront – carefully considering impacts on most vulnerable populations

- **Accountability**: Supporting employees through the challenging time
  - Limiting personnel reductions to the greatest extent possible
  - Accounting for impacts on workplace culture

- **Collaboration** – recognizing DPS’ role as a major employer and community stakeholder

- **Integrity** by demonstrating Fiscal responsibility – ensuring efficient use of taxpayer dollars in a time of economic strain
BUDGET OPTIONS – COMMUNITY & STAFF
SOLUTIONS FOR BUDGET GAP FY20-21 AND BEYOND

**Budget Levers**

<table>
<thead>
<tr>
<th>Description</th>
<th>FY20-21 Budget Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation</td>
<td></td>
</tr>
<tr>
<td>Direct Pay/COLAs</td>
<td>Direct impact to pay rate: COLAs, Increases/Decreases</td>
</tr>
<tr>
<td>Work Year Adjustments</td>
<td>Changes to days worked; not affecting rate of pay</td>
</tr>
<tr>
<td>Department Org Structure</td>
<td>Changes to the resources deployed to school supports</td>
</tr>
<tr>
<td>School Operational Adjustments</td>
<td>School Days, Work weeks, class size, school resources</td>
</tr>
<tr>
<td>School Mergers</td>
<td>Merging schools with multiple staff and locations to fewer</td>
</tr>
<tr>
<td>Charter Schools</td>
<td>Adjusting the interaction and number of charter schools</td>
</tr>
<tr>
<td>Operational Efficiencies</td>
<td>Adjusting the districts operations to be more efficient</td>
</tr>
<tr>
<td>Other Miscellaneous</td>
<td>Details provided in the breakout</td>
</tr>
<tr>
<td>Reserves</td>
<td>Using reserves, not balancing expenses with revenue</td>
</tr>
</tbody>
</table>

**Externally Controlled**

<table>
<thead>
<tr>
<th>Description</th>
<th>FY20-21 Budget Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERA</td>
<td>The Districts Retirement System: Externally Controlled</td>
</tr>
<tr>
<td>Revenue</td>
<td>Adding Additional Resources: Externally Controlled</td>
</tr>
</tbody>
</table>

As of May 7, the community has provided over 100 recommendation for ways to consider solving the anticipated 2020-21 Budget Shortfall.

DPS Staff compiled these as well as staff recommendation and the detailed list will be provided to the committee following the first meeting on May 8th.

All proposed budgetary options can be viewed at this link Green Link on the Right Hand Side: [https://www.dpsk12.org/20-21-budget/](https://www.dpsk12.org/20-21-budget/)
BUDGET LEVERS
PRESENTED APRIL 16TH
<table>
<thead>
<tr>
<th>Bell Time Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Values</strong></td>
</tr>
<tr>
<td><strong>Description</strong></td>
</tr>
<tr>
<td><strong>Potential Savings</strong></td>
</tr>
<tr>
<td><strong>Primary Trade Offs</strong></td>
</tr>
<tr>
<td><strong>Other Considerations</strong></td>
</tr>
</tbody>
</table>
**BUDGET LEVERS**

**COMPENSATION ADJUSTMENTS**

- **Values:** Pay Freezes value shared sacrifice and contributions of colleagues across the organization as opposed to personal compensation and eliminating specific roles.

- **Changes to COLA, Steps & Grades, and Work Year require negotiating new bargaining agreements.**

- **Current COLA assumption is ~1.9%; 1% COLA would save ~$6M**

  *Reductions in current 2019-20 pay – as opposed to holding pay flat, which is what is for other options reflect*

<table>
<thead>
<tr>
<th>Action</th>
<th>FY21 $ Impact</th>
<th>Explanation/Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pay Freezes (Flat Pay to 2019-20 Levels for Employees)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0% COLA for all employees</td>
<td>$12M</td>
<td>$7M for DCTA, $5M for all non-DCTA</td>
</tr>
<tr>
<td>Eliminate Step &amp; Grade Increases for DCTA</td>
<td>$11M</td>
<td>$9.5M for Steps, $1.5M for Grades</td>
</tr>
<tr>
<td>Delay Low-Wage Increases</td>
<td>$1.5M to $3M</td>
<td>$1.5M savings if delayed until January 2021, $3M if delayed until July 2021</td>
</tr>
<tr>
<td><strong>Pay Reductions (Decreasing Current Pay for Employees)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implement Furlough Day(s)*</td>
<td>$4M per furlough day</td>
<td>Assuming all employees participate in furlough</td>
</tr>
<tr>
<td>1% Pay Reduction Org Wide or Targeted*</td>
<td>$6M</td>
<td>Could be implemented at a sliding scale targeting reductions focused on specific employee groups to avoid impacting low-wage employees</td>
</tr>
</tbody>
</table>
### BUDGET LEVERS
PERA EMPLOYER CONTRIBUTION RATE

<table>
<thead>
<tr>
<th>Delay Employer PERA Contribution Rate Auto-Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Values</strong></td>
</tr>
<tr>
<td>2020-21 compensation ahead of long term health of pension</td>
</tr>
<tr>
<td><strong>Description</strong></td>
</tr>
<tr>
<td>Delay .5% Employer Contribution Rate Auto-Adjust Increase beginning in July 2020</td>
</tr>
<tr>
<td><strong>Potential Savings</strong></td>
</tr>
<tr>
<td>$3.5M for each year delayed</td>
</tr>
<tr>
<td><strong>Primary Trade Offs</strong></td>
</tr>
<tr>
<td>Increased # of years to reach 100% Funded Ratio</td>
</tr>
<tr>
<td>Employee Contribution would also likely reduce effectively increasing individual take home pay</td>
</tr>
<tr>
<td><strong>Other Considerations</strong></td>
</tr>
<tr>
<td>Not controlled by DPS, requires legislative action from the State and PERA. Currently being reviewed at the State, with DPS providing input as requested.</td>
</tr>
</tbody>
</table>
### BUDGET LEVERS
#### CAPITAL EXPENDITURES

<table>
<thead>
<tr>
<th>Action</th>
<th>FY21 $ Impact</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Kepner Debt Service with 2020 Bond</td>
<td>$800k annually / $13M one time</td>
<td>Capital project to improve the grounds at the Kepner campus; currently funded with COP</td>
</tr>
<tr>
<td>Fund current Alt/Remodel expenditures with 2020 Bond</td>
<td>$1.5M</td>
<td>DPS annual capital investment to buildings, sidewalks, roofs, boilers and other capital investments not covered with bond funding</td>
</tr>
<tr>
<td>Fund new School Bus purchases with 2020 Bond</td>
<td>$900k</td>
<td>DPS annual capital investments to new transportation fleet</td>
</tr>
<tr>
<td>Refinance other existing COP’s</td>
<td>$500k annually / $7.5M one time</td>
<td>Purchase the Acoma Facility rather than Lease Purchase Agreement; Currently funded in COP</td>
</tr>
</tbody>
</table>

• Values: Allows more operating funds to be put toward regular, non-operating expenditures like compensation and reduces the capacity for the bond to fund critical maintenance and similar capital improvements

• Potential to save up to $3.7M Annually

• Shifting these expenditures into Bond would reduce Bond proceed availability for other projects by ~$30M to ~$35M
## SPF Framework

<table>
<thead>
<tr>
<th>Values</th>
<th>Decouples any direct funding based solely on SPF rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>Eliminating DPS SPF Framework, shifting to CDE SPF Framework</td>
</tr>
<tr>
<td>Potential Savings</td>
<td>$2.2M Performance Funding in School Budgets related to &quot;Performance Funding&quot;</td>
</tr>
<tr>
<td>Primary Trade Offs</td>
<td>Resource distribution would shift by school; phasing out funding is a potential solution</td>
</tr>
<tr>
<td>Other Considerations</td>
<td>$2.2M from school funding could be repurposed to other needs, including Mental Health of Nursing Funds</td>
</tr>
<tr>
<td></td>
<td>Eliminated completely for budgetary savings</td>
</tr>
</tbody>
</table>
### 1% Budget Reduction - Non-School & Non-Fixed Costs

| Values                                                                 | Reduces expenses in functions not directly managed by School Leaders  
|                                                                      | Would result in FTE reduction and opposes the values of other compensation reductions of shared sacrifice and value of colleagues |
| Description                                                          | 1% Reduction in all DPS Non-School, Non-Fixed Costs Budgets (Utilities and Workers Compensation are examples of fixed costs) |
| Potential Savings                                                    | $2M Annually |
| Primary Trade Offs                                                   | DPS School Support functions have faced steep reductions in recent budget years |
| Other Considerations                                                 | School support services have provided intense support to implementing distance learning |
## Small School Mergers

| Values | Larger suite or program offerings for all students
|        | Operational efficiency in areas like Food Services and Custodial |
| Description | Merging Schools in Communities where DPS capacity of seats is far greater than the need, and the community is declining in enrollment |
| Potential Savings | $500k per school beginning in FY22 (actual savings are highly dependent on unique circumstances) |
| Primary Trade Offs | Less than desired time for community engagement |
| Other Considerations | School leaders have identified the student resource challenges of running schools in the regions where the seats far exceed students |
### 2020 Mill Levy Override

<table>
<thead>
<tr>
<th>Description</th>
<th>Pass a no-tax increase 2020 Mill Levy Override</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Potential Revenue</strong></td>
<td>$20-$30M annually</td>
</tr>
<tr>
<td><strong>Potential New Investments</strong></td>
<td>Additional Whole Child Supports and Low-wage compensation</td>
</tr>
<tr>
<td><strong>Potential Challenges</strong></td>
<td>Recent economic downturn may impact voter's decision to provide additional supports to DPS</td>
</tr>
</tbody>
</table>

- ~$10M to $15M of new revenue can be used to offset current budget shortfalls, with remaining amount going to new programming & compensation
  - Amount used to offset budget shortfall will not be available for new programs
Reduction of Fund Balance Reserve to 7% creates potential for a downgrade to DPS’ Credit Rating.

DPS and the Budget Advisory Committee will provide recommendations on a plan to ensure a 10% Fund Balance Reserve is reached in future years.

**One-time Usage of 3% of Fund Balance Reserves**

<table>
<thead>
<tr>
<th>Values</th>
<th>Values maintaining operational programming and compensation ahead of reducing financial reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>Reduce DPS Reserve Target by 3%, from 10% to 7%</td>
</tr>
<tr>
<td>Potential Savings</td>
<td>$34M ONE TIME -- CANNOT BE USED LONG TERM</td>
</tr>
<tr>
<td>Primary Trade Offs</td>
<td>Potential to reduce DPS Credit Rating, increasing the expense of future debt issuances</td>
</tr>
<tr>
<td>Other Considerations</td>
<td>One-time fund balance usage will still require structural budget reductions to rebuild fund balance and reach 10% reserve target in the future. In future years, new revenue will need to first replenish reserves ahead of other operating costs like compensation and other programming</td>
</tr>
</tbody>
</table>
APPENDIX
State vs Local Share

Statutory
Total Program Goal: $7.5B in FY 2017-18

Source: Craig Harper, Joint Budget Committee Staff
HOW DOES STATE FUND K-12 FINANCE
State vs Local Share

Statutory Total Program Goal: $7.5B in FY 2017-18

Source: Craig Harper, Joint Budget Committee Staff
HOW DOES STATE FUND K-12 FINANCE

Local Share – The Foundation

Local Share: $2.4B

Statutory Total Program Goal: $7.5B in FY 2017-18

Local Share: $2.4B

Source: Craig Harper, Joint Budget Committee Staff
HOW DOES STATE FUND K-12 FINANCE

Local Share – The Foundation

Pre-BS Factor
State Share: $5.1B

BS Factor: $0.8B

Actual State Share: $4.2B

Local Share: $2.4B

Statutory State Share Goal: $5.0B

Source: Craig Harper, Joint Budget Committee Staff
HOW DOES STATE FUND K-12 FINANCE

State Share – Fills the Gap

Pre-BS Factor
State Share: $5.1B

Actual State Share: $4.2B

Local Share: $2.4B

BS Factor: $0.8B

Statutory Total Program Goal: $7.5B

Actual Funding $6.6B

Source: Craig Harper, Joint Budget Committee Staff
K-12 Education accounts for 20% of all State funding, but more than 38% of the General Fund.
DPS Funding Sources (All Funds)

- DPS receives ~60% of its revenue from Local Taxes ~23% from the State in the form of Equalization and Categorical funds
- 7% of total revenues come from the Federal government and the remaining 9% comes from a variety of sources including tuition fees, private grants and other miscellaneous revenues and donations

Note that the chart above reflects all funds including General Funds, Capital, Food Services and Grant Funds
Mill Levy Override funds are provided directly to school budgets or, in some cases, managed centrally to provide direct services to schools.

Schools must use funding in accordance with the ballot language and board-approved resolutions. DPS provides charter schools a per student share of eligible Mill Levy Override funding as long as those funds are used as intended.

1. Charters in DPS facilities benefit from this allocation in the same way as district-run schools
5-YEAR FORECAST: ASSUMPTIONS

<table>
<thead>
<tr>
<th>Total Enrollment* (K-12 ONLY)</th>
<th>FY 19-20</th>
<th>FY 20-21</th>
<th>FY 21-22</th>
<th>FY 22-23</th>
<th>FY 23-24</th>
<th>FY 24-25</th>
</tr>
</thead>
<tbody>
<tr>
<td>District Enrollment</td>
<td>65,467</td>
<td>64,069</td>
<td>63,275</td>
<td>62,684</td>
<td>62,098</td>
<td>61,518</td>
</tr>
<tr>
<td>Charter Enrollment</td>
<td>21,370</td>
<td>22,024</td>
<td>22,634</td>
<td>23,062</td>
<td>23,500</td>
<td>23,946</td>
</tr>
<tr>
<td><strong>Total District Enrollment</strong></td>
<td><strong>86,837</strong></td>
<td><strong>86,094</strong></td>
<td><strong>85,909</strong></td>
<td><strong>85,746</strong></td>
<td><strong>85,598</strong></td>
<td><strong>85,464</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY 19-20</th>
<th>FY 20-21</th>
<th>FY 21-22</th>
<th>FY 22-23</th>
<th>FY 23-24</th>
<th>FY 24-25</th>
</tr>
</thead>
<tbody>
<tr>
<td>District Enrollment</td>
<td>75%</td>
<td>74%</td>
<td>74%</td>
<td>73%</td>
<td>73%</td>
</tr>
<tr>
<td>Charter Enrollment</td>
<td>25%</td>
<td>26%</td>
<td>26%</td>
<td>27%</td>
<td>27%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY 19-20</th>
<th>FY 20-21</th>
<th>FY 21-22</th>
<th>FY 22-23</th>
<th>FY 23-24</th>
<th>FY 24-25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Price Index (Inflation)</td>
<td>2.7%</td>
<td>1.9%</td>
<td>2.2%</td>
<td>2.1%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY 19-20</th>
<th>FY 20-21</th>
<th>FY 21-22</th>
<th>FY 22-23</th>
<th>FY 23-24</th>
<th>FY 24-25</th>
</tr>
</thead>
<tbody>
<tr>
<td>At Risk Students</td>
<td>47,070</td>
<td>46,835</td>
<td>45,898</td>
<td>44,980</td>
<td>44,081</td>
</tr>
<tr>
<td>Total At Risk Funding</td>
<td>$59,839</td>
<td>$58,890</td>
<td>$58,301</td>
<td>$57,692</td>
<td>$57,045</td>
</tr>
<tr>
<td>Percentage of At-Risk Students (Free)</td>
<td>54.1%</td>
<td>53.9%</td>
<td>53.1%</td>
<td>52.3%</td>
<td>51.5%</td>
</tr>
<tr>
<td>Percentage of FRL</td>
<td>62.1%</td>
<td>60.8%</td>
<td>59.0%</td>
<td>58.0%</td>
<td>57.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY 19-20</th>
<th>FY 20-21</th>
<th>FY 21-22</th>
<th>FY 22-23</th>
<th>FY 23-24</th>
<th>FY 24-25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation Increase</td>
<td>2.95%</td>
<td>1.9%</td>
<td>2.2%</td>
<td>2.1%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

*Assumes no change in number of schools (no new school openings or closures)

- 2019-20 funding levels remain in place for 2020-21
- Federal stimulus funding address COVID-19 additional expenditures and lost revenue
- Compensation increases assumed at Consumer Price Index (CPI) unless otherwise governed by bargaining agreement
- Based on 2019-20 October count