District Accountability Advisory Committee
2020-2021 Preliminary Budget Presentation

Presented by:
Aaron J. Oberg
Director, Budget
Division of Finance
April 20, 2020
Every Student Shapes a Successful Future

DAAC and Division of Finance

- Commitment to transparency and collaboration
- District Accountability Advisory Committee (DAAC) statutory duties
  - The committee reviews school and district Unified Improvement Plans (UIP) and advises the Board. The UIP discusses major improvement strategies and funding strategies.
  - November 18 meeting with Budget Director.
  - DAAC encouraged to recommend spending priorities to Division of Finance, including UIP fund strategies
  - April 20 meeting with the Budget Director for a presentation of the preliminary budget.
  - The committee formally recommends spending priorities to the Board.
  - Prior to the May 11 meeting the committee receives the proposed budget.
Economic Summary

*The economic outlook is extremely uncertain and is changing by the hour*

- Strong economic fundamentals entering March; however, ...
- COVID-19 and the volatility in oil and natural gas markets created significant uncertainties
  - Increase in unemployment
  - Stock market volatility
- Significant risk to state revenues, including sales and income taxes, and local property taxes for the next three years
• Current estimate is that more than 1 million oil workers are set to lose their jobs this year, including a decrease of 32% in employment in the shale industry
• Estimated breakeven price of production ranges from $48 to $54 per barrel. In order to cover only operating costs the price per barrel would need to be $28 and production would generally reduce by 50% as well as the workforce.
Potential impact of natural resources production on Colorado revenue

• Reductions in net severance taxes, employment withholding, sales and use taxes

• Production reductions now impact future property taxes in Weld County specifically
  – There is a three year lag between production, assessment and collection of property taxes
  – Property tax reductions require an increase in the state share portion of Total Program funding

• Creates a continuing, three-year impact to state revenues
Coronavirus Economic Impact

- State Revenue Impacts
  - Unemployment, income taxes and quarterly state withholding taxes
  - Sales taxes
  - Use taxes
- Office of State Planning and Budget is recommending the General Assembly budget to a range
  - Current range is 1% to 10% decrease in overall state funding for school finance
- Future local property tax receipts impact on school finance for the next three years
  - Oil production
- Potential federal funding – CARES Act
Risks 2020-21 Budget Planning

- Pupil count
- School Finance Act funded pupil count averaging
- Insurance risk
- Employer PERA contributions increase from 20.4% to 20.9%
- Anticipated decline in federal grants funds, including Title I resources
- 2020 Census to determine poverty rate used in allocating Title resources to the states and to school districts within the state
2020-21 APS Preliminary Projections: Revenue Projected to be Flat

- APS Base Case scenario assumes flat revenue year over year
- A 1.9% inflation increase to per pupil revenue would be offset by other factors, including a decrease in funded pupil counts due to declining enrollment
- Minimal, if any growth in property tax revenues
- Potential decrease in revenue due to an increase in the Budget Stabilization Factor
  - Risk of 1% ($3.8 million; return to FY 2019) to 10% ($38.5 million; largest BSF since inception) reduction in state revenue
- Important to budget to a range, following OSPB guidance to the Joint Budget Committee
- Federal stimulus funds (CARES Act)
Budget Priorities

- Limiting growth in division spending
- Establishing reserves for a potential mid-year reduction by the State (based on its direction to “budget to a range”)
- Limiting requests for supplemental one-time or ongoing expenditures
- Proposed budget to BOE currently remains on schedule
Every Student Shapes a Successful Future

Funded Pupil Count Averaging

- APS is a declining enrollment district and receives funding for the higher of a one-, two-, three-, four- or five-year average.

<table>
<thead>
<tr>
<th></th>
<th>2019-20</th>
<th>2020-21</th>
<th>2021-22</th>
<th>2022-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>37,322.0</td>
<td>37,322.0</td>
<td>37,322.0</td>
<td>37,322.0</td>
</tr>
<tr>
<td>Current minus 1</td>
<td>37,304.0</td>
<td>37,322.0</td>
<td>37,322.0</td>
<td>37,322.0</td>
</tr>
<tr>
<td>Current minus 2</td>
<td>38,365.5</td>
<td>37,304.0</td>
<td>37,322.0</td>
<td>37,322.0</td>
</tr>
<tr>
<td>Current minus 3</td>
<td>39,206.5</td>
<td>38,365.5</td>
<td>37,304.0</td>
<td>37,322.0</td>
</tr>
<tr>
<td>Current minus 4</td>
<td>39,692.5</td>
<td>39,206.5</td>
<td>38,365.5</td>
<td>37,304.0</td>
</tr>
<tr>
<td>Average FPC</td>
<td>38,378.1</td>
<td>37,904.0</td>
<td>37,527.1</td>
<td>37,322.0</td>
</tr>
<tr>
<td>Decrease in FPC</td>
<td>(474.1)</td>
<td>(376.9)</td>
<td>(205.1)</td>
<td></td>
</tr>
</tbody>
</table>
### Preliminary Budget

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning fund balance</td>
<td>$138.8</td>
</tr>
<tr>
<td>Plus forecasted revenue</td>
<td>$452.9</td>
</tr>
<tr>
<td>Less forecasted expenditures</td>
<td>-$434.0</td>
</tr>
<tr>
<td>Less transfers out</td>
<td>-$18.7</td>
</tr>
<tr>
<td><strong>Ending fund balance</strong></td>
<td><strong>$139.1</strong></td>
</tr>
<tr>
<td>TABOR, fiscal management and set-aside</td>
<td>$57.9</td>
</tr>
<tr>
<td>School finance act averaging reserve</td>
<td>$4.4</td>
</tr>
<tr>
<td>Instructional carryover and assignments</td>
<td>$17.0</td>
</tr>
<tr>
<td>APS blueprint and mill levy reserve</td>
<td>$30.0</td>
</tr>
<tr>
<td>Remaining unassigned fund balance</td>
<td>$29.8</td>
</tr>
</tbody>
</table>
Next Steps and sentence starters

- The committee may formally recommend spending (or non-spending) priorities to the Board
- *Provided as examples only to begin the writing process*

The Aurora Public Schools District Accountability Advisory Committee recommends the following spending priorities to the Board:

*Based on the uncertain economic forecast, DAAC recommends the following fund balance reserves priorities be set:*

*If additional funds become available, DAAC recommends:*
Questions? And Thank You!

Aaron J. Oberg
Budget Director
Division of Finance
ajoberg@aurorak12.org
303-326-5812