

Mastering School Finance via Budget Scenario Planning

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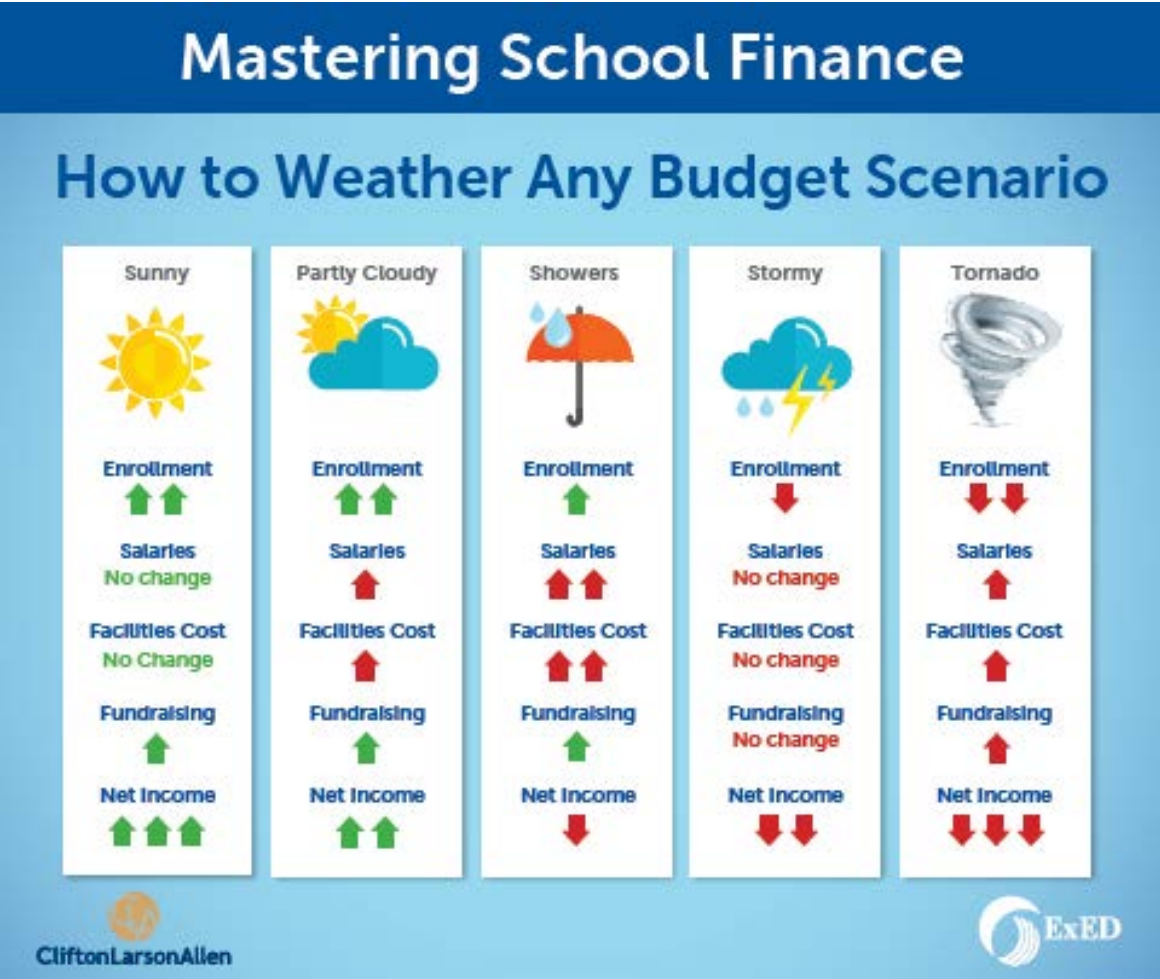
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Thank you for stopping by our poster session!

To really weather any budget scenario, you need a strong understanding of revenue and expense drivers.



Average Daily Attendance is the key driver of revenue for a school.

ADA is the total number of days of student attendance divided by the total number of instructional days.

- A student attending every day would equal one unit of ADA.
- A student who is absent for 5 days in a 180-day school year would equal .97 ADA (175/180).
- The number of instructional days is based on when the student enrolled. Days a student is not enrolled don't count in the # of instructional days. (E.g. if a student enrolls later in the year, the number of instructional days for that student would be less than the standard school year.)
- The school's ADA is the total of all the days of attendance for all students divided by the total # of possible instructional days for those students.

School budgets are built on a certain ADA assumption. When actual ADA varies significantly from budgeted ADA, there are consequences for the school's budget.

It is critical to understand the impact of ADA loss (or gain) on your school's budget.

Revenue from the Local Control Funding Formula makes up 80% of a school's revenue.

LCFF has three main elements:

Base grants

Same rate per ADA for every California student (by grade span)

- Adjustments to the K-3 base grant for Class Size Reduction (+10.4%) and to the 9-12 base grant for Career Technical Education (+2.6%)

Supplemental grant

Equal to 20% of adjusted base grant for English Learners, students eligible to receive free or reduced price meals, or foster youth

Concentration grant

Equal to 50% of the adjusted base grant for targeted students exceeding 55% of a charter school's enrollment (but capped at the eligible student enrollment of the district in which the charter school is located)

Student demographics drive LCFF Supplemental and Concentration Grant amounts

Eligible for Free or Reduced Price Meal

Families that meet federal income eligibility or pupils deemed to be categorically eligible

Foster Youth

Children removed from their home pursuant to the Welfare & Institutions Code Section 450

English Learner

A child who does not speak English or whose native language is not English and who is not currently able to perform ordinary classroom work in English

If you are a new school, or a school that is moving locations, it is important to plan for different scenarios.

Reporting eligible pupils in CALPADS

Charter schools must report an unduplicated count of eligible pupils annually using the California Longitudinal Pupil Achievement Data System.

Count is as of census day (1st Wednesday in October)

California Department of Education

CALPADS
California Longitudinal Pupil Achievement Data System

1.17 - FRPM/English Learner/Foster Youth - Count

Academic Year: 2017-2018

User ID: exed.0111211

View: SNAPSHOT

School Type: ALL

Create Date: 1/24/2018 12:06:14 AM

School: ALL

Print Date: 1/29/2018 6:34:53 AM

Non-Charter School(s)

Free/Reduced Meal Eligibility Counts Based On:										
School Code	School Name	Total Enrollment	Free & Reduced Meal Program: 181/182	Foster	Homeless (1)	Migrant Program: 135	Direct Certification	Unduplicated Eligible Free/Reduced Meal Counts	EL Funding Eligible (2)	Total Unduplicated FRPM/EL Eligible Count (3)
TOTAL - Selected Schools										

Charter School(s)

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████	██████████	431	418	3	4	0	242	418	137	420
TOTAL - Selected Schools		431	418	3	4	0	242	418	137	420
TOTAL LEA		431	418	3	4	0	242	418	137	420

CALPADS data will be audited

Charter schools must report an unduplicated count of eligible pupils annually using the California Longitudinal Pupil Achievement Data System.

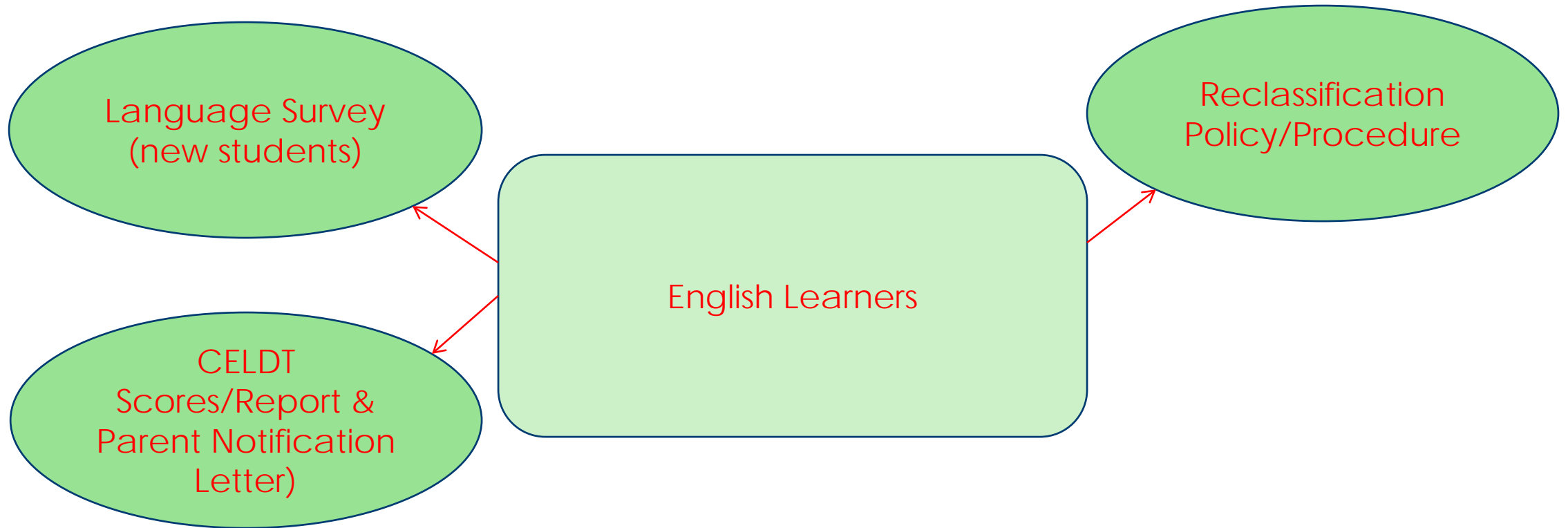
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***Auditor will test CALPADS Certified
1.18 – FRPM / English Learner / Foster Youth – Student List
Report***



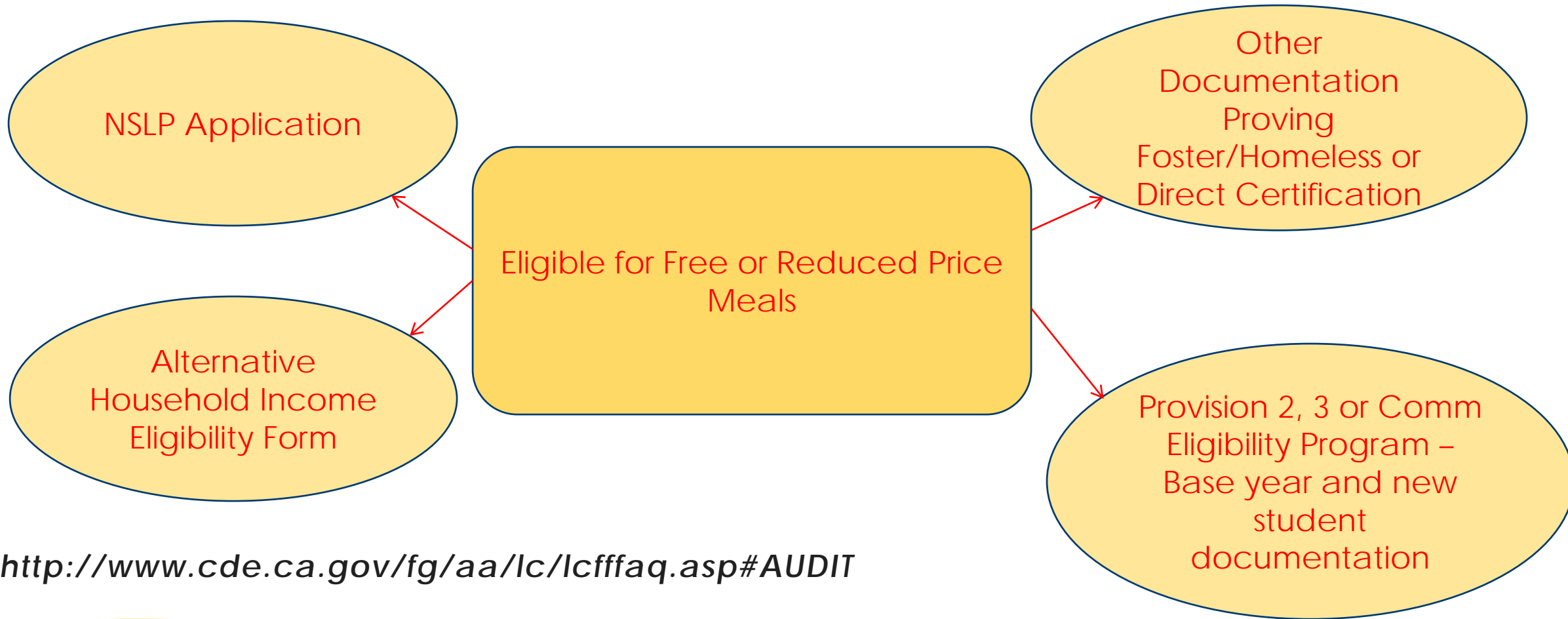
Supporting documentation must be on file

Supporting documentation for CALPADS classifications



<http://www.cde.ca.gov/fg/aa/lc/lcfffaq.asp#AUDIT>

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Accurate Data Reporting is Critical

CALPADS

1. FALL 1 reports your Unduplicated Pupil Count (UPC)

- Meal Applications must all be collected, verified
- Report data submitted in December

2. Potential for error

- Not collecting all applications
- Not verifying
- Data entry errors
- Missing direct certification data
- CALPADS-SIS reporting issues

What if you underreport
by 40 free/reduced eligible
students out of 300 eligible
students with 400 enrolled?

- UPC rate reduced by 10%
- Reduce your LCFF rate by
\$80/ADA OR loss of \$32,000

*Note: Actual impact will vary by LCFF
implementation, grade levels, etc.*

Accurate Data Reporting is Critical

Average Daily Attendance (ADA)

1. **Period 2 (P-2) report sets your ADA total for the year:** this represents the first 7 or 8 months' average daily attendance
2. **Attendance must be taken daily and accurately:** a single day missed throws off your whole report

What if you underreport by just 5 ADA?

- Reduce your funding by 5X your LCFF rate
- Example LCFF rate of \$9,500 – total loss of \$47,500

Current LCFF Rates

	FY 17-18	FY 18-19					
		2.51% * A	A+B		C+(C*D)	20% * E	50% *E
	A	B	C	D	E	F	G
Grade Span	LCFF Base Rate	Add 2.51% COLA	New LCFF Base Rate	Grade Span Adjustments	Adjusted LCFF Base Rate	Suppl. Grant - 20% of Adjusted Base	Conc. Grant - 50% of Adjusted Base
K-3	7,193	181	7,374	10.40%	8,141	1,628	4,070
4-6	7,301	183	7,484		7,484	1,497	3,742
7-8	7,518	189	7,707		7,707	1,541	3,854
9-12	8,712	219	8,931	2.60%	9,163	1,833	4,582

Each new year, COLA is applied to the prior year base rate. E.g. In FY 19-20, COLA will be applied to the rates in Column C and the adjusted base rates and Supplemental and Concentration Grant rates will be based on the new 19-20 LCFF base rate.

P1, P2, and Annual ADA

P1 ADA is total ADA from the beginning of the school year through the last school month ending on or before December 31.

P2 ADA is total ADA from the beginning of the school year through the last school month ending on or before April 15.

- Most ADA-based revenue sources are based on P2 ADA.

Annual ADA is total ADA for the entire school year.

- Lottery revenue is the only ADA-based funding source that is based on Annual ADA.

LCFF Apportionment Calendar

Jul	Aug	Sep	Oct
Nov	Dec	Jan	Feb
Mar	Apr	May	June

Apportionments (cash payments) are based on the prior year's P2 ADA.*

Apportionments are based on this year's P1 ADA.

Apportionment is based on P2 ADA.

**New schools receive a payment in September based on the estimated ADA they submit prior to school starting and another payment in December based on their actual 20-day attendance. Schools that are adding a grade level also receive these payments for their new grade level.*

LCFF Budget & Forecasting Cycle

Revenue Updates

Monthly:

- Update ADA projections and demographic data

As Needed:

- Update LCFF state assumptions & local Concentration Grant cap

After finalized/certified:

- Lock in P2 ADA, UPC

Cash Flow Updates

Advance Apportionment (mid July):

- Update cash flow for Jul through Jan

P1 (mid February):

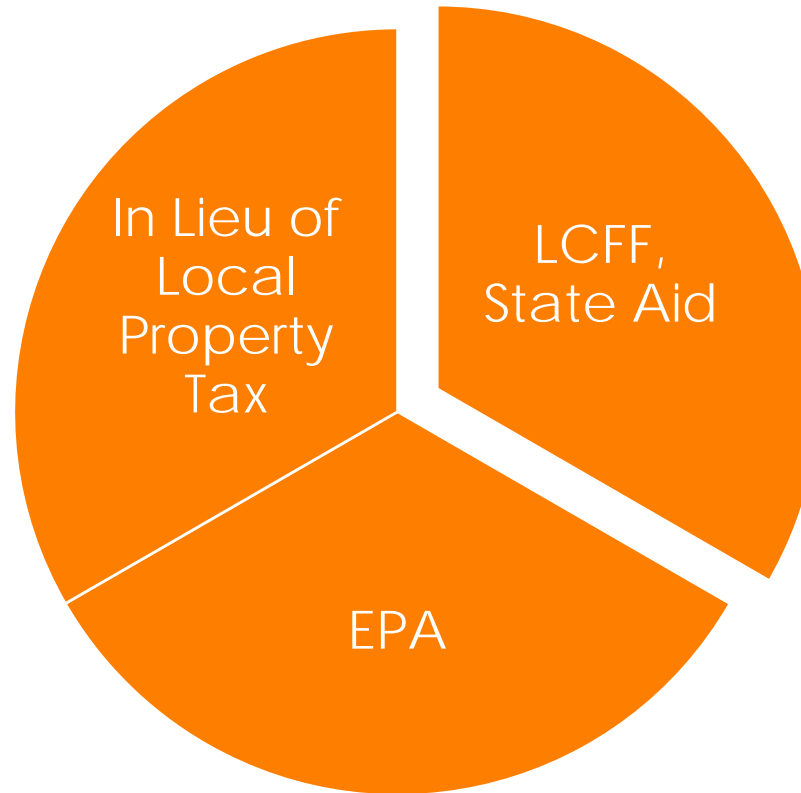
- Update cash flow for Feb through May

P2 (late June):

- Update cash flow for June

LCFF will come via multiple funding streams.

Proportions will vary based on your school and your local district



- EPA payments are made quarterly at the end of Sep, Dec, Mar, and June
- In Lieu Payments flow to charter schools based on statutory timelines

Resources

FCMAT LCFF Calculator: <http://fcmat.org/local-control-funding-formula-resources/>

Apportionment schedules: <http://www.cde.ca.gov/fg/aa/pa/index.asp>

- *Advance (by July 20)*
- *P-1 (by Feb 20)*
- *P-2 (by June 25)*
- *Special Advance Apportionments for Newly Operational & Grade Level Expansion Schools (published in early Sep & Dec).*
- *Included in each apportionment is a "Payment Schedule Summary - LEA detail" – tells you how much cash and when*

Other Charter School Government Revenue Sources

	Unrestricted	Restricted
Based on Average Daily Attendance	<ul style="list-style-type: none"> General Lottery – \$146/ADA Mandate Block Grant <ul style="list-style-type: none"> K-8: \$15.90/ADA* 9-12: \$44.04/ADA* One-time unrestricted funds (\$295/ADA* proposed for 18-19) 	<ul style="list-style-type: none"> Special Education – \$s vary Prop 20 Lottery - \$48/ADA (for student materials) One-time restricted funds (e.g. College Readiness and Educator Effectiveness)
Based on Demographics		<ul style="list-style-type: none"> Title I & II funds – based on low-income Title III – based on English Learner counts
Based on Combination or Other Factors		<ul style="list-style-type: none"> Child Nutrition – based on state and federal reimbursement rates for meals served After-school grants Federal-start up grant SB 740 – 75% of facilities costs or \$x per ADA, whichever is less

*Prior Year ADA

Changes to SB740 – Charter School Facilities Grant

- Since inception funding capped \$750 per ADA
- In 17-18, ADA rate increased to \$1,117 with no increase to funding
 - Program is now oversubscribed
 - State estimates a 19 to 25% pro-rata reduction to this year's awards
- Governor proposes a \$28M ongoing increase for FY18-19
- New maximum funding rate with COLA will be \$1,145 per ADA
- Oversubscription still a possibility and inevitable if state uses 18-19 appropriation to back fill 17-18 awards (as currently required)

Know the impact of a pro-rata reduction on your budget and plan accordingly!

Budgeting for Sustainability



Expenses are revenue dependent – you can't
spend what you don't have...

...and budgeting for sustainability means having
a long term view of both your revenues and
expenses.

Sustainability Check List

Revenue

I use one-time revenues for one-time expenses. I will be able to sustain current expenditures in the out years.

Enrollment

I understand the enrollment trends in my neighborhood including birth rates, immigration/emigration patterns/new school openings and their impact on my school's enrollment.

Demographics

I understand the impact a change in my Unduplicated Pupil Percentage could have on my funding.

Facilities

I have enough space or a plan to acquire space to accommodate my growth plan. I include deferred maintenance costs/remodeling costs in my budget plan.

Staffing

I have the right staffing to support my program and to address ongoing compliance needs. I have built salary increases into my budget plan.

Benefits

I have built in benefits increases into my budget plan.

A final word of caution

The expenses you plan today need to be sustainable into the future.

This means understanding how much your revenue will grow and whether that growth will cover the growth in your expenses.

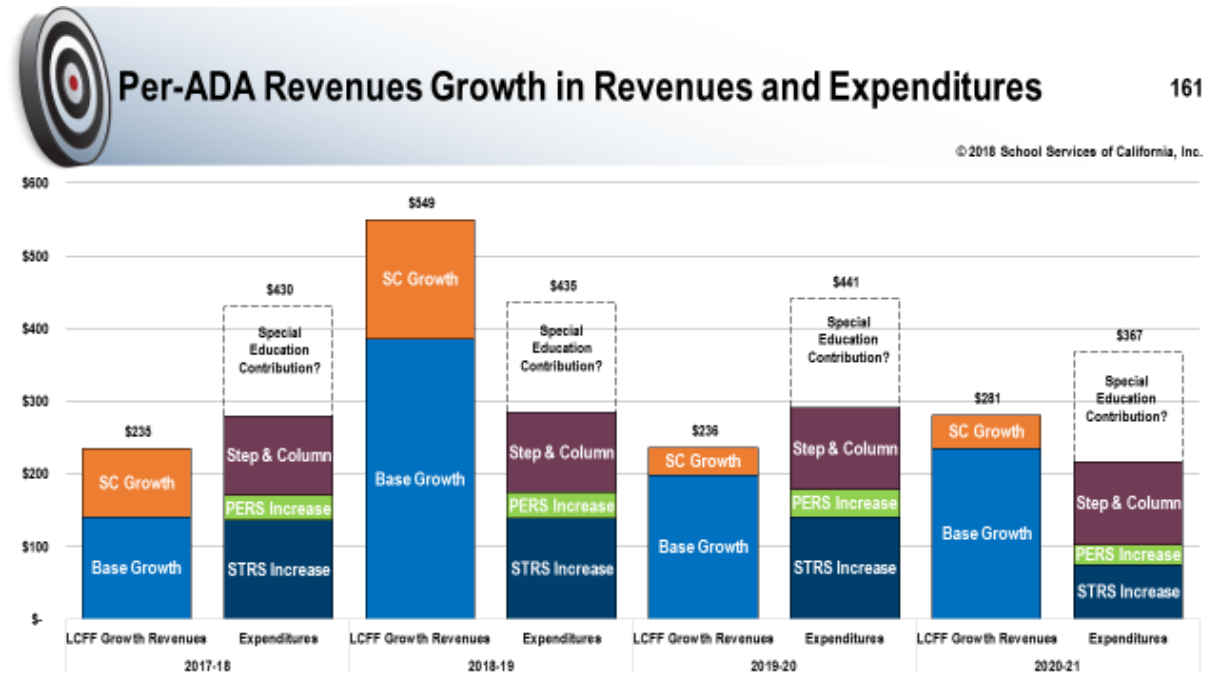
Estimated Department of Finance COLAs for LCFF:

18-19: 2.51%

19-20: 2.41%

20-21: 2.80%

21-22: 3.17%



In this School Services of California slide, increases in expense outpace increases in LCFF revenue on a per ADA basis.

Planning for Sustainability

- Financial ratios can be useful tools in achieving financial sustainability.
- Strong internal controls are important to success.
- Auditors are required to analyze your ability to continue as a going concern.



Who is ExED?

A Nonprofit, Mission-Driven Business Partner for Southern California's Leading Charter Schools

Results-focused:

As the full-service “CFO” for each school, ExED creates efficiencies and sound business practices that direct more resources to the classroom.

A Charter School Pioneer:

20 years of experience supporting some of the region’s most dedicated and effective charter schools



Who is Clifton Larson Allen?

A charter school audit firm that works proactively with clients throughout the year to:

- Identify issues
- Resolve challenges early
- Recommend improvements to charter school systems



CliftonLarsonAllen