

Business Operations
Ofelia San Pedro, Deputy Superintendent

SUBJECT: RESOLUTION NO. 1, 2008-09 GENERAL FUND FALL BUDGET REVIEW

COMMITTEE: INNOVATION, EFFICIENCY AND GOVERNMENTAL RELATIONS

LINK TO DISTRICT STRATEGIC PLAN: IMPROVE FINANCIAL SERVICES

On September 10, 2008, the School Board adopted the budget for FY 2008-2009 as presented. The budget, as adopted, was built using a set of assumptions based on prior year budget development and the administration's recommendation to the Board on revenue estimates for FY 2008-2009.

Subsequent to the adoption of the budget, the Board appointed a new superintendent who immediately convened a budget workgroup to review the budget assumptions and treatment of certain revenue issues. The budget work group consisted of experts in the area of legislative issues, several experienced K-12 Chief Financial Officers, internal staff who assisted in developing the FY 2008-2009 budget, and internal staff who were able to review proposed budget changes and their potential impact on schools. In addition to the review of the Adopted FY 2008-2009, the work group was charged with conducting a complete and comprehensive review of all central office departments to reduce costs and create an effective leadership team geared toward supporting the classroom.

The work group's first challenge was to work with central office departments to transform the way they operated. Specifically the task was to identify redundancy and inefficiency, overhaul the organizational charts, delayer middle management, and eliminate positions and related salary costs. This phase of the budget review yielded a mid-year budget savings of approximately \$11,425,185. The next part of the review was to look at central office departments after the transformation and review what functions could be eliminated. This review yielded an additional savings mid-year of \$4,460,947. The final phase of the central office review was to reduce departments by 10% of salary and non-salary budgets, which reduced departments by an additional \$5,543,922. The realignment reduces the 2008-09 budgets for central office departments by \$22,430,054.

The next phase of the review was undertaken to address structural defects in the budget as originally adopted. The review team found an over estimation of the salary lapse account in the amount of \$43,000,000 as well as a flaw in the assumption used to budget health insurance in the amount of \$10,000,000 and a variance in the health insurance budget of an additional \$2,000,000. The review of revenue assumptions used in developing the original budget disclosed an issue involving property tax revenue collections.

Although Florida Statutes requires the District to budget at a 95% collection rate, the District has had a collection shortfall the past two years of approximately \$13,000,000 per year. A reserve should have been set up for that amount.

Subsequent to the adoption of the budget, market conditions have taken a negative turn and, as a result, it is expected that revenue from interest income will decline by \$6,000,000. This was not known at the time of budget adoption. In addition, the District earned approximately \$8,000,000 million dollars more in School Recognition Funds. As a result of the state funding formula, this reduces lottery funds by approximately \$4,000,000, while increasing appropriations to schools.

The appropriation changes reconciled in this item accomplish district reductions to central administration without jeopardizing core internal business controls and important instructional support. Included in the item is the re-assignment of most teachers on special assignment back to classroom positions.

After the reduction in central office budgets by \$46 million dollars, the Administration is proposing taking full advantage of Statute 1011.62(6)(b) by exercising its option to redirect \$18,700,000 of State Categorical Funds to support classroom instruction. The Administration also proposes funding certain programs such as Secondary School Reform and Professional Development with appropriate and allowable grant funding.

Lastly, in order to realign the budget and deal with its defects, the Administration looked at non-classroom expenditures at the schools. The item proposes establishing a reserve that sets aside 20% of school site hourly, overtime, substitute, and other discretionary accounts estimated at \$10,387,778 for the last quarter of the year. These funds will be removed from reserved status if revenues are available to return the funding. The item also proposes a change in the allocations to schools that would result in a savings of approximately \$16,017,988, effective second semester.

The Administration will continue to work to identify areas where resources must be re-aligned and costs need to be controlled. The next work includes in-depth reviews of the budgets for transportation, food and nutrition, stores and distribution, and school police and review of the preliminary October budget projections. Historical spending trends and significant analysis must occur to solidify the projection and formalize the results into the next resolution.

Budget review, to date, has yielded a much sounder annualized operating budget and an initial start toward forming a reserve to cover the anticipated holdback of state revenue to be announced on December 10, 2008. Additional redirection of appropriations will be required to be presented no later than the January Board Meeting.

The following details the necessary appropriation adjustments for your consideration:

<u>REVENUE CHANGES</u>	<u>INCREASE (DECREASE)</u>
1. Increase/decrease State Revenues due to the following:	\$ 6,778,544
a) Increase Florida Education Finance Program (FEFP) revenues, based on increased enrollment, as follows:	
Base FEFP (698 wFTE increase)	\$ 2,813,157
Declining Enrollment	<u>(1,433,504)</u>
Total	\$ 1,379,653
b). Increase/decrease Categorical Programs, as follows:	
School Recognition	\$ 10,224,866
Discretionary Lottery	<u>(4,825,975)</u>
Total	\$ 5,398,891
2. Increase/decrease Local revenues as follows:	(5,007,169)
Interest	\$ (6,000,000)
E-Rate	<u>992,831</u>
Total	\$ (5,007,169)
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TOTAL REVENUE INCREASE	<u>\$ 1,771,375</u>

<u>APPROPRIATION CHANGES</u>	<u>INCREASE (DECREASE)</u>
1. Reduce Salary Lapse (increase in appropriations) due primarily to transferring incumbents from positions to be eliminated to open positions and significantly reduced time to replace open positions than in prior years.	\$ 43,000,000
2. Increase teacher salary budget, including fringe benefits, for additional teacher positions due to additional FTE and salary adjudication for new hires.	8,850,307
3 Eliminate the Medical Insurance reduction of \$10 million as identified in the Tentative Adopted budget. In addition, increase costs based on latest projections.	12,000,000
4. Reduce 296 positions (257 filled) from central administration with the major focus on the shrinkage of middle management to eliminate inefficiencies.	(11,425,195)
5. Redirect Reading Instruction categorical anticipated unused funds. Agenda Item E-13 requests approval to redirect these funds.	(9,200,000)

<u>APPROPRIATION CHANGES (continued)</u>	<u>INCREASE (DECREASE)</u>
6. Redirect Textbooks categorical unused funds. Agenda Item E-13 requests approval to redirect these funds.	\$ (9,500,000)
7. Transfer Secondary School Reform expenditures to Contracted Programs Fund.	(5,567,970)
8. Reduce Utilities by closing buildings/offices during Spring Break and December holidays.	(1,000,000)
9. Centralize revenue from rental of school facilities. Currently the school receives 75% of the revenue towards covering custodial overtime.	(2,700,000)
10. Filter state revenue holdback from all flow-through revenue.	(2,500,000)
11. Reduce annual salary of non-school MEP employees based on rate of pay with highest paid administrators reduced by the largest percentage. In addition, the maximum level of pay grades 26 and above will be cut by 10% or greater.	(1,000,000)
12. Eliminate selected central office non-essential functions.	(4,460,947)
13. Reduce remaining central office salary and non-salary budgets (10% goal).	(5,543,922)
14. Transfer one-half of teachers on special assignment in the General Fund to the classroom.	(1,582,136)
15. Eliminate non-essential central office Overtime .	(932,627)
16. Eliminate non-essential central office Contracts . Excludes costs needed to meet Fingerprinting statutory requirement.	(487,474)
17. Eliminate Food Service Subsidy .	(4,000,000)
18. Transfer Professional Development expenses from the General Fund to Contracted Programs Fund.	(825,000)
19. Charge schools a 20% fee for administering internal funds.	(6,100,000)
20. Reduce school budgets for hourly/overtime/temporary instructors and discretionary accounts by 20%.	(10,387,778)
21. Reduce appropriations mid-year in the School Allocation Plan .	(16,017,988)

APPROPRIATION CHANGES (continued)

**INCREASE
(DECREASE)**

22 Increase appropriations for Florida School Recognition Program (offset by revenue increase). \$ 10,224,866

23. Establish an appropriation for a potential shortfall in the Tax Roll Yield. Based on the prior two years experience and current year market conditions, it is anticipated that tax collections will again fall short of the 95% budgeted level of the anticipated yield from the tax roll. 13,000,000

Total Appropriation Decreases \$(23,546,478)

TRANSFERS/RESERVES

1. Maintain Contingency Reserve at \$39,544,827. \$ 0

2. Establish a Reserve for Governor's Holdback. 8,237,239

TOTAL TRANSFERS/RESERVES CHANGES \$ 8,237,239

**TOTAL APPROPRIATION, TRANSFERS/
RESERVES CHANGES** \$ 1,771,375

RECOMMENDED: That The School Board of Miami-Dade County, Florida:

1. adopt Resolution No. 1, FY 2008-09 General Fund Fall Budget Review, increasing appropriations by \$1,771,375 and;
2. adopt the Summary of Revenues and Appropriations (page 6) and the Summary of Appropriations by Function (page 11).

**MIAMI-DADE COUNTY PUBLIC SCHOOLS
SUMMARY OF REVENUES AND APPROPRIATIONS
GENERAL FUND
2008-09
RESOLUTION NO. 1**

	ADOPTED BUDGET 9/10/08	RESOLUTION NO. 1	AMENDED BUDGET 11/18/08
REVENUES & BEGINNING BALANCES			
REVENUES			
Federal	\$ 12,284,142	\$ -	\$ 12,284,142
State	1,107,326,127	6,778,544	1,114,104,671
Local	1,497,319,198	(5,007,169)	1,492,312,029
TOTAL REVENUES	\$ 2,616,929,467	\$ 1,771,375	\$ 2,618,700,842
TRANSFERS FROM CAPITAL OUTLAY	\$ 194,297,163	\$ -	\$ 194,297,163
BEGINNING FUND BALANCE	32,360,190	-	32,360,190
ADJUSTMENT TO FUND BALANCE		-	
SUBTOTAL REVENUES & BEGINNING BALANCES	\$ 2,843,586,820	\$ 1,771,375	\$ 2,845,358,195
NON-REVENUE SOURCES - Other	13,720,000	-	13,720,000
TOTAL REVENUES & BEGINNING BALANCES	\$ 2,857,306,820	\$ 1,771,375	\$ 2,859,078,195
APPROPRIATIONS & RESERVES			
APPROPRIATIONS			
Salaries	\$ 1,658,739,038	\$ 6,218,721	\$ 1,664,957,759
Employee Benefits	575,036,520	13,615,415	588,651,935
Liability Insurance		-	
Purchased Services	313,493,942	(5,220,000)	308,273,942
Energy Services	89,045,833	(1,000,000)	88,045,833
Other Non-Salary	177,446,660	(16,080,000)	161,366,660
TOTAL APPROPRIATIONS	\$ 2,813,761,993	\$ (2,465,864)	\$ 2,811,296,129
TRANSFERS TO OTHER FUNDS	\$ 4,000,000	\$ (4,000,000)	\$ -
RESERVES & ENDING FUND BALANCE			
Unreserved Fund Balance	\$ 39,544,827	\$ -	\$ 39,544,827
Reserved Fund Balance		8,237,239	8,237,239
TOTAL RESERVES & ENDING FUND BALANCE	\$ 39,544,827	\$ 8,237,239	\$ 47,782,066
TOTAL APPROPRIATIONS, RESERVES & & ENDING FUND BALANCE	\$ 2,857,306,820	\$ 1,771,375	\$ 2,859,078,195

**MIAMI-DADE COUNTY PUBLIC SCHOOLS
SUMMARY OF REVENUES AND OTHER SOURCES
General Fund
2008-09**

Resolution No. 1

	ADOPTED BUDGET 9/10/2008	RESOLUTION NO. 1	AMENDED BUDGET 11/18/2008
FEDERAL SOURCES			
Impact Aid	\$ 10,000	\$ -	\$ 10,000
R.O.T.C.	2,480,000	-	2,480,000
Medicaid Reimbursement	7,600,000	-	7,600,000
Federal Through State Community Schools	2,194,142	-	2,194,142
	Total Federal	\$ -	\$ 12,284,142
STATE SOURCES			
FLORIDA EDUCATION FINANCE PROGRAM:			
Base Funding less FEFP Required Local Effort	\$ 197,562,733	\$ 2,813,157	\$ 200,375,890
Safe Schools(B)	10,844,419	-	10,844,419
Supplemental Academic Instruction	128,754,917	-	128,754,917
ESE Guarantee	145,165,139	-	145,165,139
Declining Enrollment Supplement	7,121,585	(1,433,504)	5,688,081
Reading Allocation (A)	13,612,644	-	13,612,644
Merit Award Allocation (MAP)	989,686	-	989,686
DJJ Supplemental Allocation	404,315	-	404,315
	Sub-Total FEFP	\$ 1,379,653	\$ 505,835,091
OTHER STATE:			
Non-Recurring DCD Transition Funding	\$ 7,500,000	\$ -	\$ 7,500,000
Workforce Development	95,587,705	-	95,587,705
Adults with Disabilities (A)	1,954,114	-	1,954,114
Performance Based Incentives	1,093,969	-	1,093,969
Voluntary Pre-K (A)	8,951,434	-	8,951,434
	-	-	-
CATEGORICAL PROGRAMS:			
Instructional Materials (A)	32,826,627	-	32,826,627
Transportation (B)	28,816,164	-	28,816,164
Teachers Lead Program (A)	4,789,615	-	4,789,615
Full Service Schools (A)	768,000	-	768,000
Excellent Teaching (A)	5,079,852	-	5,079,852
Discretionary Lottery Funds	13,915,011	(4,825,975)	9,089,036
School Recognition/Merit (A)	10,641,350	10,224,866	20,866,216
Class Size Reduction	364,515,147	-	364,515,147
Miscellaneous State	26,431,701	-	26,431,701
	Total State	\$ 6,778,544	\$ 1,114,104,671

(A) Revenue for which appropriations equal revenue.

(B) Revenue for which appropriations exceed revenue.

**MIAMI-DADE COUNTY PUBLIC SCHOOLS
SUMMARY OF REVENUES AND OTHER SOURCES**

**General Fund
2008-09**

Resolution No. 1

	ADOPTED TENTATIVE 9/10/2008	RESOLUTION NO. 1	AMENDED BUDGET 11/18/2008
LOCAL SOURCES			
FEFP Required Local Effort	\$ 1,259,946,261	\$ -	\$ 1,259,946,261
Local Discretionary Millage	155,963,033	-	155,963,033
Sub - Total	\$ 1,415,909,294	\$ -	\$ 1,415,909,294
Miscellaneous Local:			
Tax Redemptions	\$ 13,500,000	\$ -	\$ 13,500,000
Rent	2,470,000	-	2,470,000
Interest	12,490,000	(6,000,000)	6,490,000
Vocational Fees	539,906	-	539,906
Post Secondary Fees	3,802,621	-	3,802,621
Continuing Workforce Fees	157,473	-	157,473
Financial Aid Fees	450,000	-	450,000
Community Schools-Contributions (A)	48,540	-	48,540
Community Schools - Internal (A)	12,975,771	-	12,975,771
Community Schools - Internal (A)	1,328,035	-	1,328,035
Community Schools - Internal (A)	4,551,555	-	4,551,555
Driver Education	1,229,270	-	1,229,270
Fed. Indirect Cost Reimbursement	8,500,000	-	8,500,000
Universal Services (E-Rate)	7,193,949	992,831	8,186,780
Misc. School Receipts (A)	3,000,000	-	3,000,000
Food Service Indirect Costs	3,384,000	-	3,384,000
Other Miscellaneous Local	5,788,784	-	5,788,784
Total Local	\$ 1,497,319,198	\$ (5,007,169)	\$ 1,492,312,029
TOTAL REVENUES	\$ 2,616,929,467	\$ 1,771,375	\$ 2,618,700,842
TRANSFERS			
From Capital Outlay	\$ 194,297,163	\$ -	\$ 194,297,163
NON-REVENUE SOURCES			
Lease of WLRN Spectrum	13,720,000	-	13,720,000
FUND BALANCE FROM PRIOR YEAR	32,360,190	-	32,360,190
TOTAL REVENUES & OTHER SOURCES	\$ 2,857,306,820	\$ 1,771,375	\$ 2,859,078,195

* Reclassified to State Source.

(A) Revenue for which appropriations equal revenue.

(B) Revenue for which appropriations exceed revenue.

**MIAMI-DADE COUNTY PUBLIC SCHOOLS
SUMMARY OF REVENUES AND OTHER SOURCES**

**General Fund
2008-09**

Resolution No. 1

	ADOPTED BUDGET 9/10/2008	RESOLUTION NO. 1	AMENDED BUDGET 11/18/2008
MISCELLANEOUS STATE SOURCES			
Miscellaneous Prior Year State Adjustment	\$ 24,000,000	\$ -	\$ 24,000,000
CO & DS Withheld for Adm.	145,000	-	145,000
State License Tax	140,000	-	140,000
Health Service (B)	198,067	-	198,067
SFW Individual Training Account	701,524	-	701,524
FDLRS - Gen Revenue 06/30/09	108,560	-	108,560
MSE/SFSAS	1,138,550	-	1,138,550
TOTAL MISCELLANEOUS STATE	\$ 26,431,701	\$ -	\$ 26,431,701

- (A) Revenue for which appropriations equal revenue.
- (B) Revenue for which appropriations exceed revenue.

**MIAMI-DADE COUNTY PUBLIC SCHOOLS
SUMMARY OF REVENUES AND OTHER SOURCES**

**General Fund
2008-09**

Resolution No. 1

	ADOPTED BUDGET 9/10/2008	RESOLUTION NO. 1	AMENDED BUDGET 11/18/2008
OTHER MISCELLANEOUS LOCAL SOURCES			
FEMA	\$ -	\$ -	\$ -
Fee Supported Pre-K (B)	5,588,784	0	5,588,784
Safe Schools-Fees (A)	200,000		200,000
TOTAL OTHER MISC LOCAL	\$ 5,788,784	\$ -	\$ 5,788,784

- (A) Revenue for which appropriations equal revenue.
 (B) Revenue for which appropriations exceed revenue.

MIAMI-DADE COUNTY PUBLIC SCHOOLS
2008-09 GENERAL FUND BUDGET
SUMMARY OF APPROPRIATIONS BY FUNCTION
RESOLUTION NO. 1
 November 18, 2008

FUNCTION	TOTAL BUDGET	SALARIES (51XX)	EMPLOYEE BENEFITS (52XX)	PURCHASED SERVICES (53XX)	ENERGY SERVICES (54XX)	MATERIALS AND SUPPLIES (55XX)	CAPITAL OUTLAY (56XX)	OTHER EXPENSES (57XX)
INSTRUCTIONAL SERVICES	\$ 1,843,462,733	\$ 1,136,081,800	\$ 390,486,385	\$ 196,915,787	\$ 90,122	\$ 114,919,946	\$ 1,278,617	\$ 3,710,076
SUPPORT SERVICES:								
5000 Pupil Personnel Services	109,859,281	81,350,775	27,910,874	287,099	-	131,916	138,617	30,000
6100 Instructional Media Services	44,065,451	31,150,770	10,589,750	60,464	-	396,825	1,867,642	-
6200 Instruction & Curriculum Development	22,082,532	11,915,773	3,269,531	1,877,138	1,500	4,871,324	147,041	225
6300 Instructional Staff Training	8,876,383	5,673,975	3,120,657	37,812	-	15,135	28,804	-
6400 Instructional Support	32,843,764	23,283,947	8,143,319	983,745	46,600	383,203	2,950	-
6500 Board of Education	8,333,925	4,642,573	1,392,980	1,887,372	8,000	169,800	126,200	107,000
7100 General Administration	9,635,081	7,196,281	1,992,012	294,789	30,900	54,849	41,000	25,250
7200 School Administration	150,010,279	110,101,499	36,843,763	381,915	-	409,489	119,148	2,154,485
7300 Facilities Acquisition & Construction	1,300,224	929,517	269,107	86,400	1,200	12,000	2,000	-
7410 Fiscal Services	17,115,752	7,840,154	2,450,956	472,354	3,200	(332,963)	12,477	6,669,574
7500 Central Services	17,160,996	2,822,328	3,803,233	8,805,687	94,650	1,167,279	388,219	79,600
7700 Transportation Services	81,689,376	43,397,555	21,966,598	2,963,263	12,334,576	723,229	304,165	-
7800 Operation of Plant	304,965,920	110,160,177	49,556,333	70,026,125	74,585,505	599,207	38,573	-
7900 Maintenance of Plant	124,392,658	63,724,328	20,725,183	21,807,385	849,580	15,775,500	1,510,682	-
8100 General Support	1,230,612	807,447	236,846	140,054	-	36,413	9,852	-
8200 Budget Clearing								
8300 Community Services	34,271,162	23,898,860	5,894,418	1,236,553	-	2,521,331	20,000	700,000
9100 Debt Services								
9200 Total Instruction & Support Services	\$ 2,811,296,129	\$ 1,664,957,759	\$ 588,651,935	\$ 308,273,942	\$ 88,045,833	\$ 141,854,463	\$ 6,035,987	\$ 13,476,210
Transfers to Other Funds								
9792 Debt Service	\$ -							
9793 Capital Outlay	\$ -							
9794 Special Revenue	\$ -							
9796 Internal Service	\$ -							
9799 Trust & Agency	\$ -							
Total Appropriations & Transfers	2,811,296,129							
Fund Balance:								
Reserved Fund Balance	8,237,239							
Unreserved Fund Balance	39,544,827							
Total Fund Balance	47,782,066							
Total Appropriations, Transfers and Fund Balance	\$ 2,859,078,195							