



# Committee Transcript

## Red Clay Community Financial Review Committee February 9, 2021

### I. Minutes

The January 2021 Minutes and Transcript were reviewed. Ms. Thompson moved to accept the minutes and Mr. Chase seconded. The motion carried.

### II. Expenditure Report

Ms. Floore presented the January 2021 Expenditures. The report numbers shared are still the Preliminary Budget until the Red Clay Board approves the Final Budget. Normally, the FY20 figures for January would be listed. However, January 2020 was the time of Ms. Floore's mother's passing. Therefore, the CFRC meeting was cancelled and the January 2020 Expenditure Report was not presented and the actuals aren't available. That is the reason the column reads 2019 so we have something for comparison for percentages. We were able to put together the 2020 expenditures for the Federal lines.

We spoke of local revenues and tax receipts. We are at 98.5%. We were at just about 1% last year. Ms. Floore estimates we will be down \$400,000 by the time the year ends. Certainly not millions that were anticipated. Ms. McIntosh and Ms. Floore attended the New Castle County Financial Committee meeting earlier. We are following the same trends that they are seeing. At 98.52% we still have February through June to accept payments that will tip us over the 99%. This report also does not include the Senior Property Tax payment that we receive from the State. Tax bills were due on October 30, 2020.

Normally, our give back plan is due at the beginning of January. This year, due to COVID, it was pushed back. We just submitted it as of January 31, 2021. That is why these appropriations at the State level are skewed. The allocation of where we give back the \$2.6 million of Division 32. We take it from the different State appropriations, Division 1, 2 and 3. This year, we gave more back from the Technology line as we were able to use CARES funding for our Technology. Each year the State gives us the flexibility of where we take the State cut or giveback from.

In the Final Budget there will be a recommendation, we spoke of it last month in terms of a new allocation due to the unit count being so low. Therefore, there will be a new line called Operations. The State funded us at 99% rather than the 98% guarantee of units. The additional allocation to districts for the difference of the 98% to 99% as an average cash value of those units. It has been loaded to us at just over \$1 million. This chart does include that revenue source. It will correct itself in the final budget with the added line.

The expenditures side shows the same two areas over budget. That will change in the final budget. Drivers' education had so many hours to make up. Summer school was the other area and this year we did not charge parents for the credit recovery classes as we



# Committee Transcript

have in the past. Part of the conversation will be in the final budget. We did receive preliminary allocations of the second round of the CARES funding as it went directly to the districts. A big part of that will be planning for the summer and extended services. We have to monitor the situation with COVID. Naturally, we're not going to plan an in-person summer school if students are still virtual. We will be looking at vaccines and teachers returning. CARES funding and technology are other things we're looking at. We are 56% expended and last year we were at 58% but right on track of 7 out of 12 months in the fiscal year.

Mr. Ochoa asked about why Drivers' Ed was bumped up. Ms. Floore explained that the line of Drivers' Ed pays for the vehicles, gasoline and simulators as well as the instructional materials in the classroom. It also pays for the extra time for the instructors for driving. Because so much shut down in the spring, there was a large backlog of students needing driving hours. Once the Governor allowed Drivers' Ed instruction to continue, late in the year as the students and instructor are in an enclosed space, we could continue. The rules changed as well. In order to serve those students, we needed EPER costs for those instructors over the summer and through the fall. We currently have students driving now, but we also have students who are totally virtual. Every situation is different. Those virtual students may be delaying their driving, while others are participating. It is the extra hours providing that spike.

We are looking at trend lines and where we'll be at end of budget. Ms. Floore will make recommendations in the final budget. We don't increase to increase. We believe, however, that the Drivers' Ed issue will continue. Therefore, she will make the recommendation to increase that budget for this year and possibly next. The same with summer school and the need of recovery services. We have to recognize this line, too, will need to be changed. At the District, we do a Preliminary Budget in July when the tax rate is set based on an unknown number of students. That is why the September 30<sup>th</sup> Count is run, and then we reconcile those units and funding sources in the Final Budget. It is very rare to have the expenditure side adjusted unless there are changes such as these.

The reason there are multiple Federal line pages is that the Federal funding programs run on a different fiscal year and cycle than district funds. They have longer end dates. We have multiple years to spend a particular fund. There is the page of the programs that have ended for Fiscal year 2019 and then those that are currently running. Fiscal Year 2020 grants have end dates in 2020 as well as 2021. At the same time we are spending the 2021 grants. Ms. Floore will go over funding lines and explanations as she goes through the new CFRC member trainings. The accounts have been set up for the new members, and she will be sending out the new Red Clay email information to those members.

Looking at the Federal funds, we are in good shape. We are also encouraged in the new Title 1 funds coming to the schools along with the IDEA funds.



# Committee Transcript

Ms. Thompson asked how much we will receive in Title 1. Ms. Floore stated that is all speculation at this point. No information has come to us through the official channels. Ms. McIntosh asked about the lines that had unexpended funds from 2019. Ms. Floore stated we would have to return that funding. In some cases, it was a program that could not be completed. PERKINS for example is tied to Vocational Education.

Mr. Schwartz asked where the federal funds roll up into the operating budget. Ms. Floore explained that they do not. Budgets for Federal funds are separate. Division 32 does not include Federal funds. That was a discussion years ago in putting the expenditure report together and what our Committee reviews. The more you complicate the budget, and extrapolate away from local funds, the harder it is to track local funds specifically. We track everything separately. If we had federal funds left over, it may mask or mirror that you had a local funds problem. When we began the CFRC, there was no report template. A committee itself designed this report going back to 2008. The reason this Committee was originally formed was due to the fact the District had gotten into trouble and did not have a sufficient ending balance to cover the start of the new school year. The best way to track these local funds was to have a monthly report. This report does include State funds and local together. The reason is, we can use some State and local sources almost interchangeably. Federal funds are separate to track what is being spent but separated as well.

Division 32 other is separate taxes and appropriations. Tuition tax and the programs they support are separate. Minor Capital is a separate tax. These aren't part of the operating budget as Minor Capital has nothing to do with daily operations. They are specifically for facility improvement. Debt Service is the same thing. We have to carry a balance in Debt Service in order to make payments because we don't get new Debt Service tax until October. We don't show it in the Operating Budget as it would show a false balance. We can't use Debt Service for anything but Debt Service. They are like having separate checking accounts because the funds cannot be comingled.

The Tuition budget is over 100%. This one does include the carry forward balance from the prior year. Great news that they are 100%. We have yet to send out the Tuition billing. The largest program is the Delaware Autism Program. If we have a Red Clay student who goes to the DAP, Christina School District bills us, and we pay from the tuition billing. There are some out of district students in our First State School and we will out for those students. Fewer students in our Meadowood School. 94% of revenues received in total.

Minor Capital always runs low for this time of year. Most improvements happen in the summer months. We also struggle with having summer school and improvements. With COVID, we couldn't have a massive summer school in each facility, as we have improvements that have to be made. That would be problematic. That is why the State gives it as a two-year appropriation to use the funds. Each year in July, we report all of the carry forward balances that have one or two-year funding.



# Committee Transcript

Ms. Thompson asked in the Consortium and Office of ELL lines listed. Are the teachers' salaries included in those lines? Ms. Floore explained that they were as the local share of the teachers' salaries for those programs comes from the Tuition tax. Ms. Thompson added that the Board has the ability to raise that tax. Ms. Floore stated that they did. We have a \$5 million ELL program.

Ms. Medine asked about the Minor Capital budget being a two-year fund. Does that mean we get the funds every two years, or that we get the funding every year and have two years to expend it. Ms. Floore explained that we receive the funding every year. We track it each year separately. The General Ledger keeps them separate. When we code our expenditures, we code them to the specific year funds we are using. When Ms. Medine has her CFRC training, Ms. Floore will detail the checkbook program and how the appropriations are used for each funding line. Each appropriation has its own rules. Local funds are more flexible.

Division 54 has an operations/utilities line. We haven't used all of it, but we do encumber all of the funding that we earn from the State. That will be part of the give back and adjusted in the Final Budget. The same is true of Related Services. This includes our therapists for OT, PT and Speech. We are 34% expended but the value of the contracts has been encumbered through the full school year bringing us over 100%. That will also be adjusted. They are running higher than FY20 but it is where it should be for this time of year.

Division 58 is 49% expended and 58.2% expended and encumbered. Slightly lower as we had fewer complex students. The same number of students, but fewer complex. We earned fewer units in that program and those numbers will be adjusted in the Final Budget.

The Committee tries to have a presentation from the different departments throughout the year to put information behind the minutiae that the Committee sees each month. Special Services and Transportation are popular. This year we may want to hear about the summer school programs. The purposes of this report is a lot of information. It goes hand in hand with the Financial Position Report.

### **III. Financial Position Report**

Three times a year, the State requires a Financial Position Report. It is a point in time that shows our projected June 30<sup>th</sup> balance. The State wants to know that the District has enough money to make it to June 30<sup>th</sup> as well as enough to carry them to the next tax receipt deposit. We cannot start the fiscal year with nothing in the bank as we have to make it all the way to receive those taxes in October. It can be difficult as the director at the State sees the school districts ending with these healthy balances of cash, but they are not because they are already committed in contractual salaries. We need that funding to make it to October. We also smooth pay. A teacher on contract is paid through the entire summer for that year. If we end June 30<sup>th</sup>, we have obligations, therefore, we need that balance. 10 month employees are on a 26 paycheck schedule.



# Committee Transcript

The report shows local and State balances. We have salaries and non-salary funds. The State wants to know where we stand. It is different for every district as it depends on how much funding they receive from the state. For Red Clay, we have to end with a lot, as we won't receive a lot of equalization funding. There may be a downstate district that receives equalization funding at the end of the year, therefore, they don't have to end with as much. Red Clay has to have at least \$13 million to end the year. In order to make it to October.

Ms. Thompson added that the projected one-month payroll of \$5 million isn't enough. Ms. Floore agreed, we need three months, not one. One size does not fit all, but each district fills out the same report. All 19 school districts fill it out. The value on each varies. Right now, we estimate on June 30<sup>th</sup>, Red Clay will have \$16.7 million which is more than sufficient to meet our obligations.

The report is done August 31, February 1 and May 1. It is years since it happened, before Ms. Floore's time here, but there were a number of years that Red Clay, Christina had to take out loans as they didn't meet their obligations with their ending balance. It is why the State put this in place and why there is training and this Committee. It is the evolution of why the reports started. Ms. Floore shared the roll up pages. Funds like Voc Ed and Minor Capital are not in here as they cannot help us with those salary obligations.

Ms. Thompson asked about the summary page. The blue box on the right of one month local payroll. Ms. Floore explained that does not contain any of the non-salary items. The only purpose of this report is a gauge of an ending balance in June. In theory, starting the year July 1, we don't have to buy textbooks, but we want to buy the supplies needed. But we have to pay salaries as an obligation of the teacher contract. Ms. Thompson added that we need \$5 million a month to meet payroll. Ms. Floore agreed, but that doesn't include the other divisions of federally funded payroll positions. That is just local payroll.

This estimate will not match the Final Budget. This is a realistic picture of what we are going to spend. We typically hold a contingency. Things happen, boilers, pipes. One year we had a legal settlement that took the entire contingency. There are other years we haven't touched it. Based on what we know, Ms. Floore has put together an estimate from February to the end of the year. The budget will show the full contingency. If we don't use it, we end the year ahead. The ending balance will be slightly lower than this in the budget as it uses the full contingency. Ms. Rattenni added that as we know, personnel is a largest cost. And it was that reason we had to take out the loan. Ms. Floore added that it was the two largest districts in the State, so it was not a one off anomaly.

Ms. Rattenni asked for a motion to accept the report as submitted. Mr. Chase made the motion to accept and Mr. Matthew seconded. The motion carried. Ms. Thompson abstained as a Board Member. The Committee recommends the Financial Position Report to be sent to the Board for approval and signature.



# Committee Transcript

## IV. FY 2021 Final Budget

Ms. Floore explained that due to COVID and the State's decision to move the unit count to November, the Final Budget was pushed back a month to February. Ms. Floore will show that the amounts in the Preliminary Budget are adjusted for the Final Budget.

The presentation is the same as what will be given to the Board tomorrow night. Most years, the changes are minor tweaks. However, this year, the changes are more substantive due to the change in unit count, the decline in students for Red Clay and what that means financially. Overall the net revenue impact is .05%. In the grand scheme of things, that isn't large, but .05% in a budget such as ours, is significant. Our declining enrollment, but we did see a returning of students from choice schools and charter schools, we did see a net loss. The loss this year is not due to students going to choice and charter schools, as it has in the past. The students have gone to private schools, home schools, and students not attending kindergarten but delaying a year. The final State allocations are driven by that unit count, therefore, we will see a reduction in Divisions 1, 2, and 3. It is a formula, which is how the State always distributes their funding. This one is through units. Division 1 is the personnel, Division 2 is all other costs like textbooks and curriculum, and Division 3 is equalization. Equalization is funding intended to equalize the disparities between districts. That way a poorer district that doesn't have the property values of another, as in Cape Henlopen has the values where Seaford does not. There is a State committee on equalization. Therefore, when our unit count declines, so does Divisions I, II and III.

We didn't meet our 98% as we were 23 units down. In December, the State realized the hardship districts were facing and funded a new one-time appropriation to fund us to 99% of the Division I unit count. That is included in the final budget.

There is a slight increase in revenue as there was less money used as fewer students were going to charter schools. More students choiced to Red Clay and fewer students choiced out of Red Clay. The revenue also reflects the lower amount received in local taxes. Mr. Ochoa asked about students choicing in and out, does it reflect on those going to private schools. Ms. Floore will be addressing that further on in the presentation.

Our final unit count was 15,057 students which is 463 fewer than in FY 2020. Mr. Sam Golder gave a presentation to our Committee late last year. This count drives our funding. That is why we study the figures, look at the trends, and predict what the future may be. We were down 463 students. There was a lot of speculation as to where it came from. We were only down one Pre-K student from last year. We were down evenly K-3 to 4-12. Grades 4-12 is a larger band of students. We were down more than double in the secondary schools. We were down 5 units in the special schools. There was a change in the categories of special education of basic and intense with an increase in complex.

Mr. Schwartz asked if we knew if that takes into account students that were originally categorized by intense and is now complex. Ms. Floore stated these are net numbers. These students that are complex could have come from the intense category, but it is not



# Committee Transcript

a direct correlation. The students can move between the categories. But we still have a significant number of intense students, therefore, we don't believe many are now complex. We are not netting out as an equal number. Mr. Schwartz stated that is enrollment. Ms. Floore explained that each student comes with unit portion. Mr. Schwartz asked if we had a cost per unit. Ms. Floore explained that it varies. She will send Mr. Schwartz the formula breakdown. It is based on last year's data and shows the local cost per pupil.

Mr. Pappenhagen asked if there was follow up on the reason why the students were leaving. Is it parents who pulled their students out because they didn't like the hybrid learning, having their children back in school? Do we expect them not to return next year? Ms. Floore explained that we do not have exit surveys. We can speculate, but we don't have the answer. We would have to work with the State to see the enrollment numbers at the private schools. But she believes it will be confirmed that enrollment at private school is up. Depending on what the fall looks like, whether we're back full time, whether people like where they are and don't want to switch, what our numbers will be. We also know that some people held their kindergarteners back a year. Our units were only down 5 K-5 so that isn't driving the number, it is only one factor. The same for the special schools. Did the parents find a different option?

Looking at trends, Ms. Floore explained that we have been seeing a steady decline in enrollment since 2015 but an increase in units. This is due to the increase in special education units earned by the complex students. If the chart only showed regular education students, as the enrollment decreased, so would the units. We have a weighted student funding system. Ms. Thompson asked what the impact will be on the basic funding. Obviously, it will bring it up. Ms. Floore will get to that in the FY 2022 budget. Right now the impact is nothing. Because the lawsuit lays out how it fund over the next three years. This does not include 2022. Ms. Floore has given the group the epilogue language.

Mr. Schwartz stated he recalls that enrollment was up over 18,500. Ms. Thompson thought it was 17,000. Ms. Floore explained that Mr. Matthews caught this discrepancy in the newspaper data. When the newspaper prints the data, they include the charter schools in our data. That skewed our data by including the Charter School of Wilmington and DMA in our enrollment. That would be closer to the 18,000 numbers Mr. Schwartz is remembering. Ms. Miller recalls it being 16,800 when she retired. The news will also include private schools in data for a district. Also, many Christina School District students were choosing in to Red Clay at that time.

Ms. Floore showed the chart of choice and charter enrollment. We are up net 90 students. Red Clay students choosing out to other districts decreased by 34 student. The largest district we lost students to was Brandywine. Yet other districts like Appoquinimink and Smyrna as well as others. It made sense with COVID that more students stayed close to home. Other district students choosing in to Red Clay increased by 56. That counters the argument of people staying closer to home, but it could be Christina School District. Mr. Schwartz added that the cut backs and job losses from DuPont and surrounding



# Committee Transcript

businesses probably contributes as well. Ms. Floore continued that if we have more students coming into Red Clay and fewer leaving Red Clay via choice and charters, it would suggest that the overall decline is not students going to other districts or charters, but either staying home and not enrolling in school which would be losing the students graduating and not replacing them in kindergarten. Yet, we're only down 5 units in elementary. The last option is privates. Mr. Ochoa added other states have waiting lists at private schools now due to the number of students trying to leave public school. His own children in private school has increased as well. He added that it would be interesting to find out what those 56 students choicing into the district are coming from. Is it more of the same of hybrid, why would we increase? Ms. Floore will have that information next month.

Ms. Floore added that Kristine Bewley will be giving a presentation on Choice to the Board next month. Ms. Thompson stated that all grades but two received choice applications. Ms. Floore shared the State finance page Choice Bill. We had 429 students go out of the district and 1481 come into the district. Ms. Floore will run last year's data to compare for Mr. Ochoa's question. 995 students come from Christina. We have 252 students going to Brandywine School District. Ms. Thompson stated that is for their gifted program. Mr. Schwartz shows this is the money that follows the student. Looking at the Charter School of Wilmington of 901 students. That is all Red Clay students. Odyssey is 649 and is grades K-12.

Ms. Floore shared the cost per pupil chart. Operating costs for Red Clay is \$71,493. Now, this is the local funds, not State funds. This is what we pay other districts when our students leave. Ms. Thompson pointed out the Christina students have a higher per pupil than Red Clay at this time. Mr. Schwartz explained that is due to the latest referendum that passed. Ms. Floore explained that when the choice and charter bills are made, the other district charges our rate, not theirs. The rest goes to the State and they use that in equalization funding to the lower districts. Ms. Thompson thought we received their per pupil.

Ms. Medine asked about the 463 students who are not enrolled. Is there a way to track them to make sure they have not fallen through the cracks? Or do we assume they have gone somewhere else. Ms. Floore stated that the data was collected at the State level. There was also a great number of applications this year to the State for homeschooling, not just private school. Therefore, yes, the students are tracked at the State level as students come and go all of the time. Typically, if someone withdraws, the school asks where to, but it is not formalized. Because Delaware is small, the information is retained by the State.

Ms. Floore reviewed the highlights slide. The net revenue impact is .5% from the Preliminary Budget. \$457,000 reduction is not all in local tax receipts. More seniors applied for the senior tax rebate this year. The program works so that the seniors, which is age-based, not means-based, get the tax credit and the State pays us those funds to make us whole. Therefore, the funds are not coming in local taxes but in a State fund.





# Committee Transcript

We have seen a significant decline in interest earned. Our funds are banked through the State in Dover. The interest that is applied by the Treasury Office has declined. The way this interest has been applied to school district has varied from administration to administration. There was an uptick under the former Treasurer. The school district CFOs have a meeting to determine what is happening this year. This is based on actual from July 1<sup>st</sup> through the end of the fiscal year. Last year we received \$1.1 million. Ms. Floore had increased it in the preliminary budget as it had gone up, but it has leveled off. Ms. Thompson asked if it had anything to do with the interest rates. Ms. Floore explained that it does, but it also has to do with how it is applied at the state level across funding lines. Because of the way we receive funds throughout the year from the State, it also depends on how it is applied. However, our cash balance has stayed pretty consistent from year to year. Therefore, these fluctuations are surprising.

We had the increase due to increased choice students coming in to Red Clay. We had the decrease in State revenue due to the lower unit count. We had a decrease in facilities rentals and therefore, the fees paid for those rentals. That is directly driven by COVID.

Ms. Floore recommends a reduction in the revenue for summer school. The next wave of CARES funding and recovery services, any academic and well-being support services that can be done in addition to the regular school day. We cannot get back the year we had but we certainly can give additional support once we have everyone in the building in our programs. Summer school, therefore, will be free or low cost for everyone as the CARES Act will supply the funding to cover those expenses. Normally, we charge a nominal fee for classes for those students who fail and need credit recovery.

The way that the CARES Act, or ESSER (elementary secondary emergency relief), works is a federal allocation. The first wave was given just as COVID. We used a great deal for our technology, credit recovery (summer school), anything related to COVID. Ms. Floore had distributed to the Committee the information on CARES Act funding usage. Ms. Floore explained that federal grants allow us to charge “indirect costs.” Indirect costs are administration fees. It is not free to run grants. You need administrative, payroll and control over the requirements of the logistics of a grant. It is a formulative process for those charges. We can use the payment of those charges locally. Indirect is a significant increase as we received the indirect for the CARES Act. We can only use it for COVID related things. Human Resources is not COVID related but they are supporting all of the people running those programs. COVID has directly impacted the number of leaves of absence. Our Payroll office is swamped. We are in the process of helping by hiring additional staff in the benefits department. This will be temporary but funded out of indirect.

The total is a recommended change of 2%. On the State side is a 1% reduction. This directly related to the lower number of units earned. The value of 23 units is impacted not just in staff but across the board in Division 2 and Division 3. State technology we are using CARES funding so we are using the technology budget as part of our “give back”. State transportation is lower, with few students being transported, our payment is lower, as it is a formula. The related services cash-in is decreased. Even though we were



# Committee Transcript

down 23 units, we did not cut 23 staff members. In fact, we hired over that with opportunity funds. In part, we cashed in fewer related services units as we cannot have locally funded positions and sustain them. We will need cash from the tuition funding and the operations line to pay for the related services contracts. Ms. Thompson didn't know related services has units to cash in. Ms. Floore explained that we earn about 100 units based on the weighted numbers of special education for basic, intense and complex students. We are allowed to cash a certain number in. We would prefer to hire people outright and use all of the units, but the majority of our speech therapists come from vendors. We use the cash value of those units to pay those vendors. We don't cash in any academic excellence units unless we earn a fraction of a unit, no whole units. When you are down 23 units, we use every unit available.

The over \$1,079,981 being the difference between 98% and 99% of staffing and added the \$1 million. It doesn't make up for how much we lost for 23 units, but it did make up some. Ms. Rattenni asked about the annual give back to the State. Ms. Floore stated it is included in those numbers as \$2.6 million. It was always part of our budget, but on one line. It is spread out through the budget now, but the bottom line negative is truly the negative. The giveback was already anticipated in the Preliminary Budget.

The net State reduction in revenues is \$1.4 million. Offset slightly by the slight increase. We are fortunate that we are able to use indirect from the CARES funding as it helped. All told we are down \$1.2 million, which is .5% less than the Preliminary Budget.

Ms. Thompson asked about the total State revenue vs the total current year revenue. Ms. Floore explained the total State revenue is the sum of all of the funding we receive from the State of Delaware, which is \$1.4 million. If you add State and local revenue together, we are down \$1.2 million. Those numbers don't include our carry forward. That carry forward cannot be used as cash as it is used on our obligations. This is your true annual revenue. It is part of your cash position, but it is needed to be used for payroll obligations.

Looking at the expenditures. If your revenue is reduced your expenditures should also be reduced. Ms. Floore used some of the cashed in related services units as well as tuition funds and other sources. Overall, the State Division 1 salaries reduced by \$985,000. Another important note is when we talk about being down 23 units, surprisingly enough, there were several schools that increased in units. Looking at school budgets, if your units decline, there is a hold harmless, and your school budget is not reduced. It effects your next year's budget. This has always been our practice. If a school increases units through September count, we increase their budget, but if they decrease in units, we hold it harmless until the next July. Interestingly, you can see the schools that increased were Lewis, Linden Hill, Marbrook, Richey, Mote, AI Middle, and McKean. Dickinson had the largest increase. The schools that decreased were the middle schools, Stanton, Skyline and AI High. That will show the smaller adjustments.

Local salaries are down 1% or \$922,000. District-wide expenditures such as substitute teachers, gate expenses, and Odyssey of the Mind are decreased. All due to COVID.



# Committee Transcript

We're still having virtual competitions for Odyssey of the Mind, but there is no travel involved. There is normally a large contingent that travels to Iowa each year. Gate receipts, now we're barely allowed one parent of each participant at a game, therefore, gate receipts are down. Substitute teachers weren't needed during the total virtual learning, and now with hybrid learning, the number of classrooms in person is lower. Also, the availability of substitutes, which are often retired teachers, and their willingness to work, is at an all-time challenge. We have to be very careful not to make artificial swings. This year revenues over expenses is in the positive, but that will make next year's areas go back to the original numbers. We will contribute some to the balance this year, but we don't want to get into a false sense that the budget will be like this every year. We're going to have to replace some of those lines like the Division 1 salaries and local salaries. We will have to have the local salary funding available if we increase our units if students return.

Ms. Rattenni asked about the new FMLA for the teachers and the 12 weeks of paid leave. We had a plan for it and the impact, but with COVID, we don't know what to expect with that as well on a regular school year when we return. Ms. Floore agreed.

Looking forward to FY 2022, we will continue to monitor our enrollment. Ms. Floore doesn't believe we will bounce back to directly where we were, but we will be close. It really depends on COVID and if we are fully back in-person learning. They haven't talked about a delayed unit count again next year, but that will be in discussions through the spring.

The Governor's Recommended 2022 budget was released with many highlights from the legal settlement. Ms. Floore distributed copies of the language from the settlement that speak directly to that. The Opportunity Fund was increased. The plan is directly related to the Chancery Order, there will some funding in 2022, 2023 and 2024 and detailing how it grows. This is all ELL and low income. The amounts that we receive will increase. They are directing it toward highly concentrated schools. It is good that it is going to students and as long as it is focused on students. In the past, it wasn't student, but schools. The ways school are configured in Red Clay, the secondary schools have several schools in one building. It dilutes poverty as it is a larger number. When it was focused on the schools, it weighed heavily on the elementary schools. Even though the student at Warner and is considered low income who is in the same neighborhood another student at HB Middle that is not considered low income because HB Middle mixes with other neighborhoods. Now, it follows the students and is a higher concentration. There is also a stipulation that it follows the student or the Board has to do a waiver over the 98% of that money.

Mr. Ochoa asked about the funding following the student. Ms. Floore explained the allocation is kindergarten through fourth grade and greater than or equal to 30% low income and/or greater than or equal to 10% EL enrollment. Mr. Ochoa asked how we determine low income. Ms. Floore explained that is based on data from various sources including TANF and SNAP.



# Committee Transcript

Ms. Thompson stated that in 2025, the funding should be \$60 million. Is that ELL and mental health supports. Ms. Floore stated that it is \$60 million when you add it all up, but it is in separate lines over the years. There is also money funded for recruitment in hiring. This is the first time we have seen future funding in epilogue. There may be a separate bill for other funding. This is epilogue on the budget bill. The explanation of the budget bill. Ms. Thompson stated that this may or may not satisfy the lawsuit.

Ms. Floore pointed out another portion of the epilogue language, “it is the intent of the Governor to recommend to the General Assembly by Fiscal year 2024 funds sufficient to reduce the K-3 unit”. The way we read this is that they are not changing the unit ratio in the first two years rather putting the funding into the opportunity grants. Then the ratio would change in 2024. State Representative, Kim Williams, will be fighting for this to be sooner as she is standing on her K-3 bill. This is not the end but the beginning. We have a very active and engaged educational legislature. There will be lots of discussion going forward.

Ms. Floore noted that there is a recommendation for an ombudsman in the epilogue language as well.

In addition to that, the budget includes a general 1% salary increase for State employees in 2022. It includes an and/or of \$1,000 for the lower salaried employees.

On December 27, 2020, congress passed the 2<sup>nd</sup> part of ESSER. Ms. Floore shared the print out of how these funds can be used. This time, there is no equitable services under ESSER2. It is all things related to COVID. Opening the schools, HVAC, and learning loss. The money does not close out for 3 years, giving us plenty of time to use it to grow the learning back up. We could use it for a large summer program, if we can have an in-person summer program. It is much larger than we thought it would be. We will be working on the three-year plan and implementation for facilities, technology and recovery services. It is just over \$20 million for Red Clay.

The Redding Commission had many recommendations come from their session. Ms. Floore believes we will see several bills come from those recommendations. The Governor stated that he is eager to work with the Redding Commission. In part that goes along with the Opportunity Fund and the ESSER mental health services that target high-poverty schools. Recommendations are only just that without the funding to go along with it.

Tuition tax supports growth of special education units. Based on Opportunity Funds, ESSER, and where our ending balance will be, we will not be having a tax increase this year. We couldn't increase our operating tax without a referendum. We do not expect a tax increase on any of the match categories or tuition. At most we have no tax increase, but we may have a debt service decrease. That will be good news for tax payers that we can continue to do what we're doing with what we have right now. We would, based on this planning, we would not need to go to referendum next year.



# Committee Transcript

Ms. Thompson mentioned President Biden's America Recovery Act, will also add to our funding. Ms. Floore agreed that would be on top of this funding. We are a large district and we have a large amount of deferred improvements. \$20 million is a lot but it isn't when it comes to our deferred maintenance in the HVAC systems. Air quality with COVID is an important issue. That funding will go quickly and only for those costs directly related to COVID except for the indirect costs of administration. A Nursing Administrator, for example. We have older buildings. Even though we had a major capital improvement referendum, we still have those needs. It is exciting to be able to do these projects. Knowing we won't have to go to major capital referendum again so soon, the same tax payers funding that would fund this. This is easier knowing how hard it is to pass a referendum.

Our next steps are going forward. The Board hears this presentation tomorrow night and hopefully, approves it in March. Our Committee continues to meet monthly to review. ESSRF planning and implementation. We wait for the March DEFAC and revenue estimates. May 1<sup>st</sup> is our next Financial Position Report. The summer is the tax rate and the State passes their budget.

Ms. Thompson stated that this is a whole lot better than what was expected at the start of the year. Ms. Floore agreed.

Mr. Pappenhagen asked about the need for a staff reduction between this year and next year. Ms. Floore stated that based on the units, and the number of retirements and attrition that we have, we wouldn't have to RIF teachers. We will absolutely be looking at enrollment. Schools may not be staffed where they are staffed this year. The good news is the 98% guarantee has come in tremendously handy. It was meant to help districts hire early. We will have that discussion this spring. We have more than 20 teachers leave each year through retirement, moves and some go to other districts. We hire about 100 new teachers each summer. Mr. Schwartz asked if normal attrition will help that, and Ms. Floore agreed. But will it help where we need it to? Then, we get into the voluntary/involuntary transfer process. Also, if a chemistry teacher leaves, we need to hire a chemistry teacher. An excess elementary teacher won't help there. Ms. Miller added that this is the 30<sup>th</sup> year for those hired through ERO, and we should see several retirements. Ms. Floore explained that many of those teachers, if they were on the fence, have already left due to COVID. Ms. Miller stated that when those ERO teachers were hired, they were given the 5 years to start, so many are hitting their mark.

Ms. Thompson thanked Jill for the clear presentation. Ms. Rattenni hoped that this time next year we'll be all in person. Ms. Rattenni asked for a motion to approval of sending the Final Budget presentation to the School Board tomorrow night. Mr. Pappenhagen made the motion and Mr. Schwartz seconded. Ms. Thompson abstained as she votes with the Board in March. The motion carried.

## **V. Public Comment**

There was no outside public comment.



# Committee Transcript

Mr. Floore explained that there are no further COVID updates. The information regarding staff vaccines does not come through our department. There was some offers from groups to help, and there was a clinic at Dickinson for those educators over 65. The Department of Education is handling the invitations. There are tiers to the 1B phase of vaccinating educators. We have just moved into the next marking period. There has been no change in our operations. Each school handles it differently if students change from hybrid to remote or vice versa.

## **VI. Announcements**

Ms. Rattenni asked about the training for the CFRC. Ms. Floore will send that to the whole Committee. The State training must be taken first. The Red Clay emails have been set up. The link has been sent and the training with the State is done online. Ms. Rattenni asked about the information that is being sent at the request of several members, if it could be sent to the entire Committee. Ms. Floore agreed.

The next meeting is March 9, 2021 at 6:00 PM via ZOOM. Ms. Rattenni asked if there could be a presentation at the April meeting, possibly the CARES Act. Ms. Floore stated that the State just released the numbers on the local expenditures on the Financial Dashboard. Ms. Floore would like to review that report with the Committee. Ms. Rattenni suggested that would be in March. Ms. Rattenni asked the Committee to think of topics they would like a presentation on in the months going forward. Ms. Floore added that deferred maintenance would be a critical presentation in regard to the CARES funding. Ms. Thompson stated that a presentation on the strides Red Clay is making in Equity programs would be one she would like to see. Mr. Ochoa would like to see one on Transportation. Ms. Rattenni thanked the Committee for their ideas. She explained that though we are off for the month of August, the Committee continues to meet monthly and these presentations are important to the understanding of our expenditures and how they are applied throughout the year.