

Fiscal Budget

July 1, 2020— June 30, 2021

Presented
May 12, 2020



Baxter Academy
for Technology and Science

As a result of COVID-19, our normal budget timeline and process must be adjusted.

- January 30th - State issues allocations for schools
- February — April - Administration and board prepare 2021 budget
 - ***Based on a projected allocation of \$4,448,478***
- March 12th - COVID-19 hits and changes everything we do
- May 4th - Regularly scheduled finance meeting with the Maine Charter School Commission occurs
 - ***The MCSC recommends budgeting 10-15% cut in funding***
- May 4th - Work begins to recast the budget
- May 12th - DRAFT BUDGET is prepared for tonight

The impact of COVID-19 on the Maine economy is projected to be significant ...

Revenues are down.

Costs will need to be cut.

Think tank projects \$1.2 billion budget shortfall for Maine

The nonpartisan Center on Budget and Policy Priorities said Maine faces a huge shortfall by the end of the next fiscal year.



MOODY'S ANALYTICS

Fiscal shock under baseline assumptions, % of est 2019 revenues



Sources: NASBO, Moody's Analytics

REPORT: Maine needs fiscal relief now to address revenue shortfall of at least \$1.2 billion

May 5, 2020

Guidance from the Maine Charter School Commission (May 4) to respond to decreased State revenues

“With ***lower tax revenue***, states and municipalities may ***not be able to sustain recent levels of education funding***. If the public tax and other revenues are significantly down in FY21, funding **will not increase**; schools should model budget scenarios with ***revenue cuts of 5%, 10% and 15% and more***. The modeling should determine at what point changes in state mandated regulations would be ***necessary to continue to conduct required learning activities***. Charters should ***avoid adding debt*** and possibly ***renegotiate current debt***.”

If the Maine projected budget shortfall is 15%, this will result in a \$1.2B reduction on a total State Budget of \$8 Billion.

Baxter Academy's shortfall,
*based on the original draft of the 20-21 annual budget of
\$4.48 Million*

At 15% = \$672,221

At 10% = \$448,148



To put this into context, let's consider the Baxter Budget over the past three years. Assuming even a 10 percent reduction, funding may end up back below our '18-'19 level.

SY 2018-2019.....	\$4,040,000	
SY 2019-2020.....	\$4,287,204	
SY 2020-2021.....	\$4,481,478	(at 100%)
SY 2020-2021.....	\$4,033,330	(at 90%)

In order to balance the budget, we have four levers we can pull...

Reduce expenses where possible	Cut expenses around supplies and shift new laptop purchase into current year instead of deferring.
Work to renegotiate operational contracts	Reopen discussions for cleaning, transportation, and leases.
Freeze salaries at the 2019-2020 rates	Hold salary costs at current levels even as health insurance rates increase (<i>faculty salaries are subject to negotiation</i>).
Adjust number of FTEs in our budget	Priorities: use attrition when possible and protect the school's ability to educate students.

Given all the moving parts with COVID-19, we will need to ultimately create *multiple budget scenarios*.

1. Are classes going to be in-person, remote or a combination of the two?
2. Is the funding cut 10%, 15% or more?

For tonight's discussion, we have based the budget on **remote classes** with a **10% reduction in funding**.

In this scenario, we have projected the **reduction of revenue** coming from State Subsidies, as well as from donations. All charitable donations are projected to be down

	<u>Annual Budget 2019-2020</u>	<u>Annual Budget 2020-2021</u>	<u>Variance</u>
Revenue			
Government Revenue			
Federal Grants	\$ 158,076	\$ 75,000	\$ (83,076)
State Subsidy	4,287,204	4,033,330	(253,874)
Total	<u>4,445,280</u>	<u>4,108,330</u>	<u>(336,950)</u>
Student Contributions			
Student Lunch Fees	40,000	-	(40,000)
Technology Fees	30,000	12,000	(18,000)
Student Parking	5,000	-	(5,000)
Other Student Fees	31,500	30,000	(1,500)
Total	<u>106,500</u>	<u>42,000</u>	<u>(64,500)</u>
Other Revenue			
Interest Income	42,997	42,997	-
Other Income	42,800	42,800	-
Donations	96,000	50,000	(46,000)
Total	<u>181,797</u>	<u>135,797</u>	<u>(46,000)</u>
Total	<u>4,733,577</u>	<u>4,286,127</u>	<u>(447,450)</u>
Total Revenue	<u>4,733,577</u>	<u>4,286,127</u>	<u>(447,450)</u>

We started with our **Operational Expenses** to identify potential savings, although many expenses are fixed... We are reducing our Legal fees by almost 40%.

	Annual Budget 2019-2020	Annual Budget 2020-2021	Variance	
Operations Expense				
Legal Fees	80,000	50,000	(30,000)	
Audit and Tax	11,000	11,000	-	
Payroll Fees	7,800	7,800	-	
Software	5,000	5,000	-	
Accounting Services	72,000	-	(72,000)	Now part of salaries, so not a true savings
Recruitment Expense	2,000	2,000	-	
Bond Expense	4,500	4,500	-	
Discretionary Expense	12,000	1,030	(10,970)	
Office Supplies	8,000	5,000	(3,000)	
Other Purchased Services	8,000	8,000	-	
Dues and Fees	3,000	3,000	-	
Miscellaneous Expense	7,950	7,950	-	
Furniture and Equipment			-	
Total	221,250	105,280	(115,970)	
Total Facilities and Operations	1,246,400	1,112,591	(133,809)	
Total	4,733,578	4,286,127	(447,451)	

We are negotiating with the bus company, but we will not eliminate all costs, as we need to maintain flexibility to return to school.

	Annual Budget 2019-2020	Annual Budget 2020-2021	Variance
Contracted Services			
Psychological Services	27,000	13,360	(13,640)
Speech Pathology	27,500	27,500	-
Other Contracted Services	45,750	42,093	(3,657)
Honoraria	800	800	-
Student Assessment Costs	4,400	4,400	-
Total	105,450	88,153	(17,297)
Student Health			
Nursing	2,000	2,000	-
Health Supplies	500	1,000	500
Total	2,500	3,000	500
Total	232,950	171,053	(61,897)
Student Transportation			
Student Commuting Expense			
Bus Service	227,800	227,800	-
Other Student Commuting Costs	42,500	-	(42,500)
Total	270,300	227,800	(42,500)
Educational Transportation Costs			
Co-Curricular	32,500	32,500	-
Extra-Curricular			-
Total	32,500	32,500	-

We have looked to trim the budget everywhere we can. Most cuts are modest.

	<u>Annual Budget 2019-2020</u>	<u>Annual Budget 2020-2021</u>	<u>Variance</u>
Student Support			
Purchased School Lunches	46,000	-	(46,000)
Student Parking	18,900	18,900	-
Food and Catering	3,000	3,000	-
Total	<u>67,900</u>	<u>21,900</u>	<u>(46,000)</u>
Total	<u>370,700</u>	<u>282,200</u>	<u>(88,500)</u>
Facilities and Operations			
Facilities Expense			
Rent	325,854	332,765	6,911
Interest Expense	202,386	202,386	-
Custodial	106,760	106,760	-
Internet	8,400	8,400	-
Telecommunications	36,000	36,000	-
Property Insurance	16,000	16,000	-
Utilities	41,500	40,000	(1,500)
Other Venue	7,250	5,000	(2,250)
Maintenance	51,000	40,000	(11,000)
Copier Expense	19,000	9,000	(10,000)
Depreciation	211,000	211,000	-
Total	<u>1,025,150</u>	<u>1,007,311</u>	<u>(17,839)</u>

After all operating expenses were cut, the last item to be adjusted was the salary line, currently an ~8% reduction.

	Annual Budget 2019-2020	Annual Budget 2020-2021	Variance
Personnel Expenses			
Wages			
Salaries	2,236,924	2,045,353	(191,571)
Teacher Stipends	5,854	7,658	1,804
Substitutes	25,400	30,800	5,400
Tutoring	5,000	5,000	-
Unemployment		34,000	34,000
Adjunct	19,270	-	(19,270)
Total	2,292,448	2,122,811	(169,637)
Benefits			
Payroll Taxes	54,511	48,825	(5,686)
Employee Insurance	296,668	329,346	32,678
Retirement	225,901	205,301	(20,600)
Professional Development	14,000	14,000	-
Total	591,080	597,472	6,392
Total	2,883,528	2,720,283	(163,245)
Non-Personnel Student Expenses			
Supplies			
Instructional Supplies	56,100	40,000	(16,100)
Hardware	38,000	9,000	(29,000)
Software	11,400	11,400	-
Total	105,500	60,400	(45,100)
Dues and Fees			
Student Activity Fees	17,000	17,000	-
Dues and Fees	2,500	2,500	-
Total	19,500	19,500	-

As staff reductions must be made, they will come from a combination of Teacher and Administrative positions.

FTE's

	<u>Teachers</u>	<u>Admin.</u>
Original Budget	35	12
New Budget	31	8
	<hr/>	<hr/>
	4	4
	(11%)	(33%)

Again ... we will use **attrition** when possible and protect the school's ability to **educate students**

The changes outlined in our first draft shown tonight, will get us to a balanced budget for next year.

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NET SURPLUS/ (DEFICIT)	<u>(0)</u>	<u>0</u>	<u>1</u>

We are grateful to have had this opportunity to share in a transparent manner, the challenges facing Baxter.

Our next steps are ...

1. **Community Feedback:** Please send your comments to board@baxter-academy.org.
2. Special meeting scheduled for *May 19, 2020*.
3. The Board will be asked to **approve the operating budget** for 2020-2021 school year.