



PORTLAND PUBLIC SCHOOLS

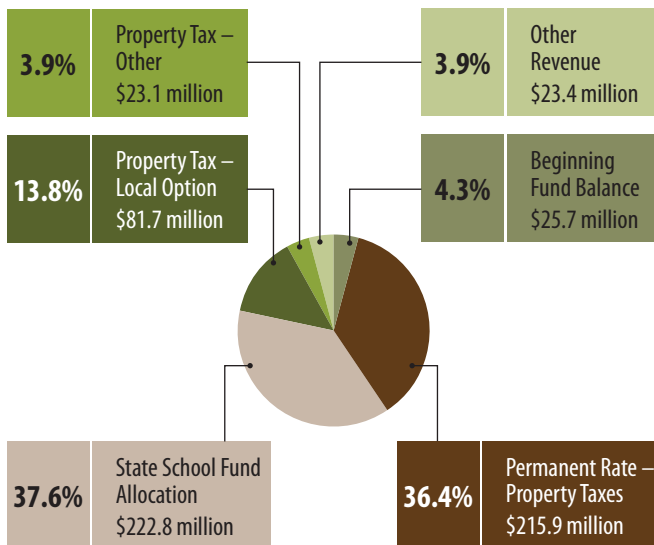
UNDERSTANDING THE PPS BUDGET: 2016-17



School budgets are not easy to read or understand. In response, we have produced this four-page document to provide an easy-to-understand summary of the PPS budget and to answer the questions we hear most often about our general fund budget:

- Where does the money come from?
- What does the money pay for?
- How are schools funded?
- What about other funds?

Where does the money in the PPS general fund budget come from?



The largest portion of general fund revenue comes from the state school fund. The Oregon Department of Education determines the total funding that each district receives through a formula that includes:

- The amount of funding appropriated by the state legislature.
- The estimated permanent rate property taxes collected statewide.
- The number of students in the district, weighted for average teacher experience, the number of special education and emerging bilingual students, and other factors.

In the 2016-17 adopted budget the state school fund accounts for 74% of the funds – with permanent rate property taxes at \$215.9 million (36.4% of total funds) and the state school fund at \$222.8 million (37.6%).

PPS collects local option property taxes of \$81.7 million (13.8%) in this budget and also \$23.1 million of other local property tax (3.9%). The local option is a five-year voter-approved levy that was most recently approved in November 2014. Remaining sources of funds include the beginning fund balance, which is carried over from the prior year and includes the district's general fund contingency reserves. This balance accounts for \$25.7 million (4.3%) in the current budget.

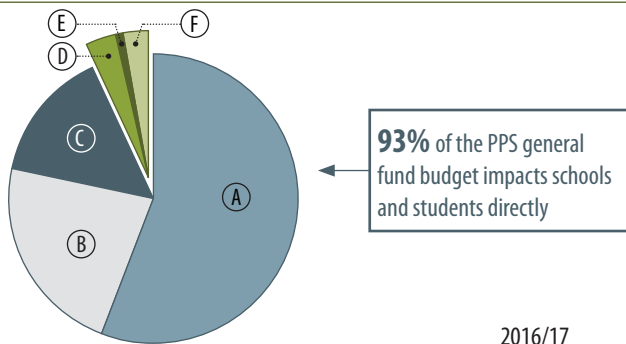
Finally there is \$23.4 million (3.9%) of other revenue, which includes funds received via the Multnomah Education Service District (\$8.5 million), the City of Portland arts income tax (\$4.5 million), overhead charged to grants (\$4.2 million), and income from leasing and renting district facilities (\$2.3 million).

Additional detail behind the sources of these funds can be found on p. 70 of the adopted budget document.

(\$ millions)	2016/17	
Beginning Fund Balance	\$25.7	4.3%
Permanent Rate – Property Taxes	\$215.9	36.4%
State School Fund Allocation	\$222.8	37.6%
Subtotal – State School Fund Formula	\$438.7	74.0%
Property Tax – Local Option	\$81.7	13.8%
Property Tax – Other	\$23.1	3.9%
Other Revenue	\$23.4	3.9%
Total	\$592.6	100.0%

What does the money in the general fund budget pay for?

There are two ways to answer this question, either by program or by account category. Programmatic use separates spending by teachers in classrooms, classroom and building support, central administrative services and other programs, while categories of spending includes all programs but breaks out salaries and benefits, supplies and materials, services, etc.



2016/17		
(A)	Direct Instruction – Teachers and textbooks	\$332.3 56.1%
(B)	Classroom Support – School staff and support	\$132.6 22.4%
(C)	Building Support – Buses, buildings and more	\$86.5 14.6%
(D)	Central Support/Administration	\$20.5 3.5%
Subtotal – Operating Costs		\$571.9 96.5%
(E)	Debt Service and Fund Transfers	\$5.4 0.9%
(F)	Contingency/Reserves	\$15.2 2.6%
Total		\$592.6 100.0%

The largest share of PPS general fund budget goes to **direct instruction**, which includes classroom teachers, special education and ESL teachers, educational assistants, textbooks, and supplies. In 2016/17 PPS allocated \$332.3 million (56.1%) of its general fund budget to these uses.

The second largest allocation is for **classroom support**, which includes librarians/media specialists, counselors, school principals, school psychologists, attendance coordinators, extra-curricular activities, and other classroom support activities. In 2016/17 PPS allocated \$132.6 million (22.4%) of its general fund budget to these uses.

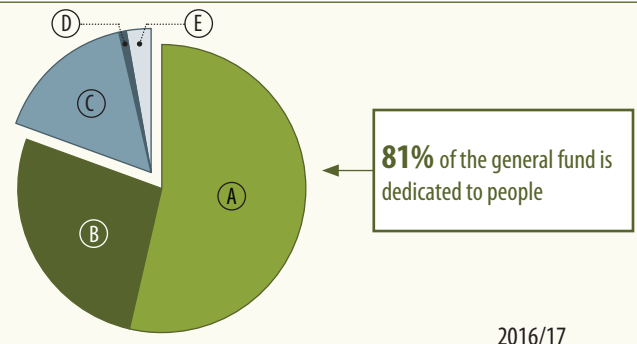
Also directly impacting schools and students is **building support**, which includes student transportation, utilities, maintenance, custodians, printing, purchasing, technology services, and other building support. In 2016/17 PPS allocated \$86.5 million (14.6%) of its general fund budget to these uses.

The final category of operating costs is for **central support/administration**, which includes the superintendent's office, public information, testing, legal, finance, payroll, budgeting, human resources, and supervision of instruction. In 2016/17 PPS allocated \$20.5 million (3.5%) of its general fund budget to these uses.

Debt service and fund transfers includes interest and principal payments on borrowed funds and transfers to facilities and IT capital funds. In 2016/17 PPS allocated \$5.4 million (0.9%) of its general fund budget to these uses.

The final category is **contingency/reserves**, which includes savings for emergencies and unforeseen changes to revenues and expenditures, insurance liabilities, and any specific committed reserve funds. In 2016/17 PPS allocated \$15.2 million (2.6%) of its general fund budget to these uses, of which \$1.5 million is specifically allocated to a self-insurance reserve.

More specific details of expenditures by program can be found on pp. 71-74 of the adopted budget.



2016/17		
(A)	Salaries	\$318.5 53.7%
(B)	Benefits	\$159.8 27.0%
Subtotal – Salaries & Benefits		\$478.3 80.7%
(C)	Subtotal – Non-Personnel	\$93.7 15.8%
Total Operating Costs		\$571.9 96.5%
(D)	Transfers & Debt Service	\$5.4 0.9%
(E)	Contingency	\$15.2 2.6%
Total		\$592.6 100.0%

What does the PPS general fund pay for (looked at another way)?

The previous breakout of budgeted spending was by program. The alternative is by account category. As these figures show clearly, PPS spends most of its budget on people, with \$478.3 million (80.7%) of the 2016/17 budget going for salaries and benefits for employees.

Only \$93.7 million (15.8%) is spent on non-personnel products and services, with the largest categories being \$23.2 million (3.9%) for charter and alternative schools, \$18.5 million (3.1%) for property services and utilities, \$12.8 million (2.2%) for supplies and materials, including textbooks and curriculum materials, and \$13.9 million (2.3%) for transportation services. Travel, which is an area we are often asked about, is only \$0.5 million (0.1%).

Debt Service and Fund Transfers is \$5.4 million (0.9%) and Contingency/Reserves is \$15.2 million (2.6%).

More specific detail of expenditures by account category can be found on pp. 89-92 of the adopted budget.

How do we fund each of the schools?

The largest investment we make in our schools is to pay for staffing – the teachers, secretaries, principals, and other individuals working in schools. We refer to these as FTEs or full-time equivalents, which are allocated to individual schools using the following approach:



- 1 Staffing Assigned by Number of Students** – The largest staffing allocation for each school is based on the number of students served. This is mostly used to provide teachers and educational assistants. Positions are designated in licensed FTEs, where one teacher equals two classified staff members (e.g., secretary, clerk, educational assistant). Therefore, only 0.5 FTE is needed to hire a full-time secretary and 0.25 FTE is needed to hire a half-time educational assistant. Kindergarten is covered by a separate allocation. PPS uses staffing ratios that are reviewed every year, and are described on p. 36 of the adopted budget.
- 2 Equity Allocations** – Some schools receive extra funding based on the number of students qualifying for free or reduced-price meals and the number of historically underserved students (Black, Latino, Native American, Pacific Islander, learning English, and Special Education). Nineteen of 31 K-5 schools; 20 of 26 K-8s; 8 of 11 middle schools; and all 10 high schools receive an equity allocation to provide extra support to students in need.
- 3 School-Wide Support** – This allocation is based on a school's needs due to size and configuration (K-5, K-8, K-12, middle and high schools). Positions include principals, vice principals, assistant principals, media specialists, and school secretaries. Schools serving students in K-5 receive arts teacher staffing, funded by the City of Portland arts income tax.
- 4 Staff for Special Circumstances** – Staff are allocated to address specific considerations (such as split campus, recent changes, unique programs, etc.). Additional staff are also allocated to support the ability of schools to offer the core program (each spring for the following school year) and to address higher-than-forecast student numbers and large class sizes (each fall).

Kindergarten

We staff kindergarten separately. Initial kindergarten teacher and educational assistant allocation is based on the number of students projected to be enrolled and a maximum class size of 26. Additional resources may be allocated in the fall based on the number of students enrolled.

In 2015-16 Kindergarten was funded for a full-day by the state for the first time. In PPS schools with Kindergarten and where more than 50% of the students are identified as historically underserved (26 of 57 schools), PPS provides additional support through allocation of a half-time educational assistant in each kindergarten classroom. Additionally, at 23 of these 26 schools, federal Title I funds pay to make the educational assistants full time. This investment has been made in support of the PPS third grade reading priority, which is focused on ensuring that all children in PPS can read-to-learn by third grade.

Special Education and English as a Second Language (ESL)

Both Special Education and ESL programs provide staff in the schools. Each school has some FTE allocation from each of these programs, based upon the number of eligible students (see pp. 42-44 in adopted budget). Both programs are supported by a combination of general fund and grant/special revenue funds.

Other funds

In addition to the general fund staffing, schools may also receive funds via Title I, raise funds through foundation activity, and receive grants.

Title I: Schools with higher numbers of students in poverty (measured by percentage of students qualifying for free meals) receive federal Title I funds. Schools receive a dollar amount per qualifying student. These funds may be used to fund staffing and/or to provide support and services to these students and their families. In 2016-17 there are 9 K-5, 14 K-8, 2 middle schools and 3 high schools that receive Title I funding.

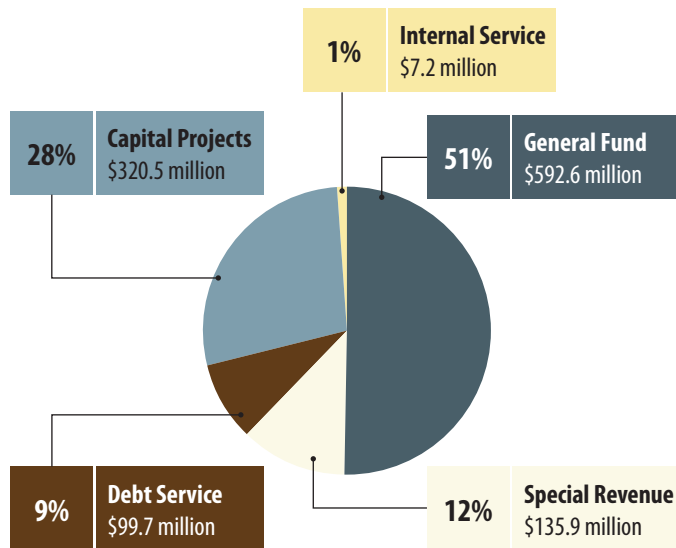
Foundation and PTA funds: A number of schools raise money through parent-led fundraising to support school staffing and other activities, through foundations. Use of funds for non-staffing activity is at the discretion of each school. Funds to pay for additional staffing are subject to sharing; one-third of the dollars raised by local school foundations (after the first \$10,000) is set aside in an equity fund administered for PPS by All Hands Raised, which uses a formula to fund grants to PPS schools each spring.

Discretionary Budgets: The amount of discretionary funds (referred to as consolidated budget) each school receives is partly based upon the number of students at the school. The amounts range from \$35,000 for a small K-5 school to \$190,000 for a large high school. Principals use these funds to pay for such things as supplies, limited-term personnel, printing costs, some teacher extended responsibility, library books and materials, copy machines and toner, field trips, and substitute costs not covered centrally.

Schools do not pay for utilities, custodians, or maintenance work. These services are budgeted centrally in the Facilities department.

A more detailed description of the school staffing formulas and the allocations by school is published in the PPS budget. It begins on p. 33 in the 2016/17 adopted budget.

What about other funds?



(\$ millions)	Total By Fund Type	Fund Type as % of All Funds
General Fund	\$592.6	51%
Special Revenue	\$135.9	12%
Debt Service	\$99.7	9%
Capital Projects	\$320.5	28%
Internal Service	\$7.2	1%
All Funds	\$1,155.9	

Most of this information has been about the PPS general fund – because that’s the primary day-to-day operating fund for the district.

In addition, PPS budgets and accounts for money in a number of other funds:

PPS has **Special Revenue Funds** which include specifically dedicated revenues such as federal, state and local grants, the school meals program fund (\$24.3 million) and a PERS stabilization fund (\$16.7 million). Also included in these funds are Title I (\$12.7 million), IDEA (\$12.0 million) and both day and residential treatment programs (\$6.8 million), funding for regional programs for deaf and hard of hearing (\$15.0 million), Head Start (\$10.0 million), GEAR Up grant to improve college readiness (\$3.2 million), and school foundation funds (\$2.9 million).

PPS has five **Debt Service Funds** which provide for the payment of principal and interest on long-term debt, including PERS debt (\$45.7 million) and capital bonds (\$49.7 million).

PPS has eight **Capital Project Funds** for the acquisition of technology, or the construction or renovation of school facilities. The largest of these is funded by the 2012 school capital improvement bond program (\$270.6 million). Some of that money is budgeted to be spent in future years.

Internal Service Funds are for services provided internally on a cost-reimbursement basis. PPS has one fund which accounts for self-insurance for workers compensation.

There is a summary of the 2016/17 budget by fund type on p. 11 of the adopted budget, a list of each fund and the amount in the 2016/17 budget on p. 60, and summaries of where the money comes from and how it is to be spent on pp. 65-69.

The PPS fiscal year runs from July 1 to June 30. Figures in this document are from the PPS adopted budget. Some items are hard to estimate (e.g. local option revenue) or change after the budget is adopted (e.g. state school fund allocation) and are revised in budget amendments approved by the board during the year.

We would like to thank the PPS Community Budget Review Committee for encouraging us to develop this summary and for working with us to improve the final product.

To learn more:

View the PPS adopted budget for 2016/17:

<http://bit.ly/PPSbudget>

View the Superintendent’s budget framework:

<http://bit.ly/PPSbudgetframework>

Please send any questions or comments to Lori Baker, Deputy Chief Financial Officer, lbaker1@pps.net.

