

Budget Talk



LAKE WALES
CHARTER SCHOOLS

February 2013

Finding money for raises

Almost five years ago – April 11, 2008 – we published a Budget Talk handout to address the growing economic crisis in Florida and its impact on public education funding in our state.

In the years since, we have created similar handouts on topics including school budgets (March 2009); employee pensions (May 2011); teachers' advanced degree supplements (September 2011); medical insurance rebates (August 2012); and employee salaries and benefits (February 2012). These are on the LWCS website: <http://lwcharterschools.com/staff-employment>



Reviewing the first Budget Talk documents from 2008 and 2009, here are two things to note:

- When 2007-2008 began, we were receiving \$6,408.51 per UFTE (unweighted full-time equivalent student), and when the year ended in June 2008, funding had dropped to \$6,333.09. In June 2012, when we built this year's budget, UFTE was \$5,681.94.
- In 2008 and 2009, school systems around the state – including LWCS – worried about layoffs, across-the-board pay cuts and/or furlough days. In Lake Wales, we tightened our belts enough to avoid such drastic measures.

Questions & Answers

Q. Quickly remind us why money is tight.

A. When the national economy stalled and then collapsed 5-6 years ago, Florida was already in trouble because much of the state economy was built on tourism and construction. Our state budget is very dependent on the sales tax, and when the economy stalled, people stopped spending money. For several years, there was less and less state money to spend on government programs, and that included everything from education to prisons to roads to health care.

Another part of school funding comes from local property taxes. When the construction boom collapsed, and the foreclosure rate skyrocketed, local property values took a big nosedive. Lower property values means less property taxes to help schools.

Q. What did we/LWCS do to cut our budget or improve funding?

A. The short answer is – almost everything, except for the most drastic measures like furloughs or across-the-board pay cuts. During the past five years, our LWCS leaders have worked together to tighten, cut, squeeze, monitor, control, and better utilize our resources.

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This information is designed to answer questions that employees have asked about budgets, salaries and benefits.

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Each of our six school sites controls its own budget, and those school leadership teams have made individual decisions to save money. Some schools reduced their contracted services for things like after-hours custodians, for instance. Every school eliminated positions and/or tightened program and supply budgets. All the schools already were very good at monitoring and controlling things like utility bills.



As a system, we moved to a completely different food service program, which saves money and provides a better, more consistent experience for students. We took over 100% of our school transportation program, and continue to look for ways to make it efficient and cost-effective.

Q. What about grants and outside funding?

A. In 2011-2012, we achieved LEA (Local Educational Agency) status and began to receive our federal funds directly after some Leadership Team members spent the summer of 2011 writing federal grants. We estimate that our school system now receives as much as \$1 million more in federal funds each year because of the hard work of our team, who laid the groundwork for this initiative. We have another team working on E-rate, which is funding for technology purchases and expenses.

Our LWCS Foundation has been cultivating donors and raising funds (\$6.8 million so far!) – especially for “extras” that cannot be purchased with taxpayer dollars. Considering the small size of our community, we have a very generous donor base, and their support for our charter school system is wonderful.



Q. When was the last time we got a raise?

A. When our system “opened its doors” in August 2004 (FY2005), we used the Polk County School Board wage scales. Our benefits package has always been different. Here is our wage/salary history since then:

- FY 2006 (2005-2006) = step & scale increase
- FY 2007 (2006-2007) = step & scale increase
- FY 2008 (2007-2008) = step & scale increase
- FY 2009 (2008-2009) = salary freeze
- FY 2010 (2009-2010) = 1.0% increase on base salary; no step
- FY 2011 (2010-2011) = 2.0% increase on base salary; step adjustment
- FY 2012 (2011-2012) = net bonus \$500/full-time & \$300/part-time
- FY 2013 (current school year) = pending

Q. So is there money for raises this year, or isn't there?

A. We still don't know. Here's what we do know: There will be continuing cuts in state and federal funding for public education, so we have to make our own cuts in educational programs and/or employee benefits if we want to increase what we spend on salaries. Any decision or recommendation impacts the lives of 400+ employees, so we are trying to be “pragmatic and sober” about what we do.

Q. Who decides what to cut?

A. Ultimately, the Board of Trustees votes on the final budget. However, the tough budget decisions are actually made by our principals, who “build” budgets after discussion with other principals and members of the Superintendent's Leadership Team. (The Superintendent and Leadership Team members talked about this process when they visited schools before the Winter Break, and met with employees about the current budget situation.) As employees, we all have a chance to recommend changes, or ask that certain programs and/or benefits be saved.

Q. Can we make changes to our health insurance plan to save money?

A. That is a possibility. We have asked our insurance broker to develop some alternatives, including a single-option

health insurance plan instead of the two-tiered plan that we offer now. (A sample *Medical Optional Renewal Plan* chart is on Page 5.)

Currently, we offer free dental insurance to our employees. This is a benefit that few employers provide. Would our employees be willing to sacrifice that benefit if the money was shifted into a budget to increase salaries?

We also “supplement” the cost of providing health insurance for spouses and dependent children. This is a hidden financial benefit for some – but not all – of our employees. Our system could shift that money into a budget to increase salaries for all employees, but the cost of dependent health coverage would increase significantly.

Q. Why do Polk School Board employees pay less for spouse/dependent coverage?

A. Polk County operates a self-insured program for 13,000+ employees. Polk can set whatever rates it wants, based on past experience and the amount of money it takes in.



We have 400+ employees. We “shop” our insurance program in the open market, where companies bid on our business based on our past experience, how much our employees use the insurance, etc.

Q. What “educational programs” will be cut?

A. Maybe nothing will be cut or scaled back, but we want suggestions and feedback from teachers and support staff who are in classrooms and schools every single day.

Here’s a fictional example: Every year, all 5th graders complete a unit on Canadian history, which requires a special textbook. No one is quite sure why we do this, except that we have been doing it for years and years. It isn’t in the state standards, but we keep teaching it, keep ordering the textbooks, keep spending the time, etc.

This is a silly exaggeration. We are looking for real-life examples that could save time and/or money, which are both precious commodities. Not everyone will agree on what should

be cut or scaled back. We will provide an anonymous survey instrument so people can make suggestions, which will be considered and studied.

Q. If LWCS schools create their budgets independently, why can’t salaries vary by school?

A. This is a great philosophical question. Each school has tremendous independence in the creation and management of its budget, but each school is still part of a system. Certain parts of the budget (and educational program) must be consistent from school to school, because we have all agreed to operate as a system.

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A few years ago, our 6-school system had one school with a large deficit from its early years. Every audit noted the deficit, and the school couldn't be considered for some state awards because of its financial status. Rather than make that school struggle (perhaps for years) to reduce the deficit on its own, our other schools volunteered to "gift" money from their reserve funds to retire the deficit. This allowed their sister school to move forward with a clean slate.

Last year, a similar situation occurred when our LWCS system began considering our application for High-Performing Charter System status. Five schools "gifted" money to another school to ensure that it would have a positive fund balance -- otherwise our LWCS system application would be unsuccessful.

Imagine these scenarios if every school could use its own budget and reserves to establish school-site salaries. Would one school be willing to help another, in the best interest of the system? Would schools compete with each other to offer the highest salaries? What impact would six different salary schedules have on staff morale in our LWCS system and in our community?

Q. Shouldn't salaries be based on the priorities of each school?

A. Another great philosophical question. If salaries could vary from school to school, would it also be acceptable for them to vary from department to department, or by grade level?



Does this example make you comfortable or uncomfortable? Elementary School XYZ has a focus on science, so to hire two new hot-shot science teachers, XYZ pays them the base teacher salary plus 20%. XYZ also wants more minority male teachers on campus, so when openings



occur, the principal hires minority men and pays them the base teacher salary plus 25%. When other teachers question the fairness of the pay differential, the principal says "The salaries are based on the priorities of our school."

Q. Are we stuck with the "one size fits all" salary schedule that we have now?

A. It isn't perfect, but it still seems better than anything else. (Winston Churchill once said "Democracy is the worst form of government except all the others that have been tried.")

We welcome suggestions, but we have made a legal and a moral commitment to our community to operate as a system. Our decisions must be in the best interest of our employees, our students, our system and our community.

Take our survey! What would YOU cut or scale back to save money for salary increases? What programs or benefits are most important to you? Go to:

<https://www.surveymonkey.com/s/employeeinputonraises>

Survey closes 5pm Monday, Feb. 11, 2013!

This information is designed to answer questions that employees have asked about salaries and benefits.

Medical Optional Renewal Plans

	<u>LWCS</u> United Healthcare FY 11-12 Plan A	<u>LWCS</u> United Healthcare FY 12-13 Renewal Plan A	<u>LWCS</u> United Healthcare FY 12-13 Plan A Optional Renewal #1	<u>LWCS</u> United Healthcare FY 12-13 Plan A Optional Renewal #2	<u>LWCS</u> United Healthcare FY 12-13 Plan A Optional Renewal #3
Annual Deductibles					
Individual	\$1,000	\$1,000	\$1,500	\$1,500	\$1,500
Family	\$2,000	\$2,000	\$3,000	\$3,000	\$3,000
Co-Insurance					
Co-Insurance Percentage	80%	80%	70%	70%	80%
Office Visit Copays					
Primary Care Physician	\$25	\$25	\$30	\$30	Ded + 20%
Specialist - Preferred	\$50	\$50	\$30	\$30	Ded + 20%
Preventive Care Visits	No Charge	No Charge	No Charge	No Charge	No Charge
Services					
Hospitalization	Ded + 20%	Ded + 20%	Ded + 30%	\$500 per admission	\$500 per admission
Diagnostic X-rays, Lab, Imaging	Ded + 20%	Ded + 20%	Ded + 30%	Ded + 30%	Ded + 20%
Emergency Room	\$100	\$100	\$100	\$100	Ded + 20%
Urgent Care	\$75	\$75	\$50	\$50	Ded + 20%
Out Patient Surgery	Ded + 20%	Ded + 20%	Ded + 30%	Ded + 30%	Ded + 20%
Prescription Card					
Generic (Tier 1)	\$10	\$10	\$10	\$10	\$10
Preferred (Tier 2)	\$30	\$30	\$30	\$30	\$30
Non Preferred (Tier 3)	\$70	\$70	\$70	\$70	\$70
Mail Order	\$25 / \$75 / \$175	\$25 / \$75 / \$175	\$25 / \$75 / \$175	\$25 / \$75 / \$175	\$25 / \$75 / \$175
Maximums					
Lifetime Maximum	No Limit	No Limit	No Limit	No Limit	No Limit
Out of Pocket - Individual	\$3,000	\$3,000	\$4,500	\$4,500	\$4,500
Out of Pocket - Family	\$6,000	\$6,000	\$9,000	\$9,000	\$9,000
Out-Of-Network Benefits					
Individual/Family Deductible	\$2,000 / \$4,000	\$2,000 / \$4,000	\$3,000 / \$6,000	\$3,000 / \$6,000	\$3,000 / \$6,000
Co-Insurance	60%	60%	50%	50%	60%
Individual/Family Max OOP	\$10,000 / \$20,000	\$10,000 / \$20,000	\$8,000 / \$16,000	\$8,000 / \$16,000	\$9,000 / \$18,000
Premium Breakdown/Analysis					
Employee Only	\$565.06	\$598.96	\$571.51	\$550.02	\$530.43
Employee + Spouse	\$1,073.62	\$1,138.03	\$1,085.88	\$1,045.04	\$1,007.82
Employee + Child(ren)	\$875.97	\$928.52	\$885.97	\$852.65	\$822.29
Employee + Family	\$1,356.15	\$1,437.51	\$1,371.63	\$1,320.05	\$1,273.04
Total Ann Emp Only Cost	\$2,610,577.20	\$2,767,195.20	\$2,640,376.20	\$2,541,092.40	\$2,450,586.60
Total Ann Subsidized Dep Cost	\$167,243.16	\$212,607.24	\$175,877.52	\$147,107.88	\$120,903.96
Annual Cost to LWCS	\$2,777,820.36	\$2,979,802.44	\$2,816,253.72	\$2,688,200.28	\$2,571,490.56
Decrease vs. Renewal Plan A (\$)	N/A	N/A	\$163,548.72	\$291,602.16	\$408,311.88
Decrease vs. Renewal Plan A (%)	N/A	N/A	-5.81%	-10.85%	-15.88%