

Submitted by CFO, Kelsey Bailey

The Little Rock School District Board and Administration is continually reviewing and dissecting every facet of LRSD's operations to identify potential savings and utilization of resources to achieve maximum operational efficiency. This dissection includes exploring changes in staffing at all levels, academic programs/interventions, revenue utilization, facility maintenance/upgrades, utility usage, human capital needs, etc.

Our budgetary focus is on fiscal solvency and sustainability. There is a conscious effort to address the areas of Revenue Utilization, Staffing/Human Capital, Current & Future Facility Needs, Salary Schedules and Minimum Fund Balance as it relates to the current budget and subsequent fiscal years.

Our overall fiscal goal is to achieve the greatest operational efficiency possible while still providing a high quality and equitable education to all our students as well as attracting and retaining the most competent team members.

We realized that this is not an easy task, but we are preparing to make the necessary changes to right-size our District operations in order to stay financially solvent and educationally focused. We owe this to every student, employee, parent and tax payer of Little Rock School District.

FISCAL YEAR 2021

LRSD adopted a budget this fiscal year that projected a general operational deficit of \$5,777,790. This deficit was primarily due to very conservative projections of local tax revenue collections due to Covid-19 and expenditures associated with the completion of Little Rock Southwest High School.

The current revenue projections are expected to come in approximately \$9.8 million over budget, which makes up for the original deficit. Estimates for indirect cost recovery from ESSER I & II are approximately \$650,000 which also assists with the original deficit budget

Salary & benefit expenditures are expected to come in approximately \$3.5 million under budget and the District was able to reallocate approximately \$2 million of Covid-19 related operating expenditures to ESSER II funding, which will create additional savings.

The Debt Service Mills Extension of 2020 failed to get voter approval in November 2020. LRSD had plans to pay for FFE for the new LRSWHS (\$4.2m) and architect fees for K-8 school at the McClellan site (\$2.0m) using these bond funds. LRSD had to utilize operating funds to finish out these projects. In total, the District had approximately \$16.4 million of unfunded one-time capital improvement costs in fiscal year 2021.

FISCAL YEAR 2022

LRSD is projecting to receive an additional \$3.5 million of local tax revenue. This increase is based on LRSD's property assessment increasing by 2.0%. The average appreciation has

been 3.0% over the past five years. LRSD is also estimating to earn \$500,000 of indirect cost recovery revenue from ESSER II.

State Foundation funding is expected to decrease by \$4.7 million due to decline in ADM from 2020/2021 school year, but some of this decrease will be offset by an estimate of \$2.8 million of Declining Enrollment funds. In subsequent fiscal years this loss will be \$4.7 million, unless enrollment increases back to pre Covid-19 level.

LRSD is projecting general operating fund savings of \$6.6 million. This includes a reduction of certified positions and utilization of ESSER II funding for some operational expenditures.

Combining all of the above creates cumulative available operating funds of approximately \$18.6 million as compared to fiscal year 2021.

FISCAL YEAR 2023

LRSD is projecting to receive an additional \$3.6 million of local tax revenue. This increase is based on LRSD's property assessment increasing by 2.0%. LRSD is also estimating to earn \$500,000 of indirect cost recovery revenue from ESSER II and ARP ESSER.

LRSD has very preliminary savings of \$2.8 million that can be achieved by additional right-sizing of staffing at buildings.

Combining all of the above creates cumulative available operating funds of approximately \$19.1 million as compared to fiscal year 2021.

FISCAL YEAR 2024

LRSD is projecting to receive an additional \$3.6 million of local tax revenue. This increase is based on LRSD's property assessment increasing by 2.0%. LRSD is also estimating to earn \$500,000 of indirect cost recovery revenue from ARP ESSER.

No expenditure savings have been identified at this time but will be determined at a later date. District will have to address "funding cliff" for ESSER II and ARP ESSER.

Cumulative available operating funds are estimated to be \$23.4 million as compared to fiscal year 2021.