

Budget

Budget Narrative

Summary

Rocketship Public Schools monitors and updates assumptions underlying the network's financial assumptions on an ongoing basis. These revised financials include updated assumptions for our planned growth and operation of schools in DC, particularly our third campus, DC3 opening in 2019/20. The following is a summary narrative of the Rocketship Public Schools DC (RSDC) budgets with insight into the primary assumptions. Every assumption is also detailed in the attached projections should there be any unanswered questions from this document.

The budget is based on a plan of opening 4 schools in Washington DC between FY 2016-17 and FY 2020-21. The schools will be supported with Special Education services, managed at the regional level through school based staff.

RSDC is projected to have sufficient cash to support this growth, and is projected to generate a gain in net assets to provide ongoing resources for the network and cover any unexpected changes to the budget.

(\$)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Consolidated Regional Summary						
Stats						
New Schools	1	0	1	1	-	-
Total Schools	2	2	3	4	4	4
Enrollment	675	1,070	1,480	1,986	2,352	2,567
General						
RSED-DC General Philanthropy	1,115,048	\$600,000	-	750,000	-	-
Schools						
Recurring Revenue	\$11,753,008	\$18,280,411	\$25,326,992	\$33,955,919	\$39,493,395	\$42,845,278
School Specific Philanthropy	-	-	\$325,000	\$325,000	-	-
Revenues	\$11,753,008	\$18,280,411	\$25,651,992	\$34,280,919	\$39,493,395	\$42,845,278
Compensation	\$3,419,821	\$4,745,901	\$6,793,307	\$8,465,883	\$10,038,158	\$10,856,227
Non-Compensation	\$5,462,002	\$7,787,249	\$10,038,977	\$13,995,734	\$15,420,758	\$15,704,802
Facilities	\$4,007,969	\$5,768,100	\$5,409,708	\$7,161,603	\$8,357,983	\$8,555,150
Management Fee	\$1,404,592	\$2,202,626	\$3,268,822	\$4,311,409	\$5,132,295	\$5,723,740
Expenses	14,294,385	20,503,876	25,510,814	33,934,629	38,949,193	40,839,920
Change in Net Assets (CINA)	(2,541,377)	(2,223,465)	141,177	346,290	544,203	2,005,358
ISE						
Recurring Revenue	1,215,197	1,881,733	2,686,407	3,607,026	4,252,879	4,674,842
Grants & Fundraising	-	-	-	-	-	-
Revenues	\$1,215,197	\$1,881,733	\$2,686,407	\$3,607,026	\$4,252,879	\$4,674,842
Compensation	1,364,197	1,775,431	2,466,012	3,392,267	4,155,704	4,445,519
Non-Compensation	308,889	447,722	498,101	632,334	727,877	731,256
Expenses	1,673,087	2,223,153	2,964,113	4,024,601	4,883,582	5,176,775
Change in Net Assets (CINA)	(457,890)	(341,420)	(277,707)	(417,575)	(630,703)	(501,933)
RSED-DC						
Revenues	14,083,253	20,762,144	28,338,398	38,637,945	43,746,274	47,520,119
Expenses	15,967,472	22,727,029	28,474,928	37,959,230	43,832,774	46,016,695
Change in Net Assets (CINA)	(1,884,219)	(1,964,885)	(136,530)	678,715	(86,500)	1,503,424
Cash	2,940,517	1,739,282	2,234,531	3,544,180	3,617,029	3,778,970

Enrollment & Demographics

Our first school in DC opened in August 2016 with 460 students across five grades. Our second school opened in August 2017 with 106 students across five grades. We anticipate opening our third campus with 210 students in with enrollment eventually reaching 600 students. Our model assumes that schools will backfill to match attrition.

Table 1: DC#3 Enrollment Projections

3rd School					
2019/20	2020/21	2021/22	2022/23	2023/24	2022/23
Pre-1	Pre-3	Pre-4	Pre-5	Pre-5	Pre-5
20	80	80	80	80	80
40	80	80	80	80	80
100	100	100	100	100	100
50	100	100	100	100	100
-	50	75	90	90	90
-	-	50	70	75	75
-	-	-	40	50	50
-	-	-	-	25	25
210	410	485	560	600	600

Per pupil funds from the district are distributed based on enrollment. RSDC has conservatively budgeted revenues based on hitting 95% of enrollment targets, compared to expenses, which are based on 100% of enrollment targets.

Rocketship Public Schools opens schools in low-income communities, to provide socio-economically disadvantaged families a choice to send their children to a high quality elementary school. As a result, our schools have a high rate of Free and Reduced Lunch (FRL) students. This budget conservatively assumes 70% FRL students. This number will determine our Title I allocation and the proportion of lunch revenues coming from the National School Lunch Program (NSLP). RSDC is projecting 60% At-Risk students and a 1% English Language Learner (ELL) population. RSDC is estimating 13% of students will have an Individualized Education Plan (IEP) qualifying them for special education funding. Of this 18%, the projections assume 38% Level 1, 42% Level 2, 15% Level 3, and 5% Level 4.

School Revenue Projections

District Revenues

Per pupil payments from the district are the largest source of funds for RSDC. Because of RSDC's heavy reliance on this revenue source, we will constantly monitor all components associated with district revenue throughout the year and revise out budgets accordingly as needed. All estimates are based upon the DC PCS FY2018 budget, conservatively estimating no growth in funding levels.

State Funding (per student)	Year 1
Pre-School (3 year olds)	\$13,744
TK (4 year olds)	\$13,334
Kindergarten	\$13,334
1st Grade	\$10,257
2nd Grade	\$10,257
3rd Grade	\$10,257
4th Grade	\$10,257
5th Grade	\$10,257
Facilities	\$3,193
English as a Second Language	\$5,026
At Risk Students	\$2,246

Special Education Revenues

Special Education funding is broken out by levels. RSDC projects 38% of IEP students will be level 1, 42% level 2, 15% level 3, and 5% Level 4. In addition, RSDC is projecting funding for compliance and federal IDEA for each student with an IEP.

Federal: IDEA	\$500
State: SPED Level 1	\$9,949
State: SPED Level 2	\$12,308
State: SPED Level 3	\$20,206
State: SPED Level 4	\$35,797
State: SPED Capacity	–
State: Blackman Jones Compliance	\$708
State: Attorney's Fees Supplement	\$913

Federal Revenues

RSDC intends to apply for Federal funding under ESEA. Title I funding is based upon a formula for students qualifying for free and/or reduced meals. RSDC is projecting \$350 per FRL students. Title II funding is available for schools to increase academic achievement by improving teacher quality. RSDC is projecting \$5,000 per school each year.

In 2017, Rocketship Public Schools received a grant from the Department of Education Charter School Program (CSP) in the amount of \$12,582,678.00. The grant specifies that up to \$900,000 could be used for start-up costs for each Rocketship Public Schools school opening during the grant period. We anticipate using \$891,640 for opening DC3.

Grants & Fundraising

RSDC schools are operated to be sustainable on public funds alone. RSDC is projecting no ongoing fundraising revenues at the schools. RISE, our first Rocketship DC School, received \$325K start-up grant from the Walton Family Foundation. Our projections assumes each additional RSDC school will receive this grant as Rocketship Public Schools' National office maintains a close relationship with the Charter School Growth Fund, who distributes the Walton grants.

Other

RSDC is projecting a small portion of revenues to come from students purchasing uniforms. Additionally, we expect to qualify for 100% free CEP status under the National School Lunch Program and would bring in additional revenue for each school meal served during the school year.

School Expenses

Compensation

Staffing – RSDC teacher staffing levels are based upon enrollment projections. In a traditional elementary school, if a teacher’s homeroom class is receiving services from another teacher, the homeroom teacher does not instruct another class of students. Because RSDC teachers engage in a teaming approach they are able to teach more than one class of students each day. In addition, our students spend a portion of their day in the learning lab in large groups. By using a teaming approach in conjunction with the learning lab, Rocketship is able to have an overall school-wide ratio of certificated teachers to students, while maintaining an actual classroom ratio of certificated teachers to students at 25:1. At full enrollment of 600 students the school will be staffed with 15 teachers¹.

RSDC schools will have a leadership team consisting of a Principal, one Assistant Principals and a Business Operations Manager in Year 1, with the number of APs increasing incrementally as enrollment increases.

RSDC will have Individualized Learning Specialists to assist with the personalized learning time within the Learning Lab. RSDC will be staffed with three Enrichment Coordinators, an Office Manager, Nurse and other classified staff to assist with operations.

RSDC will hold a ratio of 12 IEP students to 1 Special Education Teacher at all schools, and a paraprofessional ratio of 90:1. Each school will also have a School Counselor and Psychologist. Other special education staffing for the DC region includes a Program Manager, Speech Language Therapists, and Occupational Therapists.

The table below indicates the salary for these positions.

<u>School Leaders</u>	<u>2018/19</u>
Principal	\$127,125
Assistant Principal	\$101,700
<u>Instructional Staff</u>	
Teacher	\$70,569
ILS	\$40,357
<u>Support Staff</u>	
Office Manager	\$66,614
BOM	\$83,903
Nurse	\$71,190
Enrichment Staff Coordinator	\$36,124
Janitor	\$36,124
Support Staff - Hourly Wage	\$14.75

¹ RSDC will contract with Appletree to run our PK program. Therefore RSDC teacher staffing is only for students in K-5th grade, at a total of 440 students at full enrollment.

Salaries - School Based

ISE Teacher	\$69,892
Para-professional	\$41,043
Social Worker	\$62,057

Salaries - Region Based

ISE Program Manager	\$98,257
Speech/Language Therapist	\$87,915
Speech/Language Therapist Asst	\$56,886
Psychologist	\$72,400
Occupational Therapist	\$87,915

Benefits – All full time employees are eligible for benefits. RSDC projects healthcare, worker’s compensation, unemployment, Medicare, and FICA and retirement plan contributions. As a retirement plan, RSDC offers a 403(b) plan to all employees.

BENEFITS	
Health Benefits Cost Per Employee	\$7,100
<i>Participation Rate</i>	100.0%
Unemployment	0.5%
Workers Compensation	1.5%
Medicare	1.5%
Social Security	6.2%
State Retirement	–
403(b) match	1.0%
PTO Payout - Teachers	\$1,629
PTO Payout - ILSs	\$1,009

Other Operating Expenses

RSDC has developed the projections for other expenses based on the historical results of RSED’s existing schools and research into the DC Charter landscape. Specific, large items are detailed below, but all assumptions are detailed in the attached financial model.

Facility Fee: We have assumed facility fee payments equal to the total facility allowance revenue. As we look for permanent facilities, we are using this amount as an upper-bound for lease payments.

Management Fee: Rocketship’s model is highly centralized. Many services that benefit the school, and are typically provided directly at the school in a traditional are provided by Rocketship’s Network Support teams (NeST). This structure allows school leaders to focus their time and energy on instruction and student/parent engagement and provides more efficient and effective centralized delivery of various support services. These centralized services include, but are not limited to:

Programmatic Services:

- Curriculum & Assessment
- Instructional Leadership
- Recruitment
- Lottery Management
- Student Data Analysis

- Parent & Community Engagement

Operational Services:

- Payroll
- Accounting & Financial Reporting
- Procurement
- Human Resources
- Legal Support
- IT Support
- Operational Policy Support
- Authorizer Relations

To cover the cost of these services schools are charged a 15% fee of revenue which is transferred to the central offices. Some revenues streams are excluded from this calculation (i.e. lunch revenues, Title V, fundraising, and local uniform and meal sale revenues). Some of these services are provided at the Regional level, others at the National level. Therefore, 5% is transferred to the DC Regional Network Support Team (NeST), and 10% is transferred to National NeST.

Appletree Pass-Through: RSDC will contract with Appletree to operate our PK3 and PK4 program within our school. RSDC will pay a fee to Appletree in an amount equal to the per-pupil funding RSDC receives from the District and any other sources for its enrolled PK3 and PK4 student population, excluding the Facility Allowance allotment and less the PCSB administrative fee associated for students enrolled in those grade levels.

Summary Metrics

As shown in the table below, the consolidated region has sufficient cash to grow the region to 4 schools over the next 6 years. The cash remains above \$600K each year and by 2022/23 at 4 schools starts to accumulate cash at the region. We do expect to see a loss in net assets in the second and third year, which is driven by the growth in the region. However, cash in the region is sufficient to cover the costs of our growth in the region. The conservative projections underlying these sustainable metrics give RSDC confidence in its ability to execute on this plan.

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Cash Flow Projections

Also included in the financial model attached are monthly cash flow projections for the planning year and first operating school year (2017-18 and 2018-19). RSDC has assumed a quarterly payment schedule for district funds, beginning in July of the first school year, and a slightly more delayed payment of federal revenues. Across these first two years, the region has sufficient monthly cash flow to cover the start-up expenses for this region.