

Financial Facts

Dr. Frank R. Petruzielo, Superintendent of Schools

Little Relief for School District Budget Pressures in 2013-14: Increased Digest, Budget Cuts Could Restore Two Days to School Calendar for Students and Reduce Furlough Days for Teachers!

For the next (2013-14) school year, CCSD expects to be approximately \$60 Million short of the funding needed to completely restore current budget cuts (e.g., furlough days, increased class size and fewer instructional days) . . . resulting primarily from continued State “austerity” reductions (\$24.8 Million) and years of significant decreases in the local Property Tax Digest revenue (\$9 Million this year and \$30 Million cumulative for 2009-2012).

Additionally, “sequestration” measures by the Federal government will reduce Federal funding next year by \$1.2 Million; employer-paid State Health Benefit Plan premiums will increase by \$4 Million; and matching State longevity salary step increases locally for eligible employees will cost \$3.1 Million.

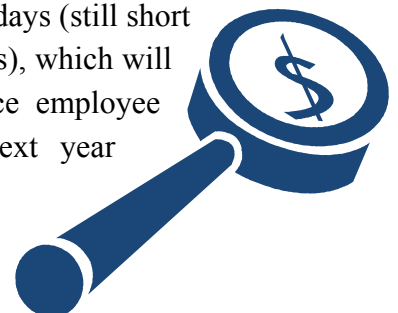
Further exacerbating the School District’s revenue deficit for next year are:

- Inability to continue using already dangerously low budget reserves to address the \$24.8 Million shortfall in the School District’s earned State Quality Basic Education (QBE) funding; and,
- Only a small amount of revenue (\$2.8 Million) would be available to the School Board through increasing the millage rate (by .55 mills) to the maximum cap of 20 mills.

SCHOOL FUNDING STATUS AT A GLANCE

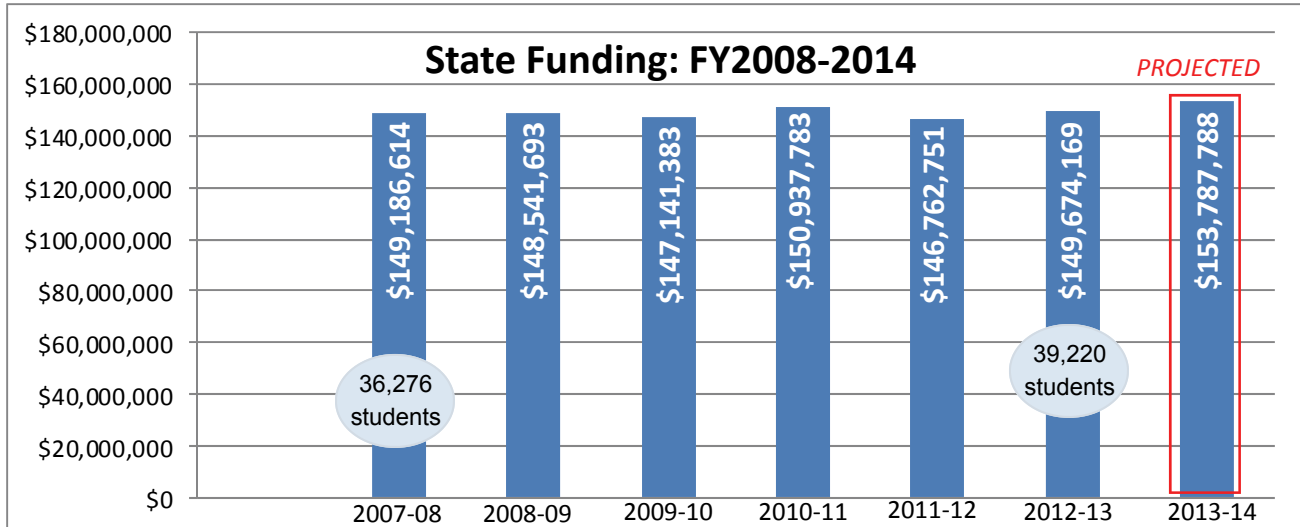
- **FEDERAL:** Sequestration cuts of \$1.2 Million
- **STATE:** “Austerity Cuts” remain in effect at \$24.8 Million below the School District’s QBE earnings . . . while State health insurance rates skyrocket
- **LOCAL:** Cherokee County’s property tax digest is estimated to increase 2.8% for 2013, after losing 25% of its value over the last five years

A slight projected decrease in State austerity cuts (reduced by \$1.7 Million— from \$26.5 Million to \$24.8 Million) and a slight increase in the local tax digest (\$2.8 Million) are initial steps in the right direction toward restoring the quality of education in Cherokee County classrooms. In addition, School District staff have identified an additional \$7 Million in budget cuts necessary to achieve a balanced 2013-14 budget. Current local revenue projections will allow for the school calendar to increase from 175 days to 177 days (still short of the normal 180 days), which will correspondingly reduce employee furlough days for next year from eight to six.

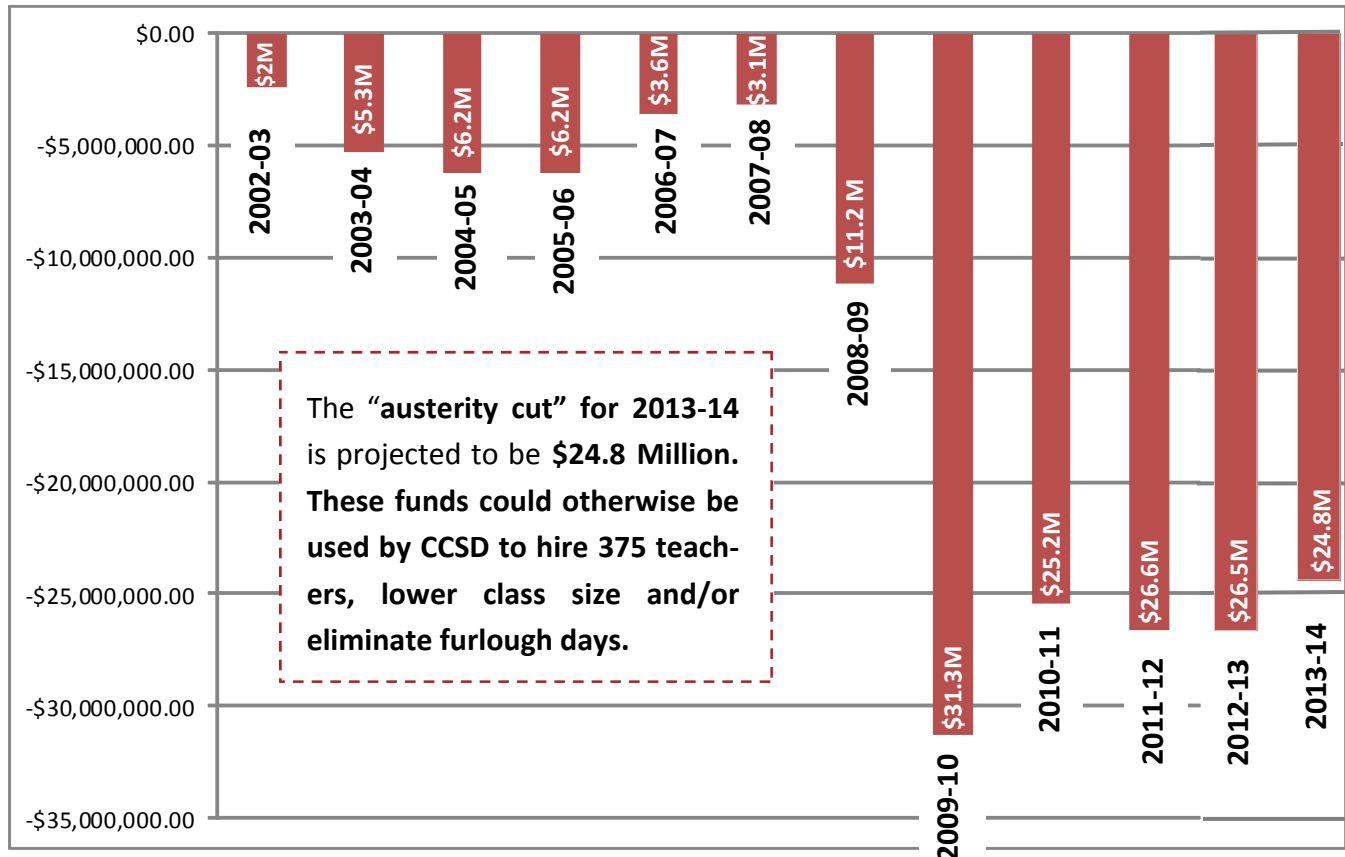


State Funding Snapshot . . .

State funding for CCSD has been flat the last six years, while student enrollment has grown. This enrollment growth should have generated additional, critically-needed State funding under the QBE funding formula; but instead, the State has dealt with the economic downturn by annually increasing “austerity budget cuts” (which were applied even in years of substantial economic growth) . . . removing a total of \$147 Million in earned State funds from the CCSD budget over the last 10 years! State funding figures cited herein are actual dollars received (or projected, for 2013-14) . . . after subtracting both State austerity cuts and (5 Mill) Local Fair Share contributions. State funds for 2013-14 show a small increase, which simply reflects funds for the State portion of employee longevity step increases approved by the Governor and General Assembly.



State “Austerity Reductions” to QBE Earnings in Cherokee



Lower Local Digest Values Add to School Budget Woes!

Property tax revenues for local governments are determined by a millage rate (voted upon by the governing body), which is then applied to a tax digest. The digest is the valuation of all the property subject to taxation within a jurisdiction (e.g., County). **As thousands of properties underwent foreclosure proceedings in Cherokee County in 2008-2012, the reduced value was reflected in the digest, along with overall declining home values—which meant significantly reduced funding for schools, as well as city and county governments!**

Property taxes are the sole source of local revenue for school districts in Georgia. Many school districts also

COUNTY	2008 VALUE OF 1 MILL	2012 VALUE OF 1 MILL	CHANGE
CHEROKEE	\$7.8 MILLION	\$ 5.8 MILLION	- 25%
CLAYTON	\$8.6 MILLION	\$ 5.8 MILLION	- 32%
COBB	\$25.2 MILLION	\$20.7 MILLION	- 18%
DEKALB	\$22.0 MILLION	\$16.0 MILLION	- 27%
FORSYTH	\$9.0 MILLION	\$ 7.6 MILLION	- 15%
FULTON	\$31.0 MILLION	\$27.6 MILLION	- 11%
GWINNETT	\$31.5 MILLION	\$24.1 MILLION	- 23%

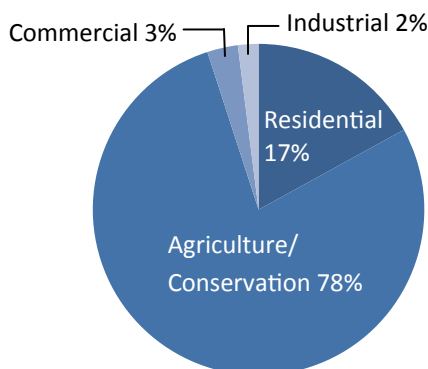
Source: Georgia Department of Revenue

collect a one-cent sales tax (SPLOST); but those funds are legally restricted in their use. **SPLOST funds can ONLY be used for capital outlay projects, such as building schools or buying school buses or technology. SPLOST funds CANNOT be used to add teachers or reduce furlough days.**

ZONED ACREAGE

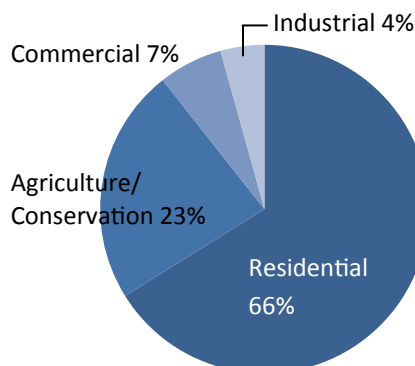
Source: GA Department of Revenue County Tax Digests

CHEROKEE COUNTY

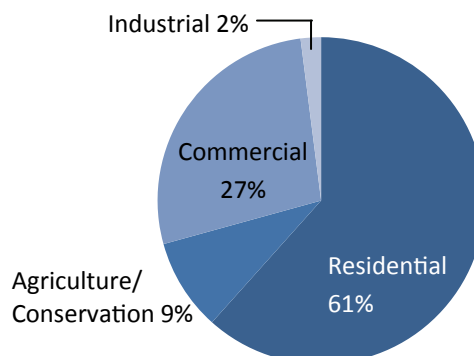


Cherokee County has far more acreage zoned agricultural or placed in conservation use (**which has a lower valuation for tax purposes**) than its neighbors. Cherokee County also has a very small amount of commercial and industrial zoned parcels, which means **our community is less able than its neighbors to sustain land and property values throughout a real estate housing crisis.**

FORSYTH COUNTY



COBB COUNTY



But Have You Tried.....

The School District has been enacting significant budget cutting measures since early in the 2008-09 school year, when the economic impact of the Great Recession began to surface in the form of shrinking State revenues. Many of the early cost-cutting efforts intentionally did not directly affect the classroom, and those taxpayers without children in Cherokee County public schools may not realize the extensive efforts that have been made to reduce costs and avoid more drastic measures. **Many of the budget-cutting suggestions we continue to receive are already in place:**



“Why don’t you cut employee salaries?”

All CCSD employees at every level have taken annual pay cuts in the form of furlough days. **Over the last four years, CCSD employees have foregone \$23.1 Million in salary through implementation of 21 furlough days.**

“Why don’t you cut jobs?”

CCSD has reduced its workforce by more than 10 percent, shedding more than 500 jobs . . . even while student enrollment has increased. Positions have been cut (and continue to be cut) in every department and at every level. Another 87 positions are projected to be eliminated in next year’s (2013-14) budget.

“There are too many administrators—can’t some of those jobs be cut?”

Central office administration has already been reduced by 15 percent. **CCSD spends less than \$200 per student on General Administration, which is less than half the statewide average of \$412 per student.** In addition, the ratio of administrators to teachers in CCSD is among the leanest in the State.

“Can you stop building schools or buying technology and use that money for teachers instead?”

School construction is funded primarily (83%) through voter-approved Special Purpose Local Option Sales Tax (SPLOST) dollars. By law, these

funds cannot be used for operating expenditures, such as teacher salaries. The same goes for technology—almost all technology funding comes from SPLOST.

“What about transportation/school buses?”

Bus drivers have been reduced from 402 to 350 through consolidation of 200 routes (. . . with corresponding cost savings in fuel and buses). About 70% of CCSD students utilize bus service; and, many buses run dual routes at one school and/or run routes at middle and high schools, as well.

“Do we really need school nurses?”

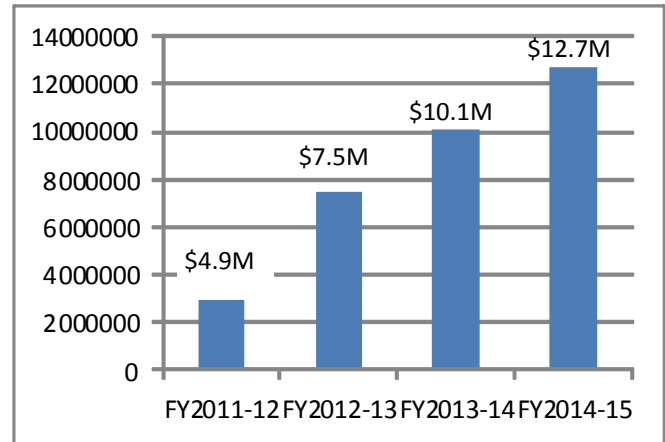
More than 1,000 children come to school every day in Cherokee County with a life-threatening condition . . . whether severe asthma, diabetes, allergies, seizures or other chronic illness. Nurses also dispense prescribed medication for thousands of students each day, whether it is a short course of antibiotics or a medication taken by a student year-round. With more medically fragile students in public schools, nurses are a necessity—but even their hours and numbers of positions have had to be cut in recent years.

“Can we cut funding for school athletics or move to a ‘pay to play’ model?”

Other than coaching stipends and a small amount of transportation funds, the majority of costs for high school athletics are already covered by gate receipts and booster club fundraising. Middle school athletics are limited to basketball and cheer, with minimal associated equipment costs.

State Health Insurance Costs Skyrocketing!

Since the State has determined that it will no longer make ANY contribution for non-certified employee health benefits after the upcoming fiscal year, CCSD insurance costs for non-certified employees (e.g., grounds crews, custodians, bus drivers, etc.) are expected to more than double, from \$4.9 Million in 2011-12 to \$12.7 Million in 2014-15, according to officials in the State's Department of Community Health, which is now responsible for the State Health Benefit Plan (SHBP) covering more than 650,000 State employees. **The increased cost in this regard for 2013-14 is \$2.6 Million.** Additionally, school districts across the State will have to cover benefit costs for all full-time employees . . . as required by the new federal health insurance law. While the State is giving school districts options on removing non-certified employees from SHBP, and



those options are being closely examined by staff, at this time there is no choice regarding certified employees . . . who must be insured through SHBP. Costs for certified employees continue to increase as well, which adds to the School District's annual budget pressures.

Is Privatization a Solution?

As a direct result of the State steadily defunding classified employee benefits, the Cherokee County School District recently joined many other school districts across Metropolitan Atlanta and the rest of the State of Georgia in deciding to review the possibility of privatizing some support services to schools. **Requests For Proposals (RFP) were issued by CCSD last month to consider the fiscal impact associated with the privatization of grounds (total of 8 employees) and custodial services (about 250 employees).** The proposals have been received and are currently being carefully reviewed by staff.

While the Superintendent and staff acknowledge that School District employment of support staff is in the overall best interest of maintaining high quality services and accountability vis-à-vis daily support of the educational program, that is becoming less feasible . . . given the State's changing stance on providing benefits funding for non-certified employees, coupled with federal and state requirements and limitations on the provision of health benefits for all

full-time employees.

While this is understandably a time of uncertainty (and rumor) for employees who are currently working in the affected areas, the following facts should be kept in mind:

- All custodians were notified of the pending process via e-mail, and each was invited to a group meeting with all Head Custodians and Principals. Communication will continue throughout the process.
- All the information, including pros and cons of the various scenarios under consideration, will be carefully weighed before a recommendation is made to the School Board.
- **CCSD must consider the long-term budget implications of all options, not just next year.**
- **Various employment modification options and benefit considerations will also continue to be explored for current custodial staff.**

CCSD Staffing Levels: Fewer Employees/More Students!

Since 86% of the School District's Operating/General Fund budget is expended for employee salaries and benefits, less State and Local revenue inevitably means fewer teachers in classrooms and increased class size. Fortunately, CCSD has not yet had to enact a teacher Reduction In Force (RIF) or lay-off; most reductions have been accomplished through attrition . . . as teachers, administrators and support staff retire, but are not replaced. **Over the last five years, CCSD has reduced its total number of employees from 4,933 to 4,439 . . . while student population has increased!**

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 PROJECTED	CHANGE
CLASSIFIED	1,947	1,778	1,701	1,765	1,828	1,770	-177
CERTIFIED	2,986	2,867	2,801	2,723	2,698	2,669	-317
TOTAL	4,933	4,645	4,502	4,488	4,526	4,439	-494
STUDENTS	37,199	38,225	38,636	38,761	39,220	39,350	+2,151

Creation of CCSD Foundation Brings Funds to Classrooms

As declines in Federal, State and Local revenues threaten the quality of education in our classrooms, the **Cherokee County School District is looking beyond the “normal” sources of education funding in hopes of pursuing additional resources for students and teachers.** In order to enhance its position for competitive grants and to access funds normally designated only for tax-deductible organizations, CCSD created the Cherokee County Educational Foundation this past year at the suggestion of School Board Chair Janet Read. The Foundation's mission is to support the students and staff of the Cherokee County School District by promoting teaching and learning and celebrating achievements. **The CCSD Foundation actively seeks resources to help schools in areas not fully funded in the regular school program . . . such as “bright ideas” grants for schools, teachers and other staff and support for academic achievement and technology initiatives.** The first round of grants went out to 35 schools this Spring!

