

Financial Facts

An update on the School District's 2012-13 budget development process. . .

Dr. Frank R. Petruzielo, Superintendent of Schools

What is “the gap”?

Each of the last four years/budget cycles, the Cherokee County School District (CCSD) has been faced with shrinking State and Local revenue to educate an increasing number of students, creating a “gap” each year in the CCSD budget that must be accommodated by additional cuts—beyond what the District has already accomplished through furlough days, class size increases and program cuts. **The projected gap for 2012-13 is \$18.1 Million**, due to several factors, including:

- End of Federal jobs funding and cuts to Federal programs
- Lack of State revenue to reduce/eliminate furlough days and/or reduce class size
- Continued decrease in Local property tax digest revenue due to reduced/frozen assessments and foreclosed properties
- State increases in employer-matching benefits (health insurance and teacher retirement)
- Continued unfunded/underfunded State mandates (e.g., transportation, textbooks, etc.)
- Restoration of fund balance reserves used to address fiscal impact of opening a new charter school

This gap does not reflect a continued State “austerity budget cut” of \$26.6 Million in earned QBE funding. While Governor Deal, in his January “State of the State” address, stated that there would be no cuts to QBE in his proposed 2012-13 budget, that meant no *additional* cuts. **There is nothing in his proposed budget to restore these critically needed operating funds to school districts, which would more than compensate for the \$18.1 Million gap!**

Legislative Session

Over the last nine weeks, the School District has been tracking more than 120 pieces of legislation that would affect public education, many of which would have a negative financial impact on the 2012-13 budget. Fewer than 40 of these bills are still under consideration in the last 10 days of the legislative session, which is scheduled to end March 29.

Deep Local Budget Cuts

CCSD has slashed the budget in each of the last four years. In addition to employee furlough days without pay and increased class size, the following cuts have been made:

- A 10% reduction in instructional, support and administrative workforce: from 5,000 to 4,500 (while student enrollment grew by 2,500 students and three new schools opened)
- Reduced number of bus drivers (from 402 to 355)
- Eight positions unfilled on the Superintendent's organizational chart for three years, an administrative vacancy rate of 15%
- Reduced clerical positions
- No operating funds available to purchase additional buses for the last 2 years
- Teacher on Special Assignment instructional support positions eliminated
- Funding not available to buy new textbooks for the last 3 years
- Reduced positions in technology, warehouse, custodial, counseling, paraprofessionals and school nurses
- Reductions in critically needed professional development/training, including “Camp Cherokee”
- Nationally-recognized Teach21 program not able to be expanded to include/train additional teachers



Quality Basic Education: ... the statutorily-required State formula for funding of Georgia public schools

What is QBE?

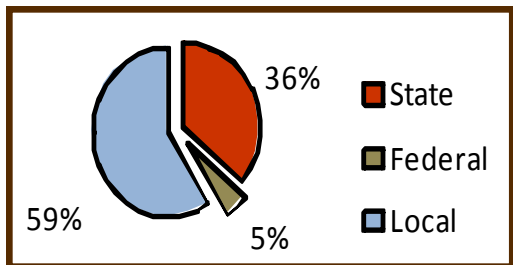
The Quality Basic Education (QBE) Act is the 1985 Georgia law establishing the funding methodology for operating public schools. School districts earn State funds based on student population and the needs of specific students. Students are “weighted” to take into account additional resources needed to serve them, such as grade level, gifted students or those with learning disabilities or limited English proficiency.

Is QBE the problem?

Every state in the nation has an education funding formula, and most are similar to Georgia’s. **Increasingly, State lawmakers report that the formula is the problem... but the real problem is the Legislature’s reluctance to fund it. . . which has cost public schools more than \$1 Billion over just the last four years.**

What is the balance between State and Local funding responsibilities for public education?

FY2011 Revenues by Source
All Funds



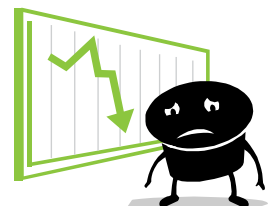
- **State funding** of CCSD’s Operating/General Fund Budget **has been reduced from 61% in 1997-98 to 41% in 2010-11.**
- Even after factoring in \$3.2 Million received in Federal Stimulus Funds, the Cherokee County School District had a **\$27.9 Million State and Local shortfall in 2010-11.** Adding the 2010-11 State and Local shortfall to FY2009-10 brings the **two-year reduction in operating funds to over \$50 Million.**

State Revenue/Economic Forecast

The economic outlook for Georgia remains uncertain for 2012, according to the University of Georgia’s “Economic Outlook 2012” released in January.

“The bottom line is that the odds favor continued economic growth in 2012 for both Georgia and the U.S.,” said Jeffrey Humphreys, director of the Terry College of Business Selig Center for Economic Growth, in a recent interview with *The Atlanta Business Chronicle*. “But, and it’s a big but, the risk of recession is quite high and it’s higher in 2012 than it was in 2011.”

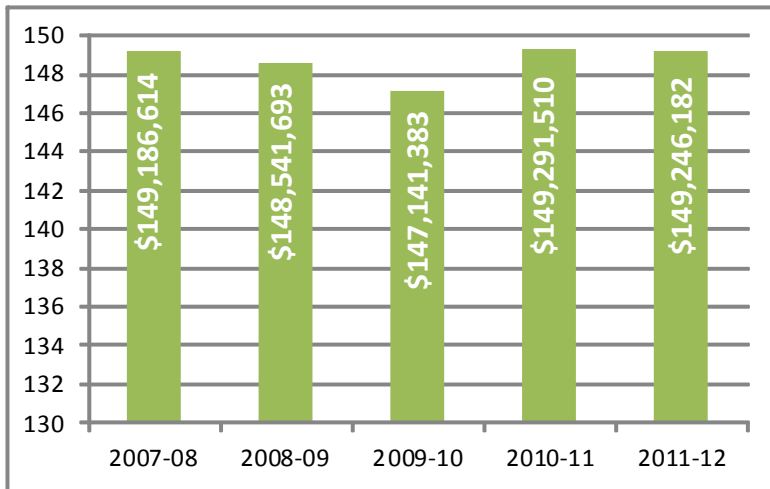
While the State is expected to meet its current budget projections for FY2012, Governor Nathan Deal in February reduced the State revenue estimate for the year by \$47 Million.



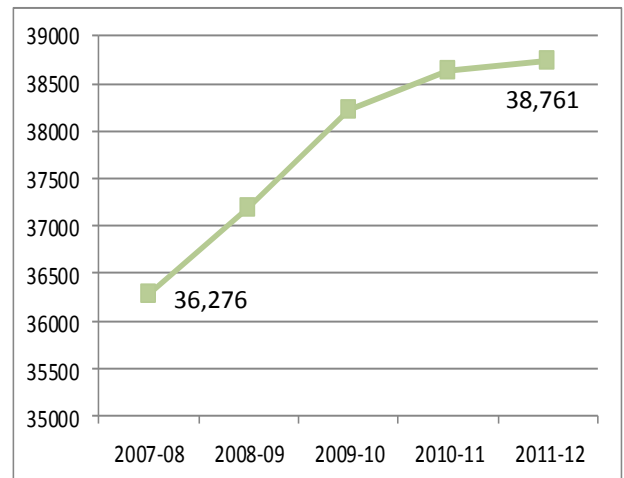
State Funding Snapshot: Flat to Declining

State funding for CCSD has been flat to declining the last five 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 increasing “austerity budget cuts” (which were applied even in years of substantial economic growth) . . . removing \$121 Million in earned State funds from the CCSD budget over the last 10 years.

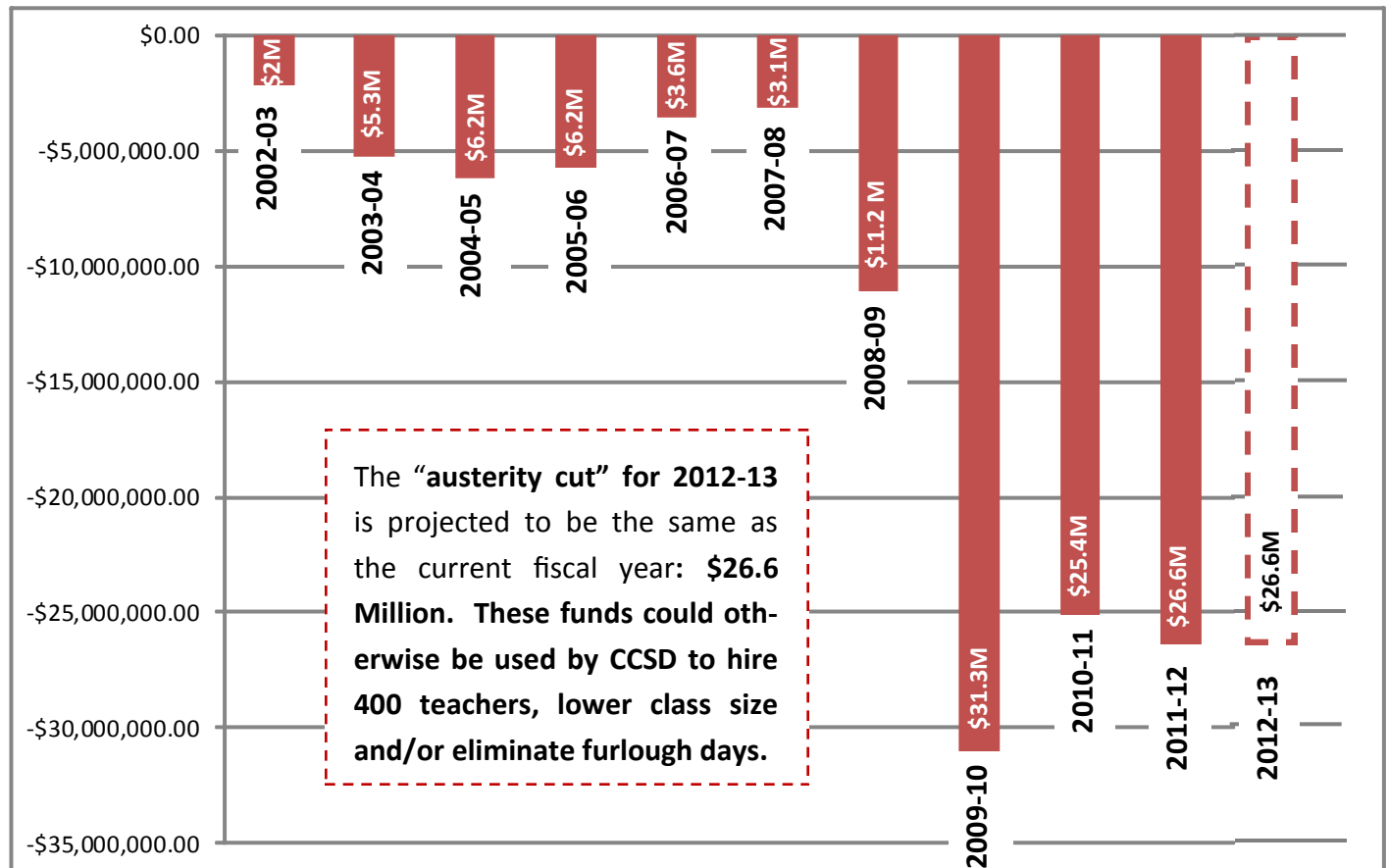
State Funding: 2008-2012



Student Enrollment: 2008-2012

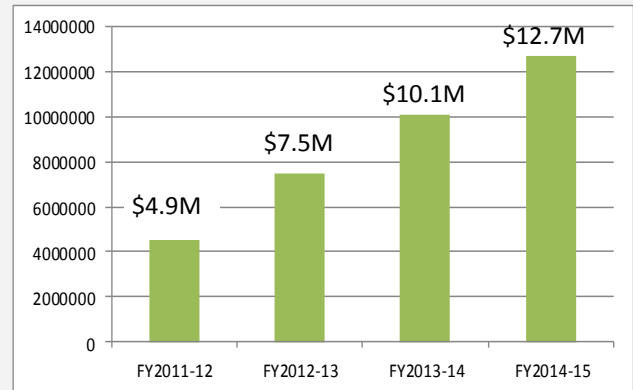


State “Austerity Reductions” to QBE Earnings in Cherokee



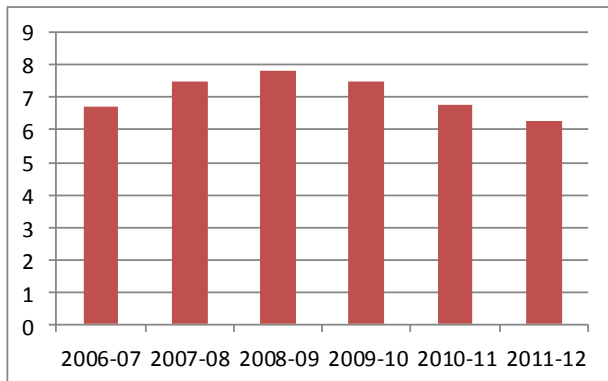
State Health Insurance Costs Skyrocketing

CCSD insurance costs for non-certified employees are expected to more than double, from \$4.9 Million in the current fiscal year 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 covering more than 650,000 State employees. The increased cost to CCSD for 2012-13 is \$2.6 Million.



Despite Student Growth, Local Tax Digest and School Revenue Decline

The property tax digest in Cherokee County is now below 2006 levels, while the School District has 5,000 additional students to educate. The digest is the value of all property in the County, to which the millage rate is applied to generate critically needed local funding for schools . . . therefore, adding to the budget shortfall each year.

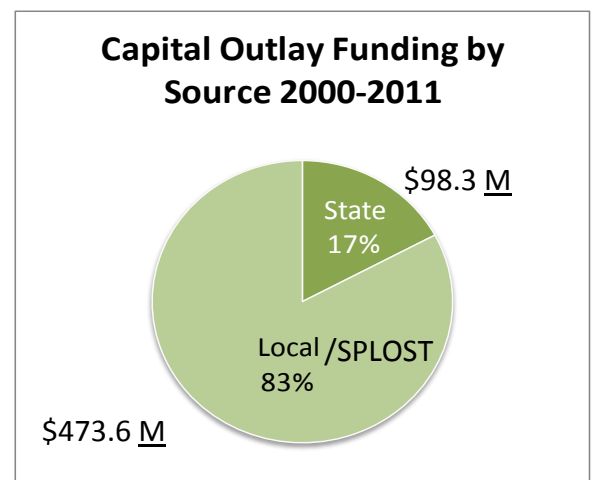


Year	Digest Value	Change
2011-12	\$6,335,966,361	- 7.3%
2010-11	\$6,802,290,275	- 5.0%
2009-10	\$7,532,616,212	- 3.8%
2008-09	\$7,825,035,212	3.7%
2007-08	\$7,542,996,487	12.0%
2006-07	\$6,707,555,867	10.6%

Capital Outlay Funding

CCSD has only received \$98.3 Million in Capital Outlay funds from the State over the last 11 years (during which time CCSD added 10,000 additional students and 29 new schools and major renovations to accommodate student population growth). This represents only 17% of the total Capital Outlay funds expended by CCSD in order to build schools and additions, renovate facilities and purchase and maintain technology. 83% of the Capital Outlay funds expended over the last 11 years has been local/Education SPLOST funding.

Currently, there is legislation pending in the General Assembly that would eliminate CCSD's Fast Growth funding for school construction and redistribute these funds under an Entitlement formula open to all school systems in Georgia, not just those with exceptional student population growth.



By the Numbers

People often compare CCSD to surrounding school districts on various measures— whether it is test scores or tax rates. **Here is a look at how Cherokee County compares to the two neighboring counties it is most frequently compared with on a number of measures that significantly affect the budget and revenue generated from local sources** (such as population, tax digest, commercial property, business base, percent of tax-exempt senior citizens and other factors). Data is derived from school districts, Georgia Department of Revenue and the 2010 U. S. Census.

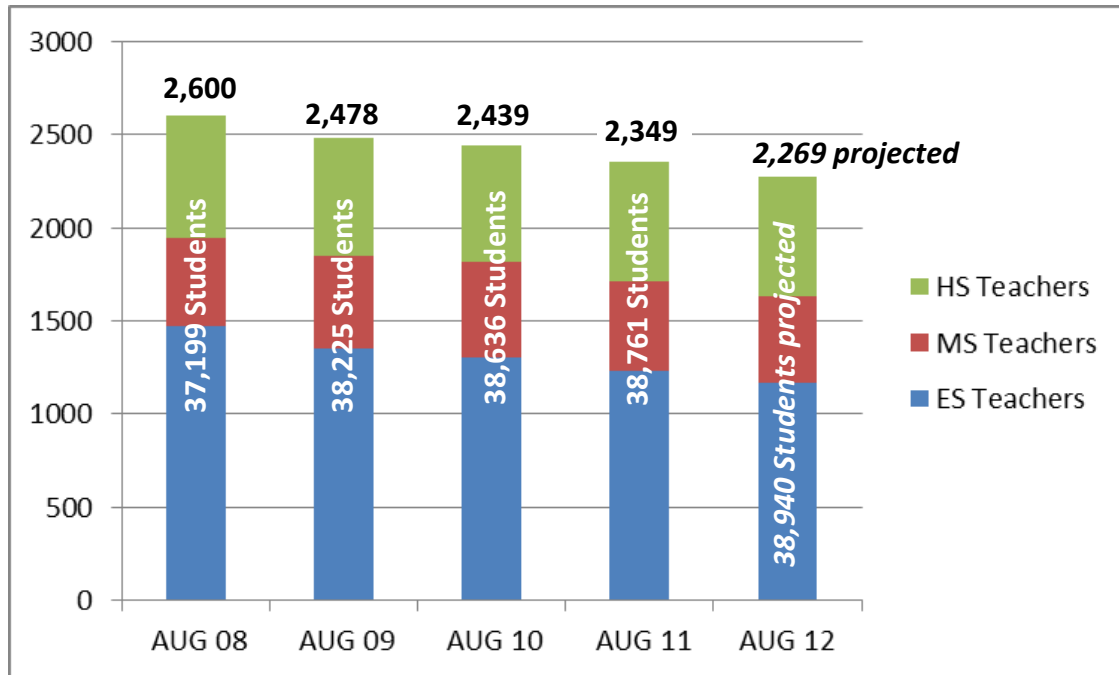
	<u>CHEROKEE</u>	<u>COBB</u>	<u>FORSYTH</u>
Student Population 2012	38,774	107,291	37,262
County Population 2010	214,346	688,078	175,511
% Population Under Age 18	27.5%	25.6%	30.4%
% Population Over Age 65	9.2%	8.7%	8.9%
Free/Reduced Lunch	31.03%	44.02%	19.16%
Area in Square Miles	421.67	339.55	224.02
Net Digest Value	\$6,797,619,400	\$21,255,419,607	\$8,537,010,410
Expected Tax Digest Decrease	-10%	-9.5%	-4%
2010 Building Permits	549	1,013	1,125
2007 Retail Sales	\$2,114,906,000	\$10,480,711,000	\$1,960,919,000
2007 Registered Businesses	22,959	77,945	19,448

OBSERVATIONS

- Cherokee County has a higher percentage of senior citizens. . . nearly all of whom are exempt from school taxes.
- Forsyth County has half the land area of Cherokee; but its digest value is significantly higher.
- Cobb County has a slightly smaller land area than Cherokee; but, significant commercial development gives Cobb a much higher digest value and more fiscal stability over time.
- While Cobb and Cherokee have seen a similar tax digest decrease this year, Forsyth's decrease is less than half of that being experienced by Cherokee.
- Forsyth and Cobb are continuing to experience growth, as noted by the number of building permits (twice the number in Cherokee).
- Cherokee has almost as much land in agricultural use as it has in commercial use.
- While Forsyth has a larger residential base, it has not lost value as rapidly as Cobb and Cherokee; also, Forsyth has a substantial industrial base as one of its top five property classifications.

CCSD Teachers

Since 86% of CCSD 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. **Over the last four years, CCSD has reduced its number of teachers from 2,600 to 2,349 . . . while student population has increased.**



Why Furlough Days?

Many school districts are utilizing furlough days (days off without pay) to deal with shortfalls in State and Local revenue. Some have asked why furlough days are preferred to across-the-board pay cuts?

- Furlough days are pay cuts: School District operating expenses are reduced as a direct result of employees receiving less pay.
- The School District also realizes some cost savings (e.g., transportation, utilities) when schools and offices are closed as a result of furlough days.
- Furloughs are proportional pay cuts in that lower-paid employees lose less salary for each day and higher-paid employees lose more.
- Furlough days do not affect base salary amounts used by the State to calculate retirement benefits; whereas pay cuts would adversely impact those calculations and negatively affect employees for as many years as they receive retirement benefits.

1 Furlough Day
for all employees
= \$1.1 Million
Salary Reduction

How might furlough days be replaced? **For each furlough day to be eliminated, \$1.1 Million in additional revenue must be identified/restored or cut from other areas of the budget. Four furlough days this year is equal to \$4.4 Million that would need to be restored or cut elsewhere.**