

**ORANGE COUNTY
BOARD OF EDUCATION**

AGENDA ITEM ABSTRACT

Meeting Date: September 24, 2012

AGENDA ITEM No. 12-09-(2)-16

ACTION ITEM: (Y/N) N

SUBJECT: 2012-2013 Budget Discussion

INFO. CONTACT: G. Patrick Rhodes/Donna Brinkley **PHONE:** 919-732-8126

ATTACHMENTS:

1. Comparison 2011-2012 Original Budget to 2012-2013 Proposed Budget (spreadsheet).
2. History of Fund Balance.
3. FY 2011-2012 Budget Considerations (Approved April 16, 2012).
4. FY 2012-2013 Additional Budget Considerations (spreadsheet).

PURPOSE: The purpose of this agenda item is to provide the Board of Education an opportunity to review and discuss the 2012-2013 operating budget.

BACKGROUND: The 2012-2013 budget was discussed during the August 13 and September 10 board meetings. On September 10, the board reviewed and discussed recommendations by the budget subcommittee. These additional budget considerations would require an appropriation of \$1.5 million from the board's fund balance reserves. A list of additional budget considerations which were reviewed is included. Attachment #2 shows the Orange County Schools history of Fund Balance.

The board is scheduled to adopt the FY 2012-2013 budget during its October 8 meeting.

FINANCIAL IMPACT: See attachments for more detail on the financial impact.

Operational appropriations for 2012-2013:

	<u>Appropriation</u>	<u>Increase/Decrease</u>
State	\$ 38,995,483	\$ 629,811
Local	24,021,695	952,121
Federal	<u>4,193,020</u>	<u>(1,541,201)</u>
TOTAL	\$ 67,210,198	\$ 40,731

The total appropriation above does not include Board of Education approved appropriated fund balance of \$1.4 million. State mandated cost increases for all funds for 2012-2013 include:

\$ 700,000	1.2% salary increase (includes benefits)
500,000	Retirement rate increase from 13.12% to 14.23%
<u>235,000</u>	Hospitalization Insurance increase of \$261 per employee
\$1,435,000	

RECOMMENDATION: The Superintendent recommends the Board of Education discuss the 2012-2013 budget and provide direction to staff.

Comparison of 2011-12 Original Budget to 2012-13 Proposed Budget

		2011-12 Original Approved Budget					2012-13 Original Approved Budget									
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
		Local	Federal	BEFORE REVERSION State Information Only	AFTER REVERSION State	Total District Budget (Column C + Column D + Column F)	Local Budget Presented to BoCC Information/Comp arison Only	Local	Federal	BEFORE REVERSION State Information Only	AFTER REVERSION State	Total District Budget (Column L + Column M + Column O)	2012-13 Over (Under) 2011-12 Total Budget (Column Q minus Column H)			
	REVENUES															
1	Appropriation	\$23,069,574	\$5,734,223	\$40,642,275	\$38,365,672	\$67,169,469	\$25,376,758	\$24,021,695	\$4,193,021	\$41,121,991	\$38,995,483	\$67,210,199	40,730			
2	Appropriation - Health	\$494,000	\$0	\$0	\$0	\$494,000	\$494,000	\$494,000	\$0	\$0	\$0	\$494,000	0			
3	Fines & Forfeitures	\$222,399	\$0	\$0	\$0	\$222,399	\$218,000	\$218,000	\$0	\$0	\$0	\$218,000	(4,399)			
4	Interest	\$33,300	\$0	\$0	\$0	\$33,300	\$40,000	\$66,000	\$0	\$0	\$0	\$66,000	32,700			
5	State Fund Source Efficiency Conversion	\$0	\$0	\$0	\$0	\$0	\$700,000	\$200,000	\$0	\$0	\$0	\$200,000	200,000			
6	Fund Balance - Carryover	\$170,582	\$0	\$0	\$0	\$170,582	\$0	\$0	\$0	\$0	\$0	\$0	(170,582)			
7	Fund Balance	\$0	\$0	\$0	\$0	\$0	\$1,431,698	\$1,639,651	\$0	\$0	\$0	\$1,639,651	1,639,651			
8	Total	\$23,989,855	\$5,734,223	\$40,642,275	\$38,365,672	\$68,089,750	\$28,260,456	\$26,639,346	\$4,193,021	\$41,121,991	\$38,995,483	\$69,827,850	1,738,100			
9																
10																
11	EXPENSES															
12	PRC 001 Regular Classroom Teachers	\$6,473,880		\$21,304,258		** \$6,473,880	\$10,222,895	\$9,529,650		\$21,182,427		** \$9,529,650	3,055,770			
13	PRC 002 Central Office Administration	\$1,153,714		\$681,937		\$1,153,714	\$1,153,714	\$972,160		\$699,642		\$972,160	(181,554)			
14	PRC 003 Non-Instructional Support	\$3,940,308		\$1,670,377		\$3,940,308	\$3,186,240	\$3,224,475		\$1,734,314		\$3,224,475	(715,833)			
15	PRC 005 School Building Administration	\$1,074,881		\$1,864,500		*** \$1,074,881	\$1,074,881	\$839,798		\$1,546,057		*** \$839,798	(235,083)			
16	PRC 007 Instructional Support	\$846,689		\$2,330,160		** \$846,689	\$1,941,303	\$1,871,396		\$2,347,695		** \$1,871,396	1,024,707			
17	PRC 009 Non-Contributory Benefits	\$380,086		\$0		\$380,086	\$421,727	\$380,086		\$0		\$380,086	0			
18	PRC 008 Total Dollars for K-3 Teachers	\$0		\$0		\$0	\$0	\$0		\$0		\$0	0			
19	PRC 012 Driver's Education	\$0		\$143,826		\$0	\$0	\$0		\$142,796		\$0	0			
20	PRC 013 Career and Technical Education MOEs	\$0		\$2,177,590		*** \$0	\$0	\$0		\$2,164,708		*** \$0	0			
21	PRC 014 Career and Technical Education/ Prog. Supp.	\$4,248		\$105,737		\$4,248	\$4,248	\$4,248		\$105,783		\$4,248	0			
22	PRC 015 School Technology Fund	\$0		\$0		* \$0	\$0	\$0		\$0		\$0	0			
23	PRC 024 Disadvantaged Students Supplemental Fund	\$0		\$213,253		\$0	\$0	\$0		\$218,459		\$0	0			
24	PRC 027 Teacher Assistants K-3	\$739,883		\$2,504,910		\$739,883	\$739,883	\$268,099		\$2,727,275		\$268,099	(471,784)			
25	PRC 029 Behavioral Support	\$0		\$0		* \$0	\$0	\$0		\$0		\$0	0			
26	PRC 032 Exceptional Children	\$418,029		\$3,507,628		\$418,029	\$427,813	\$432,947		\$3,712,953		\$432,947	14,918			
27	PRC 034 Academically Gifted Program	\$320,828		\$352,543		\$320,828	\$344,034	\$348,162		\$366,184		\$348,162	27,334			
28	PRC 036 Transfer to Charter Schools	\$850,000		\$0		\$850,000	\$960,058	\$960,058		\$0		\$960,058	110,058			
29	PRC 054 English as a Second Language Program	\$115,511		\$321,003		\$115,511	\$150,013	\$151,813		\$358,976		\$151,813	36,302			
30	PRC 056 Transportation	\$942,262		\$2,060,086		\$942,262	\$912,262	\$712,262		\$2,168,937		\$712,262	(230,000)			
31	PRC 061 Instructional Supplies	\$171,392		\$242,062		\$171,392	\$171,392	\$171,392		\$249,387		\$171,392	0			
32	PRC 063 Developmental Day	\$0		\$0		* \$0	\$0	\$0		\$0		\$0	0			
33	PRC 066 Assistant Principal Interns	\$0		\$0		* \$0	\$0	\$0		\$0		\$0	0			
34	PRC 067 Assistant Principal Interns-MSA	\$0		\$0		* \$0	\$0	\$0		\$0		\$0	0			
35	PRC 069 At Risk Student Services	\$186,000		\$1,054,658		\$186,000	\$186,000	\$186,000		\$1,290,616		\$186,000	0			
36	PRC 073 School Connectivity	\$0		\$0		* \$0	\$0	\$0		\$0		\$0	0			
37	PRC 096 Special Position Allotment/Loan to DPI	\$0		\$0		* \$0	\$0	\$0		\$0		\$0	0			
38	PRC 130 Textbooks	\$0		\$107,747		\$0	\$0	\$0		\$105,782		\$0	0			
39	PRC 103 Literacy Support	\$43,737		\$0		\$43,737	\$43,737	\$43,737		\$0		\$43,737	0			
40	PRC 509 HCS Study Grant	\$2,101		\$0		\$2,101	\$0	\$0		\$0		\$0	(2,101)			

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		2011-12 Original Approved Budget					2012-13 Original Approved Budget						
		Local	Federal	BEFORE REVERSION State Information Only	AFTER REVERSION State	Total District Budget (Column C + Column D + Column F)	Local Budget Presented to BoCC Information/Comparison Only	Local	Federal	BEFORE REVERSION State Information Only	AFTER REVERSION State	Total District Budget (Column L + Column M + Column O)	2012-13 Over (Under) 2011-12 Total Budget (Column Q minus Column H)
41	PRC 513	OHS Project House	\$145,395		\$0	\$145,395	\$0	\$0		\$0		\$0	(145,395)
42	PRC 701	After School Program (Middle School)	\$125,000		\$0	\$125,000	\$125,000	\$125,000		\$0		\$125,000	0
43	PRC 706	Non-Yellow Bus	\$10,000		\$0	\$10,000	\$10,000	\$10,000		\$0		\$10,000	0
44	PRC 801	Curricular Services	\$494,010		\$0	\$494,010	\$494,010	\$494,010		\$0		\$494,010	0
45	PRC 802	Operation of Plant	\$3,579,130		\$0	\$3,579,130	\$3,692,041	\$3,692,041		\$0		\$3,692,041	112,911
46	PRC 803	Human Resources	\$95,252		\$0	\$95,252	\$96,752	\$96,752		\$0		\$96,752	1,500
47	PRC 804	Financial Services	\$405,967		\$0	\$405,967	\$405,967	\$405,967		\$0		\$405,967	0
48	PRC 805	Support Services	\$9,863		\$0	\$9,863	\$9,863	\$10,000		\$0		\$10,000	137
49	PRC 840	DSS Family Social Workers	\$354,000		\$0	\$354,000	\$354,000	\$354,000		\$0		\$354,000	0
50	PRC 850	Project Graduation	\$12,000		\$0	\$12,000	\$12,000	\$12,000		\$0		\$12,000	0
51	PRC 851	Cultural Arts	\$47,803		\$0	\$47,803	\$48,667	\$49,050		\$0		\$49,050	1,247
52	PRC 854	Band	\$63,940		\$0	\$63,940	\$63,940	\$63,940		\$0		\$63,940	0
53	PRC 860	Athletics	\$611,013		\$0	\$611,013	\$622,714	\$627,600		\$0		\$627,600	16,587
54	PRC 861	Co-Curricular Clubs	\$48,579		\$0	\$48,579	\$49,406	\$49,750		\$0		\$49,750	1,171
55	PRC 890	Board of Education	\$221,783		\$0	\$221,783	\$51,276	\$52,000		\$0		\$52,000	(169,783)
56	PRC 891	Executive Administration	\$26,000		\$0	\$26,000	\$26,000	\$26,000		\$0		\$26,000	0
57	PRC 892	Board and Administration Support	\$0		\$0	\$0	\$180,772	\$182,000		\$0		\$182,000	182,000
58	PRC 900	Public Relations	\$76,570		\$0	\$76,570	\$77,848	\$85,000		\$0		\$85,000	8,430
		Total	\$23,989,855		\$40,642,275	\$23,989,855	\$28,260,456	\$26,431,393		\$41,121,991		\$26,431,393	2,441,538

- * Not included in initial allotments
- ** Position Allotments
- *** Months of Employment

Fund Balance Projection:	
Fund Balance as of June 30, 2011 (Unassigned)	\$4,875,245
2011-12 Addition to Fund Balance	\$1,700,000 *
Projected Fund Balance as of June 30, 2012	\$6,575,245

Orange County Schools
Local Fund Balance History

A	B	C	D	E	F	G	H	I	J
		Actual 2006-07 (1)	Actual 2007-08 (1)	Actual 2008-09 (1)	Actual 2009-10 (1) (7)	Actual 2010-11 (1) (7)	Estimated 2011-12 (2) (7)	Projected 2012-13 (3) (7)	
1	Total Revenues	\$23,244,926	\$23,900,496	\$25,547,610	\$24,394,063	\$24,834,942	\$25,188,279	\$26,083,057	(8)
2	Total Expenditures	\$23,994,714	\$25,680,826	\$24,463,223	\$23,445,101	\$23,333,026	\$23,063,792	\$28,933,057	
3	Revenues Less Expenditures (Row 1 minus Row 2)	(\$749,788)	(\$1,780,330)	\$1,084,387	\$948,962	\$1,501,916	\$2,124,487	(\$2,850,000)	
4	Prior Year's Fund Balance	\$4,182,038	\$3,272,250	\$1,727,828	\$2,756,877	\$3,687,208	\$5,169,626	\$7,274,113	
5	Less Operating Transfers	(\$160,000)	(\$288,386)	(\$55,338)	(\$18,631)	(\$19,498)	(\$20,000)	(\$20,000)	
6	Less Capital Lease Obligations Issued	\$0	\$524,294	\$0	\$0	\$0	\$0	\$0	
7	Ending Fund Balance Total (Row 4 minus Rows 5 & 6)	\$3,272,250	\$1,727,828	\$2,756,877	\$3,687,208	\$5,169,626	\$7,274,113	\$4,404,113	
8	Fund Balance Reserved (4)	\$205,964	\$338,976	\$283,772	\$105,890	\$123,799	\$115,000	\$115,000	
9	Fund Balance Assigned to Next Year Budget	\$2,137,164	\$339,855	\$464,308	\$297,722	\$170,582	\$3,100,000	\$2,429,000	(6)
10	Unassigned Fund Balance (Row 7 minus Rows 8 & 9)	\$929,122	\$1,048,997	\$2,008,797	\$3,283,596	\$4,875,245	\$4,059,113	\$1,860,113	
11	Unassigned Fund Balance % of Local Budget (Row 10 divided by Row 2)	3.87%	4.08%	8.21%	14.01%	20.89%	17.60%	6.43%	
12	Unassigned Fund Balance Target 3% (Row 2 multiplied by 3%) (5)	\$719,841	\$770,425	\$733,897	\$703,353	\$699,991	\$691,914	\$867,992	

(1) Per year-end audit

(2) Unaudited

(3) Projected based on Board approved appropriations during fiscal year

(4) Receivables collected after June 30th are reserved by State statute

(5) Per Board Policy #8101, a joint fiscal policy developed by Orange County Local Government, CHCCS and OCS, "the targeted level of unassigned fund balance for cash flow purposes will be at a minimum of 3% of budgeted expenditures. As a point of reference, 1 month of OCS payroll liability totals \$5.3M.

(6) A detailed list of appropriations for 2011-12 and 2012-13 is included as Attachment 3 and 4 of this agenda item.

(7) Includes the Other Restricted Fund

(8) Fund Balance appropriated is not included

FY 2011-12 Budget Considerations (See Explanation/Description for more details)

Item	Mandatory (M) /Discretionary (D)	Explanation/Description	Additional Funding	Recurring/Non-Recurring
1 Loss of EduJobs Funding	D	Education Jobs Funding was specifically focused on providing school-level instructional staff by paying for 32 teachers and 1 teacher assistant. This appropriation was approved by the Board of Education in April 2012 and presented to the Board of County Commissioners.	\$1,400,000	R
2 Project House	D	Carry over of Project House revenues to 2012-13. See note below.	\$144,846	N
3 IWalk on the Eno	D	Carry over of IWalk on the Eno funding to 2012-13. See note below.	\$18,052	N
4 NC Pre-K	D	Carry over of NC Pre-K funding to 2012-13. See note below.	\$82,863	N
5 Other Miscellaneous Grants	D	Carry over of other miscellaneous grants (CIS After 3, HCS Study Grant, Biogen IDEC Grant) to 2012-13. See note below.	\$4,239	N
		TOTAL RECURRING FUNDING		\$ 1,400,000
		TOTAL NON-RECURRING FUNDING		\$ 250,000
		TOTAL	\$1,650,000	

Note: Items 2 thru 5 are carry over funds and reserved for these specific projects. They are not part of any new appropriation. These items are listed because they are an assigned part of fund balance.

FY 2012-13 Additional Budget Considerations

The list below contains items that were not part of the Board approved budget that was forwarded to Commissioners in April 2012. Instead, it offers a list of additional priority items that potentially could be funded by additional Fund Balance appropriations. This list is not in priority order.

	Item	Mandatory (M) /Discretionary (D)	Explanation/Description	Additional Funding	Recurring/Non- Recurring
1	Local Salary Increase of 1.2% (including benefits)	M	General Assembly awarded State employees a 1.2% salary increase for 2012-13. This recommendation funds the same increase for locally paid employees.	\$185,000	R
2	Restore Funding for Media Assistant Positions/Reclassify as tech support position.	M	The 1:1 Initiative promulgated the need for additional staff to trouble shoot and <i>provide tech support help</i> . As a remedy to this need, the Board approved a plan on August 13, 2012 to restore funding for 5 technology assistants in the district .	\$135,000	R
3	Restore Internal Control/Audit Functions	D	There is a need for fiscal internal control <i>of all aspects of school system finances</i> . This level of funding would incorporate salary for 1.0 FTE Internal Auditor and contractual services for audits of quasi-school functions such as Booster Clubs.	\$75,000	R
4	Restore Assistant Principal Months of Employment to 11	D	In order to comply with State discretionary funding reductions in 2011-12, months of employment for Assistant Principals at all levels were reduced from 11 or 12 months to 10 months. After assessing this staffing scenario at the end of the first year, the Superintendent recommends that funding be increased to return to 11 months of employment. This recommendation is based on principal feedback and school level needs. Maximum flexibility will be given to principals as to how this month will be scheduled to best meet school needs.	\$18,182	R
5	One-Time Employee Bonus	D	Aside from the 1.2% increase awarded to employees by the General Assembly in June 2012, the most recent salary increase received by employees was in 2008. In addition, employees have witnessed health insurance increases in premiums, co-pays and increased inflation. This proposal would award a one-time (non-recurring) bonus of \$500 for all employees of the District (regardless of their funding source), recommended to be paid the first week of January 2013, .	\$644,000	N

6	Exceptional Children	D	Historically, the Exceptional Children's Program has needed additional support through local funding to ensure that students with disabilities were served appropriately. The financial needs of the program can greatly vary depending upon specific needs of students as dictated by their IEPs. Some examples are a student with autism that needs his/her own individual teacher and teacher assistant, a medically fragile child that needs their own nurse, private evaluations, assistive technology needs, etc. The list of needs can never be anticipated and difficult to budget for. Additional dollars are needed to add to the local Exceptional Children's budget to help pay for possible unanticipated expenses.	\$110,000	R
7	Efland Cheeks Refocus Initiative	D	Efland-Cheeks Elementary School during the 2011-2012 school year began exploring potential initiatives to improve their school's culturally diverse student achievement. They chose the focus to develop leadership skills in their students using The Seven Habits of Successful Students as their framework. The Board of Education approved the concept Spring of 2012. First year costs are \$42,000.00.	\$42,000	One Time Startup Cost
8	STEM Initiative Support	D	One of the Board of Education goals is to strengthen STEM initiatives K-12. These dollars will be used to continue to support EiE at Central Elementary, math and science initiatives, i.e. materials and supplies for Discovery Ed., etc.	\$60,000	R
9	AIG/Rigor Support	D	These dollars will be spent to provide focused training to AIG teachers at the elementary/secondary levels and to send high school teachers to AP/IB trainings throughout the year.	\$50,000	R
10	Legal Expense Increase	D	This is an adjustment to reflect actual expenditures.	\$20,000	R
11	H.R. Recognitions and Contracted Services	D	Additional funding to support staff recognition programs, new teacher support, and digitizing files.	\$14,000	R
12	Testing Program Support	D	These dollars will be used to pay for reorganizing the existing testing staff to create a testing coordinator position and to employ an office support position. Other costs included in this amount are the unfunded mandate of printing and shredding the newly created Measures of Student Learning.	\$45,000	R
13	Employee Wellness	D	Funding to be provided to support employee wellness activities.	\$10,000	R
14	Driver's Ed. Vehicle Replacement	D	Due to state cuts to driver education, this appropriation is needed to provide vehicle replacement.	\$25,000	N
15	Weekend Technical Support	D	Provide weekend technical support service to students. (Local)	\$16,818	R
			TOTAL RECURRING FUNDING		\$779,000
			TOTAL NON-RECURRING FUNDING		\$671,000
			TOTAL	\$1,450,000	

2011-12 BUDGET CONSIDERATIONS	\$ 1,650,000
2012-13 BUDGET CONSIDERATIONS	\$ 1,450,000
TOTAL CONSIDERATIONS FOR 2012-13 BUDGET	\$ 3,100,000