

ORANGE COUNTY
BOARD OF EDUCATION

AGENDA ITEM ABSTRACT

Meeting Date: August 13, 2012

AGENDA ITEM No. 12-08-12

ACTION ITEM: (Y/N) N

SUBJECT: Budget Update

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- ATTACHMENTS:
1. State budget allotment comparison.
 2. Local budget appropriation comparison.
 3. Federal planning allotments.
 4. Fund balance information.
 5. School District Local Current Expense Fund Balance Policy #8101.
 5. Health insurance comparisons/2 year employee increase.

PURPOSE: The purpose of this agenda item is to provide the board an opportunity to discuss the most up-to-date operating budget information.

BACKGROUND: Orange County Schools receives operational funding from three major sources. These revenue sources are state appropriations, local county appropriations and federal appropriations. Other smaller revenue sources such as grants, fees, interest and fines and forfeitures are not included in this update but are included in the complete budget which will be presented in September.

For the upcoming school year, enrollment is projected to increase by 148 students and this provides increases in state and local funding. The final state budget was approved on July 2, 2012 by a veto override vote. OCS allotments for 2012-2013 show the district receiving \$ 38,995,483 in state funding. This is up from \$38,365,672 as compared to 2011-2012. A more detailed categorical comparison is attached.

The Orange County Board of County Commissioners (BOCC) provided an increase in the per-pupil appropriation of \$65.00. The total county appropriation for 2012-2013 is \$24,021,695. This represents an overall increase of \$952,121.

Federal funding planning allotments and carryover are \$4,193,021 which is a decrease of \$1,541,202 over the previous year.

The board's unassigned fund balance revenues as of June 30, 2011 total \$4,875,245. For the 2012-2013 budget the board has appropriated \$1.4 million of these revenues to help offset loss of federal EduJobs funding and the elimination of the foreign language assistance program. The increase in county appropriations allows the board to offset federal funding declines and maintain elementary Spanish instruction and middle school French. Both of these programs were federally funded.

Finance office staff is projecting an increase in fund balance contributions of \$1.7 million. Attached is a more detailed analysis of fund balance.

The board's fund balance policy #8101 requires the board develop a plan for applying excess fund balance and provide that plan to the BOCC. Staff is seeking board direction in the development of that plan.

FINANCIAL IMPACT: Categorical appropriations for 2012-2013:

	<u>Appropriation</u>	<u>Increase/Decrease</u>
State	\$38,995,483	\$629,811
Local	\$24,021,695	\$952,121
Federal	\$4,193,020.67	(\$1,541,201.98)

RECOMMENDATION: The Superintendent recommends the Board of Education discuss the information presented and provide direction to staff.

State Budget Allotment Comparison for FY 11-12 and FY 12-13

	<u>PRC</u>	<u>2011-12 Allotments After Reversions</u>	<u>2012-13 Allotments After Proposed Reversions</u>	<u>Increase/ Decrease from 11-12</u>
Classroom Teachers	001	\$ 20,047,987 * 323.64 positions	\$ 19,194,931 * 320.24 positions	\$ (853,056) ** -3.4 positions
Central Office Administration	002	678,937	699,626	20,689
Non-Instructional Support	003	1,537,082	1,707,396	170,314
School Building Administration	005	1,864,500 * 230 months	1,546,057 * 231 months	(318,443) ** 1 month
Instructional Support	007	2,264,790 * 33.96 positions	2,339,785 * 34.88 positions	74,995 ** .92 positions
Driver's Education	012	143,826	142,796	(1,030)
CTE - Months of Employment	013	2,102,312 * 352.1 months	2,086,050 * 350.77 months	(16,262) ** -1.33 months
CTE - Program Support	014	102,898	105,426	2,528
	024	213,253	218,459	5,206
Teacher Assistants	027	1,780,024	2,718,086	938,062
Children with Special Needs	032	3,507,628	3,712,953	205,325
Academically Gifted	034	351,670	364,950	13,280
Limited English	054	321,003	358,976	37,973
Transportation	056	2,053,559	2,159,753	106,194
Instructional Supplies	061	241,463	248,547	7,084
At-Risk	069	1,052,047	1,286,267	234,220
Textbooks	130	102,693	105,425	2,732
		<u>\$ 38,365,672</u>	<u>\$ 38,995,483</u>	<u>\$ 629,811</u>

*The allotment after reduction is calculated based on OCS's average salary for positions and months of employment.

**The dollar increases/decreases include adjustments for the increase in benefits and the 1.2% salary increase and do not equate to the appropriate increase/decrease in positions or MOEs.

Local Budget Appropriation Comparison

	<u>2011-12</u>	<u>2012-13</u>	<u>Increase/ (Decrease)</u>
NC DPI Certified Students	7,272	7,420	148
Less: Out-of-District	-89	-89	0
Plus: Charter School Students	254	254	0
Total BOCC Projection	<u>7,437</u>	<u>7,585</u>	<u>148</u>
Per Pupil Allocation	\$ 3,102	\$ 3,167	\$ 65
Total County Appropriation	<u>\$ 23,069,574</u>	<u>\$ 24,021,695</u>	<u>\$ 952,121</u>

Federal Budget Planning Allotment Plus Carryover Comparison for FY 11-12 and FY 12-13

		Federal Planning Allotments & Carryover <u>2011-12</u>	Federal Planning Allotments & Carryover <u>2012-13</u>	Increase/ (Decrease) from 11-12
CTE Program Improvement	PRC 017	\$67,928.00	\$82,134.00	\$14,206.00
CTE Federal Tech Prep	PRC 023	17,184.97	990.59	(16,194.38)
Education for Homeless Children	PRC 026	-	40.10	40.10
IDEA VI-B Capacity Bldg. & Improvement	PRC 044	30,479.13	-	(30,479.13)
Safe & Drug Free Schools	PRC 048	269.85	-	(269.85)
IDEA Pre-School Handicapped	PRC 049	52,713.55	49,534.00	(3,179.55)
ESEA - Title 1 - Basic Program	PRC 050	911,566.65	1,501,068.30	589,501.65
IDEA VI-B Handicapped	PRC 060	2,628,190.79	2,126,578.72	(501,612.07)
Title II - Improving Teacher Quality	PRC 103	209,379.00	278,226.54	68,847.54
Title III - Language Acquisition	PRC 104	59,586.91	62,634.22	3,047.31
ESEA - Title I - School Improvement	PRC 105	45,013.10	-	(45,013.10)
Educational Technology	PRC 107	56.86	-	(56.86)
Title III - Language Acquisition - Significant Increase	PRC 111	18,109.09	8,465.09	(9,644.00)
IDEA VI-B Special Needs - Targeted Assistance	PRC 118	20,984.25	16,471.92	(4,512.33)
IDEA Targeted Assistance for Pre-School	PRC 119	9,998.94	-	(9,998.94)
ARRA - Title I	PRC 141	18,514.32	175.39	(18,338.93)
ARRA - IDEA Pre-School	PRC 145	164.32	-	(164.32)
ARRA - Education Technology	PRC 146	1,160.11	-	(1,160.11)
Education Jobs Fund	PRC 155	1,383,856.04	-	(1,383,856.04)
ARRA - Race to the Top	PRC 156	259,066.77	66,701.80	(192,364.97)
		<u>\$5,734,222.65</u>	<u>\$4,193,020.67</u>	<u>(\$1,541,201.98)</u>

Fund Balance Projections

	<u>Unassigned Fund Balance</u>	<u>Budgeted Expenditures</u>	<u>Fund Balance %</u>
6/30/2011 (Audited)	\$4,875,245	\$25,287,217 *	19.28%
Projected Additions	\$1,700,000		
Fund Balance Appr. 2012-13	(\$1,400,000)		
6/30/2012 (Projection)	\$5,175,245	\$26,341,577 *	19.65%

* Includes Local Current Expense and Other Restricted Funds

6/30/13 Scenarios Based on Appropriation Levels

Spending \$500,000 of Fund Balance in 2012-13	17.75%
Spending \$750,000 of Fund Balance in 2012-13	16.80%
Spending \$1,000,000 of Fund Balance in 2012-13	15.85%
Spending \$1,250,000 of Fund Balance in 2012-13	14.90%
Spending \$1,400,000 of Fund Balance in 2012-13	14.33%

Note: 2012-13 scenarios assume same level of expenditures as 2011-12 budget.

Board Policy 8108 - School Fund Balance - states in section 3.1.2
"The targeted level of undesignated fund balance for cash flow
purposes will be at a minimum of 3 percent of budget expenditures."

**SCHOOL DISTRICTS LOCAL
CURRENT EXPENSE FUND
BALANCE**

Date Reviewed/Approved: 11/17/2008 Policy Number: 8101

Rescinds Policy Number:

Issued:

1. Guidelines

The School Budget and Fiscal Control Act (SBFCA) establishes accounting, budgetary and fiscal control guidelines for School Systems. The SBFCA is codified in G.S. Chapter 115C, Article 31, beginning at G.S. 115C-422. This act parallels the statutes established for Local Government with a few exceptions.

2. Definitions

2.1. Total Fund Balance – The difference between a school system’s total assets and its total liabilities at the end of the fiscal year.

2.2. Fund Balance Available for Appropriation – The sum of a school system’s assets held in cash and investments minus the sum of the school system’s liabilities and encumbrances at the end of the fiscal year as outlined in G.S. 115C-425 of the SBFCA.

2.3. Designated Fund Balance – The amount of the available fund balance that has been appropriated for the budget year through budgetary action of the School Board.

2.4. Undesignated Fund Balance - The difference between Fund Balance Available for Appropriation and Designated Fund Balance.

3. Policy

3.1. Fund Balance for Cash Flow Purposes – Each school district will make a good faith effort to maintain a level of undesignated fund balance that will ensure sufficient funds are available to address its cash flow needs. The following levels are to be maintained for cash flow purposes only:

3.1.1. Chapel Hill Carrboro City Schools - The targeted level of undesignated fund balance for cash flow purposes will be at a minimum of 5.5 percent of budgeted expenditures.

3.1.2. Orange County Schools – The targeted level of undesignated fund balance for cash flow purposes will be at a minimum of 3 percent of budgeted expenditures.

3.2. Accumulated Fund Balance Above Cash Flow Purposes - In the event that either school district accumulates more than the percentage amounts allowed for cash flow purposes, the respective Boards of Education will develop a plan in place for spending the accumulated fund balance surplus for non-recurring purposes. The Board of Education will share that plan with the Board of County Commissioners.

3.3. Fund Balance Appropriation Occurring Outside the Normal Annual Budgeting Process – Appropriation of fund balance is a budgetary action that rests with elected bodies of each school system. It is highly desired that fund balance appropriations be limited to non-recurring expenses. Both school districts have historically appropriated fund balance as a part of their normal budgeting process, and this practice will remain until additional revenue is available to eliminate the use of fund balance. The Board of Education should note and explain significant deviations in the normal budgetary appropriation as a part of the budget narrative accompanying the recommended and adopted budgets. If the Board of Education finds it necessary

to appropriate fund balance, outside the normal annual budgeting process, the Board of Education shall highlight the appropriation in their next fiscal year's budget request.

The County Commissioners are not obligated to increase local current expense in order to fund recurring items for which the Board of Education appropriates fund balance outside of the normal budgeting process.

4. Undesignated Fund Balance

Undesignated fund balance may be allowed to accumulate above the cash flow percentages under certain circumstances. School Boards will develop a detailed plan for future use of accumulated fund balance. Boards of Education are to use undesignated fund balance to address unforeseen events or opportunities. In these instances, it is the responsibility of the Board of Commissioners to work with the School Boards to address the extraordinary issues.

5. Extraordinary Emergency Needs

There may arise a time in the future when one or both school district(s) experience(s) an unforeseen extraordinary uninsured event that greatly compromises how the district(s) serve(s) children. In such instances, there may be a need for the school district(s) to use some or all of its fund balance. In such instances, the Board(s) of Education is(are) to take appropriate action to correct the problem, and following necessary budgetary action by the Board of County Commissioners, the County will reimburse the School Board(s) for the necessary expenditures.

6. Policy Review

The School/County Collaboration Work Group shall review this policy every 18 months to determine if changes to the policy are necessary.

NORTH CAROLINA STATE HEALTH PLAN PPO

EMPLOYEE MONTHLY RATES FOR 12 MONTHS				
70/30 BASIC	2010/2011	2011/2012	2012/2013	2 YR. INCREASE
PREMIUMS				
EMPLOYEE	\$ -	\$ -	\$ -	\$ -
EMPLOYEE/CHILD(REN)	\$ 178.68	\$ 188.12	\$ 198.06	\$ 19.38
EMPLOYEE /SPOUSE	\$ 460.36	\$ 484.70	\$ 510.32	\$ 49.96
FAMILY	\$ 490.34	\$ 516.26	\$ 543.54	\$ 53.20
ANNUAL DEDUCTABLE				
INDIVIDUAL	\$ 800.00	\$ 933.00	\$ 933.00	\$ 133.00
FAMILY	\$ 2,400.00	\$ 2,799.00	\$ 2,799.00	\$ 399.00
CO-INSURANCE MAXIMUM				
INDIVIDUAL	\$ 3,250.00	\$ 3,793.00	\$ 3,793.00	\$ 543.00
FAMILY	\$ 9,750.00	\$ 11,379.00	\$ 11,379.00	\$ 1,629.00
80/20 STANDARD	2010/2011	2011/2012	2012/2013	2 YR. INCREASE
PREMIUMS				
EMPLOYEE	\$ -	\$ 21.62	\$ 22.76	\$ 22.76
EMPLOYEE/CHILD(REN)	\$ 237.62	\$ 271.80	\$ 286.16	\$ 48.54
EMPLOYEE /SPOUSE	\$ 547.48	\$ 598.04	\$ 629.64	\$ 82.16
FAMILY	\$ 580.44	\$ 632.74	\$ 666.18	\$ 85.74
ANNUAL DEDUCTABLE				
INDIVIDUAL	\$ 600.00	\$ 700.00	\$ 700.00	\$ 100.00
FAMILY	\$ 1,800.00	\$ 2,100.00	\$ 2,100.00	\$ 300.00
CO-INSURANCE MAXIMUM				
INDIVIDUAL	\$ 2,750.00	\$ 3,210.00	\$ 3,210.00	\$ 460.00
FAMILY	\$ 8,250.00	\$ 9,630.00	\$ 9,630.00	\$ 1,380.00