

ORANGE COUNTY
BOARD OF EDUCATION

AGENDA ITEM ABSTRACT

Meeting Date: April 9, 2012

AGENDA ITEM No. 12-04-09

ACTION ITEM: (Y/N) N

SUBJECT: 2012-2013 Local Current Expense Budget Work Session

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

ATTACHMENTS:

1. Budget Calendar.
2. Local Current Expense Fund Revenue Projection.
3. Local Operating Revenue and Expenditures.
4. Local Current Expense Budget by Program Report Code (PRC).
5. Superintendent's Budget Message – 2012-2013 (Revised 3/27/2012).

PURPOSE: The purpose of this item is to provide the Board of Education the opportunity to further discuss the 2012-2013 superintendent's proposed local current expense budget.

BACKGROUND: On March 19, 2012, the superintendent presented a recommended budget for Board of Education consideration. The local budget requests an increase in per pupil appropriation of \$220. Based on a county projected enrollment of 7,639 students, the total requested appropriation is \$25,376,758. Due to increased enrollment of 148 students and adjustments for out-of-district and charter school students, the overall appropriation increases by \$2,307,184. The presentation will also include proposed local operational revenue increases to include spending 1.479 million dollars of fund balance and applying \$700,000 in funding flexibility savings. Note: the recommended fund balance and flexible funding savings appropriation amounts have been modified since the March 19, 2012 meeting.

The Board of Education has conducted budget discussions and/or work sessions on January 3, January 17, February 6, February 20 and March 19, 2012. An additional work session is scheduled for April 9, 2012. As a result of massive state and federal budget cuts, the school system faces a total funding deficit of \$4,485,882.

To support the budget development process, the Board of Education established a budget subcommittee which consists of three board members, the superintendent, cabinet members, teachers, and principals.

The Board is scheduled to approve the superintendent's recommended local current expense budget on April 16, 2012. The budget is scheduled to be presented to the Board of County Commissioners on April 26, 2012 beginning at 7:00 p.m. at the Department of Social Services Building in Hillsborough.

FINANCIAL IMPACT: As proposed, the 2012-2013 local current expense budget will provide \$25,376,758 in revenue appropriations from the Board of County Commissioners. This represents an increase of \$2,307,184 over last year's local appropriation.

RECOMMENDATION: The Superintendent recommends the Board of Education discuss the proposed budget and provide suggested revisions as needed.

**Orange County Schools
Revised Budget Calendar
Fiscal Year 2012-2013**

OCS – Board Approval	February 6, 2012	OCS Board of Education review/approval of Fiscal Year 2012-17 Capital Investment Plan
OCS – FY 2012-2017 Capital Investment Plan	February 7, 2012	FY 2012-17 Capital Investment Plan due To Orange County Financial Services from Orange County Schools
BOCC – Capital Investment Plan	March 1, 2012	Manager presents 2012-2017 Capital Investment Plan to Board of County Commissioners. (Budget Work Session)
OCS – Budget Recommendation	March 19, 2012	Formal presentation made to Board of Education by the Superintendent on “Budget Recommendations”
OCS – Budget Consideration (Public Hearing)	April 9, 2012 6:00 P.M.	Public Hearing – Capital Funds Budget And Local Current Expense Budget
OCS – Work Session	April 9, 2012 7:00 P.M.	Board of Education participates in Budget Work session
OCS – Board Approval	April 16, 2012	Board of Education Adopts Local Current Expense Budget
BOCC – CIP Follow-up	April 19, 2012	Capital Investment Plan follow-up with BOCC. One hour allotted at regular work session
OCS – Budget Distribution	April 26, 2012	Budget due to County Commissioners From Orange County Schools
BOCC – Work Session	April 26, 2012	Boards of Education Fiscal Year 2012-13 Budget Presentations to BOCC @ Work Session
BOCC – Manager Presents	May 15, 2012	Manager presents Fiscal Year 2012-13 Annual Operating Budget to Board of County Commissioners
BOCC – Budget Consideration	May 17, 2012	Public Hearing – Orange County Budget and Capital Investment Plan Public Hearings
BOCC – Budget Consideration	May 22, 2012	Public Hearing – Orange County Budget and Capital Investment Plan Public Hearings
BOCC – Work Session Discussion of School Budgets	May 24, 2012	Board of County Commissioners Participates in Board of Education Budget Work Session
OCS – Continuation Budget Approval	June 18, 2012	Board of Education adopts Continuation Budget
BOCC – County Commissioners Adoption of Budget	June 19, 2012	County Commissioners adopt Fiscal Year 2012-13 Annual Operating Budget and 2012-17 Capital Investment Plan

ORANGE COUNTY SCHOOLS

2012-2013 Local Current Expense Fund Revenue Projections

Local Revenues	2010-2011	2010-2011	2011-2012	2011-2012	2012-2013
	Budget	Actual	Budget	Estimate	Recommended
County Appropriation	22,775,096	22,777,992	23,069,574	23,069,574	25,376,758
Special District Tax (CHCCS only)	N/A	N/A	N/A	N/A	N/A
Prior Year Special District Tax	N/A	N/A	N/A	N/A	N/A
Fair Funding	494,000	494,000	494,000	494,000	494,000
Fines and Forfeitures	215,358	242,987	222,399	222,399	218,000
Interest Income on Investments	30,000	49,316	33,300	33,300	40,000
Appropriated Fund Balance-Carryover	160,547	-	170,582	170,582	146,283
Appropriated Fund Balance	-	-	-	-	1,478,698
Miscellaneous	-	2,500	-	-	700,000
Total Local Revenues	\$ 23,675,001	\$ 23,566,795	\$ 23,989,855	\$ 23,989,855	\$ 28,453,739

ORANGE COUNTY SCHOOLS

Local Operating Budget Revenues and Expenditures

Revenues	2010-2011	2010-2011	2011-2012	2011-2012	2012-2013
	BUDGET	ACTUAL	BUDGET	ESTIMATE	RECOMMENDED
Total Local Revenues	\$ 23,675,001	\$ 23,566,795	\$ 23,989,855	\$ 23,989,855	\$ 28,453,739

Allocations

Instructional Programs	2010-2011	2010-2011	2011-2012	2011-2012	2012-2013
	BUDGET	ACTUAL	BUDGET	ESTIMATE	RECOMMENDED
Regular Instructional Services	7,649,917	8,057,364	7,525,567	7,525,567	11,429,406
Special Populations Services	864,435	1,068,336	962,129	962,129	1,154,667
Alternative Programs and Services	619,354	656,804	702,344	702,344	827,366
School Leadership Services	1,879,120	1,906,169	1,651,026	1,651,026	1,647,625
Co-Curricular Services	915,362	865,385	896,335	896,335	909,727
School-Based Support Services	1,074,573	1,496,974	1,144,220	1,144,220	2,049,278
Total Instructional Programs	\$ 13,002,761	\$ 14,051,032	\$ 12,881,621	\$ 12,881,621	\$ 18,018,069

Support Services	2010-2011	2010-2011	2011-2012	2011-2012	2012-2013
	BUDGET	ACTUAL	BUDGET	ESTIMATE	RECOMMENDED
Support and Development Services	1,706,234	1,176,178	1,508,348	1,508,348	1,511,905
Special Population Support and Dev.	9,515	29,697	95,728	95,728	99,333
Alternative Programs and Services	6	225	14	14	22
Technology Support Services	312,009	301,265	404,387	404,387	416,245
Operational Support Services	6,000,704	4,349,160	6,665,442	6,665,442	5,733,315
Financial and Human Resource Serv.	1,020,043	480,391	728,015	728,015	828,194
Accountability Services	161,479	115,231	113,357	113,357	114,687
System-Wide Pupil Support Services	485	12,643	14,101	14,101	12,888
Policy, Leadership & Public Relations	625,908	539,457	702,798	702,798	737,816
Total Support Services	\$ 9,836,383	\$ 7,004,247	\$ 10,232,190	\$ 10,232,190	\$ 9,454,405

Other Services	2010-2011	2010-2011	2011-2012	2011-2012	2012-2013
	BUDGET	ACTUAL	BUDGET	ESTIMATE	RECOMMENDED
Community Services	11,411	11,415	11,661	11,661	11,777
Nutrition Services	8,300	1,560	14,383	14,383	9,430
Charter Schools	816,146	815,676	850,000	850,000	960,058
Debt Services	-	-	-	-	-
Interfund Transfers	-	-	-	-	-
Total Other Services	\$ 835,857	\$ 828,651	\$ 876,044	\$ 876,044	\$ 981,265

TOTAL LOCAL OPERATING EXPENSES	\$ 23,675,001	\$ 21,883,930	\$ 23,989,855	\$ 23,989,855	\$ 28,453,739
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Per Pupil Expenditures	3,096	3,096	3,102	3,102	3,322
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REVENUES

		<u>2011-12 Budget</u>	<u>Superintendent's Recommended 2012-13 Budget</u>
2.4110	County Appropriation	\$ 23,069,574	\$ 25,376,758
2.4110.007	County Appropriation - Health	494,000	494,000
2.4410	Fines & Forfeitures	222,399	218,000
2.4450	Interest	33,300	40,000
2.4490	Miscellaneous Revenues	-	700,000
2.4910	Fund Balance - Carryover	170,582	146,283
2.4910	Fund Balance	-	1,478,698
	TOTAL REVENUES	<u><u>\$ 23,989,855</u></u>	<u><u>\$ 28,453,739</u></u>

EXPENSES

		<u>2011-12 Budget</u>	<u>Superintendent's Recommended 2012-13 Budget</u>
PRC 001	REGULAR CLASSROOM TEACHERS	\$ 6,473,880	\$ 10,222,895
PRC 002	CENTRAL OFFICE ADMINISTRATION	\$ 1,153,714	\$ 1,153,714
PRC 003	NON-INSTRUCTIONAL SUPPORT	\$ 3,940,308	\$ 3,203,240
PRC 005	SCHOOL BUILDING ADMINISTRATION	\$ 1,074,881	\$ 1,074,881
PRC 007	INSTRUCTIONAL SUPPORT	\$ 846,689	\$ 1,941,303
PRC 009	NON-CONTRIBUTORY BENEFITS	\$ 380,086	\$ 421,727
PRC 013	CTE	\$ 4,248	\$ 4,248
PRC 027	TEACHER ASSISTANTS K-3	\$ 739,883	\$ 739,883
PRC 032	EXCEPTIONAL CHILDREN	\$ 418,029	\$ 427,813
PRC 034	AIG	\$ 320,828	\$ 344,034
PRC 036	TRANSFER TO CHARTER SCHOOLS	\$ 850,000	\$ 960,058
PRC 054	ESL	\$ 115,511	\$ 150,013
PRC 056	TRANSPORTATION	\$ 942,262	\$ 942,262
PRC 061	INSTRUCTIONAL SUPPLIES	\$ 171,392	\$ 171,392
PRC 069	AT RISK STUDENT SERVICES	\$ 186,000	\$ 186,000
PRC 103	LITERACY SUPPORT	\$ 43,737	\$ 43,737
PRC 509	HCS STUDY GRANT	\$ 2,101	\$ 888
PRC 513	PROJECT HOUSE	\$ 145,395	\$ 145,395
PRC 701	AFTER SCHOOL PROGRAM	\$ 125,000	\$ 125,000
PRC 706	NON-YELLOW BUS	\$ 10,000	\$ 10,000
PRC 801	CURRICULAR SERVICES	\$ 494,010	\$ 494,010
PRC 802	OPERATION OF PLANT	\$ 3,579,130	\$ 3,692,041
PRC 803	HUMAN RESOURCES	\$ 95,252	\$ 96,752
PRC 804	FINANCIAL SERVICES	\$ 405,967	\$ 405,967
PRC 805	SUPPORT SERVICES	\$ 9,863	\$ 9,863
PRC 840	DSS FAMILY SOCIAL WORKER	\$ 354,000	\$ 354,000

PRC 850	PROJECT GRADUATION	\$ 12,000	\$ 12,000
PRC 851	CULTURAL ARTS	\$ 47,803	\$ 48,667
PRC 854	BAND	\$ 63,940	\$ 63,940
PRC 860	ATHLETICS	\$ 611,013	\$ 622,714
PRC 861	CO-CURRICULAR CLUBS	\$ 48,579	\$ 49,406
PRC 890	BOARD OF EDUCATION	\$ 221,783	\$ 232,048
PRC 891	EXECUTIVE ADMINISTRATION	\$ 26,000	\$ 26,000
PRC 900	PUBLIC RELATIONS	\$ 76,570	\$ 77,848
	TOTAL EXPENSES	<u>\$ 23,989,855</u>	<u>\$ 28,453,739</u>



Orange County Schools

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Revised 3/28/2012

Superintendent's Budget Message 2012-2013

State and federal budget cuts continue to play a major role as declines in state and federal appropriations continue to squeeze school system operations. For Orange County Schools, this will be the fourth year in a row we have been subjected to massive state budget cuts. This year's reversion (funding we are required to return to the state) is an all-time high of \$2.5 million. Since 2008, Orange County Schools has been forced to send a total of \$7.4 million back to Raleigh. Sadly, these cuts represent a statewide cut of \$417 per student and North Carolina now ranks 48th in the nation in per-pupil funding. Federal appropriations to the district will also drop \$1.66 million, as the EducationJobs funding ends and our Foreign Language Assistance grant funding has been eliminated. As a result of these cuts, the total projected funding shortfall for 2012-13 is over \$4.4 million.

To avoid negatively affecting direct classroom services, the system has cut 16 district-level positions, not filled vacant teacher assistant positions, and cut expenditures in multiple areas. Since 2008, we have cut 36 employees from our workforce while increasing our enrollment by 350 students. Furthermore, state funding cuts have not allowed us to fill 49 other school-level positions. Next year, according to state projections, we expect to serve an additional 148 students. We have made all the cuts we can make.

Contrary to state and federal appropriation pullbacks, the Board of County Commissioners has continued to provide stable operational funding support to the schools and has funded growth due to enrollment. Out of 115 North Carolina school systems, Orange County Schools ranks 107th in federal funding, 79th in state funding, and 4th in local funding.

Over the past three budget cycles, the school system has not requested an increase in local per-pupil funding. We have absorbed state budget cuts by reducing staff levels and cutting district-level program budgets.

Looking ahead to the 2012-2013 budget year, these declines in revenue are accompanied by higher costs due to state-mandated increases to health insurance premiums and retirement contributions. The increased costs and state-mandated increases are listed below:

Local Cost Increases (due to state mandates)

Employee Retirement Contributions (from 13.12% to 14.31%)	\$ 170,000
Health Insurance Cost Increases (up \$261.00 per employee)	55,000
Utility Rate Increase (approved by State Utilities Commission)	55,000
Longer School Year (185 days)	47,000

Subtotal – Mandated Increases \$327,000

Federal Funding Cuts

As noted earlier, two essential federal appropriations to the district are being cut to zero. Funding for Education Jobs and the Foreign Language Assistance Program were specifically focused on providing school-level instructional staff by paying for 38 teachers and 1 teacher assistant. This loss of \$1,658,358 must be replaced if we are to continue providing these important classroom services.

Federal Education Jobs Appropriation Loss	\$1,406,850
Foreign Language Assistance Program (Federal Cut)	<u>251,508</u>
Subtotal – Federal Funding Cuts	\$1,658,358

State Funding Situation

As a result of legislative funding cuts, North Carolina public school systems were forced to employ 11,833 fewer staff statewide. Orange County Schools has made major cuts to personnel. Since 2008, fifteen positions have been cut from the Central Office, and we have decreased the number of teacher assistants from 151 to 123. For the current year, specific state funding cuts impacting Orange County Schools include instructional supplies, school technology, instructional support, assistant principals and central office administration and are in addition to the \$2.1 million discretionary cut we were required to make.

State Discretionary Cuts

The largest cut to state funding, known as the discretionary reversion, requires school districts to send funds back to the state after they have been appropriated. Since 2008 Orange County Schools has sent back \$7.4 million. For the 2012-2013 budget year, Orange County Schools will be required to send back, or revert, \$2,500,524. This is an increase of \$394,077 over last year's total. For the current year, our system met these reversions by sending back funding for positions (21 teachers, 24 teacher assistants, and 4 support positions). These 49 positions were not filled while enrollment increased by 126 students. Taken all together, the projected funding shortfall for 2012-13 will be \$ 4,485,882.

Local Cost Increases	\$ 327,000
Federal Cuts – New	1,658,358
State funding reversion	<u>2,500,524</u>
Total Projected Funding Shortfall	\$ 4,485,882

Meeting the decline in revenue without negatively affecting the classroom is critically important. Our Board and staff members have worked hard to identify savings to reduce costs and to protect the classroom unit. We cannot make further cuts without affecting classroom services.

Recommendations

For the 2012-2013 budget year, I am recommending that the Board (1) request an increase in the per-pupil appropriation provided by the County, (2) apply state payroll flexibility savings and (3) appropriate from fund balance. Since 2008, the School Board has focused on cost cutting and has not requested an increase in the per-pupil appropriation.

In order to prevent cuts that will directly affect students, I am recommending that the Board of Education request additional funding from the Board of County Commissioners. The requested increase will be essential in order to maintain existing programs. It will be used to prevent further teacher layoffs, prevent excessive class size increases, and keep our elementary and middle school foreign language programs intact. I am recommending that the Board of Education request a \$220 increase in the per-pupil appropriation. This would generate an additional \$2,307,184 and maintain funding for 38 teacher positions which include elementary and middle school foreign language instructors. This level of funding is necessary in order to counteract the negative effects of state and federal budget cuts to our schools.

I am also recommending that the Board of Education appropriate payroll savings generated from a comprehensive analysis of our state and federal position allotments. Complicated State Board of Education financial flexibility guidelines allow school systems to shift categories of funding in order to optimize resources which have been appropriated. By applying this flexibility, Orange County Schools has identified \$700,000 for the current year and the same amount can be applied for next year. Should the Board approve using these savings, \$1.4 million in additional revenues will be applied to next year's budget.

The Board of Education has been proactive in preparing for this sharp decline in state and federal revenues and has taken steps to increase reserve funding. Over the past four years, the school system has focused on cost cutting and efficiency using available resources. A wide range of strategies have been implemented, including reductions in force, applying payroll flexibility, not filling position vacancies, employing contracted services, and trimming departmental budgets. I am recommending that the Board appropriate \$1,478,698 of its fund balance reserves to offset state and federal cuts. It is important to note that the remaining fund balance must be kept intact in order to offset projected capital funding reductions and/or further state and federal cuts.

The proposed revenue plan is outlined below:

Revenues and savings

Increase in per pupil appropriation of \$220	\$ 2,307,184
Funding Flexibility Savings	700,000
Fund Balance Appropriation	<u>1,478,698</u>
Total funds applied to the budget	\$ 4,485,882

The recommended requested local appropriation from the Board of County Commissioners is \$25,376,758. This amount is based on the following: 7,639 students (based on county projection) multiplied by \$3,322 per pupil. This represents a \$2,307,184 increase over the 2011-2012 appropriation.

Over the past four years, the school system's budget planning has focused on reducing costs and protecting vital classroom expenditures. If approved, this proposed revenue plan will prevent teacher job loss, maintain class sizes, and limit the cumulative damaging effects of huge state budget cuts. This revenue plan will also provide continued financial support for the world language program and allow for the continuation of other key academic college and career readiness initiatives including strengthening science and mathematics instruction, maintaining our strong literacy initiative, providing access to advanced technology and rigorous coursework, and narrowing achievement gaps.

The students of Orange County Schools have exhibited significant academic gains and measures of progress which include higher graduation rates, narrowing of achievement gaps, lower dropout rates, and SAT/ACT scores above the national and state average. In spite of the challenges of declining revenues, we will maintain a clear focus on the most important thing: the success and achievement of our students. The students, the classroom, and excellent teaching remain the top priorities in our district.

/pmc