

ORANGE COUNTY
BOARD OF EDUCATION

AGENDA ITEM ABSTRACT

Meeting Date: June 24, 2013

AGENDA ITEM No. 13-06-(2)-15

ACTION ITEM: (Y/N) N

SUBJECT: 2013-2014 Budget Discussion

INFO. CONTACT: Donna Brinkley PHONE: 919-732-8126

ATTACHMENTS:

1. Board of County Commissioners General Fund Appropriations for Local School Districts
2. State Board of Education Legislative Update – June 14, 2013
3. Public Schools of North Carolina FY 2013-2014 Budget Comparison – June 14, 2013
4. NCSBA Legislative Update for June 7, 2013
5. House Budget – Notable K-12 Provisions

PURPOSE: The purpose of this item is to provide an opportunity for board members to publicly discuss 2013-2014 state and local budget developments.

BACKGROUND: On May 28, 2013, the Board of Education discussed the impact of the Governor's proposed budget on Orange County Schools. Specific concerns included the loss of funding for 27 teacher assistant positions. On May 19, the N.C. Senate released their proposed budget. The senate's budget will cut 33 teacher assistant positions from Orange County Schools. On June 13, the House approved their proposed budget which will cut 6 teacher assistant positions. The latest estimates on when the General Assembly will pass a budget range from July 4 to late July.

The Board of County Commissioners adopted their 2013-2014 budget on June 18, 2013. The BOCC budget includes an increase of \$102 in the per pupil appropriation to schools. The per pupil amount will be \$3,269 for a total appropriation of \$25,060,154. This represents an increase of \$1,038,459 over the FY 2012-13 annual county appropriation. See attachment #1 for more information.

FINANCIAL IMPACT: For the current 2012-2013 fiscal year, Orange County Schools received \$ 41,797,178 in state appropriations, \$24,021,695 in local funding and \$4,541,639 in federal funding.

RECOMMENDATION: The Superintendent recommends the Board of Education discuss the most recent budget information and provide direction to staff as needed.

Section V. General Fund Appropriations for Local School Districts

The following FY 2013-14 General Fund Appropriations for Chapel Hill-Carrboro City Schools and Orange County Schools are approved:

- a) Current Expense appropriation for local school districts totals \$65,079,252, and equates to a per pupil allocation of \$3,269.
 - 1) The Current Expense appropriation to the Chapel Hill-Carrboro City Schools is \$40,019,098.
 - 2) The Current Expense appropriation to the Orange County Schools is \$25,060,154.
- b) Recurring Capital appropriation for local school districts totals \$3,000,000
 - 1) The Recurring Capital appropriation to the Chapel Hill-Carrboro City Schools totals \$1,845,000.
 - 2) The Recurring Capital appropriation to the Orange County Schools totals \$1,155,000.
- c) Long-Range (Pay-As-You-Go) Capital appropriation for local school districts totals \$3,724,849
 - 1) The Long-Range (Pay-As-You-Go) Capital appropriation to the Chapel Hill-Carrboro City Schools totals \$2,290,782.
 - 2) The Long-Range (Pay-As-You-Go) Capital appropriation to the Orange County Schools totals \$1,434,067.
- d) School Related Debt Service for local school districts totals \$16,632,550.
- e) Fair Funding appropriation for local school districts totals \$988,000. This appropriation is to be split 50/50 between Chapel Hill-Carrboro City Schools and Orange County Schools.
- f) Additional County funding for local school districts totals \$1,921,503
 - 1) School Health Nurses - Total appropriation of \$683,706 with \$451,651 allocated for Chapel Hill-Carrboro City Schools and \$232,055 allocated for Orange County Schools
 - 2) School Social Workers - Total appropriation of \$692,283 allocated in the Department of Social Services to provide School Social Workers to Orange County Schools
 - 3) School Resource Officers - Total appropriation of \$545,514 allocated in the Sheriff's Department to provide School Resource Officers to Orange County Schools

LEGISLATIVE UPDATE

June 14, 2013

The General Assembly was consumed this week by House budget work and Senate tax reform legislation. On Thursday, the House passed its budget SB 402 and the Senate passed its tax reform package HB 998. With regard to the budget for public education funding, some of the House budget's big-ticket items differ substantially from those in the Senate's budget. Some of the key differences in each chamber's budget proposal include the following: 1) the Senate essentially eliminates the LEA Adjustment or negative reserve (\$376 million), where the House proposes a minimal reduction (\$7.5 million in 2014-15); 2) the House has a \$24.6 million decrease for teacher assistants in 2013-14, where the Senate has a \$142.3 million decrease; 3) the House attempts to retain both the North Carolina Center for the Advancement of Teaching (NCCAT) and the NC Teaching Fellows, where the Senate eliminates both; 4) the House funds the Opportunity Scholarship Act, HB 944, where the Senate does not; 5) the Senate includes many components of the Excellent Public Schools Act, SB 361, where the House only includes a few.

For public schools, there are obviously positives and negatives in each Chamber's budget proposal. Neither Chamber proposes a salary increase for state employees this year, including teachers and other school personnel, although the Governor's budget proposes a one-percent (1%) increase. The House budget does propose an additional five (5) days of vacation and a salary increase in fiscal year 2014-15. For line-item comparisons of the budget proposals, please see the first two links at:

<http://www.ncpublicschools.org/fbs/budget/>

The budget will now be debated between the two Chambers in a Conference Committee - the President Pro Tempore and the Speaker of the House will select members of their respective Chambers to negotiate the components of a final budget to ultimately be passed by both houses. Estimates on when the General Assembly will pass a budget range from July 4th to mid/late July.

Key Committee Meetings: June 10-14

House Appropriations and Finance Committees

SB 402 Appropriations Act of 2013

Placed on Senate Calendar for 6/17/2013

Senate Committee on Education/Higher Education

HB 57 Child Nutrition Program Solvency and Support

This bill would prohibit LEAs from assessing indirect costs to the child nutrition program unless the program has a minimum of one month's operating balance as reflected over a three-year rolling balance. It would also require the NC Procurement Alliance to promote the best pricing for program foods and supplies. Placed on Senate calendar for 6/17/2013.

HB 868 Residential School Changes

The Committee approved a revised bill that will be heard by the Senate on Monday. The bill makes conforming changes to the state statutes accounting for the transfer of three (3) residential schools from the Department of Health and Human Services (DHHS) to the Department of Public Instruction (DPI). The bill establishes the State Board of Education as the governing agency of the Governor Morehead School for the Blind, the Eastern North Carolina School for the Deaf, and the North Carolina School for the Deaf. This bill provides that DHHS will continue responsibility for utilities, maintenance, repair, and information technology support unless DPI chooses to assume these responsibilities. Placed on Senate Calendar for 6/17/2013.

Senate Committee on Finance

HB 998 Tax Simplification and Reduction Act

Currently, the Senate's tax reform plan would reduce and eventually phase out the state personal income tax, reducing the maximum rate from 7.75% to a flat 5.25% in 2015. It would also phase out corporate income tax, business franchise tax, and would repeal the NC estate tax. Much of the lost revenue from eliminating these taxes will be made up by adding new taxes to services that currently are not taxed. Similar tax codes are used in other Southeastern states. This Senate version is a rewrite of the House tax proposal approved Monday. It will be heard once more in the Senate on Tuesday before being sent to the House. A Conference Committee will likely be appointed to settle the differences. Placed on Senate calendar for 6/18/2013.

Senate Committee on Judiciary

HB 937 Amend Various Firearms Laws

The Committee and later the Senate approved a bill that would enable citizens with concealed handgun permits to carry firearms in more places, including school property. An added provision that has been attempted this session and prior sessions would allow concealed carry permit holders to have handguns locked in their vehicles while on public school property, community colleges and universities. This provision has been suggested by gun rights advocates and some parents who express concern over not being able to legally drop off/pick up their children from school or attend school functions while having a gun in their locked vehicle. The amendment would not allow for the handgun to be taken out of the vehicle or carried on one's person. University Police and School Resource Officers oppose this provision, while the Sheriff's Association supports it. Much debate has surrounded this change to the bill, and it remains to be seen if the House will concur with the Senate changes.

Senate Committee on Transportation

HB 428 North Carolina School Bus Safety Act

This bill previously passed the House unanimously and now waits to be heard on the Senate floor next week after passing the Senate Transportation Committee with minimal changes. It would increase the penalties for passing a stopped school bus that is unloading or picking up students, including higher fines and longer periods of license revocation. The bill also encourages local boards of education to use fine proceeds for passing a stopped school bus to purchase automated cameras and video recording systems to install on school buses to help detect and prosecute violators. Placed on Senate calendar for 6/17/2013.



PROPOSED 2013-2014

FY 2013-14 Budget Comparison

Beginning Appropriated Budget (Base)

State Board of Education	Governor	Senate	House
\$ 7,984,924,757	\$ 7,984,924,757	\$ 7,984,924,757	\$ 7,984,924,757

State Public School Fund - Continuation	
Average Daily Membership Adjustment	-
Average Daily Membership Opportunity scholarship	
Annual Leave (shortage)	10,776,762
Longevity (shortage)	18,868,908
Short Term Disability (excess)	1,640,616
Social Security/Retirement (shortage)	8,563,421
Torts (shortage)	612,769
Unemployment (shortage)	16,990,430
Workers Compensation (shortage)	15,693,642
Transportation (fuel per gallon increase)	23,000,000
Instructional Supplies (restore non-recurring reduction)	38,417,147
Textbooks (eliminate non-recurring reduction)	76,500,000
School Buses(restore non-recurring reduction for replacements)	20,000,000
Additional funding for 5 Instructional days	14,239,181
Average Salary Adjustment	-

	9,991,163	R	11,776,341	R	11,776,341	R
					(12,085,436)	R
	9,443,104	R	(6,919,008)	R	(12,000,000)	R
					7,816,365	NR
					(28,425,435)	R
					(29,823,055)	R
	(11,873,083)	R	(11,873,083)	R	(19,373,083)	R

State Public School Fund - Expansion	
Academically and Intellectually Gifted	18,535,785
Adv Placement and International Bacculaureate	
CTE	
Education Innovation Grants	
Cooperative Innovative HS-Yadkin Valley	
Assistant Principals	23,315,825
Child Nutrition (implement Nutrition Standards)	20,032,740
Classroom Teachers	
Classroom Technology	60,000,000
Comprehensive Reading Initiative	80,897,408
Digital Learning Opportunities (Recurring)	
Digital Learning Opportunities (Non-Recurring)	
LEA Adjustment / Flexibility Reduction	376,124,279
EVAAS	
EVAAS (Enhanced Reporting)	
Excellent Public Schools Act (S.B. 795)	
Excellent Public Schools Act (S.B. 795)	
Exceptional Children	80,555,819
Healthy Schools Initiative	400,000
Instructional Support	
Limited English Proficiency (LEP)	8,626,278
Low Wealth Supplemental	
Mentoring - Principals	4,484,436
Mentoring - Teachers	29,044,008
Nurses	62,482,833
Opportunity Scholarship	
Salary Increases - Teachers	325,356,270
School Safety-SRO and panic alarms	
Small County Reserve	
Teacher Assistants	
Teachers - Training for Lateral Entry Teachers	1,038,500
Teachers - Planning Time	59,219,666
Transportation-Stop Arm cameras	
Testing (Explore, Plan, Act, Workkeys)	8,000,000

					1,500,000	R
					1,252,157	R
					2,000,000	R
					310,689	R
	23,315,825	R				
	20,032,740	R				
				(286,433,312)	R	
	60,000,000	R				
	80,897,408	R				
			17,068,441	R		
			9,076,544	NR		
	376,124,279	R		376,124,279	R	
				850,000	R	850,000
				300,000	NR	300,000
				18,578,841	R	1,000,000
						13,578,841
	80,555,819	R				
	400,000	R				
				(16,990,590)	R	
	8,626,278	R	(3,000,000)	R	(6,000,000)	R
				(14,945,402)	R	(18,435,300)
	4,484,436	R				
	29,044,008	R				
	62,482,833	R				
						10,000,000
	325,356,270	R				
						16,000,000
			(1,555,885)	R	(1,555,885)	R
			(117,123,733)	R	(142,329,582)	R
						(24,621,965)
	1,038,500	R				
	59,219,666	R				
						690,000
	8,000,000	R	7,500,000	R	7,500,000	R
	1,158,113,847		(22,223,449)		(100,342,836)	(45,396,410)

Dept of Public Instruction	
Agency Operating (2.5% Reduction)	
Charter Schools (3 positions)	320,000
Governor's Schools	730,000
Graduation Gap	90,000
Human Resource Management System (Modernize System)	1,000,000
Licensure (Support Automation)	100,851
North Carolina Virtual Public Schools (6 positions)	989,454
North Carolina Procurement Alliance (Child Nutrition)	80,000
Residential Schools for the Deaf & Blind	2,300,759

			(1,040,654)	R	(520,327)	R
	320,000	R	320,000	R	320,000	R
	730,000	R				
	90,000	R				
	1,000,000	R				
	100,851	R				
	989,454	R				
	80,000	R				
	2,300,759	R				
	5,611,064		320,000		(720,654)	(200,327)



PROPOSED 2013-2014

FY 2013-14 Budget Comparison

	State Board of Education	Governor	Senate	House
Education Support Organizations				
NCCAT (46.5 Positions))	3,000,000 R	(2,219,222) R	(3,130,606) R	
NC Teacher Corps	2,800,000 R			
Parents of Educational Freedom -PEFNC				464,100 R
Tarheel Challenge (transfer to Dept of Public Safety)		(767,719) R	(767,719) R	(767,719) R
Teach for America			5,100,000 R	500,000 R
Teaching Fellows (Phase out Program)		(3,095,000) R	(3,095,000) R	(3,000,000) NR
Teaching Fellows (Fund Balance to Meet Need)		(1,300,000) NR	(1,300,000) NR	
Educator Effectiveness and Compensation Task Force				62,000 NR
ESO Adjustments	5,800,000	(7,381,941)	(3,193,325)	(2,741,619)
Total Expansion/Reduction	1,414,827,787	(29,285,390)	(104,256,815)	(48,338,356)
Total Requirements	9,645,055,420	7,955,639,367	7,880,667,942	7,936,586,401
One-Time Over Collected Civil Penalties		25,950,674 NR	25,950,674 NR	25,950,674 NR
Overrealized Sales Tax Receipts to SPSF		5,025,426 R	5,025,426 R	5,025,426 R
Recurring Lottery Receipts to use for Digital Learning		17,068,441 R		
Non Recurring Lottery Receipts to use for Digital Learning		9,076,544 NR		see note 1
Ending Appropriated Budget	\$ 9,645,055,420	\$ 7,898,518,282	\$ 7,949,691,842	\$ 7,906,610,301

Retirement Rate	14.59%	14.59%	14.66%	14.69%
Health Benefit	\$ 5,314	\$ 5,314	\$ 5,265	\$ 5,286
Salary Increase	See separate tab	See separate tab	See separate tab	See separate tab

Reduction in Driver Ed Receipts		(625,322)	(2,792,962)	(625,322)
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Note 1: Section 5.5(e2) of the House Bill provides the following from lottery funds

Digital Learning	\$26,144,985
Instructional Materials	\$4,183,635

Section 5.4 of the House Bill appropriates \$3,000,000 of the Indian Gaming Fund to the School Technology Fund

R = Recurring / NR = Nonrecurring

Prepared by Division of School Business, NC Department of Public Instruction

NCSBA Legislative Update for June 7 - House Ed. Budget Released

1 message

NCSBA Legislative Alert <noreply@eboardsolutions.com>

Fri, Jun 7, 2013 at 10:11 AM

Reply-To: sholmes@ncsba.org

To: patricia.coleman@orange.k12.nc.us

NCSBA LEGISLATIVE UPDATE

JUNE 7, 2013

HOUSE EDUCATION BUDGET RELEASED

The House Education Appropriations Committee this morning released its budget. Below are some of the major highlights. The committee will be coming back 30 minutes after session this morning (session started at 10:00 AM) to consider amendments and we will email you significant changes at the end of the day today. A full comparison will be sent out Monday morning.

- Funds for HB 944- Opportunity Scholarship Act (voucher bill) with a decrease in ADM funding of \$12 million in 13-14 and \$35.8 million in 14-15. This is coupled with an appropriation \$10 million in 13-14 and \$40 million in 14-15. Thus the first year there is a \$2 million savings to the State but in the second year a \$4.2 million loss.
- The LEA Adjustment is unchanged in the first year and reduced by \$7.7 million in the second year.
- Teacher Assistants are cut by \$24.6 million in the first year and \$29.1 in the second. This is the only personnel allotment category that received a cut.
- Master level pay is phased out beginning in 2014-15. Personnel who received it in 2013-14 and those required to hold a master's degree for their job (ie school counselors, etc.) will continue to receive it.
- Teaching Fellows is reinstated.
- NCCAT is maintained.
- The House did not make changes to the low wealth for military communities.
- Small schools formula is revamped based on the Augenblick recommendations (see below for impact).

- Includes the House version of A-F school performance grading system.
- Does **not** include language from SB 361- 2013 Excellent Public Schools Act.

[Click here to find the Education Money Report](#)

[Click here to find the Education Special Provisions](#)

[Click here to find the impact of the proposed revamped Small County Funding Formula](#)

Leanne E. Winner
Director of Governmental Relations
N.C. School Boards Association
(919)747-6686 direct dial

House Budget –Notable K-12 Provisions

- **School Voucher Program (Section 8.29)**
 - Incorporates text of House Bill 944- Opportunity Scholarship Act.
- **School Performance Grades (Section 8.13)**
 - Incorporates text of House Bill 435- School Performance Grades.
 - Increase of one letter grade to schools that meet or exceed expected growth.
 - Increase of one letter grade to elementary and middle schools that attain performance composite of 80% proficient for 3 consecutive years.
 - Benchmarks scores using State mean.
 - One-year delay in implementation of letter grading system.
- **Small School System Supplemental Funding (Section 8.4)**
 - Modifies eligibility criteria to focus on size only instead of size and adjusted property tax base.
 - County LEAs can qualify for the allotment only if total ADM of *all LEAs within the county is less than 3,900*.
 - Provides funding per ADM based upon sliding scale.
 - The less ADM a county has, the more per student funding it receives, up to a \$1,625 per ADM *maximum*.
- **NC Pre-K (Section 12B.1)**
 - Sets NC Pre-K family income eligibility criteria at 130% of federal poverty level.
 - Current level is 200% of federal poverty level
 - Allows LEAs to retain program contracting authority.
- **LEA Budgetary Flexibility (Section 8.14)**
 - Gives LEAs permanent flexibility to transfer funds between allotment categories with only the following restrictions:
 - Exceptional Children and CTE transfers limited by federal law and SBE policy.
 - No funds transferred into central office allotment.
 - Classroom teachers may be converted to international exchange teachers at the statewide average salary average.
 - *Dollars received for cashing out classroom teacher and instructional support positions may only be equivalent to step 0 of the 'A' teacher salary schedule.*
 - *Dollars received for cashing out principal positions may only be equivalent to step 1 of principal III schedule. Assistant principals equivalent to step 0 of assistant principal III schedule.*
- **Budget Publishing Requirements (Section 8.14)**
 - LEAs would be required to publish the following on their website by October 15 of each year in "plain English:"

- A description of each PRC and a summary of the prior year's expenditure of State funds by PRC
 - A description of each object code within a PRC and a summary of prior year's expenditure of state funds by object code
 - A description of each allotment transfer that increased or decreased the initial allotment amount by more than 5% and the educational priorities that necessitated the transfer.
- **Virtual Charter School Study (Section 8.48)**
 - Directs the State Board of Education to study virtual charter school authorization and oversight issues including:
 - Application requirements
 - Enrollment growth
 - Funding allocations
 - SBE must present draft rules and proposed statutory changes to the Joint Legislative Education Oversight Committee by February 1, 2014.
- **Rural Charter Schools (Section 8.33)**
 - Awards \$464,000 to Parents for Educational Freedom North Carolina to develop and administer a program that provides grants to charter schools desiring to open in rural areas.
- **Task Force on Educator Effectiveness and Compensation (Section 8.31)**
 - Establishes a task force to study teacher and school administrator effectiveness and compensation.
 - Same as House Bill 719.
- **Teaching Fellows (Section 8.32)**
 - Restores Teaching Fellows program.
- **Degree Supplement Phase-Out (Section 8.22)**
 - Beginning in 2014-15, new teachers or instructional support personnel, except for instructional support personnel in positions requiring a master's degree for licensure, shall **not** be paid on the "M" salary schedule or receive a salary supplement for academic preparation at the six-year degree level or doctoral degree level.
 - Teachers who received the salary supplements prior to 2014-15 will retain them.
- **Lottery and Public School Building Capital Fund (Section 5.5)**
 - Corporate income tax redirect to Public School Building Capital Fund permanently eliminated.
 - Statutory requirements for allocating lottery proceeds eliminated.
 - Removes dedicated transfer of lottery proceeds to capital fund, classroom teachers, and NC Pre-K.
 - General Assembly would make these decisions annually.