

**ORANGE COUNTY  
BOARD OF EDUCATION**

**AGENDA ITEM ABSTRACT**

**Meeting Date:** March 25, 2013

**AGENDA ITEM No.** 13-03-(2)-17

**ACTION ITEM: (Y/N)** N

**SUBJECT:** 2013-2014 Budget Work Session

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

**ATTACHMENTS:**

1. 2013-2014 Budget Drivers (Revised 3/21/13).
  2. Recurring 2012-2013 Fund Balance Appropriation Impact on the 2013-2014 Budget.
  3. Local Fund Balance History and Projections (Revised 3/21/13).
  4. 2013-2014 Recommended Local Budget Summary (Revised 3/21/13).
  5. Budget Calendar Fiscal Year 2013-2014.
  6. PowerPoint Presentation (Revised 3/21/13).
  7. Governor's Public Education Budget.
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**PURPOSE:** The purpose of this item is to provide the Board of Education the opportunity to further discuss the 2013-2014 superintendent's proposed local current expense budget.

**BACKGROUND:** On March 11, 2013, the superintendent presented a recommended budget for Board of Education consideration. The recommended local budget requests the same per pupil appropriation of \$3,167. Based on a county projected enrollment of 7,666 students, the total requested appropriation is \$24,278,222. With increased enrollment of 81 students and adjustments for out-of-district and charter school students, the overall appropriation will increase by \$256,527. The budget also includes a proposed \$1,349,643 appropriation of fund balance.

There are a number of factors that will have an impact on the 2013-2014 funding available for Orange County Schools' operations. These factors include enrollment growth, charter school payments, rising employee benefit costs, recurring costs, federal sequestration, smaller fund balance reserves, state funding and local county appropriations. All of these variables must be considered in the development of next year's operating budget.

The governor released his education budget on March 20, 2013 and a copy is attached. The governor's budget proposals include:

- Increased funding for digital resources and equipment
- Adds 5,000 Pre-K slots for children
- Cuts funding for 3,000 teacher assistants
- Gives state employees a 1% raise
- Funds ACT testing in high schools

continued

At the time of abstract preparation, a more complete analysis with impacts on OCS was not available.

The board is scheduled to adopt the local current expense budget on April 22, 2013. Another Board of Education budget work session will be held April 8, 2013. The budget is scheduled to be presented to the Board of County Commissioners April 25, 2013.

**FINANCIAL IMPACT:** As proposed, the 2013-2014 local current expense budget will provide \$24,278,222 in revenue appropriations from the Board of County Commissioners.

**RECOMMENDATION:** The Superintendent recommends the Board of Education discuss the proposed budget and provide direction to staff.

## 2013-14 Budget Drivers

### REVENUE DECLINES/FIXED COST INCREASES:

#### Federal

\$	175,000	Sequestration @ 5.3% *
\$	175,000	

#### State

\$	80,337	Additional State Budget Reversion (Total projected reversion equals \$1,868,435)
\$	80,337	

#### Local

\$	158,000	1% Salary Increase for All Employees
\$	60,000	Employee benefit cost increase - Hospitalization Cost (5% Increase from \$5,192 to \$5,452 or \$260 per year per employee)
\$	46,000	Employee benefit cost increase – Retirement Cost (.36% increase, 14.23% to 14.59%)
	79,000	Utility Rate increases
\$	343,000	

<u>\$</u>	<u>598,337</u>	<b>PROJECTED TOTAL</b>
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### ENROLLMENT INCREASES:

State Projection: 7,501 Students

Represents an increase of : 81 Students

County Projection includes Charter School students less out-of-district students:

State Student Projection	7,501
Charter School Students	254 **
Out-of-District Students	(89) **
	<u>7,666</u>

County Projection	7,666
County Per Pupil Amt. x	\$ 3,167
	<u>\$ 24,278,222</u>

2013-14 County Appropriation

\$ 24,021,695

2012-13 County Appropriation

\$ 256,527

**Increase in County Appropriation**

**FUND BALANCE:**

June 30, 2012	\$ 4,207,417	*** Unassigned Fund Balance
	15.2%	of 2012-13 budgeted expenditures
Projected addition to fund balance in 2012-13:	\$ 750,000	
Projected fund balance as of June 30, 2013	<u>\$ 4,957,417</u>	
	17.94%	of 2013-14 budgeted expenditures (assuming same spending level)

\* The failure of the Joint Select Committee on Deficit Reduction (Super Committee) to produce a bill identifying budgetary savings of at least \$1.2 trillion over ten years had triggered an automatic spending reduction process (called sequestration) to take effect on January 2, 2013, currently postponed to March 1. For FY13, these cuts will be applied to most programs, including all discretionary education programs, except Federal Pell Grants. The depth of the cuts is estimated to be 5.3%, which would reduce funding for the US Education Department by billions of dollars. These cuts would affect millions of students and lead to potentially significant job losses and program eliminations for the nation's schools, the educators who run them, and the students they educate.

\*\* Totals used in County allocation for the 2012-13 Budget

\*\*\* Audited

**Recurring 2012-13 Fund Balance Appropriation Impact on the 2013-14 Budget**

Item	Explanation/Description	Cost
1 Loss of Stimulus Funding * (federal stabilization)	Stimulus funding was specifically focused on preventing school-level job loss. Much of this funding was restored by the legislature for FY2012-13.	\$245,000
2 Internal Auditor	There is a need for fiscal internal control <i><b>of all aspects of school system finances</b></i> . This level of funding would incorporate salary for 1.0 FTE Internal Auditor.	\$80,000
3 Additional Audit Functions	There is a need for contractual services for audits of quasi-school functions such as Booster Clubs.	\$15,000
4 Assistant Principal Months of Employment to <b>11</b>	Effective with the 2011-12 school year, all assistant principal contracts were reduced to 10 months. In the 2012-13 school year, the Board of Education appropriated local fund balance to support one (1) additional month of employment for all assistant principals in the district. The total estimated cost for this additional month of employment is \$86,448. To maintain the additional (1) month of employment, the school district will need an additional \$32,643 for the 2013-14 school year.	\$32,643
5 Exceptional Children	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. The list of needs is 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

\* Stimulus funds were temporarily provided to offset state cuts in 2009-10 and 2010-11.



	Item	Explanation/Description	Cost
6	Legal Expense Increase	These dollars will maintain the legal expense budget at 2012-13 levels and include costs for the superintendent's search.	\$50,000
7	H.R. Recognitions and Contracted Services	Additional funding to support staff recognition programs, new teacher support, and digitizing files.	\$14,000
8	Testing Program Support	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.	\$40,000
9	Employee Wellness	Funding to be provided to support employee wellness activities.	\$10,000
10	STEM Initiative Support	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.	\$50,000
11	AIG/Rigor Support	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.	\$40,000
		<b>TOTAL</b>	<b>\$686,643</b>

Orange County Schools  
Local Fund Balance History

A	B	C	D	E	F	G	H	I	J	K
		Actual 2006-07 (1)	Actual 2007-08 (1)	Actual 2008-09 (1)	Actual 2009-10 (1) (6)	Actual 2010-11 (1) (6)	Actual 2011-12 (1) (6)	Estimated 2012-13 (2) (6)	Projected 2013-14 (3) (6)	
1	Total Revenues	\$23,244,926	\$23,900,496	\$25,547,610	\$24,394,063	\$24,834,942	\$25,297,287	\$26,034,970	\$26,034,970	(7)
2	Total Expenditures	\$23,994,714	\$25,680,826	\$24,463,223	\$23,445,101	\$23,333,026	\$23,068,634	\$28,134,970	\$27,384,613	
3	Revenues Less Expenditures (Row 1 minus Row 2)	(\$749,788)	(\$1,780,330)	\$1,084,387	\$948,962	\$1,501,916	\$2,228,653	(\$2,100,000)	(\$1,349,643)	
4	Prior Year's Fund Balance	\$4,182,038	\$3,272,250	\$1,727,828	\$2,756,877	\$3,687,208	\$5,169,626	\$7,389,691	\$5,269,691	
5	Less Operating Transfers	(\$160,000)	(\$288,386)	(\$55,338)	(\$18,631)	(\$19,498)	(\$8,588)	(\$20,000)	(\$20,000)	
6	Less Capital Lease Obligations Issued	\$0	\$524,294	\$0	\$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	\$7,389,691	\$5,269,691	\$3,900,048	
8	Fund Balance Reserved <sup>(4)</sup>	\$205,964	\$338,976	\$283,772	\$105,890	\$123,799	\$286,615	\$125,000	\$125,000	
9	Fund Balance Assigned to Next Year Budget	\$2,137,164	\$339,855	\$464,308	\$297,722	\$170,582	\$2,895,660	\$1,191,643	\$1,349,643	
10	Unassigned Fund Balance (Row 7 minus Rows 8 & 9)	\$929,122	\$1,048,997	\$2,008,797	\$3,283,596	\$4,875,245	\$4,207,416	\$3,953,048	\$2,425,405	
11	Unassigned Fund Balance % of Local Budget (Row 10 divided by Row 2)	3.87%	4.08%	8.21%	14.01%	20.89%	18.24%	14.05%	8.86%	
12	Unassigned Fund Balance Target 3% (Row 2 multiplied by 3%) <sup>(5)</sup>	\$719,841	\$770,425	\$733,897	\$703,353	\$699,991	\$692,059	\$844,049	\$821,538	

(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) Includes the Other Restricted Fund

(7) Fund Balance appropriated is not included

# Orange County Schools

## 2013-14 Recommended Local Budget Summary

### Student Enrollment Projections

2013-14 State Enrollment Projection	7,501
2012-13 State Enrollment Projection	7,420
Projected Enrollment Growth	81

### Local Current Expense Fund Revenue

<b>Total New Revenue</b>	<b>\$ 256,527</b>
(Based on the same per pupil appropriation of \$3,167)	

### Local Current Expense Fund Expenses

1% Salary Increase for All Employees	\$ 158,000 *
Projected Increase in Employee Health Insurance	60,000
Increase in Employer Retirement Contributions	46,000
Projected Utility Cost Increase 5%	79,000
<b>Fixed Cost Increase</b>	<b>\$ 343,000</b>

### Recurring/Continuation Requests

Loss of Stimulus Funding (maintain School-level positions)	\$ 245,000
Internal Auditor	80,000
Additional Audit Functions	15,000
Assistant Principals extra month of employment	32,643
Exceptional Children Program Support	110,000
H.R. Recognition & Contracted Services	14,000
Legal Expenses Increase	50,000
Testing Program Support	40,000
Employee Wellness Support	10,000
STEM Initiative Support	50,000
AIG/Rigor Support	40,000
<b>Total Recurring/Continuation Requests</b>	<b>\$ 686,643 *</b>

### Expansion Requests

School Safety Contingency Appropriation	\$ 220,000
Pre-K Exceptional Children's Teacher	55,000
Reading Teacher - Central	55,000
Technicians (3) - Elementary Tech Support	135,000
Part-time Athletic Director	40,000
<b>Total Expansion Requests</b>	<b>\$ 505,000 *</b>

**\*Total Recommended Fund Balance Appropriation \$ 1,349,643**

**\*\*Audited Unassigned Fund Balance as of June 30, 2012: \$ 4,207,417**




# Orange County Schools Budget Calendar Fiscal Year 2013-2014

OCS – Board Approval	February 11, 2013	OCS Board of Education review/approval of Fiscal Year 2013-18 Capital Investment Plan
OCS – FY 2013-2018 Capital Investment Plan	Early February, 2013	FY 2013-18 Capital Investment Plan due To Orange County Financial Services from Orange County Schools
OCS – Budget Recommendation	March 11, 2013	Formal presentation made to Board of Education by the Superintendent on “Budget Recommendations”
BOCC – Capital Investment Plan	March 12, 2013	Manager presents 2013-2018 Capital Investment Plan to Board of County Commissioners. (Regular Work Session)
OCS – Budget Consideration (Public Hearing)	March 25, 2013 6:00 P.M.	Public Hearing – Capital Funds Budget And Local Current Expense Budget
OCS – Work Session	March 25, 2013 7:00 P.M.	Board of Education participates in Budget Work session
OCS – Work Session	April 8, 2013	Board of Education participates in Budget Work session
BOCC – CIP Follow-up	April 11, 2013	Capital Investment Plan follow-up with BOCC. (Budget Work Session)
OCS – Board Approval	April 22, 2013	Board of Education Adopts Local Current Expense Budget
OCS – Budget Distribution	April 25, 2013	Budget due to County Commissioners From Orange County Schools
BOCC – Work Session	April 25, 2013	Boards of Education Fiscal Year 2013-14 Budget Presentations to BOCC @ Work Session
BOCC – Work Session	May 9, 2013	Board of County Commissioners participates in CIP follow-up and Budget Drivers for 2013-14. (Budget Work Session)
BOCC – Manager Presents	May 21, 2013	Manager presents Fiscal Year 2013-14 Annual Operating Budget to Board of County Commissioners
BOCC – Budget Consideration	May 23, 2013	Public Hearing – Orange County Budget and Capital Investment Plan Public Hearings
BOCC – Budget Consideration	May 30, 2013	Public Hearing – Orange County Budget and Capital Investment Plan Public Hearings
BOCC – Work Session Discussion of School Budgets	June 6, 2013	Board of County Commissioners Participates in Board of Education Budget Work Session
BOCC – County Commissioners Adoption of Budget	June 18, 2013	County Commissioners adopt Fiscal Year 2013-14 Annual Operating Budget and 2013-18 Capital Investment Plan
OCS – Continuation Budget Approval	June 24, 2013	Board of Education adopts Continuation Budget

## Superintendent's Recommended Budget 2013 – 2014

Presented to the Orange County  
Board of Education  
March 25, 2013

**DRAFT**  
Revised  
3/21/13



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### Return on Investment

- ✓ Increased Levels of Student Achievement
- ✓ Narrowed Achievement Gap
- ✓ Improved Graduation Rate – 85.4%
- ✓ S.A.T. Scores Exceed State and National Averages
- ✓ Ranked 4th in the State on the Combined A.C.T. Score for the Junior Class
- ✓ Dropout Rate is Well Below the State Average

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### Return on Investment

- ✓ 5 Star Rated, Licensed Pre-K Programs
- ✓ A.L. Stanback Designated as a *School to Watch* and C. W. Stanford has the N.C.M.S.A.'s *Region 5 Team of the Year*
- ✓ Successful 1 to 1 Laptop Initiative
- ✓ Engineering is Elementary Program at Central Elementary

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### Return on Investment

- ✓ Covey Leadership Model Implementation at Efland-Cheeks
- ✓ Nationally Recognized, Award Winning Arts and C.T.E. Programs
- ✓ Successful Literacy Partnership with U.N.C. Chapel Hill
- ✓ Virtual Enterprise Program Launched to Support High School Entrepreneurs



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### Current Year Budget Overview

	Total Revenue	Per Pupil Equivalent	% of Total Revenues
Local*	\$28,884,970	\$3,893	39.78%
State	\$39,354,959	\$5,304	54.20%
Federal	\$4,368,215	\$589	6.02%
<b>Total</b>	<b>\$72,608,144</b>	<b>\$9,785</b>	



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### OCS Per-Pupil Funding Rankings\*

- ✓ Local Funding: 4th
- ✓ State Funding: 79th
- ✓ Federal Funding: 107th
- ✓ Total Funding: 39th

North Carolina Ranks 48th in the Nation for State Support of Education\*\*

\*Based on the 2011 N.C. Statistical Abstract  
\*\*National Education Association 2012-13



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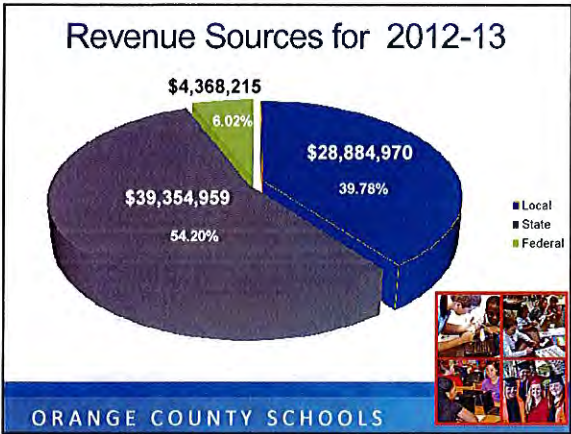
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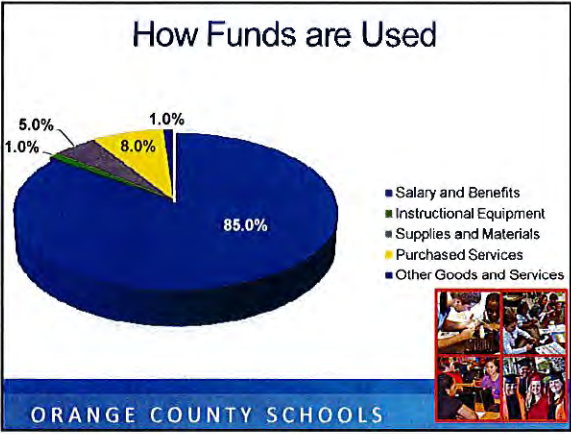
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## 2013-14 Budget Drivers

### Increased Costs

- ✓ Increased Student Enrollment
- ✓ Federal Sequestration of 5.3% (\$175,000)
- ✓ Higher State Discretionary Reversion
- ✓ Salary Increase of 1% (\$158,000)
- ✓ Increased Benefit & Utility Costs



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## 2013-14 Budget Drivers

### Unknowns

- ✓ Virtual Charters
- ✓ School Vouchers
- ✓ Changes in the Allotment System
- ✓ Level of State Funding



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## County Student Enrollment Projection 2013-14

NC DPI Certified Students:	7,501
Less Out-of-District Students:	89
Plus Charter School Students:	254
Total Projected by the BOCC:	7,666
Projected Enrollment Increase:	81



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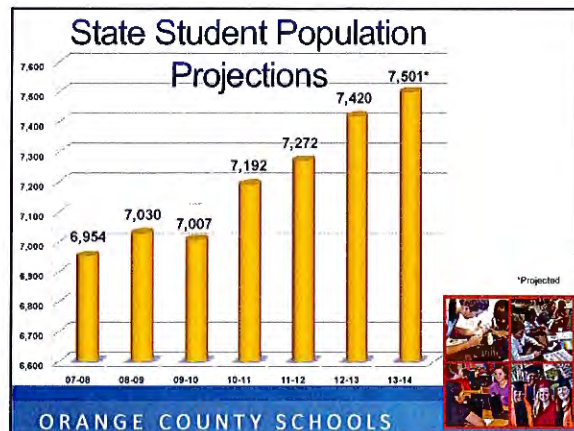
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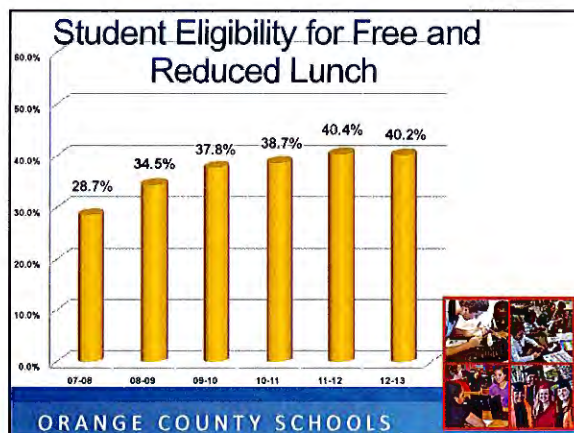
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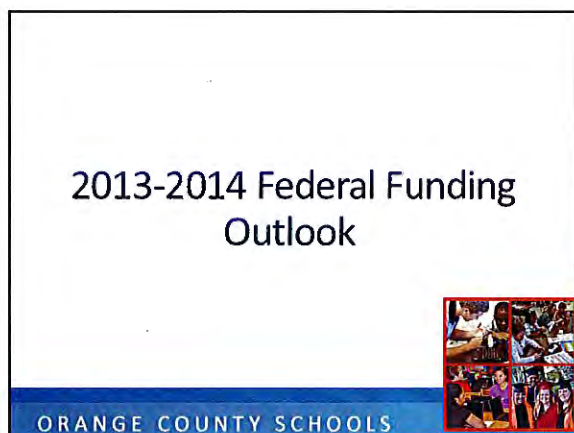
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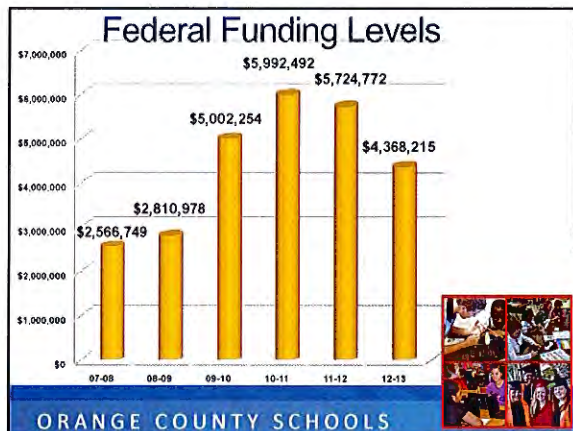
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### Impact of Federal Sequestration on OCS Programs

✓ Title I	\$46,559.12
✓ Title II	\$11,200.99
✓ Title III	\$2,829.46
✓ IDEA	\$95,420.19
✓ Career/Tech	\$3,704.01
✓ 21st Century	\$10,600.00
<b>Total:</b>	<b>\$170,313.77</b>

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### 2013 - 2014 State Funding Outlook

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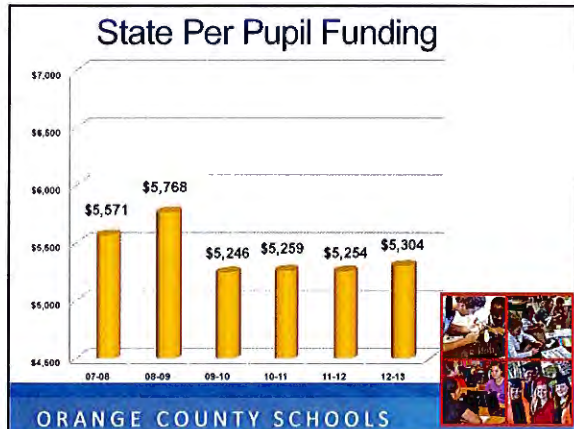
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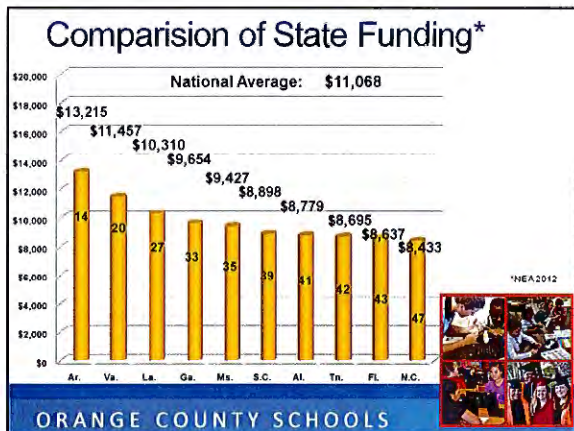
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### Impact of State Funding Reductions

If the State Funded OCS at the Same Level as 2007-2009, The District Would Receive a Substantial Increase in Funding:

✓ 2007-08	\$5,571 Per-Pupil	\$1,981,140
✓ 2008-09	\$5,768 Per-Pupil	\$3,442,880

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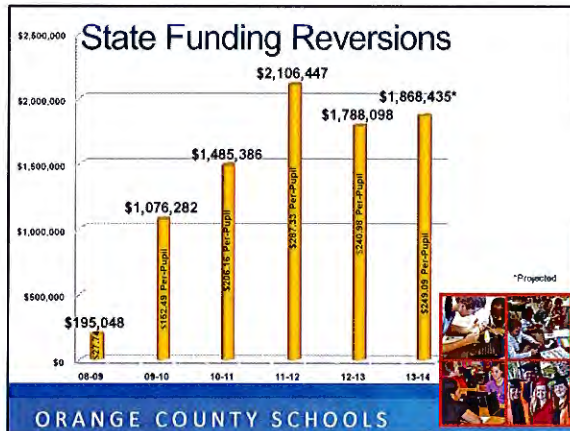
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### Limit the Impact of State Funding Reversions

**Critical Need - \$1,868,435**

- ✓ The State Requires Districts to Revert Money it Originally Funded to Help Balance the State's Budget
- ✓ An Increase of \$80,337 from 2012-13

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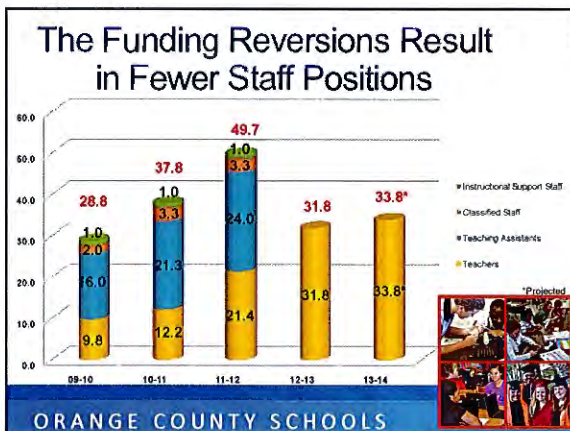
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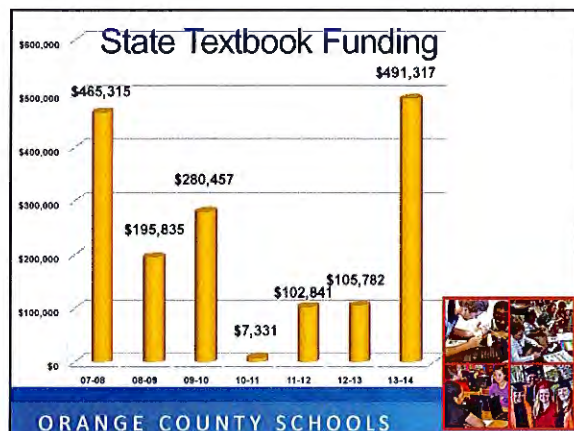
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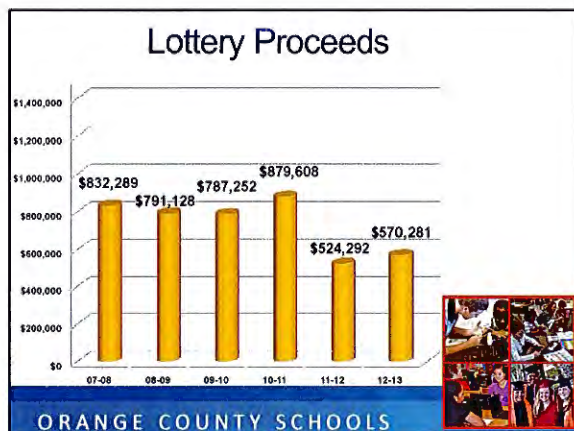
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### Lottery Funds

- ✓ Cannot be Used for Day-to-Day Operations
- ✓ Cannot be Used for Technology Purchases\*
- ✓ Must be Used for Capital Expenditures

\*Legislators are discussing allowing the use of Lottery Proceeds to purchase technology

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## 2013-14 Local Funding Request



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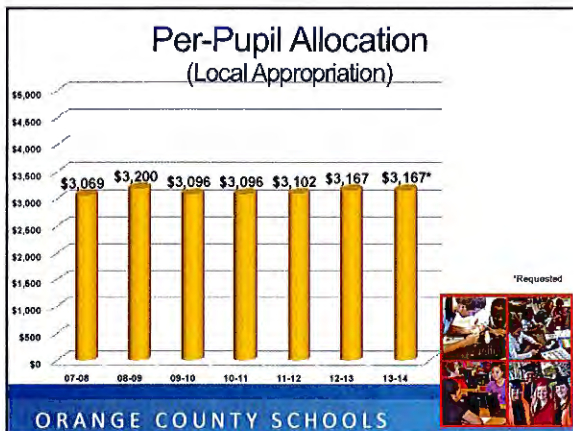
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## 2013-14 Superintendent's Recommended Budget



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### District Initiatives for 2013-14

- ✓ Elementary Student Access to Technology
- ✓ S.T.E.M. Initiatives and Opportunities
- ✓ Safety and Security Enhancements
- ✓ Academic Rigor
- ✓ Meet District's Essential Funding Needs
- ✓ At-Risk Programs
- ✓ Cedar Ridge High Addition



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### Unfunded Mandates

#### Cost Increases

✓ Salary Increase of 1%	\$158,000
✓ Local Retirement Contribution:	\$46,000
✓ Hospitalization Cost (\$260 per employee)	\$60,000
✓ Utility Cost Increases	\$79,000
Total Increases:	\$343,000



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### Expansion Budget Requests

✓ Local School Safety Appropriation:	\$220,000
✓ Reading Teacher at Central:	\$55,000
✓ Pre K Itinerant E.C. Teacher:	\$55,000
✓ 3 1:1 Elementary Technicians:	\$135,000
✓ Part-time District A.D.:	\$40,000
Total Expansion Budget Requests:	\$505,000



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### Recurring Budget Requests

✓ Loss of Stimulus Funding	\$245,000
✓ Internal Auditor	\$80,000
✓ Additional Audit Functions	\$15,000
✓ 11 Month Asst. Principals	\$32,643
✓ E.C. Program Support	\$110,000
✓ H.R. Recog./Contract Services	\$14,000



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### Recurring Budget Requests

✓ Legal Expenses Increase	\$50,000
✓ Testing Program Support	\$40,000
✓ Employee Wellness Support	\$10,000
✓ STEM Initiative Support	\$50,000
✓ AIG/Rigor Support	\$40,000
Total Recurring Budget Requests: \$686,643	



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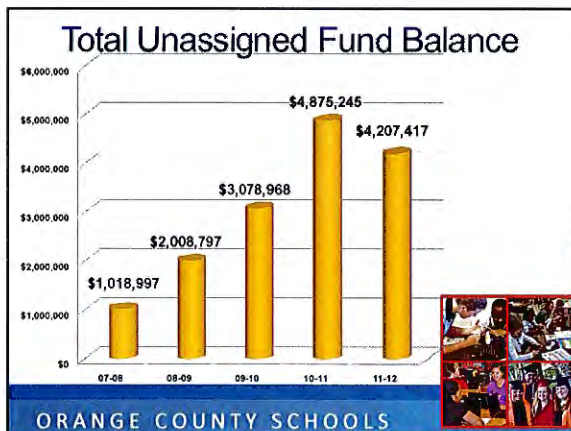
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### Total Fund Balance Appropriation

✓ Recurring Expenditures:	\$686,643
✓ Expansion Budget Request:	\$505,000
✓ Salary Increase of 1%	\$158,000
<b>Total Fund Balance Appropriation:</b>	<b>\$1,349,643</b>



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### The Superintendent's Recommended Local Budget Request for 2013-14:

**\$24,278,222**



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### Superintendent's Funding Recommendations

✓ Maintain Per Pupil Allocation	\$24,278,222
✓ County Fair Funding:	\$494,000
✓ Fines and Forfeitures:	\$202,500
✓ Interest:	\$70,000
✓ Appropriated Fund Balance:	\$1,349,643
<b>Total Local Funding:</b>	<b>\$26,394,365</b>



ORANGE COUNTY SCHOOLS

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## Superintendent's Recommended Local Budget

- ✓ Places an emphasis on cost containment, and reorganizes for overall operational efficiency.
- ✓ Prevents teacher job loss, maintains class sizes, supports innovative programs and mitigates budget cuts.
- ✓ Provides an excellent return on taxpayer investment.



ORANGE COUNTY SCHOOLS

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## Budget Calendar

BOCC – Budget Recommendation	March 11, 2013	Formal presentation made to Board of Education by the Superintendent on "Budget Recommendations"
BOCC – Capital Investment Plan	March 12, 2013	Manager presents 2013-2018 Capital Investment Plan to Board of County Commissioners (Regular Work Session)
OCS – Budget Consideration (Public Hearing)	3/25/2013 6:00 P.M.	Public Hearing – Capital Funds Budget and Local Current Expense Budget
OCS – Work Session	3/25/2013 7:00 P.M.	Board of Education participates in Budget Work session
OCS – Work Session	April 8, 2013	Board of Education participates in Budget Work Session
BOCC – CIP Follow-up	April 11, 2013	Capital Investment Plan follow-up with BOCC (Budget Work Session)
OCS – Board Approval	April 22, 2013	Board of Education Adopts Local Current Expense Budget
OCS – Budget Distribution	April 25, 2013	Budget due to County Commissioners from Orange County Schools
BOCC – Work Session	April 25, 2013	Boards of Education Fiscal Year 2013-14 Budget Presentations to BOCC @ Work Session



ORANGE COUNTY SCHOOLS

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## Budget Calendar

BOCC – Work Session	May 9, 2013	Board of County Commissioners participates in CIP follow-up and Budget Drivers for 2013-14 (Budget Work Session)
BOCC – Manager Presents	May 21, 2013	Manager presents Fiscal Year 2013-14 Annual Operating Budget to Board of County Commissioners
BOCC – Budget Consideration	May 23, 2013	Public Hearing – Orange County Budget and Capital Investment Plan Public Hearings
BOCC – Budget Consideration	May 30, 2013	Public Hearing – Orange County Budget and Capital Investment Plan Public Hearings
BOCC Work Session Discussion of School Budgets	June 6, 2013	Board of County Commissioners Participates in Board of Education Budget Work Session
BOCC – County Commissioners Adoption of Budget	June 18, 2013	County Commissioners adopt Fiscal Year 2013-14 Annual Operating Budget and 2013-18 Capital Investment Plan
OCS – Continuation Budget Approval	June 24, 2013	Board of Education adopts Continuation Budget



ORANGE COUNTY SCHOOLS

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Please visit our district budget page @  
[www.orange.k12.nc.us](http://www.orange.k12.nc.us)



ORANGE COUNTY SCHOOLS

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## **Public Education**

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*Governor's Recommended Adjustments to Base Budget*

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**Public Education (13510)**

**Recommended General Fund Budget and Positions**

	<u>2013-14</u>	<u>2014-15</u>
<b>Base Budget</b>		
<b>Requirements</b>	\$11,229,622,656	\$11,356,331,834
<b>Receipts</b>	<u>\$3,244,697,899</u>	<u>\$3,245,234,004</u>
<b>Appropriation</b>	\$7,984,924,757	\$8,111,097,830
<b>Adjustments</b>		
<b>Requirements</b>	(\$28,660,068)	\$31,703,146
<b>Receipts</b>	<u>\$56,495,763</u>	<u>\$23,026,823</u>
<b>Appropriation</b>	(\$85,155,831)	\$8,676,323
<b>Total</b>		
<b>Requirements</b>	\$11,200,962,588	\$11,388,034,980
<b>Receipts</b>	<u>\$3,301,193,662</u>	<u>\$3,268,260,827</u>
<b>Recommended Appropriation</b>	<u>\$7,899,768,926</u>	<u>\$8,119,774,153</u>
<b>Positions</b>		
<b>Base Budget Positions</b>	1,339.190	1,339.190
<b>Continuation</b>	-	-
<b>Reductions</b>	(46.250)	(46.250)
<b>Expansion</b>	<u>3.000</u>	<u>3.000</u>
<b>Recommended Positions</b>	<u>1,295.940</u>	<u>1,295.940</u>

## Appropriation Items -- Recommended Adjustments

### Continuation

2013-14

2014-15

#### State Public School Fund

##### 1. Update Average Daily Membership (ADM) Adjustment for Enrollment Growth

This item revises the initial ADM adjustment in the 2013-15 base budget. It supports a net increase of 6,642 ADM in 2013-14 and 6,636 ADM in 2014-15. This appropriation ensures adequate funding for instructional positions and instructional supplies that are allocated to the LEAs based on increasing student enrollment or average daily membership (ADM). There are 921 additional teacher positions for 2013-14 and 1,813 for 2014-15. ADM is 1,509,985 for 2013-14 and projected ADM for 2014-15 is 1,526,591. Receipts from the Highway Fund for Driver Education are reduced due to a decrease in 9th grade ADM by 3,088 in 2013-14 and by 3,145 in 2015-15.

<b>Requirements</b>	<b>\$10,616,485</b>	<b>\$11,215,966</b>
<b>Receipts</b>	<b>(\$625,322)</b>	<b>(\$595,583)</b>
<b>Appropriation</b>	<b>\$11,241,807</b>	<b>\$11,811,549</b>

##### 2. Update Average Salary Adjustment

This adjustment revises average annual salaries in the 2013-15 base budget, using actual 2012-13 sixth pay period as the revised projection base. It updates the average salary adjustment that was based on available initial projections from the 3rd pay period. This adjustment is made annually after reviewing budgeted salary projections for all certified personnel. Typically, because of turnover in these positions, the actual salaries are lower than budgeted salaries, and savings can be realized without reducing teacher salaries.

<b>Appropriation</b>	<b>(\$11,873,083)</b>	<b>(\$11,980,756)</b>
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##### 3. Consolidate All Funding Sources Supporting the Tarheel Challenge Academy

The North Carolina Tarheel Challenge program is part of the National Guard Youth Challenge Program and receives federal funds from this entity. The appropriation that provides the required matching funds was transferred to DPI as a pass-through per Session Law 2009-451. National Guard federal funds are designated receipts to the Department of Public Safety where the program is implemented. Moving the required state match back to the Department of Public Safety will consolidate all funding sources in the agency in which the program resides.

<b>Appropriation</b>	<b>(\$767,719)</b>	<b>(\$767,719)</b>
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##### 4. Textbooks

A nonrecurring reduction was enacted by the General Assembly each year of the 2011-13 biennium per Session Law 2011-145. This item partially restores the \$76.5 million nonrecurring reduction in 2013-14

and fully restores the reduction in 2014-15. The total budget for 2013-14 is \$81 million; a 155% increase, and \$91.3 million in 2014-15; a 235% increase over the 2012-13 authorized budget.

**Appropriation**      **\$58,250,000**      **\$76,500,000**

**5. Instructional Supplies and Equipment**

This item partially restores the nonrecurring reduction enacted by the General Assembly in each year of the 2011-13 biennium per Session Law 2011-145. The restoration is based upon a per ADM amount of \$40.08 in 2013-14 and \$56.99 in 2014-15. The instructional supplies and equipment allotment shall no longer include a funding formula for PSAT. The ACT assessments are being funded and used to assess college readiness. The 2013-14 budget is \$59.5 million, a 19% increase over the 2012-13 authorized budget. The 2014-15 budget is \$85 million, a 70% increase over the 2012-13 authorized budget.

**Appropriation**      **\$9,443,104**      **\$34,936,054**

**Total Recommended Continuation**

	<u>2013-14</u>	<u>2014-15</u>
<b>Recurring</b>		
Requirements	\$65,668,787	\$109,903,545
Receipts	(625,322)	(595,583)
	<hr/>	<hr/>
Appropriation	\$66,294,109	\$110,499,128
Positions	-	-
<b>Nonrecurring</b>		
Requirements	-	-
Receipts	-	-
	<hr/>	<hr/>
Appropriation	-	-
Positions	-	-

**Reductions**

2013-14      2014-15

**State Public School Fund**

**1. Focus Teacher Assistant Funding on Grades K-1**

Focus teacher assistant funding on grades K-1 by lowering the ratio of teacher assistant to students to 1:17 in those grades. Funds remaining will be allocated on the basis of K-1 average daily membership (ADM). Local school administrative units (LEAs) continue to have flexibility to place teacher assistants across grades K-3.

**Appropriation**      **(\$117,123,733)**      **(\$117,123,733)**

**2. Align Limited English Proficiency (LEP) Funding with Actual Need**

Funds are appropriated for students for whom English is not a first language based upon an annual December headcount. Budgeted



headcount is higher than the revised December headcount for each year of the biennium. Actual 2011-12 expenditures were \$71.2 million.

<b>Appropriation</b>	<b>(\$3,000,000)</b>	<b>(\$3,000,000)</b>
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### 3. Utilize One-Time Over Collected Civil Penalties

The Civil Penalties and Forfeiture Fund was created by G.S.115C-457.1, which authorizes the Office of State Management and Budget (OSBM) to administer the fund. Proceeds collected by agencies are then transferred by OSBM to the Department of Public Instruction for the School Technology Fund and for allocation to the LEAs based on average daily membership. The General Assembly appropriated \$138.3 million in civil penalties each year of the 2011-13 biennium in Session Law 2011-145; \$18 million to the School Technology Fund and \$120.3 million to the State Public School Fund. Civil Penalty collections are overrealized for 2012-13. These one-time excess receipts are budgeted in lieu of State Public School Fund appropriations in the first year of the 2013-15 biennium.

<b>Requirements</b>	<b>-</b>	<b>-</b>
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<b>Receipts - Nonrecurring</b>	<b>\$25,950,674</b>	
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<b>Appropriation - Nonrecurring</b>	<b>(\$25,950,674)</b>	<b>-</b>
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### 4. Redirect Uncommitted Balance of Small County Reserve

The Small County Supplemental Funding allotment is designed to supplement local funds by providing additional funds to small school systems. County LEAs with ADM of less than 3,239, and those with ADM between 3,239 and 4,080 whose adjusted property tax base is below the state average, are eligible. Funds provide the dollar equivalent for a certain number of additional classroom teachers based on student population density (ADM per square mile). The budget for 2012-13 is \$45.5 million, of which \$42.7 million is allotted to 27 eligible LEAs and \$1.3 million is reserved for charter schools residing in those LEAs. An uncommitted balance of \$1.55 million remains in the reserve.

<b>Appropriation</b>	<b>(\$1,555,885)</b>	<b>(\$1,555,885)</b>
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### 5. Direct Overrealized Sales Tax Receipts to the State Public School Fund

Sales taxes are directed to the State Public School Fund based on the prior year's collection adjusted by the percentage change in the overall collection of the prior year. These funds are allocated from the Department of Revenue to the Department of Public Instruction on a quarterly basis. Budgeted receipts of \$46.3 million shall be increased based upon the most recent revenue estimates.

<b>Requirements</b>	<b>-</b>	<b>-</b>
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<b>Receipts</b>	<b>\$5,025,426</b>	<b>\$6,553,965</b>
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<b>Appropriation</b>	<b>(\$5,025,426)</b>	<b>(\$6,553,965)</b>
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**Department of Public Instruction /Other Entities**

**1. North Carolina Center for the Advancement of Teaching (NCCAT)**

The General Assembly reduced the appropriation to NCCAT by \$3 million or approximately 50% in 2011-12 per Session Law 2011-145. This change removes the remaining appropriation. There are 46.25 FTE; 38.25 of which are filled. One million dollars to provide severance costs and annual leave payouts remains available in 2013-14 for this program.

<b>Appropriation</b>	<b>(\$2,219,222)</b>	<b>(\$3,219,222)</b>
<b>Positions</b>	<b>(46.250)</b>	<b>(46.250)</b>

**2. Continue the General Assembly's Phase Out of Teaching Fellows Scholarships**

The General Assembly phased out this scholarship program in Session Law 2011-145, supporting one final freshman class in the 2011-12 school year. Members of the last entering class will be college juniors in the 2013-14 school year, allowing for 1/3 of the scholarship funds to be eliminated on a recurring basis in 2013-14 and 2/3 in 2014-15.

<b>Appropriation</b>	<b>(\$3,095,000)</b>	<b>(\$6,190,000)</b>
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**3. Align Teaching Fellows Fund Balance to Meet Need**

In 2012-13 the Teaching Fellows fund balance was reduced by \$3.3 million on a nonrecurring basis. This item reduces the estimated remaining available fund balance.

<b>Appropriation - Nonrecurring</b>	<b>(\$1,300,000)</b>
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**Total Recommended Reductions**

	<u>2013-14</u>	<u>2014-15</u>
<b>Recurring</b>		
Requirements	(\$126,993,840)	(\$131,088,840)
Receipts	5,025,426	6,553,965
Appropriation	(\$132,019,266)	(\$137,642,805)
Positions	(46.250)	(46.250)
<b>Nonrecurring</b>		
Requirements	(\$1,300,000)	-
Receipts	25,950,674	-
Appropriation	(\$27,250,674)	-
Positions	-	-

**Expansion**

<u>2013-14</u>	<u>2014-15</u>
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**State Public School Fund**

**1. Excellent Public Schools Act (EPSA)**

The General Assembly designated \$27 million recurring appropriation

in Session Law 2012-142 for the Excellent Public Schools Act. Some components of the Act are not required to be implemented until 2014-15. Based on the requirements of the Act and current implementation data, additional appropriation is needed in the second year of the biennium. Two EPSA components to be implemented in 2014-15 that are not fully supported by the current appropriation are Summer Reading Camps and Reading Plan for Parents. Summer Reading Camps are to be administered by all LEAs for students not demonstrating reading proficiency on the 3rd grade reading End of Grade (EOG) test. The EPSA also requires that a reading plan be provided to parents of retained 3rd graders.

**Appropriation** **\$28,000,000**

## 2. American College Testing (ACT) Assessments

The ACT is considered an accurate gauge of school achievement and career and college readiness. The ACT battery assesses public/charter school students and includes EXPLORE (required for all 8th graders), PLAN (required for all 10th graders), ACT (required for all 11th graders), and WorkKeys (required for all grade 12 students enrolled as Career and Technical Education concentrators). In Session Law 2011-145 the General Assembly amended G.S. 115C-174.20 and G.S. 115C-174.25, directing the State Board of Education, within available funds, to require the administration of diagnostic tests in the 8th and 10th grades that align to the ACT and WorkKeys tests. The results of the ACT assessments provide information that can guide the use of individualized student instructional strategies in English, Writing, Math and Science, and career readiness dimensions. Results can be used to identify students in need of assistance and to guide instruction to ensure adequate preparation for college and careers. Full implementation of this initiative will lead to a decreased need for remedial courses in higher education.

**Appropriation** **\$7,500,000** **\$7,500,000**

## 3. Enhance Digital Learning Opportunities for Students

Lottery receipts are directed to support the purchase of reading tablets for students. These funds will be placed in a reserve and awarded through a competitive process for school classroom use. Funds shall be used to support 3rd grade reading achievement or other targeted high priority instructional needs as documented through the application process. The North Carolina Education Lottery Commission projects that lottery revenues will be overrealized in 2012-13, providing an additional \$9 million for Education programs. In addition, \$17 million is estimated to be available on a recurring basis.

<b>Requirements</b>	<b>\$17,068,441</b>	<b>\$17,068,441</b>
<b>Requirements - Nonrecurring</b>	<b>\$9,076,544</b>	
<b>Receipts</b>	<b>\$17,068,441</b>	<b>\$17,068,441</b>
<b>Receipts - Nonrecurring</b>	<b>\$9,076,544</b>	

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**Appropriation** **-** **-**

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## Department of Public Instruction

### 1. Support Additional Charter School Staff to Allow for Appropriate Oversight

Additional charter school consultants are needed to conduct the business of reviewing the increased volume of charter school applications since the cap on the number of charter schools was lifted in Session Law 2011-164, repealing G.S. 115C-238.29D(b). The national average for consultants to charter schools is 1:9. Funds include salaries, travel, technology needs and \$30,000 for expenses related to the Charter School Advisory Council.

	Appropriation	\$320,000	\$320,000
	Positions	3.000	3.000
<hr/>			
<b>Total Recommended Expansion</b>			
	<u>2013-14</u>	<u>2014-15</u>	
<b>Recurring</b>			
Requirements	\$24,888,441	\$52,888,441	
Receipts	17,068,441	17,068,441	
	<hr/>	<hr/>	
Appropriation	\$7,820,000	\$35,820,000	
Positions	3.000	3.000	
<b>Nonrecurring</b>			
Requirements	\$9,076,544	-	
Receipts	9,076,544	-	
	<hr/>	<hr/>	
Appropriation	-	-	
Positions	-	-	



**Total Recommended Adjustments for  
Public Education (13510)  
2013-15**

	<u>2013-14</u>	<u>2014-15</u>
<b>Recurring</b>		
Requirements	(\$36,436,612)	\$31,703,146
Receipts	21,468,545	23,026,823
	<hr/>	<hr/>
Appropriation	(\$57,905,157)	\$8,676,323
Positions	(43.250)	(43.250)
<b>Nonrecurring</b>		
Requirements	\$7,776,544	-
Receipts	35,027,218	-
	<hr/>	<hr/>
Appropriation	(\$27,250,674)	-
Positions	-	-
<b>Total Appropriation Adjustments</b>	(\$85,155,831)	\$8,676,323
<b>Total Position Adjustments</b>	(43.250)	(43.250)