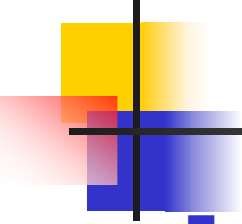


PRELIMINARY BUDGET 2005-2006

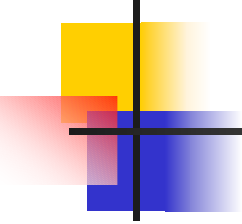
**Introductory Presentation
January 24, 2005**

School District of South Orange and Maplewood



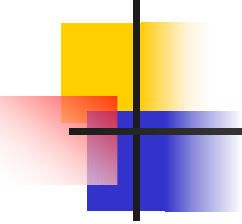
Revenues and Expenditures of the proposed budget.

- This presentation outlines proposed expenditures
- Precise revenue calculations, including local tax impact, will be developed:
 - When the actual CAP is determined
 - When pending legislation is finalized
 - When State aid figures are announced
(two days following the Governor's budget announcement on February 22, 2005)



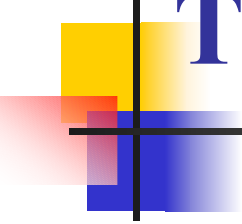
The Administration's proposed General Fund budget, 2005-06

- The administration's proposed general fund budget for 2005-2006 contains expenditures totaling: \$83,511,608.
- This is the minimum amount necessary to maintain current programs, service offerings and staffing levels.
- This amount is \$4,331,530 (5.47%) more than the 2004-05 general fund budget.



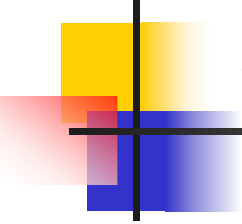
The proposed increase is consistent with prior year increases.

- 2002-03 \$3,434,526 (5%)
- 2003-04 \$4,482,947 (6.5%)
- 2004-05 \$6,071,327 (8%)
(included \$1 million capital projects)
- 2005-06 \$4,331,530 (5.47%)



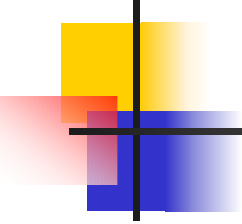
The Rules Have Changed: S1701

- ✓ Limit on CAP
- ✓ Change in use of CAP adjustments
- ✓ Restrictions on use of Separate Proposal(s)
- ✓ Limits on administrative costs
- ✓ Limits on allowable free balance
- ✓ Restrictions on use of free balance
- ✓ Restrictions on transfers within budget accounts



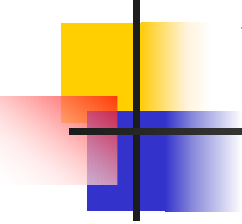
✓ Limit on CAP

- CAP is the limit on the amount of money that can be raised to fund the school budget.
- Allowable increase reduced from 3% to 2.5% or CPI, whichever is greater
- CPI is predicted to be 3.01%



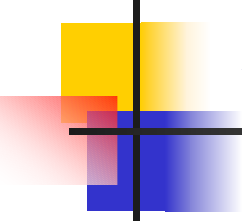
✓ Change in use of CAP adjustments:

- Statutory Growth Limitation Adjustments allow increases to CAP for certain cost drivers.
 - Changes in enrollment
 - Capital outlay expenditures
 - PUPIL TRANSPORTATION (limited use)
 - Incremental increase in special education costs in excess of \$40,000
 - Costs for opening a new school facility



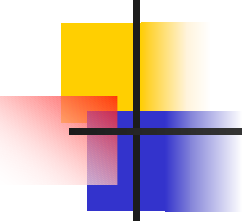
✓ Restrictions on Separate Proposal

- Cannot be used to fund any program or service that was part of the previous year's budget.
- Cannot be used to fund any new programs or services that are needed to meet the Core Curriculum Content Standards.
- District must demonstrate that all potential efficiencies in administrative operations are in effect.
- County Superintendent can reject if the district's administrative costs are too high.



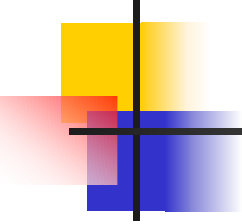
✓ Limits on Administrative Costs

- CAP within a CAP
- Per pupil costs may not exceed the lower of:
 - the 2004-05 costs, adjusted by the CPI, OR
 - the regional administrative “amount”.
- Does not matter if district administrative costs are lower than the regional “amount”.
- The 2005-06 regional administrative “amount”, based upon 2003-04 audits has been determined to be \$1,603 per pupil.
- County Superintendent may reject the entire budget if costs are too high in his/her opinion.



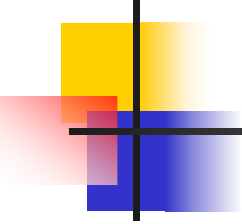
S1701: Impact on Proposed 2005-06 Budget

- The maximum permitted net budget for 2005-06 is estimated to be \$81,581,867.
- Available adjustments (SGLAs) may increase this amount slightly.
- This is the maximum amount that can be raised to fund the proposed budget.
- A shortfall of \$2.0-2.4 million is anticipated to fund the General Fund.
- Administrative CAP held to \$1,252, well below regional amount of \$1,603.



Reduction to the General Fund can be done in three ways:

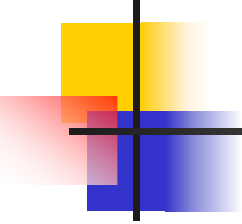
- Eliminate items not mandated or necessary for T&E
- Find alternative delivery methods for T&E items
- Raise additional taxes for new, non-T&E items via a separate proposal.



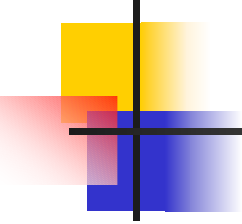
Cuts and efficiencies in prior years make further reductions difficult.

- Further “belt tightening” among staff with line-item authority to hold the line another year.
- BOE provided 10 topics for in-depth analysis to identify possible budget savings.

10 Topic areas explored for further efficiencies and savings.

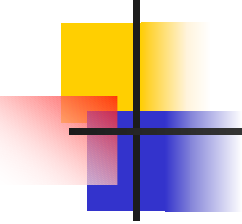


1. Explore potential savings and other impacts from changes in scheduling and class size. In particular:
 - Examine potential efficiencies in the scheduling of specials at the elementary level.
 - Predict the average annual projected savings in FTEs from changes in maximum class size at each grade level
 - At the high school, consider both the impact/savings of changes to average class size for regular academic sections and the impact/savings of changes affecting the full range of smaller sections, including supplementals, special education, alternative school, honors, AP and undersubscribed elective courses.



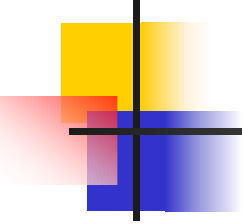
10 Topic areas explored for further efficiencies and savings. (cont.)

2. Examine additional savings to be realized from the expansion of custodial outsourcing.
3. Examine the potential for additional administrative efficiencies and savings from the reduction of administrative headcount.
4. Explore alternative approaches to the delivery of secretarial services.
5. Explore alternative approaches to the delivery of student services provided by non-certified personnel.



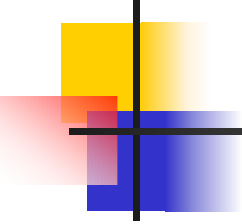
10 Topic areas explored for further efficiencies and savings. (cont.)

6. Explore potential savings to be realized from the possible creation of additional special education programs in-district.
7. Present a range of options for savings in transportation.
8. Identify actual costs related to community use of schools
9. Provide an analysis of technology spending.
10. Provide an analysis of all stipends and explore ways to reduce them, together with an analysis of the full costs of co- and extra-curricular activities, including transportation, insurance, supplies, etc.



The decision-making process for budget recommendations seeks to:

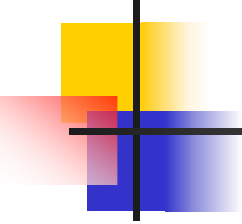
- Preserve what the community values in our school district as identified through strategic planning
- In the face of the revenue raising constraints and expenditure restrictions of S1701
- Guided by BOE-adopted Goals and Priorities
(BOE adopted 12/20/04)

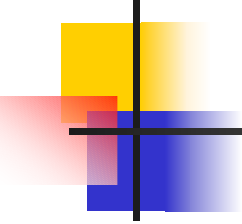


GOALS: Subject to the constraints and requirements of S1701 we remain committed to the goals outlined below.

- Provide educational programs and services that enable all students to succeed.
- Manage systemic changes that will increase the efficiency and cost effectiveness of operations.
- Continue maintenance and capital improvement efforts according to our long-term plan while managing debt service to minimize tax impact
- Remain competitive with comparable public and private schools
- Achieve a common understanding between the community, the board and the administration regarding the administration's budget recommendation and rationale.

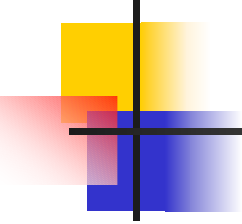
PRIORITIES: Subject to the constraints imposed by S1701, we endorse these priorities in our attempt to preserve and maintain our educational program.

- 
- Increase achievement for all students in language arts literacy and mathematics
 - Improve effectiveness of academic interventions for student subgroups that do not meet, or at risk of not meeting, NCLB AYP.
 - Provide professional development which focuses on increasing student learning so that all subgroups in all schools meet NCLB AYP
 - Preserve the elective offerings at CHS to meet the scheduling needs of a growing enrollment and increase student access to high-level courses.



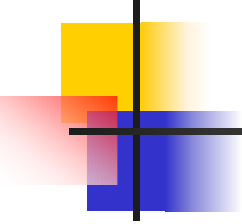
PRIORITIES (cont)

- Utilize technology as an effective tool to enhance teaching and learning and maximize efficiency of administrative services.
- Provide a learning environment which is clean, safe and secure, and which will best support the delivery of the district's educational program
- Continue to provide programs and services that support the goal of maintaining integrated schools.
- Strive for class sizes that best support the developmental and educational needs of students.



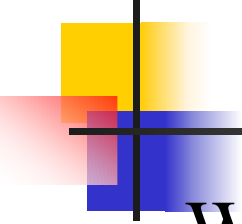
Problem is not on the expenditure side

- Constraints on decision-making
- Restrictions imposed by S1701
- State and Federal mandates
- Collective bargaining agreements
- Market forces that impact operational costs (insurance, utilities, cost of services)



Due diligence has been applied to the budget development process.

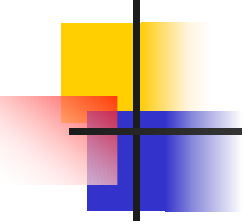
- BOE charged Finance and Facilities Committee and Administration to work together
- Developed comprehensive set of materials
- Line item budget proposal
- Annotated line item budget to include FTEs
- Three-year projection analysis



Preserving what we have a priority.

We believe district programs and services:

- ◆ All have educational value to carry out our mission
- ◆ All are important to various student, staff, and parent constituencies
- ◆ Contribute positively to meeting high expectations of our diverse communities
- ◆ Are most effective given our budget and physical plant

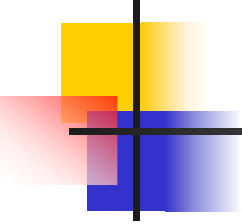


Major factors driving the budget.

- ♦ Enrollment
- ♦ Salaries and Benefits
- ♦ Space
- ♦ Major Operational Costs (e.g. energy, insurance)

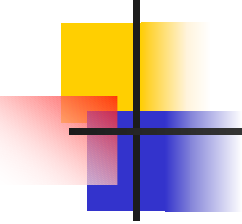
These factors are determined by:

- ♦ State Regulations
- ♦ Employer/Employee Contracts
- ♦ Board of Education Policy



Demographer projects enrollment is not continuing to increase.

◆ Grade Levels	2004-2005	2005-2006 (Projected)
K-5	2,716	2,724
6-8	1,450	1,403
9-12	2,004	2,015
SPED	130	157
TOTAL	6,300	6,299



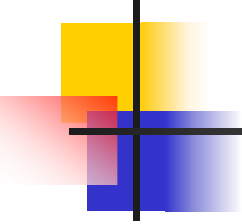
Projected Staffing Costs 2005-2006

Number of Staff – 853.82 FTEs

- ◆ Salaries \$51,164,467
- ◆ Health Benefits \$ 9,357,600
- ◆ Other Benefits \$ 2,124,550

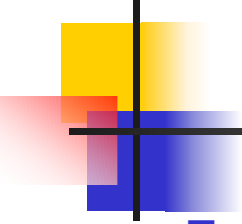
- ◆ Total Salary/Benefits Cost \$62,646,617

- ◆ 75% of proposed budget



Academic Challenges

- There is a racial achievement gap
- Many Special Education students do not meet the Adequately Yearly Progress requirement mandated by the state and NCLB
- Number of students requiring remedial services based on District and State Assessments
 - Grades 1-5 492 students (17.6 %)
 - Grades 6-8 260 students (17.8 %)
 - Grades 9-12 460 students (22.9 %)



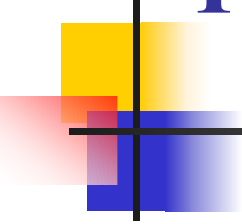
Ongoing initiatives addressing academic challenges.

- Project Ahead Grades 1 - 8
- Grade 6 Transition
- Grade 6 Reorganization
- Ninth Grade Cluster
- CHS Supplemental Programs
- CHS Alternative Program at Montrose
- Student Assessment by School Intervention Teams
- Tripod Model Implementation
- Professional Development in Differentiated Instruction



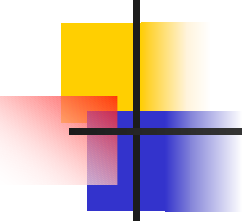
Successful implementation of educational change depends on consistency of effort

- Continual development of initial ideas
- Clarification largely through practice
- Time and persistence required
- Progress occurs in steps that expand number of people affected
- Changing the culture of the institution is the real agenda



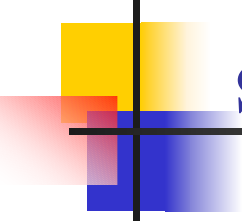
Preserving educational opportunities for our students is a priority

- Programs in the Fine and Performing Arts, e.g., elementary instrumental music
- Enrichment Opportunities
- Elementary World Languages
- Advanced Placement Courses
- High School Elective Offerings
- Intervention Programs
- Co-curricular/Athletic Opportunities



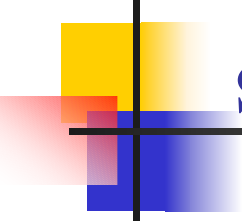
A significant portion of the proposed budget will not fit into the T&E budget under the CAP

- Final recommendation for expenditures in a T & E budget will be made upon completion of CAP calculation.
- Will also detail reductions necessary to bring budget down to state imposed CAP.
- Board's responsibility to adopt a preliminary budget to be submitted to the County Superintendent for approval by March 8.



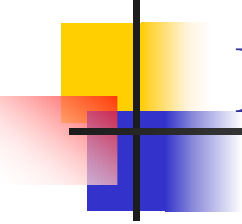
Proposed Reduction: Elementary staffing and scheduling efficiency

- Strictly follow class size policy at projected enrollment (reduce 4.5 FTEs)
 - EST NET SVGS: \$359,100
- Increasing class size policy by one student would result in an est. reduction of 3.5 FTEs and savings of \$275,000. It is not recommended at this time.
- Implement new scheduling model for specials (reduce 6.5 FTEs)
 - EST NET SVGS: \$518,700



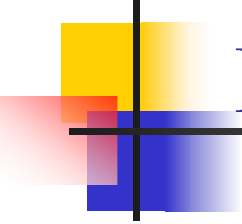
Proposed Reduction: Middle School staffing and scheduling efficiency

- Implement scheduling efficiencies with a lower projected enrollment by eliminating French and dance. (reduce 4 FTEs)
 - 1 FTE in French
 - 1 FTE in dance
 - 2 FTEs in scheduling efficiencies
 - EST NET SVGS: \$319,200



Proposed Reduction: Custodial and Maintenance Services

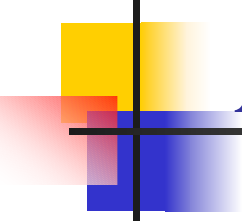
- Replace leaving custodians with additional contracted services for night cleaning at 1, 2 or 3 elementary schools in addition to the current contracted operations at the middle schools. (0 reduction in FTEs or level of service provided)
 - EST NET SVGS: \$320,000



Proposed Reduction: Special Education administration changes

- Implement reorganization of Special Education department administration
 - EST NET SVGS: \$ 47,200

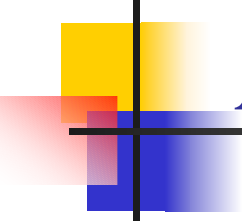
- Implement plan to begin returning students placed out of district to new programs in the district.
 - EST NET SVGS: \$447,526



Proposed Reduction: Classroom and Administrative Support

- Reduce administrative secretarial support (2FTEs)
 - EST NET SVGS: \$114,000

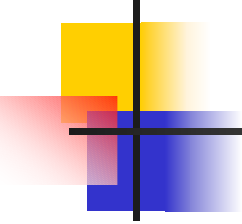
- Reduce instructional aide support (2 FTEs)
 - EST NET SVGS: \$ 76,800



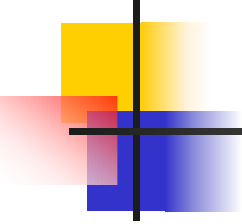
Proposed Reduction: Central Office Administration

- Defer hiring elementary principal
 - Implement reorganization of Central Office administration
 - Additional responsibilities divided among existing administrators.
 - Ass't Supt. oversee building administration and elementary school supervision
 - Ass't Supt. oversee human resources and middle school supervision
- EST NET SVGS: \$144,000

Proposed Reduction: SUMMARY

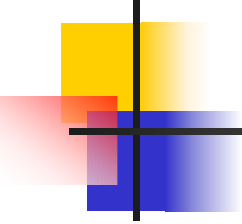


	<u>FTEs</u>	<u>Est Net Svgs.</u>
■ Elem. Enroll.	4.5	\$359,100
■ Elem. Specials	6.2	\$518,700
■ MS Scheduling	4.0	\$319,200
■ Custodial Svcs	---	\$320,000
■ SPED admin reorg	1.0	\$ 47,200
■ SPED changes	---	\$447,526
■ Admin secretaries	2.0	\$114,000
■ Instructional Aides	2.0	\$ 76,800
■ CO admin reorg	1.0	<u>\$144,000</u>
TOTAL		\$2,346,526



Amount to be raised through local taxes to fund the 2005-06 budget.

At this point the local tax levy can only be estimated. Until the exact unrestricted aid allotment is known, we cannot calculate precisely the dollar amount to be raised through local taxes.



Estimated tax impact.

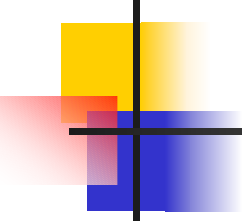
Illustration

- ◆ Assume 2004-2005 level of state aid at \$5,523,353
- ◆ Assume local incremental tax impact for 2005-2006 general fund and debt service of 3.54%

NEXT STEPS

- 
-
- Determination of actual CAP
 - Completion and delivery of remaining budget reports and analyses
 - Special BOE meeting January 31
 - BOE budget discussions on Feb 7, Feb 23 (workshop), and Feb 28
 - Completion of a proposed T&E budget once state aid amount is received from the state February 24
 - March 1 adopt Preliminary Budget to send to the County Superintendent for approval

CONCLUSIONS



- This budget year might be even more difficult than those of the recent past or it might be a year in which we finally experience a full community dialogue about what we value most
- We think we possess the basis for such a discussion because of the wealth of budget information available and the shared understanding of what factors drive our budget.



An opportunity to build community consensus

- An outcome that provides evidence of a community reaffirming its belief in our shared values and our determination to build a thriving integrated community centered on an integrated school system
- First step in the strategic planning effort
- Budget process will help the Board and the community to deliberate together for the sake of our children