

ORANGE COUNTY
BOARD OF EDUCATION

AGENDA ITEM ABSTRACT

Meeting Date: May 28, 2014

AGENDA ITEM No. 14-05-(2)-19

ACTION ITEM (Y/N) N

SUBJECT: 2014-2015 Recommended Budget Update

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

- ATTACHMENTS:
1. Summary Comparison of Requested vs. Manager Recommended Budget
 2. Summary Comparison of 2013-14 Budget vs. Manager Recommended Budget
 3. County Manager's Recommended Budget
 4. Excerpts from County Manager's Message
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PURPOSE: The purpose of this item is to provide an opportunity for board members to publicly discuss the 2014-2015 Local Current Expense Budget development.

BACKGROUND: On April 28, 2014, the Board of Education approved the 2014-2015 Local Current Expense Budget. The Superintendent presented this budget to the Orange County Board of County Commissioners on April 29, 2014. This budget included a request for \$27,929,376 in county appropriations. This represented an increase of \$2,869,222 or a per pupil increase of \$283. On May 20, 2014, the Orange County Manager presented a budget that reflected an increase in county appropriations of \$1,390,978 or \$95 per pupil. This represents \$1,478,244 less than requested.

FINANCIAL IMPACT: The negative financial impact of this item is \$1,478,244 in requested revenues not recommended by the County Manager. Also, the exact impact of the Expedition Charter School is not yet known, but could be as much as \$417,000. The impact of the education vouchers could be as much as \$120,000.

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

Orange County Schools
 Summary Comparison of Requested vs. Manager Recommended
 May 28, 2014

	2013-2014 Approved Budget	2014-2015 B.O.E. Requested Budget	2014-2015 Manager's Recommended	B.O.E./BOCC Comparison
Local County Appropriations	\$ 25,060,154	\$ 27,929,376	\$ 26,451,132	\$ (1,478,244)
Per Pupil	\$ 3,269	\$ 3,552	\$ 3,364	\$ (188)
Per Pupil Increase	N/A	\$283	\$95	\$ (188)
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Recurring Capital	\$ 1,155,000	\$ 1,155,000	\$ 1,167,600	\$ 12,600
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<u>Other School Related Programs (Both Districts)</u>				
School Health Nursing Initiative	\$ 683,706	\$ 697,380	\$ 697,380	\$ -
School Resource Officers	\$ 545,514	\$ 556,424	\$ 556,424	\$ -
School Social Workers	\$ 692,283	\$ -	\$ -	\$ - *
Fair Funding	\$ 988,000	\$ 988,000	\$ 988,000	\$ -

Orange County Schools
 Summary Comparison of 2013-2014 Budget vs. 2014-2015 Manager Recommended
 May 28, 2014

	2013-2014 Approved Budget	2014-2015 B.O.E. Requested Budget	2014-2015 Manager's Recommended	2013-14 Budget/ BOCC Comparison
Local County Appropriations	\$ 25,060,154	\$ 27,929,376	\$ 26,451,132	\$ 1,390,978
Per Pupil	\$ 3,269	\$ 3,552	\$ 3,364	\$ 95
Per Pupil Increase	N/A	\$283	\$95	\$ 95
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Recurring Capital	\$ 1,155,000	\$ 1,155,000	\$ 1,167,600	\$ 12,600
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<u>Other School Related Programs (Both Districts)</u>				
School Health Nursing Initiative	\$ 683,706	\$ 697,380	\$ 697,380	\$ 13,674
School Resource Officers	\$ 545,514	\$ 556,424	\$ 556,424	\$ 10,910
School Social Workers	\$ 692,283	\$ -	\$ -	\$ (692,283) *
Fair Funding	\$ 988,000	\$ 988,000	\$ 988,000	\$ -

* "Both the County and Orange County Schools have decided to individually fund the social workers to continue the service for Orange County Schools." The County is not rifting the eight Social workers in Orange County Schools. Those that are not employed by Orange County Schools will have work in other areas of County employment. Orange County Schools has budgeted for eight social workers in its Local Current Expense Budget contingent upon funding at the requested level.

Additional Information:

(1) The Expedition Charter School opening in the fall of 2014 has projected enrollment of 124 Orange County Schools students. This equates to approximately \$417,000 in expenses not in the 2014-2015 budget.

(2) The Supreme Court overrode the injunction related to school vouchers. This should be considered as plans are made for next year. This will not impact the Local Current Expense budget directly, but will impact it as voucher requests impact the State budget. Orange County Schools currently has 24 requests for vouchers. This could possibly impact the local current expense budget by approximately \$120,000.

Education

	2011-12 Actual Expenditures	2012-13 Actual Expenditures	2013-14 Original Budget	2013-14 12-Month Estimate	2014-15 Department Requested	2014-15 Manager Recommended
Local School Systems						
Current Expenses (General Fund)						
Orange County Schools	23,069,574	24,021,695	25,060,154	25,060,154	27,929,376	26,451,132
Chapel Hill/Carrboro City Schools	36,305,808	38,368,205	40,019,098	40,019,098	44,204,668	41,508,396
Total Current Expenses	\$ 59,375,382	\$ 62,389,900	\$ 65,079,252	\$ 65,079,252	\$ 72,134,044	\$ 67,959,528
Recurring Capital						
Orange County Schools	1,165,500	1,155,000	1,155,000	1,155,000	1,155,000	1,167,600
Chapel Hill/Carrboro City Schools	1,834,500	1,845,000	1,845,000	1,845,000	1,845,000	1,832,400
Total Recurring Capital Expenses	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Long Range Capital						
School Capital	5,453,620	5,120,984	3,724,849	4,366,725	3,724,849	3,724,849
Total Long Range Capital Expenses	\$ 5,453,620	\$ 5,120,984	\$ 3,724,849	\$ 4,366,725	\$ 3,724,849	\$ 3,724,849
Debt Service						
Interest Non-GO Bonds	1,402,150	1,316,598	2,674,219	3,265,393	2,344,097	2,344,097
Principal & Interest GO Bonds	10,775,706	10,009,476	9,618,676	9,618,676	8,956,988	8,956,988
Principal Non-GO Bonds	4,607,605	2,837,447	4,339,655	4,366,779	5,307,899	5,307,899
Total Debt Service Expenses	\$ 16,785,462	\$ 14,163,522	\$ 16,632,550	\$ 17,250,848	\$ 16,608,984	\$ 16,608,984
Other School-Related Programs						
School Health Nursing Initiative	630,040	683,708	683,706	683,706	697,380	697,380
School Resource Officers	529,410	542,365	545,514	548,436	556,424	556,424
School Social Workers	608,461	625,309	692,283	599,257	0	0
Reserve for Fair Funding for Schools	988,000	988,000	988,000	988,000	988,000	988,000
Total Other School-Related Expenses	\$ 2,756,910	\$ 2,839,380	\$ 2,909,503	\$ 2,819,399	\$ 2,241,804	\$ 2,241,804
Total Local School Systems Expenses	\$ 87,371,374	\$ 87,513,786	\$ 91,346,154	\$ 92,516,224	\$ 97,709,681	\$ 93,535,165

Note: In addition to the funding outlined here, in fiscal year 2014-15 Chapel Hill Carrboro City Schools anticipate receiving approximately \$21.76 million from its special district tax proceeds.

Local School Systems

In North Carolina, each county is responsible for supplementing state and federal appropriations to public education. Local current expense appropriations are allocated to each school system based on an equal amount per pupil. In addition, counties provide funds to each system for recurring and long-range capital projects. School systems in North Carolina do not have separate taxing authority and are not allowed to issue debt for school construction and renovation projects. Therefore, issuance and repayment of long-term debt, such as general obligation bonds and private placement loans, are the responsibility of county government. Many school units in the state also have special district taxes. These voter-approved taxes, levied within the unit's boundaries, further supplement county funding.

Student Enrollment Projections

In accordance with North Carolina General Statutes, the State Department of Public Instruction (DPI) certifies the estimated number of students who will attend public school in each district during the next academic year. These numbers are available to the Boards of Education and Board of County Commissioners in March of each year and are often referred to as the March ADM (Average Daily Membership) numbers. DPI allows counties to modify these totals to incorporate the number of students residing in each district who are expected to attend charter schools the following academic year. The resulting total projected student populations for each system are multiplied by the per pupil appropriation approved by the Board of County Commissioners to determine the total current expense appropriation for each district.

- **Student Enrollment Projections for the Orange County Schools**

Based on DPI projections, the Orange County School district enrollment for fiscal year 2014-15 totals 7,698, an increase of 197 students from the March 2013 projections. Budgeted charter school students total 254, less the out of district students of 89, brings the total district enrollment to 7,863. The number of charter students and out of district students are the same numbers as used in fiscal year 2013-14.

- **Student Enrollment Projections for the Chapel Hill-Carrboro City Schools**

The Chapel Hill-Carrboro City School District DPI projections total 12,353, reflecting an increase of 97 when compared to the March 2013 projections. Budgeted charter school students total 117, less the out of district students of 131, brings the total district enrollment to 12,339. The number of charter students and out of district students are the same as used in fiscal year 2013-14.

2014-15 Enrollment Projections

	CHCCS	OCS	Total
March 2014 Department of Public Instruction ADM Planning #s	12,353	7,698	20,051
Less: Out of District	<u>131</u>	<u>89</u>	<u>220</u>
	12,222	7,609	19,831
Plus: Budgeted Charter Students	<u>117</u>	<u>254</u>	<u>371</u>
Total Budgeted Students	12,339	7,863	20,202
	61.08%	38.92%	

Current Expense

As stated earlier, local current expense funding supplements State and Federal funds received by each district for the operation of the schools. North Carolina law requires boards of county commissioners to provide equal per pupil appropriations to each system in counties that have more than one school administrative unit, as is the case in Orange County.

It is important to note that the Chapel Hill-Carrboro City School system also receives proceeds from a special district tax approved many years ago by the voters of that district. At this time, the Orange County School system does not have a similar taxing authority.

The recommended fiscal year 2014-15 budget provides \$3,364 per student for each of the 20,202 students in the two school systems. This represents a \$95 per pupil increase from the \$3,269 per pupil approved for fiscal year 2013-14. The \$95 per pupil increase covers the costs for the local portion of the State's proposed 3% salary increase to school employees, which totals approximately \$1.9 million.

- **Current Expense Funding for the Orange County Schools**

The recommended budget increases the current year funding level by \$1,390,978 and brings the total appropriation in current expense funding to \$26,451,132.

- **Current Expense Funding for the Chapel Hill-Carrboro City Schools**

For the Chapel Hill-Carrboro City Schools, the recommended budget increases the current year funding level by \$1,489,298 and brings the total current expense funding for the District to \$41,508,396.

- **District Tax – Chapel Hill-Carrboro City Schools**

The special district tax rate for the Chapel Hill Carrboro City Schools is recommended to remain at 20.84 cents per \$100 assessed value for FY 2014-15. Each penny on the Chapel Hill-Carrboro district tax rate for fiscal year 2014-15 is expected to produce \$1,044,521. Anticipated revenue from this special tax is estimated to generate \$1,764 per student for the district. Projected revenue from district tax proceeds for fiscal year 2014-15 totals \$21,767,826.

Recurring Capital

Recurring capital outlay funding supports Category I (facility improvements), Category II (equipment and furnishings), and Category III (vehicles and bus purchases) expenditures. The equal per pupil

allocations required by law for current expense appropriations are not applicable to this category of local school funding.

Schools receive the equivalent of approximately 2 cents on the tax rate for recurring capital. This amount is distributed to each district based on its share of the total number of students. For fiscal year 2014-15, the recommended budget provides total funding for recurring capital at \$3.0 million. Of the total, recurring capital for the Chapel Hill-Carrboro City Schools equals \$1,832,400, and Orange County Schools' allocation is \$1,167,600.

Long-Range Capital and School Capital Projects

The County plans and programs long-range school capital funding through the County's Capital Investment Plan (CIP). Projects are funded by a combination of State and local bonds, non-bond financing and pay-as-you-go funding sources. The latter include dedicated half-cent sales tax revenues and property tax earmarked under the Board's Capital Funding Policy.

Debt Service

These funds repay principal and interest due on School related debt including general obligation bonds and private placement loans.

Excerpts from County Manager's Message

Funding Highlights

Funding for Local School Districts -The recommended appropriations to Chapel Hill - Carrboro City and Orange County Schools increases the ADM level. The recommended funding level represents a total appropriation to both school districts of \$92.3 million, which is **49.3%** of General Fund revenues. **This represents a \$3 million increase in the actual appropriation from the FY 2013-14. Additionally, this increases per pupil funding from \$3,269 to \$3,364, a \$95 per pupil increase.**

As debt is issued for school related capital projects and debt service expenditures increase, without additional revenues to offset any potential increase, expenditures related to debt service will become a larger component of the 48.1% funding target formula for education. Any increase in debt service expenditures related to school capital projects will reduce funding provided in future years for the other components of the funding formula (current expense, recurring and long-range capital and fair funding).

Both Boards of Education presented their budget requests to Commissioners in April 2014. Additional information in regards to the Local School Districts appropriation is as follows:

- Per pupil funding for the County's two local school districts increases to \$3,364. This funds the North Carolina Department of Public Instruction (NCDPI) projected 294 increase in student enrollment between both school districts, and the local portion of the possible State mandated raises for teachers. This represents a \$2.9 million increase in funding between both school districts current expense.
- Recurring capital for both School districts remains the same as the prior year appropriation of \$3 million dollars.
- The long range/pay-as-you go capital expense for the local school districts remains the same as the prior year appropriation of \$3.7 million dollars.
- The recommended budget provides for \$697,380 to continue the Commissioners' longstanding commitment to providing school health nurses at each school. This funding level slightly increases the funding level in FY 2014-15.
- The recommended budget does not provide funding for school social workers due to the loss of funding at the State level that funded the program. Both the County and Orange County Schools have decided to individually fund the social workers to continue the service for Orange County Schools.
- The Sheriff plans to continue providing School Resource Officers to support Orange County Schools. The estimated annual value of this Board of County Commissioners' commitment totals \$556,424.

Both School Districts have requested increases in per pupil funding that would require combined increases in funding ranging between \$6.8 to \$7.8 million dollars. To fund the request of each district will require additional revenues from a property tax increase or a reduction in County funded services elsewhere.