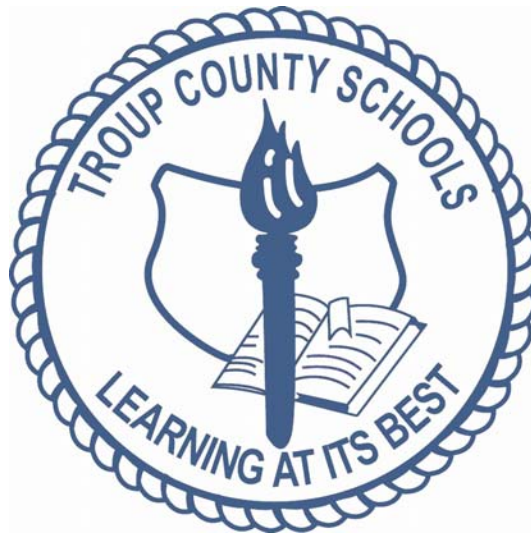


Troup County School System

FY13 Budget Issues & Proposals

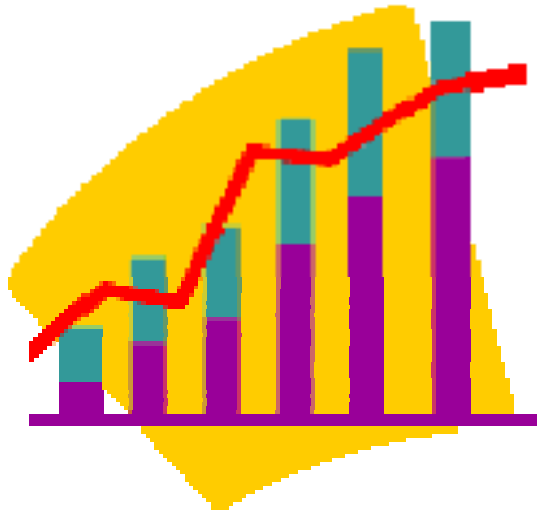


This presentation is intended to provide TCSS employees and community stakeholders a greater knowledge of our financial challenges in preparing a balanced FY13 budget.



Our Dilemma

Most school districts face rising expectations at the same time that they are experiencing revenue declines.



TCSS has continued to **face substantial shortfalls in Quality Basic Education (QBE) funding**. During the time period from **FY08 through FY12**, the QBE grant was **underfunded by \$34.2 million**. Even after American Reinvestment and Recovery Act funds and new KIA related property tax were applied, the net shortfall was still \$17.5 million.

These **shortfalls** have been **offset** during this time period by a **variety of different cost reduction actions** including closing of schools, leave without pay days and operating expense reductions. **Minimal** actions were taken that involved **personnel reductions**.



QBE Funding Reductions vs Increases in KIA-Related Property Taxes & ARRA Funding

<u>YEAR</u>	<u>QBE</u> <u>AUSTERITY CUTS</u>	<u>ARRA</u> <u>FUNDING</u>	<u>KIA RELATED</u> <u>PROPERTY TAX</u>	<u>NET</u> <u>SHORTFALL</u>
FY08	\$ (1,109,068)	\$ -	\$ -	\$ (1,109,068)
FY09	\$ (3,970,634)	\$ 1,294,569	\$ 236,616	\$ (2,439,449)
FY10	\$ (11,136,183)	\$ 5,224,061	\$ 1,910,272	\$ (4,001,850)
FY11	\$ (8,867,209)	\$ 1,025,633	\$ 3,306,611	\$ (4,534,965)
FY12	\$ (9,214,107)	\$ -	\$ 3,801,121	\$ (5,412,986)
FY13 EST	<u>\$ (9,214,107)</u>	<u>\$ -</u>	<u>\$ 4,301,121</u>	<u>\$ (4,912,986)</u>
 TOTAL	 <u>\$ (43,511,308)</u>	 <u>\$ 7,544,263</u>	 <u>\$ 13,555,741</u>	 <u>\$ (22,411,304)</u>



State mandates for personnel expenses including employer matching contributions for certified health insurance, classified health insurance, teacher retirement system and step increases have **driven our salary and benefits cost higher.**

State funding of K-12 public education has **decreased** from **62.14%** of the total general fund revenues to **50.73%** in FY12. This includes a **\$44.4 million shortfall** in the QBE funding formula.

This change has required ongoing budget cuts during this time period.



STATE FUNDING MANDATES FY03 – FY13

	<u>BASE</u> <u>SALARY</u> <u>SCHEDULE</u>	<u>STEP</u> <u>INCREASES</u>	<u>CERT.</u> <u>HEALTH</u> <u>COST</u>	<u>CLASS</u> <u>HEALTH</u> <u>COST</u>	<u>TEACHERS</u> <u>RETIREMENT</u> <u>COST</u>	<u>ENROLLMENT</u> <u>FTE</u>	<u>QBE \$</u>	<u>AUSTERITY</u> <u>REDUCTION</u>	<u>STATE</u> <u>FUNDING %</u>
FY02									62.14%
FY03	3.25%	1.50%	13.10%	\$ 1,953	9.24%	11,466	\$ 48,949,356	\$ (1,115,774)	59.70%
FY04	0.00%	1.50%	13.10%	\$ 1,953	9.24%	11,599	\$ 48,079,693	\$ (2,235,799)	57.76%
FY05	2.00%	1.50%	13.10%	\$ 1,953	9.24%	11,729	\$ 48,519,227	\$ (2,726,947)	56.86%
FY06	2.00%	1.50%	14.19%	\$ 1,953	9.24%	11,809	\$ 52,200,866	\$ (2,726,947)	57.38%
FY07	4.00%	1.50%	16.71%	\$ 1,953	9.28%	11,990	\$ 55,924,010	\$ (1,322,182)	59.05%
FY08	3.00%	1.50%	18.51%	\$ 1,953	9.28%	12,050	\$ 60,782,509	\$ (1,109,068)	60.02%
FY09	2.50%	1.50%	18.51%	\$ 1,953	9.28%	12,145	\$ 60,724,142	\$ (3,970,634)	56.94%
FY10	0.00%	1.50%	16.85%	\$ 1,953	9.74%	12,240	\$ 60,368,192	\$ (11,136,183)	49.81%
FY11	0.00%	1.50%	18.53%	\$ 2,592	10.28%	12,191	\$ 58,306,680	\$ (8,867,209)	52.73%
FY12	0.00%	1.50%	18.53%	\$ 3,554	10.28%	12,173	\$ 57,389,987	\$ (9,214,107)	50.73%
FY13	0.00%	1.50%	18.53%	\$ 5,400	11.41%	12,173	\$ 57,389,387	\$ (9,214,107)	50.73%



FY13 TCSS Mandated Budget Issues

Increase in TRS employer match
(10.28% to 11.41%) \$681,889

Increase in Classified State Health*
Match (\$3,552 year to \$5,400) \$755,160

***Additional Classified State Health Employer Match increases are forecasted as follows:**

- \$7,200 in FY14
- \$9,000 in FY15

By FY15, this will mean an employer match of \$9,000 for positions earning \$15,000 to \$20,000 per year. An additional cost of \$3,500,000 to TCSS versus FY10.

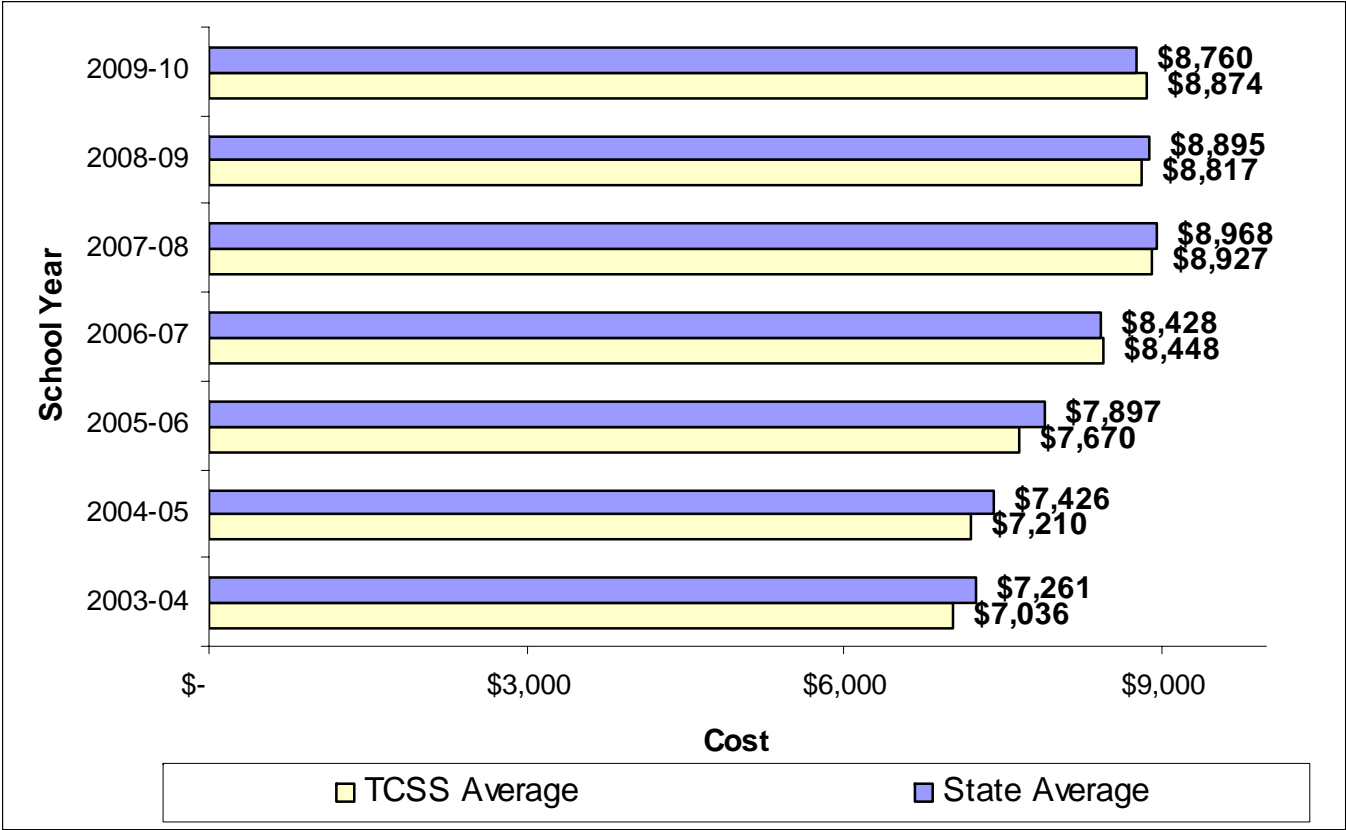


TCSS is **not a high cost system**. In FY10, we ranked 70th out of 180 school districts. Our expenditure of \$8,874 per full-time equivalent student was **only 1.3% above the state average** of \$8,760.

Our **administrative expense** for central administration, business services and other support services **was 4%** or roughly \$3.7 million. This is **2% below the state average**.



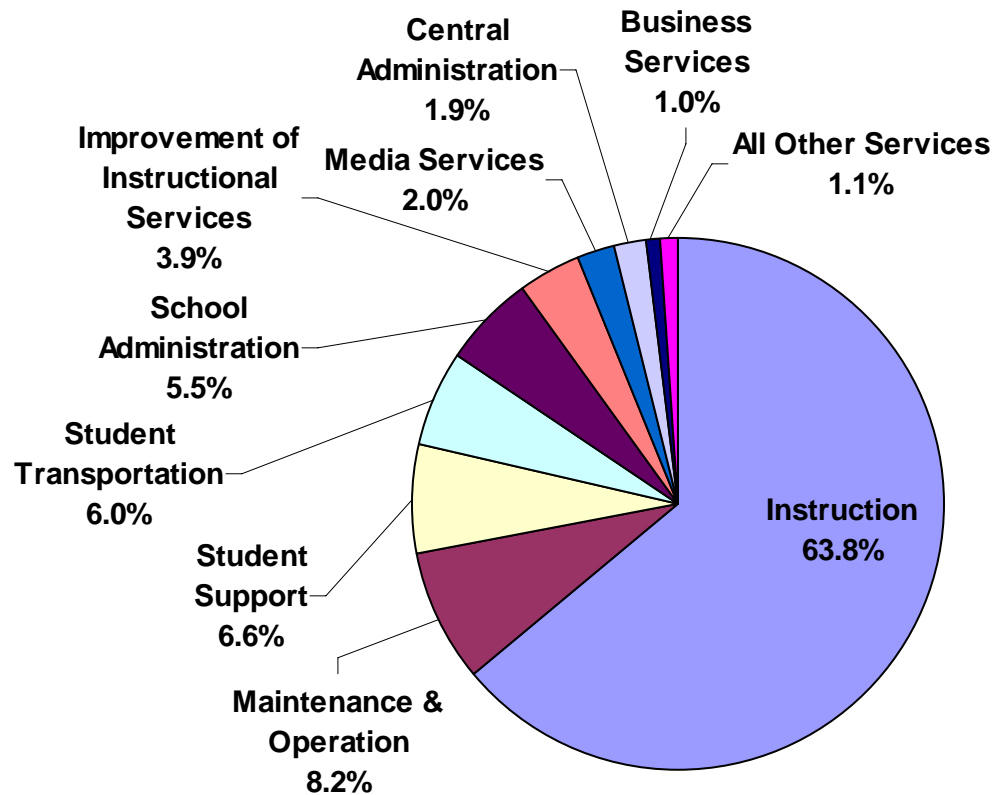
TCSS Spending Per Student vs State Average



TCSS is 70th out of 180 reporting school districts in FY10.



TCSS Spending by Functional Area



- TCSS spends 96% of total expenditures on student-related costs
- Only 4% is spent on:
 - Central Administration
 - Business Services
 - Other Support Services
 - This is 2% less than the state average



State shortfalls in funding their grant formulas **are the reason** for the TCSS **continuing deficits**. **Under-funding** for QBE, Equalization and Transportation **will exceed \$20.3 million** for FY13.

Through our **prior cost cutting actions**, we have **reduced this impact to \$11.1 million**.

This shortfall was only \$4.9 million until the recent news on TCSS' reduced equalization funding.



FY13 Estimated State QBE Formula

QBE Earnings Per Formula	\$50,856,675
Actual QBE Funding Received*	<u>\$41,372,568</u>
Formula Adjustment (Austerity Reduction)	<u>(\$9,214,107)</u>

***This is 82% of the QBE formula amount that the state should have appropriated to TCSS.**



Estimated FY13 Equalization Grant

	<u>FY12 Current Formula</u>	<u>FY13 Current Formula</u>	<u>FY13 Proposed Formula</u>
100% Amount	\$9,214,563	\$3,159,459	\$0
Prorated Amount	\$6,265,903	\$1,656,085	\$0
Percent of Formula	68%	52%	52%
Wealth Rank*	96	55	55

*** Wealth Rank is determined by comparing the tax digest valuations for all 180 school districts.**



Actual FY12 State Transportation Grant

State Transportation Grant **\$1,457,220**

FY12 Budgeted Costs* **\$6,284,519**

Shortfall **(\$4,827,299)**

***The Transportation Grant formula only funds
23% of actual transportation costs.**



Estimated FY13 State Formula Funding Deficits

QBE Grant **(\$9,214,107)**

Equalization Grant **(\$6,265,903)**

Transportation Grant **(\$4,827,299)**

Net Shortfall **(\$20,307,309)**



FY 13 Budget Issues

- 1. All Federal stimulus funds have been eliminated**
- 2. QBE state funding cuts of \$9.2 million will continue into FY13. This represents only 82% of the grant formula.**
- 3. Funding of State Equalization Grant will decline from \$6.3 million to \$0 based upon a new state formula and our increased wealth rank.**
- 4. Employer match for Classified Health will increase by \$755,160.**
- 5. Employer match for Teachers' Retirement will increase by \$681,889.**
- 6. Employee salary step increases will cost \$1,128,494.**



TCSS Budget Forecast FY11 – FY14

FY11		FY12		FY13		FY14	
REVENUE	\$ 100,601,940	REVENUE	\$ 101,699,071	REVENUE	\$ 98,156,952	REVENUE	\$ 92,741,064
ARRA FISCAL STABL.	\$ (4,198,428)	ARRA FISCAL STABL.	\$ (1,025,633)	KIA RELATED TAXES CHANGE	\$ 500,000	KIA RELATED TAXES CHANGE	\$ -
QBE FUNDS	\$ 2,352,729	QBE FUNDS	\$ (289,094)	QBE T&E ADJUSTMENT	\$ 450,000	QBE T&E ADJUSTMENT	\$ 450,000
QBE T&E ADJUSTMENT	\$ 778,967	IDEA ARRA GENERAL FUND	\$ (416,680)	QBE MIDTERM FUNDS	\$ 300,000	QBE MIDTERM FUNDS	\$ 300,000
QBE MIDTERM FUNDS	\$ 300,000	QBE T&E ADJUSTMENT	\$ 451,408	EQUALIZATION GRANT	\$ (6,265,888)	EQUALIZATION GRANT	\$ -
EQUALIZATION GRANT	\$ (590,856)	QBE MIDTERM FUNDS	\$ 300,000	LOWER INTEREST INCOME	\$ (100,000)	LOWER INTEREST INCOME	\$ -
TRANSPORTATION GRANT	\$ (80,795)	EQUALIZATION GRANT	\$ 168,152	TAX DIGEST CHANGE	\$ (300,000)	TAX DIGEST CHANGE	\$ (100,000)
KIA RELATED TAXES CHANGE	\$ 1,500,000	KIA RELATED TAXES CHANGE	\$ 626,927				
TAX DIGEST CHANGE	\$ (500,000)	TAX DIGEST CHANGE	\$ (636,970)				
LOWER INTEREST INCOME	\$ (73,000)	LOWER INTEREST INCOME	\$ (200,000)				
OTHER MISC. INCOME	\$ 70,086	NO EDUCATON JOBS GRANT	\$ (2,440,865)				
EDUCATION JOBS GRANT	\$ 2,440,865	TRANSPORTATION GRANT	\$ (79,364)				
STATE REVENUE CUTS	\$ (902,437)		\$ -		\$ -		\$ -
NET INCR(DCR)	\$ 1,097,131	NET INCR(DCR)	\$ (3,542,119)	NET INCR(DCR)	\$ (5,415,888)	NET INCR(DCR)	\$ 650,000
ADJUSTED REVENUE	\$ 101,699,071	ADJUSTED REVENUE	\$ 98,156,952	ADJUSTED REVENUE	\$ 92,741,064	ADJUSTED REVENUE	\$ 93,391,064
EXPENSE (2.5 - 4 LWOP. DAYS)	\$ 99,691,316	EXPENSE (0 LWOP. DAYS)	\$ 100,990,745	EXPENSE (0 LWOP. DAYS)	\$ 101,151,534	EXPENSE (0 LWOP. DAYS)	\$ 103,841,077
STEP INCREASES	\$ 1,013,339	STEP INCREASES	\$ 1,013,339	STEP INCREASES	\$ 1,128,494	STEP INCREASES	\$ 1,128,494
2 TEACHER ENROLL. GROWTH	\$ 112,000	4 TEACHER ENROLL. GROWTH	\$ 224,000	4 TEACHER ENROLL. GROWTH	\$ 224,000	4 TEACHER ENROLL. GROWTH	\$ 224,000
TRS INCREASE TO 10.28%	\$ 322,276	CLASSIFIED HEALTH	\$ 258,074	TRS INCREASE TO 11.41%	\$ 681,889	TRS INCREASE TO 11.41%	\$ -
REDUCED CALENDAR	\$ (411,224)	NO LWOP RESTORATION	\$ 1,167,295	CLASSIFIED HEALTH	\$ 755,160	CLASSIFIED HEALTH	\$ 1,512,000
CENTRAL OFFICE RIF	\$ (70,437)	ENERGY MANAGEMENT	\$ (200,000)	ENERGY MANAGEMENT	\$ (100,000)	ENERGY MANAGEMENT	\$ (100,000)
ENERGY MANAGEMENT	\$ (182,028)	180 DAY CALENDAR	\$ 411,224				
TEXTBOOK 40% REDUCTION	\$ (236,891)	HIGHER GAS PRICES	\$ 337,000				
RESTORE 3 LWOP DAYS	\$ 1,167,295	COST REDUCTIONS	\$ (3,050,143)				
ADDITIONAL SAVINGS	\$ (414,901)						
NET INCR(DCR)	\$ 1,299,429	NET INCR(DCR)	\$ 160,789	NET INCR(DCR)	\$ 2,689,543	NET INCR(DCR)	\$ 2,764,494
ADJUSTED EXPENDITURES	\$ 100,990,745	ADJUSTED EXPENDITURES	\$ 101,151,534	ADJUSTED EXPENDITURES	\$ 103,841,077	ADJUSTED EXPENDITURES	\$ 106,605,571
BUDGET EXCESS(DEFICIT)	\$ 708,326	BUDGET EXCESS(DEFICIT)	\$ (2,994,582)	BUDGET EXCESS(DEFICIT)	\$ (11,100,013)	BUDGET EXCESS(DEFICIT)	\$ (13,214,507)
GENERAL FUND RESERVE	\$ 13,991,221	GENERAL FUND RESERVE	\$ 14,699,546	GENERAL FUND RESERVE	\$ 11,749,506	GENERAL FUND RESERVE	\$ 649,493
ADJUSTED GF RESERVE	\$ 14,699,546	ADJUSTED GF RESERVE	\$ 11,704,964	ADJUSTED GF RESERVE	\$ 649,493	ADJUSTED GF RESERVE	(\$12,565,015)



TCSS Options to Deal With Revenue Shortfalls

- Consolidate more campuses
- Reduce personnel positions (88.51% of the FY12 budget is personnel costs)
- Reduce programs and services
- Reduce operating budgets
- Increase revenue
- Limit salary increases
- Leave Without Pay Days (LWOP)
- Others



FY13 TCSS Cost Reductions to Address Revenue Shortfall

Close West Side Magnet School	\$907,515
Reduce budgets to 92% of FY12 levels	\$6,994,652
Two leave without pay (LWOP) days for all staff <i>(Monday & Tuesday before Thanksgiving)</i>	\$927,000
Reduce all 240 days staff an additional 3 days <i>(Days added to Christmas Break)</i>	\$169,000
Other Reductions	\$761,240
Utilize reserve funds	<u>\$1,226,846</u>
Total Cost Reductions	<u>\$11,100,013</u>



FY13 TCSS Cost Reductions by Expense Category

Salary/ Benefit Reduction <i>(Reduces Total Employees by 118)</i>	\$7,948,602
Supplies/Materials	\$496,473
Purchased Services	\$935,300
Fuel	\$153,701
Other Reductions	\$339,091
Utilize reserve funds	<u>\$1,226,846</u>
Total Cost Reductions	<u>\$11,100,013</u>



FY13 TCSS Cost Reductions by Personnel Positions

- Total Teacher Reductions = 57.25
 - Elementary Schools - 23
 - *Music/Art (19), Gifted (4)*
 - High School – 15.5
 - *PE (2), Math (1.5), ELA (3), Science (1.5), Social Studies (3), CTAE (5)*
 - Middle School - 14
 - *Fine Arts (2), Scaffolding (3), CTAE (1), PE (1), Math (3), ELA (1), Science (1), Multi Content (2)*
 - Special Education - 3.5
 - Other - 1.25
- Total Paraprofessional Reductions = 22
 - Media Assistants (20), Other (2)



FY13 TCSS Cost Reductions by Personnel Positions

- Principals (1)
- Assistant Principals (4)
- School Secretaries (3)
- Nurses (1)
- Social Workers (2)
- Psychologists (.5)
- Speech Pathologists (.5)
- Media Specialists (1)
- Counselors (2)
- Administrators (1.5)
- Administrative Secretaries (2)
- Bus Drivers (8)
- Custodians (11)
- Groundskeepers (1)



TCSS Salary and Benefits (General Fund)

<u>Year</u>	<u>Salary</u>	<u>Benefits</u>	<u>Total</u>
FY04	66.95%	18.45%	85.40%
	\$52,653,858	\$14,507,317	
FY12	66.65%	21.86%	88.51%
	\$67,410,045	\$22,112,530	
FY13	67.59%	22.19%	89.78%
	\$63,513,937	\$20,849,579	



TCSS Operating Expenses (General Fund)

<u>Year</u>	<u>Operating Expenses*</u>
FY04	14.60% - \$11,485,198
FY12	11.49% - \$11,617,053
FY13	10.22% - \$ 9,604,394

*Utilities, Bus Fuel, Supplies, Maintenance/Repairs, Purchased Services, Property Insurance, Textbooks, etc.



Our current general fund reserve (\$15 million) allows us to implement decisions in a more efficient manner.

However, use of the reserve funds only delays the actions required to balance the budget, it does not solve the problem. We eventually must take action to balance revenue and expenses.

The current reserve would only fund **37.5 days of operations.**



These proposed budget actions represent the combined efforts of TCSS Advisory Task Force, Program Managers, Building Administrators, and Department Directors using the Performance Based Budgeting process.

The Superintendent and the Board are ultimately responsible for making budget decisions that are best for the entire system.

This presentation will be posted on the Troup County website. Should you have any additional questions or comments, please contact a cabinet member or submit them via email to budgetquestions@troup.org.



Thank you for your time.

