

EDENTON-CHOWAN SCHOOLS

2009-2010 BUDGET REQUESTS EXECUTIVE SUMMARY

MAY 5, 2009



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2009-2010 LOCAL BUDGET REQUEST

The enclosed local current expense and capital outlay budget requests for the 2009-2010 school year are presented to the Chowan County Board of Commissioners recognizing the current dire economic environment. Every attempt has been made to limit the request to address the most critical needs of the school system. Edenton-Chowan Schools has been placed in an extremely difficult financial situation over the past few years due to the confluence of a number of circumstances. The combination of the loss of local, state, and federal revenue; rising personnel, energy, and other costs; and the cumulative effects of budget constraints has created a very difficult financial picture.

The Board of Education instituted significant budget reductions in 2008-2009 in order to maintain a balanced budget. Twenty positions (10 certified and 10 classified) positions were reduced through a combination of attrition and reduction in force to maintain the fiscal integrity of the school system imposed by significant decreases in state and federal funding. However, those efforts to operate within a fiscally responsible budget were compromised during the school year when state and local allocations were reduced in the midst of the fiscal year because of insufficient revenue. The school system's budget also experienced an additional reduction of approximately \$40,000 in lost interest payments. Interest earned from fund balance investments are part of the revenue included in the local current expense budget each year. Limited interest was earned this year due to the school system agreeing to assist the County Commission with a cash flow problem by deferring local allotments until December of 2008. Below is a summary of revenue that has been lost in the 2008-2009 school budget since the beginning of the fiscal year.

2008-2009 REVENUE REDUCTIONS	DATE	AMOUNT
State Reduction of Funds	December 19, 2008	\$95,458
Local Current Expense Reduction	March 2, 2009	\$413,000
Local Technology Allocation	March 2, 2009	\$100,000
Estimated Lost Interest	Cumulative effect	\$40,000
TOTAL LOST REVENUE		\$648,458

The Board of Education attempts to maintain a viable fund balance as a hedge against unforeseen financial disturbances. The amount of the fund balance has been based on a minimum of 8% of the total school budget and a maximum of two months of payroll. Considering the total budget of the school system is approximately \$25 million and the monthly payroll (with benefits) is \$1.6 million, the Board of Education believes it is prudent to maintain an unobligated fund balance between \$2 million and \$3.2 million. Because of budget reductions, it is predicted that the unobligated fund balance will fall below acceptable levels at the end of the current fiscal year. Below is a chart depicting the unobligated fund balance for the past five fiscal years.

UNOBLIGATED FUND BALANCE

YEAR (As of June 30)	AMOUNT
2005	\$1.85 M
2006	\$2.17 M
2007	\$2.12 M
2008	\$2.17 M
2009 (Estimated)	\$1.66 M

Personnel costs have also increased dramatically during the past four years. The salary and benefits for a first-year teacher with a Bachelor’s degree has increased by 23.4% from 2005-2006 to 2008-2009 while the local current expense budget has increased by 15.6% during the same period. For 2009-2010, local school systems have been instructed to plan for an additional step (2%) salary increase for teachers, principals and assistant principals. Significant increases in health insurance costs (approximately 10 %) and retirement are also expected for the ensuing school year. Since salaries and benefits constitute approximately 80% of the total budget, dollars otherwise reserved for purposes such as technology and instructional materials have had to be reallocated to pay for rising state-mandated personnel costs. Similar reallocations have been required to adjust for rising energy, fuel, insurance, food and other costs over the past several years.

During this time of rising costs and shrinking dollars the school system has struggled to maintain the level and quality of services for our students. Because of the loss of state Average Daily Membership (ADM) funds, the school system plans to reduce the number of teachers for the 2009-2010 school year by four. The budget proposed by the state Senate would increase the class size allotment formula by two students for each earned teacher. If approved, it is estimated this will reduce the number of teachers allocated to Edenton-Chowan Schools by an additional nine to ten teachers. Hopefully, the loss of all or most of these positions will be reinstated through federal recovery funds. No additional funds to replace the loss of teachers due to ADM reductions (4) or increased class size (9-10) are included in the local budget request.

However, without an increase of the current expense allocation, additional reductions in instructional and support staff will have to occur in order to balance the school

system's budget. The school system has exhausted all areas within the budget where monies may be reallocated. In fact, it is estimated that more than \$500,000 of fund balance will be expended by the end of the current school year to meet expected expenditures due to budget reductions.

The 2009-2010 current expense request is limited to meeting mandated employee benefit costs, increased utility expenditures, and to replace some of the lost local and state revenue. The amount of the request has been substantially mitigated by the use of anticipated federal recovery dollars and budget reductions. It is estimated that approximately \$1 million dollars in Title I and IDEA (Special Education) federal recovery dollars will be received by the school system. These funds may be used over the next two years. Both sources of additional revenue are categorical allocations with restrictions and use limitations that must meet specific guidelines in how the funds may be spent. For budgetary purposes, one-half of the Title I funds will be allocated for each of the next two years. Because of more stringent requirements, a smaller amount of the IDEA funds may be used to offset state budget reductions. Finally, reductions and suspensions of salary step increases (where allowed) totaling \$141,079 have been made to the existing budget as cost saving measures.

The local current expense budget request contains nothing in the form of real expansion. The budget also includes another significant commitment of fund balance reserves (\$290,000) from the Board of Education to minimize the amount of this request. The Board is requesting a net increase of \$110,543 in the current expense budget for the 2009-2010 school year. The request includes level funding of \$200,000 in the annual technology allotment. The total current expense allocation from the Chowan County Board of Commissioners would increase from \$4,065,660 to \$4,176,203 or an increase of 2.7%.

A request of \$200,000 is made for ongoing capital outlay needs. This reflects level funding from the current allocation. An annual capital outlay allocation of a known amount has been vital in long-range planning for minor capital outlay needs and is believed to be a cost saving factor for the County Commission in the overall maintenance and upkeep of the schools. This has allowed the Board of Education to prioritize needs for more than a single year, plan for circular replacement of items such as student furniture, activity buses, etc., and schedule "big cost" items over a multi-year period. The fact that the allocation has remained constant at \$200,000 for more than a decade, despite rising costs, is a testament to the positive benefits of such a plan and has relieved the County Commission of having to address major costs during any given year.

The budget request was developed by the Edenton-Chowan Board of Education to meet the requirements stipulated by the North Carolina Department of Public Instruction and the maintenance of basic instructional services. Every effort has been made to minimize the amount of the request as much as possible through reductions and budget adjustments. The Board of Education wishes to recognize the continual support of the Board of Commissioners in the provision of quality educational services for the boys and girls of Chowan County.

SUPPORTING BUDGET DOCUMENTS

Provided below is a description of the supporting budget documents included in the 2009-2010 Edenton-Chowan Schools budget request to the Chowan County Board of Commissioners.

STATE PLANNING ALLOTMENT FY 2009-2010: A comparison of the state planning allotments from 2008-2009 to 2009-2010. Most of the state's allotment is based on Average Daily Membership (ADM). The planning allotment for 2008-2009 was based on an ADM of 2,416 and on an ADM of 2,385 for next year. Two allotments of note that are not primarily based on ADM is the reduction in the Low Wealth Supplemental Fund (\$138,445) and the elimination of the Improving Student Accountability (\$79,347).

2009-2010 SCHOOL BUDGET REQUEST – PERSONNEL: Represents the net difference from the previous year's current expense budget for costs related to personnel needs. The combination of cost increases (\$111,603) as mandated by the state for employee benefits and local personnel reductions (\$41,563) accounts for the net increase in the personnel request of \$70,040 for 2009-2010. The last section entitled "Other School Requests" is a listing of specific needs from the schools for additional personnel. These requests totaling \$182,964 are provided to illustrate the needs that are not included in the budget request.

2009-2010 SCHOOL BUDGET REQUEST – INSTRUCTION: Additional instructional material, supplies, and equipment as identified by the school. None of the items are included in this year's request.

2009-2010 TECHNOLOGY BUDGET REQUEST: Description of the nearly \$700,000 technology request. The request is limited to hardware and software/system support services and does not include associated personnel costs. Only \$380,993 of the request is scheduled for funding with \$200,000 provided within the annual technology allocation from the County.

CAPITAL OUTLAY REQUEST: A listing of identified capital outlay needs segmented into first tier, second tier, and long range priority projects. Only the first tier projects are slated for funding in 2009-2010.

BUDGET REQUEST: The last three pages provide a summary of the current expense and capital outlay budget requests for the ensuing fiscal year.