

**DRAFT**

# Tuscaloosa City Schools

## Planning for FY 2009 Budget

Revised 4-3-08  
11:00 a.m

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# Common Terms of Finance & Accounting

- Benefits – an indirect form of employee compensation, in addition to wages
- Capital project – a project that involves the construction or purchase of fixed assets, eg buildings and equipment
- CFSA – comprehensive facility & student assignment plan
- Debt service – the amount of money required for the payment of current interest and principal on a long-term debt
- Expenditures – a payment, or the promise of a future payment
- Fleet renewal – the process of replacing dated school buses with new buses
- Foundation program – educational funding provided by the State
- FY (fiscal year) – a 12-month period over which an organization budgets its revenues and spending (TCS's fiscal year is October 1<sup>st</sup> to September 30<sup>th</sup> )
- General funds – a fund used to account for all assets and liabilities of a nonprofit entity except those particularly assigned for other purposes in another more specialized fund

# Common Terms of Finance & Accounting Continued

- Interest - a fee paid on borrowed money
- Level funding – funding that remains the same as prior year
- Local funds – revenue generated by local taxes
- Local units – personnel units funded by local tax dollars
- 10 Mills – local funds deposited as foundation (state) revenues as required per the 1996 legislative act that created the foundation program
- Operating budget – a plan for revenues and expenditures necessary to support the administrative and service functions of the organization
- Personnel – the body of persons employed by an organization
- Principal - the amount of a debt or investment on which interest is calculated
- Sales tax – a tax levied by a state or city on the retail price of an item, collected by the retailer
- Transportation – the expense related to the movement of people (students) from one place to another

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# Why are we here?

- To prepare for a reduction in funding for FY 2009 and unavoidable increases in costs
- Per Governor Riley's FY 2009 education budget request, K-12 funding has been reduced by \$120 million
- Senator Sanders estimates that the Governor's proposed budget would be short an additional \$96 million based on reduced tax receipts
- The projected shortfall in the FY2008 Education Trust Fund's revenues is \$200-400 million due to actual revenue growth of 5% vs. 8% budgeted

# The Facts – FY 2009

- 4.7% reduction in funding for the TCS per the Governor's recommended budget
- We must maintain a one month operating reserve of approximately \$7 million per our FY 2008 budget. Our budgeted reserve as of September 2008 is \$12 million which represents 1.7 months of operating reserves.
- Personnel accounts for 80% of our budget

# The Facts – FY 2009

## Increased Costs:

- Health insurance costs will increase from \$9,300 to \$9,540 per employee
- Retirement costs will increase from 11.75% to 12.07% of gross wages
- The cost associated with additional personnel is approximately \$1.2 million
- Debt service principal & interest payments will increase \$296,000

# The Impact on TCS of the Governor's FY 2009 Recommended Budget

	Proposed <u>FY 2009</u>	<u>FY 2008</u>	<u>Difference</u>
Foundation Program – ETF	\$46,646,473	48,414,704	\$(1,768,231)
At Risk Program	0	518,868	(518,868)
Transportation – operations	3,550,478	3,562,128	(11,650)
Transportation – fleet renewal	533,624	572,760	(39,136)
School Nurses	416,331	425,522	(9,191)
Technology Coordinator	35,690	43,213	(7,523)
Salaries – 1% per Act 97-238	304,171	311,567	(7,396)
High Hopes	0	95,820	(95,820)
Current units	0	191,000	(191,000)
Capital purchase	1,853,613	1,872,280	(18,667)
Preschool program	<u>50,841</u>	<u>11,077</u>	<u>39,764</u>
Total	<u><u>\$53,391,221</u></u>	<u><u>\$56,018,939</u></u>	<u><u>\$(2,627,718)</u></u>

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# Local Funds “Checkbook”

Beginning balance @ 10/1/2007	\$12,648,406
<u>Plus budgeted revenue:</u>	
City appropriation	2,910,000
Sales tax	9,547,417
Ad valorem tax	4,665,000
Interest	600,000
Pre-K (City of Tuscaloosa)	335,000
County business privilege tax	255,000
Other	<u>2,195,551</u>
Total FY 2008 Balance	33,156,374
 <u>Less Expenditures:</u>	
Instructional services	7,313,445
Instruction support services	3,861,133
Operations & maintenance	3,705,922
Auxiliary services	234,440
General administrative	2,447,643
Other expenditures	<u>970,593</u>
Transfers out	2,314,655
Total Expenditures	<u><u>20,847,831</u></u>
 Budgeted balance @ 9/30/2008	\$12,308,543

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# FY 2008 Budgeted Expenditures

rounded to the nearest thousand

	<u>Total</u>	<u>Local</u>	<u>State</u>	<u>Federal</u>	<u>Other</u>
Total Expenditures	\$143,338	\$51,535	\$63,974	\$16,430	\$11,400
Capital Projects	36,450	23,575	1,775	0	11,100
Debt Service	<u>6,143</u>	<u>5,570</u>	<u>573</u>	<u>0</u>	<u>0</u>
Net Operating Budget	100,745	22,390	61,626	16,430	300
Personnel Costs*	80,539	12,625	58,799	9,116	0
Purchased Services	9,231	6,100	647	2,484	0
Materials & Supplies	9,126	3,181	2,130	3,515	300
Capital Outlay	479	165	32	282	0
Other	<u>1,370</u>	<u>319</u>	<u>18</u>	<u>1,033</u>	<u>0</u>
Net Budget	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

\*Personnel costs as a % of net operating budget = 80%

# Health Insurance

In FY 2009, health insurance costs will increase from \$9,300 to \$9,540 per employee. Below represents the cost to cover current employees:

	<u>FY 2008 Budgeted</u>	<u>FY 2009 Estimated</u>
Federal	\$ 1,704,279	\$ 1,748,260
State	9,588,669	9,836,119
Local	1,687,294	1,730,837
Total	<u>\$12,980,242</u>	<u>\$13,315,216</u>

Net increase system wide = \$334,974

(assuming no increase in the number of personnel)

# Health Insurance - Historical

Cost per employee:

FY 2009	\$9,954	7% increase
FY 2008	\$9,300	8% increase
FY 2007	\$8,604	7% increase
FY 2006	\$8,016	15% increase
FY 2005	\$6,996	

# Retirement

In FY 2009, retirement costs will increase from 11.75% to 12.07% of gross wages

	<u>FY 2008 Budgeted</u>	<u>FY 2009 Estimated</u>
Federal	\$ 692,904	\$ 711,775
State	4,721,728	4,850,320
Local	1,000,600	1,027,850
Total	<u>\$ 6,415,232</u>	<u>6,589,945</u>

Net increase system wide = \$174,713

(assuming no raises and no increase in the number of personnel)

# Retirement - Historical

% of Gross Wages per Employee:

FY 2009	12.07%	3% increase
FY 2008	11.75%	26% increase
FY 2007	9.36%	15% increase
FY 2006	8.17%	16% increase
FY 2005	7.03%	

# Additional Personnel

FY 2009:

	<u>Number of Personnel</u>	<u>Salary &amp; Benefits</u>
Principal	5	\$ 522,890
Teacher	3	193,033
Counselor	1	57,902
Bookkeeper	1	45,915
Secretary	1	45,915
Secretary/Bookkeeper	2	91,830
Receptionist	3	112,572
Custodian	3	101,784
Total	<u>19</u>	<u>\$1,171,841</u>

# Debt Service

	<u>FY 2008</u>	<u>FY 2009</u>	<u>Difference</u>
Principal payments	\$3,240,000	\$3,675,000	\$ 435,000
Interest payments	\$2,129,451	\$1,990,869	\$(138,582)
Total Due	\$5,369,451	\$5,665,869	\$
296,418			<u><u>                    </u></u>

# Summary

Projected reduced funding & increased costs:

	<u>Estimated FY 2009</u>
Decrease in State Funding*	\$2,627,718
Health Insurance Increase	334,974
Retirement Increase	174,713
Additional Personnel	1,171,841
Debt Service	<u>296,418</u>
Total	<u>\$ 4,605,664</u>

\*per Governor's Recommended FY 2009 Budget

# Action Plan

How do we plan for level funding & projected increases in costs :

- Review projected funding (State, Local & Federal)
- Evaluate student needs
- Assess programs and grants
- Develop options for proposed level funding
- Provide recommendations

# Letter from Dr. Levey

April 18, 2008

Dear Parents, Students, and Community Stakeholders,

The previous document should be considered fluid until a FY 09 budget is passed by the Alabama State Legislature and signed by Governor Bob Riley. The presentation represents the Governor's proposed budget allocation for the Tuscaloosa City School System.

In some cases, the Governor is proposing the elimination of some budget areas. Please keep in mind, the Governor's proposal may not reflect what the Legislature eventually passes. That means there are possible and serious cuts as a result of a reduction in funding. Again, this presentation is a fluid document that is not final until the Alabama State Legislature passes a budget and it is signed by the Governor.

Joyce Levey, Ed.D.  
Superintendent, Tuscaloosa City Schools

For additional information, please contact the Public Relations Department at (205) 759-3703.

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