

GREENVILLE COUNTY SCHOOLS
First Reading of the FY 15 General Fund Budget
Wednesday, May 14, 2014
9:00 AM

- **Introduction**
– *Chuck Saylor, Board Chair*

- **Recommended FY 15 General Fund Budget**
– *W. Burke Royster, Superintendent*

- **Revenue**
– *Jeff Knotts, Executive Director for Finance*

- **Expenditures**
– *Stephanie Thomas, Director for Budget Services*

- **Summary**
– *W. Burke Royster, Superintendent*

- **Board Discussion**

Next Steps:

Tuesday, June 3, 2014

Public Hearing (6:00 – 6:30 PM) and Second Reading (6:30 – 8:30 PM)

**Greenville County Schools
2014-2015 General Fund Proposed Budget
First Reading**

Projected Revenue Summary

		Reference Page
Projected Revenue for FY 15		
Local Revenue *	\$ 162,258,000	2
State Revenue	322,652,000	2
Transfers In	14,902,000	2
Total Projected Revenue for FY 15	\$ 499,812,000	
Unassigned Fund Balance/Savings ONE TIME FUNDS	7,057,000	
Required Amount to Equal Proposed Expenditures	\$ 506,869,000	

Proposed Expenditures Summary

		Reference Page
Budgeted Expenditures for FY 14	\$ 485,523,000	
Proposed Expenditures for FY 15		
Federal Mandated Expenditures	\$ 268,000	5
State Mandated Expenditures	17,928,000	5
Local Required Expenditures	4,327,000	5
Reduction of Expenditures	(1,177,000)	
Subtotal	21,346,000	
Total Proposed Expenditures for FY 15	\$ 506,869,000	

* Includes a recommended 4.9-mill increase which generates \$ 5,307,000

**Greenville County Schools
2014-2015 General Fund Proposed Budget
First Reading**

	State BSC \$2,101 GCS BSC \$1,534 FY 14 Revenue Budget	State BSC \$2,120 GCS BSC \$1,544 Projections FY 15 Revenue Budget
1 Projected Local Revenue		
2 Property Taxes - Greenville, Laurens, Spartanburg and Fee In Lieu of Taxes	\$ 152,780,000	\$ 155,841,000
3 Act 388 Millage (4.9 mills)		5,307,000
4 Miscellaneous Local Revenue Interest on Short Term Investments, Out of District Tuition, Lost & Damaged Books, Drivers Ed Fees Proviso for Handicapped Education, Summer School Tuition Contributions from Private Sources	1,110,000	1,110,000
5 Total Projected Local Revenue	\$ 153,890,000	\$ 162,258,000
6 Projected State Revenue		
7 Employer Fringe Benefits	\$ 71,372,000	\$ 76,490,000
8 Education Finance Act (EFA) - BSC	140,365,000	150,857,000
9 Property Tax Relief (Tier I)	23,410,000	23,410,000
10 Homestead Exemption (Tier II)	5,900,000	5,900,000
11 Homestead Exemption Fund - Base Reimbursement (Tier III)	54,538,000	56,647,000
12 Homestead Exemption Fund - Annual Allocation (Tier III)	2,109,000	1,806,000
13 Special Education Transportation	170,000	170,000
14 Home School Instruction	70,000	20,000
15 School Bus Drivers Salaries/Work Comp	2,305,000	2,380,000
16 Merchants Inventory Tax	2,201,000	2,201,000
17 Manufacturers Depreciation	2,100,000	2,450,000
18 Motor Carriers Tax	321,000	321,000
19 Total Projected State Revenue	\$ 304,861,000	\$ 322,652,000
20 Projected Transfers In		
21 Transfer from EIA - Teacher Salary Supplement	\$ 12,511,000	\$ 11,379,000
22 Transfer from Food Service - Indirect Cost	1,613,000	2,123,000
23 Transfer from Special Revenue - Indirect Cost	1,400,000	1,400,000
24 Total Projected Transfers In	\$ 15,524,000	\$ 14,902,000
25 Unassigned Fund Balance/Savings ONE TIME FUNDS	\$ 11,248,000	\$ 7,057,000
26 Total Projected Revenue Budget	\$ 485,523,000	\$ 506,869,000

**Greenville County Schools
2014-2015 Projected General Fund Revenue Budget
First Reading**

Changes to Projected Revenue

The House approved the FY 15 Education Finance Act Base Student Cost amount of \$2,120. We do not expect any material change in State revenue allocations between the House and Senate budgets for the District's FY 15 General Fund budget.

The FY 15 General Fund Revenue and Expenditure Budgets have been balanced by using a combination of a millage increase, as specified by Act 388, and a portion of the General Fund unassigned fund balance.

Act 388 Millage *pg 2, line 3* **\$ 5,307,000**

The annual millage rate increase allowed by Act 388 is based on the average of the twelve monthly consumer price indices for the last calendar year and the population growth of Greenville County for the same period.

The FY 15 allowable operational millage increase per Act 388 is 3.9 mills. In addition, State law provides school boards the authority to levy millage not used in the three preceding years. This means any operational millage increase allowed for FY 13 and FY 14 that were not levied may be used in FY 15. The total millage available is 10.7 (1.9 from FY 13, 4.9 from FY 14 and 3.9 for FY 15).

<u>Act 388 Millage</u>	<u>Available</u>	<u>Used</u>	<u>Cumulative Allowable</u>
FY 10	7.2 mills	0.0 mills	7.2
FY 11	2.2 mills	2.2 mills	7.2
FY 12	3.6 mills	4.7 mills	6.1
FY 13	5.8 mills	6.1 mills	5.8
FY 14	4.9 mills	3.9 mills	6.8
FY 15	3.9 mills	4.9 mills proposed	10.7

The Act 388 millage formula allowed a millage increase of 5.8 mills for FY 13, but these mills were not used in FY 13. The formula allowed a millage increase of 4.9 mills in FY 14, 3.9 mills were levied (using 3.9 mills from the 5.8 mills not used in FY 13) leaving an available 1.9 from FY 13. The availability of these 1.9 mills will lapse if not used by FY 16. The Board has for FY 15 the authority, as allowed by State law, to levy a total of 10.7 mills.

The Education Finance Act is built on a base student cost that is split between state and local funding. When the State increases its contribution, the local contribution at minimum should increase proportionately to maintain balance of effort.

Greenville County Schools
2014-2015 Projected General Fund Revenue Budget
First Reading

The Administration is proposing an operational millage increase of 4.9 mills for FY 15. This increase will use 1.9 mills from FY 13 and 3.0 mills from FY 14 millage. This recommendation is consistent with the District's strategy of reducing, over a period of time, usage of the fund balance to fund recurring expenditures. Continued application of this strategy will provide stable funding for recurring expenditures and have a positive influence on the District's bond ratings.

Education Finance Act (EFA) *pg 2, line 8* **\$ 150,857,000**

On May 1, 2014, the Administration was informed by LEAD charter school of its request to join the SC Public School Charter District effective July 1, 2014, if approved by the Board of Trustees of Greenville County Schools. This will be presented for action at the Board of Trustees special called meeting immediately following the May 13, 2014 Committee of the Whole. If the request is approved, the students at LEAD will no longer be included in Greenville County Schools FY 15 student counts for generation of EFA allocations. This reduces the projected FY 15 EFA allocation from \$151,107,000 as presented at the Budget Work Session to \$150,857,000, a \$250,000 reduction.

General Fund – Fund Balance *pg 2, line 25* **\$ 7,057,000**

At the end of FY 13, \$27.6 million or 35% of the General Fund fund balance was unassigned. The Administration is recommending assigning \$7,057,000 of this amount as a funding source for the FY 15 General Fund budget. This recommendation adheres to the District's strategy of protecting the instructional process from the effects of the reductions in the State's allocations to education during the recent economic recession and reducing, to its elimination over a period of 5 years, usage of this source to fund recurring expenditures.

This recommended assignment of \$7.05 million will reduce the use of the General Fund fund balance when compared to FY 12 (\$16.8 million), FY 13 (\$14.8 million) and FY 14 (\$11.2 million). The FY 15 assignment will reflect a reduction in fund balance assignment of \$9.6 million since FY 12.

**Greenville County Schools
2014-2015 General Fund Proposed Budget
First Reading**

	FY 15 Proposed Expenditure Budget	
1 Budgeted Expenditures for FY 14	\$ 485,523,000	
2 Federal Mandated Expenditures for FY 15		
<u>Goal 2: Ensure Quality Personnel in All Positions</u>		
3 Affordable Care Act (Health Care Reform)	\$ 268,000	
4 Total Federal Mandated Expenditures for FY 15	\$ 268,000	
5 State Mandated Expenditures for FY 15		
<u>Goal 1: Raise the Academic Challenge and Performance of Each Student</u>		
6 High Achieving Students (move from EIA funding)	3,251,000	A
7 Students at Risk of School Failure (move from EIA funding)	4,988,000	
<u>Goal 2: Ensure Quality Personnel in All Positions</u>		
8 Teacher Step/Salary Increases	4,198,000	
9 Teacher Certificate Upgrades	700,000	
10 State Health Employer Insurance Increase of 6.8% (Effective Jan. 1, 2014)	1,291,000	
11 State Health Employer Insurance Increase of 3.9% (Effective Jan. 1, 2015)	910,000	
12 State Retirement Employer Rate Increase (Effective July 1, 2014)	2,054,000	
<u>Goal 4: Effectively Manage and Further Develop Financial Resources</u>		
13 Payments to Charter Schools	536,000	B
14 Total State Mandated Expenditures for FY 15	\$ 17,928,000	
15 Local Required Expenditures for FY 15		
<u>Goal 1: Raise the Academic Challenge and Performance of Each Student</u>		
16 Student Growth	\$ -	C
17 Instrument Maintenance Plan	26,000	
<u>Goal 2: Ensure Quality Personnel in All Positions</u>		
18 Increase in Local Portion of the Teacher Salary Schedule	1,300,000	
19 2% Cost of Living Increase for Support Salary Schedules	2,215,000	
20 Modification to Bus Driver Salary Schedule	494,000	
<u>Goal 3: Provide a School Environment Supportive of Learning</u>		
21 Dr. Phinnize J. Fisher Middle School	292,000	
22 Total Local Required Expenditures for FY 15	\$ 4,327,000	
23 Reduction of Expenditures for FY 15		
<u>Goal 4: Effectively Manage and Further Develop Financial Resources</u>		
24 Transfer Professional Development Expenditures to Special Revenue Fund	\$ (427,000)	
25 Transfer Portion of Fringe Benefit Expenditures to Food Service Fund	(750,000)	
26 Total Reduction of Expenditures for FY 15	\$ (1,177,000)	
27 Total Proposed New Expenditures for FY 15	\$ 21,346,000	
28 Total Proposed Budgeted Expenditures for FY 15	\$ 506,869,000	

A: State moved revenue from EIA to fund increase in EFA BSC
 B: The entire savings (if approved) resulting from the LEAD move is reflected in line 13.
 C: Utilizing unrealized growth from FY 14

**GREENVILLE COUNTY SCHOOLS
2014-2015 GENERAL FUND BUDGET INFORMATION**

Federal Mandates, State Mandates and Local Required Expenditures

Federal and State mandates are: 1) Legal requirements resulting from legislative acts which impose an enforceable duty, a new program, or demand an increased level of service in an existing program or 2) Mandates from the State Department of Education.

Local required expenditures refer to the services and support that facilitate the attainment and sustainability of our Education Plan goals.

Federal Mandates

Goal 2: Ensure Quality Personnel in All Positions

Affordable Care Act (Health Care Reform) *pg 5, line 3* **\$ 268,000**

The District's mandated compliance with the Affordable Care Act was delayed from January 1, 2014 to January 1, 2015. General guidelines were defined by South Carolina Public Employee Benefit Authority (PEBA) and final ACA rules were issued on February 12, 2014. The District will be required to offer health insurance to defined, temporary hourly employees that work an average of 30 or more hours per week beginning January 1, 2015. Temporary employees include substitute: teachers, bus drivers, aides, clerical, custodians, and nurses. The total projected cost from January 1, 2015 to June 30, 2015 is \$453,000. \$268,000 will be added to \$185,000 currently in the base budget (added FY 14).

State Mandates

Goal 1: Raise the Academic Challenge and Performance of Each Student

High Achieving Students *pg 5, line 6* **\$ 3,251,000**

The State has proposed elimination of EIA funding for the High Achieving Students Special Revenue fund. This moves items currently funded in EIA High Achieving Students program into the General Fund. The new weighting is earned on students who are classified as academically or artistically gifted and talented or who are enrolled in Advanced Placement (AP) and International Baccalaureate (IB) courses in high school.

**GREENVILLE COUNTY SCHOOLS
2014-2015 GENERAL FUND BUDGET INFORMATION**

(State Mandates – continued)

Students at Risk of School Failure *pg 5, line 7* **\$ 4,988,000**

The state has proposed a reduction in EIA funding for the Students at Risk of School Failure Special Revenue fund. The District's EIA funding reduction is \$4,988,000. This transfers first grade reduced class size teachers and ESOL teachers and aides currently funded in EIA into the General Fund. EIA funds are currently allocated to school districts by 1) student eligibility for the free or reduced lunch program and Medicaid and 2) the number of students who fail to meet state standards based assessments in either reading or mathematics. For simplicity of understanding both reduced class size teachers and ESOL teachers and aides are listed here, but reduced class size is a local requirement.

Goal 2: Ensure Quality Personnel in All Positions

Teacher Step/Salary Increases *pg 5, line 8* **\$ 4,198,000**

Implementing a teacher salary step for FY 15 would allow Greenville County Schools to remain competitive in recruitment and retention of quality teachers. In line with Goal 2, this increase will ensure that our teacher salaries remain in the top 25 for South Carolina school districts.

Teacher Certificate Upgrades *pg 5, line 9* **\$ 700,000**

This budget reflects pay increases for teachers upgrading current certificates to reflect higher education levels. Teachers are both required and encouraged to pursue additional training. When that training results in the attainment of an additional degree or certificate upgrade, a commensurate pay increase is mandated.

State Health (Employer) Insurance Increase *pg 5, line 10* **\$ 1,291,000**

On January 1, 2014 a 6.8% increase in the State Health insurance premiums went into effect. This increase funds the additional cost for FY 15.

State Health (Employer) Insurance Increase *pg 5, line 11* **\$ 910,000**

On January 1, 2015 a 3.9% increase in the State Health insurance premiums will go into effect. This increase funds the FY 15 cost. The second half of 2015 calendar year will be funded in FY 16 General Fund budget.

**GREENVILLE COUNTY SCHOOLS
2014-2015 GENERAL FUND BUDGET INFORMATION**

(State Mandates – continued)

State Retirement (Employer) Rate Increase *pg 5, line 12* **\$ 2,054,000**

This budget reflects an increase in the South Carolina Retirement System employer contribution rate from 10.45% to 10.75% and an increase in insurance surcharge. This rate increase is effective July 1, 2014.

Goal 4: Effectively Manage and Further Develop Financial Resources

Payments to Charter Schools *pg 5, line 13* **\$ 536,000**

The General Fund allocation to charter schools is determined per the formula as specified in State Law Section 59-40-140. The application of this formula combined with the projected increase in charter school students required an increase of \$1,517,000 as presented at the Budget Work Session. The Administration was informed May 1, 2014 by the LEAD charter school of its request to join the SC Public School Charter District effective July 1, 2014. If the request is approved by the Board of Trustees of Greenville County Schools, the FY 15 allocation of \$981,000 to LEAD is no longer required. The increase in the allocations to charter schools for FY 15 is reduced to \$536,000.

Local Requirements

Goal 1: Raise the Academic Challenge and Performance of Each Student

Student Growth *pg 5, line 16* **\$ 0**

Planning and Demographics currently projects an increase of 700 students for FY 15. The District will use a portion of annualized savings and funds remaining from FY 14 student growth, which did not reach its predicted level, to cover general growth for FY 15.

Instrument Maintenance Plan *pg 5, line 17* **\$ 26,000**

To more accurately reflect the cost of maintaining an aging inventory, the current musical instrument maintenance allocation is being increased. These funds can only be used for this purpose and will help ensure instruments are maintained and last 15-20 years with normal usage. This budget includes a base amount and an additional allocation determined by a yearly assessment of middle and high school band and strings program enrollment.

**GREENVILLE COUNTY SCHOOLS
2014-2015 GENERAL FUND BUDGET INFORMATION**

(Local Requirements – continued)

Goal 2: Ensure Quality Personnel in All Positions

Increase in Local Portion of the Teacher Salary Schedule \$ 1,300,000
pg 5, line 18

This budgeted amount is the projected cost to increase the local portion of some of the steps on the teacher salary schedule and to ensure all steps equal at least a 2% increase. This also creates a new step 26 on the teacher salary schedule to ensure all teachers receive at least a 2% increase.

2% Cost of Living Increase for Support Salary Schedules \$ 2,215,000
pg 5, line 19

This line reflects a 2% increase in pay for all support personnel. Schedules will be increased 2%. This is only a partial cost of living increase to help our employees address the increase in employee retirement contributions from 7.5% to 8% (6.6% increase), an increase in insurance copays of up to 9% and an inflation rate of 1.2%. This continues the District's goal of ensuring quality personnel in all positions and reaffirms throughout all levels of the organization the importance of all employees to the instructional program.

Modification to Bus Driver Salary Schedule *pg 5, line 20* \$ 494,000

This budget item is the projected cost to revise the Bus Driver Salary Schedule with the goal of attracting and retaining drivers. The District is increasingly experiencing difficulty keeping enough trained drivers to adequately run the required routes. When a driver is not available to run a set route, other drivers must double-up to provide the service. This situation and related costs are compounded by the age and condition of the bus fleet. During an 18 day period (03/17/2014 through 04/09/2014), 286 bus routes were negatively affected by driver absences and shortages. The delay in school arrivals has a deleterious effect on the instructional program as well as increasing the time required to track student attendance. Payroll costs also increase due to the extra routes putting drivers over the FLSA overtime limit. A new schedule is proposed that increases the beginning hourly rate, reduces the number of experience "steps", and insures that **no driver receives less than a 4% increase** in pay for FY15.

**GREENVILLE COUNTY SCHOOLS
2014-2015 GENERAL FUND BUDGET INFORMATION**

(Local Requirements – continued)

Goal 3: Provide a School Environment Supportive of Learning

Dr. Phinnize J. Fisher Middle School *pg 5, line 21* **\$292,000**

Dr. Phinnize J. Fisher Middle School will open in August 2014. This budget allocates middle school support staff per formula including: 1.0 assistant principal, 1.0 nurse, 1.0 school clerk, 1.0 groundskeeper, and 3.0 custodians. The principal, program director, media specialist, secretary and plant engineer positions were filled as needed during FY 14 to prepare the school for opening.

Reduction of Expenditure Budget

Goal 4: Effectively Manage and Further Develop Financial Resources

Transfer Professional Development to Special Revenue Fund **(\$ 427,000)**

pg 5, line 24

This changes the funding source but does not reduce the funded amount for school level professional development.

Transfer Portion of Fringe Benefit Expenditures to Food Service Fund **(\$ 750,000)**

pg 5, line 25

State guidelines allow Districts to charge a portion of food service fringe benefits to the Food Service Budget when the State's fringe benefit allocation is not sufficient to fund these expenditures for the General Fund and Food Service Funds. The amount that may be charged to Food Service is formula driven and the District will charge \$750,000.