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## SUPERINTENDENT

Tim McGonegal

# SCHOOL DISTRICT OF MANATEE COUNTY

## MEMORANDUM

To: School Board Members

From: Tim McGonegal

Date: July 19, 2010

Re: Superintendent's Recommendation for 2010-2011 Budget Cuts

Cc: Principals, Assistant Principals and District Department Heads

The Superintendent's original Recommendation for Budget Cuts for the 2010-2011 school year was presented to the Manatee County School Board at its regularly-scheduled meeting on June 28, 2010 during "Reports and Presentations." The presentation on June 28<sup>th</sup> was for informational purposes only.

Although the Manatee County School District has already cut \$44 million from its annual operating budget over the last two school years and eliminated 116 positions from the district support services, the district must cut an additional \$9.08 million for the upcoming 2010-2011 school year. These budget cuts have been forced on school district's across Florida due to declining state sales tax revenues and decreasing property tax values.

During the 2010 legislative session this past spring, the Florida Legislature had a difficult task in crafting a state budget in the face of these massive reductions in revenues. As school districts across the state were preparing for another round of substantial cuts, Florida's legislators found a way to support public education in this year's budget so that we only received a \$30 decrease in per-student funding. We were expecting a far more significant reduction.

P.O. Box 9069  
Bradenton, Florida  
34206-9069  
215 Manatee Ave. W.  
Bradenton, FL  
34205

PH. (941) 708-8770

FAX. (941) 714-7536

[www.manateeschools.net](http://www.manateeschools.net)



*Inspiring Our Students to Learn, Dream and Achieve.*

The following is a summary of the issues affecting this year's operating budget (in millions):

Revenue Changes

Growth in student enrollment	\$	1.61	
Change in Per Student Funding		-0.31	
Revenue from Local taxes calculated at 96%		1.28	
Increase in Class Size Amendment Funding		1.50	
Reduction in Federal Stabilization Funding		-0.50	
Other state revenue changes		-0.23	
Loss in local funding from first calculation to second calculation		<u>-1.00</u>	
Subtotal			2.35

Expense Changes

Costs to deal with student enrollment growth		1.53	
State retirement premium increase		2.10	
Automatic Step Increase for employees (\$1.7m required by contract)		2.40	
Health Insurance Premium Increase (effective 1-01-11)		1.30	
Unemployment Costs		0.10	
Costs to comply with the class size amendment		<u>4.00</u>	
Subtotal			<u>11.43</u>
Net Change to the Operating Budget			-9.08

The additional cost of \$4.0 million to comply with the Class-Size Amendment is primarily comprised of funds expended to hire additional classroom teachers. The amendment will be measured at the classroom level in 2010-11. Even with these additional classroom teachers, we still expect to have issues in achieving compliance with the Class-Size Amendment's constitutional requirements at the classroom level. In a separate memo, I have communicated our challenges in meeting class size at the classroom level.

While the budget outlook for 2010-11 looks bad; the forecast for 2011-12 looks even worse. The \$14 million in federal stabilization funds the Manatee District received during the last two budget years – which we used to offset falling state revenues – expires after the 2010-2011 budget. The loss of those additional stabilization funds is expected to create a “funding cliff” that will make the budget in 2011-2012 even more difficult to balance, not only for our district, but for districts across Florida and the nation.

Throughout this budget-building process, we have consistently asked our stakeholders for their input. We have actively focused on gathering ideas and seeking feedback from our community through town hall meetings, School Advisory Council meetings, local television broadcasts, faculty meetings, presentations to civic clubs and by utilizing our school district's web site. At every step of the budget process, we have made it a priority to keep our community informed to the challenges we faced, and the potential impact additional cuts would have on education in Manatee County. Again, our school district's web site was an invaluable tool in disseminating this information to our community.

The feedback we received from the community has been consistent with the School Board's priorities. Local citizens want us to maintain a high quality system of education for our students and they do not want us to eliminate art, music, physical education, JROTC, and other elective programs. While we remain committed to these goals, we may not be able to avoid reducing the number of elective classes offered. For example, if we had five business teachers in the past, we may be forced to have only four business teachers and class sizes will be increased in non-core classrooms to accommodate that change.

EdVantage, the Manatee District's strategic plan to chart the future of education in Manatee County, has helped provide a focus to our decision-making during this budget process. The strategies in EdVantage (Curriculum, Leadership, Mandates, Trust and Partnerships) provide a formidable framework to help drive the work of the district forward. Focusing on these strategies helps remind us on a daily basis that our students are our future and helping them to learn, dream and achieve will ultimately prepare them to be the leaders of our community.

Last year, the School Board added 10 community members to the Budget Committee. This year, we added Sandy Marshall from the Federation of Manatee County Community Associations to the Budget Committee. This group of community volunteers provides “fresh eyes” and has changed our process of budget development and review. The Budget Committee's primary focus was to maintain

programs at schools and save the classroom. We will continue this process in dealing with the budget issues in the 2011-12 fiscal year as well.

In formulating my budget-cuts recommendation, I have listened to the feedback at town hall meetings, Budget Committee suggestions, web-site submissions and to our parents and employees.

The following recommendation takes into account the feedback received throughout this process.

<b><u>Superintendent’s Recommendations for 2010-11 Budget Cuts are:</u></b>	<b><u>Original</u></b>	<b><u>Revised</u></b>
Reduce district office positions and levels of service	750,000	1,055,000
Advertise inside school buses	100,000	100,000
Market bus inspection and bus wash services	85,000	85,000
Reduce the use of Builder's Risk Insurance for construction projects	50,000	50,000
No new hires, use long term subs	460,000	950,000
High Schools: hire some teachers for 1st semester only	440,000	440,000
Reduce substitute teacher and aide pay by \$7.00 per day	261,000	-0-
School Board Assess .25 mill critical needs property tax	<u>6,724,000</u>	<u>6,400,000</u>
<b>Total Operating Budget Cut Recommendations for 2010-11</b>	<b>8,870,000</b>	<b>9,080,000</b>

**Critical Needs .25 Mill Tax**

The 2009 Legislature authorized School Districts to levy an additional .25 mill of property tax for critical needs. The .25 critical needs property tax was levied by 43 school districts in 2009-10. The School Board of Manatee County did not levy this additional property tax in 2009-10. I am recommending to you that we levy this additional .25 mill in order to balance the operating budget.

Without the additional revenue of \$6.4 million from this critical needs millage we would need to make drastic cuts to schools and departments that may include a combination of the following items:

- Elimination of media specialists at elementary schools
- Additional cuts to elective programs at all levels, which would eliminate elective programs at some schools
- Extra-curricular supplements for music, dance, student group leaders, sports, etc.

- Curricular supplements such as guidance, media, team leader, department chair, etc.
- School Resource Officers

These cuts would have devastating impacts on our level of support to students, parents and the community. An alternative idea would be to implement seven (7) furlough days for employees. I cannot recommend these ideas at this time.

We have the ability in 2010-11 to sell district property and use the receipts from these sales to provide revenue to support the Capital Projects fund in 2010-11. The sale of this property along with savings we have achieved on construction projects will allow us to lower the capital outlay millage from 1.50 mills to 1.25 mills in 2010-11.

This decrease of .25 mills in Capital will offset the .25 critical needs millage so that taxpayers in 2010-11 are not harmed through this critical needs millage for the operating fund.

### **Fund Balance and Rainy Day Fund for Manatee County Schools**

The legislature's special session in January 2009 changed the rules on fund balance for school districts. The Legislature created Section 1011.51, Florida Statutes, which states that each district school board shall maintain an unreserved fund balance that is sufficient to address normal contingencies. The statute provides notification to the Commissioner of Education if fund balance falls under 3 percent and requirements that are more stringent if fund balance falls below 2 percent.

In addition to this legislative requirement, we also need to recognize the fragile status of our economy. The potential for continued decreasing state sales tax collections and revenue reductions are significant. The oil spill in the Gulf of Mexico could have devastating impacts on sales tax collections from lost tourism revenues on the west coast of Florida. We need to be prepared for additional mid-year budget cuts during the fall of 2010. In order to deal with the new statute on fund balance and the potential for budget cuts in the fall of 2010, I am recommending the following budget strategy:

Fund Balance will be budgeted at 5% (\$15 million) for the 2010-11 school year. In addition to this fund balance, I am recommending we establish our own "Rainy Day Fund". This fund would be our buffer for mid-year budget cuts from the state, unexpected enrollment declines, property tax collection shortfalls, etc. I am hopeful we could establish this rainy day fund for 2010-11 at \$3 million. This would help keep us from mid-year reductions in force, layoffs, and additional reductions to school budgets.

### **Revenue Potential**

The Budget Committee subcommittee that addressed new revenue ideas has recommended a number of strategies for increasing revenues for the school district and individual schools. These ideas included sharing best practices, cell phone towers on our sites, maximizing advertising

revenues, marketing bus inspection and bus wash services, and the sale of various properties the school district owns. Some of these properties include the Instructional Materials Center, Ellenton school property, Parent Information Center, and the Checkers' property. Revenues from the sale of these properties will be deposited into the Capital Outlay fund. The Capital Outlay fund which was once very strong is now in poor condition because the state has reduced our potential millage for Capital purposes from 2.00 mills to 1.50 mills. The sale of these assets will provide a non-recurring revenue source that will help to keep our schools maintained and operational.

### **School Consolidation / Closure / Re-utilization**

The Budget Committee subcommittee that addressed school based costs reported that additional cuts to schools would severely and adversely affect the quality of services to students. The subcommittee also noted there are approximately 6,000 empty seats throughout the school district. The committee noted some schools in Manatee County have lower enrollment than optimal school sizes and that school consolidation / closure provided the best opportunity for cost savings.

The subcommittee discussed the timing of school consolidation / closure and acknowledged that the process for analyzing data on the possibility of school consolidation would take considerable time and must include community input in the process.

The sub-committee also requested that school utilization be reviewed and specifically determine if the school district could repurpose an existing school into a K-8 facility.

The subcommittee discussed possible criteria in school consolidation / closure which included;

- Impact on students and parents / community
- Current and projected enrollment and capacity
- Cost savings associated with school closure
- Geographic location
- Ability to deliver services at a facility
- Age and condition of the facility
- Opportunities to generate revenue from sale or lease of facility
- Transportation costs

I plan to form a committee that would make a recommendation to the Superintendent on School Consolidation / Closure / Re-utilization. This committee will be made up of parents, teachers, school administrators, district administrators, community leaders, and business owners.

Once the committee has gathered and analyzed data, community forums will be held to gather input from the general public on the issues and concerns with school consolidation / closure.

## **Summary**

As a school district we have to be proactive in dealing with our budget issues. We have 42,000 students counting on our maintaining a high quality system of education. As an organization we need to become stronger financially and implement budget strategies based on multi-year approaches instead of a year at a time.

We will survive these budget cuts because our students need us!