

# Superintendent's Budget Proposal

March 2008

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## **2008-09 Budget Message**

*Carl E. Harris, Ed.D.  
Superintendent*

Student achievement continues to improve in Durham Public Schools, due in part to our solid show of support from the Durham County Board of Commissioners. With this strong backing, we were able to successfully open four new schools in 2007-08 and we were able to meet local salary increases to match those approved by the General Assembly.

This level of support also aided in the many successes realized in 2007-08. Among them:

- Our latest ABCs of Accountability results indicated seven high schools achieving growth -- two of them High Growth for the first time – more than doubling the number the previous year
- Eight middle schools reported increases in composite scores;
- Two schools came out of Low Performing status;
- A third middle school in two years was named a National School to Watch, giving DPS three of only 29 in the state;
- For the first time, four of our high schools were cited for being among the top 1,300 for academic rigor by Newsweek magazine;
- More students than ever are taking Advanced Placement courses and exams; and,
- DPS reported fewer dropouts, bucking a statewide average increase of 6 percent.

During the 2007-08 school year, Durham Public Schools experienced its largest one-year student population increase in a decade. We are very excited about this surge in growth, but if it continues at this rate, we must be prepared. A notable success for all of us came in November 2007, with the passage of our largest bond referendum effort. We will continue to need funding to sustain these new schools and additions.

With all the growth we have experienced both in population and achievement, we must build on the momentum. Our burgeoning Hispanic and Latino population must be served on a continuously deeper level. We are implementing a new dropout-prevention program this spring and a new elementary school in fall 2008.

We will continue to develop programs and activities that ensure a more meaningful level of parental involvement. And we look forward to working with the City and County of Durham as partners in the new Holton Community Center, and will need resources to ensure its success.

Our Board of Education, our Central Services professionals, our principals and – most importantly – our teachers are the most dedicated team that I have had the good fortune to work with and lead. But a Board of County Commissioners that fully embraces the connection between the provision of resources with student achievement is the foundation upon which all of our success is built.

# Executive Summary

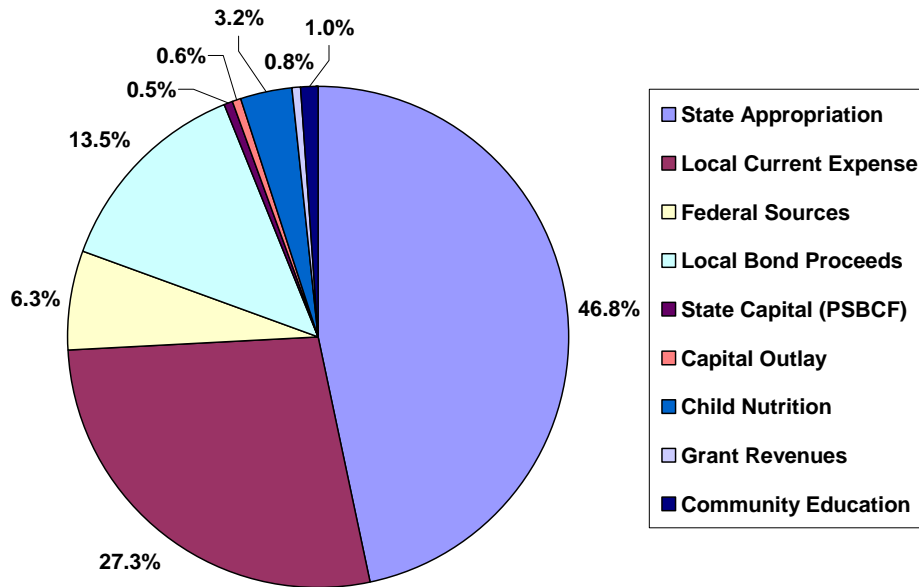
The 2008-2009 budget request focuses primarily on a continuation of Durham Public Schools’ current operation and programs. There are no expansion funds included in the operating budget request at this time; however, there is a supplemental request for additional Pre-K More-at-Four students and 4 – 50% social workers for our high schools.

The total proposed budget for the 2008-09 school year is \$401.2 million. Of this, approximately 27.4 percent, or \$112.1 million comprises local current expense and capital outlay. These amounts include our requested increases in local operating funds. At this time, there is no request for additional capital outlay funding. State and federal resources, along with grants and other revenues, will provide the balance.

## Funding Sources

State appropriation.....	\$187,638,699
Local current expense .....	109,797,728
Federal sources .....	25,462,000
Capital Projects – Local Bond funds.....	54,000,000
Capital Projects – State Capital (PSBCF) .....	2,000,000
Capital outlay .....	2,370,000
Child Nutrition.....	12,798,043
Grant revenues .....	3,145,085
Community Education .....	4,013,321
	<b>\$401,224,876</b>

Ninety-four percent of our state funding is dedicated to salaries and benefit costs. Federal dollars are earmarked for special programs and specific student populations that we serve. Child Nutrition and Community Education are self-supported enterprise funds.

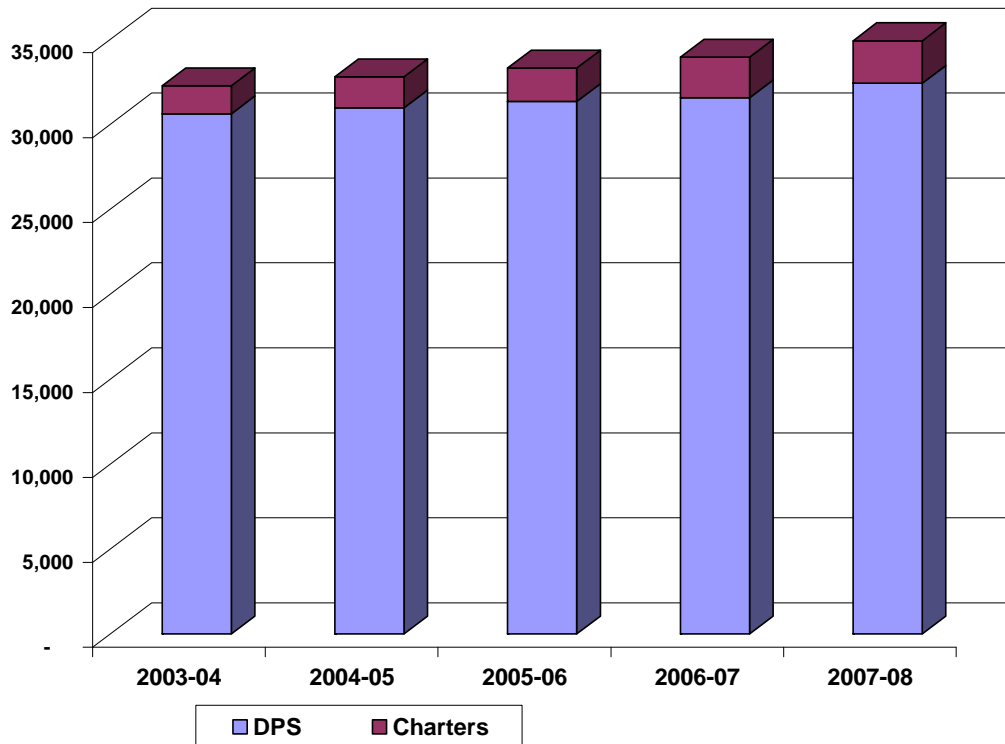


## Fiscal Climate – Slowing Economy

The state of North Carolina is beginning to show signs of the economic slowdown that is impacting the nation. Although the state is predicting revenue gains this year, it is anticipated that the housing market downturn and conservative spending in retail is beginning to show signs of impacting revenue projections at the state and local levels. The Governor and General Assembly will face pressure to increase teacher and state employee salaries again to help boost consumer confidence and spending. The Governor's budget is not out as of yet but is rumored to possibly contain an aggressive recommendation for an increase in teacher salaries. The past two years the teacher salary schedule has increased for beginning teachers an average of 6.8% in FY 07-08 and 11.1% in FY 06-07. The entire teacher supplement for our 2400 plus certified staff is also locally funded. Fortunately, Durham Public Schools has support from the Durham County Board of Commissioners and the Durham community, who have set the tone of excellence by openly placing a premium on public education and its impact on our future.

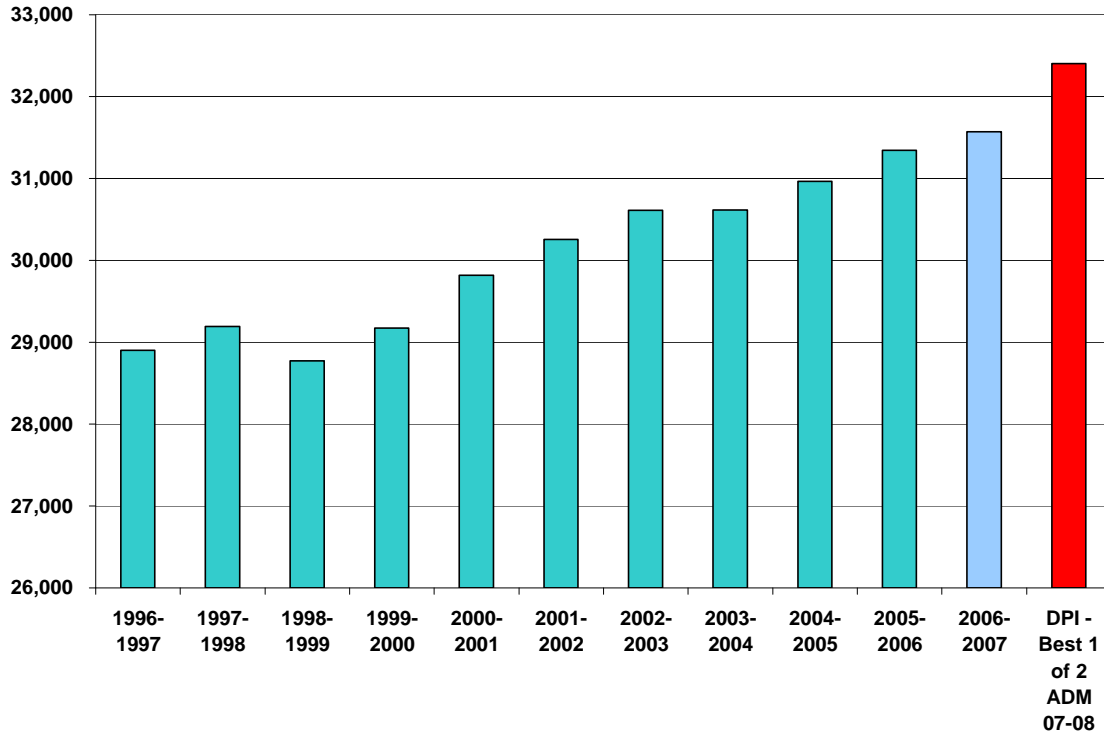
Our current school year continues to be one in which we are striving to achieve higher academic goals within existing resources. We have made a concerted effort to push as many support positions into the classrooms and into our schools. In FY 07-08, we were pleasantly surprised by a sharp increase in student growth, despite the opening of a new charter school in the county. This is a reflection of the increased housing and economic growth in the county and the continued support of our public schools. Although DPS exceeded enrollment projections by 515 students over what was originally funded, the charter schools did not meet their expected growth projection and that offset of funding for those 391 students was applied to the growth in DPS students. As a result, overall student growth funding for FY 07-08 was only short by 124 students. Despite the large growth we experienced, we were able to fund these students by continuing our zero-based budgeting approach to all new projects and redirecting state and federal resources to these new student's needs.

## Durham County Student Growth – Average Daily Membership (ADM)



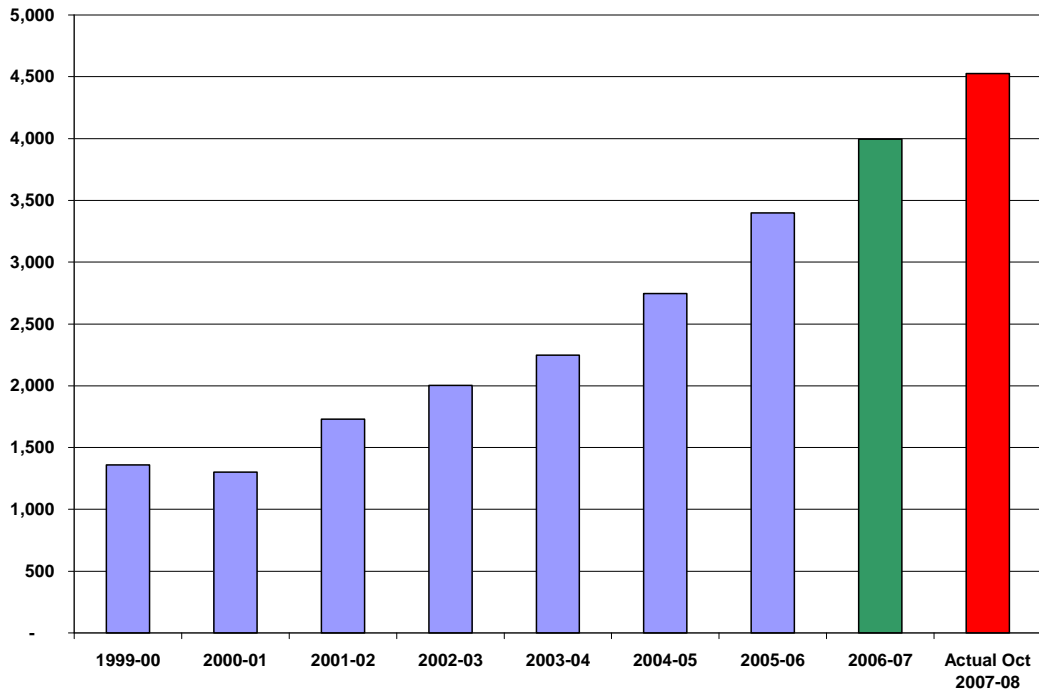
The State Department of Public Instructions (NCDPI) is projecting another increase in ADM (average daily membership) growth of 571 students for FY 08-09. There is a Durham charter school closing this year and we are hopeful those 52 students will also join our school system. Total growth for DPS is projected at 623 including the closing charter school students. Total projected growth for Durham County students is 629 students for FY 08-09 per NCDPI. Our request for increased local county appropriations of \$7 million is to sustain our current operations and staff and maintain our existing academic programs. The request includes the necessary flow-thru for charter school students.

### Durham Public Schools Student Growth – Average Daily Membership (ADM)



We continue to be concerned about the growth in our LEP students and how best to serve these students. The state provides funding to only 10.6% of our ADM. Our LEP students currently comprise 13.9% of our total student ADM and an average growth rate of over 16% during the past five years. Since we are over that state funding cap, we do not receive any additional state funding for our growth in LEP students. With the requirements of testing and performance, we want to make sure we continue to address the needs of this group with additional LEP staff if possible, and with staff development focused to our regular classroom teachers to aid them in working with these students more effectively. To keep our request within reasonable limits, we are not requesting additional funding for this subgroup at this time and hope to redirect existing resources towards these efforts in the coming year.

## LEP Student Growth – Durham Public Schools



The North Carolina Education Lottery is providing some revenue to the counties to assist in offsetting capital requirements for the schools. The projected stream of annual funding for Durham County for FY 07-08 was just over \$3 million. The County is utilizing the first \$1 million of the lottery funds for bond indebtedness and the remainder of the funds will accrue for DPS capital projects.

The General Assembly is also looking very closely at how school systems are currently funded. We anticipate a complete study related to the funding system to be undertaken over the next year. Given the trend that most states fund based on a fixed dollar per-pupil type funding methodology rather than our state's current position allocation set-up (NC is one of 6 states using that methodology), we are going to be watching these developments closely. We are hopeful that some attention may be addressed to the LEP/ESL students, classroom supplies, mentor teachers, and exceptional children in the short-session.

We continue to turn a critical eye towards our programs and resources while employing new and innovative programs to engage our most at-risk youth and provide them the tools and opportunities they will need to be successful. At the same time, we desire to implement programs that address the needs of our most accelerated learners so that all our students can reach their full potential. We have been actively applying for state and federal grants to help us with our program efforts. It is crucial that we have the resources necessary to offset the coming economic challenges and growth while continuing to meet our students' needs in offering high-quality instructional programs.

## Continuation Funding Request

Our continuation budget request for Durham Public Schools is for a total of \$7,022,543 or a 7.3% increase. The table on page 10 summarizes the requested budgetary increases in local funding for the fiscal year 2008-09. The table on page 12 details how our current local funds are being allocated. The highlights of our base budget request to sustain our current level of operations are as follows:

- a) Cost of student growth to maintain FY 2007-08 per-pupil funding levels (\$2,757) equals \$1,734,024. This is the net request for total Durham County growth. The growth funding request is the net of the total growth of Durham Public Schools of \$2,795,390 for unfunded growth from FY 07-08 and the new growth for FY 08-09 less the net overfunding for charter schools from FY 07-08 of \$1,061,366. The chart below more closely shows the student growth request:

	DPS	Charter Schls	Total Cnty
Current County Funded Enrollment FY 2007-08	31,787	2,901	34,688
Projection FY 08-09 for Durham Cnty based on NCDPI for ADM	32,925	2,516	35,441
Adjustment for Underfunded - captured w/in FY 07-08 resources	(124)	0	(124)
<b>Enrollment Growth Total*</b>	<b>1,014</b>	<b>(385)</b>	<b>629</b>

We request that the Board of County Commissioners review our enrollment and Average Daily Membership data after the 2<sup>nd</sup> month of school to see if student growth is greater than projected by the state.

- b) Inflationary impact funding of \$990,325 to help offset annual cost increases for classroom supplies and materials, utilities, etc. for Consumers Price Index (CPI) of 2.8%.
- c) Operational costs (utilities, maintenance, janitorial) for new square footage (199,583 sq ft) coming on-line in FY 08-09 of \$945,549. This includes the costs for New Elementary "B", expanding WG Magnet Middle, the new City of Medicine Academy, mobile units at Creekside Elementary, and various new space coming on-line at Durham School of the Arts. Our other capital projects are not anticipated to come on-line until later in FY 08-09 and not included in the request.
- d) Salary requirements for the continuation of current staff totals \$3,352,645. This is based on current staff and the anticipated salary increases from the state. This breaks down as follows:
- The increase for our locally paid instructional certified staff is expected to cost \$721,058. This is an average increase of 6.5%.
  - The local teacher supplement increase is anticipated to cost \$916,431 as a result of the state salary increase since our supplement is a percentage of the base salary for these instructional certified employees.
  - All other staff is expected to cost \$1,219,859 for their state increase of 4.0% plus the local experience step increase, which averages 1.2%.
  - We have not included any increases in the retirement rate at this time. We have a budgeted increase of 1.5% in hospitalization (4,097 to 4,157), along with FICA, will cost the system \$495,297.

**Supplemental Funding Request**

- e) We are including a supplemental request to expand the More-at-Four Pre-K student options for students in Durham County. DPS would increase its More-at-Four Pre-K offering by 36 students. The local cost requirement for this expansion is approximately \$6,000 per student or a total request of \$216,000.
- f) We are requesting supplemental funding to add 4 Social Worker positions to provide additional support for our high schools. The cost of this request is to match 50% with the Department of Social Services for these positions with benefits for a total cost of \$122,480.

**Summary of Local Funds – FY 2008-09**

DPS’s overall funding request is comprised of a \$7.0 million (7.3%) continuation request for Durham Public Schools. In addition to the county appropriation, Durham Public Schools will receive approximately \$5.8 million from several other sources. This year, the federal government has eliminated the ability for the district to receive any Medicaid revenues from the administrative outreach program which will reduce our revenues from federal sources by approximately \$100,000. Of these other funds, it should be noted that the charter schools that operate in Durham County also receive their equal per-pupil portion from the Fines & Forfeiture funds that come to DPS through other local sources. DPS will also need to allocate funds from our fund balance of \$1.0 million to cover existing operations.

County Appropriation - DPS.....	95.6 million	87.0%
County Appropriation – Charter Schools.....	7.4 million	6.7%
Other local Sources .....	2.0 million	1.8%
<i>(Fines, forfeiture, grants, interest)</i>		
State sources –.....	1.3 million	1.2%
Fund Balance Appropriated .....	1.0 million	1.0%
Federal sources – <i>Indirect cost, E-rate, Medicaid, other</i> .....	2.5 million	2.3%
<b>Total Local Current Expense .....</b>	<b>\$ 109.8 million</b>	<b>100%</b>
County Appropriation – Capital .....	2.3 million	
<b>Total Local Current Expense +</b>		
<b>County Appropriation Capital.....</b>	<b>\$ 112.1 million</b>	

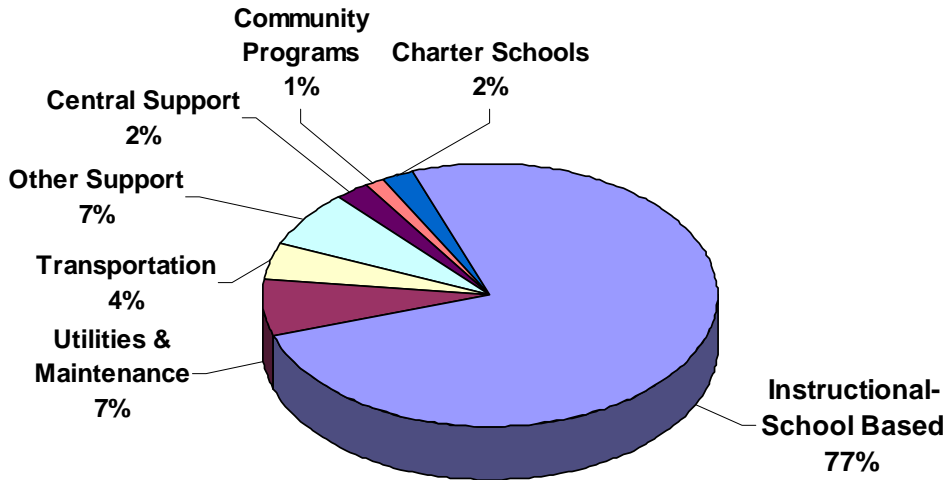
This represents an increase in requested local funds of \$7.4 million over the FY 2007-08 current expense appropriation of \$95.6 million (excluding capital outlay). Capital outlay funding is presented at the current year funded level of \$2.3 million.

## Superintendent's Budget Request -Fiscal Year 2008-09

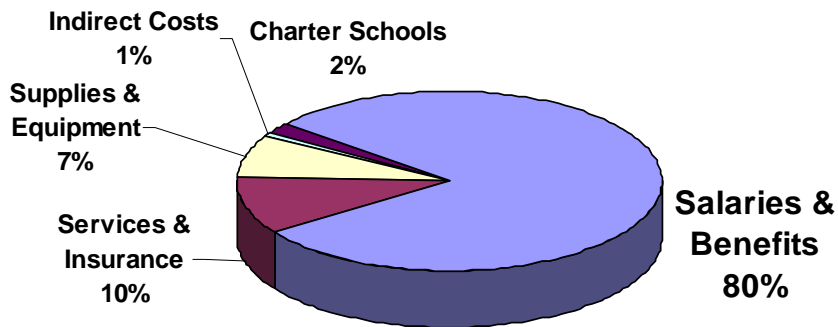
Category	Funding Requests	Subtotals by Group	% Inc of Ttl Local funds
<b>Continuation Budget Request</b>			
<b>Student Growth</b>			
Student Growth @ same \$ per pupil as FY 2007-08 - DPS	\$ 2,795,390		2.9%
Student Growth @ same \$ per pupil as FY 2007-08 - Charter Schools	\$ (1,061,366)		-1.1%
<b>Subtotal Continuation Request for Student Growth</b>		<b>\$ 1,734,024</b>	<b>1.8%</b>
<b>Operational Costs</b>			
Inflationary/Cost Increases (based on 2.8% CPI inc for 2007) required for Utilities, Natural Gas, Fuel, and Classroom Supplies & Equipment	\$ 990,325		1.0%
Operational Costs for New Square Footage coming On-Line	\$ 945,549		1.0%
<b>Subtotal Continuation Request for Operations-DPS</b>		<b>\$ 1,935,874</b>	
<b>Salary &amp; Benefit Continuation Increase</b>			
State Mandated Increase for Local Instructional Certified Staff - per Governor Salary Schedule (local teachers avg 6.5% increase)	\$ 721,058		0.8%
Supplement Increase for Existing scale based on State raise for Instructional Certified Staff	\$ 916,431		1.0%
State Mandated Salary Increases plus local step for all other staff (4% est increase plus local experience step avg of 1.2%)	\$ 1,219,859		1.3%
State Employee Benefit Impact per Governor (FICA, Retirement (0% inc), Hospitalization (1.5% inc))	\$ 495,297		0.5%
<b>Subtotal Continuation Request for Salaries &amp; Benefits-DPS</b>		<b>\$ 3,352,645</b>	<b>3.5%</b>
<b>Subtotal Continuation Funding Request-DPS</b>		<b>\$7,022,543</b>	<b>7.3%</b>
<b>Requested Increase in Funding for Local County Appropriation - DPS</b>		<b>\$7,022,543</b>	<b>7.3%</b>
<b>Supplemental Budget Request</b>			
Request to increase the number of More-At-Four (MAF) Pre-K students that can be served in Durham Public Schools by 36 students.	<b>\$ 216,000</b>		
Request to increase the number of Social Workers by 4 positions to provide additional support to our high schools. The request is to support 50% of the salary and benefit cost for these positions.	<b>\$ 122,480</b>		
<b>Total Supplemental Budget Request</b>		<b>\$ 338,480</b>	<b>0.4%</b>

## Use of Funds – FY 2007-08 Budget

The majority of our funds are used for instructional purposes at our schools and in the classroom. The chart below reflects the use of all non-capital resources by area received by the district.



Of these funds, over 80% are utilized for Salaries and Benefits and over 85% of all State and Federal funds received are allocated towards personnel. The chart below reflects the use of all non-capital resources by type.



**Local Use of Funds – by primary program areas (Projected FY 08-09)**

<i>Local Teachers Salaries</i> .....	28.4 million	25.9%
<i>Exceptional Children's Program</i> .....	7.8 million	7.1%
· Salaries & Benefits	7.1 M	
· Services and Materials, etc.	.7	
<i>Pupil Support (guidance, counseling, etc.)</i> .....	5.5 million	5.0%
· Salaries & Benefits	3.5 M	
· Services and Materials, etc	2.0	
<i>Instructional Supplies &amp; Materials</i> .....	4.4 million	4.0%
· Textbooks	2.0M	
· Other Instructional Supplies	2.4	
<i>Career &amp; Technical Education</i> .....	1.1million	1.0%
· Salaries & Benefits	1.1M	
· Services and Materials, etc	.0	
<i>Magnet Schools</i> .....	1.2 million	1.1%
· Salaries & Benefits	.4 M	
· Services and Materials, etc	.8	
<i>Remediation/Alternative Programs</i> .....	1.2 million	1.1%
· Salaries & Benefits	.7 M	
· Services and Materials, etc.	.53	
<i>Operational Costs</i> .....	37.5 million	34.2%
· Substitutes	.4	
· Athletics	1.0	
· School Clerical	3.8	
· Technical Support	2.7	
· Insurance	1.6	
· Utilities	10.2	
· Custodians	2.9	
· Maintenance Employees	4.3	
· Supplies/Materials	2.1	
· Services	4.8	
· Benefits	3.7	
<i>School Building Administration</i> .....	5.7 million	5.2%
· Salaries & Benefits	4.4 M	
· Services and Materials, etc	1.3	
<i>Transportation</i> .....	3.5 million	3.2%
· Salaries & Benefits	3.1M	
· Services and Materials, etc	.3	
<b><i>Charter Schools*</i></b> .....	<b>7.4 million</b>	<b>6.7%</b>
<i>Other Benefits</i> .....	1.7 million	1.5%
<i>Central Services</i> .....	4.4 million	4.0%
<b>Total Local Current Expense</b>	<b>\$109.8 million</b>	
<i>Capital Outlay</i>	2.3 million	
<b>Total Local Current Expense + Capital Outlay</b>	<b>\$112.1 million</b>	

**1-Percent (1%) of ALL Funds is spent on Staff Development activities or \$3.5 million.**

\* Charter schools funds flow through the local education agency (LEA) county appropriation per state legislation.

## Our Personnel Commitment to our Students

Category	Local	State	Federal	Grants Other	Totals	% of Total
Teachers <i>Includes K-3 Reading, Lab and Magnet programs, Alternative Schools, LEP</i>	290.5	1,596.5	83.8	21.8	<b>1,992.6</b>	<b>43%</b>
Teacher Assistants	19.4	377.0	1.0	1.0	<b>398.4</b>	<b>9%</b>
Pupil Support <i>Includes Guidance, Media, Tech support, other instructional support</i>	79.0	184.7	29.0	2.9	<b>295.6</b>	<b>6%</b>
Exceptional Children's Programs	94.1	482.4	111.1		<b>687.6</b>	<b>15%</b>
Career and Technical Education	3.0	126.5			<b>129.5</b>	<b>3%</b>
Operational /Other Support <i>Includes school clerical, custodians, maintenance , technology support, etc.</i>	270.6	212.4	4.1	15.5	<b>502.6</b>	<b>11%</b>
School Building Administration <i>Includes assistant principals and interns</i>	32.5	97.5			<b>130.0</b>	<b>3%</b>
Transportation	66.4	213.6			<b>280.0</b>	<b>5%</b>
Child Nutrition		1.0		171.9	<b>172.9</b>	<b>4%</b>
Central Services	16.0	7.4	3.0	1.0	<b>27.4</b>	<b>1%</b>
<b>Totals</b>	<b>871.5</b>	<b>3,299.0</b>	<b>232.0</b>	<b>214.1</b>	<b>4,616.6</b>	<b>100%</b>
% of Total	19%	71%	5%	5%	100%	

Durham Public Schools continues to strategically review the effective use of our personnel resources. The chart above illustrates where our staff are located by primary program area, based on current FY 2007-08 staff. The chart above reflects a net increase from the prior year of 66 positions. We remain committed to a high-level investment in teaching and instructional support positions that enhance the success of our students. Local funds are used to fund positions to help literacy, academically gifted, LEP/ESL, reduced class-sizes, magnet/choice programs, intervention programs, and many other support and student services positions. We continue to turn a critical eye towards all of our programs, staffing and resources to ensure that we are maximizing existing resources first before adding additional positions or programs.

*These are investments in our students and in the future of our community. They are priorities of our Board of Education, approved by the Durham County Board of Commissioners, and overwhelmingly supported by the Durham community.*

# Budget Process

In developing the 2008-09 budget, Durham Public Schools actively sought input from the community. Decisions surrounding the budget request weighed heavily upon the needs and concerns of a diverse pool of community representatives. The importance of the budget and the school district's accountability to the community is reflected in the amount of time school and community representatives contribute to putting it together. Durham Public Schools continues to work closely with the County of Durham to establish an understanding of the guidelines for the budget process, which includes:

- Continuing the priorities established in the 21<sup>st</sup> Century initiatives;
- Ensuring the involvement of community stakeholders in developing the budget, both from internal groups and external groups; and
- Adhering to a specific timeline for the budget development process.

This year's budget development priority was to stay within current resources. The process began in November 2007. The budget calendar was established, and mailings to the Budget Advisory Committee to appoint committee members followed in December 2007. The Budget Advisory Committee met twice in January 2008. This year, the committee comprised 20 community representatives, business partners, parents, teachers and school officials. Its purpose: to assist Durham Public Schools in setting budget priorities based on community input.

The primary focus was what it would take for Durham Public Schools to continue its increased performance levels. The group understood that much of our resources are tied to personnel and items beyond the district's control such as utilities and fuel costs. The group strongly felt that retaining and attracting the highest quality teachers to the district should be a top priority for the district. The committee stressed continued support of existing programs, and trying to achieve more technology support through engaging community and business partnerships more aggressively. They stressed the importance of resources being allocated towards teacher and school administrative staff development. The committee was concerned about the growth in the Limited English Proficiency (LEP) student population and its impact on resources and the classrooms. DPS is committed to looking within existing resources to achieve these goals.

In March, a draft budget was reviewed and modified by the Superintendent and the Executive Leadership Team of Durham Public Schools. The final budget request will be presented to the Board of Education on March 27, 2008. The next stage in the process is for the Board of Education to review the budget, hold a public hearing and adopt a Board of Education Budget Proposal for presentation to the County Commissioners on or before May 15, 2008.

## 2008-09 BUDGET ADVISORY COMMITTEE

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