

## MEMORANDUM

To: Gainesville City Board of Education

From: Dr. Steven E. Ballowe

Date: May 29, 2008

### **Re: Questions and Answers on the budget**

#### **A. Question: Did past administrations leave a surplus?**

Consider: The local revenue generated for public education has changed in recent years, with exemptions at the local level and cuts at the state level impacting revenue for funding public education. Currently the State of Georgia is involved in a lawsuit over inadequate funding of k-12 education. The trend has been to require school districts to rely more on local revenue.

Since 2001:

- Local senior exemption passed (FY 09 will impact \$1,280,352)
- Local Freeport exemption passed (FY 09 will impact \$3,082,906)
- State passed the austerity cuts, with a partial easing to occur in 2009 (will not take approximately \$191,428 of \$506,900)
- State passes partially unfunded mandates with pay raises and medical benefits
- Lost revenue \$4,678,730 plus unfunded mandates (this year)

(chart A)

Since 2001:

- Gainesville school system has changed with growth!
- In addition to new buildings constructed and under construction, Gainesville has added mobile classrooms to elementary, middle and secondary campuses
- Despite: Achievement scores have soared; for ALL children

**B. Question: What about the \$50,000,000 in austerity cuts the General Assembly is “returning to schools”?**

1. The “austerity cuts” represents money “being taken” from each school district
2. This means the general assembly is “not taking” quite as much this year
3. Austerity cuts are only partially restored this year

In addition, the General Assembly/Governor’s budget specifically cut textbooks, technology and transportation, while passing under funded mandates.

**C. Question: How did we get a \$6 or \$ 7 million shortfall?**

- Board learned in August 2007 that revenues received were \$3,000,000 less than projected for the 2006-2007 school year.  
At that time the budget and staffing for 2007-2008 were already in place.
- Correction of coding errors has uncovered significant impacts to the general fund:  
Example:
  - a. transferred \$491,844 from general to building fund
- Current projection is for a \$2,000,000 shortfall in May in June from revenue not meeting projections

*Hindsight: If the board and administration had known of our current deficit, then a tax rollback would not have been recommended in October 2007.*

**D. Question: Where is the money?**

“It remains in the pockets of taxpayers”! The Gainesville School Board voted to roll back taxes in October 2007.

**E. Question: What cuts are proposed by administration and the board and will it impact “direct instruction”? (See chart B)**

The cuts will not impact direct instruction with teacher and student class sizes and interaction. Our achievement scores will continue to soar.

**F. Question: Does Gainesville spend lavishly on our schools to reach the levels of student achievement as have been enjoyed since 2002 and with our “Gainesville Model”?**

No, (as chart C shows), Gainesville spends less than the average Georgia school district. Still our students are among the leaders in student achievement within the State and nation. In fact Gainesville outperforms most school districts spending thousands more per pupil.

**G. Question: What is happening to correct the accounting issues?**

1. A new Chief Financial Officer has been hired.
2. Budget is being built with separation of funds.
3. Eliminated commingling of funds and accounts (general, SPLOST, federal)
4. Implementing MUNIS software package
5. Will contract for an outside audit to occur immediately
6. Will continue with annual audit by Georgia Department of Audits

**H. Question: What are examples of school projects that occurred before the August 2007 school year that added to the shortfall, which might have been delayed if the shortfall had been known?**

Examples:

- Valentine Center contribution with community partners
- Stadium project renovations with City and Park and Rec
- Big Red Marching Band room construction
- Purchase of property next to GMS
- Leasing of mobile units to handle growth and maintain class sizes for elementary, middle and high schools.
- Purchased the MUNIS accounting system because the State's financial system, Genesis, did not work effectively  
(total \$3.5 million)

**I. Question: Did the school board receive annual audits?**

Yes. The latest was completed in June 2007 by the Georgia Department of Audits. As our board treasurer has noted, "it was a fairly clean audit". No reported issues with revenue or shortfall. At issue is again the "time factor". Audits are performed a year after the completion of the school year. In this case, the audit was performed in the spring of 2007 for the school year of 2005-2006. This month, May 2008, the auditors are completing the audit for 2006-2007.

**J. Question: When did the board and administration learn of shortfall issues? Did any audits in 2004, 2005, 2006 or 2007 identify revenue or shortfall issues?**

The board and administration received no audit findings about any shortfall or revenue projection errors during any audits. As noted audits were completed each year!

As audits are conducted with a year delay, we know the current audit identifies the shortfall. Each audit is reviewed with the senior staff, board finance committee and board of education at a public meeting.

**K. Question: What would the historical timeline of this shortfall reveal?**

August 2007: CFO leaves the district with short notice without:

- closing the books for 2006-2007
- opening the books for 2007-2008
- completing the MUNIS implementation

October 2007: Janet Allison was hired to serve as CFO (full time March 2008)

- shared correspondence that the City had predicted our revenue to be around \$21.5 million in March 2006 (not shared with board/admin)
- this was \$2,000,000 less than the budget prediction of \$23.5 million
- board approved recommended budget cuts of \$2.8 million dollars
- board also noted that the budget approved for 2007-2008 did not include expected mid year adjustment money

Thus: With information known and to protect taxpayers, the board “rolled back taxes” to a millage rate of 6.96 in October 2007.

Hindsight: If the board and administration had known of our shortfall, the tax would not have been rolled back. Instead with an increase to 8.0 the deficit would have been addressed.

Special note: In August 2007:

- a. The tax shortfall had already happened for 2006-2007
- b. The faculty and programs had been hired and implemented for the 2007-2008 school year.

October 2007 to May 2008:

- “new” CFO shared that the shortfall was approaching \$1.9 million at June 2007. Coding errors with MUNIS implementation made accurate figures impossible
- new CFO continues to correct coding and accounting errors
- April 2008 showed a shortfall of \$4.5 million
- \$3 million shortfall from projected tax revenue
- \$1 million dollar transfer from General funds (approx \$.5 million to building for interest)
- accounting corrections of coding errors between fund sources
- predicts continuing shortfall in May and June of \$2,000,000 for tax collections not meeting revenue

May 2007: Budget presentation that the shortfall will require a minimum of two years to correct and requires a tax increase to 8.0 mils.

**L. Question: Who is responsible for monitoring the budget and staff?**

The superintendent is responsible for the operations of the district.

In the area of finance, this includes hiring and evaluating the finance officer.

The superintendent's performance accountability plan includes objectives for the fiscal management of the district.

Chart A

Chart B

**Local and State Revenue Report 2006**

<b>Georgia</b>		<b>Passed All Content Areas</b>	<b>2007 Graduation Rate</b>
<b>DOE and State Revenue Report (% of local dollars) 2006</b>	<b>Local</b>	<b>2008 GHS GT Rank</b>	
Fulton	8565 (63)	35	79.6
Dekalb	8476 (50)	120	72.5
Cobb	7398 (51)	29	81.3
Jackson	7688 (45)	80	65.2
Forsyth	7285 (56)	8	83.4
Gwinnett	7005 (47)	25	77.3
Hall	6509 (37)	20	67.5
<b>City:</b>			<b>2007</b>
Decatur	12328 (64)	32	89.3
Atlanta	10532 (66)	154	68.3
Marietta	8754 (56)	65	78.8
Gainesville	7354 (48)	6	80.7
<b>State</b>			
7384			
<b>State Recommendation for Elementary</b>	Elementary base	6220	
	M&O	600	
	Transportation	151	
	Elementary	6971	

Chart C:

## **RECOMMENDED CUTS**

**The following cuts are being recommended and implemented:**

- **Reduce the staff at GLA by 2 teachers and 1 aide (\$165,000)**
- **Freeze bus purchase for one year (State cut transportation) (\$87,000)**
- **Freeze science textbook purchase for one year (State cut textbooks) (\$400,000)**
- **Reduced technology---but continues the annual update cycle (State cut technology) (\$450,000)**
- **Eliminate the Phoenix Academy (reduced students entering with this situation) (2 teacher positions) (\$130,000)**
- **Eliminate the Transition Academy at GMS (can be assimilated into the smaller upper level academies) (\$130,000)**
- **Eliminate the Fast Track Academy at GMS (can participate in the credit recovery and smaller upper level academies) (\$65,000)**
- **Reduce GMS faculty by 3 staff members (\$195,000)**
- **Reduce GHS faculty by 3 staff members (\$195,000)**
- **Maintain general fund supply account at elementary academies at \$200 per pupil (\$145,000)**
- **Reduce general fund supply accounts at GHS and GMS by \$350,000 (\$350,000)**
- **Freeze hiring of the 6-12 literacy coach for reading and science (\$130,000)**
- **Reduce board of education/central office budget (\$100,000)**
- **Eliminate travel not required or paid with federal funds designated for travel (\$35,000)**
- **Place on hold major roof replacement. (\$955,000)**
- **Place on hold repairs to the upper baseball field at GHS (\$165,000)**
- **Place on hold partnership plans for stadium renovations (\$350,000)**
- **Limit field trips to regional Gainesville/Hall County areas (or contiguous)**
- **Athletic trips limited to regional matches (except for playoffs)**
- **Coordinate daily busing with appropriately distanced stops (with safety for large avenues)**
- **Coordinate athletic trips for shared buses with boys and girls team (or JV and Varsity)**

**Estimated cuts of \$4.5 million**