



# ON THE BALLOT

A Report from the Bureau of Governmental Research

## Orleans Parish School Tax Renewals, July 2008

**ON JULY 19**, Orleans Parish voters will decide the fate of four tax renewals for their public schools. They include a 20-year renewal of a millage dedicated to facility improvements (Purpose D) and 10-year renewals of three millages dedicated to instructional materials (Purpose A); discipline, dropout prevention and early childhood education (Purpose B); and employee compensation (Purpose C).

### BGR's Position

This is not an ideal time to be considering tax renewals for Orleans schools. Given the fundamental uncertainties, as well as the pace and depth of change, it is difficult to chart the course of public education in the Crescent City.

The sudden collapse in enrollment and uncertainty about the future size of the school system make it difficult to assess needs. Estimates of the growth in student population over the next 10 years are wide-ranging. Planners for the Recovery District and the School Board are still working to determine which schools to reopen, where to locate new schools and how to design school campuses. The system is in transition and uncertainties remain as to the future of facilities and student counts.

In addition, the New Orleans public school system is in the early stages of what is perhaps the most radical transformation in the

recent history of U.S. public education. Orleans has embraced the charter school experiment with an enthusiasm unmatched by any other urban system in the U.S. Two school districts operate in the parish. It is too early to measure success or to judge whether resources are being well spent. It is also too early to discern the ultimate shape and governance of the system.

These uncertainties make it impossible to reach a conclusion on certain key questions: Are the funds from the millage renewals necessary? Are they likely to be well spent?

Despite the confusion and uncertainty, however, this is not the time to deprive the city's public schools of existing local revenue streams. Withdrawing an established source of recurring revenue would compound the difficulties of restoring and maintaining buildings and replacing equipment. It would complicate the day-to-day operation of schools and threaten to undermine the reform movement. It would also send the wrong message to the volunteers and donors who are supplementing public resources.

For these reasons, BGR **supports** the millage renewals.

**Table 1: The Yield**

*Total and per-pupil funds generated by the four millages.*

	Dedication	Mills	Revenue	
			Total	Per Pupil
Purpose A (10 years)	Instructional Materials	1.55	\$3,660,201	\$114
Purpose B (10 years)	Dropout Prevention	1.55	\$3,660,201	\$114
Purpose C (10 years)	Salaries/Benefits	7.27	\$17,167,526	\$535
Purpose D (20 years)	Facility Improvements	2.32	\$5,478,495	\$171
	<b>Total</b>	<b>12.69</b>	<b>\$29,966,423</b>	<b>\$934</b>

Source: BGR calculations based on the School Board's fiscal 2007-08 budget and *The State of Public Education in New Orleans, 2008*, The Scott S. Cowen Institute for Public Education Initiatives at Tulane University.

## An Overview of the Four Tax Renewals

The millages up for renewal were originally approved by voters in 1988. The three with 10-year terms were renewed in 1998. All four will expire if they are not renewed. BGR supported the original tax levies and the renewals.

The four millages generated \$30 million for New Orleans public schools in the last school year. This is the equivalent of \$934 per student. The four millages make up one-third of all school property tax revenue.

If the millage renewals do not pass, the Orleans Parish School Board (School Board) may partially offset the loss of revenue by raising the School Board’s general purpose millage from the current 20.11 mills to a maximum of 27.65 mills. Based on current assessments, this would generate \$17.3 million in revenues, or \$540 per pupil, annually. The School Board can take that action without voter approval. Voters should be aware that the School Board can raise the general purpose millage this year or next even if the renewals pass.

## Orleans Schools in Transition

When voters first approved the millages in 1988, all public schools in New Orleans were under the control of the School Board. At that time, the school system served about 84,000 students. By 1998, the number of students had dropped to about 82,000.

Since then, public schools in New Orleans have undergone a sea change. The number of students has plummeted. By the time of Hurricane Katrina, the student population had dropped to 65,000 – a 20% decline in seven years. The disaster of 2005 cut that number in half. As of February 2008, 32,900 students attended New Orleans schools.<sup>1</sup> The number of schools in operation declined from 127 pre-Katrina to 81.

The dramatic decline in student population is not the only major change. Since Hurricane Katrina, the Orleans Parish public school system has become an experiment in school governance. Instead of a single school system, Orleans Parish now has two: one run by the School Board, the

other run by the state-authorized Recovery School District (Recovery District). Each system operates its own schools. Additionally, Orleans Parish has 38 charter schools organized under these systems and two charter schools under the direct supervision of the state’s education agency, the Board of Elementary and Secondary Education (BESE). No other urban public school system has such a large percentage of its students (57%) in charter schools.

For many years, New Orleans’ public schools performed poorly. Prior to Katrina, the system was widely acknowledged to be in academic crisis. Dismal scores on standardized tests demonstrated that many students were not meeting basic achievement levels.

Things were no better on the financial front. The system regularly spent beyond its means. Poor accounting resulted in paycheck errors and chaotic records. Auditors cited severe financial system errors. In fact, the School Board earned its first “clean” audit in years for the recently issued fiscal 2005-06 audit.

Concerned with the School Board’s performance, voters in 2003 adopted a constitutional amendment allowing the state to take over schools that failed to meet academic standards for four or more years. The state established the Recovery District within the Louisiana Department of Education to operate the schools. The expectation was that, with state assistance and oversight, the schools would improve significantly and then return to local control.

Immediately after Hurricane Katrina, the State Legislature

**Table 2: Where the Students Are**  
*Student distribution, February 2008.*

School Type	% of total	Student Count
School Board-operated	8%	2,700
School Board-chartered	22%	7,100
Recovery District-operated	38%	12,300
Recovery District-chartered	31%	10,000
<b>Total</b>	<b>100%</b>	<b>32,100</b>

Total does not add to 100% due to rounding.  
Source: *The State of Public Education in New Orleans, 2008.*

redefined failing schools, making more than 100 Orleans Parish schools eligible for takeover by the Recovery District. The number of schools for which the district had responsibility jumped from one to 104.

As a result of the transfer, the state is currently the biggest player in local education. The Recovery District runs 33 schools with 12,300 students and oversees 26 charter schools with 10,000 students. (Due to the impact from the disaster, many of the transferred schools remain closed.) It expects to charter another seven schools for the 2008-09 school year. The School Board operates seven schools with 2,700 students and oversees 12 charter schools with 7,100 students.

## The Financial Picture

In evaluating a millage renewal, BGR would normally examine the government entity’s financial situation. This would help to ascertain the impact on its finances and programs if the renewal failed, as well as the ability of the entity to close the gap through economies in other areas.

The fragmented governance of Orleans schools makes it difficult to get a clear picture of the financial situation. Because the school system and charter schools are unrelated entities, there is no consolidated budget or financial statement that gives an overview. For the purposes of this report, BGR reviewed the operating budgets of the School Board and the Recovery District, as well as the general fund budget of the Algiers Charter School Association. It did not attempt to analyze the budgets of the individual charter schools.

The 2007-08 operating budgets of the School Board and Recovery District total \$291 million and \$261.8 million, respectively. Much of the revenue included in the School Board budget is passed through to the Recovery District and the charter schools. When those pass-through portions are eliminated, the School Board’s revenue is reduced to \$153 million.

It is difficult to understand and compare School Board and Recovery District finances for a number of reasons. The two school districts’ operating budgets do not adequately distinguish between recurring and non-recurring revenues, or between capital and operating expenses. In addition, the two districts have different responsibilities and

use different budget formats.

The School Board is responsible for expenses incurred during the pre-storm period when it governed the entire school system. These include retiree health benefits and debt service on more than \$500 million of long-term debt and the future repayment of recent state and federal loans. The School Board is also responsible for costs related to the termination of over 7,000 employees: compensation for accrued sick leave and vacation time, unemployment compensation, and litigation related to terminations. The School Board uses the term “legacy costs” for these expenses. In 2007-08, it set aside \$68 million for these costs.

The Recovery District’s budget principally covers costs related to running its own schools. Although the district passes revenue through to its charter schools, it does not include that revenue on its budget. The small amount that the Recovery District spends to provide services to its charter schools is reimbursed by those schools.

## Recurring Revenues

New Orleans public schools receive recurring local, state and federal funds for school operations. Some of these funding sources are relatively stable. In other cases, the amount generated can vary significantly from year to year.

*Local Tax and Minimum Foundation Program Revenue.* The School Board collects local property and sales tax revenue and generally distributes it on a per-pupil basis, as required by state law,<sup>2</sup> to the Recovery District and the

**Table 3: Local Taxes and State Minimum Foundation Program (MFP) Funding**

Source	Total (in millions)	Per Pupil
Property taxes	\$90.8	\$2,830
Sales Tax (1.5%)	\$90.1	\$2,806
MFP (State Share)	\$104.2	\$3,109
<b>Total</b>	<b>\$285.1</b>	<b>\$8,745</b>

Source: BGR calculations based on the School Board’s fiscal 2007-08 budget and Minimum Foundation Program, fiscal 2007-08 Budget Letter.

charter schools. The School Board's budget includes local property and sales tax revenue totaling \$181 million, \$139.1 million of which it distributes to the Recovery District and the charter schools.

Recurring state revenue comes mainly through the Minimum Foundation Program, which uses a formula to distribute state funds to local school systems. Like the local taxes, this revenue is distributed on a per-pupil basis. In the 2007-08 school year, revenue from local taxes and the Minimum Foundation Program was approximately \$8,700 per pupil.<sup>3</sup> The millages up for renewal accounted for 10% of that amount.

*Other Recurring Revenue.* The School Board also receives interest on investments. In 2007-08, the interest income totaled \$9.2 million. The School Board retains the revenue for its system.

In addition to Minimum Foundation Program revenue, the state provides recurring revenues that are not shared on a per-pupil basis. In 2007-08, it gave the School Board and Recovery District a total of \$2.4 million from the state Revenue Sharing Fund. In addition, it provided the School Board with \$1.7 million for early childhood education, which the board shared with eligible charter schools. The state provided the Recovery District with \$11.8 million, mainly for early childhood education. Recovery District charter schools applied separately for funding.

The federal government provides annual grants to serve students from low-income families. In 2007-08, the School Board received \$20.5 million for schools it operates or charters. The Recovery District received \$36.5 million<sup>4</sup> for services to low-income students in the schools it operates; Recovery District charter schools applied directly for their own funding. The Recovery District also received another \$28.8 million for other purposes, related principally to technology. It used the technology funds to provide services to both the schools it operates and those it charters.

BGR did not collect information on the amount of other recurring revenues received by charter schools.

When all of the recurring revenue streams are tabulated, the average recurring revenue per pupil increases significantly for the School Board and Recovery District. However, some of the sources (such as interest income and technolo-

gy grants) are expected to decline significantly.

## Nonrecurring Revenues

Orleans schools also receive nonrecurring state and federal funds. Some are aimed at rebuilding schools, others at generally improving education.

The state provided the Recovery District with four grants totaling \$9.6 million for the 2007-08 school year. It provided the School Board with a \$76 million loan, disbursed over three years, to help pay debt service. The state also postponed \$34 million in unemployment payments that the School Board owes the state for terminated employees.<sup>5</sup>

The federal government has since Katrina provided non-recurring grants and loans to help schools reopen. These include FEMA Public Assistance, Hurricane Education Relief Act Restart funds and Community Development Block Grants, as well as Community Development Loans.

Ultimately, the School Board expects FEMA to provide approximately \$65 million for damaged school facilities and an additional \$7 million for content replacement at its schools and the charter schools it supervises. Community Development Block Grants are expected to provide \$21 million for costs not eligible for FEMA funds.

The Recovery District anticipates that FEMA will provide \$640 million for repair or replacement of damaged school facilities and another \$60 million for building contents. The Community Development Block Grants are expected to provide \$111 million for recovery costs not covered by FEMA. As of February, the Recovery District had applied for \$33 million from that program.

BGR did not collect information on the amount of nonrecurring revenues received by charter schools.

## Per-Pupil Expenditures

According to its 2007-08 budget, the Recovery District is spending \$21,000 per pupil. This is more than twice the approximately \$9,000 Orleans schools spent before Katrina. It also exceeds what the Recovery District is currently receiving in recurring revenues. The Recovery District has indicated that the budget does not reflect true

operating costs, since it includes one-time capital and other recovery-related expenses that were paid out of operating funds, pending reimbursement from FEMA. The district expects a per-pupil operating cost of \$12,000 to \$13,000 in the future.

Current School Board spending per pupil is as high. After eliminating debt service, funds passed through to the Recovery District and charter schools, and costs incurred for charter schools, per-pupil spending hits \$21,000. Some of the School Board’s higher spending results from costs incurred for the total school system but not shared with the Recovery District and charter schools. It also includes expenses for which it expects FEMA reimbursement. The School Board maintains that the per-pupil operating cost, exclusive of debt service and extraordinary expenses related to disaster recovery and system down-sizing, is \$14,627.

Both the School Board and the Recovery District are spending more on a per-pupil basis than they were pre-Katrina. It is unclear where per-pupil costs will settle in the future.

The operating costs discussed above comprise just a portion of the expenses that local revenues must help to cover. Such revenues must also pay for debt service on the School Board’s \$500 million of debt, as well as the legacy costs. They must also provide for the system’s unmet capital needs. These are staggering.

As a result of years of deferred maintenance and the 2005 disaster, most school facilities have to be repaired

or replaced. The master planners for the school system estimate the cost at \$1.8 billion. FEMA and CDBG funds are likely to cover less than one half that amount, leaving almost \$1 billion of capital needs unfunded. Unless new state and federal recovery grants appear, voters may be asked to approve a future bond issue for capital improvements.

## The Four Tax Renewals: Issues in Common

### Impact on Taxpayers

Renewing the four dedicated tax millages will keep property taxes at the current level. Rejecting the renewals will result in a tax decrease.

What the millages cost a property owner depends on whether the property is residential or commercial and whether it is subject to the homestead exemption. The owner of a \$200,000 homestead-exempt residence pays \$158.64 annually for the four taxes. A commercial property owner pays \$380.70 on \$200,000. Residential property owners pay an additional \$126.90 for every extra \$100,000 of value, and commercial property owners pay an additional \$190.35. Table 4 breaks down the tax impact by purpose.

Taxpayers would not necessarily see an equivalent reduction in their total school tax bills if the renewals failed. This is because the School Board has the option of raising the

general purpose millage this year or next from the current 20.11 mills to the maximum of 27.65. By way of example, if all four dedicated taxes disappeared but the School Board increased the general purpose millage to its maximum, the owner of a \$200,000 home would save \$64.38, not \$158.64.

Voters should be aware that the School

**Table 4: The Bill**

*The annual cost of each tax to the owner of a property valued at \$200,000.*

	<b>Residential Homestead Exempt</b>	<b>Other Residential (Non-Exempt)</b>	<b>Commercial</b>
Purpose A	\$19.38	\$31.00	\$46.50
Purpose B	\$19.38	\$31.00	\$46.50
Purpose C	\$90.88	\$145.40	\$218.10
Purpose D	\$29.00	\$46.40	\$69.60
<b>Total</b>	<b>\$158.64</b>	<b>\$253.80</b>	<b>\$380.70</b>

BGR calculation.

Board has the option of increasing the general purpose millage this year or next, regardless of whether voters renew the four special-purpose millages.

It is worth noting that Orleans taxpayers' contribution to public schools does not stand out from the rest of the metro area. Its total property tax rate, 38.47 mills, is higher than the rates in St. Bernard and Jefferson parishes but lower than those in St. Charles and St. Tammany parishes. Orleans Parish also dedicates a 1.5% sales tax to public education. Surrounding parishes dedicate either a 2% or 3% sales tax rate to schools.

### Impact on Minimum Foundation Program Funding

If the millage renewals fail, schools will lose more than revenue from the four millages. They will also receive less money from the state's Minimum Foundation Program.

The Minimum Foundation Program distributes state funds to school systems according to a formula. The formula takes into account local wealth and tax effort and measures it against a statewide benchmark. If the local tax rate is higher than the benchmark, state funding through the program increases.

Rejecting the millage renewals would have a negative impact on the calculation of Minimum Foundation Program revenue for Orleans schools. The impact would depend on a number of factors, including the formula in effect in a given year and the number of students enrolled. Had the four millages not been in effect during the current school year, local schools would have lost \$3.3 million, or \$98 per pupil, under the Minimum Foundation Program formula. The loss for each millage proposition is set forth in Table 5.

### Funding a Smaller School System

Today 32,900 students attend schools in Orleans Parish. That's down more than 60% from 20 years ago, when vot-

ers first approved the millages, and down almost 50% from three years ago, when disaster struck. However, the same taxes remain in place.

Currently, the four property taxes up for renewal generate less total revenue than they did pre-Katrina, but schools are receiving more on a per-pupil basis. In fiscal 2003-04, the dedicated millages contributed \$34 million, or \$544 per pupil. Today, they produce about \$30 million, or \$934 per pupil. In other words, the four property taxes currently provide Orleans schools with 70% more on a per-pupil basis than they did a few years ago.

That will change as enrollment increases. GCR & Associates Inc., the company hired to forecast student population as part of the master planning process for rebuilding Orleans schools, projects that the total public school

population will increase by anywhere from 9,000 to 23,000 in the next 10 years, with the most likely increase being in the 14,000-student range. The Recovery District projects that the total public school population will increase by 10,000 to 25,000 in the next 10 years.

The current reduced population translates into a need for fewer schools than the 127 schools in operation pre-Katrina. However, given the wide-ranging enrollment estimates, future needs remain profoundly uncertain. Determining the optimal number is part of the master planning process.

The reduced student population does not necessarily justify a tax reduction. This depends on whether the schools are receiving adequate funding to educate their students. To the extent that

schools were inadequately funded pre-Katrina, an increase in per-pupil expenditure is highly desirable. Renewing millages would help correct the funding deficiencies without a tax increase.

Whether a school system is adequately funded depends on multiple variables, including the cost of living in an area and the composition of the student body. Many argue that educating low-income students properly requires a higher

**Table 5: A Boost from the State**

*Orleans schools would have lost the following amounts from the Minimum Foundation Program in 2007-08, had the millages not been in effect.*

Purpose	Loss
A	\$402,424
B	\$402,424
C	\$1,887,501
D	\$602,339
<b>Total</b>	<b>\$3,294,688</b>

BGR calculation based on information provided by The Scott S. Cowen Institute for Public Education Initiatives at Tulane University.

**Every school governance entity agrees that losing more than \$1,000 per pupil from the failure of the tax renewals and lower Minimum Foundation Program payments would force budget cuts.**

level of funding, because more support services are needed. As an indicator of low-income population, 83% of students in Orleans schools qualified for free or reduced lunch in 2007-08.

On the other hand, high levels of funding do not necessarily result in quality education. There is no agreement as to the amount of funding needed to provide a quality education for students in New Orleans. Every school governance entity agrees, however, that losing more than \$1,000 per pupil from the failure of the tax renewals and lower Minimum Foundation Program payments would force budget cuts. School authorities point out that they are using nonrecurring federal and state grants and loans to improve services and meet current expenses. These funding sources will soon stop flowing to the schools.

### Documentation Problems

In April 1998, when BGR analyzed the proposed renewal of Purposes A, B and C, the School Board provided financial data to show that the millages had been used for eligible purposes. Other sources verified that the School Board accounts strictly tracked millage revenue. This time, the School Board cannot assure voters that the system has used funds for the dedicated purposes. It blames several years of unreliable financial records and storm damage. During their brief tenure, Recovery District and charter schools have not documented that proceeds from these millages went toward eligible uses.

However, in most cases, the school districts are spending more for the eligible purposes than they are collecting through the dedicated taxes. The one exception is Purpose B. As discussed below, it appears unlikely that all charter schools are spending the dedicated Purpose B taxes for early childhood education, improving discipline or reducing dropouts.

## The Propositions

### Renewal Purpose A: School Books, Materials and Supplies

*What It Would Do.* Passage would authorize the School Board to continue levying 1.55 mills of property tax for 10 years. Proceeds would be dedicated to text books, library books, instructional materials and school supplies.

*Analysis and Impact.* The Purpose A millage yielded \$3.7 million, or \$114 per pupil, for the 2007-08 school year. It was distributed as follows: \$1.4 million to the Recovery District, \$307,867 to the School Board and \$2 million among the charter schools on a per-pupil basis.

Schools have wide latitude in spending their share of Purpose A revenue. Textbooks, software, computers and vocational education materials are examples of eligible instructional materials.

The school systems and charters have not documented the flow of Purpose A revenue to specific eligible purposes. However, the amount is not adequate to cover the need. As it stands, local schools are supplementing this revenue with funds from other revenue streams, some of which will decrease as recovery-related funds dry up.

It is worth noting that FEMA is paying for content damage, including damage to textbooks and instructional materials. The School Board expects to receive about \$7 million to replace the contents of the schools it operates and charter schools it oversees.

The Recovery District expects to receive approximately \$60 million of an \$80 million claim for its schools and charter schools.

Regardless of the extent to which FEMA covers Orleans schools' needs in the short term, the schools will incur expenses for textbooks and instructional materials in the future. Renewing an existing millage now may be a more practical option than introducing a new tax proposition when FEMA funds run out.

Furthermore, Orleans schools have historically suffered from inadequate and outmoded textbooks and instructional materials. Eliminating funds used for that purpose would create an additional barrier to improvement in this area.

## Renewal Purpose B: Early Childhood, Discipline and Dropout Programs

*What It Would Do.* Passage would authorize the School Board to continue levying 1.55 mills of property tax for 10 years. Proceeds could be used to fund early childhood education, discipline improvement and dropout prevention.

*Analysis and Impact.* The Purpose B millage yielded \$3.7 million, or \$114 per pupil, for the 2007-08 school year. It was distributed as follows: \$1.4 million to the Recovery District, \$307,867 to the School Board and \$2 million among the charter schools on a per-pupil basis.

Purpose B was originally directed toward early childhood education, improvement of discipline and dropout prevention. Since the millage was first enacted and renewed, the state began funding early childhood programs through its LA-4 program. While the schools can use Purpose B funds to supplement early childhood education, the two major systems, the Recovery District and School Board, have not announced plans to do so.

Orleans schools have historically grappled with serious discipline problems, and these problems have continued into the post-Katrina period. A recent survey found that a majority of Orleans teachers consider discipline problems to be a serious impediment to learning.<sup>6</sup>

Dropouts have also been a long-standing problem. Before the storm, more than 11% of students dropped out of school before graduating. No reliable dropout statistics are available for the post-Katrina era. However, the displacement likely increased the risk for students who were already falling behind or whose parents kept them out of school for extended periods of time. Approximately 85% of students returning to Recovery District schools are at least two years below grade level; educators consider these students to be at an elevated risk for dropping out.

The school systems and charter schools have not documented the flow of Purpose B revenue to specific eligible pur-

poses. However, a review of the School Board's budget indicates that it spends about \$1.4 million on discipline improvement and dropout prevention programs. This far exceeds the amount it receives. The Recovery District reports that it is spending more than its share of Purpose B revenue on programs for failing students and expects to open a school for students with discipline problems. The Algiers Charter School Association, which represents nine charter schools, reports that it does not fund discipline or dropout programs. BGR did not collect data on the other charter schools.

**No reliable dropout statistics are available for the post-Katrina era. However, the displacement likely increased the risk for students who were already falling behind or whose parents kept them out of school for extended periods of time.**

There are indications that a large portion of Purpose B revenue may not be spent as dedicated in the future. This is because, under state law, the money generated by the millage must be distributed on a per-pupil basis. However, not all schools receiving the millage suffer from the problems that the millage is intended to address. For example, high-performing schools like Lusher and Ben Franklin are unlikely to invest in targeted programs to deal with drop-outs and widespread discipline problems. Many schools do not offer early childhood programs.

If voters renew the millage, the State Legislature could address the misallocation by amending the distribution formula to direct funding to the parts of the system where it is most needed.

## Renewal Purpose C: Employee Salaries, Benefits and Incentives

*What It Would Do.* Passage would authorize the School Board to continue levying 7.27 mills of property tax for 10 years. Proceeds could be used to provide salaries, fringe benefits and productivity incentives for Orleans Parish school employees.

*Analysis and Impact.* Purpose C generated about \$17.2 million, or \$535 per pupil, this year. It was distributed as follows: \$6.6 million to the Recovery District, \$1.4 million to the School Board and \$9.1 million among the charter schools on a per-pupil basis.

Expenditures for salaries consume significantly more revenue than Purpose C provides. The School Board budget for 2007-08 included \$25.5 million for salaries and benefits.

The Recovery District budgeted \$109 million for salaries and benefits. The Purpose C millage generated nearly 6% of the funds for salaries and benefits paid by the School Board and the Recovery District.

The Purpose C millage supports salaries and benefits for both classroom and non-classroom personnel. It has never been used to pay for incentives.

Although Purpose C allows schools to use the tax revenue for all employees, the public tends to focus on teachers' salaries. Orleans public school teachers' salaries now compare favorably with the Southern Regional Education Board average of \$43,412. Louisiana Department of Education data indicate that teacher salaries in School Board-run schools, which tend to have more experienced teachers than other Orleans schools, average \$47,596. Teachers' salaries at most Recovery District and charter schools are also higher than the southern regional average.<sup>7</sup> Keeping salaries competitive is essential to attracting and retaining well-qualified faculty.

The School Board and Recovery District have not identified what changes they would make if they lost this income. One area that deserves examination is central office costs. At the School Board, central office staff numbers 96 people for seven schools, or one per 28 students. The Recovery District budget contains 169 central office staff for 33 schools, or one per 73 pupils. Both districts claim that they will reduce central office staff. Educational and financial consultants hired by both systems do not show in the staff total, but their costs contribute to overhead.

### **Renewal Purpose D: Facility Improvements**

*What It Would Do.* Passage would allow the School Board to continue levying 2.32 mills of property tax for 20 years. Proceeds would go toward facility improvements such as air conditioning, asbestos removal and renovations.

*Analysis and Impact.* Purpose D generated about \$5.5 million, or \$171 per pupil, this year. Currently the School Board retains the Purpose D revenue to help pay for outstanding indebtedness it secures. Once those bonds are paid off, the revenue will be available to all schools for maintenance.

Purpose D funds were originally conceived as a funding source to provide air conditioning in classrooms and to

abate asbestos. By the time Katrina struck, this work was nearly complete. Maintenance needs remain.

For the past 20 years, the millage has been pledged to the repayment of bonds that were issued to provide funds for eligible repairs and investments. The bonds originally had a term of 20 years, but the School Board extended them through a refinancing to 2015. If the millage is not renewed, the School Board will have to use general funds to make the payments.

As noted previously, the federal government is providing significant funding to help repair school facilities damaged in the 2005 disaster. Planners hired to assess the condition of each school estimate that repairing or replacing damaged schools will cost far more than FEMA will pay. They project the need at \$1.8 billion but anticipate that FEMA will cover less than half of that amount, leaving a significant funding gap.

In that context, the \$5.3 million that this millage would generate is a drop in the bucket. But it would help to maintain existing or new school buildings.

## END NOTES

<sup>1</sup> All student counts in this report are as of February 2008, the date used for Minimum Foundation Program calculations. According to the Recovery District the student population has increased by approximately 1,300 since then. The student count does not include students in two charter schools under the oversight of BESE and the independently governed NOCCA/Riverfront, which are separately funded by the state.

<sup>2</sup> La. R.S. 17:1990 and 17:3995.

<sup>3</sup> Approximately \$1,100 of that amount is dedicated or pledged to debt service.

<sup>4</sup> The Recovery District reports that about 40% of its Title I grant was carried over from the prior year. BGR has adjusted its calculations of recurring revenue to include only the 60% that may be considered a recurring amount.

<sup>5</sup> As of June 16, legislation to forgive this debt was pending in the State Legislature.

<sup>6</sup> 52% according to a survey quoted in *The State of Public Education in New Orleans, 2008*, p. 23.

<sup>7</sup> The Louisiana Department of Education.

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