



BGR Outlook on Orleans

Orleans Parish School Board

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Quick View

- The OPSB projects total revenues of \$480.6 million in FY1999.
- The OPSB will receive about 48.5 percent of its total FY1999 revenue from the State Department of Education.
- Local funding for NOPS at 33.4 percent of total FY1999 revenues is 39 percent below the 1997 national average of 46.8 for local support of public schools
- Per pupil expenditure in the NOPS of about \$4,800 annually (1997) was 26 percent below the 1997 national average of \$6,060.
- The OPSB estimates a need for \$393 million in new revenue for the NOPS to address capital improvements and classroom needs
- The OPSB received a special FY1999 state allocation of \$8.1 million dedicated to pay raises for NOPS employees.
- Enrollment in NOPS dropped from 81,242 MFP-qualified students in FY1998 to 79,886 in FY1999, a decline of 1.6 percent.
- Approximately 85 percent of total General Fund expenditures are for employee salaries and fringe benefits.

Executive Summary

This is the first report in BGR's Outlook series on the Orleans Parish School Board (OPSB). The purpose of this report is to provide an overview of the Board's fiscal outlook with a focus on the FY1999 (July 1, 1998 through June 30, 1999) operating budget.

The New Orleans Public Schools (NOPS), with a 1997 enrollment of approximately 81,900 students, operated on a per pupil expenditure of about \$4,800 a year or 26 percent below the 1997 national public school per pupil spending average of \$6,060.

Adjusted for inflation, OPSB consolidated revenues increased by three percent between 1992 and 1997, the most recent five-year period for which final fiscal data are available. The OPSB estimates total revenues of \$480.6 million in FY1999, a one percent decrease over FY1998 revenues of \$486.1 million. About 83 percent of total OPSB funds are maintained in the General Fund, which supports day to day school operations.

The OPSB can at best expect slow but stable revenue growth from local, state and federal sources over the next several years. Therefore, in the near term, the Board must improve school performance with limited revenues, and in the longer-term, develop a plan to address \$393 million in school system needs identified in its FY1999 proposed budget.

In this report, BGR examines:

- Where the money to operate the NOPS comes from.
- How the money is spent.
- What is the financial outlook for the OPSB over the next few years?

Where the Money Comes From

Local, state, and federal funding sources respectively make up 33.4 percent (\$160.4 million), 48.5 percent (\$223 million), and 15.8 percent (\$76 million) of the Board's Consolidated Budget. Nationally, local support averages 46.4 percent of public school revenue, state support 46.8 percent, and federal 6.8 percent.

About 97 percent of the Board's FY 1999 General Fund revenues (\$399.4 million) are derived from state (\$230.2 million) and local sources (\$155.3 million). Most federal funds are managed in the Special Revenue Fund and the Child Nutrition Program.

Approximately \$219.5 million in state funding for FY1999 is provided through the Minimum Foundation Program (MFP) and constitutes 54.9 percent of General Fund revenues. Total state support is anticipated to increase by 5.3 percent over last year, but an unexpected two percent decline in enrollment this year could offset projected MFP revenue by \$3.5 million in FY1999.

Local revenues are estimated at \$155.4 million in FY1999, and are derived mainly from sales taxes and property taxes. Adjusted for inflation, between 1992 and 1997 sales tax revenue increased by six percent while the Board's property tax income decreased by 12 percent.

How the Money is Spent

Anticipated OPSB FY1999 expenditures total \$591.9 million. This includes \$111 million dollars in capital project outlays authorized by the OPSB's 1995 bond sale.

Based on NOPS spending data, per pupil expenditures increased by nine percent between FY1992 and FY1997, from \$4,400 to \$4,800 annually. Expressed in real dollars, however, spending per pupil decreased by about three percent. NOPS per pupil expenditures are 26 percent below the 1997 national public school average of \$6,060.

In FY1999, 60 percent of the General Fund budget is allocated to instructional services, and 40 percent to support services, a 3.6 percent decline in spending on instructional services since 1992.

About 69 percent (\$251.3 million) of General Fund spending (excluding debt service) in FY 1999 is for employee salaries, and an additional 16.4 percent of the budget is for employee benefits (\$59.8 million). The national public school spending average for employee salaries is 65 percent of expenditures. The NOPS outlay for fringe benefits tracks the national average of 17.5 percent.

NOPS teacher salaries averaged about \$34,000 annually in FY1997, 20 percent above the state average of \$28,000 but over 15 percent below the 1997 national average salary of \$38,509 for public school teachers.

Fiscal Overview

OPSB revenue is likely to remain stable over the next five years and, at best, maintain pace with inflation. In most respects, spending for NOPS operations, though significantly lower than the national average, tracks national spending profiles. Further, conservative budget management and revenue projection methods practiced by the OPSB will help avoid near-term budget shortfalls.

In the short-term, the Board can point to some success:

- In May voters approved renewal of three of the Board's dedicated millages.
- NOPS received an additional allocation of \$8.1 million from the state legislature in FY1999 for school employee pay raises.
- The Orleans Parish School Board began FY1999 with a General Fund ending balance of about \$17 million. (This balance could be absorbed by a \$37 million judgement against the Board).
- Funding (\$14 million) is in place and work has begun on implementing a modern management information system that when fully operational can help improve OPSB planning and fiscal management
- The OPSB has agreed to work with the Greater New Orleans Education Foundation to develop a strategic plan for improving school performance
- The 1995 \$175 million capital improvement program is well underway

In the long-term, the OPSB faces difficult financial hurdles. The Board must improve its organizational and business management practices, and overcome at least the public perception of poor management. Hiring a strong superintendent and filling key administrative vacancies can help improve school performance in these areas.

Perhaps the greatest challenge facing the Board is addressing the identified long-term financial needs of the NOPS, that the Board estimates at about \$393 million. The development of a comprehensive strategic plan that substantiates and prioritizes the district's needs, and lays out the revenue-raising options, is a primary step in meeting these challenges:

- Upgrade over a hundred substandard school buildings.t Increase support for low-performing schools.
- Improve routine school maintenance
- Increase administrative support for essential business functions.
- Adopt policies linking performance of school personnel to income.

Governance

With 140 school sites and 80,000 students, the NOPS is the largest district in the state. The school system is divided into seven districts, each of which elects a representative to serve a four-year term as a member of the OPSB. The Board elects a president and vice-president from among its members each year.

The Board is empowered by the state constitution to conduct elections for the issuance of bonds and to levy taxes. The Board's millages are subject to state homestead exemption laws. In general, the Board can adopt rules and regulations for governing the district that are consistent with those of the State Board of Elementary and Secondary Education.

The OPSB is responsible for determining requirements for and hiring of school personnel, formulating school system policy for administration of the district, adopting an annual budget, and hiring the Superintendent of Schools. The Superintendent functions as the chief executive officer for the school system and carries out board policy.

Revenues and Expenditures

Figure A shows the FY 1999 Consolidated Budget revenue divided by fund type. Local and state funds comprise 97 percent of General Fund revenues. The Special Revenue and Child Nutrition Program funds account for most federal revenue.

The Board's budget policy as stated in the budget documents is to make conservative projections of local, state, and federal revenues and expenditures for the fiscal year. In keeping with this conservative approach, contingent or probable sources of revenue, for example proposed millages, are not included in annual budget projections.

Actual yearly expenditures and revenues are presented in the Board's Comprehensive Annual Financial Report available about six months after the close of the fiscal year. Therefore, final financial data for this report are available only through FY1997. Figures for FY1998 and FY1999 are based on estimates presented in the adopted budgets.

An overview of OPSB finances is provided in a review of the Consolidated Budget. A more detailed look at revenues and expenditures is presented in a review of the General Fund and other fund budgets.

The Consolidated Budget

Revenue

The Board's Consolidated Budget, which includes all sources of school system revenue, grew 15 percent over the five-year period 1992-1997. See Table 1. Increases in state funding (17.1 percent), local sales tax revenues (12.1 percent), and federal funds (15.8 percent) supported this growth. In real dollars (adjusted for inflation) the budget increased by about three percent.

| | FY1992 | Percent Budget | FY1997 | Percent Budget | Percent Change |
|---------------|----------------|----------------|---------------|----------------|----------------|
| Local | \$ 132,662,128 | 35.8% | \$148,675,750 | 34.9% | 12.1% |
| State | 177,401,767 | 47.9% | 207,705,600 | 48.7% | 17.1% |
| Federal | 60,430,643 | 16.3% | 70,022,905 | 16.4% | 15.8% |
| Total Revenue | 370,494,538 | 100% | \$426,404,255 | 100% | 15.1% |

source: New Orleans Public Schools Comprehensive Annual Financial Reports

School system revenue sources as a percentage of the total budget, have remained stable. State funding, the largest single source of school revenue, increased from 47.9 percent of total revenues in 1992, to 48.7 percent in 1997.

Local sources accounted for 35.8 percent of total funds in FY1992 and declined slightly to 34.9 percent of the Board's annual revenues in 1997. Federal funds have remained at about 16 percent over this period.

FY1999 consolidated revenues are estimated to decrease by one percent over FY1998 even though local and state revenues all increased this year over last. See Table 2. The FY1998 revenue category "Total Other Funds" includes \$35 million in 1995 bond sale proceeds (\$175 million total). These bond sale proceeds are accounted for in the budget but are dedicated to capital projects.

Table 2
New Orleans Public Schools
Consolidated Budget FY1998 - FY1999
Revenue and Expenditures

| Revenue | FY1998 | Percent Budget a | FY1999 | Percent Budget a | Percent Change |
|----------------|----------------|---------------------|----------------|---------------------|----------------|
| Local Sources | | | | | |
| Sales Tax | \$ 73,500,000 | 15.1% | \$ 78,000,000 | 16.3% | 6.1% |
| Ad Valorem Tax | 64,120,000 | 13.2% | 72,600,000 | 15.1% | 13.2% |
| Other Local | 6,791,000 | 1.4% | 9,852,000 | 2.0% | 45.0% |
| Total Local | 144,411,000 | 29.7% | 160,452,000 | 33.4% | 11.1% |
| State Sources | | | | | |
| MFP | 209,250,000 | 43.1% | 220,428,000 | 45.9% | 5.3% |
| Other State | 19,573,000 | 4.0% | 12,577,000 | 2.6% | -35.7% |
| Total State | 228,823,000 | 47.1% | 233,005,000 | 48.5% | 2.0% |
| Total Federal | 75,731,000 | 15.6% | 76,012,000 | 15.8% | <1% |
| Total Other | 37,138,000 b | 7.6% | 11,200,000 | 2.3% | -70.0% |
| Total Revenue | \$ 486,103,000 | 100% | \$ 480,669,000 | 100% | -1.1% |
| Expenditures | | | | | |
| Salaries | \$ 282,734,000 | 63.3% | \$ 297,300,000 | 62.3% | 5.0% |

| | | | | | |
|-----------------------|----------------|-------|--------------------------|-------|--------|
| Benefits | 72,505,000 | 16.2% | 72,698,000 | 15.2% | <1% |
| Purchased Services | 28,840,000 | 6.5% | 41,551,000 | 8.7% | 44.0% |
| Material and Supplies | 30,944,000 | 6.9% | 26,864,000 | 5.6% | 13.1% |
| Other Expenses | 2,873,000 | 0.6% | 3,181,000 | 0.7% | 10.7% |
| Transfers | 28,369,000 | 6.4% | 35,312,000 | 7.4% | 24.4% |
| Contingency | 500,000 | 0.1% | 200,000 | <1% | -60.0% |
| Capital Outlay | 16,013,000 | | 114,836,000 ^c | | 717.0% |
| Total Expenditures | \$ 462,778,000 | 100% | \$ 591,942,000 | 100% | 28.0% |

a Capital outlay costs are excluded

b Includes proceeds from 1995 bond sale

c Includes expenditures from 1995 bond sale

Rounding error present

source: New Orleans Public Schools

Local, state, and federal funding will compose 33.4 percent, 48.5 percent, and 15.8 percent respectively of the proposed FY1999 Consolidated Budget. See Figure B. National profile data collected by the National Center for Education Statistics (NCES) on sources of public school funding show average local support at 46.4 percent, state funding at 46.8 percent, and federal funding 6.8 percent.

Local support of the NOPS is significantly lower than the national average, making federal support at over twice the national average, an important source of revenue. The majority of federal funds are maintained in the Special Revenue and Child Nutrition Program funds.

Expenditures

Total expenditures in FY1998 as shown in Table 2 were projected to be \$23 million under anticipated revenues of \$486 million suggesting additional surplus funds. This is not a supplement to the “rainy day” fund balance however. As explained, these are bond sale proceeds that simply pass through the Consolidated Budget.

In FY1999, total projected expenditures exceed anticipated revenues by over \$111 million. Again, the pass-through of expended 1995 bond sale funds through the Capital Projects Budget (of the Consolidated Budget) accounts for the imbalance, not an actual budget deficit. Note the Capital Outlay expenditure total of \$114.8 million in Table 2.

Per Pupil Expenditure Comparisons

NOPS per pupil expenditures between FY1992 and FY1997 increased by nine percent, from \$4,400 to \$4,800 based on OPSB budget data. This calculation of per pupil spending includes General Fund, Special Revenue Fund, and Child Nutrition Program expenditures. Excluded are debt service and capital project expenditures. State support per child increased by 19 percent and local support by 9 percent. Expressed in real dollars, however, total spending per pupil decreased by about three percent.

Nationally, expenditures per student (fall enrollment) grew by 20 percent (unadjusted for inflation), from \$5,023 in FY1992 to \$6,060 in FY1997 according to the National Center for Education Statistics. Based on these figures, per pupil spending in the NOPS in 1997 was 26 percent below the national average. According to the Council of Great City Schools, per pupil expenditures in urban school systems across the country are considerably below (about 16 percent) the national average, placing New Orleans at below average per pupil spending even among urban school districts.

The General Fund: A Closer Look at Revenues and Expenditures

Revenues

The General Fund is the school system's principal operating account and supports all mandated instructional programs, and with the exception of the Child Nutrition Program, all other support and administrative services. About 83 percent of the school district's financial resources are accounted for in the General Fund. State and local revenues compose 97 percent of the General Fund budget.

State Sources

State-level funding is generally considered an excellent revenue source. It traditionally provides a relatively stable revenue stream as compared with local taxes, which are more sensitive to changes in the economy and in the local tax base.

The MFP

About 95 percent of total projected state funds are provided through the Minimum Foundation Program (MFP). The Board of Elementary and Secondary Education annually adopts a MFP formula for distributing funds statewide, subject to the approval of the State Legislature.

The State's MFP provides an estimated \$219.5 million to the FY1999 projected total General Fund budget of \$399,416, up 5.3 percent over FY1998 (\$208.5 million). MFP funds make up 54.9 percent of the FY1999 General Fund. See Table 3. The projected increase includes an additional \$8.1 million allocation to the Board as a result of unexpectedly high state revenues in 1998. This allocation is mandated for employee pay raises. MFP increases over the past five years averaged less than three percent annually, barely ahead of inflation.

| Table 3 New Orleans Public Schools General Fund Revenue by Source FY1998 - FY1999 | | | | | |
|--|---------------------------------|-------------------|---------------------------------|-------------------|-------------------|
| | Approved a Budget FY97/98 | Percent Budget | Approved a Budget FY98/99 | Percent Budget | Percent Change |
| | | | | | |

| | | | | | |
|--|----------------|-------|-------------------------|-------|---------|
| Local Sources | | | | | |
| Property Tax | \$ 66,600,000 | 17.8% | \$ 72,600,000 | 18.2% | 9.0% |
| Sales Tax | 78,000,000 | 20.9% | 78,000,000 | 19.5% | 0.0% |
| Other | 4,787,000 | 1.3% | 4,787,000 | 1.2% | 0.0% |
| Total Local | 149,387,000 | 40.0% | 155,387,000 | 38.9% | 4.0% |
| State Sources | | | | | |
| MFP | 208,584,000 | 56.0% | 219,547,000 | 54.9% | 5.3% |
| Other State | 9,911,000 | 2.6% | 10,691,000 | 2.7% | 7.8% |
| Total State | 218,495,000 | 58.6% | 230,238,000 | 57.6% | 5.4% |
| Total Federal | 3,761,000 | 1.0% | 3,791,000 | 1.0% | 0.0% |
| Total Other | 772,000 | 0.4% | 10,000,000 ^b | 2.0% | 1200.0% |
| Total Revenue | \$ 372,415,000 | 100% | \$ 399,416,000 | 100% | 7.0% |
| <p>a Based on third quarter estimate of revenues b Proceeds from loan to fund new MIS source: New Orleans Public Schools FY1999 Proposed Consolidated Budget</p> | | | | | |

The MFP is a complex formula-based funding system the constitutional (Article VIII Sec. 13B) goal of which is to equitably distribute state education funds among all the parishes and provide each child in public school with a minimum foundation of education. The formula provides three different levels of funding to local education agencies. Level 1 is based on student enrollment in the district. Level 2 provides an increased level of funding for local school systems that raise additional revenues relative to their tax base (up to a maximum amount set by the state), and Level 3 funding is mandated for teacher pay increases.

The Legislature adopted a revised MFP formula in 1992 newly designed to give local districts more autonomy in determining how to spend state funds and to increase funding

to districts with a low tax base. This latter change has proven to be helpful to the NOPS as state funding has increased even while school enrollment has declined.

The Orleans district FY1999 MFP student population of 79,886 (September count) appears to be almost 2 percent under last year's MFP-qualified total (81,242). Lower enrollment could reduce the state's annual MFP allocation to the OPSB by as much as \$3.3 million dollars. The OPSB's total funding level through the MFP for FY1999 will not be finally determined until January 1999.

The State's plan allowing school districts substantial spending autonomy has not been followed consistently. The additional \$8.1 million state allocation noted above was mandated by the legislature specifically for politically popular employee pay raises, leaving the Board with no spending discretion. Level 3 funding, part of the new MFP formula, permits the state to circumvent its own earlier commitment to local autonomy by providing a spending mechanism outside the formula.

Perhaps of greater importance, the MFP has not been fully funded by the legislature, leaving Louisiana's average annual state teacher pay of \$28,167 in 1997 far below the national salary average (\$38,509). The NOPS average 1997 teacher salary of \$34,000, though second highest in the state (second only to St. Charles Parish) and slightly exceeding the Southern Region Education Board 1997 average (\$33,182), is still 13 percent below the national average, and 25 percent below the average for the Council of Great City Schools member cities of \$42,400 (1998). Member cities include most other major urban areas across the country.

Other State Sources

Revenue sharing funds are intended to offset the impact of the State's homestead exemption law and will total about \$3.6 million this fiscal year as they have over the past five years.

Professional Improvement Program funds, which supplement the salaries of certified teachers for continuing education, will remain constant in FY1999 at \$3.6 million.

Non-public revenues totaled \$1.2 million in FY1999 and are direct pass-through funds that the state provides for transportation and textbooks in non-public schools.

Local Sources

Sales tax revenues are expected to remain level between FY1998 and FY1999, while property tax income is projected to increase by nine percent over last year. An increase of 2.3 mills in the 1999 property tax rate, dedicated to servicing the 1995 \$175 million bond sale, is the reason for this rise.

Local sources will compose 38.9 percent (\$155.4 million) of the General Fund budget in FY1999. Sales taxes make up 19.5 percent (\$78 million), property taxes 18.2 percent (\$72.6 million), and “other” local sources 1.2 percent (\$4.7 million) of the budget. See Table 3. Over the five year period 1992-1997, sales tax revenue increased by 21 percent as compared with property tax revenues which remained flat. See Figure C. Adjusted for inflation, sales tax income increased by 6 percent while property tax revenue actually fell by 12 percent. The Board receives one and one half cents of the nine-cent sales tax imposed in New Orleans.

The OPSB was authorized to levy a total ad valorem tax of 48.80 mills in 1998 on all taxable real and personal property in Orleans Parish. All land and residential improvements are assessed at 10 percent of fair market value. Other real property is assessed at 15 percent of fair market value, except for public utilities, which are assessed by the Louisiana Tax Commission at 25 percent of fair market value. Personal property is assessed at 15 percent of market value.

Of the total millage (48.80), 27.65 mills are “general purpose” and are set in the state constitution, and 17.45 mills are “dedicated” to teacher instructional supplies, early childhood education, dropout prevention, salaries/benefits, or capital projects. The millage rate increases to 51.1 mills in 1999 when an additional 2.3 mills to pay debt service on the 1995 \$175 million capital program goes into effect. The City collects and then distributes property tax revenues to recipient agencies including the School Board.

Federal and Other Sources

Federal funds account for only one percent of General Fund revenues. Most federal revenue is accounted for in the Special Revenue and Child Nutrition Program budgets.

Federal Impact Aid funds (\$1 million) are allocated to local government to offset the loss of local tax revenue due to the exemption of federal property from ad valorem taxes. Indirect Cost funds (\$1.07 million) are provided to the school system as reimbursement for overhead costs (utilities, financial services) associated with the operation of federally funded programs.

“Other” federal funds (\$1.72 million) are derived from medicaid reimbursements for health services provided by the school system, and for the operation of ROTC programs in the schools. “Other” sources of General Fund revenues in FY1999 derive from the proceeds of a \$10 million dollar loan undertaken by the school system to replace its outdated information system.

Expenditures

By Functional Category

For purposes of uniformity, the U.S. Department of Education requires that expenditures by the states for public education be classified in several defined categories, including by “function” and “sub-function” (or “object”). In general, the NOPS expenditures follow these national categories.

Expenditures by function are subdivided into the two major cost groupings of “instructional” and “support services”. See Table 4. The “instruction” category, by Department Of Education definition, includes teacher salaries, fringe benefits, and certain purchased services.

| | FY1992 | Percent Budget | FY1997 | Percent Budget | Percent Change |
|------------------------|-------------------|----------------|-------------------|----------------|----------------|
| Instruction | | | | | |
| Regular | \$ 114,124,437 | 39.0% | \$ 123,092,000 | 38.3% | 7.9% |
| Special Education | 33,616,963 | 11.5% | 38,037,000 | 11.8% | 13.0% |
| Fringe Benefits | 38,324,119 | 13.1% | 36,913,000 | 11.5% | -3.7% |
| Purchased Services | 147,761 | <1% | 79,000 | <1% | -4.6% |
| Total Instruction | 186,213,280 | 63.6% | 198,121,000 | 61.6% | 6.4% |
| Support Services | | | | | |
| Pupil Support | 23,269,258 | 8.0% | 26,392,000 | 8.2% | 3.5% |
| Instructional Staff | 9,172,757 | 3.1% | 9,350,000 | 2.9% | 2.0% |
| General Administration | 3,110,139 | 1.1% | 5,049,000 | 1.8% | 62.0% |

| | | | | | |
|--|---------------|-------|---------------|-------|-------|
| School Administration | 18,137,351 | 6.2% | 20,443,000 | 6.4% | 12.7% |
| Business Services | 3,240,367 | 1.0% | 3,557,000 | 1.0% | 9.7% |
| Plant Services | 28,095,695 | 9.6% | 34,488,000 | 10.6% | 22.8% |
| Pupil Transportation | 13,929,810 | 4.8% | 16,112,000 | 5.0% | 15.6% |
| Central Services | 7,459,097 | 2.6% | 8,120,000 | 2.5% | 8.8% |
| Total Support Services | 106,414,474 | 36.4% | 123,511,000 | 38.4% | 16.1% |
| Subtotal | 292,627,754 | | 321,632,000 | | |
| Debt Service | 14,947,521 | | 26,211,000 | | |
| Total Expenditures | \$307,575,275 | 100% | \$347,843,000 | 100% | 13.1% |
| <p>a Percentage calculations exclude "debt service" for data comparison source: New Orleans Public Schools Comprehensive Annual Financial Reports</p> | | | | | |

“Support services” include the sub-categories: student/pupil services, instructional services, general administration, school administration, plant operations/maintenance, student transportation, and other support services. Staff positions in the support services category include librarians, social workers, guidance counselors, principals, and school site clerical personnel

As shown in Table 4, the percentage of General Fund revenues allocated to instruction in the NOPS fell from 63.6 percent in FY1992 to 61.6 percent in FY1997. Funding for support services grew over this period from 36.4 percent of general fund revenues to 38.4 percent. The 1995 national spending averages for the instruction and support categories were 64 percent and 36 percent respectively.

The NOPS outlays for the plant services category (which includes maintenance) increased by 22.8 percent or to about 10 percent of the budget, and the combined administrative functions (business services, school administration, and general administration) grew by 62 percent to about nine percent of the General Fund budget. These expenditures closely parallel average national outlays (1995 data) in these areas of 10 percent and nine percent respectively.

Spending for pupil support services in the NOPS (8 percent) was higher than the national average (5 percent) for this category. Pupil support service includes salaries and fringe benefits for social workers, guidance counselors, and state textbook allocations. Student transportation cost for NOPS at five percent of the General Fund budget was 20 percent higher than the national average of four percent

In FY1999, 60.7 percent (\$208.3 million) of the General Fund budget is allocated to the instructional services function, and about 40 percent (\$130.7 million) to support services. See Figure D.

In general, NOPS spending tracks national spending profiles. The cost of support services as a percentage of the general fund budget, and the higher rate of expenditure for support services relative to the national average, are the result of greater expenditures for student support service, and comparatively low teacher salary levels.

By Object Category

Approximately 69 percent (\$251.3 million) of General Fund projected spending (excluding debt service funds) in FY1999 is for employee salaries. See Figure E. Fringe benefits make-up 16 percent (\$59.8 million) of this year's General Fund. NOPS total salary costs are somewhat higher than the 1997 national average (65 percent) for public schools. The NOPS expenditure for fringe benefits (16.4 percent) tracks the national average of 17.5 percent. Teacher salaries and fringe benefits combined (\$221.7 million) represent 71 percent of total salary and benefit expenditures (\$311.1 million), and 61 percent of the General Fund budget (excluding debt service).

The remainder of General Fund expenditures is allotted to purchase of services (10 percent), supplies (3.6 percent), and "other" (under one percent).

Capital Projects Fund

The Capital Projects Fund includes school system revenues allocated for the purchase, construction, and renovation of major facilities, and is divided into three phases: Capital Improvement Projects (CIP) I, II, and III.

Orleans Parish voters approved a referendum in 1995 allowing the OPSB to sell \$175 million in bonds to address about 30 percent of the school system's needed capital improvements. Capital Improvements Project III (CIP III) represents 306 individual projects system-wide that include extensive air conditioning installation, roof repairs, asbestos abatement, waterproofing, cafeteria upgrades, and related electrical and plumbing repairs. The Board anticipates expenditures totaling \$103.3 million through 1999. All bond funds have been committed to specific projects.

Special Revenue Fund

In 1999 the Special Revenue Fund has a projected total budget of \$50.2 million of which 95 percent is federal funds, four percent state, and one percent local revenue. Eighty-eight percent of the Special Revenue Fund (\$40.9 million) goes to teacher salaries and fringe benefits, and is a significant supplement to annual NOPS expenditures for instructional services.

The primary source of federal support in the Special Revenue Fund is the IASA Title I program at \$34.8 million. The Title I allocation is based on an analysis of the number of youth qualified for the Aid for Families with Dependent Children program in the school system, the number of children who meet eligibility requirements for the free lunch program, and the results of standardized test scores. Services are targeted at preschool-aged children and educationally deprived youth living in economically depressed areas of the city. About 69 percent of Title I funding is for instruction.

Special education programs funded under the Education for the Handicapped Act provide the school with approximately \$4.2 million a year for exceptional and handicapped children. These funds also provide materials, supplies, and equipment for preschool children requiring special education; and they support the extended school year program for the severely handicapped needing additional assistance.

Remaining sources of federal money in the Special Revenue Fund are: the Urban Systemic Initiative grant to improve math and science literacy (\$2.6 million), the Drug Free Schools Program (\$1.0 million), vocational education (\$1.2 million), innovative education strategies (\$662,000), and a variety of special grants that promote learning (\$3.0 million).

State funds include "8(g)" funds (oil and gas settlement revenues) and various state grant funds that support a variety of special programs including Adult Academic Education, the Model Early Childhood Program, and additional text and library books.

Child Nutrition Program Fund

This is a “special revenue fund” in that it manages funding resources that are legally restricted for a specific use. The CNP is set up to account for revenues and expenditures associated with the OPSB’s breakfast and lunch programs. During 1998 the NOPS served approximately 14 million meals of which about 90 percent were provided free.

A total budget of \$29.6 million made up of local, state, federal, and “other” funds is projected for FY 1999. This represents a nine percent increase in funding over the prior year due in part to pay raises for CNP employees paid with General Fund revenue.

Federal funding is the primary revenue source at \$23.5 million or 80 percent of total CNP revenue. Local funding provides for 10 percent (\$2,849,407) of CNP support, the state three percent, and “Other” sources seven percent.

Financial Outlook

Though the challenges of improving school system performance with limited resources, and addressing \$393 million in targeted needs are daunting ones, the OPSB can point to some management and fiscal positives thus far in FY 1999.

Positives

- The outlook for revenue appears to be reliable. Growth in local, state, and federal support can be expected to increase at a steady, if slow, pace.
- OPSB began FY1999 with a General Fund ending balance, or “rainy day fund”, of approximately \$17 million, about four percent of the operating budget.
- In May, voters approved renewal of three of the Board’s dedicated property tax millages.t The OPSB has committed to work with the Greater New Orleans Education Foundation to design a strategy to improve school system performance.
- Funding for a new and long-needed information system for NOPS is in place, and significant progress can be reported in implementing the system.
- The Board, addressing prior capital budget management problems, out-sourced the management of major capital projects to a consulting firm, and hired three new in-house staff to manage the 1995 \$175 million Capital Improvements Program.
- The Administration is working to implement a site-based school management strategy, the goal of which is to decentralize authority and promote initiative and innovation at the school site level.
- Through the FOCUS schools program, the OPSB is conducting a high-profile effort to target the District’s lowest performing schools with additional resources.
- The school system will benefit this year from a \$6 million windfall. Funds set aside for debt service were freed due to lower-than-expected interest rates, and were allotted to the FOCUS schools program, capital projects, and badly-needed bathroom maintenance.
- The OPSB has involved several citizen advisory committees in response to heightened community concern about the operation of the NOPS.

Challenges

- The OPSB faces the challenge over the next few years of markedly improving school performance with what will likely be a series of stand still budgets. But in the long term the capital improvement and classroom-related needs are enormous and beyond the Board’s present financial resources.
- To meet the challenges it faces, the OPSB must overhaul its information management functions, improve its business operations, and link management to classroom performance. Hiring a strong Superintendent and filling long-standing vacancies in critical management positions are the first steps.
- The OPSB must develop a plan for meeting \$393 million in targeted capital and classroom-related needs.

- Major obstacles remain before completion of the new information system by the July 1 deadline.
- The State Legislature, particularly the Senate Finance and Education committees, is now taking a very critical look at public school expenditures and performance – and with good reason: over 38 percent of the state’s total General Fund budget will go to local school systems in FY1999 through the Minimum Foundation Program (MFP). News of a budget “surplus” and improved financial management come at a time when the Board is searching for a new Superintendent, facing several lawsuits and a series of scandals. Most recently, the U.S. Department of Education obtained a \$37 million judgement against the OPSB for overcharging the Department for workmen’s compensation and unemployment insurance expenditures from 1987 to 1996. This judgement is being appealed.

But challenges present opportunities. For example, by successfully managing the transition from a long-outdated mainframe system to a state-of-the-art information system, the Board has the opportunity to demonstrate its ability to effect broad and fundamental change in the schools. The very process of implementation, coupled with the concrete benefits of the system, could give the New Orleans Public Schools a needed boost in morale and public support.