

BGR Outlook on Jefferson

July 1998

The Jefferson Parish School Board

Introduction and Overview

Declines in the number of students and only moderate growth in taxes are leaving the Jefferson Parish School Board (the Board) in a situation similar to that of the Jefferson Parish Council—both see budget shortfalls on the horizon. The Board ended FY1998 (which ran from July 1, 1997 through June 30, 1998) with a \$4.9 million dollar operating deficit out of a \$261.8 million General Fund budget.

Although the 1999 operating budget bottom line looks promising with a \$274,000 surplus, that surplus assumes voter approval of a 4-mill property tax renewal on July 18 and \$5.6 million in budget cuts, which have been approved but not formally adopted by the Board. If the millage is not approved but the cuts are made, there will be a budget deficit of \$1.0 million. If the millage fails and the budget cuts are not adopted, the Board is looking at a \$8.9 million deficit in FY1999.

The operating deficit in FY1998 will be covered with the prior-year General Fund balance. This move will reduce the General Fund balance to an estimated \$10.3 million at the end of FY1998, its lowest balance since 1995. See Figure A. If the millage does pass on

July 18 and all the budget reductions are adopted, there will be no need to further reduce the General Fund balance in FY1999. If the millage does not pass and the budget cuts are adopted, the General Fund balance will fund the \$1.0 million deficit. This transfer will reduce the balance to an estimated \$9.3 million.

What has caused this fiscal problem? One cause is a five percent across-the-board raise for support staff in FY1997, a teacher pay raise starting in FY1998, along with 160 new positions. Salaries and benefits increased \$16.5 million in FY1998. The teacher pay raises were granted by the Board in the summer of 1997 without an observable means of paying for them.

Another cause is the decline in the number of students. See Figure B. The third reason is the rising cost of special education.

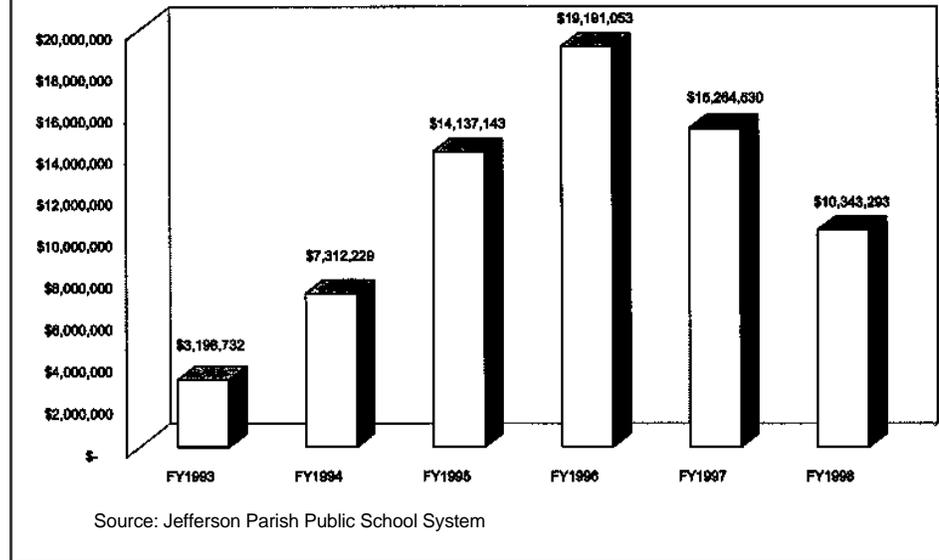
What's Inside...

Governance	2
Structure of JPSB Funding	3
What's Ahead	4
School Board Funding	9
General Fund	10
Other Funds	12
Conclusion	13

Perhaps a more fundamental reason for the deficit problem is the imbalance of the revenue structure, with its heavy dependence on state sources, the fact that its largest local source (sales tax) is a volatile one, and the fact that a more stable source, property tax, contributes only six percent of the school system's budget. See Table 1.

How will the problem be solved? For the short term, the Board has already approved a reduction plan and a proposal to extend and rededicate a 4-mill property tax for 10 years. The millage extension will be presented to the voters on July 18. These and other plans are discussed later in this report. Another alternative for FY1999 is to use

**Figure A
General Fund Ending Balance
Fiscal Years 1993 - 1998**



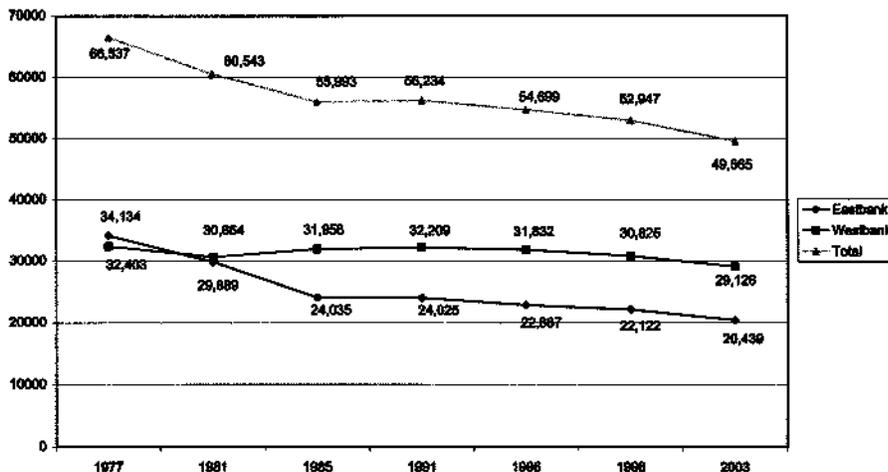
part of the accumulated General Fund balance, an option also discussed later in this report. Long-term, structural solutions have not yet been formulated.

Governance

The Jefferson Parish public school system, the third largest in the state, is governed by a nine-member school board. Members are elected by districts to four-year terms.

In general, the Board adopts policies, sets direction for curriculum, employs the superintendent, and oversees the operations of the

**Figure B
Student Enrollment
Years 1977 - 2003**



school system and its 83 schools with 52,947 students.

The Board adopts and amends the annual budget and annually sets the property tax millage rate in accordance with assessed property values. The Board sets salary schedules, acts as a board of appeals in personnel and student matters, and confirms recommendations for textbook adoptions. The Board is also charged with soliciting and evaluating community input and support concerning school policies.

**Article 1
Property Tax as a
Percentage of the Total Revenues**

Fiscal Year	Property Tax Revenues	Percentage of Total Revenues
1993	\$ 17,174,222	6.24
1994	16,900,374	5.65
1995	16,978,394	5.55
1996	18,535,105	5.90
1997	19,324,134	6.28

Note: Includes General and Special Funds
Source: Jefferson Parish Public School System, Administration and Finance Division

Structure of JPSB Funding

The Board receives its funding from local, state, and federal sources. Local funds are the Board's major source of operating revenues. Local sources provided 51 percent of board revenues in 1997. Sales taxes are the source of most local money. State sources, primarily the minimum foundation program (MFP) which supports elementary and secondary education throughout the state, provided 42 percent of total revenue. The remaining seven percent is federal funds.

Local Sources

The Board receives revenues from local sales taxes and local property taxes. Two percent of the 4.75 percent local sales and use tax in Jefferson Parish goes to the Board and is dedicated to

**Article 2
Sales and Use Tax for State Education**

Rate	Approved	Purpose
½ cent	May 3, 1966	Teacher salaries and operating expenses
½ cent	October 5, 1954 and January 12, 1971	Debt service, capital improvements, and/or operating expenses
¼ cent	June 28, 1980	Capital improvements, with authority to issue additional bonds for such purposes, and related maintenance and operating expenses
¼ cent	June 28, 1980	Increase in salaries and fringe benefits of teachers and other employees
½ cent	October 3, 1992	Increase in salaries and benefits of teachers and other employees, guidance programs, debt service, and instruction and maintenance expenses

2 cents

Source: Jefferson Parish Public School System

specific purposes. See Table 2. In FY 1997 total school board sales tax revenue was \$ 122 million, with \$98.3 million going into the General Fund.

The other local tax that supports the Board is the property tax. Property taxes are based on property values determined by the Jefferson Parish Assessor. All land and residential improvements are assessed at 10 percent of fair market value and other property at 15 percent of its market value, except for public utilities.

The Board levied a property tax of 13.91 mills in FY1997, 9.91 mills for maintenance and operation services and 4.00 mills for debt service. Local property tax revenue amounted to \$19.3 million in FY1997.

State Sources

The State of Louisiana provides support to the Board through the Minimum Foundation Program (MFP). This distribution is based on a formula depending primarily on the number of students in the district, local tax capacity, and local tax effort. The formula is established each year by the Board of Elementary and Secondary Education (BESE) and approved by the State Legislature.

In addition, the State provides funds for non-public school transportation and textbooks through each local school system. This is a pass-through appropriation that is provided to non-public schools and averages about \$2.2 million a year in Jefferson Parish. School boards also receive a portion of state revenue-sharing funds. Lastly, the Board receives money for textbooks and computers from a portion of the proceeds of a state oil and gas settlement, called the “8-g” funds.

Federal Sources

Federal sources consist of 14 federally-funded grant programs, the largest of which is Title 1 for educationally disadvantaged children. Federal programs are accounted for in Special Revenue Funds. The Board is reimbursed for indirect costs (overhead) related to the running of these programs, and the reimbursement revenue is accounted for in the General Revenue Fund.

What s Ahead

The Jefferson Parish School Board is facing the same situation as the Jefferson Parish Council in FY1998—a projected operating budget deficit. The school board’s fiscal year 1998 ended June 30, 1998 with a projected General Fund shortfall of \$4.9 million. Final revenue and expenditure data will not be firm until the audit is released in about six months. General Fund revenues for FY1998 are estimated at \$256.8 million, while expenditures are estimated to total \$261.7 million. See Table 3. The prior year’s General Fund Balance will be used to eliminate this deficit.

Although budget figures may appear promising for FY1999, with a projected budget surplus, some insecure assumptions contribute to the projected surplus. It may look like General Fund revenues are going to grow 1.8 percent in FY1999 to \$261.5 million, but this figure includes \$3 million in additional revenue which cannot be considered a source of revenue until after the July 18 election. This \$3 million in revenue is millage rededication revenue. Without voter approval of the extension and rededication on July 18, anticipated General Fund revenues will equal \$258.5 million. Expenditures, in contrast, are

Table 3
Jefferson Parish Public School System
General Fund Budget
Projected and FY99 Proposed

Revenues	FY 1997-98	FY 1998-99
Local	\$ 125,979,142	\$ 130,618,512
Property Tax	14,833,273	18,004,893 *
Sales Tax	106,032,051	107,800,801
Other	5,113,818	5,013,818
State	130,075,322	130,045,811
Federal	<u>800,000</u>	<u>800,000</u>
Total	\$ 256,854,464	\$ 261,465,323
Expenditures		
Salaries	\$ 170,623,482	\$ 168,667,430
Employee Benefits	54,713,388	54,380,673
Other	<u>36,438,830</u>	<u>38,142,978</u>
Total	\$ 261,775,700	\$ 261,191,079

Source: Jefferson Parish Public School System, Proposed FY1998/99 General Operations Fund Budget, June 3, 1998.

* Reflects an additional 2 mills of property tax revenue.

estimated to decrease in FY1999, to \$261.2 million. This figure, however, assumes some \$5.6 million in budget cuts which have been approved by the Board, but not formally adopted. See Table 4.

What is the picture without the \$5.6 million in budget cuts shown in Table 4 and the \$3.0 million from the renewal and rededication of the millage? If the millage does not pass and the proposed budget reductions are not adopted, the Board is actually facing a \$8.9 million deficit. If the renewal does not pass, but the \$5.6 million in budget cuts are adopted, a \$1 million deficit would result. If this gap were to be filled by budgeting part of the prior year's General Fund balance, the school board's "rainy day" fund will have dwindled to \$9.3 million, about 3.6 percent of General Fund expenditures.

Slowing Revenue Growth

Final FY1998 General Fund revenues are estimated to show a modest 4.6 percent increase over FY1997. Local and state generated revenues will both increase, with local revenues increasing more than the state. Federal revenues, on the other hand, will experience a slight decline.

Local revenue sources are projected to increase 7.8 percent for FY 1998, reaching \$126.0 million. Property taxes will grow \$1.4 million, reaching \$14.8 million. Sales tax will grow 7.8 percent, totaling \$106 million. The remaining local sources taken together will actually decline in FY1998, down one percent to \$5 million.

State revenues will see a modest 1.7 percent increase in FY1998, for an estimated \$130.1 million. Federal sources are estimated to go in the opposite direction and are expected to decrease 1.5 percent.

As stated before, although it appears in Table 3 that FY1999 revenues will increase 1.8 percent that assumes passage of the millage reduction. Sales tax will increase a modest 1.5 percent, reaching \$107.8 million. If the millage renewal is passed, property taxes will increase by 21.4 percent to \$18.0 million. If the millage does not pass, property taxes are expected to grow only one percent.

State revenue sources will decline less than one-half-of-one-percent in FY1999. Federal sources will contribute to the stagnation in revenues by remaining constant for FY 1999.

**Table
Proposing Measures
Approved by the Board on June 3, 1998**

Reflected in June 3 Proposed Budget	Savings	Funding Source
Reduction in substitutes	\$ 250,000	Perfect attendance incentives will mean less substitutes.
Reduction in maintenance	600,000	Renovations to buildings will reduce costs.
Reduction in utilities	400,000	New energy light system will reduce costs
Reduction in staff teachers	1,813,045	65 teacher reduction
Abolish three central office positions	110,499	Salaries and benefits related to positions
Change in-service days to Saturdays	300,000	Teacher in-service days would be changed to Saturdays; teachers would be paid \$15 an hour for these days, but would no longer have to pay substitutes.
Reduce teaching staff	390,500	Reduce teaching staff by an additional 14 positions.
Elimination of certain fringe benefits	100,386	Eliminate out of state travel, half of organizational dues, and school board meeting meal services.
Eliminate special education teachers' assistants	1,331,456	Eliminate remaining 112 non-mandated special education teachers' assistants.
Reduction in bank charges	43,526	Bank charge wiring costs will also be reduced.
Elimination of \$1,000 per school for clerical services	83,000	Schools were given \$1,000 for increased clerical work. Since staff works one more month per year, supplement is no longer needed.
Reduction in use of facilities	100,000	Persons who use school facilities free of charge but who charge fees for their event will now be required to pay for use of the school facility.
40% reduction in contracted consultant services	<u>100,000</u>	
Total	\$ 5,622,412	

Source: Jefferson Parish Public School System, Proposed FY1998/99 General Fund Budget, June 3, 1998.

Increasing Costs

General Fund expenditures will increase 7.7 percent in fiscal year FY1998 and will exceed revenues by \$4.9 million. Expenditures will reach \$261.8 million, with salaries and benefits consuming over three-quarters of expenditures.

Salaries will total \$170.6 million, and benefits, at 32 percent of salaries, will total \$54.7 million. Salaries and benefits will account for 86.1 percent of all operating expenditures. Professional and technical services and supplies will add another \$26.3 million and amount to 10 percent of expenditures. The remaining \$10.2 million will be spent on such items as purchased property services, miscellaneous purchases, and equipment.

General Fund FY1999 expenditures are estimated to decline about one-quarter-of-one-percent, to \$261.2 million, provided the \$5.6 million in budget reductions in Table 4 are included in the adopted budget. The \$261.2 figure does include the costs shown in Table 5. If any of the cost-cutting measures agreed to on June 3, 1998, are rescinded, the expenditures figure will increase accordingly.

Salaries and benefits will continue to make up the major portion of expenditures in

Additional Costs or Fiscal Year 1999 As Approved by the Board on June 3, 1998		
Purpose	Amount	
Hospitalization	\$ 300,000	Increased costs in the hospital insurance program
Police on campus	100,000	Cost increase in detail police
Math textbooks	500,000	Increase cost in books
Technology	139,400	Year 2000 Technology
Technology	165,312	Technology Personnel Costs from Fund 5 transferred to General Revenue
Final debt payment on bonds	<u>1,694,441</u>	
Total	\$2,899,153	

Source: Jefferson Parish Public School System, Proposed FY1998/99 General Fund Budget, June 3, 1998.

FY1999. In FY1999, these two expenditures will add up to \$223.0 million, accounting for 85.4 percent of expenditures. Professional and technical services and supplies will account for a little more they did in FY1998, 10.2 percent. Professional and technical services will go up 3.6 percent, to \$14.2 million, and supplies will decrease from \$12.6 to \$12.5 million.

Recipe for a Deficit

The revenue shortfall initially facing the School Board for FY1999 was \$5.9 million. Increased expenses of \$3.0 brought the shortfall to \$8.9 million as the April 1 Proposed Budget was being prepared. What factors brought the Board to this point?

A team of external auditors in an analysis dated April 1998 credited increased salaries (due both to an increase of 160 positions and pay raises), decreasing revenues and increasing

costs as the reasons. Another reason is the historically low reliance on property tax, one of the few revenue sources available to local governments in Louisiana.

In August 1997 (FY1998), the Board granted teachers a pay raise and gave support staff a five percent across-the-board raise. Note that salaries and benefits are projected to be up \$16.5 million for FY1998, an 8 percent increase over FY1997. Approximately \$6 million of the increase is a result of state-mandated increases funded by the MFP. The remaining \$10.5 million is the impact of the raise, together with routine step increases and increases in benefit costs.

In addition to the pay increases, the number of staff increased by 160 new full-time positions from FY1996 to FY1998, despite 1,752 fewer students. A substantial portion of the staff increase was in the number of special education teachers. According to the auditor's analysis, 77 new special education teachers in two years contributed to the \$3.9 million increase in the cost of special education salaries over this time.

Also contributing to the increase in salary expenditures is the number of teachers and aides. According to the state formulas, there are 127 "excess" teacher aides and 65 "excess" teachers who cost about \$3.5 million a year.

What are the Potential Solutions?

The FY1998 projected deficit will be covered out of the prior year's General Fund balance. Several plans have been introduced in the last few months to help cover the projected shortfall for FY1999. First and foremost was the \$5.6 million deficit reduction plan incorporated in the June 3 proposed budget. It included \$2.9 million in new costs and \$5.6 million in cuts,

for a net reduction of \$2.7 million.

It should be noted that the increased expenditures and cost-cutting measures were not formally adopted but only accepted by the Board June 3 for the purpose of discussion at the required public hearings on the budget, held June 24 and July 8. The items approved for discussion are subject to change up until the time the budget is formally adopted and can be the subject of amendments to the budget after it is adopted. The budget must be adopted and submitted to the State Board of Elementary and Secondary Education (BESE) by September 15, 1998.

Several other deficit-elimination plans were considered by the Board along with the package approved June 3 and could be brought up for reconsideration. In April, four plans—labeled A,B,C, and D—were introduced, with budget cuts ranging from \$6.5 million to \$8.5 million.

Plan A would reduce the projected \$8.9 million deficit by \$6.5 million, by using \$4.0 million of the General Fund balance and making \$2.5 million in cuts. The cuts would include reducing the number of teachers (\$1.8 million) and gradually reducing the number of central office staff (\$750,000).

Plan B would use \$4.0 million of the General Fund balance and make \$2.6 million in cuts. The cuts would include the central office reductions from Plan A, \$.75 million, and another \$1.9 in cuts affecting such items as travel and the charter school.

Plan C consists of the central office and teacher cuts in Plan A plus the other cuts in Plan B. The difference in this plan lies in the use of the prior year's General Fund balance.

Only \$2 million of the fund balance would be used as opposed to \$4 million in Plans A and B.

Plan D relies only on budget cuts, with no use of the General Fund balance. It would make cuts in extra-curricular activities, teacher assistants, police campus patrol, supplies and materials, and textbooks and library books, for a total of \$8.5 million in cuts.

Another source of deficit reduction would be \$3 million in property tax revenues that would come with renewal and rededication of the four-mill property tax on the ballot July 18. This figure is incorporated into the FY1999 budget producing the \$274,000 budget surplus.

Under the millage proposal, one mill would provide for the continuation and expansion of the technology department. One mill would generate about \$1.5 million and would pay for additional personnel, the acquisition and maintenance of equipment, and supplies for educational and instructional purposes. A second mill would be used for maintaining and improving existing public school buildings throughout the district. This use would include roof repair and replacement and the repair and replacement of heating and air conditioning systems. The remaining two mills would be dedicated to capital projects. The tax extension would be for 10 years.

The four mill tax currently pays debt on bonds issued in the 1960s and 1970s. The final debt payment of \$1.7 million will occur in the 1999 fiscal year. If the tax were extended, it would provide revenue for both the General Fund and Capital Improvements Fund. The cost of this tax to an owner of a \$100,000 house (with a homestead exemption) would be \$10 a year, while the cost to an owner of a business assessed at \$100,000 would be \$60 annually.

If the millage renewal and rededication failed to pass and the expenditure increases and budget cuts approved June 3 remained in place, there would be an estimated \$1.0 million deficit in FY1999. The General Fund balance would probably again be used to absorb this deficit. This move would result in a \$9.3 balance for future emergencies.

School Board Funding FY1992-FY1997

The Board's total revenues have increased 21.6 percent in the last five years. Despite the fact that expenditures exceeded revenues in FY1997, expenditures have grown at a slightly slower pace than revenues in the last five years, 19.2 percent. In FY1997, revenues totaled \$307.5 million, while expenditures totaled \$308.4 million. See Tables 6 and 7. This \$0.9 million gap was covered by the General Fund balance.

This increase in revenues since FY1992 can be attributed largely to the growth in the area economy. Local sources accounted for over half of all the school system's revenue sources in FY1997, 51.1 percent, with local sales taxes being the big contributor.

Local tax revenue grew from \$89.1 million in FY1992 to \$141.2 million in FY1997. A ½ cent sales tax rate increase in 1992, coupled with an actual growth in sales, is the reason for this surge. Property tax receipts, the other local source, experienced minimal growth in this five-year period. In FY1992, property tax revenues totaled \$15.5 million. In FY1997, they increased to just \$19.2 million, a 4.3 percent annual increase since 1992, but a 4.3 percent decline when adjusted for inflation.

**Jefferson Parish School Board
Total Revenues Source^a
Fiscal Years 1992-1997**

Fiscal Year	Local Taxes	Summer School Tuition	Other Local Sources	Total Local Sources	State Sources	Federal Sources	Total Revenue
1992	\$ 89,117,342	\$ 777,313	\$ 16,295,920	\$ 106,190,575	\$ 133,071,036	\$ 13,690,622	\$ 252,952,233
1993	104,995,867	908,563	21,512,987	127,417,417	132,559,904	15,163,071	275,140,392
1994	125,391,906	951,302	23,501,810	149,845,018	132,552,584	16,517,516	298,915,118
1995	133,151,019	950,656	50,559,213 ^b	184,660,888	135,186,399	18,195,985	338,043,272
1996	144,309,032	899,635	18,647,725	163,856,392	128,390,952	21,650,552	313,897,896
1997	141,224,287	862,330	14,975,087	157,061,704	130,292,132	20,157,384	307,511,220

a) Includes General, Special Revenue, Debt Service, and Capital Projects Funds.

b) Other local sources for 1995 include approximately \$32 million of interest income on a guaranteed investment contract. In 1992, the Board refinanced some bonds and bought a guaranteed investment contract to ease revenues. This contract matured in 1995.

Source: Jefferson Parish Public School System Annual Financial Report 1997

State revenues have decreased slightly from FY1992 to FY1997. State revenues went from \$133.1 million in FY1992 to \$130.3 million in FY1997. This translates into just over a two-percent net decrease. State revenue includes the cost of state-mandated salary increases. The net decrease is a result of a decline in the number of students, which is the primary basis for state funding formulas. The number of students in 1992 was 57,252. By 1997, this number had decreased to 54,576. The MFP income reduction is approximately \$3,000 per student.

Federal revenues, on the other hand, increased considerably over the FY1992 to FY1997 period. In FY1997, federal sources totaled \$20.2 million, 47.2 percent more than in FY1992, when federal sources totaled \$13.7 million. Increased funding for certain programs and the addition of four new programs are the reasons for this gain.

The General Fund: How It Is Financed and What It Funds

The principal operating fund of the school system is the General Fund, which accounts for about 80 percent of spending. Most General Fund revenues are derived from local and state sources. General Fund expenditures represent instructional purposes, support services, and non-instructional purposes. Instructional expenses contain teacher-related costs, including special education teachers and physiologists. Costs for transportation and business activities comprise non-instructional costs.

More than half (52.1 percent) of General Fund revenue comes from the state MFP. These revenues totaled \$127.9 million in FY1997, an actual decrease from FY1992, when they totaled \$131.6 million. Although this source accounts for a major portion of the General Fund

Table 7
Jefferson Parish School Board
Total Expenditures by Function^a
Fiscal Years 1992-1997

Fiscal Year	Instruction	Support Service	Non-Instruction	Interest ^b	Capital Projects	Debt Service	Total
1992	\$ 161,076,774	\$65,783,000	\$ 276,891	\$ 309,835	\$ 2,321,022	\$ 28,884,642	\$ 258,652,164
1993	168,062,402	67,861,345	90,880	193,932	3,474,421	24,866,703	264,549,683
1994 ^c	166,647,301	82,099,917	2,825,569		7,587,858	25,589,267	284,749,912
1995	175,123,226	85,776,283	2,635,220		10,098,100	102,286,266 ^d	375,919,095
1996	175,752,934	88,532,760	2,730,536		11,082,715	24,126,768	302,225,713
1997	176,829,650	88,099,569	2,927,279		12,715,760	27,852,599	308,424,857

a) Includes General, Special Revenue, Debt Service, and Capital Projects Funds.

b) Includes the General Fund only.

c) In fiscal year 1994, the State Department of Education changed its mandated chart of accounts for reporting purposes.

d) Debt service in 1995 includes approximately \$70 million of debt retired during fiscal year 1996 on a refinancing originating in fiscal year 1992.

Source: Jefferson Parish Public School System Annual Financial Report 1997

revenues, it provides little or no support for inflationary growth in expenses, except for state-mandated pay raises.

Local sales taxes provide the other major component of General Fund revenues. In FY1997 local sales taxes generated 40.1 percent of General Fund revenues, or \$98.4 million. Local sales taxes generated only 25.8 percent of revenues in FY1992. The primary reason local sales taxes represented so much more in FY1997 is not an actual growth in sales but rather the ½ cent sales tax increase approved by the voters and effective in FY1992.

The remaining sources of General Fund revenues, which include property taxes, tuition, interest income, federal funds, and miscellaneous sources, totaled \$19.2 million in FY 1997, 7.8 percent of revenues.

Nearly 67 percent of the General Fund is spent for instructional purposes. In FY1997, General Fund expenditures totaled \$243.1

million. Of this amount, 66.7 percent, or \$162.2 million, was spent on instruction. Those figures reflect a lower spending ratio than in FY1992, when instructional expenses accounted for 68.5 percent of the \$214.9 million in expenditures.

The other big cost is support services. Support services accounted for 33.2 percent of expenditures in FY1997. Unlike instructional expenses, support services accounted for a bigger portion of expenses in FY1997 than in FY1992. In FY1992, support services accounted for 30.5 percent of all expenses. Support services include such personnel as assistant principals, social workers, and psychologists.

The General Fund carries over from year to year a balance frequently referred to as the “rainy day” fund balance. It is sound fiscal practice to keep such a balance, of at least five percent of an annual budget to help cover any unexpected deficits that could occur in any given year. The General Fund balance was at 6.3 percent of the annual budget in FY1997.

The FY1998 General Fund ending balance, however, will decrease to 3.9 percent of the annual budget if the accumulated fund balance is used to help balance the current year's operating budget.

How Other Funds Are Financed and Where the Money Is Spent

Revenues not deposited into the General Fund are accounted for in five other fund types. These include special revenue, debt service, capital project, enterprise, and agency funds. Expenses related to these five fund types are divided into three categories—instructional, support services, and non-instructional.

Special Revenue Funds

Special Revenue Funds are used to account for monies received from governmental agencies and are legally restricted for the use of specific programs. Money can also be transferred from the General Fund when these special funds are inadequate to finance the specific programs. In FY1997, there were fifteen Special Revenue Funds, each financing a different program, with monies totaling \$25 million. Expenses related to these programs totaled \$24.5 million.

The largest funded program is Title 1, which originated with the 1965 federal Elementary and Secondary Education Act. Funds from this act are allocated to programs for educationally disadvantaged children. In FY1997, the funding for this program totaled almost half of Special Fund revenues, \$12.2 million, as well as half of Special Fund expenditures. The cost to run this program totaled

\$12.2 million, of which 67.4 percent was spent on instructional purposes.

The Individuals with Disabilities Education Act, with revenues totaling just under \$3.1 million in FY1997, was the second largest special program. Funds are allocated to programs for children with disabilities. Costs for the program totaled just over \$3.1 million, with 51.7 percent going to instructional purposes and 45.8 percent to supporting services.

Three other large special programs include the Community Education Program, the Drug-Free Schools and the Communities Program. The Community Education Program is used to account for a wide variety of informal learning classes and activities for parish residents. The program is funded with tuition payments, with revenues totaling \$2.8 million in FY1997. The cost to run the program was slightly less, \$2.5 million.

The Drug Free Schools and Communities Program helps implement drug and alcohol abuse prevention and education programs. The program is financed primarily by federal sources, with revenues and expenses both totaling \$1.1 million in FY1997.

Miscellaneous state grant programs totaled \$2.3 million in FY1997, with \$1.9 million coming from state sources and the rest from tuition and other payments and federal receipts.

The remaining special program funds totaled \$3.5 million in FY1997. Funding for these programs ranged from \$27,000 for programs designed to meet the special educational or culturally-related academic needs of Native American children to \$996,000 for programs designed to assist adults in obtaining their high school equivalence diplomas.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt. This fund includes principal, interest, and other related costs. There are currently five Debt Service Funds. Revenues for these funds totaled \$26.2 million in FY1997. This is a 3.7 percent annual growth from FY1992 when revenues totaled \$21.9 million. However, expenditures for FY1997 exceeded debt service revenues by \$1.9 million. Money was transferred from the General Fund to cover this shortfall.

Capital Project Funds

Capital Projects Funds are used to account for the acquisition or construction of major capital facilities. There are two capital project funds maintained by the system, the Capital Fund and the Sales Tax Fund. These two funds are financed with sales tax monies. Revenues for these totaled \$10.7 million with expenditures of \$12.7 million in FY1997.

Construction costs were \$10.3 million in FY1997. The remaining expenditures for both these funds are related to architectural fees, equipment, and administrative expenses. (See the 1998 BGR publication *Contracting Professional Services by Five Parish School Boards.*)

Agency Funds

Agency funds are used to account for all the monies held by the school system in its capacity as an agent. Expenditures may be made only in accordance with the purpose for which assets are received. There are currently five agency funds: the School and Student Activities Fund, the School Pictures Fund, the Stadium Fund, the School System Event Fund, and the Deferred Compensation Fund.

Conclusion

The declining student population (a 3,287 student decline between FY91 and FY98), which in turn caused a net decline in state MFP contributions, and a slow growth in the parish tax base, leaves the Board with no choice but to confect a solution to the impending deficits.

Many short-term solutions have been presented to address this problem, from a medley of budget cuts to the renewal and rededication of a 4-mill property tax set to expire in 1999. Passage of the millage, as assumed in the current year's budget, would direct approximately \$3 million a year to the Capital Improvement Fund and a like amount split between technology and maintenance in the General Fund. The rededication and extension of this millage will not solve the underlying problems of declining state funds and inadequate local funds.

The two mills proposed for capital projects is not based on a prioritized assessment of construction needs. Without such as assessment, it is impossible to know whether the millage is a solution, a preventive measure, or just a "Band-Aid." The Board should adopt a five-year capital improvements plan which prioritizes expenditures and needs and schedules such improvements in line with available funding, as suggested by the external audit review recently completed by Deloitte and Touche.

The millage proposal also does not reflect adequate attention to the structure of the deficit facing Jefferson Parish School operations, the level of staffing, and funding at schools. From 1996 to 1998, expenses for salaries and benefits are expected to have grown \$25.5 million (12.8 percent), while sales tax revenues are expected to have increased \$4.5 million and the

Minimum Foundation Program fund, only \$6.4 million. This imbalance between revenues and expenses has created an operating deficit that will continue at least over the next three years. Directing over half of the rededicated millage to capital needs does not address the operating budget shortfall.

The Board should begin work on a comprehensive revenue plan. Sales taxes, property taxes, and the MFP money all have different advantages as revenue sources. For example, the property tax is a stable, predictable source of revenue, while sales tax receipts increase or decline with economic cycles. The Board should devise a long-range funding plan that will cover reasonable increases in future budgets and work to implement that plan.

Even if the millage is renewed and the Board adopts the proposed budget cuts, measures will have to be taken to alleviate the projected budget shortfalls beyond 1999. Further reducing the General Fund balance should not be a course of action in FY1999, since this course taken in FY1997 and FY1998, will reduce the reserve fund to an imprudent level.

Proposed cost cuts and the “rainy day fund” have bought the Board time to plan; the Board needs to take this opportunity to craft a comprehensive long-range revenue plan. The plan should include a five-year capital improvements schedule and staffing strategy. ↗



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Fast Facts about Jefferson Parish

Public School Data Jefferson and Selected Parishes 1996 - 1997

Parish	Student Enrollment	Average Daily Attendance	Per-Pupil Expenditure	State Funding	Average Funding Per-Pupil*	Teacher Salary
Jefferson	54,902	50,320	\$ 5,524	\$ 130,346,988	\$ 2,374	\$ 30,302
Orleans	84,084	74,211	4,930	207,846,219	2,472	34,032
St. Charles	10,166	9,560	7,669	21,669,794	2,132	34,827
St. Tammany	32,668	29,549	5,646	98,043,363	3,001	30,964
Louisiana	781,450	719,072	\$ 5,073			\$ 29,025

* Based on state funding revenues and student enrollment.

Full Time School Staff Jefferson and Selected Parishes 1995 - 1996

Parish	Administrators	School Administration	Classroom Teacher	Educational/ Technical	Clerical/ Support	Total Staff
Jefferson	49 0.66%	183 2.46%	3,444 46.35%	1,489 20.04%	2,265 30.48%	7,430
Orleans	87 0.99%	182 2.07%	4,592 52.22%	1,277 14.52%	2,655 30.19%	8,793
St. Charles	19 0.48%	99 2.52%	2,094 53.26%	712 18.11%	1,008 25.64%	3,932
St. Tammany	7 3.14%	7 3.14%	93 41.70%	37 16.59%	79 35.43%	223

Source: Louisiana Department of Education, Annual Financial and Statistical Report 1995-96.

For additional information regarding this report, please contact Valerie Vindici, Research Analyst, at (504) 525-4152 or via e-mail at research@bgr.org.

Quick View

- ❖ The number of public school students in Jefferson Parish has declined 3.2 percent, from 54,699 in 1996 to 52,947 in 1998.
- ❖ A 5% pay raise granted in August of 1997 to teachers and other employees, together with routine step increases, cost an estimated \$10.5 million.
- ❖ In 1997 sales tax revenues provided 40 percent of operating revenues, property tax 6 percent, state sources 42 percent, federal sources 7 percent, and other local sources the remaining 5 percent.
- ❖ For the fiscal year ending June 30, 1998 there will be an operating deficit of \$4.9 million.
- ❖ In fiscal years 1997 and 1998 the General Fund balance was used to finance budget deficits. This action has reduced the "rainy day" fund to \$10.3 million.
- ❖ In fiscal year 1999 the School Board is projecting a \$274,000 surplus. The figure assumes budget cuts of \$5.6 million and \$3 million in additional operating revenue from a proposed millage renewal.
- ❖ A renewal and rededication of 4 mills is on the July 18 ballot. Of the \$6 million generated, half would be dedicated to the Capital Fund and the other half to the General Fund for technology and for maintenance and improvement of existing public school buildings.
- ❖ If the millage is not renewed and no cuts are made, the School Board will face a \$8.9 million deficit for fiscal year 1999.