

July 31, 2010

DRAFT

School Operating Budget

Mr. Scott Newman  
Mr. Wayne Honeycutt

Dear Scott and Wayne:

Continuing, significant increases in the County school operating budget over the past few years are a major concern for the County's future finances. The school operating budget is by far and away the single largest expense for the County. It affects both the property tax rate and the funds we have available to carry out other County functions, such as public safety, roads, etc.

#### School Operating Expense Budget History

From 2003/04 to 2008/09 (the period for which audit is available), school operating expenses (Fund 141) have increased from \$26.9M to \$37.7M. This is an increase of \$10.8M or 40%. This works out to an average of over \$ 2.2M per year in each and every year, or an increase of 8.1% per year

During this same period of time, there was a significant increase in staff of 165 teachers and assistants. At the same time, there was only a small increase in student population

#### Property Tax History is of Even More Concern

Over the last 5 years (2005/06 to 2010/11), property tax dollars (including QZAB loan forgiveness) going to school operating expenses (Fund 141) have increased from \$5.5M to \$10.2M. This is an increase of \$4.7M or 85%. This works out to an average of over \$ 0.9M per year in each and every year, or an increase of 17% per year

\$0.9M per year is equivalent to an increase in property taxes of 8.3¢ in

each and every year. If these expenses continue at this rate, we will eventually have one of the highest property tax rates in the state.

I think all of us would agree that providing a quality education is one of the most important local governmental functions. To do this, we must insure that adequate resources are available to the school system. However, the historical trends discussed above certainly raise a red flag and a question as to whether the dollars are being spent most effectively. It is clearly the responsibility of the School Board to determine this. The County Commission has no role in developing the school budget. Rightfully so, this is the job of the School Board.

The Commission can only approve the total dollar budget, with some limitations. However, because the Commission is charged with providing funds to the schools, it has a fiduciary responsibility to all tax payers to be sure that tax dollars are being spent reasonably. Thus, the main challenge for the Commission is to form a judgment as to whether or not the total school budget level is reasonable. This is not easy to do.

To assist us in forming this judgment, we are requesting that you carry out a fairly detailed analysis of the significant cost increases in the operating expense budgets over the past 5-7 years. More specifically, we would like to have the following information:

- An explanation of the reasons for the cost increases and the dollars associated with these reasons
- An explanation of whether or not the increases are justified and why
- Are the programs/expenses associated with the increases still needed?
- What opportunities are there for cost savings?
- Your thoughts on what we can do to slow down this alarming trend

Thank you for your efforts and we look forward to working with you.

Don Miller  
For The County Commission