SECTION II
INTRODUCTION

LAFAYETTE PARISH SCHOOL SYSTEM

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Accounting ▸ Finance ▸ Payroll ▸ Budget ▸ Child Nutrition
Sales Tax ▸ Warehouse ▸ Accounts Payable ▸ Purchasing

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LAFAYETTE PARISH SCHOOL SYSTEM

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October 15, 2003

James H. Easton, Ed.D.
Superintendent
Lafayette Parish School Board
P.O. Drawer 2158
Lafayette, LA 70502

Dear Dr. Easton,

The proposed budget for FY 2003-2004 is presented in accordance with the applicable laws and regulations of the state of Louisiana. The budget for the General Fund and all other significant funds are presented in balance (or with an appropriate surplus) with revenues and resource levels equal to expenditures and other resource allocations.

There have been many challenges in developing the FY 2003-2004 budget. One of the more difficult challenges has been to cope with resource demands associated with our many operational needs.

Enrollment

The system's enrollment peaked in FY 1995-1996. At that time our official enrollment was 30,857 students. Since then our enrollment has been declining. Our original projected enrollment of February 2003 for FY 2003-2004 is 28,685 students. Our second week student count of September 2, 2003 was slightly better at 29,022 students but is still down significantly from prior years. Several factors probably contribute to the decline in enrollment:

1) Federal census information indicates that many families are leaving the state of Louisiana.
2) State Department of Education data states that non-public school enrollment has increased significantly in recent years.
3) Many students are participating in the at-home schooling program.
4) The birth rate is less now than in earlier years.

If the decline in enrollment continues, it will pose two serious problems for us. First, approximately half of our revenue is based upon student enrollment. That is, state MFP revenues can be expected to decline proportionately with student enrollment. Second, as fewer children are involved in public instruction, our connection to the community will be weakened.

Health Care

Our Group Insurance Fund accounts for the costs of health care for our staff, retirees, and their families. In recent years, the cost of the health care program has increased dramatically. The health care costs have increased 90% in the last nine years. These large annual increases, which are far in excess of the economy's inflation rate, will undermine compensation adjustments. These cost increases are largely due to inflation in the health care industry but also are due in part to higher utilization by plan participants. Eventually we will have to make serious adjustments in either the quality of our health care program or in the funding of the program. This issue is at crisis proportion, and it must be addressed soon.

The Group Insurance Fund will return $1.5 million to the General Fund to offset the FY 03-04 General Fund operating deficit. These funds were sent to the Group Insurance Fund by the General Fund in recent years.

Property Taxes

The system's property tax millage rates have declined steadily in recent years. Property values have increased each year due to rising values as well as new properties. The largest component of our property tax millage rates is due to be renewed in 2004 or 2005 prior to its expiration. This tax is approximately 50% of the total property taxes. It is possible that the periodic state-wide re-assessment of property values may occur that year. The last re-assessment had to be repeated in FY 2001-2002 because the state tax commission decided it was not properly conducted in FY 2000-2001. This resulted in sharply higher re-assessments. While this increased total property taxes due, it also resulted in higher delinquency collection rates due to many protests filed by taxpayers.

Debt Service

Debt service has been increasing in absolute terms but has decreased slightly on a relative basis. Consider the following information:

Fiscal Year	Total Debt Service	General Fund Revenues Available for Debt Service	Rates of Total Debt Service to General Fund Revenues Available
1992-1993	$ 8,461,935	$ 87,491,352	9.67%
2002-2003	$10,894,743	$137,708,184	7.92%

Annual debt service will be approximately $11,676,547 in FY 2003-2004. In recent years we have been financing busses, computers, portable buildings, and roof repairs. Financing such needs is not preferable. Many of such items should be addressed on a pay-as-you-go basis if our overall spending plan is properly balanced in terms of our operational needs and priorities.

Fund Balance

Our fund balance peaked in FY 1997-1998 with a balance of $22,727,711. Since then our fund balance has fallen most years because we have been experiencing annual operating deficits. We expect our fund balance to be about $17 million at the end of FY 2002-2003, as a result of a small surplus that year of approximately $700,000. Much of the fund balance is committed to accounting or operational reserves and designations. Only about $8 million is uncommitted or undesignated and available for emergency purposes.

The School Board has a policy which requires a fund balance of 8% of budgeted operating expenses. Therefore, the policy requires a free fund balance of approximately $12 million, but we only have $8 million available. In such cases the policy requires us to set aside $500,000 annually in order to comply with the policy. We have not been able to comply with this policy requirement.

Additionally, because of the lower fund balance we will have to borrow money for working capital. We expect to borrow $5 million in October 2003 which we will repay by April 2004 as we receive our property tax revenues.

Operating Shortfall

The General Fund is projected to have an operating shortfall of approximately $1.5 million which will be offset by a transfer from another fund and a loan. The operating shortfall is being held to its current level by restricting departmental requests for increases and by reducing departmental baseline budgets. Additionally, the 20% reduction in funding for schools is being continued in FY 2003-2004. Finally, new teachers are being funded by the 2002 Teacher Tax and the funding for 27 existing teachers is being changed from the General Fund to the 2002 Teacher Tax Fund. The lowering of the pupil-teacher ratio has caused pressure for additional portable classrooms as well as increases in utility and maintenance costs.

Subsidizing Grants

The Pre-K Grant is being subsidized by the General Fund. The Truman facilities, utilities, several staff and numerous bus routes are being paid for by the General Fund.

The K-12 Reading Grant has been reduced steadily in recent years. Both the General Fund and the Title I program has picked up staff of this program as the grant was reduced. Currently, the General Fund is carrying 8 reading facilitators at a cost of $372,145 and is expected to add another facilitator this year.

2002 Teacher Tax Fund

The 2002 Teacher Tax Fund is hiring 12 new staff, and 27 existing staff are being shifted from the General Fund to the 2002 Teacher Tax Fund.

With the commencement of FY 2003-2004, the 2002 Teacher Tax will be fully utilized. The 2002 Teacher Tax Fund is now providing the 11.3% raise as planned for 2,069 teachers. It is also fully funding 119 teaching/counseling positions. It will have a reserve of approximately $3.5 million. No additional staff can be funded from the 2002 Teacher Tax.

New Loan for Non-Recurring Items

Capital and Construction funds are minimal. We will have to borrow at least $1.7 million to provide 17 portable buildings and 5 busses. In recent years we have borrowed for portables, busses, roof repairs and a main frame computer. Such items were funded from current revenues several years ago. Our need for debt to operate is becoming essential.

Replacement textbook orders were about $900,000 in FY2002-2003. We expect the same level of replacement textbook orders in FY 2003-2004.

Requests for new adoption textbooks received in May, 2003 exceed the new adoption textbook budget by $1.1 million. In FY 2002-2003 we spent approximately $400,000 on new adoption textbooks. The Staff is requesting approximately $1.5 million for new adoption textbooks in FY 2003-2004. It will be necessary to obtain a bank loan to provide funds for such a large one-time textbook expenditure.

Staff Raises

It is important to clearly state our plans regarding a possible pay raise this year. We previously reported our plans to the School Board this year on July 17th, August 6th, and August 20th.

We were planning to give all staff a 2.5% pay raise this year. Before we were able to do so we received two directives from the State Department of Education in July 2003.

The first directive stated that we might receive as much as $4,000,000 less in MFP revenue than was projected earlier in the year. The reduction in projected MFP revenue was due to 1) a lower student membership, 2) a higher wealth factor under the MFP formula, and 3) lower local tax effort under the MFP formula. The state said the actual amount of MFP revenue would not be known until January or February of 2004.

The second directive stated that we should not pay out any raises to staff (particularly certificated staff) until our final, actual MFP revenue is known in January or February of 2004.

The raise that we were planning to give to staff this year was predicated on the belief that we would have a substantial increase in MFP revenue. However, as described above, it appears unlikely that we will have a large increase in MFP revenue. Therefore it is important that everyone know that we are not just delaying the 2.5% raise. We are waiting until January or February of 2004 to know what our MFP revenue will be. At that time we will decide on how much of a raise we can afford to give to staff because we will probably receive significantly less MFP revenue than we originally anticipated. As a result, it is highly likely that the raises will be significantly less than 2.5%.

Future Budget Issues

Several programmatic issues will require significant funding. Block scheduling was introduced at two high schools recently. As a result, the remaining high schools are pressing for block scheduling on their campuses also. Expanding block scheduling will have significant costs which will include staffing, portable buildings, and utility costs.

The School System is also contemplating a dramatic expansion of Schools of Choice. The many proposals in this area will also involve staffing, facilities, utility, and other costs.

Given the enrollment trend as well as the modest economic growth, it is difficult to fathom how we will incorporate the above issues as well as health care and staff salary concerns and maintain our present class size levels.

Acknowledgements

Development of the FY 2003-2004 budget document was a challenging task which required the collaboration of many staff members. Although we have very limited staff and resources available, we have fashioned a new budget document which should prove very informative to interested persons.

I would like to acknowledge my sincere appreciation to everyone in the school system for their assistance in completing this task. I would like to personally acknowledge and thank several key staff members. Without their tireless and determined efforts, this budget document would not be possible. They are:

Ronnie Bertrand	Brent Hebert	Stephen Woods	Casie Hebert
John Domingue	Stephanie Richard	Lisa Haydon	Lisa Russell
Matt Dugas	Jacqueline Snow	Melissa Green	Shaun Leger
Carol Gaines			

Additionally, I would like to thank my colleague Burnell Lemoine for his assistance and cooperation in gathering data and facilitating efforts at balancing and re-balancing the budget prior to its formal presentation.

Finally, I would like to thank the Superintendent and the members of the School Board for their leadership and support in the budget process.

Sincerely,

Jules A. Gaudin, MBA, CPA
Assistant Superintendent of Finance

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Lafayette Parish School Board

Principal Officials

School Board Members

(All Board Members are in Office for the Same Four-Year Term
January 1, 2003 through December 31, 2006)

John Earl Guidry, Vice President, District 1
Carl LaCombe, District 2
Rickey Hardy, District 3
Edward J. Sam, District 4
Michael Hefner, District 5
Beverly Wilson, District 6
David Thibodaux, President, District 7
Judy Cox, District 8
Kay Gibson, District 9

Administrative Officials

James H. Easton, Ed.D.
Superintendent and Board Secretary-Treasurer

Jules A. Gaudin, MBA, CPA
Assistant Superintendent of Finance

Burnell Lemoine
Assistant Superintendent of Instructional Services